

# STATE OF MINNESOTA

## Office of the State Auditor



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

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

**YEAR ENDED DECEMBER 31, 2017**

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

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

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

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

**Pension** - monitors investment, financial, and actuarial reporting for approximately 650 public pension funds; and

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

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

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

**Year Ended December 31, 2017**



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

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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GAYLORD, MINNESOTA**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

ORGANIZATION  
DECEMBER 31, 2017

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

\*Chair

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Sibley County  
Gaylord, Minnesota

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Sibley Estates of Sibley County, which represents the amounts shown as the business-type activities and the major proprietary fund. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Sibley Estates of Sibley County, is based solely on the report of the other auditors. In addition, we did not audit the financial statements of the South Country Health Alliance (SCHA) for the year ended December 31, 2017, in which Sibley County has an equity interest. The SCHA is a joint venture discussed in Note 5.C. to the financial statements. The County's investment in the SCHA, \$1,624,394, represents 1.6 percent and 2.0 percent, respectively, of the assets and net position of the governmental activities. The financial statements of the SCHA, which were prepared in accordance with financial reporting provisions permitted by the Minnesota Department of Health, were audited by other auditors, whose report

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

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

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

### ***Opinions***

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have



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

#### *Supplementary and Other Information*

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

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

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our reports dated September 17, 2018, on our consideration of Sibley County's and the Sibley County Library System component unit's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sibley County's and the Sibley County Library System component unit's internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sibley County's and the Sibley County Library System component unit's internal control over financial reporting and compliance. They do not include Sibley Estates of Sibley County or the SCHA joint venture, which were audited by other auditors.

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

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 17, 2018

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

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2017  
(Unaudited)**

The financial management of Sibley County offers the readers of Sibley County's financial statements this narrative overview and analysis of the financial activity of Sibley County for the year ended December 31, 2017. We encourage our readers to consider the information presented here in conjunction with additional information that we have provided in our notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

- Sibley County's governmental activities' total net position is \$80,239,567, of which \$61,277,621 is the net investment in capital assets, and \$10,738,265 is restricted to specific purposes.
- Business-type activities' total net position is \$840,051, of which \$506,479 is the net investment in capital assets.
- Governmental activities' total net position increased by \$2,561,829 in 2017. The net position of the County's business-type activities increased by \$133,715.
- At the close of 2017, the unassigned fund balance for the General Fund was \$3,089,577, or 36.5 percent, of the total General Fund expenditures. This amount will be available for 2018 budgeting purposes.
- The net cost of governmental activities in 2017 decreased by \$487,694 from the previous year, lowering the total to \$11,840,828. The net cost of governmental activities was funded by general revenues totaling \$14,402,657.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

## **Government-Wide Financial Statements**

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

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

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

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

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

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

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

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

### Government-Wide Financial Analysis

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

**Table I  
Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
<b>Assets</b>						
Current and other assets	\$ 38,653,703	\$ 30,248,782	\$ 393,569	\$ 361,713	\$ 39,047,272	\$ 30,610,495
Capital assets	62,831,174	60,480,848	506,479	363,284	63,337,653	60,844,132
<b>Total Assets</b>	<b>\$ 101,484,877</b>	<b>\$ 90,729,630</b>	<b>\$ 900,048</b>	<b>\$ 724,997</b>	<b>\$ 102,384,925</b>	<b>\$ 91,454,627</b>
<b>Deferred Outflows of Resources</b>						
	\$ 3,871,426	\$ 6,245,921	\$ -	\$ -	\$ 3,871,426	\$ 6,245,921
<b>Liabilities</b>						
Long-term liabilities	\$ 19,902,844	\$ 16,545,958	\$ -	\$ -	\$ 19,902,844	\$ 16,545,958
Other liabilities	2,025,420	1,472,444	59,997	18,661	2,085,417	1,491,105
<b>Total Liabilities</b>	<b>\$ 21,928,264</b>	<b>\$ 18,018,402</b>	<b>\$ 59,997</b>	<b>\$ 18,661</b>	<b>\$ 21,988,261</b>	<b>\$ 18,037,063</b>
<b>Deferred Inflows of Resources</b>						
	\$ 3,188,472	\$ 1,279,411	\$ -	\$ -	\$ 3,188,472	\$ 1,279,411
<b>Net Position</b>						
Net investment in capital assets	\$ 61,277,621	\$ 59,340,848	\$ 506,479	\$ 363,284	\$ 61,784,100	\$ 59,704,132
Restricted	10,738,265	5,785,817	312,063	-	11,050,328	5,785,817
Unrestricted	8,223,681	12,551,073	21,509	343,052	8,245,190	12,894,125
<b>Total Net Position</b>	<b>\$ 80,239,567</b>	<b>\$ 77,677,738</b>	<b>\$ 840,051</b>	<b>\$ 706,336</b>	<b>\$ 81,079,618</b>	<b>\$ 78,384,074</b>



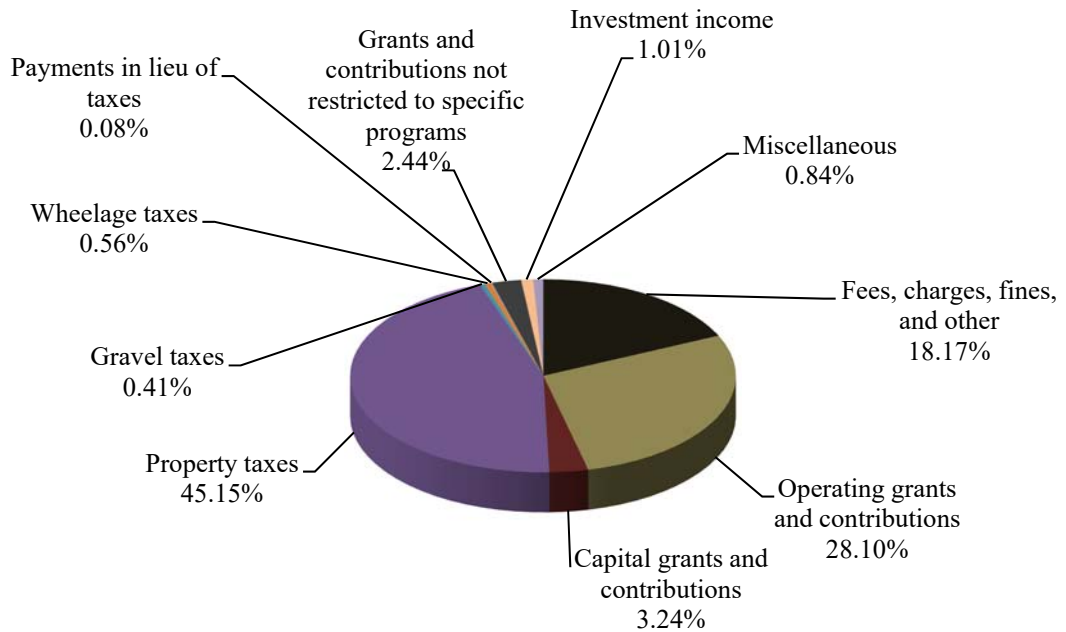
The net position of the County's governmental activities increased by 3.30 percent (\$2,561,829) from 2016 to 2017. Unrestricted net position--the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements--changed from \$12,551,073 at December 31, 2016, to \$8,223,681 at the end of this year. Net position of the business-type activities increased by 18.93 percent (\$133,715).

**Table II**  
**Change in Net Position**

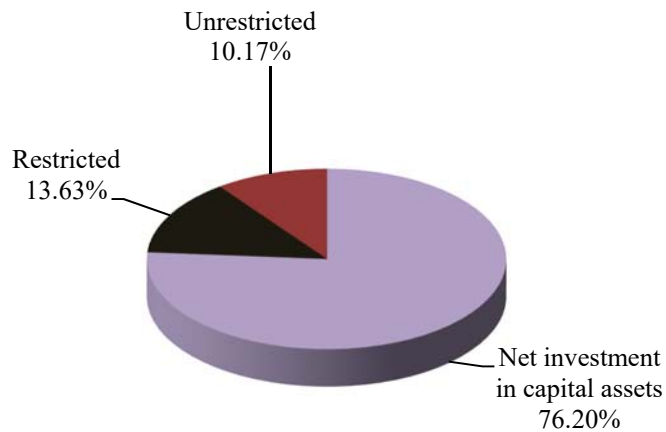
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program revenues						
Fees, charges, fines, and other	\$ 4,886,931	\$ 3,876,988	\$ 295,237	\$ 185,226	\$ 5,182,168	\$ 4,062,214
Operating grants and contributions	7,864,023	8,469,001	152,290	142,718	8,016,313	8,611,719
Capital grants and contributions	924,760	899,925	-	-	924,760	899,925
General revenues						
Property taxes	12,876,748	12,434,617	-	-	12,876,748	12,434,617
Gravel taxes	117,889	122,261	-	-	117,889	122,261
Wheelage taxes	160,157	160,334	-	-	160,157	160,334
Payments in lieu of tax	23,201	46,519	-	-	23,201	46,519
Grants and contributions not restricted to specific programs	696,778	652,794	-	-	696,778	652,794
Investment income	287,545	236,117	664	76	288,209	236,193
Miscellaneous and other	240,339	234,691	-	-	240,339	234,691
<b>Total Revenues</b>	<b>\$ 28,078,371</b>	<b>\$ 27,133,247</b>	<b>\$ 448,191</b>	<b>\$ 328,020</b>	<b>\$ 28,526,562</b>	<b>\$ 27,461,267</b>
<b>Expenses</b>						
General government	\$ 4,964,581	\$ 4,786,891	\$ -	\$ -	\$ 4,964,581	\$ 4,786,891
Public safety	3,104,985	3,455,477	-	-	3,104,985	3,455,477
Highways and streets	6,630,488	6,123,641	-	-	6,630,488	6,123,641
Sanitation	391,002	401,486	-	-	391,002	401,486
Human services	5,414,615	5,983,637	-	-	5,414,615	5,983,637
Health	1,054,811	1,115,050	-	-	1,054,811	1,115,050
Culture and recreation	381,970	381,153	-	-	381,970	381,153
Conservation of natural resources	3,272,279	3,136,225	-	-	3,272,279	3,136,225
Economic development	141,561	141,572	-	-	141,561	141,572
Interest	160,250	49,304	-	-	160,250	49,304
Sibley Estates	-	-	314,476	300,270	314,476	300,270
<b>Total Expenses</b>	<b>\$ 25,516,542</b>	<b>\$ 25,574,436</b>	<b>\$ 314,476</b>	<b>\$ 300,270</b>	<b>\$ 25,831,018</b>	<b>\$ 25,874,706</b>
<b>Changes in Net Position</b>	<b>\$ 2,561,829</b>	<b>\$ 1,558,811</b>	<b>\$ 133,715</b>	<b>\$ 27,750</b>	<b>\$ 2,695,544</b>	<b>\$ 1,586,561</b>
Net Position - January 1	77,677,738	76,118,927	706,336	678,586	78,384,074	76,797,513
Net Position - December 31	\$ 80,239,567	\$ 77,677,738	\$ 840,051	\$ 706,336	\$ 81,079,618	\$ 78,384,074

The County's expenses for governmental activities decreased \$57,894 from 2016. The following pie charts represent the 2017 revenues by revenue source and net position.

**2017 Total Revenues by Source**



**2017 Total Net Position**



## GOVERNMENTAL ACTIVITIES

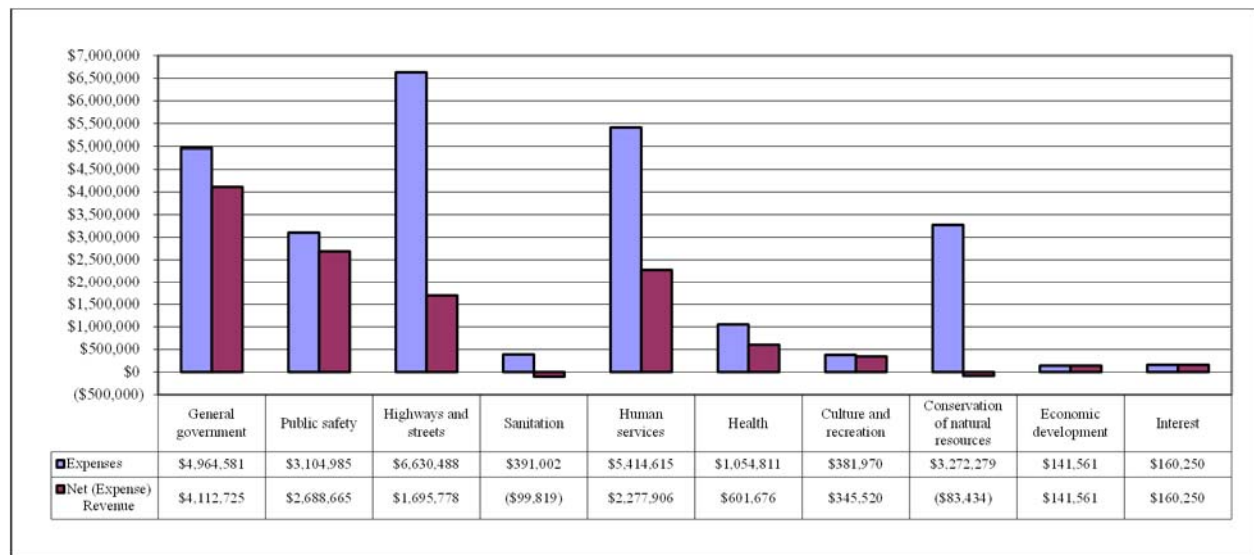
As shown in the Statement of Activities (Exhibit 2), the amount that taxpayers ultimately financed for these activities through County taxes and non-program revenues was \$11,840,828 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with operating or capital grants and contributions.

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

**Table III  
Governmental Activities**

	Total Cost of Services		Net Cost (Revenue) of Services	
	2017	2016	2017	2016
Expenses				
General government	\$ 4,964,581	\$ 4,786,891	\$ 4,112,725	\$ 4,008,683
Public safety	3,104,985	3,455,477	2,688,665	2,894,047
Highways and streets	6,630,488	6,123,641	1,695,778	1,167,199
Sanitation	391,002	401,486	(99,819)	44,802
Human services	5,414,615	5,983,637	2,277,906	2,881,656
Health	1,054,811	1,115,050	601,676	484,490
Culture and recreation	381,970	381,153	345,520	329,500
Conservation of natural resources	3,272,279	3,136,225	(83,434)	327,269
Economic development	141,561	141,572	141,561	141,572
Interest	160,250	49,304	160,250	49,304
Total Expenses	\$ 25,516,542	\$ 25,574,436	\$ 11,840,828	\$ 12,328,522

### 2017 Program Cost and Program Revenues



## THE COUNTY'S FUNDS

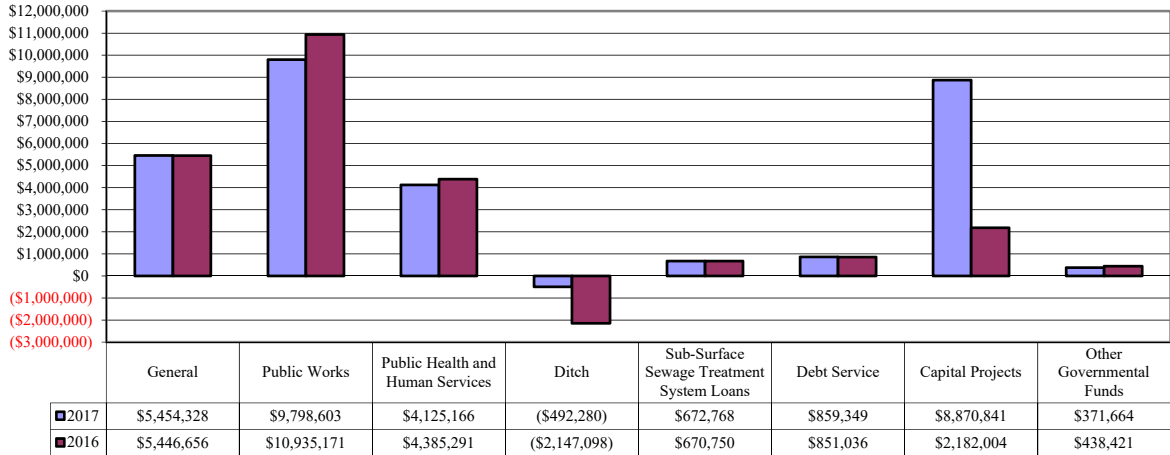
The focus of Sibley County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing Sibley County's financing requirements. In particular, unrestricted balances may serve as a useful measure of a government's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

As of the end of the current fiscal year, Sibley County's governmental funds reported a combined ending fund balance of \$29,660,439. This is an increase of \$6,898,208 in comparison to the prior fiscal year. Of the \$29,660,439 total fund balances, \$18,416,810 constitutes unrestricted fund balances, which are available for spending at the government's discretion or represents deficit balances in the Ditch and Water Projects Special Revenue Funds.

The General Fund is the chief operating fund for Sibley County. At the end of the fiscal year, unrestricted fund balance of the General Fund was \$3,530,186 (or 64.7 percent of the total General Fund's fund balance). As a measure of the General Fund's liquidity, it may be useful to compare the assigned and unassigned (unrestricted) fund balance to total expenditures. The unrestricted fund balance represents 41.7 percent of total General Fund expenditures. In 2017, the fund balance amount in the General Fund increased \$7,672.

The Public Works Special Revenue Fund had a total fund balance of \$9,798,603 at the end of 2017. This is a decrease of \$1,136,568. This decrease is attributed to a significant transfer to the Capital Projects Fund. The Public Health and Human Services Special Revenue Fund had a total fund balance of \$4,125,166 at the end of the current fiscal year. This is a decrease of \$260,125 that is also attributed to a transfer to the Capital Projects Fund. The Ditch Special Revenue Fund had a negative fund balance of \$492,280, which is an increase of \$1,654,818 from the prior year. Bonds were issued that covered ditch projects for County Ditch 29, County Ditch 39, Joint Ditch 18 Sibley-McLeod and Joint Ditch 32 Sibley-McLeod. The Sub-Surface Sewage Treatment System Loans Special Revenue Fund had an increase of fund balance of \$2,018 with an ending balance of \$672,768. The Debt Service Fund had a total fund balance of \$859,349 at the end of 2017. This is an increase of \$8,313. The Capital Projects Fund which had been dormant for many years leading up to 2016, ended 2017 with a fund balance of \$8,870,841. Transfers were made from the General Fund and the Public Works and Public Health and Human Services Special Revenue Funds into the Capital Projects Fund. This resulted in an increase in fund balance of \$6,688,837 from the prior year.

### Governmental Funds - Fund Balance



### GENERAL FUND BUDGETARY HIGHLIGHTS

No budget amendments were made for 2017. The actual revenues were \$288,765 more than the budgeted revenues and actual expenditures were greater than expected by \$177,757. Actual revenue exceeded budgeted revenue due to unbudgeted intergovernmental revenue. Actual expenditures exceeded budgeted expenditures due mostly to unbudgeted other general government activity.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

#### Capital Assets

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

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

	2017	2016
Governmental Activities		
Land	\$ 1,726,309	\$ 1,724,931
Construction in progress	1,820,379	374,223
Infrastructure	52,218,323	51,070,036
Buildings	4,569,005	4,728,385
Machinery, furniture, and equipment	2,485,183	2,569,984
Improvements other than buildings	11,975	13,289
<b>Total</b>	<b>\$ 62,831,174</b>	<b>\$ 60,480,848</b>

	<u>2017</u>	<u>2016</u>
Business-Type Activities		
Land	\$ 23,500	\$ 23,500
Improvements other than buildings	6,846	9,269
Buildings and improvements	452,133	308,024
Machinery, furniture, and equipment	<u>24,000</u>	<u>22,491</u>
Total	<u>\$ 506,479</u>	<u>\$ 363,284</u>

The County's investment in capital assets for its governmental activities as of December 31, 2017, was \$62,831,174 (net of accumulated depreciation). This investment in capital assets includes a broad range of capital assets including, but not limited to, land, buildings, highways and streets, furniture, and equipment. The County's investment in capital assets for its governmental activities increased by 3.9 percent, or \$2,350,326.

The County's investment in capital assets for its business-type activities increased by \$143,195 in the current year.

### Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of \$8,241,320, versus \$1,551,650 last year—an increase of \$6,689,670, or 431.1 percent--as shown in Table V. The increase is due to a general obligation bond being issued in the amount of \$5,085,000 to fund the Sibley County Courthouse remodel project. In addition, as mentioned earlier, general obligation special assessment bonds were issued for projects on County Ditch 29, County Ditch 39, Joint Ditch 18 Sibley-McLeod and Joint Ditch 32 Sibley-McLeod totaling \$1,910,000.

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

	<u>2017</u>	<u>2016</u>
General obligation bonds	\$ 6,000,000	\$ 1,140,000
General obligation special assessment bonds	2,210,000	370,000
General obligation revenue notes	<u>31,320</u>	<u>41,650</u>
Total	<u>\$ 8,241,320</u>	<u>\$ 1,551,650</u>

The County maintains a general obligation bond rating of "Aa3". This rating is assigned by national rating agencies. The state limits the amount of net debt counties can issue to three percent of the total taxable market value of all property. In 2017, the taxable market value was \$3,162,367,600 and, in 2016, the amount was \$3,373,909,400. The County's outstanding net debt of \$8,241,320 is significantly below the state-imposed limit of \$94,871,028.

The County does not purchase commercial insurance for employee health coverage and has claims and judgments of \$237,037 outstanding at year-end, compared with \$165,178 last year.

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

The County's elected and appointed officials considered many factors when setting the fiscal year 2018 budget and the tax rates and fees that will be charged for government services.

- State aid from the State of Minnesota has been reduced dramatically over the past several years. However, the 2017 legislative session made changes to the calculation of County Program Aid in order to effectively equalize the aid. Total county program aid for 2018 (\$557,273) is up 108.18 percent compared to 2017 (\$267,685).
- For fiscal year 2018, Sibley County's total taxable market value is \$3,003,536,400. This is a decrease of \$158,831,200, or 5 percent, over the 2017 total taxable market value of \$3,162,367,600. This decrease is a result of the County Sales Ratio Study conducted by the Sibley County Assessor's Office. These studies are used to update market values on a yearly basis and are based on actual land transactions in the County from year to year.
- The unemployment rate for Sibley County as of June 2018 is 3.2 percent. Sibley County's unemployment rate is slightly higher than the state unemployment rate of 3.1 percent which is a contrast to last year when Sibley County's unemployment rate was 0.3 percentage points lower than the state average.
- On December 26, 2017, the Sibley County Board of Commissioners approved the 2018 budget for \$27,085,560. The 2018 total levy is \$14,227,236, and the total net tax levy was \$13,669,964 (reduced by County Program Aid). This was an increase from the 2016 total net tax levy of \$13,207,501. The 2018 budget includes a 3.5 percent overall property tax increase.

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

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

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

	<u>Primary Government</u>			<u>Sibley County Library System Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 24,703,394	\$ 46,264	\$ 24,749,658	\$ 122,957
Cash and pooled investments - restricted	-	312,063	312,063	-
Petty cash and change funds	6,175	300	6,475	20
Cash with fiscal agent	72,375	-	72,375	-
Investments	4,599,070	-	4,599,070	-
Taxes receivable - delinquent	179,551	-	179,551	-
Special assessments receivable - delinquent	75,240	-	75,240	-
Special assessments receivable - noncurrent	3,754,512	-	3,754,512	-
Accounts receivable	64,438	34,492	98,930	2,015
Accrued interest receivable	99,751	-	99,751	-
Due from other governments	2,089,581	-	2,089,581	106,425
Loans receivable	132,524	-	132,524	-
Inventories	1,076,520	-	1,076,520	-
Prepaid items	176,178	450	176,628	213
Investment in joint venture	1,624,394	-	1,624,394	-
Capital assets				
Non-depreciable	3,546,688	23,500	3,570,188	-
Depreciable - net of accumulated depreciation	59,284,486	482,979	59,767,465	-
<b>Total Assets</b>	<b>\$ 101,484,877</b>	<b>\$ 900,048</b>	<b>\$ 102,384,925</b>	<b>\$ 231,630</b>
<b><u>Deferred Outflows of Resources</u></b>				
Deferred pension outflows	<b>\$ 3,871,426</b>	<b>\$ -</b>	<b>\$ 3,871,426</b>	<b>\$ 83,494</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

	<u>Primary Government</u>			<u>Sibley County Library System Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<b><u>Liabilities</u></b>				
<b>Current liabilities</b>				
Accounts payable	\$ 837,715	\$ 44,681	\$ 882,396	\$ 15,581
Salaries payable	334,373	-	334,373	9,515
Contracts payable	3,401	-	3,401	-
Due to other governments	520,770	336	521,106	16,333
Accrued interest payable	6,326	754	7,080	-
Unearned revenue	85,798	-	85,798	-
Claims payable	237,037	-	237,037	-
Security deposits payable	-	14,226	14,226	-
Compensated absences payable - current	309,426	-	309,426	9,283
General obligation bonds payable - current	225,000	-	225,000	-
General obligation special assessment bonds payable - current	50,000	-	50,000	-
General obligation revenue notes payable - current	10,330	-	10,330	-
MnPCA loans payable - current	139,085	-	139,085	-
AgBMP loans payable - current	107,298	-	107,298	-
<b>Noncurrent liabilities</b>				
Compensated absences payable	836,598	-	836,598	25,097
General obligation bonds payable - net	5,891,056	-	5,891,056	-
General obligation special assessment bonds payable - net	2,204,451	-	2,204,451	-
General obligation revenue notes payable	20,990	-	20,990	-
MnPCA loans payable	417,520	-	417,520	-
AgBMP loans payable	874,691	-	874,691	-
Net pension liability	8,375,621	-	8,375,621	204,286
Net other postemployment benefits obligation	440,778	-	440,778	-
<b>Total Liabilities</b>	<b>\$ 21,928,264</b>	<b>\$ 59,997</b>	<b>\$ 21,988,261</b>	<b>\$ 280,095</b>
<b><u>Deferred Inflows of Resources</u></b>				
Deferred pension inflows	<b>\$ 3,188,472</b>	<b>\$ -</b>	<b>\$ 3,188,472</b>	<b>\$ 33,889</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

	<b>Primary Government</b>			<b>Sibley County Library System Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b><u>Net Position</u></b>				
Net investment in capital assets	\$ 61,277,621	\$ 506,479	\$ 61,784,100	\$ -
Restricted for				
General government	441,208	-	441,208	-
Public safety	991,672	-	991,672	-
Highways and streets	1,810,248	-	1,810,248	-
Sanitation	164,138	-	164,138	-
Culture and recreation	36,785	-	36,785	-
Conservation of natural resources	1,464,669	-	1,464,669	-
Economic development	273,875	-	273,875	-
Housing and redevelopment	-	312,063	312,063	-
Capital projects	4,565,904	-	4,565,904	-
Debt service	859,349	-	859,349	-
Permanent fund principal - nonexpendable	130,417	-	130,417	-
Unrestricted	8,223,681	21,509	8,245,190	1,140
<b>Total Net Position</b>	<b>\$ 80,239,567</b>	<b>\$ 840,051</b>	<b>\$ 81,079,618</b>	<b>\$ 1,140</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Expenses	Fees, Charges, Fines, and Other	Program Revenues Operating Grants and Contributions
<b><u>Functions/Programs</u></b>			
<b>Primary government</b>			
<b>Governmental activities</b>			
General government	\$ 4,964,581	\$ 739,777	\$ 112,079
Public safety	3,104,985	163,534	252,786
Highways and streets	6,630,488	100,726	3,909,224
Sanitation	391,002	387,264	103,557
Human services	5,414,615	371,189	2,765,520
Health	1,054,811	130,669	322,466
Culture and recreation	381,970	-	36,450
Conservation of natural resources	3,272,279	2,993,772	361,941
Economic development	141,561	-	-
Interest	160,250	-	-
<b>Total governmental activities</b>	<b>\$ 25,516,542</b>	<b>\$ 4,886,931</b>	<b>\$ 7,864,023</b>
<b>Business-type activities</b>			
Sibley Estates	314,476	295,237	152,290
<b>Total Primary Government</b>	<b>\$ 25,831,018</b>	<b>\$ 5,182,168</b>	<b>\$ 8,016,313</b>
<b>Component Unit</b>			
Sibley County Library System	\$ 515,574	\$ 114,630	\$ 349,411

**General Revenues**

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

**Total general revenues**

**Change in net position**

**Net Position - January 1**

**Net Position - December 31**



**EXHIBIT 2**

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>			<u>Sibley County Library System Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
\$ -	\$ (4,112,725)	\$ -	\$ (4,112,725)	
-	(2,688,665)	-	(2,688,665)	
924,760	(1,695,778)	-	(1,695,778)	
-	99,819	-	99,819	
-	(2,277,906)	-	(2,277,906)	
-	(601,676)	-	(601,676)	
-	(345,520)	-	(345,520)	
-	83,434	-	83,434	
-	(141,561)	-	(141,561)	
-	(160,250)	-	(160,250)	
<b>\$ 924,760</b>	<b>\$ (11,840,828)</b>	<b>\$ -</b>	<b>\$ (11,840,828)</b>	
-	-	133,051	133,051	
<b>\$ 924,760</b>	<b>\$ (11,840,828)</b>	<b>\$ 133,051</b>	<b>\$ (11,707,777)</b>	
<b>\$ -</b>				<b>\$ (51,533)</b>
	\$ 12,876,748	\$ -	\$ 12,876,748	\$ -
	117,889	-	117,889	-
	160,157	-	160,157	-
	23,201	-	23,201	-
	696,778	-	696,778	-
	287,545	664	288,209	-
	240,339	-	240,339	-
	<b>\$ 14,402,657</b>	<b>\$ 664</b>	<b>\$ 14,403,321</b>	<b>\$ -</b>
	\$ 2,561,829	\$ 133,715	\$ 2,695,544	\$ (51,533)
	<u>77,677,738</u>	<u>706,336</u>	<u>78,384,074</u>	<u>52,673</u>
	<b>\$ 80,239,567</b>	<b>\$ 840,051</b>	<b>\$ 81,079,618</b>	<b>\$ 1,140</b>

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## **FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

	<u>General</u>	<u>Public Works</u>	<u>Public Health and Human Services</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 4,401,744	\$ 10,929,349	\$ 4,411,357
Petty cash and change funds	5,925	-	250
Cash with fiscal agent	72,375	-	-
Investments	-	-	-
Taxes receivable			
Delinquent	79,546	55,261	41,111
Special assessments receivable			
Delinquent	6,070	-	-
Noncurrent	-	-	-
Accounts receivable	15,382	17,443	31,613
Accrued interest receivable	99,751	-	-
Due from other funds	1,419,944	1,526	5,420
Due from other governments	44,294	1,151,592	527,662
Loans receivable	-	-	-
Inventories	-	1,076,520	-
Prepaid items	176,062	116	-
	<u>176,062</u>	<u>116</u>	<u>-</u>
<b>Total Assets</b>	<b><u><u>\$ 6,321,093</u></u></b>	<b><u><u>\$ 13,231,807</u></u></b>	<b><u><u>\$ 5,017,413</u></u></b>

**EXHIBIT 3**

<u>Ditch</u>	<u>Sub-Surface Sewage Treatment System Loans</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,194,009	\$ 647,768	\$ 859,784	\$ 1,979,158	\$ 280,225	\$ 24,703,394
-	-	-	-	-	6,175
-	-	-	-	-	72,375
-	25,000	-	4,574,070	-	4,599,070
-	-	3,633	-	-	179,551
55,931	13,239	-	-	-	75,240
2,682,186	1,072,326	-	-	-	3,754,512
-	-	-	-	-	64,438
-	-	-	-	-	99,751
-	-	-	2,591,374	-	4,018,264
329,369	-	-	-	36,664	2,089,581
-	-	-	-	132,524	132,524
-	-	-	-	-	1,076,520
-	-	-	-	-	176,178
<u>\$ 4,261,495</u>	<u>\$ 1,758,333</u>	<u>\$ 863,417</u>	<u>\$ 9,144,602</u>	<u>\$ 449,413</u>	<u>\$ 41,047,573</u>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

	<b>General</b>	<b>Public Works</b>	<b>Public Health and Human Services</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 134,616	\$ 47,456	\$ 130,732
Salaries payable	151,009	55,452	127,912
Contracts payable	-	3,401	-
Due to other funds	80,273	2,109,880	410,776
Due to other governments	50,406	62,169	58,678
Unearned revenue	85,798	-	-
Claims payable	237,037	-	-
	<b>\$ 739,139</b>	<b>\$ 2,278,358</b>	<b>\$ 728,098</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	\$ 127,626	\$ 1,154,846	\$ 164,149
<b>Fund Balances (Note 3.E.)</b>			
Nonspendable	\$ 176,062	\$ 1,076,636	\$ -
Restricted	1,748,080	762,857	-
Committed	440,609	-	-
Assigned	-	7,959,110	4,125,166
Unassigned	3,089,577	-	-
	<b>\$ 5,454,328</b>	<b>\$ 9,798,603</b>	<b>\$ 4,125,166</b>
	<b>\$ 6,321,093</b>	<b>\$ 13,231,807</b>	<b>\$ 5,017,413</b>



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

<u>Ditch</u>	<u>Sub-Surface Sewage Treatment System Loans</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 227,389	\$ -	\$ 435	\$ 273,761	\$ 23,326	\$ 837,715
-	-	-	-	-	334,373
-	-	-	-	-	3,401
1,417,335	-	-	-	-	4,018,264
330,687	-	-	-	18,830	520,770
-	-	-	-	-	85,798
-	-	-	-	-	237,037
<u>\$ 1,975,411</u>	<u>\$ -</u>	<u>\$ 435</u>	<u>\$ 273,761</u>	<u>\$ 42,156</u>	<u>\$ 6,037,358</u>
<u>\$ 2,778,364</u>	<u>\$ 1,085,565</u>	<u>\$ 3,633</u>	<u>\$ -</u>	<u>\$ 35,593</u>	<u>\$ 5,349,776</u>
\$ -	\$ 25,000	\$ -	\$ -	\$ 130,417	\$ 1,408,115
970,063	647,768	859,349	4,565,904	281,493	9,835,514
-	-	-	4,304,937	-	4,745,546
-	-	-	-	-	12,084,276
(1,462,343)	-	-	-	(40,246)	1,586,988
<u>\$ (492,280)</u>	<u>\$ 672,768</u>	<u>\$ 859,349</u>	<u>\$ 8,870,841</u>	<u>\$ 371,664</u>	<u>\$ 29,660,439</u>
<u>\$ 4,261,495</u>	<u>\$ 1,758,333</u>	<u>\$ 863,417</u>	<u>\$ 9,144,602</u>	<u>\$ 449,413</u>	<u>\$ 41,047,573</u>

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2017**

<b>Fund balance - total governmental funds (Exhibit 3)</b>		<b>\$ 29,660,439</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		62,831,174
Investments in joint ventures are reported in governmental activities and are not financial resources and, therefore, are not reported in the governmental funds.		1,624,394
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		5,349,776
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.		
Deferred outflows related to pensions	\$ 3,871,426	
Deferred inflows related to pensions	<u>(3,188,472)</u>	682,954
Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable.		(6,326)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds payable	\$ (8,370,507)	
Revenue notes payable	(31,320)	
MnPCA loans payable	(556,605)	
AgBMP loans payable	(981,989)	
Compensated absences	(1,146,024)	
Net pension liability	(8,375,621)	
Net other postemployment benefits obligation	<u>(440,778)</u>	<u>(19,902,844)</u>
<b>Net Position of Governmental Activities (Exhibit 1)</b>		<b><u><u>\$ 80,239,567</u></u></b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Public Works</u>	<u>Public Health and Human Services</u>
<b>Revenues</b>			
Taxes	\$ 5,797,109	\$ 3,996,463	\$ 3,099,481
Special assessments	133,764	-	-
Licenses and permits	51,496	-	-
Intergovernmental	1,146,770	4,958,429	3,064,182
Charges for services	780,496	80,992	367,795
Fines and forfeits	12,396	-	-
Gifts and contributions	3,779	-	-
Investment earnings	253,422	-	-
Miscellaneous	373,464	63,974	134,063
<b>Total Revenues</b>	<b>\$ 8,552,696</b>	<b>\$ 9,099,858</b>	<b>\$ 6,665,521</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 4,517,273	\$ -	\$ -
Public safety	2,601,272	-	-
Highways and streets	-	7,976,787	-
Sanitation	225,549	-	-
Human services	-	-	5,548,108
Health	-	-	969,371
Culture and recreation	376,942	-	-
Conservation of natural resources	528,815	-	-
Economic development	140,867	-	-
<b>Capital outlay</b>	80,970	67,371	-
<b>Intergovernmental</b>	-	322,874	-
<b>Debt service</b>			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Administrative charges	-	-	-
<b>Total Expenditures</b>	<b>\$ 8,471,688</b>	<b>\$ 8,367,032</b>	<b>\$ 6,517,479</b>

**EXHIBIT 5**

<u>Ditch</u>	<u>Sub-Surface Sewage Treatment System Loans</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 238,652	\$ -	\$ -	\$ 13,131,705
2,374,362	315,006	-	-	-	2,823,132
-	-	-	-	-	51,496
50,000	-	6,241	-	112,839	9,338,461
-	-	-	-	-	1,229,283
-	-	-	-	-	12,396
-	-	-	-	-	3,779
-	-	-	15,946	4,271	273,639
41	-	-	-	-	571,542
<b>\$ 2,424,403</b>	<b>\$ 315,006</b>	<b>\$ 244,893</b>	<b>\$ 15,946</b>	<b>\$ 117,110</b>	<b>\$ 27,435,433</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,517,273
-	-	-	-	-	2,601,272
-	-	-	-	-	7,976,787
-	161,384	-	-	-	386,933
-	-	-	-	-	5,548,108
-	-	-	-	-	969,371
-	-	-	-	-	376,942
2,604,820	-	-	-	183,867	3,317,502
-	-	-	-	-	140,867
-	-	-	1,032,887	-	1,181,228
-	-	-	-	-	322,874
70,000	347,930	225,000	-	-	642,930
16,173	13,825	10,650	-	-	40,648
32,548	-	-	86,652	-	119,200
495	-	930	-	-	1,425
<b>\$ 2,724,036</b>	<b>\$ 523,139</b>	<b>\$ 236,580</b>	<b>\$ 1,119,539</b>	<b>\$ 183,867</b>	<b>\$ 28,143,360</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Public Works</u>	<u>Public Health and Human Services</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 81,008</b>	<b>\$ 732,826</b>	<b>\$ 148,042</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ -	\$ -	\$ -
Transfers out	(73,336)	(2,109,871)	(408,167)
General obligation bonds issued	-	-	-
Premium on bonds issued	-	-	-
Loans issued	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (73,336)</b>	<b>\$ (2,109,871)</b>	<b>\$ (408,167)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 7,672</b>	<b>\$ (1,377,045)</b>	<b>\$ (260,125)</b>
<b>Fund Balance - January 1</b>	<b>5,446,656</b>	<b>10,935,171</b>	<b>4,385,291</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>240,477</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,454,328</b>	<b>\$ 9,798,603</b>	<b>\$ 4,125,166</b>

**EXHIBIT 5**  
**(Continued)**

<u>Ditch</u>	<u>Sub-Surface Sewage Treatment System Loans</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ (299,633)	\$ (208,133)	\$ 8,313	\$ (1,103,593)	\$ (66,757)	\$ (707,927)
\$ -	\$ -	\$ -	\$ 2,591,374	\$ -	\$ 2,591,374
-	-	-	-	-	(2,591,374)
1,910,000	-	-	5,085,000	-	6,995,000
44,451	-	-	116,056	-	160,507
-	210,151	-	-	-	210,151
<u>\$ 1,954,451</u>	<u>\$ 210,151</u>	<u>\$ -</u>	<u>\$ 7,792,430</u>	<u>\$ -</u>	<u>\$ 7,365,658</u>
\$ 1,654,818	\$ 2,018	\$ 8,313	\$ 6,688,837	\$ (66,757)	\$ 6,657,731
(2,147,098)	670,750	851,036	2,182,004	438,421	22,762,231
-	-	-	-	-	240,477
<u>\$ (492,280)</u>	<u>\$ 672,768</u>	<u>\$ 859,349</u>	<u>\$ 8,870,841</u>	<u>\$ 371,664</u>	<u>\$ 29,660,439</u>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**Net change in fund balance - total governmental funds (Exhibit 5) \$ 6,657,731**

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

In the funds, distributions of joint venture equity interest are reported as revenue. In the statement of net position, an asset is reported for the equity interest, and distributions, increases, and decreases in joint venture equity are reported in the statement of activities. The adjustment is the increase or decrease in equity in the joint venture. 319,473

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

Unavailable revenue - December 31	\$ 5,349,776	
Unavailable revenue - January 1	<u>(4,716,535)</u>	633,241

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

Expenditures for general capital assets	\$ 5,335,533	
Current year depreciation	(2,980,207)	
Net book value of assets sold or disposed	<u>(5,000)</u>	2,350,326

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position.

