

# STATE OF MINNESOTA

## Office of the State Auditor



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

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

YEAR ENDED DECEMBER 31, 2004

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

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

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

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

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

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

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

**Pension** - monitors investment, financial, and actuarial reporting for over 700 public pension funds; and

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

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

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**Year Ended December 31, 2004**



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

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**ORGANIZATION  
DECEMBER 31, 2004**

Office	Name	Term	
		From	To
<b>Commissioners</b>			
1st District	Leo "Lee" Anderly	January 2003	January 2007
2nd District	Bill Pinske	January 2003	January 2009
3rd District	Leo L. Bauer	January 1991	January 2009
4th District	Charles Woehler*	January 1993	January 2007
5th District	Harold Pettis	January 1999	January 2007
<b>Officers</b>			
<b>Elected</b>			
Attorney	David E. Schauer	February 1988	January 2007
Auditor	Lisa Pfarr	January 1999	January 2007
Coroner	John Vener, M.D.	January 1987	January 2007
County Recorder	Eldrene Ebert	April 1988	January 2007
Registrar of Titles	Eldrene Ebert	April 1988	January 2007
Sheriff	Bruce Ponath	January 2003	January 2007
Surveyor	LeRoy Grewe	December 1978	January 2007
Treasurer	Mary Fisher	January 1999	January 2007
<b>Appointed</b>			
Assessor	Calvin Roberts	November 1978	December 2004
Public Works Director	Nathan Richman	August 1998	April 2005
Veterans Service/ Emergency Services Director	Steven Schow		Indefinite
Human Services Director	Vicki Stock		Indefinite
Court Administrator	Karen Messner		Indefinite
Examiner of Titles	Gregory Engwall		Indefinite
Public Health Co-Director	Mavis Pautz		Indefinite
Public Health Co-Director	Kristin Schultz		Indefinite
Environmental Services Director	Jeffrey Majeski		Indefinite
Court Services Director	Mary Karl		Indefinite
Information Service Manager	Beth Wilson		Indefinite
Human Resource Coordinator	Roseann Nagel		Indefinite
Economic Development Director	Dennis Schultz, Interim	December 2003	December 2004

\*Chair

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# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON  
STATE AUDITOR

### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Sibley County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sibley County, Minnesota, as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sibley County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information for Sibley County as of December 31, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2005, on our consideration of Sibley County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: October 28, 2005

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

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2004  
(Unaudited)**

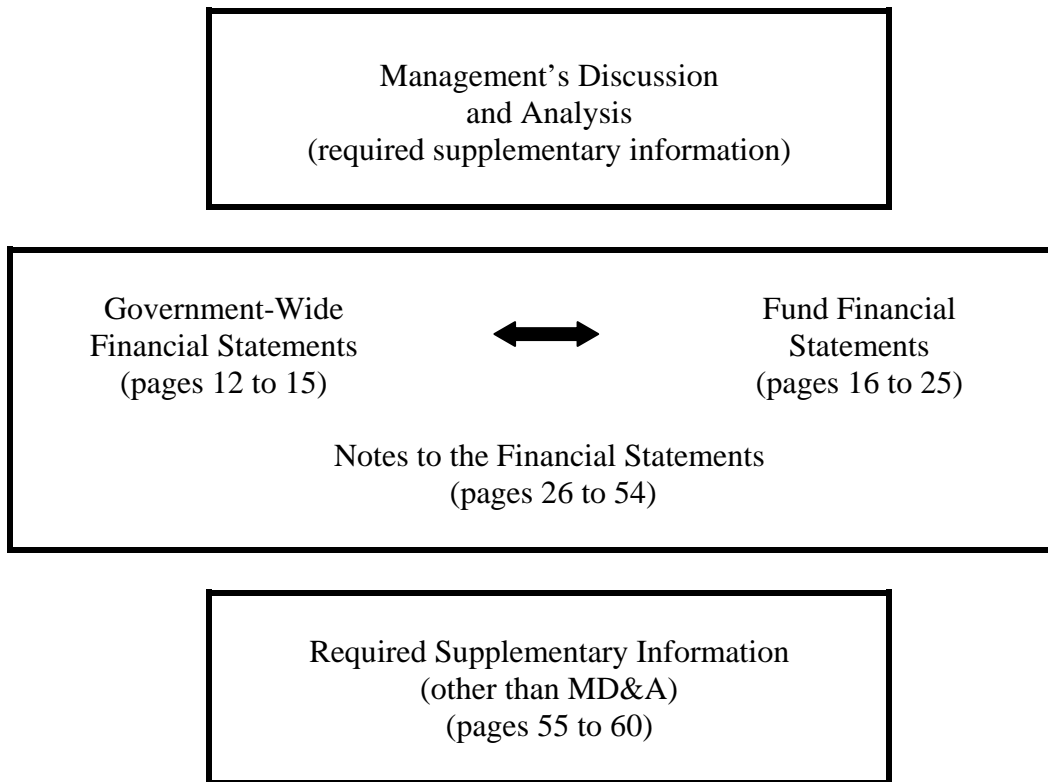
Sibley County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2004. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements beginning on page 12.