Proceeds of new debt		
General obligation bonds	\$ (6,995,000)	
Premium on bonds	(160,507)	
AgBMP loans payable	(210,151)	
Repayment of debt principal	<u>642,930</u>	(6,722,728)



**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT 6  
(Continued)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

Change in inventories	\$ 240,477	
Change in deferred pension outflows	(2,374,495)	
Change in accrued interest	1,023	
Change in compensated absences	(57,663)	
Change in net pension liability	3,474,875	
Change in net other postemployment benefits obligation	(51,370)	
Change in deferred pension inflows	<u>(1,909,061)</u>	<u>(676,214)</u>
<b>Change in Net Position of Governmental Activities (Exhibit 2)</b>		<b><u><u>\$ 2,561,829</u></u></b>

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**PROPRIETARY FUND**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT 7**

**STATEMENT OF FUND NET POSITION  
SIBLEY ESTATES ENTERPRISE FUND  
DECEMBER 31, 2017**

**Assets**

**Current assets**

Cash and pooled investments	\$ 46,264
Cash and pooled investments - restricted	312,063
Petty cash and change funds	300
Accounts receivable	34,492
Prepaid items	450

**Total current assets** **\$ 393,569**

**Noncurrent assets**

Capital assets	
Non-depreciable	\$ 23,500
Depreciable - net of accumulated depreciation	482,979

**Total noncurrent assets** **\$ 506,479**

**Total Assets** **\$ 900,048**

**Liabilities**

**Current liabilities**

Accounts payable	\$ 44,681
Due to other governments	336
Accrued interest payable	754
Security deposits payable	14,226

**Total Liabilities** **\$ 59,997**

**Net Position**

Net investment in capital assets	\$ 506,479
Restricted for housing and redevelopment	312,063
Unrestricted	21,509

**Total Net Position** **\$ 840,051**

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT 8**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
SIBLEY ESTATES ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>Operating Revenues</b>	
Rents	\$ 167,167
Intergovernmental - federal	152,290
Miscellaneous	8,101
	<hr/>
<b>Total Operating Revenues</b>	<b>\$ 327,558</b>
<b>Operating Expenses</b>	
Personal services	\$ 50
Professional services	76,416
Telephone	3,941
Utilities	52,715
Taxes and licenses	2,150
Marketing costs	2,637
Insurance	7,788
Repairs and maintenance	88,716
Independent public accountant costs	7,200
Miscellaneous	15,144
Depreciation and amortization	57,310
	<hr/>
<b>Total Operating Expenses</b>	<b>\$ 314,067</b>
<b>Operating Income (Loss)</b>	<b>\$ 13,491</b>
<b>Nonoperating Revenues (Expenses)</b>	
Interest income	\$ 664
Interest expense	(409)
Insurance proceeds	119,969
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 120,224</b>
<b>Change in Net Position</b>	<b>\$ 133,715</b>
<b>Net Position - January 1</b>	<b>706,336</b>
	<hr/>
<b>Net Position - December 31</b>	<b>\$ 840,051</b>
	<hr/> <hr/>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
SIBLEY ESTATES ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 174,780
Receipts from government agencies	152,290
Payments to suppliers and vendors	(246,944)
Payments to and on behalf of employees	(50)
	<hr/>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 80,076</b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Acquisition of capital assets	\$ (166,116)
Insurance proceeds	86,097
	<hr/>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ (80,019)</b>
<b>Cash Flows from Investing Activities</b>	
Interest paid	\$ (100)
Interest received on investments	664
	<hr/>
<b>Net cash provided by (used in) investing activities</b>	<b>\$ 564</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 621</b>
<b>Cash and Cash Equivalents, January 1</b>	<b><hr/>358,006</b>
<b>Cash and Cash Equivalents, December 31</b>	<b><hr/><hr/>\$ 358,627</b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>	
<b>Operating income (loss)</b>	<b>\$ 13,491</b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 57,310
(Increase) decrease in accounts receivable	(97)
(Increase) decrease in prepaid items	2,734
Increase (decrease) in accounts payable	6,510
Increase (decrease) in due to other governments	336
Increase (decrease) in accrued liabilities	183
Increase (decrease) in security deposits payable	(391)
	<hr/>
<b>Total adjustments</b>	<b>\$ 66,585</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><hr/><hr/>\$ 80,076</b>
<b>Noncash Investing, Capital, and Financing Activities</b>	
Capital assets acquired on account	\$ 34,389

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

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## **FIDUCIARY FUNDS**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT 10*

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2017**

	Private-Purpose Trust	Agency
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 29,497	\$ 689,558
Investments	5,240	-
<b>Total Assets</b>	<b>\$ 34,737</b>	<b>\$ 689,558</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ -	\$ 41,227
Due to other governments	-	648,331
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 689,558</b>
<b><u>Net Position</u></b>		
Net position, held in trust	<b>\$ 34,737</b>	

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT 11**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Private-Purpose Trust</u>
<b><u>Additions</u></b>	
Interest	\$ 16
<b><u>Deductions</u></b>	
Payments in accordance with trust agreements	<u>1,000</u>
<b>Change in Net Position</b>	<b>\$ (984)</b>
<b>Net Position - Beginning of the Year</b>	<u><b>35,721</b></u>
<b>Net Position - End of the Year</b>	<u><u><b>\$ 34,737</b></u></u>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2017. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Discretely Presented Component Unit

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

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

Joint Ventures and Jointly-Governed Organizations

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

2. Fund Financial Statements

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

The County reports the following major governmental funds:

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

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

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

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

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

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

The County reports the following major enterprise fund:

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

Additionally, the County reports the following fund types:

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

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

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

C. Measurement Focus and Basis of Accounting

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



**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2017. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund.

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

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

Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2017 were \$253,422.

**SIBLEY COUNTY  
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1. Summary of Significant Accounting Policies

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

2. Receivables and Payables

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

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

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

Special assessments receivable consist of delinquent special assessments payable in the years 2012 through 2017 and noncurrent special assessments payable in 2018 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments receivable.

3. Inventories and Prepaid Items

Effective January 2017, the Public Works department transitioned to the weighted average valuation method from the first in/first out (FIFO) valuation method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are reported as expenses when consumed.

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

**SIBLEY COUNTY  
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1. Summary of Significant Accounting Policies

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

4. Capital Assets

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	35 - 75
Infrastructure	25 - 75
Furniture, equipment, and vehicles	3 - 15
Improvements other than buildings	15 - 20

5. Compensated Absences

The liability for compensated absences reported in the financial statements has been calculated differently between certain departments during 2017. The liability has been calculated either by using the vesting method, in which leave amounts for both employees who currently are eligible to receive separation pay and other employees who are expected to become eligible in the future to receive such payments upon termination are included, or the liability has been calculated from unused paid time

**SIBLEY COUNTY  
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1. Summary of Significant Accounting Policies

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

5. Compensated Absences (Continued)

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

6. Long-Term Obligations

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

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County has one item, deferred pension outflows, which qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date, differences between expected and actual pension plan economic experience, changes in actuarial assumptions, and pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

**SIBLEY COUNTY  
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1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two items, unavailable revenue and deferred pension inflows, which qualify for reporting in this category. The County reports unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Unavailable revenues are reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. Deferred pension inflows arise only under an accrual basis of accounting and, accordingly, are reported only in the statement of net position. This amount consists of differences between expected and actual pension plan economic experience, changes in actuarial assumptions, differences between projected and actual earnings on pension plan investments, and also pension plan changes in proportionate share.

8. Pension Plan

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

9. Unearned Revenue

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

10. Classification of Net Position

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

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

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

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

11. Classification of Fund Balances

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

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

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

**SIBLEY COUNTY  
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1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

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

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

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

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

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

12. Use of Estimates

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

E. Revenues

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

1. Imposed Nonexchange Transactions

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

2. Intergovernmental

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



**SIBLEY COUNTY  
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1. Summary of Significant Accounting Policies

E. Revenues

2. Intergovernmental (Continued)

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

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

3. Exchange Transactions

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

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance

Ditch Special Revenue Fund

The Ditch Special Revenue Fund has a deficit fund balance of \$492,280. The deficit will be eliminated with future special assessment levies against benefited properties. The following is a summary of the individual ditch systems:

44 ditches with positive fund balances	\$ 970,063
43 ditches with deficit fund balances	<u>(1,462,343)</u>
Total Fund Balance	<u>\$ (492,280)</u>

Water Projects Special Revenue Fund

The Water Projects Special Revenue Fund has a deficit fund balance of \$40,246. The deficit will be eliminated with future grant funding.

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

B. Excess of Expenditures Over Appropriations

The following funds had expenditures in excess of appropriations (the legal level of budgetary control) for the year ended December 31, 2017:

<u>Fund</u>	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Capital Projects Fund	\$ 1,119,539	\$ 500,000	\$ 619,539
Water Projects Special Revenue Fund	183,867	155,903	27,964

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental activities	
Cash and pooled investments	\$ 24,703,394
Petty cash and change funds	6,175
Cash with fiscal agent	72,375
Investments	4,599,070
Business-type activities	
Cash and pooled investments	46,264
Cash and pooled investments - restricted	312,063
Petty cash and change funds	300
Fiduciary funds	
Private-purpose trust funds	
Cash and pooled investments	29,497
Investments	5,240
Agency funds	
Cash and pooled investments	689,558
Sibley County Library System	122,957
	<hr/>
Total Cash and Investments	\$ 30,586,893

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Deposits	\$ 3,189,523
Petty cash and change funds	6,475
Cash with fiscal agent	72,375
Investments	<u>27,318,520</u>
Total	<u>\$ 30,586,893</u>

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy regarding custodial credit risk for deposits is to obtain collateral or bond to cover any uninsured portion of the County's deposits and to comply with state law. As of December 31, 2017, Sibley County's deposits were not exposed to custodial credit risk.

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County's investment policy is to minimize investment custodial credit risk by permitting brokers that obtained investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. As of December 31, 2017, \$16,299,275 of the County's investments were subject to custodial credit risk.

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

The following table presents the County's deposit and investment balances at December 31, 2017, and information relating to potential investment risks:

Investment - Issuer	Credit Risk		Concentration Risk (%)	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency		Maturity Date	
Federal Home Loan Bank					
Wells Fargo Advisors					
Federal Home Loan Bank	Aaa	Moody's		11/17/2022	\$ 248,985
Wells Fargo Securities					
Federal Home Loan Bank	Aaa	Moody's		07/27/2018	248,824
Federal Home Loan Bank	Aaa	Moody's		12/28/2018	248,692
Federal Home Loan Bank	Aaa	Moody's		04/29/2019	247,377
Federal Home Loan Bank	Aaa	Moody's		01/19/2021	247,777
Total Federal Home Loan Bank			4.55		\$ 1,241,655
Federal Home Loan Mortgage Corporation					
Wells Fargo Advisors					
Federal Home Loan Mortgage Corporation	Aaa	Moody's		11/28/2018	\$ 499,195
Federal Home Loan Mortgage Corporation	Aaa	Moody's		07/19/2022	247,790
Wells Fargo Securities					
Federal Home Loan Mortgage Corporation	Aaa	Moody's		06/29/2018	249,194
Federal Home Loan Mortgage Corporation	Aaa	Moody's		08/24/2018	249,011
Federal Home Loan Mortgage Corporation	Aaa	Moody's		08/28/2018	248,890
Federal Home Loan Mortgage Corporation	Aaa	Moody's		12/27/2019	245,049
Federal Home Loan Mortgage Corporation	Aaa	Moody's		05/15/2020	247,678
Federal Home Loan Mortgage Corporation	Aaa	Moody's		09/29/2020	249,392
Federal Home Loan Mortgage Corporation	Aaa	Moody's		01/27/2021	249,097
Federal Home Loan Mortgage Corporation	Aaa	Moody's		02/16/2021	248,284
Total Federal Home Loan Mortgage Corporation			10.01		\$ 2,733,580

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Investment - Issuer	Credit Risk		Concentration Risk (%)	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency		Maturity Date	
Federal Farm Credit Bank					
Wells Fargo Securities					
Federal Farm Credit Bank	Aaa	Moody's		04/20/2021	\$ 244,781
Federal Farm Credit Bank	Aaa	Moody's		12/06/2021	248,366
Total Federal Farm Credit Bank			1.81		\$ 493,147
Federal National Mortgage Association					
Wells Fargo Securities					
Federal National Mortgage Association	Aaa	Moody's		02/16/2021	\$ 246,887
Federal National Mortgage Association	Aaa	Moody's		07/26/2021	243,760
Total Federal National Mortgage Association			1.80		\$ 490,647
Municipal Bonds					
Northland Securities					
City of Glencoe - G.O. Bond	A1	Moody's	0.37	02/01/2018	\$ 99,975
City of Mountain Lake - G.O. Bond	A+	S&P	0.36	02/01/2019	99,387
Total Municipal Bonds					\$ 199,362
Negotiable certificates of deposit					
Northland Securities					
Independence Bank	N/A	N/A	0.90	02/28/2018	\$ 244,806
First Bank	N/A	N/A	0.89	06/25/2018	244,498
Stearns Bank	N/A	N/A	0.90	07/06/2018	244,760
Lake City Bank	N/A	N/A	0.90	09/07/2018	244,870
Synchrony Bank	N/A	N/A	0.90	04/07/2022	245,632
Wells Fargo Advisors					
Comenity Capital Bank	N/A	N/A	0.90	01/25/2018	244,924
JPMorgan Chase Bank	N/A	N/A	0.90	03/22/2018	244,909
Washington Trust Westerly	N/A	N/A	0.90	03/23/2018	244,860
Customers Bank	N/A	N/A	0.90	06/29/2018	244,895
Morgan Stanley Private Bank	N/A	N/A	0.90	08/03/2018	244,912
United Bankers Bank	N/A	N/A	0.89	09/24/2018	243,831
Bank of Leumi	N/A	N/A	0.89	09/27/2018	243,802
State Bank of India	N/A	N/A	0.90	12/14/2018	245,083
Southwest National Bank	N/A	N/A	0.90	03/12/2019	244,586
Morgan Stanley Bank, N.A.	N/A	N/A	0.90	06/14/2019	244,777
Barclays Bank	N/A	N/A	0.90	07/16/2019	245,382
World's Foremost Bank	N/A	N/A	0.73	08/13/2019	199,514
American Express Bank	N/A	N/A	0.90	09/25/2019	244,738
HSBC Bank	N/A	N/A	0.89	10/24/2019	243,851
Capital One, N.A.	N/A	N/A	0.90	07/29/2020	245,835
Discover Bank	N/A	N/A	0.89	10/05/2020	243,716
Comenity Bank	N/A	N/A	0.73	06/21/2021	199,328
Capital One Bank	N/A	N/A	0.89	08/02/2022	243,790

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Investment - Issuer	Credit Risk		Concentration Risk (%)	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency		Maturity Date	
Negotiable certificates of deposit (Continued)					
Wells Fargo Securities					
Commercial Bank	N/A	N/A	0.90	01/04/2018	244,984
Choice Financial Group	N/A	N/A	0.90	01/08/2018	244,969
Synovus Bank	N/A	N/A	0.90	01/26/2018	244,952
Bank Baroda	N/A	N/A	0.90	03/08/2018	245,037
Medallion Bank	N/A	N/A	0.90	03/16/2018	245,045
Park Bank	N/A	N/A	0.90	04/09/2018	244,858
Smartbank	N/A	N/A	0.90	04/18/2018	244,554
American Express Centurion Bank	N/A	N/A	0.82	05/23/2018	224,881
TBK Bank	N/A	N/A	0.82	06/07/2018	224,711
Everbank	N/A	N/A	0.89	07/13/2018	244,227
Maabrey Bank	N/A	N/A	0.90	07/18/2018	244,745
Safra National Bank	N/A	N/A	0.90	10/09/2018	244,695
Tradition Capital Bank	N/A	N/A	0.89	10/31/2018	244,194
Avidbank	N/A	N/A	0.90	11/08/2018	244,669
Bank Rhode Island	N/A	N/A	0.89	12/28/2018	244,188
Sterling Bank	N/A	N/A	0.90	01/08/2019	244,517
Brookline Bank	N/A	N/A	0.89	02/04/2019	244,162
Sallie Mae Bank	N/A	N/A	0.89	03/29/2019	244,231
Ally Bank	N/A	N/A	0.89	07/22/2019	244,090
EVB Bank	N/A	N/A	0.90	09/25/2019	245,371
Lakeside Bank	N/A	N/A	0.89	10/15/2019	243,677
Enerbank Bank	N/A	N/A	0.89	02/28/2020	242,967
Goldman Sachs Bank	N/A	N/A	0.89	05/18/2020	243,979
BMW Bank	N/A	N/A	0.88	10/16/2020	240,644
Belmont Savings Bank	N/A	N/A	0.89	11/23/2020	243,154
Continental Bank	N/A	N/A	0.88	08/23/2021	241,661
Total negotiable certificates of deposit					\$ 11,846,461
Mutual funds/investment pools					
MAGIC	N/R	N/A	N/A	N/A	\$ 4,286,612
Wells Fargo Securities	N/R	N/A	N/A	N/A	6,027,056
Total mutual funds/investment pools					\$ 10,313,668
Total investments					\$ 27,318,520
Deposits					
Petty cash and change funds					3,189,523
Cash with fiscal agent					6,475
					72,375
Total Cash and Investments					\$ 30,586,893

N/A - Not applicable  
N/R - Not rated  
S&P - Standard & Poor's



**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Fair Value Measurements

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

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

At December 31, 2017, the County had the following recurring fair value measurements.

	December 31, 2017	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. agencies	\$ 4,959,029	\$ -	\$ 4,959,029	\$ -
Municipal bonds	199,362	-	199,362	-
Negotiable certificates of deposit	11,846,461	-	11,846,461	-
Total Investments Included in the Fair Value Hierarchy	<u>\$ 17,004,852</u>	<u>\$ -</u>	<u>\$ 17,004,852</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	\$ 4,286,612			
Money Market Mutual Fund	6,027,056			
Total Investments Measured at the NAV	<u>\$ 10,313,668</u>			

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Fair Value Measurements (Continued)

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

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

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

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

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2017, for the County are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes - delinquent	\$ 179,551	\$ -
Special assessments - delinquent	75,240	-
Special assessments - noncurrent	3,754,512	2,576,773
Accounts receivable	64,438	-
Accrued interest receivable	99,751	-
Due from other governments	2,089,581	-
Loans receivable	132,524	120,185
Total Governmental Activities	\$ 6,395,597	\$ 2,696,958

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

3. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,724,931	\$ 1,378	\$ -	\$ 1,726,309
Construction in progress	374,223	4,946,470	3,500,314	1,820,379
Total capital assets not depreciated	\$ 2,099,154	\$ 4,947,848	\$ 3,500,314	\$ 3,546,688
Capital assets depreciated				
Infrastructure	\$ 72,759,335	\$ 3,500,314	\$ -	\$ 76,259,649
Buildings	8,910,703	67,371	41,294	8,936,780
Machinery, furniture, and equipment	7,806,187	320,314	294,929	7,831,572
Improvements other than buildings	39,333	-	4,468	34,865
Total capital assets depreciated	\$ 89,515,558	\$ 3,887,999	\$ 340,691	\$ 93,062,866

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Governmental Activities (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for Infrastructure	\$ 21,689,299	\$ 2,352,027	\$ -	\$ 24,041,326
Buildings	4,182,318	226,751	41,294	4,367,775
Machinery, furniture, and equipment	5,236,203	400,115	289,929	5,346,389
Improvements other than buildings	26,044	1,314	4,468	22,890
Total accumulated depreciation	<u>\$ 31,133,864</u>	<u>\$ 2,980,207</u>	<u>\$ 335,691</u>	<u>\$ 33,778,380</u>
Total capital assets depreciated, net	<u>\$ 58,381,694</u>	<u>\$ 907,792</u>	<u>\$ 5,000</u>	<u>\$ 59,284,486</u>
Total Capital Assets, Net	<u>\$ 60,480,848</u>	<u>\$ 5,855,640</u>	<u>\$ 3,505,314</u>	<u>\$ 62,831,174</u>

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 23,500	\$ -	\$ -	\$ 23,500
Capital assets depreciated				
Improvements other than buildings	\$ 58,536	\$ -	\$ -	\$ 58,536
Buildings and improvements	1,479,519	187,374	-	1,666,893
Machinery, furniture, and equipment	148,576	13,131	-	161,707
Total capital assets depreciated	<u>\$ 1,686,631</u>	<u>\$ 200,505</u>	<u>\$ -</u>	<u>\$ 1,887,136</u>
Less: accumulated depreciation for				
Improvements other than buildings	\$ 49,267	\$ 2,423	\$ -	\$ 51,690
Buildings and improvements	1,171,495	43,265	-	1,214,760
Machinery, furniture, and equipment	126,085	11,622	-	137,707
Total accumulated depreciation	<u>\$ 1,346,847</u>	<u>\$ 57,310</u>	<u>\$ -</u>	<u>\$ 1,404,157</u>
Total capital assets depreciated, net	<u>\$ 339,784</u>	<u>\$ 143,195</u>	<u>\$ -</u>	<u>\$ 482,979</u>
Total Capital Assets, Net	<u>\$ 363,284</u>	<u>\$ 143,195</u>	<u>\$ -</u>	<u>\$ 506,479</u>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	213,199
Public safety		127,991
Highways and streets, including depreciation of infrastructure assets		2,625,878
Human services		8,121
Culture and recreation		5,018
		2,670,107
Total Depreciation Expense - Governmental Activities	\$	2,980,207
Business-Type Activities		
Housing and redevelopment	\$	57,310

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2017, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Fund	\$ 1,417,335
	Public Health and Human Services Fund	2,609
Total due to General Fund		\$ 1,419,944
Public Works Fund	General Fund	\$ 1,526
Public Health and Human Services Fund	General Fund	\$ 5,411
	Public Works Fund	9
Total due to Public Health and Human Services Fund		\$ 5,420
Capital Projects Fund	General Fund	\$ 73,336
	Public Works Fund	2,109,871
	Public Health and Human Services Fund	408,167
Total due to Capital Projects Fund		\$ 2,591,374
Total Due To/From Other Funds		\$ 4,018,264

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

The interfund balances are for services performed, fund balance transfers to the Capital Projects Fund, and a short-term loan between the General Fund and the Ditch Special Revenue Fund.