**FINANCIAL HIGHLIGHTS**

- Governmental activities' total net assets are \$39,532,276, of which \$28,426,220 is invested in capital assets, net of related debt, and \$1,756,745 is restricted for specific purposes.
- Sibley County's net assets increased by \$3,188,433 for the year ended December 31, 2004.
- The net cost of governmental activities decreased by \$709,621 to \$5,291,683 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$8,480,116.
- Governmental funds' fund balances increased by \$1,190,168. The increase was due to the sale of the Health and Human Services Building of \$200,000, the increase in the Road and Bridge inventories by \$413,729, and an increase in revenue for County services rendered by \$517,000.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the basic financial statements. Sibley County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section) and certain budgetary comparison schedules are required to accompany the basic financial statements and, therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are interrelated.



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

**Government-Wide Financial Statements--The Statement of Net Assets and the Statement of Activities**

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

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

Governmental activities--Most of the County's basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.

### **Fund Financial Statements**

Our analysis of the County's major funds begins with Exhibit 3. The fund financial statements provide detailed information about the significant funds--not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

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

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

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

## THE COUNTY AS A WHOLE

The County's combined net assets increased from \$36,343,843 to \$39,532,276 from year-end 2003 to year-end 2004. Our analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental activities.

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

	Governmental Activities	
	2004	2003
Current and other assets	\$ 15,406,034	\$ 14,285,378
Capital assets	32,996,220	31,860,061
<b>Total Assets</b>	<b>\$ 48,402,254</b>	<b>\$ 46,145,439</b>
Long-term debt outstanding	\$ 6,679,637	\$ 7,209,315
Other liabilities	2,190,341	2,592,281
<b>Total Liabilities</b>	<b>\$ 8,869,978</b>	<b>\$ 9,801,596</b>
Net Assets		
Invested in capital assets, net of related debt	\$ 28,426,220	\$ 26,850,061
Restricted	1,756,745	1,441,012
Unrestricted	9,349,311	8,052,770
<b>Total Net Assets</b>	<b>\$ 39,532,276</b>	<b>\$ 36,343,843</b>

Net assets of the County's governmental activities increased by 8.8 percent (\$39.5 million compared to \$36.3 million). Unrestricted net assets--the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements--increased from \$8.0 million as of December 31, 2003, to \$9.3 million at the end of 2004.

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

	Governmental Activities	
	2004	2003
Revenues		
Program revenues		
Fees, fines, and charges	\$ 2,795,831	\$ 2,278,586
Operating grants and contributions	3,971,866	4,850,378
Capital grants and contributions	2,185,583	1,494,467
General revenues		
Property taxes	6,593,210	5,685,873
Other taxes	70,281	39,613
Grants, gifts, and miscellaneous	1,510,706	1,823,732
Other general revenues	305,919	444,339
<b>Total Revenues</b>	<b>\$ 17,433,396</b>	<b>\$ 16,616,988</b>

	Governmental Activities	
	2004	2003
Expenses		
General government	\$ 3,361,731	\$ 2,260,150
Public safety	1,691,606	1,687,668
Highways and streets	2,934,149	3,513,986
Sanitation	219,013	210,610
Human services	3,205,441	3,398,356
Health	1,126,507	1,220,009
Culture and recreation	254,895	241,593
Conservation of natural resources	1,012,728	1,503,471
Economic development	179,095	365,240
Interest	259,798	223,652
Total Expenditures	\$ 14,244,963	\$ 14,624,735
Increase in Net Assets	\$ 3,188,433	\$ 1,992,253
Net Assets - Beginning January 1	36,343,843	34,351,590
Net Assets - Ending December 31	\$ 39,532,276	\$ 36,343,843

## GOVERNMENTAL ACTIVITIES

The County's total revenues increased by 4.9 percent (\$816,408). The total cost of all programs and services decreased by 2.6 percent (\$379,772).

As shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through County taxes was only \$5,291,683, because some of the cost was paid by those who directly benefited from the programs (\$2,795,831) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6,157,449).

Table 3 presents the cost of each of the County's five largest program functions, as well as each function's net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

**Table 3**  
**Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2004	2003	2004	2003
General government	\$ 3,361,731	\$ 2,260,150	\$ 2,474,076	\$ 1,498,042
Human services	3,205,441	3,398,356	1,328,453	1,376,860
Highway and streets	2,934,149	3,513,986	(706,988)	218,400
Public safety	1,691,606	1,687,668	1,378,811	1,339,120
Health	1,126,507	1,220,009	(40,359)	(6,998)
All others	1,925,529	2,544,566	857,690	1,575,880
Total	\$ 14,244,963	\$ 14,624,735	\$ 5,291,683	\$ 6,001,304

## **THE COUNTY'S FUNDS**

As the County completed the year, its governmental funds (as presented in the balance sheet on Exhibit 3) reported a combined fund balance of \$10,697,292, which is above last year's total of \$9,507,124. The governmental funds' change in fund balance (an increase of \$1,190,168 for 2004) represents a 12.5 percent increase in governmental fund balances. Most of the governmental funds' increase is due to the sale of the Health and Human Services Building of \$200,000, the increase in the Road and Bridge inventories by \$413,729, and an increase in revenue for County services rendered by \$517,000.

### **General Fund Budgetary Highlights**

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

Even with these adjustments, the actual charges to appropriations (expenditures) were \$602,954 below the final budget amounts. Reasons for significant variances of actual expenditures from final budget include expenditures for general government and public safety functions that were lower than anticipated (General Fund: Sheriff - \$260,552 less; Regional Library - \$189,302 less; and Elections - \$120,000 less; due to unexpended budgeted items).

On the other hand, resources available for appropriation were also \$161,083 above the final budgeted amount. This is due to greater than expected collections for fines and County service fees.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2004, the County had \$32,996,220 invested in a broad range of capital assets including land, buildings, highways and streets, and equipment. (See Table 4.) This amount represents a net increase (including additions and deductions) of \$1,136,159, or 3.6 percent, over last year.

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

	Governmental Activities	
	2004	2003
Land	\$ 1,189,864	\$ 1,213,947
Construction in progress	623,308	-
Buildings	3,797,741	4,249,020
Improvements other than buildings	8,022	10,369
Machinery and equipment	1,417,080	1,511,060
Infrastructure	25,960,205	24,875,665
<b>Total</b>	<b>\$ 32,996,220</b>	<b>\$ 31,860,061</b>

The capital asset events this year were primarily in construction of bridges and highways and the construction of the Sibley County Services Center.

The County's fiscal year 2004 capital budget called for it to spend \$3,400,000 on highway and bridge construction, all to be financed with resources on hand in existing County state-aid funds. For the other projects, it planned to use resources on hand in the County's Road and Bridge Fund.

### Debt

At the end of the current fiscal year, the County had total outstanding debt of \$6,679,637 versus \$7,209,315 last year--a decrease of 3.5 percent--as shown in Table 5.

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

	2004	2003
Bonds payable		
General obligation capital improvement bonds	\$ 3,065,000	\$ 3,180,000
General obligation refunding bonds	1,505,000	1,715,000
Revenue note	103,300	103,300
Special assessment debt with governmental commitment	1,225,000	1,295,000
Less: deferred amounts for issuance discounts	(1,854)	(2,177)
<b>Total bonds and notes payable</b>	<b>\$ 5,896,446</b>	<b>\$ 6,291,123</b>
Certificate of indebtedness	12,093	-
Compensated absences	771,098	918,192
<b>Long-Term Liabilities</b>	<b>\$ 6,679,637</b>	<b>\$ 7,209,315</b>

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

The County maintains a general obligation bond rating of A3. This rating is assigned by national rating agencies. The state limits the amount of net debt that counties can issue to two percent of the market value of all taxable property (\$1,209,088,600) in the County. The County's outstanding net debt (\$5,896,446) is significantly below this \$24,181,772 state-imposed limit.