2. Interfund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 73,336	Capital Outlay
Public Works Fund	Capital Projects Fund	2,109,871	Capital Outlay
Public Health and Human Services Fund	Capital Projects Fund	<u>408,167</u>	Capital Outlay
Total		<u>\$ 2,591,374</u>	

C. Liabilities

1. Security Deposits Payable

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

2. Contract Commitments

The County has active contract commitments as of December 31, 2017. The commitments include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Public Works Special Revenue Fund Highway projects	\$ 1,016,756	\$ 57,952
Ditch Special Revenue Fund Ditch projects and repairs	37,647	4,553
Capital Projects Fund Facilities improvement project	339,086	5,147,515

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Operating Leases

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

Year Ending December 31	Amount
2018	\$ 16,257
2019	12,946
2020	5,394
Total	\$ 34,597

4. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2017
General obligation bonds					
2012 G.O. Refunding Bonds	2021	\$225,000 - \$235,000	0.85 - 1.30	\$ 1,800,000	\$ 915,000
2017 G.O. Capital Improvement Bonds	2038	\$15,000 - \$360,000	2.00 - 3.25	5,085,000	5,085,000
Total general obligation bonds				\$ 6,885,000	\$ 6,000,000
General obligation special assessment bonds					
2012 G.O. Special Assessment Refunding Bonds	2023	\$50,000 \$35,000 -	1.65 - 2.35	\$ 645,000	\$ 300,000
2017 G.O. Bonds County Ditch 29	2038	\$70,000 \$5,000 -	3.25 2.00 -	1,090,000	1,090,000
2017 G.O. Bonds County Ditch 39	2037	\$10,000 \$5,000 -	3.25 2.00 -	130,000	130,000
2017 G.O. Bonds Joint Ditch 32 SM	2032	\$10,000	3.00	85,000	85,000
2017 G.O. Bonds Joint Ditch 18 SM Redetermination	2023	\$50,000 - \$60,000	2.00	275,000	275,000
2017 G.O. Bonds Joint Ditch 18 SM Repair	2038	\$10,000 - \$20,000	2.00 - 3.25	330,000	330,000
Total general obligation special assessment bonds				\$ 2,555,000	\$ 2,210,000
General obligation revenue notes					
2001 G.O. Revenue Note - County-Wide	2021	\$5,330 - \$10,330	-	\$ 103,300	\$ 31,320

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2017
Minnesota Pollution Control Agency (MnPCA) loans					
High Island II	2021	\$20,390	2.00	\$ 367,955	\$ 156,020
Rush River I	2018	\$14,704	2.00	265,347	14,559
Rush River II	2021	\$32,009	2.00	577,616	244,921
Buffalo Creek I	2019	\$2,582	2.00	46,589	10,074
Buffalo Creek II	2022	\$1,279	2.00	23,089	12,118
Middle Minnesota I	2021	\$1,362	2.00	24,587	9,167
Middle Minnesota II	2023	\$2,419	2.00	43,657	27,229
Bevens Silver Creek	2023	\$7,332	2.00	132,304	82,517
Total MnPCA Loans				<u>\$ 1,481,144</u>	<u>\$ 556,605</u>
Minnesota Department of Agriculture loans					
Ag Best Management Loan Program (AgBMP)	2028	\$1,934 - \$70,555	-	<u>\$ 1,398,165</u>	<u>\$ 981,989</u>

5. Debt Service Requirements

Debt service requirements at December 31, 2017, were as follows:

Year Ending December 31	General Obligation Bonds		General Obligation Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 225,000	\$ 127,076	\$ 50,000	\$ 47,318
2019	240,000	143,025	155,000	51,862
2020	290,000	139,828	175,000	48,650
2021	295,000	135,777	175,000	45,150
2022	235,000	131,300	175,000	41,563
2023 - 2027	1,275,000	580,363	485,000	168,719
2028 - 2032	1,430,000	413,787	435,000	118,681
2033 - 2037	1,650,000	189,188	470,000	51,750
2038	360,000	5,850	90,000	1,462
Total	<u>\$ 6,000,000</u>	<u>\$ 1,866,194</u>	<u>\$ 2,210,000</u>	<u>\$ 575,155</u>



**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Debt Service Requirements (Continued)

Year Ending December 31	General Obligation Revenue Notes		MnPCA Loans		AgBMP Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 10,330	\$ -	\$ 139,085	\$ 10,367	\$ 107,298	\$ -
2019	10,330	-	127,029	7,718	124,396	-
2020	5,330	-	124,393	5,191	128,159	-
2021	5,330	-	125,531	2,691	132,029	-
2022	-	-	21,355	705	135,857	-
2023 - 2027	-	-	19,212	289	339,766	-
2028	-	-	-	-	14,484	-
Total	<u>\$ 31,320</u>	<u>\$ -</u>	<u>\$ 556,605</u>	<u>\$ 26,961</u>	<u>\$ 981,989</u>	<u>\$ -</u>

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities long-term liabilities					
Bonds payable					
General obligation bonds	\$ 1,140,000	\$ 5,085,000	\$ 225,000	\$ 6,000,000	\$ 225,000
Add: unamortized premium	-	116,056	-	116,056	-
General obligation special assessment bonds	370,000	1,910,000	70,000	2,210,000	50,000
Add: unamortized premium	-	44,451	-	44,451	-
Total bonds payable	<u>\$ 1,510,000</u>	<u>\$ 7,155,507</u>	<u>\$ 295,000</u>	<u>\$ 8,370,507</u>	<u>\$ 275,000</u>
General obligation revenue notes	41,650	-	10,330	31,320	10,330
MnPCA loans	735,925	-	179,320	556,605	139,085
AgBMP loans	930,118	210,151	158,280	981,989	107,298
Compensated absences	<u>1,088,361</u>	<u>802,981</u>	<u>745,318</u>	<u>1,146,024</u>	<u>309,426</u>
Governmental Activities Long-Term Liabilities	<u>\$ 4,306,054</u>	<u>\$ 8,168,639</u>	<u>\$ 1,388,248</u>	<u>\$ 11,086,445</u>	<u>\$ 841,139</u>

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

7. Other Postemployment Benefits (OPEB)

Plan Description

The County provides a defined benefit health care plan to qualifying retirees and their spouses. The plan offers medical, dental, and life insurance coverage. Medical coverage is administered by Medica. Dental coverage is administered through Health Partners. Sun Life is the life insurance provider. The County is self-insured for medical coverage through the McLeod/Sibley Joint Health Insurance Program. Retirees pay 100 percent of the blended active/retiree premium rate, in accordance with Minn. Stat. ch. 471.61, subd. 2b. The retirees, whose cost is statistically higher than the group average, are receiving an implicit rate “subsidy.” As of January 1, 2017, there was one retiree receiving health benefits from the County’s health plan and two retirees receiving dental coverage through Health Partners. It is the County’s policy to periodically review its medical, dental, and life insurance coverage in order to provide the most favorable benefits and premiums for County employees and retirees.

Funding Policy

Retirees and their spouses contribute to the County health care plan at the same rate as current County employees. If retirees are over age 65 and Medicare eligible, their health coverage, if elected, is considered supplemental coverage, and their premiums would be discounted. Contribution requirements for health insurance are established by the McLeod/Sibley Joint Health Insurance Committee, based on contract terms with Medica. Contribution requirements for dental and life insurance are established by the County Board along with contract requirements with Health Partners and Sun Life. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2017, the County contributed \$16,141 to the plan.

The OPEB liability is generally liquidated by the General Fund and Public Works, Public Health and Human Services, and Water Projects Special Revenue Funds.

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$	74,694
Interest on net OPEB obligation		13,629
Adjustment to ARC		<u>(20,812)</u>
Annual OPEB cost (expense)	\$	67,511
Contributions made (pay-as-you-go)		<u>(16,141)</u>
Increase in net OPEB obligation	\$	51,370
Net OPEB Obligation - Beginning of Year		<u>389,408</u>
Net OPEB Obligation - End of Year	\$	<u><u>440,778</u></u>

The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for the years ended December 31, 2015, 2016, and 2017, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2015	\$ 88,854	\$ 35,841	40.3%	\$ 342,059
December 31, 2016	87,628	40,279	46.0	389,408
December 31, 2017	67,511	16,141	23.9	440,778

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

7. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of January 1, 2017, the most recent actuarial valuation date, the County had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$501,134, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$501,134. The covered payroll (annual payroll of active employees covered by the plan) was \$7,762,955, and the ratio of the UAAL to the covered payroll was 6.5 percent.

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

Actuarial Methods and Assumptions

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

7. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

For January 1, 2017, actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions included a 3.5 percent discount rate, which is based on the investment yield expected to finance benefits. The County does not plan to pre-fund for this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 6.5 percent initially and grading to 5.0 percent over six years.

D. Deferred Inflows of Resources

Deferred inflows of resources as of December 31, 2017, for the County's governmental funds are as follows:

	<u>Deferred Inflows of Resources</u>
Unavailable revenue	
Delinquent property taxes	\$ 179,551
Special assessments receivable, delinquent and noncurrent	3,829,752
Highway allotments that do not provide current financial resources	1,029,993
Grants	268,470
Accrued interest	<u>42,010</u>
 Total Governmental Funds	 <u>\$ 5,349,776</u>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

E. Fund Balance

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

	<u>General</u>	<u>Public Works</u>	<u>Public Health and Human Services</u>	<u>Ditch</u>	<u>Sub-Surface Sewage Treatment System Loans</u>
<b>Nonspendable</b>					
Inventories	\$ -	\$ 1,076,520	\$ -	\$ -	\$ -
Prepaid items	176,062	116	-	-	-
Federal lands	-	-	-	-	-
Loan security	-	-	-	-	25,000
<b>Total nonspendable</b>	<b>\$ 176,062</b>	<b>\$ 1,076,636</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,000</b>
<b>Restricted</b>					
Highway maintenance and construction - gravel tax	\$ -	\$ 525,589	\$ -	\$ -	\$ -
Capital projects	-	-	-	-	-
Debt service	-	-	-	-	-
Sub-surface sewage treatment systems	-	-	-	-	647,768
Economic development loans	-	-	-	-	-
Conservation projects	-	-	-	-	-
Juvenile fines	21,277	-	-	-	-
Law library	14,106	-	-	-	-
Ditch maintenance and construction	-	-	-	970,063	-
Land restoration - gravel tax	-	237,268	-	-	-
Attorney's forfeited property	6,837	-	-	-	-
Recorder's equipment purchases	185,037	-	-	-	-
Land records technology	196,403	-	-	-	-
Shoreland grant	4,960	-	-	-	-
E-911	970,395	-	-	-	-
Riparian protection	142,943	-	-	-	-
SCORE	33,865	-	-	-	-
Park improvements	36,785	-	-	-	-
Aquatic invasive species program	135,472	-	-	-	-
<b>Total restricted</b>	<b>\$ 1,748,080</b>	<b>\$ 762,857</b>	<b>\$ -</b>	<b>\$ 970,063</b>	<b>\$ 647,768</b>
<b>Committed</b>					
Tobacco ordinance	\$ 11,535	\$ -	\$ -	\$ -	\$ -
County parks	138,514	-	-	-	-
Alcohol enforcement and education	7,492	-	-	-	-
Solid waste	283,068	-	-	-	-
Projects, technology and equipment purchases	-	-	-	-	-
<b>Total committed</b>	<b>\$ 440,609</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

E. Fund Balance (Continued)

	General	Public Works	Public Health and Human Services	Ditch	Sub-Surface Sewage Treatment System Loans
Assigned					
Public works	\$ -	\$ 7,959,110	\$ -	\$ -	\$ -
Public health and human services	-	-	4,125,166	-	-
<b>Total assigned</b>	<b>\$ -</b>	<b>\$ 7,959,110</b>	<b>\$ 4,125,166</b>	<b>\$ -</b>	<b>\$ -</b>
Unassigned	\$ 3,089,577	\$ -	\$ -	\$ (1,462,343)	\$ -
<b>Total Fund Balance</b>	<b>\$ 5,454,328</b>	<b>\$ 9,798,603</b>	<b>\$ 4,125,166</b>	<b>\$ (492,280)</b>	<b>\$ 672,768</b>
		Debt Service	Capital Projects	Other Governmental Funds	Total
Nonspendable					
Inventories		\$ -	\$ -	\$ -	\$ 1,076,520
Prepaid items		-	-	-	176,178
Federal lands		-	-	130,417	130,417
Loan security		-	-	-	25,000
<b>Total nonspendable</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ 130,417</b>	<b>\$ 1,408,115</b>
Restricted					
Highway maintenance and construction - gravel tax		\$ -	\$ -	\$ -	\$ 525,589
Capital projects		-	4,565,904	-	4,565,904
Debt service		859,349	-	-	859,349
Sub-surface sewage treatment systems		-	-	-	647,768
Economic development loans		-	-	273,875	273,875
Conservation projects		-	-	7,618	7,618
Juvenile fines		-	-	-	21,277
Law library		-	-	-	14,106
Ditch maintenance and construction		-	-	-	970,063
Land restoration - gravel tax		-	-	-	237,268
Attorney's forfeited property		-	-	-	6,837
Recorder's equipment purchases		-	-	-	185,037
Land records technology		-	-	-	196,403
Shoreland grant		-	-	-	4,960
E-911		-	-	-	970,395
Riparian protection		-	-	-	142,943
SCORE		-	-	-	33,865
Park improvements		-	-	-	36,785
Aquatic invasive species program		-	-	-	135,472
<b>Total restricted</b>		<b>\$ 859,349</b>	<b>\$ 4,565,904</b>	<b>\$ 281,493</b>	<b>\$ 9,835,514</b>

**SIBLEY COUNTY  
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3. Detailed Notes on All Funds

E. Fund Balance (Continued)

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Committed				
Tobacco ordinance	\$ -	\$ -	\$ -	\$ 11,535
County parks	-	-	-	138,514
Alcohol enforcement and education	-	-	-	7,492
Solid waste	-	-	-	283,068
Projects, technology and equipment purchases	-	4,304,937	-	4,304,937
Total committed	<u>\$ -</u>	<u>\$ 4,304,937</u>	<u>\$ -</u>	<u>\$ 4,745,546</u>
Assigned				
Public works	\$ -	\$ -	\$ -	\$ 7,959,110
Public health and human services	-	-	-	4,125,166
Total assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,084,276</u>
Unassigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (40,246)</u>	<u>\$ 1,586,988</u>
Total Fund Balance	<u>\$ 859,349</u>	<u>\$ 8,870,841</u>	<u>\$ 371,664</u>	<u>\$ 29,660,439</u>

4. Pension Plans

A. Defined Benefit Pension Plans

1. Plan Description

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



**SIBLEY COUNTY  
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4. Pension Plans

A. Defined Benefit Pension Plans

1. Plan Description (Continued)

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan, and Minneapolis Employees Retirement Fund members are not. Member employees of Sibley County participate in the Coordinated Plan, in which benefits vest after five years of credited service.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Public Employees Correctional Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a prorated basis starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. General Employees Retirement Plan and Public Employees Police and Fire Plan benefit recipients receive a future annual 1.0 percent for the post-retirement benefit increase, while Public Employees Correctional Plan benefit recipients receive 2.5 percent. For the General Employees Retirement Plan and the

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4. Pension Plans

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

Public Employees Police and Fire Plan, if the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 percent for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Plan members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

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

**SIBLEY COUNTY  
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4. Pension Plans

A. Defined Benefit Pension Plans (Continued)

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in 2017. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2017. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2017.

In 2017, the County was required to contribute the following percentages of annual covered salary:

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

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

The County's contributions for the year ended December 31, 2017, to the pension plans were:

General Employees Retirement Plan	\$ 491,539
Public Employees Police and Fire Plan	128,446
Public Employees Correctional Plan	38,771

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

**SIBLEY COUNTY  
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4. Pension Plans

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs

General Employees Retirement Plan

At December 31, 2017, the County reported a liability of \$6,626,523 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.1038 percent. It was 0.0984 percent measured as of June 30, 2016. The County recognized pension expense of \$935,188 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized \$2,407 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation required the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan for the fiscal year ended June 30, 2017.

The County's proportionate share of the net pension liability	\$ 6,626,523
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>83,359</u>
Total	<u><u>\$ 6,709,882</u></u>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 218,390	\$ 404,123
Changes in actuarial assumptions	1,042,913	664,310
Difference between projected and actual investment earnings	-	17,962
Changes in proportion	328,840	131,530
Contributions paid to PERA subsequent to the measurement date	248,592	-
Total	\$ 1,838,735	\$ 1,217,925

The \$248,592 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	\$ 233,991
2019	451,223
2020	(31,712)
2021	(281,284)

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Police and Fire Plan

At December 31, 2017, the County reported a liability of \$1,093,596 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.081 percent. It was 0.078 percent measured as of June 30, 2016. The County recognized pension expense of \$289,383 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized \$7,290 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 25,172	\$ 277,111
Changes in actuarial assumptions	1,378,182	1,552,636
Difference between projected and actual investment earnings	-	2,349
Changes in proportion	152,229	-
Contributions paid to PERA subsequent to the measurement date	63,800	-
Total	\$ 1,619,383	\$ 1,832,096

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

The \$63,800 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	\$ 38,142
2019	38,142
2020	1,517
2021	(68,885)
2022	(285,429)

Public Employees Correctional Plan

At December 31, 2017, the County reported a liability of \$655,502 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.23 percent. It was 0.20 percent measured as of June 30, 2016. The County recognized pension expense of \$250,160 for its proportionate share of the Public Employees Correctional Plan's pension expense.

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4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 381	\$ 10,801
Changes in actuarial assumptions	310,332	114,103
Difference between projected and actual investment earnings	-	10,455
Changes in proportion	83,139	3,092
Contributions paid to PERA subsequent to the measurement date	19,456	-
Total	\$ 413,308	\$ 138,451

The \$19,456 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	\$ 142,536
2019	146,328
2020	(15,215)
2021	(18,248)



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4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2017, was \$1,474,731.

5. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent through 2044 and 2064, respectively, and 2.5 percent thereafter. Cost of living benefit increases for retirees are assumed to be 2.5 percent for the Public Employees Correctional Plan.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Retirement Plan was dated June 30, 2015. The experience study for the Public Employees Police and Fire Plan was dated August 30, 2016. The experience study for the Public Employees Correctional Plan was dated February 2012.