The County does not purchase commercial insurance for employee health and dental coverage and has claims and judgments of \$73,299 outstanding at year-end compared with \$42,527 last year. Other obligations include accrued vacation pay and sick leave payable.

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

The County's elected and appointed officials considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for the business-type activities.

- Sibley County is anticipating no extraordinary changes in state aids to local governments. The County will be able to maintain a stable services environment if no further state reductions are implemented.
- The County fund expenditures for 2005 are budgeted to increase/(decrease) by the percentage indicated from the 2004 original budget: General Fund increased 4.41 percent, Road and Bridge Special Revenue Fund decreased 27.33 percent, Human Services Special Revenue Fund increased 0.72 percent, and Debt Service Fund decreased 48.31 percent.
- Property tax levies have increased 13.55 percent for 2005.

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

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

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2004**

**Assets**

**Current assets**

Cash and pooled investments	\$	10,229,106
Petty cash and change funds		6,400
Departmental cash		9,763
Cash with fiscal agent		344,065
Investments		10,000
Taxes receivable		
Prior - net		111,234
Special assessments receivable		
Prior - net		1,683
Noncurrent - net		1,404,877
Accounts receivable - net		530,029
Accrued interest receivable		51,016
Due from other governments		1,413,539
Loans receivable		180,250
Inventories		744,850

**Noncurrent assets**

Advance to other governments		190,370
Deferred charges		11,389
Long-term receivables		167,463

**Capital assets**

Non-depreciable		1,813,172
Depreciable - net of accumulated depreciation		31,183,048

**Total Assets**

**\$ 48,402,254**

**Liabilities**

**Current liabilities**

Accounts payable	\$	361,417
Salaries payable		251,807
Contracts payable		26,742
Due to other governments		175,937
Accrued interest payable		86,877
Claims payable		73,299
Unearned revenue		1,214,262
General obligation bonds payable - current		405,000
General obligation special assessment debt payable - current		105,000
Compensated absences payable - current		277,595

**Noncurrent liabilities**

General obligation bonds payable		4,165,000
General obligation special assessment debt payable		1,120,000
Revenue notes payable		103,300
Certificate of indebtedness		12,093
Compensated absences payable		493,503
Discounts on bonds		(1,854)

**Total Liabilities**

**\$ 8,869,978**

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2004**

**Net Assets**

Invested in capital assets - net of related debt	\$ 28,426,220
Restricted for	
General government	70,490
Public safety	76,140
Highways and streets	57,720
Sanitation	180,250
Capital projects	513,184
Debt service	858,961
Unrestricted	<u>9,349,311</u>
<b>Total Net Assets</b>	<b><u><u>\$ 39,532,276</u></u></b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Expenses</u>
<b><u>Functions/Programs</u></b>	
<b>Governmental activities</b>	
General government	\$ 3,361,731
Public safety	1,691,606
Highways and streets	2,934,149
Sanitation	219,013
Human services	3,205,441
Health	1,126,507
Culture and recreation	254,895
Conservation of natural resources	1,012,728
Economic development	179,095
Interest	259,798
	<hr/>
<b>Total</b>	<b><u><u>\$ 14,244,963</u></u></b>