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4. Pension Plans

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.5 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	39%	5.10%
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Cash	2	0.00

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2017, which remained consistent with 2016. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan and the Public Employees Police and Fire Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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4. Pension Plans

A. Defined Benefit Pension Plans

6. Discount Rate (Continued)

In the Public Employees Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2061. Beginning in fiscal year ended June 30, 2062, when projected benefit payments exceed the Plan's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 3.56 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.96 percent for the Public Employees Correctional Plan was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits to the point of asset depletion and 3.56 percent thereafter.

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2017:

General Employees Retirement Plan

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members.) The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21,000,000 in calendar years 2017 and 2018 and returns to \$31,000,000 through calendar year 2031. The state's required contribution is \$16,000,000 in PERA's fiscal years 2018 and 2019 and returns to \$6,000,000 annually through calendar year 2031.

**SIBLEY COUNTY  
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4. Pension Plans

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions (Continued)

Public Employees Police and Fire Plan

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.0 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

**SIBLEY COUNTY  
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4. Pension Plans

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

Public Employees Police and Fire Plan (Continued)

- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

Public Employees Correctional Plan

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.0 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

**SIBLEY COUNTY  
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4. Pension Plans

A. Defined Benefit Pension Plans (Continued)

8. Pension Liability Sensitivity

The following presents the County’s proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	Proportionate Share of the					
	General Employees Retirement Plan		Public Employees Police and Fire Plan		Public Employees Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 10,278,230	6.50%	\$ 2,059,561	4.96%	\$ 1,080,186
Current	7.50	6,626,523	7.50	1,093,596	5.96	655,502
1% Increase	8.50	3,636,938	8.50	296,139	6.96	324,031

9. Pension Plan Fiduciary Net Position

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

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employee and employer

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4. Pension Plans

B. Defined Contribution Plan (Continued)

contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by Sibley County during the year ended December 31, 2017, were:

	Employee	Employer
Contribution amount	\$ 7,613	\$ 7,613
Percentage of covered payroll	5%	5%

5. Summary of Significant Contingencies and Other Items

A. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2017 and 2018. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

A. Risk Management (Continued)

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

In 2016, the County entered into an agreement with McLeod County and Trailblazer Transit to provide a mechanism for utilizing a pooled self-funded health insurance program under the authority granted to the counties in Minn. Stat. § 471.59. Premiums are paid to the Sibley County Treasurer, who provides bookkeeping services to the entity, including the payment of claims. For 2017, the County has retained risk up to \$125,000 stop-loss per covered person per year (\$1,000,000 aggregate) for the health plan.

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

	Year Ended December 31	
	2017	2016
Unpaid claims, beginning of fiscal year	\$ 165,178	\$ 82,219
Incurred claims (including IBNRs)	1,514,644	1,350,840
Claims payments	(1,442,785)	(1,267,881)
Unpaid Claims, End of Fiscal Year	\$ 237,037	\$ 165,178



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

B. Contingent Liabilities

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

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

In 1993, the South Central Minnesota Multi-County Housing and Redevelopment Authority issued \$20,315,000 of revenue bonds to construct housing units in Sibley County and four surrounding counties. The Authority has since defaulted on these bonds. In 2000, the counties entered into a settlement agreement where each of the counties will approve a special tax levy on behalf of the Authority from 2001 through 2024 to cover the operating deficits based on each county's proportionate share of the housing units constructed. Sibley County's proportionate share of the operating deficit for 2017 is \$133,373. The proportionate shares of the counties may change for the years 2018 through 2024 if there are changes in the taxable market value over the 2001 taxable market value.

C. Joint Ventures

Crow River Joint Powers Agreement

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

The Board of Directors meets at least two times per year, or more often if needed, at the location to be set by the chair of the Joint Powers Board. The purpose of this Agreement is the joint exercise of powers by the member counties to promote the orderly water quality

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Crow River Joint Powers Agreement (Continued)

improvement and management of the Crow River Watershed through information sharing, education, coordination, and related support to the member counties by assisting in the implementation and goal achievement of comprehensive water plans.

The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds. For 2017, Sibley County contributed \$325 to the Joint Powers Board. Current financial statements are not available.

Meeker-McLeod-Sibley Community Health Services Board

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

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

For 2017, Sibley County contributed \$12,060 to the Board. Current financial statements are available from the McLeod County Auditor-Treasurer's Office, 2391 Hennepin Avenue North, Glencoe, Minnesota 55336.

McLeod, Sibley, Trailblazer Joint Self-Insurance Pool

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

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

McLeod, Sibley, Trailblazer Joint Self-Insurance Pool (Continued)

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

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was established in 2005 under the authority of Minn. Stat. § 471.59. The purpose of the Board is to provide policy guidance on issues surrounding energy development in rural Minnesota. The focus of the Board includes, but is not limited to, renewable energy, wind energy, energy transmission lines, hydrogen energy technology, and bio-diesel and ethanol use. During 2017, Sibley County contributed \$1,000 to the Board.

Rush River Clean Water Partnership

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

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

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

High Island Watershed Evaluation Project

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

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

Sibley County Children's Collaborative

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

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

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

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

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

South Central Minnesota Regional Emergency Communications Board

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

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

Blue Earth County acts as the fiscal agent for the Radio Board. During 2017, Sibley County contributed \$3,540 to the Joint Powers Board. The Chair of the Board is Kip Bruender, and the address is P. O. Box 8608, Mankato, Minnesota 56002-8608.

South Central Workforce Service Area Joint Powers Board

In June 2012, the County entered into a joint powers agreement with Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Waseca, and Watonwan Counties, creating the South Central Workforce Services Area Joint Powers Board. The agreement is authorized by Minn. Stat. § 471.59. The Board is comprised of one voting member and one alternate member for each participating county. The goal of the Board is to develop and maintain a quality workforce for South Central Minnesota. Sibley County made no contributions to this organization in 2017.

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

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties joined the joint venture. As of December 31, 2010, Cass, Freeborn, and Crow Wing Counties withdrew from the joint powers. The agreement was in accordance with Minn. Stat. § 256B.692, which allows the formation of a Board of Directors to operate, control, and manage all matters concerning the participating member counties' health care functions, referred to as county-based purchasing.

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

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. Sibley County's equity interest in the SCHA at the end of 2017 was \$1,624,394. The equity interest is reported as an investment in joint venture on the County's government-wide statement of net position. Changes in equity are included in the County's government-wide statement of activities as human services program expenses or revenues.

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

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Three Counties for Kids Collaborative

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

The Collaborative is financed by Local Collaborative Time Study (LCTS) funds and program reimbursements. Control of the Collaborative is vested in a Board of Directors consisting of seven members. Brown County Family Services acts as a fiscal agent for the Collaborative. During 2017, Sibley County did not provide funding to the Collaborative.

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

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

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

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Trailblazer Transit Board

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

Financing is primarily provided from state and federal grants. Member counties are committed to providing the local match necessary to meet the requirements for state and federal funding. For 2017, Sibley County contributed \$114,700 to the Board.

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

Tri-County Solid Waste

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

One-half of the financing is provided by appropriations from the three counties based on the ratio of their population to the total population of the member counties, and one-half is provided by an equal appropriation from the three counties. Sibley County contributed \$66,083 in 2017. Nicollet County is the fiscal agent.

Current audited financial statements are not available.



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

D. Jointly-Governed Organizations

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

Region Five - Southwest Minnesota Homeland Security Emergency Management Organization

The Region Five - Southwest Minnesota Security Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Sibley County's responsibility does not extend beyond making this appointment. During the year, the County made no payments to the joint powers.

Minnesota Criminal Justice Data Communications Network

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

Sentence to Serve

Sibley County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Although Sibley County has no operational or financial control over the STS program, the County budgets for a percentage of this program. During the year, Sibley County contributed \$62,073 to the program.

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5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

South Central Community Based Initiative

The South Central Community Based Initiative Joint Powers Board was established pursuant to Minn. Stat. §§ 471.59 and 245.4661 and a joint powers agreement effective June 20, 2008. The purpose of this joint powers agreement is to provide services to persons with mental illness in the most clinically-appropriate, person-centered, least restrictive, and cost effective ways. The focus is on improved access and outcomes for persons with mental illness as a result of the collaboration between state-operated services programs and community-based treatment. The membership of the Board is comprised of one representative appointed by Blue Earth, Brown, Faribault, Freeborn, Le Sueur, Martin, Nicollet, Rice, Sibley, and Watonwan Counties. Sibley County did not contribute to the Joint Powers Board in 2017.

South Central Emergency Medical Service

The South Central Emergency Medical Service (SCEMS) Joint Powers Board consists of Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan Counties. The purpose of SCEMS is to ensure quality patient care is available throughout the nine-county area by maximizing the response capabilities of emergency medical personnel and to promote public education on injury prevention and appropriate response during a medical emergency. Each county appoints one member for the Joint Powers Board. Sibley County did not contribute to SCEMS in 2017.

Southwest Minnesota Immunization Information Connection

The Southwest Minnesota Immunization Information Connection (SW-MIIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. Sibley County did not contribute to the SW-MIIC during 2017.

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6. Sibley County Library System Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Basis of Presentation and Basis of Accounting

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

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

B. Detailed Notes

1. Assets

Deposits

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

Cash held by the County Treasurer	\$ 120,506
Cash with the Henderson Branch	<u>2,451</u>
Total Cash and Pooled Investments	<u>\$ 122,957</u>

**SIBLEY COUNTY  
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6. Sibley County Library System Component Unit Disclosures

B. Detailed Notes

1. Assets

Deposits (Continued)

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

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, the Sibley County Library System’s deposits may not be returned to it. The Sibley County Library System follows the County’s policy regarding custodial credit risk for deposits, which is to obtain collateral or bond to cover any uninsured portion of deposits and to comply with state law. As of December 31, 2017, the Sibley County Library System’s deposits were not exposed to custodial credit risk.

2. Liabilities

Changes in Long-Term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term liabilities					
Compensated absences	\$ 33,235	\$ 21,652	\$ 20,507	\$ 34,380	\$ 9,283

**SIBLEY COUNTY  
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6. Sibley County Library System Component Unit Disclosures (Continued)

C. Defined Benefit Pension Plan

1. Plan Description

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

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. Member employees of the Sibley County Library System participate in the Coordinated Plan, in which benefits vest after five years of credited service.

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

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

**SIBLEY COUNTY  
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6. Sibley County Library System Component Unit Disclosures

C. Defined Benefit Pension Plan

2. Benefits Provided (Continued)

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 percent for each year of service. Only Method 2 is used for members hired after June 30, 1989.

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

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. In 2017, General Employees Retirement Plan Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary, and employers were required to contribute 7.50 percent of annual covered salary.

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

The Sibley County Library System's contributions for the General Employees Retirement Plan for the year ended December 31, 2017, were \$16,066. The contributions are equal to the contractually required contributions as set by state statute.

**SIBLEY COUNTY  
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6. Sibley County Library System Component Unit Disclosures

C. Defined Benefit Pension Plan (Continued)

4. Pension Costs

At December 31, 2017, the Sibley County Library System reported a liability of \$204,286 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Sibley County Library System's proportion of the net pension liability was based on the Sibley County Library System's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the Sibley County Library System's proportion was 0.0032 percent. It was 0.0030 percent measured as of June 30, 2016. The Sibley County Library System recognized pension expense of \$57,089 for its proportionate share of the General Employees Retirement Plan's pension expense.

The Sibley County Library System also recognized \$75 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation required the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan for the fiscal year ended June 30, 2017.

The Sibley County Library System's proportionate share of the net pension liability	\$ 204,286
State of Minnesota's proportionate share of the net pension liability associated with the Sibley County Library System	<u>2,600</u>
Total	<u>\$ 206,886</u>

**SIBLEY COUNTY  
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6. Sibley County Library System Component Unit Disclosures

C. Defined Benefit Pension Plan

4. Pension Costs (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 6,733	\$ 12,233
Changes in actuarial assumptions	31,796	20,480
Difference between projected and actual investment earnings	-	1,176
Changes in proportion	37,083	-
Contributions paid to PERA subsequent to the measurement date	7,882	-
Total	\$ 83,494	\$ 33,889

The \$7,882 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	\$ 35,289
2019	15,501
2020	(395)
2021	(8,672)



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6. Sibley County Library System Component Unit Disclosures

C. Defined Benefit Pension Plan (Continued)

5. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. The cost of living benefit increases for retirees are assumed to be 1.0 percent through 2044, and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Retirement Plan was dated June 30, 2015.

The long-term expected rate of return on pension plan investments is 7.5 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	39%	5.10%
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Cash	2	0.00

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6. Sibley County Library System Component Unit Disclosures

C. Defined Benefit Pension Plan (Continued)

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2017, which remained consistent with 2016. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions for the General Employees Retirement Plan occurred in 2017:

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members.) The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21,000,000 in calendar years 2017 and 2018 and returns to \$31,000,000 through calendar year 2031. The state's required contribution is \$16,000,000 in PERA's fiscal years 2018 and 2019 and returns to \$6,000,000 annually through calendar year 2031.

**SIBLEY COUNTY  
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6. Sibley County Library System Component Unit Disclosures

C. Defined Benefit Pension Plan (Continued)

8. Pension Liability Sensitivity

The following presents the Sibley County Library System’s proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the Sibley County Library System’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	Proportionate Share of the General Employees Retirement Plan	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 316,863
Current	7.50	204,286
1% Increase	8.50	112,121

9. Pension Plan Fiduciary Net Position

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

D. Risk Management

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

**SIBLEY COUNTY  
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6. Sibley County Library System Component Unit Disclosures

D. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2017 and 2018. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the Sibley County Library System in a method and amount to be determined by MCIT.

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT A-1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 5,978,713	\$ 5,978,713	\$ 5,797,109	\$ (181,604)
Special assessments	134,000	134,000	133,764	(236)
Licenses and permits	26,820	26,820	51,496	24,676
Intergovernmental	873,482	873,482	1,146,770	273,288
Charges for services	839,326	839,326	780,496	(58,830)
Fines and forfeits	12,700	12,700	12,396	(304)
Gifts and contributions	1,200	1,200	3,779	2,579
Investment earnings	205,250	205,250	253,422	48,172
Miscellaneous	192,440	192,440	373,464	181,024
<b>Total Revenues</b>	<b>\$ 8,263,931</b>	<b>\$ 8,263,931</b>	<b>\$ 8,552,696</b>	<b>\$ 288,765</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 270,573	\$ 270,573	\$ 239,484	\$ 31,089
Courts	74,150	74,150	112,799	(38,649)
Law library	20,000	20,000	10,695	9,305
County auditor	277,881	277,881	272,256	5,625
County treasurer	351,327	351,327	351,755	(428)
Audit services	87,550	87,550	92,113	(4,563)
Information services	531,499	531,499	555,840	(24,341)
Elections/voter registration	63,740	63,740	60,034	3,706
County administrator/human resources	500,523	500,523	477,396	23,127
County attorney	493,504	493,504	465,436	28,068
County recorder	303,045	303,045	287,651	15,394
County surveyor	32,500	32,500	32,556	(56)
County assessor	341,913	341,913	352,527	(10,614)
Planning and zoning	56,322	56,322	71,349	(15,027)
Courthouse building	114,555	114,555	79,486	35,069
Building custodians	175,284	175,284	199,154	(23,870)
Sibley County food shelf	93	93	18	75
Jail building	66,550	66,550	68,051	(1,501)
Sibley County service center	79,400	79,400	65,558	13,842
Sheriff shed	3,200	3,200	952	2,248
Sibley East and West	8,800	8,800	85,580	(76,780)
Veterans service officer	134,391	134,391	123,971	10,420
Public transit	25,000	25,000	-	25,000
County fleet car	12,500	12,500	37,952	(25,452)
Shoreland ordinance	2,700	2,700	547	2,153
MPCA feedlot program	69,491	69,491	67,038	2,453
Other general government activities	87,902	87,902	407,075	(319,173)
<b>Total general government</b>	<b>\$ 4,184,393</b>	<b>\$ 4,184,393</b>	<b>\$ 4,517,273</b>	<b>\$ (332,880)</b>

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

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 2,246,014	\$ 2,246,014	\$ 2,282,089	\$ (36,075)
Enhanced 911 system	49,500	49,500	30,019	19,481
Probation officer	198,447	198,447	127,229	71,218
Sentence to Serve	64,000	64,000	62,073	1,927
Emergency management	108,907	108,907	96,322	12,585
South Central Minnesota Regional Emergency Communications Board	4,050	4,050	3,540	510
<b>Total public safety</b>	<b>\$ 2,670,918</b>	<b>\$ 2,670,918</b>	<b>\$ 2,601,272</b>	<b>\$ 69,646</b>
<b>Sanitation</b>				
SCORE solid waste	\$ 215,904	\$ 215,904	\$ 224,595	\$ (8,691)
County landfill	875	875	954	(79)
<b>Total sanitation</b>	<b>\$ 216,779</b>	<b>\$ 216,779</b>	<b>\$ 225,549</b>	<b>\$ (8,770)</b>
<b>Culture and recreation</b>				
Historical society	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Sibley County Library System	315,000	315,000	315,000	-
Parks	31,550	31,550	11,156	20,394
County seat trail	-	-	33,532	(33,532)
Tourism	2,725	2,725	2,254	471
<b>Total culture and recreation</b>	<b>\$ 364,275</b>	<b>\$ 364,275</b>	<b>\$ 376,942</b>	<b>\$ (12,667)</b>
<b>Conservation of natural resources</b>				
Soil and water conservation	\$ 179,755	\$ 179,755	\$ 151,688	\$ 28,067
County extension	153,743	153,743	150,098	3,645
Agriculture ditch inspector	141,601	141,601	171,389	(29,788)
County fair	23,040	23,040	23,040	-
Aquatic invasive species	56,750	56,750	32,600	24,150
<b>Total conservation of natural resources</b>	<b>\$ 554,889</b>	<b>\$ 554,889</b>	<b>\$ 528,815</b>	<b>\$ 26,074</b>
<b>Economic development</b>				
Housing and Redevelopment Authority	\$ 134,198	\$ 134,198	\$ 133,833	\$ 365
Minnesota Valley Action Council	7,779	7,779	7,034	745
<b>Total economic development</b>	<b>\$ 141,977</b>	<b>\$ 141,977</b>	<b>\$ 140,867</b>	<b>\$ 1,110</b>



**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (Continued)</b>				
<b>Capital outlay</b>				
General government	\$ 53,950	\$ 53,950	\$ 70,727	\$ (16,777)
Public safety	105,750	105,750	10,243	95,507
Culture and recreation	1,000	1,000	-	1,000
<b>Total capital outlay</b>	<u>\$ 160,700</u>	<u>\$ 160,700</u>	<u>\$ 80,970</u>	<u>\$ 79,730</u>
<b>Total Expenditures</b>	<u>\$ 8,293,931</u>	<u>\$ 8,293,931</u>	<u>\$ 8,471,688</u>	<u>\$ (177,757)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>\$ (30,000)</u>	<u>\$ (30,000)</u>	<u>\$ 81,008</u>	<u>\$ 111,008</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(73,336)	(73,336)
<b>Net Change in Fund Balance</b>	<u>\$ (30,000)</u>	<u>\$ (30,000)</u>	<u>\$ 7,672</u>	<u>\$ 37,672</u>
<b>Fund Balance - January 1</b>	<u>5,446,656</u>	<u>5,446,656</u>	<u>5,446,656</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u><u>\$ 5,416,656</u></u>	<u><u>\$ 5,416,656</u></u>	<u><u>\$ 5,454,328</u></u>	<u><u>\$ 37,672</u></u>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT A-2**