**EXHIBIT 2**

<b>Fees, Charges, Fines, and Other</b>	<b>Program Revenues Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Net (Expense) Revenue and Change in Net Assets</b>
\$ 715,697	\$ 171,958	\$ -	\$ (2,474,076)
159,931	152,864	-	(1,378,811)
54,304	1,401,250	2,185,583	706,988
71,616	-	-	(147,397)
270,885	1,606,103	-	(1,328,453)
680,766	486,100	-	40,359
38,770	91,143	-	(124,982)
773,291	61,199	-	(178,238)
30,571	1,249	-	(147,275)
-	-	-	(259,798)
<b>\$ 2,795,831</b>	<b>\$ 3,971,866</b>	<b>\$ 2,185,583</b>	<b>\$ (5,291,683)</b>
<b>General Revenues</b>			
Property taxes			\$ 6,593,210
Gravel taxes			70,281
Payments in lieu of tax			22,891
Grants and contributions not restricted to specific programs			1,510,706
Investment income			208,275
Miscellaneous			211,694
<b>Special Item</b>			
Loss on sale of health and human services building			(136,941)
<b>Total general revenues and special item</b>			<b>\$ 8,480,116</b>
<b>Change in Net Assets</b>			<b>\$ 3,188,433</b>
<b>Net Assets - Beginning</b>			<b>36,343,843</b>
<b>Net Assets - Ending</b>			<b>\$ 39,532,276</b>

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## **FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 4,418,343	\$ 247,963	\$ 2,950,329
Petty cash and change funds	6,400	-	-
Departmental cash	9,763	-	-
Cash with fiscal agent	344,065	-	-
Investments	-	-	-
Taxes receivable			
Delinquent	56,826	13,435	24,217
Special assessments receivable			
Delinquent	-	-	-
Noncurrent	-	-	-
Accounts receivable	53,981	6,125	173,398
Accrued interest receivable	51,010	-	-
Due from other funds	1,885	73	-
Due from other governments	174,778	1,051,814	178,052
Loans receivable	-	-	-
Inventories	-	744,850	-
Advances to other governments	190,370	-	-
Long-term receivables	167,463	-	-
<b>Total Assets</b>	<b><u>\$ 5,474,884</u></b>	<b><u>\$ 2,064,260</u></b>	<b><u>\$ 3,325,996</u></b>

**EXHIBIT 3**

<b>Ditch</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 707,994	\$ 945,838	\$ 571,016	\$ 387,623	\$ 10,229,106
-	-	-	-	6,400
-	-	-	-	9,763
-	-	-	-	344,065
-	-	-	10,000	10,000
-	16,756	-	-	111,234
1,683	-	-	-	1,683
1,293,331	-	-	111,546	1,404,877
296,525	-	-	-	530,029
-	-	-	6	51,016
-	-	-	-	1,958
-	-	-	8,895	1,413,539
-	-	-	180,250	180,250
-	-	-	-	744,850
-	-	-	-	190,370
-	-	-	-	167,463
<b>\$ 2,299,533</b>	<b>\$ 962,594</b>	<b>\$ 571,016</b>	<b>\$ 698,320</b>	<b>\$ 15,396,603</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	<b>General</b>	<b>Road and Bridge</b>	<b>Human Services</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 64,672	\$ 49,458	\$ 131,200
Salaries payable	144,817	46,166	52,141
Contracts payable	-	23,148	-
Due to other funds	73	-	1,885
Due to other governments	84,398	4,240	67,785
Deferred revenue - unavailable	56,826	644,971	172,251
Deferred revenue - unearned	117,145	1,078,270	18,847
Claims payable	73,299	-	-
	<b>\$ 541,230</b>	<b>\$ 1,846,253</b>	<b>\$ 444,109</b>
<b>Fund Balances</b>			
Reserved for			
Petty cash	\$ 6,400	\$ -	\$ -
Law library	48,973	-	-
Recorder's equipment	15,034	-	-
Inventories	-	744,850	-
Gravel pit closure	-	57,720	-
Advances to other governments	190,370	-	-
Loans receivable	-	-	-
Long-term receivables	167,463	-	-
Unused loan proceeds	-	-	-
Sheriff's contingency	2,666	-	-
Gun permits	1,191	-	-
Alcohol education	9,196	-	-
DWI	375	-	-
DARE	730	-	-
Drug seizure	565	-	-
Drug task force	44,267	-	-
Drug task force forfeitures	17,510	-	-
Attorney's forfeited property	6,483	-	-
Check diversion	175	-	-
Debt service	-	-	-
Unreserved			
Designated for cash flows	2,788,302	-	2,881,887
Designated for capital improvements	-	-	-
Undesignated	1,633,954	(584,563)	-
Unreserved, reported in nonmajor Special revenue funds	-	-	-
	<b>\$ 4,933,654</b>	<b>\$ 218,007</b>	<b>\$ 2,881,887</b>
<b>Total Fund Balances</b>	<b>\$ 4,933,654</b>	<b>\$ 218,007</b>	<b>\$ 2,881,887</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,474,884</b>	<b>\$ 2,064,260</b>	<b>\$ 3,325,996</b>