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC WORKS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 4,074,324	\$ 4,074,324	\$ 3,996,463	\$ (77,861)
Intergovernmental	4,327,292	4,327,292	4,958,429	631,137
Charges for services	78,800	78,800	80,992	2,192
Miscellaneous	43,428	43,428	63,974	20,546
<b>Total Revenues</b>	<b>\$ 8,523,844</b>	<b>\$ 8,523,844</b>	<b>\$ 9,099,858</b>	<b>\$ 576,014</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Geographical information systems (GIS)	\$ 56,595	\$ 56,595	\$ 32,239	\$ 24,356
Maintenance	3,019,920	3,019,920	2,626,056	393,864
Engineering/construction	4,834,169	4,834,169	4,283,783	550,386
Equipment, shop maintenance, and repairs	813,603	813,603	661,307	152,296
Administration	325,199	325,199	310,700	14,499
County share gravel tax	-	-	5,584	(5,584)
Land restoration	-	-	1,971	(1,971)
Township allotments	40,000	40,000	55,147	(15,147)
<b>Total highways and streets</b>	<b>\$ 9,089,486</b>	<b>\$ 9,089,486</b>	<b>\$ 7,976,787</b>	<b>\$ 1,112,699</b>
<b>Capital outlay</b>				
Highways and streets	26,000	26,000	67,371	(41,371)
<b>Intergovernmental</b>				
Highways and streets	330,000	330,000	322,874	7,126
<b>Total Expenditures</b>	<b>\$ 9,445,486</b>	<b>\$ 9,445,486</b>	<b>\$ 8,367,032</b>	<b>\$ 1,078,454</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (921,642)</b>	<b>\$ (921,642)</b>	<b>\$ 732,826</b>	<b>\$ 1,654,468</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 400,000	\$ 400,000	\$ -	\$ (400,000)
Transfers out	(454,000)	(454,000)	(2,109,871)	(1,655,871)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (54,000)</b>	<b>\$ (54,000)</b>	<b>\$ (2,109,871)</b>	<b>\$ (2,055,871)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (975,642)</b>	<b>\$ (975,642)</b>	<b>\$ (1,377,045)</b>	<b>\$ (401,403)</b>
<b>Fund Balance - January 1</b>	<b>10,935,171</b>	<b>10,935,171</b>	<b>10,935,171</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>240,477</b>	<b>240,477</b>
<b>Fund Balance - December 31</b>	<b>\$ 9,959,529</b>	<b>\$ 9,959,529</b>	<b>\$ 9,798,603</b>	<b>\$ (160,926)</b>

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

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,185,166	\$ 3,185,166	\$ 3,099,481	\$ (85,685)
Intergovernmental	2,802,536	2,802,536	3,064,182	261,646
Charges for services	420,250	420,250	367,795	(52,455)
Miscellaneous	162,640	162,640	134,063	(28,577)
<b>Total Revenues</b>	<b>\$ 6,570,592</b>	<b>\$ 6,570,592</b>	<b>\$ 6,665,521</b>	<b>\$ 94,929</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 1,471,134	\$ 1,471,134	\$ 1,279,255	\$ 191,879
Social services	4,270,427	4,270,427	4,248,677	21,750
Miscellaneous social service programs	24,346	24,346	20,176	4,170
<b>Total human services</b>	<b>\$ 5,765,907</b>	<b>\$ 5,765,907</b>	<b>\$ 5,548,108</b>	<b>\$ 217,799</b>
<b>Health</b>				
Public health nurse	904,685	904,685	969,371	(64,686)
<b>Total Expenditures</b>	<b>\$ 6,670,592</b>	<b>\$ 6,670,592</b>	<b>\$ 6,517,479</b>	<b>\$ 153,113</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (100,000)</b>	<b>\$ (100,000)</b>	<b>\$ 148,042</b>	<b>\$ 248,042</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(408,167)	(408,167)
<b>Net Change in Fund Balance</b>	<b>\$ (100,000)</b>	<b>\$ (100,000)</b>	<b>\$ (260,125)</b>	<b>\$ (160,125)</b>
<b>Fund Balance - January 1</b>	<b>4,385,291</b>	<b>4,385,291</b>	<b>4,385,291</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,285,291</b>	<b>\$ 4,285,291</b>	<b>\$ 4,125,166</b>	<b>\$ (160,125)</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT A-4*

**SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2017**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (b)</b>	<b>Unfunded Actuarial Accrued Liability (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a)/c)</b>
January 1, 2011	\$ -	\$ 627,928	\$ 627,928	0.00%	\$ 5,392,445	11.64%
January 1, 2014	-	636,254	636,254	0.00	6,138,389	10.37
January 1, 2017	-	501,134	501,134	0.00	7,762,955	6.46

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT A-5*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA GENERAL EMPLOYEES RETIREMENT PLAN  
DECEMBER 31, 2017**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>State's Proportionate Share of the Net Pension Liability Associated with Sibley County (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)</b>	<b>Covered Payroll (c)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2017	0.1038%	\$ 6,626,523	\$ 83,359	\$ 6,709,882	\$ 6,689,908	99.05%	75.90%
2016	0.0984	7,989,592	104,363	8,093,955	6,109,384	130.78	68.91
2015	0.0984	5,099,599	N/A	5,099,599	5,784,914	88.15	78.19

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT A-6*

**SCHEDULE OF CONTRIBUTIONS  
PERA GENERAL EMPLOYEES RETIREMENT PLAN  
DECEMBER 31, 2017**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2017	\$ 491,539	\$ 491,539	\$ -	\$ 6,553,854	7.50%
2016	479,622	479,622	-	6,394,957	7.50
2015	455,148	455,148	-	6,069,024	7.50

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT A-7*

**SIBLEY COUNTY LIBRARY SYSTEM  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA GENERAL EMPLOYEES RETIREMENT PLAN  
DECEMBER 31, 2017**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>State's Proportionate Share of the Net Pension Liability Associated with the Sibley County Library System (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)</b>	<b>Covered Payroll (c)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2017	0.0032%	\$ 204,286	\$ 2,600	\$ 206,886	\$ 208,953	97.77%	75.90%
2016	0.0030	243,585	3,140	246,725	184,309	132.16	68.91
2015	0.0029	150,293	N/A	150,293	172,103	87.33	78.19

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

The measurement date for each year is June 30.

N/A - Not Applicable

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT A-8*

**SIBLEY COUNTY LIBRARY SYSTEM  
SCHEDULE OF CONTRIBUTIONS  
PERA GENERAL EMPLOYEES RETIREMENT PLAN  
DECEMBER 31, 2017**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2017	\$ 16,066	\$ 16,066	\$ -	\$ 214,215	7.50%
2016	14,355	14,355	-	191,393	7.50
2015	13,845	13,845	-	184,592	7.50

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



**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT A-9*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN  
DECEMBER 31, 2017**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.081%	\$ 1,093,596	\$ 829,012	131.92%	85.43%
2016	0.078	3,130,276	691,357	452.77	63.88
2015	0.074	840,813	680,776	123.51	86.61

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT A-10*

**SCHEDULE OF CONTRIBUTIONS  
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN  
DECEMBER 31, 2017**

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

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT A-11*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN  
DECEMBER 31, 2017**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.23%	\$ 655,502	\$ 467,262	140.29%	67.89%
2016	0.20	730,628	385,659	189.45	58.16
2015	0.24	37,104	423,611	8.76	96.95

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT A-12*

**SCHEDULE OF CONTRIBUTIONS  
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN  
DECEMBER 31, 2017**

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

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

1. Budgetary Information

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

2. Excess of Expenditures Over Appropriations

The following fund had expenditures in excess of appropriations (the legal level of budgetary control) for the year ended December 31, 2017:

Fund	Expenditures	Final Budget	Excess
General Fund	\$ 8,471,688	\$ 8,293,931	\$ 177,757

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

3. Other Postemployment Benefits

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

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

4. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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

General Employees Retirement Plan

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members.) The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21,000,000 in calendar years 2017 and 2018 and returns to \$31,000,000 through calendar year 2031. The state's required contribution is \$16,000,000 in PERA's fiscal years 2018 and 2019 and returns to \$6,000,000 annually through calendar year 2031.

2016

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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

Public Employees Police and Fire Plan

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.0 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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4. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

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

Public Employees Correctional Plan

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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4. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Correctional Plan

2017 (Continued)

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.0 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

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

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**SUPPLEMENTARY INFORMATION**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

***EXHIBIT B-1***

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 247,000	\$ 247,000	\$ 238,652	\$ (8,348)
Intergovernmental	-	-	6,241	6,241
<b>Total Revenues</b>	<b>\$ 247,000</b>	<b>\$ 247,000</b>	<b>\$ 244,893</b>	<b>\$ (2,107)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 220,000	\$ 220,000	\$ 225,000	\$ (5,000)
Interest	13,142	13,142	10,650	2,492
Administrative charges	13,858	13,858	930	12,928
<b>Total Expenditures</b>	<b>\$ 247,000</b>	<b>\$ 247,000</b>	<b>\$ 236,580</b>	<b>\$ 10,420</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,313</b>	<b>\$ 8,313</b>
<b>Fund Balance - January 1</b>	<b>851,036</b>	<b>851,036</b>	<b>851,036</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 851,036</b>	<b>\$ 851,036</b>	<b>\$ 859,349</b>	<b>\$ 8,313</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT B-2**

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment earnings	\$ -	\$ -	\$ 15,946	\$ 15,946
<b>Expenditures</b>				
<b>Capital outlay</b>				
General government	\$ 175,000	\$ 175,000	\$ 616,516	\$ (441,516)
Public safety	-	-	8,041	(8,041)
Highways and streets	325,000	325,000	408,330	(83,330)
<b>Total capital outlay</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ 1,032,887</b>	<b>\$ (532,887)</b>
<b>Debt service</b>				
Bond issuance costs	-	-	86,652	(86,652)
<b>Total Expenditures</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ 1,119,539</b>	<b>\$ (619,539)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (500,000)</b>	<b>\$ (500,000)</b>	<b>\$ (1,103,593)</b>	<b>\$ (603,593)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 2,591,374	\$ 2,591,374
General obligation bonds issued	-	-	5,085,000	5,085,000
Premium on bonds issued	-	-	116,056	116,056
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,792,430</b>	<b>\$ 7,792,430</b>
<b>Net Change in Fund Balance</b>	<b>\$ (500,000)</b>	<b>\$ (500,000)</b>	<b>\$ 6,688,837</b>	<b>\$ 7,188,837</b>
<b>Fund Balance - January 1</b>	<b>2,182,004</b>	<b>2,182,004</b>	<b>2,182,004</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,682,004</b>	<b>\$ 1,682,004</b>	<b>\$ 8,870,841</b>	<b>\$ 7,188,837</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

NONMAJOR FUNDS

Nonmajor Special Revenue Funds

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

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

Nonmajor Permanent Fund

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

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT C-1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

	<u>Special Revenue Funds</u>			<u>Permanent Fund Federal Lands</u>	<u>Total Nonmajor Governmental Funds (Exhibit 3)</u>
	<u>Revolving Loan (SEDCO)</u>	<u>Water Projects</u>	<u>Total</u>		
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 141,351	\$ 839	\$ 142,190	\$ 138,035	\$ 280,225
Due from other governments	-	36,664	36,664	-	36,664
Loans receivable	132,524	-	132,524	-	132,524
<b>Total Assets</b>	<b>\$ 273,875</b>	<b>\$ 37,503</b>	<b>\$ 311,378</b>	<b>\$ 138,035</b>	<b>\$ 449,413</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 23,326	\$ 23,326	\$ -	\$ 23,326
Due to other governments	-	18,830	18,830	-	18,830
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 42,156</b>	<b>\$ 42,156</b>	<b>\$ -</b>	<b>\$ 42,156</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	\$ -	\$ 35,593	\$ 35,593	\$ -	\$ 35,593
<b>Fund Balances</b>					
Nonspendable for					
Federal lands	\$ -	\$ -	\$ -	\$ 130,417	\$ 130,417
Restricted for					
Economic development loans	273,875	-	273,875	-	273,875
Conservation projects	-	-	-	7,618	7,618
Unassigned	-	(40,246)	(40,246)	-	(40,246)
<b>Total Fund Balances</b>	<b>\$ 273,875</b>	<b>\$ (40,246)</b>	<b>\$ 233,629</b>	<b>\$ 138,035</b>	<b>\$ 371,664</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 273,875</b>	<b>\$ 37,503</b>	<b>\$ 311,378</b>	<b>\$ 138,035</b>	<b>\$ 449,413</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT C-2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Special Revenue Funds</u>			<u>Permanent Fund Federal Lands</u>	<u>Total Nonmajor Governmental Funds (Exhibit 5)</u>
	<u>Revolving Loan (SEDCO)</u>	<u>Water Projects</u>	<u>Total</u>		
<b>Revenues</b>					
Intergovernmental	\$ -	\$ 105,221	\$ 105,221	\$ 7,618	\$ 112,839
Investment earnings	4,271	-	4,271	-	4,271
<b>Total Revenues</b>	<b>\$ 4,271</b>	<b>\$ 105,221</b>	<b>\$ 109,492</b>	<b>\$ 7,618</b>	<b>\$ 117,110</b>
<b>Expenditures</b>					
<b>Current</b>					
Conservation of natural resources	-	183,867	183,867	-	183,867
<b>Net Change in Fund Balance</b>	<b>\$ 4,271</b>	<b>\$ (78,646)</b>	<b>\$ (74,375)</b>	<b>\$ 7,618</b>	<b>\$ (66,757)</b>
<b>Fund Balance - January 1</b>	<b>269,604</b>	<b>38,400</b>	<b>308,004</b>	<b>130,417</b>	<b>438,421</b>
<b>Fund Balance - December 31</b>	<b>\$ 273,875</b>	<b>\$ (40,246)</b>	<b>\$ 233,629</b>	<b>\$ 138,035</b>	<b>\$ 371,664</b>



**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT C-3*

**BUDGETARY COMPARISON SCHEDULE  
WATER PROJECTS NONMAJOR SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 153,792	\$ 153,792	\$ 105,221	\$ (48,571)
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
High Island TMDL Implementation	\$ 150,214	\$ 150,214	\$ -	\$ 150,214
SWAG	5,689	5,689	-	5,689
Water Projects Administration	-	-	13,724	(13,724)
HIC/RR TMDL Implementation Project	-	-	130,061	(130,061)
Lower MN Wraps North Project	-	-	40,082	(40,082)
<b>Total Expenditures</b>	<u>\$ 155,903</u>	<u>\$ 155,903</u>	<u>\$ 183,867</u>	<u>\$ (27,964)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (2,111)</u>	<u>\$ (2,111)</u>	<u>\$ (78,646)</u>	<u>\$ (76,535)</u>
<b>Fund Balance - January 1</b>	<u>38,400</u>	<u>38,400</u>	<u>38,400</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u><u>\$ 36,289</u></u>	<u><u>\$ 36,289</u></u>	<u><u>\$ (40,246)</u></u>	<u><u>\$ (76,535)</u></u>

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

TRUST AND AGENCY FUNDS

Private-Purpose Trust Funds

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

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

Agency Funds

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

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

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

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

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

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

***EXHIBIT D-1***

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
PRIVATE-PURPOSE TRUST FUNDS  
DECEMBER 31, 2017**

	<u>Nurse Development</u>	<u>Missing Heirs</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 5,317	\$ 24,180	\$ 29,497
Investments	-	5,240	5,240
<b>Total Assets</b>	<b><u>\$ 5,317</u></b>	<b><u>\$ 29,420</u></b>	<b><u>\$ 34,737</u></b>
<b><u>Net Position</u></b>			
Net position, held in trust	<b><u>\$ 5,317</u></b>	<b><u>\$ 29,420</u></b>	<b><u>\$ 34,737</u></b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT D-2*

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
PRIVATE-PURPOSE TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>Nurse Development</b>	<b>Missing Heirs</b>	<b>Total</b>
<b><u>Additions</u></b>			
Interest	\$ 10	\$ 6	\$ 16
<b><u>Deductions</u></b>			
Payments in accordance with trust agreements	1,000	-	1,000
<b>Change in Net Position</b>	<b>\$ (990)</b>	<b>\$ 6</b>	<b>\$ (984)</b>
<b>Net Position - Beginning of the Year</b>	<b>6,307</b>	<b>29,414</b>	<b>35,721</b>
<b>Net Position - End of the Year</b>	<b>\$ 5,317</b>	<b>\$ 29,420</b>	<b>\$ 34,737</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT D-3*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>OTHER AGENCY</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 158,126</u>	<u>\$ 1,271,848</u>	<u>\$ 1,224,637</u>	<u>\$ 205,337</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 1,909	\$ 551,800	\$ 547,863	\$ 5,846
Due to other governments	<u>156,217</u>	<u>720,048</u>	<u>676,774</u>	<u>199,491</u>
<b>Total Liabilities</b>	<u><b>\$ 158,126</b></u>	<u><b>\$ 1,271,848</b></u>	<u><b>\$ 1,224,637</b></u>	<u><b>\$ 205,337</b></u>
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 146,924</u>	<u>\$ 30,800,244</u>	<u>\$ 30,669,241</u>	<u>\$ 277,927</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 146,924</u>	<u>\$ 30,800,244</u>	<u>\$ 30,669,241</u>	<u>\$ 277,927</u>
 <b><u>FORFEITED TAX</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ -</u>	<u>\$ 2,126</u>	<u>\$ 2,126</u>	<u>\$ -</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ -</u>	<u>\$ 2,126</u>	<u>\$ 2,126</u>	<u>\$ -</u>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT D-3  
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<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	\$ 32,832	\$ 111,067	\$ 108,518	\$ 35,381
<b><u>Liabilities</u></b>				
Accounts payable	\$ 32,832	\$ 111,067	\$ 108,518	\$ 35,381
<b><u>ECONOMIC DEVELOPMENT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 128,220	\$ 143,089	\$ 100,396	\$ 170,913
<b><u>Liabilities</u></b>				
Due to other governments	\$ 128,220	\$ 143,089	\$ 100,396	\$ 170,913
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 466,102	\$ 32,328,374	\$ 32,104,918	\$ 689,558
<b><u>Liabilities</u></b>				
Accounts payable	\$ 34,741	\$ 662,867	\$ 656,381	\$ 41,227
Due to other governments	431,361	31,665,507	31,448,537	648,331
<b>Total Liabilities</b>	<b>\$ 466,102</b>	<b>\$ 32,328,374</b>	<b>\$ 32,104,918</b>	<b>\$ 689,558</b>



**SIBLEY COUNTY LIBRARY SYSTEM COMPONENT UNIT**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT E-1**

**GENERAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION  
SIBLEY COUNTY LIBRARY SYSTEM COMPONENT UNIT  
DECEMBER 31, 2017**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Governmental Activities</b>
<b><u>Assets and Deferred Outflows of Resources</u></b>			
<b>Current assets</b>			
Cash and pooled investments	\$ 122,957	\$ -	\$ 122,957
Petty cash and change funds	20	-	20
Accounts receivable	2,015	-	2,015
Due from other governments	106,425	-	106,425
Prepaid items	213	-	213
<b>Total Assets</b>	<b>\$ 231,630</b>	<b>\$ -</b>	<b>\$ 231,630</b>
<b>Deferred outflows of resources</b>			
Deferred pension outflows	\$ -	\$ 83,494	\$ 83,494
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 231,630</b>	<b>\$ 83,494</b>	<b>\$ 315,124</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position</u></b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 15,581	\$ -	\$ 15,581
Salaries payable	9,515	-	9,515
Due to other governments	16,333	-	16,333
Compensated absences payable - current	-	9,283	9,283
<b>Noncurrent liabilities</b>			
Compensated absences payable	-	25,097	25,097
Net pension liability	-	204,286	204,286
<b>Total Liabilities</b>	<b>\$ 41,429</b>	<b>\$ 238,666</b>	<b>\$ 280,095</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	\$ 19,812	\$ (19,812)	\$ -
Deferred pension inflows	-	33,889	33,889
<b>Total Deferred Inflows of Resources</b>	<b>\$ 19,812</b>	<b>\$ 14,077</b>	<b>\$ 33,889</b>
<b>Fund Balance</b>			
Nonspendable - prepaid items	\$ 213	\$ (213)	
Unassigned	170,176	(170,176)	
<b>Total Fund Balance</b>	<b>\$ 170,389</b>	<b>\$ (170,389)</b>	
<b>Net Position</b>			
Unrestricted		\$ 1,140	\$ 1,140
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position</b>	<b>\$ 231,630</b>	<b>\$ 83,494</b>	<b>\$ 315,124</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

***EXHIBIT E-1  
(Continued)***

**GENERAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION  
SIBLEY COUNTY LIBRARY SYSTEM COMPONENT UNIT  
DECEMBER 31, 2017**

**Reconciliation of the General Fund Balance to Net Position**

<b>Fund Balance - General Fund</b>		<b>\$</b>	<b>170,389</b>
Deferred outflows resulting from pension obligations are not available resources and, therefore, are not reported in the governmental fund.			83,494
Long-term liabilities, including compensated absences and pension liability are not due and payable in the current period and, therefore, are not reported in the governmental fund.			
Compensated absences	\$	(34,380)	
Net pension liability		<u>(204,286)</u>	(238,666)
Certain assets are not available to pay for current period expenditures and, therefore are reported as deferred inflows of resources in the governmental fund.			19,812
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental fund.			<u>(33,889)</u>
<b>Net Position - Governmental Activities</b>		<b>\$</b>	<b><u><u>1,140</u></u></b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT E-2*

**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES  
SIBLEY COUNTY LIBRARY SYSTEM COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General Fund	Adjustments	Governmental Activities
<b>Revenues</b>			
Intergovernmental	\$ 315,985	\$ 19,887	\$ 335,872
Charges for services	5,232	-	5,232
Gifts and contributions	13,539	-	13,539
Miscellaneous	109,398	-	109,398
<b>Total Revenues</b>	<b>\$ 444,154</b>	<b>\$ 19,887</b>	<b>\$ 464,041</b>
<b>Expenditures/Expenses</b>			
<b>Current</b>			
<b>Culture and recreation</b>			
County library	473,330	42,244	515,574
<b>Net Change in Fund Balance/Net Position</b>	<b>\$ (29,176)</b>	<b>\$ (22,357)</b>	<b>\$ (51,533)</b>
<b>Fund Balance/Net Position - January 1</b>	<b>199,565</b>	<b>(146,892)</b>	<b>52,673</b>
<b>Fund Balance/Net Position - December 31</b>	<b>\$ 170,389</b>	<b>\$ (169,249)</b>	<b>\$ 1,140</b>

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

**Net Change in Fund Balance** **\$ (29,176)**

In the governmental fund, receivables not available for expenditure are deferred. In the governmental activities, those revenues are recognized when earned. 19,812

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

Change in compensated absences payable	(1,145)
Change in net pension liability	39,299
Change in deferred pension outflows	(66,047)
Change in deferred pension inflows	(14,276)

**Change in Net Position of Governmental Activities** **\$ (51,533)**

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## **SCHEDULES**

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH - ACCRUAL BASIS  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2017**

	Assets					
	Cash	Special Assessments Receivable		One-Year Repair Liens	Receivables	Total
		Delinquent	Noncurrent			
<b>County Ditches</b>						
C.D. #1	\$ 29,321	\$ 43,821	\$ 595	\$ 40,812	\$ -	\$ 114,549
C.D. #2	5,651	3	-	5,419	-	11,073
C.D. #4A	2,126	15	-	3,057	-	5,198
C.D. #9A	1,820	2	-	5,791	-	7,613
C.D. #10	1,877	-	-	5,755	-	7,632
C.D. #11	17,134	26	-	28,367	-	45,527
C.D. #12A	2,050	-	-	12,395	-	14,445
C.D. #13A	16,184	-	-	-	-	16,184
C.D. #18	40,943	-	-	16,570	7,000	64,513
C.D. #21A	2,795	-	-	2,214	-	5,009
C.D. #22	1,535	-	-	46,278	-	47,813
C.D. #23A	35,118	853	20,270	-	-	56,241
C.D. #24A	1,966	-	551	6,000	-	8,517
C.D. #25A	755	-	-	402	-	1,157
C.D. #26	2,225	-	-	1,633	-	3,858
C.D. #29	297,997	73	847,826	-	-	1,145,896
C.D. #29 Impr. SCHWARTZ	2,004	124	34,929	-	-	37,057
C.D. #30A	1,929	-	-	6,480	-	8,409
C.D. #31A	6,239	337	-	21,169	-	27,745
C.D. #32A	2,043	-	-	17,186	-	19,229
C.D. #37A	1,328	-	-	1,352	-	2,680
C.D. #38	442	-	-	-	-	442
C.D. #39	10,845	-	129,012	1,391	-	141,248
C.D. #40A	14,200	-	-	-	-	14,200
C.D. #42	20,575	71	106,317	48,013	10,978	185,954
C.D. #43	6,526	-	21,724	-	-	28,250
C.D. #44	2,330	11	62,153	-	-	64,494
C.D. #45	1,499	-	-	4,802	-	6,301
C.D. #46	2,740	-	-	338	-	3,078
C.D. #47	1,686	-	19,430	1,908	-	23,024
C.D. #48	2,233	-	-	-	-	2,233
C.D. #49	24,172	15	-	36,733	-	60,920
C.D. #50	2,253	-	-	36,642	-	38,895
C.D. #54	28,982	322	-	30,322	-	59,626
C.D. #55	77,090	161	-	11,125	6,324	94,700
C.D. #56	1,746	-	-	-	-	1,746
C.D. #57A	1,576	-	-	10,522	-	12,098
C.D. #58	14,350	13	-	-	-	14,363
C.D. #59	2,104	662	-	30,744	-	33,510
C.D. #60	1,699	-	-	3,112	-	4,811
C.D. #61	8,896	-	-	10,526	-	19,422
C.D. #64	19,094	-	-	-	-	19,094
C.D. #65	1,741	-	13,094	-	-	14,835
C.D. #66	19,361	-	-	-	-	19,361
C.D. #67	1,479	1	-	5,341	-	6,821
C.D. #61 Outlet Impr	992	-	-	-	-	992
C.D. #70	3,909	1,925	146,176	5,354	-	157,364
<b>Total County Ditches</b>	<b>\$ 745,560</b>	<b>\$ 48,435</b>	<b>\$ 1,402,077</b>	<b>\$ 457,753</b>	<b>\$ 24,302</b>	<b>\$ 2,678,127</b>



EXHIBIT F-1

Accounts and Contracts Payable	Liabilities				Deferred Inflows of Resources Unavailable Revenue	Fund Balance	Total Liabilities, Deferred Inflows of Resources, and Fund Balance
	Due to Other Funds	Due to Other Governments	Bonds Payable	Total			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 114,549	\$ 114,549
-	-	-	-	-	-	11,073	11,073
-	-	-	-	-	-	5,198	5,198
-	8,000	-	-	8,000	-	(387)	7,613
-	15,000	-	-	15,000	-	(7,368)	7,632
938	-	-	-	938	-	44,589	45,527
-	22,000	-	-	22,000	-	(7,555)	14,445
-	-	-	-	-	-	16,184	16,184
524	-	-	-	524	-	63,989	64,513
-	5,000	-	-	5,000	-	9	5,009
79,806	69,000	-	-	148,806	-	(100,993)	47,813
2,324	-	-	-	2,324	-	53,917	56,241
-	11,000	-	-	11,000	-	(2,483)	8,517
-	-	-	-	-	-	1,157	1,157
-	16,000	-	-	16,000	-	(12,142)	3,858
37,678	-	-	1,090,000	1,127,678	-	18,218	1,145,896
-	32,000	-	-	32,000	-	5,057	37,057
-	10,000	-	-	10,000	-	(1,591)	8,409
-	-	-	-	-	-	27,745	27,745
-	29,000	-	-	29,000	-	(9,771)	19,229
311	3,024	-	-	3,335	-	(655)	2,680
-	500	-	-	500	-	(58)	442
140	-	-	130,000	130,140	-	11,108	141,248
1,441	-	-	-	1,441	-	12,759	14,200
17,580	152,000	-	-	169,580	-	16,374	185,954
-	-	-	-	-	-	28,250	28,250
-	45,000	-	-	45,000	-	19,494	64,494
-	-	-	-	-	-	6,301	6,301
328	5,022	-	-	5,350	-	(2,272)	3,078
-	28,000	-	-	28,000	-	(4,976)	23,024
-	-	-	-	-	-	2,233	2,233
-	-	-	-	-	-	60,920	60,920
4,919	72,000	-	-	76,919	-	(38,024)	38,895
939	289	-	-	1,228	-	58,398	59,626
9,664	-	-	-	9,664	-	85,036	94,700
983	19,000	-	-	19,983	-	(18,237)	1,746
-	13,000	-	-	13,000	-	(902)	12,098
4,439	-	-	-	4,439	-	9,924	14,363
29,160	30,000	-	-	59,160	-	(25,650)	33,510
-	5,000	-	-	5,000	-	(189)	4,811
983	-	-	-	983	-	18,439	19,422
-	-	-	-	-	-	19,094	19,094
-	5,000	-	-	5,000	-	9,835	14,835
-	-	-	-	-	-	19,361	19,361
3,253	32,000	-	-	35,253	-	(28,432)	6,821
-	-	-	-	-	-	992	992
4,355	162,000	-	-	166,355	-	(8,991)	157,364
<b>\$ 199,765</b>	<b>\$ 788,835</b>	<b>\$ -</b>	<b>\$ 1,220,000</b>	<b>\$ 2,208,600</b>	<b>\$ -</b>	<b>\$ 469,527</b>	<b>\$ 2,678,127</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH - ACCRUAL BASIS  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2017**

	Assets					
	Cash	Special Assessments Receivable		One-Year Repair Liens	Receivables	Total
		Delinquent	Noncurrent			
<b>High Island Project</b>						
H.I. Proj. #2	\$ 20	\$ -	\$ -	\$ -	\$ -	\$ 20
H.I. Proj. #5	15	-	-	-	-	15
H.I. Proj. #8	10	-	-	-	-	10
H.I. Proj. #9	10	-	-	-	-	10
H.I. Proj. #10	36,656	-	-	-	-	36,656
H.I. Proj. #11	153,874	-	142,174	-	-	296,048
<b>Total High Island Project</b>	<b>\$ 190,585</b>	<b>\$ -</b>	<b>\$ 142,174</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 332,759</b>
<b>Judicial Ditches</b>						
JD #1A S&N	\$ 6,165	\$ 7	\$ -	\$ 28,802	\$ 20,736	\$ 55,710
J.D. #2 SC	20,066	-	958	-	17	21,041
JD #3 SCM	1,319	-	5,384	15,831	3,433	25,967
JD #5 M&S	2,011	-	-	2,238	33	4,282
JD #5 S&N	14,932	12	-	4,821	575	20,340
JD #6A S&N	25,395	183	-	37,464	4,313	67,355
JD #8 S&R	5,031	-	-	10,163	61	15,255
JD #8 M&S	2,089	-	-	-	483	2,572
JD #11 RSM	5,729	-	-	93,427	13,235	112,391
JD #12 Sibley	2,074	-	-	-	-	2,074
JD #13 SRN	13,317	124	-	-	117	13,558
JD #13 N&S	470	-	-	144	-	614
JD #14 S&N	551	-	-	349	116	1,016
JD #15 S&M	4,542	-	-	-	105	4,647
JD #15 R&S	3,378	-	-	-	190	3,568
JD #15 N&S	1,449	-	-	1,681	639	3,769
JD #16 N&S	585	-	-	-	12	597
JD #17 S&M	1,975	-	-	4,455	65,507	71,937
JD #18 S&M	4,266	-	168,958	-	169,657	342,881
JD #19 S&M	4,198	-	-	9,426	12,960	26,584
JD #20 S&N	2,094	2,306	-	34,563	3,743	42,706
JD #21 S&C	1,261	-	-	-	497	1,758
JD #22 S&C	4,698	-	-	-	-	4,698
JD #24 RSM	3,263	2,590	-	23,174	3,391	32,418
JD #30 R&S	35	-	-	86	2	123
JD #31 RSN	1,594	-	-	4,956	170	6,720
JD #32 SM	2,597	-	84,735	-	18	87,350
JD #6 NS	875	-	-	-	3	878
JT #1A N&S	93,645	2,209	-	-	1,048	96,902
JT #1 RS	2,990	-	-	6,879	106	9,975
JT #7 SNR	3,149	12	-	37,383	1,050	41,594
JT #24 CS	2,928	-	-	2,694	2,850	8,472
JT #7 Lat 17 IMP Berger	1,957	53	57,919	-	-	59,929
JT #5 YAHNKE S&N Impr	17,236	-	43,692	-	-	60,928
<b>Total Judicial Ditches</b>	<b>\$ 257,864</b>	<b>\$ 7,496</b>	<b>\$ 361,646</b>	<b>\$ 318,536</b>	<b>\$ 305,067</b>	<b>\$ 1,250,609</b>
<b>Total All Ditches</b>	<b>\$ 1,194,009</b>	<b>\$ 55,931</b>	<b>\$ 1,905,897</b>	<b>\$ 776,289</b>	<b>\$ 329,369</b>	<b>\$ 4,261,495</b>
Reconcile to Exhibit 3	-	-	-	-	-	-
<b>Total Modified Accrual</b>	<b>\$ 1,194,009</b>	<b>\$ 55,931</b>	<b>\$ 1,905,897</b>	<b>\$ 776,289</b>	<b>\$ 329,369</b>	<b>\$ 4,261,495</b>

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

Accounts and Contracts Payable	Liabilities				Deferred Inflows of Resources Unavailable Revenue	Fund Balance	Total Liabilities, Deferred Inflows of Resources, and Fund Balance
	Due to Other Funds	Due to Other Governments	Bonds Payable	Total			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20	\$ 20
-	-	-	-	-	-	15	15
-	-	-	-	-	-	10	10
-	-	-	-	-	-	10	10
-	-	-	-	-	-	36,656	36,656
-	-	-	300,000	300,000	-	(3,952)	296,048
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 300,000</b>	<b>\$ 300,000</b>	<b>\$ -</b>	<b>\$ 32,759</b>	<b>\$ 332,759</b>
\$ -	\$ 149,000	\$ 6,044	\$ -	\$ 155,044	\$ -	\$ (99,334)	\$ 55,710
-	-	-	-	-	-	21,041	21,041
-	-	260	-	260	-	25,707	25,967
-	4,000	15	-	4,015	-	267	4,282
9,440	-	45	-	9,485	-	10,855	20,340
375	-	31,569	-	31,944	-	35,411	67,355
-	-	6,946	-	6,946	-	8,309	15,255
-	-	5,799	-	5,799	-	(3,227)	2,572
6,964	227,000	37,904	-	271,868	-	(159,477)	112,391
1,566	4,000	-	-	5,566	-	(3,492)	2,074
-	-	1,229	-	1,229	-	12,329	13,558
-	500	798	-	1,298	-	(684)	614
-	-	3,096	-	3,096	-	(2,080)	1,016
-	-	178	-	178	-	4,469	4,647
-	-	4,198	-	4,198	-	(630)	3,568
-	-	22,191	-	22,191	-	(18,422)	3,769
-	-	73	-	73	-	524	597
-	97,000	130	-	97,130	-	(25,193)	71,937
9,279	68,000	175,987	605,000	858,266	-	(515,385)	342,881
-	-	12	-	12	-	26,572	26,584
-	11,000	1,051	-	12,051	-	30,655	42,706
-	-	-	-	-	-	1,758	1,758
-	-	3,109	-	3,109	-	1,589	4,698
-	25,000	786	-	25,786	-	6,632	32,418
-	-	4	-	4	-	119	123
-	-	2,859	-	2,859	-	3,861	6,720
-	-	14	85,000	85,014	-	2,336	87,350
-	-	614	-	614	-	264	878
-	-	11,317	-	11,317	-	85,585	96,902
-	8,000	1,070	-	9,070	-	905	9,975
-	20,000	13,389	-	33,389	-	8,205	41,594
-	5,000	-	-	5,000	-	3,472	8,472
-	10,000	-	-	10,000	-	49,929	59,929
-	-	-	-	-	-	60,928	60,928
<b>\$ 27,624</b>	<b>\$ 628,500</b>	<b>\$ 330,687</b>	<b>\$ 690,000</b>	<b>\$ 1,676,811</b>	<b>\$ -</b>	<b>\$ (426,202)</b>	<b>\$ 1,250,609</b>
<b>\$ 227,389</b>	<b>\$ 1,417,335</b>	<b>\$ 330,687</b>	<b>\$ 2,210,000</b>	<b>\$ 4,185,411</b>	<b>\$ -</b>	<b>\$ 76,084</b>	<b>\$ 4,261,495</b>
-	-	-	(2,210,000)	(2,210,000)	2,778,364	(568,364)	-
<b>\$ 227,389</b>	<b>\$ 1,417,335</b>	<b>\$ 330,687</b>	<b>\$ -</b>	<b>\$ 1,975,411</b>	<b>\$ 2,778,364</b>	<b>\$ (492,280)</b>	<b>\$ 4,261,495</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT F-2*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
<b>Appropriations and Shared Revenue</b>				
<b>State</b>				
Highway users tax	\$ 3,947,331	\$ -	\$ 3,947,331	\$ -
Market value credit	337,164	-	337,164	-
PERA rate reimbursement	25,384	-	25,384	-
Disparity reduction aid	54,639	-	54,639	-
County program aid	267,685	-	267,685	-
Police aid	100,768	-	100,768	-
E-911	87,933	-	87,933	-
Petroleum tax relief	2,209	-	2,209	-
SCORE	103,557	-	103,557	-
Aquatic invasive species prevention aid	62,770	-	62,770	-
Riparian protection aid	107,212	-	107,212	-
<b>Total appropriations and shared revenue</b>	<b>\$ 5,096,652</b>	<b>\$ -</b>	<b>\$ 5,096,652</b>	<b>\$ -</b>
<b>Reimbursement for Services</b>				
<b>State</b>				
Minnesota Department of Human Services	\$ 425,283	\$ -	\$ 425,283	\$ -
<b>Payments</b>				
<b>Local</b>				
Local contributions	\$ 14,250	\$ -	\$ 14,250	\$ 315,985
Payments in lieu of taxes	23,201	-	23,201	-
<b>Total payments</b>	<b>\$ 37,451</b>	<b>\$ -</b>	<b>\$ 37,451</b>	<b>\$ 315,985</b>
<b>Grants</b>				
<b>State</b>				
Minnesota Department/Board of				
Corrections	\$ 25,939	\$ -	\$ 25,939	\$ -
Public Safety	21,475	-	21,475	-
Transportation	125,469	-	125,469	-
Health	144,918	-	144,918	-
Natural Resources	83,816	-	83,816	-
Human Services	1,091,294	-	1,091,294	-
Peace Officer Standards and Training Board	7,815	-	7,815	-
Pollution Control Agency	75,294	-	75,294	-
<b>Total state</b>	<b>\$ 1,576,020</b>	<b>\$ -</b>	<b>\$ 1,576,020</b>	<b>\$ -</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT F-2  
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
<b>Grants (Continued)</b>				
<b>Federal</b>				
Department of				
Agriculture	\$ 160,917	\$ -	\$ 160,917	\$ -
Transportation	640,214	-	640,214	-
Housing and Urban Development	-	152,290	152,290	-
Education	1,933	-	1,933	-
Health and Human Services	1,223,383	-	1,223,383	-
Homeland Security	130,882	-	130,882	-
Environmental Protection Agency	45,726	-	45,726	-
<b>Total federal</b>	<u>\$ 2,203,055</u>	<u>\$ 152,290</u>	<u>\$ 2,355,345</u>	<u>\$ -</u>
<b>Total state and federal grants</b>	<u>\$ 3,779,075</u>	<u>\$ 152,290</u>	<u>\$ 3,931,365</u>	<u>\$ -</u>
<b>Total Intergovernmental Revenue</b>	<u>\$ 9,338,461</u>	<u>\$ 152,290</u>	<u>\$ 9,490,751</u>	<u>\$ 315,985</u>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT F-3**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Passed Through Meeker-McLeod-Sibley Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	16162MN004W1003	\$ 68,772
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN101S2514	<u>153,303</u>
<b>Total U.S. Department of Agriculture</b>			<b>\$ 222,075</b>
<b>U.S. Department of Housing and Urban Development</b>			
Passed Through Minnesota Housing Finance Agency Housing Voucher Cluster Section 8 Housing Choice Vouchers	14.871	MN46-8023-001	<b>\$ 152,290</b>
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	00072	<b>\$ 709,806</b>
<b>U.S. Environmental Protection Agency</b>			
Passed Through Minnesota Pollution Control Agency Nonpoint Source Implementation Grants	66.460	97593511	<b>\$ 81,319</b>
<b>U.S. Department of Education</b>			
Passed Through Meeker-McLeod-Sibley Community Health Services Special Education-Grants for Infants and Families	84.181	H181A150029	<b>\$ 1,933</b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Meeker-McLeod-Sibley Community Health Services Public Health Emergency Preparedness	93.069	9OTP000529	\$ 3,066
Universal Newborn Hearing Screening	93.251	H61MC00035	750
Immunization Cooperative Agreements	93.268	H23IP000737	3,600
TANF Cluster Temporary Assistance for Needy Families	93.558	1601MNTANF	18,831
(Total Temporary Assistance for Needy Families 93.558 \$146,950)			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	TI010027-15	7,074
Maternal and Child Health Services Block Grant to the States	93.994	B04MC28107	13,380
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	G-1611MNFPS	3,329
TANF Cluster Temporary Assistance for Needy Families	93.558	1601MNTANF	128,119
(Total Temporary Assistance for Needy Families 93.558 \$146,950)			
Child Support Enforcement	93.563	1704MNCSES	235,206
Refugee and Entrant Assistance - State-Administered Programs	93.566	1701MNRCSMA	277
CCDF Cluster Child Care and Development Block Grant	93.575	G1701MNCDF	3,574

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT F-3  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Minnesota Department of Human Services (Continued)			
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNF RPG	6,492
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	1,950
Foster Care - Title IV-E	93.658	1701MNFOST	148,040
Social Services Block Grant	93.667	G-1701MNSOSR	92,947
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	791
Children's Health Insurance Program	93.767	05-1705MN0301	149
Medicaid Cluster			
Medical Assistance Program	93.778	05-1705MN5ADM	<u>617,688</u>
<b>Total U.S. Department of Health and Human Services</b>			<b><u>\$ 1,285,263</u></b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	2016 EMPG SFY17	\$ 14,563
Emergency Management Performance Grants	97.042	2017 EMPG SFY18	15,017
(Total Emergency Management Performance Grants 97.042 \$29,580)			
<b>Total U.S. Department of Homeland Security</b>			<b><u>\$ 29,580</u></b>
<b>Total Federal Awards</b>			<b><u>\$ 2,482,266</u></b>
<b>Totals by Cluster</b>			
Total expenditures for SNAP Cluster			\$ 153,303
Total expenditures for Housing Voucher Cluster			152,290
Total expenditures for Highway Planning and Construction Cluster			709,806
Total expenditures for TANF Cluster			146,950
Total expenditures for CCDF Cluster			3,574
Total expenditures for Medicaid Cluster			617,688

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2017.

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Sibley County. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Sibley County under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Sibley County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Sibley County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the basis of accounting used by the individual funds of Sibley County. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the full accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Sibley County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 2,355,345
Grants received more than 60 days after year-end, unavailable in 2017	
Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA No. 10.557)	41,785
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561)	19,373
Highway Planning and Construction (CFDA No. 20.205)	69,592
Nonpoint Source Implementation Grants (CFDA No. 66.460)	35,593
Temporary Assistance for Needy Families (CFDA No. 93.558)	28,210
Child Support Enforcement (CFDA No. 93.563)	33,670
Unavailable in 2016, recognized as revenue in 2017	
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)	(64,421)
Homeland Security Grant Program (CFDA No. 97.067)	(36,881)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 2,482,266</u>

**Other Information  
Section**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT G-1*

**TAX CAPACITY, TAX RATES, TAX LEVIES, AND PERCENTAGE OF COLLECTIONS  
DECEMBER 31, 2017**

	Taxes Levied for Collection					
	2016		2017		2018	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
<b>Tax Capacity</b>						
Real property	\$ 25,686,881		\$ 25,099,121		\$ 24,103,731	
Personal property	1,698,169		1,820,719		1,874,762	
<b>Total Tax Capacity</b>	<b><u>\$ 27,385,050</u></b>		<b><u>\$ 26,919,840</u></b>		<b><u>\$ 25,978,493</u></b>	
<b>Taxes Levied for County Purposes</b>						
General government	\$ 5,542,467	19.950	\$ 6,156,021	22.183	\$ 6,527,946	23.877
Public works	4,200,253	15.299	3,873,353	14.342	3,796,587	14.559
Health and human services	3,112,681	11.300	3,198,812	11.969	3,661,703	13.651
Debt service	100,000	0.368	247,000	0.924	241,000	0.935
<b>Total Levy for County Purposes</b>	<b>\$ 12,955,401</b>		<b>\$ 13,475,186</b>		<b>\$ 14,227,236</b>	
Less: County program aid	197,434		267,685		557,272	
<b>Net Levy for County Purposes</b>	<b><u>\$ 12,757,967</u></b>	<b><u>46.917</u></b>	<b><u>\$ 13,207,501</u></b>	<b><u>49.418</u></b>	<b><u>\$ 13,669,964</u></b>	<b><u>53.022</u></b>
<b>Tax Capacity - Light and Power</b>						
Transmission lines	\$ 3,990		\$ 5,024		\$ 5,482	
Distribution lines	2,618		3,570		3,894	
<b>Total Tax Capacity - Light and Power</b>	<b><u>\$ 6,608</u></b>		<b><u>\$ 8,594</u></b>		<b><u>\$ 9,376</u></b>	
<b>Tax Levies - Light and Power</b>						
Transmission lines	\$ 3,623	90.807	\$ 4,730	94.149	\$ 7,774	99.877
Distribution lines	2,377	90.807	3,361	94.149	5,522	99.877
<b>Total Tax Levies - Light and Power</b>	<b><u>\$ 6,000</u></b>		<b><u>\$ 8,091</u></b>		<b><u>\$ 13,296</u></b>	
<b>Special Assessments</b>						
Ditch liens and all other assessments	<b><u>\$ 2,084,203</u></b>		<b><u>\$ 1,796,815</u></b>		<b><u>\$ 1,394,034</u></b>	
<b>Percentage of Tax Collections for All Purposes</b>		<b>98.83%</b>		<b>98.85%</b>		

(Unaudited)

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**SIBLEY COUNTY**

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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

#### Independent Auditor's Report

Board of County Commissioners  
Sibley County  
Gaylord, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 17, 2018. Our report includes references to other auditors who audited the financial statements of Sibley Estates of Sibley County and the South Country Health Alliance joint venture, as described in our report on Sibley County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*. The results of our testing of the Sibley County Library System component unit's internal control over financial reporting and on compliance and other matters are reported on separately within the Management and Compliance Section.

#### **Internal Control Over Financial Reporting**

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

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention of those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2011-002 to be a material weakness and item 2016-001 to be a significant deficiency.

## **Compliance and Other Matters**

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

## **Minnesota Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because Sibley County administers no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Sibley County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Questioned Costs as items 2017-002 and 2017-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

### **Sibley County's Response to Findings**

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

### **Purpose of This Report**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

September 17, 2018

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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

### Independent Auditor's Report

Board of County Commissioners  
Sibley County  
Gaylord, Minnesota

### **Report on Compliance for Each Major Federal Program**

We have audited Sibley County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. Sibley County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

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

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

### ***Opinion on Each Major Federal Program***

In our opinion, Sibley County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001. Our opinion on each major federal program is not modified with respect to this matter.

Sibley County's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. Sibley County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

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

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



Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, that we consider to be a significant deficiency.

Sibley County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Sibley County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Purpose of This Report**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

September 17, 2018

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

**Financial Statements**

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

Internal control over financial reporting:

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

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

**Federal Awards**

Internal control over major programs:

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

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

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

The major federal programs are:

SNAP Cluster	CFDA No. 10.561
Highway Planning and Construction Cluster	CFDA No. 20.205
Child Support Enforcement	CFDA No. 93.563

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

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

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

### INTERNAL CONTROL

#### PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 2011-002

#### Audit Adjustments

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

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

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

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

- The Public Works Special Revenue Fund required adjustments of \$1,052,094 and \$1,099,585 to record the receivable and unavailable revenue, respectively, relating to highway allotment activity.
- The Public Works Special Revenue Fund required an adjustment of \$2,109,871 to record transfers out and due to other funds to accrue a fund balance transfer that was approved in 2017 but not recorded until 2018.
- The Public Health and Human Services Special Revenue Fund required an adjustment of \$408,167 to record transfers out and due to other funds to accrue a fund balance transfer that was approved in 2017 but not recorded until 2018.
- The Ditch Special Revenue Fund required an adjustment of \$175,327 to reclassify judicial ditch billings as miscellaneous revenue, rather than conservation of natural resources expenditures.

- The Capital Projects Fund required an adjustment of \$4,992,651 to reclassify transfers out recorded for the investment of unspent bond proceeds as an investment balance.
- The Capital Projects Fund required an adjustment of \$2,591,374 to record transfers in and due from other funds to accrue a fund balance transfer that was approved in 2017 but not recorded until 2018.
- The Capital Projects Fund required an adjustment of \$434,527 to reduce transfers in and investment for bond proceeds that were spent during 2017.
- The Other Agency Fund required an adjustment of \$231,277 to reduce cash and due to other governments relating to taxes payable in 2018 received in 2017.

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

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

**View of Responsible Official:** Concur

Finding Number 2016-001

#### Payroll Controls - Pension Contributions

**Criteria:** Internal controls over a payroll system should be designed to provide reasonable assurance that errors will be prevented or detected in a timely manner.

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

**Context:** Pensionable wages reported to PERA and used as the basis for employee and employee PERA contributions were understated specific to employees that contributed to a health savings account. Due to a systematic error in the payroll system, pensionable wages were reduced by the amount contributed to the health savings account. This error was discovered by the County in November 2017. The County is currently working with PERA to provide the correct amount of pensionable wages for the period of January 1, 2015, to the date the error was corrected. In 2018, the County identified the two employees that were omitted from PERA enrollment in error and has since reported all information to PERA to resolve the error, including the payment of necessary liabilities.

**Effect:** Deficiencies in payroll internal controls related to the calculation of required employee and employer pension contributions caused errors to not be identified in a timely manner and the County to incur additional liabilities.

**Cause:** An unidentified systematic error in the payroll system caused the pensionable wages and the related employee and employer pension contributions to not be calculated and contributed accurately. Also, employment status changes occurred during 2017 for the two noted employees, but necessary pension plan enrollment changes were not updated when those status changes happened.

**Recommendation:** We recommend the County establish internal controls necessary to ensure pensionable wages are being calculated correctly in the payroll system and that PERA eligible employees are enrolled in PERA.

**View of Responsible Official:** Concur

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

#### ITEM ARISING THIS YEAR

Finding 2017-001

#### Procurement, Suspension, and Debarment

**Program:** U.S. Department of Health and Human Services' SNAP Cluster (CFDA No. 10.561), Award No. 172MN101S2514, 2017

**Pass-Through Agency:** Minnesota Department of Human Services

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

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

**Questioned Costs:** None

**Context:** Two of 18 procurement transactions over \$3,500 were tested for compliance with federal regulations, including the one purchase over \$100,000.

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

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

**Cause:** The County was unaware federal procurement procedures were required to be followed on transactions that are reported on the Minnesota Department of Human Services' Income Maintenance (2550) and Social Services (2556) reports.

**Recommendation:** We recommend the County provide training and resources to all County staff who could make purchases, wholly or partially funded through federal grants, are known and could be subject to the federal procurement requirements. For long-standing contracts, we suggest the County do an annual review for other potential vendors, and document the results.

**View of Responsible Official:** Acknowledged

#### IV. OTHER FINDINGS AND RECOMMENDATIONS

##### MINNESOTA LEGAL COMPLIANCE

##### ITEMS ARISING THIS YEAR

Finding 2017-002

##### Individual Ditch System Cash Deficits

**Criteria:** Minn. Stat. §103E.655 requires that drainage system costs be paid from the ditch system account for which the costs are being incurred. If money is not available in the drainage system account on which the warrant is drawn, the Board may, by unanimous resolution, loan the necessary funds from other ditch systems with surplus funds or from the General Fund. Such loans must be paid back with interest computed for the time the money is actually needed at the same rate per year charged on drainage liens and assessments.

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

**Context:** During the months of January to November, an average of 45 of the County's 87 ditches maintained deficit cash balances with an average total deficit of approximately \$3,000,000. At the County's interest rate for drainage liens and assessments this calculates to approximately \$110,000 in uncharged interest for the year.

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

**Cause:** According to Sibley County, while they do charge interest for the one month loan, the County has determined it would be unpractical to calculate interest on negative balances more often throughout the year.

**Recommendation:** We recommend the County develop policies and procedures that ensure loans to ditch systems are made in accordance with Minn. Stat. §103E.655.

**View of Responsible Official:** Acknowledge

Finding 2017-003

#### Contracting and Bidding Compliance

**Criteria:** Minnesota statutes contain requirements for the contracting and bidding processes used by local governments.

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

- Obtaining quotes: Pursuant to Minn. Stat. § 471.345 subd. 4, for contracts estimated to exceed \$25,000 but not exceed \$100,000, the contract may be made either upon sealed bids or by direct negotiation, by obtaining two or more quotations for the purchase when possible. The purchase of the equipment was made based on a single quote of approximately \$45,000.



- **Cooperative purchasing:** Pursuant to Minn. Stat. § 471.345 subd. 15(a), for contracts estimated to exceed \$25,000, municipalities must consider the availability, price and quality of supplies, materials, or equipment available through the state's cooperative purchasing venture (CPV) before purchasing through another source. For this purchase there was no consideration of options available through the CPV.

**Context:** Board meeting documentation indicates an additional quote had been requested but not received. Additionally, contracts for network equipment are available through the CPV.

**Effect:** Noncompliance with Minn. Stat. §471.345.

**Cause:** The County indicated this was an oversight. Multiple quotes were obtained for other significant technology purchases made at that time but in this instance the County moved forward with approving the purchase before receiving an additional quote.

**Recommendation:** We recommend the County implement procedures to ensure that contracting and bidding is performed in accordance with applicable statutes for all future contracts.

**View of Responsible Official:** Acknowledged

## V. PREVIOUSLY REPORTED ITEMS RESOLVED

2013-001 Driver Awareness Class

2014-001 Ditch Deficit Fund Balances

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Office of the

# Sibley County Auditor



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## REPRESENTATION OF SIBLEY COUNTY GAYLORD, MINNESOTA

### CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2017

**Finding Number: 2011-002**  
**Finding Title: Audit Adjustments**

Name of Contact Person Responsible for Corrective Action:

Marilee Peterson, Sibley County Auditor

Corrective Action Planned:

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

Anticipated Completion Date:

Ongoing

**Finding Number: 2016-001**  
**Finding Title: Payroll Controls – Pension Contributions**

Name of Contact Person Responsible for Corrective Action:

Jodi Coleman, Human Resources Manager

Corrective Action Planned:

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

Anticipated Completion Date:

September 2018

**Finding Number: 2017-001**

**Finding Title: Procurement, Suspension, and Debarment**

**Program: SNAP Cluster (CFDA No. 10.561)**

Name of Contact Person Responsible for Corrective Action:

Rosy Quast, Fiscal Supervisor

Corrective Action Planned:

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

Anticipated Completion Date:

Checklist to be developed by October 30, 2018

Ongoing checking of procurements.

**Finding Number: 2017-002**

**Finding Title: Individual Ditch System Cash Deficits**

Name of Contact Person Responsible for Corrective Action:

Marilee Peterson, Sibley County Auditor

Corrective Action Planned:

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

Anticipated Completion Date:

October 31, 2018

**Finding Number: 2017-003**

**Finding Title: Contracting and Bidding Compliance**

Name of Contact Person Responsible for Corrective Action:

Marilee Peterson, Sibley County Auditor

Corrective Action Planned:

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

Anticipated Completion Date:

October 31, 2018

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# Sibley County Auditor



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## REPRESENTATION OF SIBLEY COUNTY GAYLORD, MINNESOTA

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2017

**Finding Number: 2011-002**  
**Finding Title: Audit Adjustments**

**Summary of Condition:** During the 2016 audit, material adjustments were identified which resulted in significant changes to Sibley County's financial statements.

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

**Status:** Not Corrected. The Sibley County Auditor's Office staff will work to review the County-prepared trial balances and prepare the necessary (if any) audit adjustments and or reclassifications so as to ensure the County's financial statements reflect the accrual basis of accounting. The audit adjustments have diminished for the last 3 years as our new staff becomes more familiar with financial practices, the financial statements, grant schedules, and alike.

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

**Finding Number: 2013-001**  
**Finding Title: Driver Awareness Class**

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

**Summary of Corrective Action Previously Reported:** At the June 27, 2017, Sibley County Board meeting, a motion was made by Commissioner Pinski, and seconded by Commissioner Cohrs to direct the County Attorney and County Sheriff to cease operations of the Driver Diversion Program due to legislative changes. The final class in Sibley County was held in July of 2017.

**Status:** Fully Corrected. Corrective action was taken.

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

Yes \_\_\_\_\_ No  X

**Finding Number: 2014-001**

**Finding Title: Ditch Deficit Fund Balances**

**Summary of Condition:** The County had ditch systems with individual deficit fund balances at December 31, 2016.

**Summary of Corrective Action Previously Reported:** The Sibley County Auditor's Office will continue to monitor the balances of the ditch systems. We will continue to aggressively assess those ditches that have a negative fund balance. In addition, we will be issuing bonded debt in September to cover expenses of four large projects. Finally, we will work closely with the Sibley County Ditch Inspector to ensure that those ditch systems with a negative fund balance will only have work done if it is crucial.

**Status:** Fully Corrected. Corrective action was taken.

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

Yes \_\_\_\_\_ No  X

**Finding Number: 2016-001**

**Finding Title: Payroll Controls - Pension Contributions**

**Summary of Condition:** During the 2016 audit, it was noted that pension contributions were not made as required for one employee for the period August 30, 2014 to February 12, 2016.

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

**Status:** Not Corrected. Although the Pension Contribution issue specifically identified in the 2016 audit has been corrected, another one was realized. It was discovered that PERA eligible salary reported to PERA was too low specific to employees that were contributing to an HSA. Rather than the employee's full salary being reported to PERA, the salary was reduced by whatever amount the employee contributed to their Health Savings Account (HSA) due to an error in the payroll system. When initial set up of HSA contributions were made in the payroll system it was inadvertently set up to exclude it from PERA earnings. This error was realized late in 2017 and is in the process of being corrected. This issue affects multiple employees for multiple years. PERA has since notified Sibley County that the underreporting of all employees must, by law, be corrected.



The County is required to provide salary data - back to January 1, 2015, through the date the coding error was corrected - on all employees who had HSA deductions withheld from their gross salary prior to the calculation of their PERA deduction. The data must be sufficient to identify each of the payroll dates affected, the gross salary upon which the PERA deduction should have been calculated and the amount of the HSA deduction. The information is to be provided by September 23, 2018. Sibley County is working to report all missed earnings to PERA.

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

Yes \_\_\_\_\_ No   X

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**SIBLEY COUNTY LIBRARY SYSTEM COMPONENT UNIT**

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

### Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Sibley County, Minnesota, which include as supplementary information, the financial statements of the Sibley County Library System, a discretely presented component unit, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 17, 2018.

### **Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, as described in the accompanying Schedule of Findings and Recommendations, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Sibley County Library System's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention of those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Recommendations as item 2017-001 to be a material weakness.

### **Compliance and Other Matters**

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

### **Minnesota Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the Sibley County Library System's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for deposits and investments, claims and disbursements, and miscellaneous provisions because they were tested in conjunction with the audit of the financial statements of Sibley County. We also did not test for compliance with the provisions of contracting and bidding, public indebtedness, and tax increment financing because the Sibley County Library System did not enter into any contracts that were subject to legal requirements as stipulated by Minnesota statutes, had no debt in 2017, and did not administer any tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that the Sibley County Library System failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Sibley County Library System's noncompliance with the above referenced provisions.

### **Sibley County Library System's Response to Finding**

The Sibley County Library System's response to the internal control finding identified in our audit is described in the Corrective Action Plan. The Sibley County Library System's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of This Report**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

September 17, 2018

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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**SIBLEY COUNTY LIBRARY SYSTEM  
GAYLORD, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

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

INTERNAL CONTROL

ITEM ARISING THIS YEAR

Finding Number 2017-001

Audit Adjustments

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

**Condition:** Material audit adjustments were identified that resulted in significant changes to Sibley County Library System's financial statements.

**Context:** The Sibley County Library System is a component unit of Sibley County, and the financial information is prepared by County staff. Sibley County's inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The adjustments were found in the audit; however, independent external auditors cannot be considered part of the County's internal control.

**Effect:** In aggregate, adjustments of \$44,823, \$44,766, \$65,007, \$45,138, and \$19,812 were necessary to decrease assets, liabilities, revenue, expenditures and increase deferred inflows of resources, respectively, in the Sibley County Library System Component Unit trial balances. The adjustments were reviewed and approved by management and are reflected in the financial statements.

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

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

**View of Responsible Official:** Concur

Office of the

# Sibley County Auditor



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## REPRESENTATION OF SIBLEY COUNTY LIBRARY SYSTEM GAYLORD, MINNESOTA

### CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2017

**Finding Number: 2017-001**  
**Finding Title: Audit Adjustments**

Name of Contact Person Responsible for Corrective Action:

Marilee Peterson, County Auditor/Treasurer

Corrective Action Planned:

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

Anticipated Completion Date:

January 1, 2019