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

<u>Ditch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 49,251	\$ -	\$ 54,238	\$ 12,598	\$ 361,417
-	-	-	8,683	251,807
-	-	3,594	-	26,742
-	-	-	-	1,958
11,145	-	-	8,369	175,937
1,591,539	16,756	-	111,546	2,593,889
-	-	-	-	1,214,262
-	-	-	-	73,299
<b>\$ 1,651,935</b>	<b>\$ 16,756</b>	<b>\$ 57,832</b>	<b>\$ 141,196</b>	<b>\$ 4,699,311</b>
\$ -	\$ -	\$ -	\$ -	\$ 6,400
-	-	-	-	48,973
-	-	-	-	15,034
-	-	-	-	744,850
-	-	-	-	57,720
-	-	-	-	190,370
-	-	-	180,250	180,250
-	-	-	-	167,463
-	-	-	18,960	18,960
-	-	-	-	2,666
-	-	-	-	1,191
-	-	-	-	9,196
-	-	-	-	375
-	-	-	-	730
-	-	-	-	565
-	-	-	-	44,267
-	-	-	-	17,510
-	-	-	-	6,483
-	-	-	-	175
-	945,838	-	-	945,838
647,598	-	-	-	6,317,787
-	-	513,184	-	513,184
-	-	-	-	1,049,391
-	-	-	357,914	357,914
<b>\$ 647,598</b>	<b>\$ 945,838</b>	<b>\$ 513,184</b>	<b>\$ 557,124</b>	<b>\$ 10,697,292</b>
<b>\$ 2,299,533</b>	<b>\$ 962,594</b>	<b>\$ 571,016</b>	<b>\$ 698,320</b>	<b>\$ 15,396,603</b>

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2004**

<b>Fund balance - total governmental funds (Exhibit 3)</b>		<b>\$ 10,697,292</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		32,996,220
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,593,889
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	\$ (5,795,000)	
Revenue notes payable	(103,300)	
Certificate of indebtedness	(12,093)	
Compensated absences	(771,098)	
Accrued interest payable	(86,877)	
Deferred debt issuance charges	11,389	
Discount on bonds issued	1,854	
	(6,755,125)	(6,755,125)
<b>Net assets of governmental activities (Exhibit 1)</b>		<b>\$ 39,532,276</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b>Revenues</b>			
Taxes	\$ 3,277,774	\$ 880,108	\$ 1,456,534
Special assessments	-	-	-
Licenses and permits	46,669	-	-
Intergovernmental	1,559,167	3,683,164	1,934,371
Charges for services	1,488,216	25,855	58,819
Fines and forfeits	130,707	-	-
Gifts and contributions	1,000	-	-
Interest on investments	198,811	-	-
Miscellaneous	245,076	99,110	228,950
<b>Total Revenues</b>	<b>\$ 6,947,420</b>	<b>\$ 4,688,237</b>	<b>\$ 3,678,674</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 2,769,091	\$ -	\$ -
Public safety	1,728,128	-	-
Highways and streets	-	4,713,925	-
Sanitation	157,170	-	-
Human services	-	-	3,291,802
Health	1,124,325	-	-
Culture and recreation	27,006	-	-
Conservation of natural resources	314,621	-	-
Economic development	189,457	-	-
<b>Capital outlay</b>	-	-	-
<b>Intergovernmental</b>	-	216,448	-
<b>Debt service</b>			
Principal retirement	-	-	-
Interest	-	-	-
Administrative charges	-	-	-
<b>Total Expenditures</b>	<b>\$ 6,309,798</b>	<b>\$ 4,930,373</b>	<b>\$ 3,291,802</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 637,622</b>	<b>\$ (242,136)</b>	<b>\$ 386,872</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ -	\$ -	\$ -
Transfers out	(190,067)	-	-
Loans issued	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (190,067)</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Special Item</b>			
Proceeds from sale of health and human services building	\$ 200,000	\$ -	\$ -
<b>Net Change in Fund Balance</b>	<b>\$ 647,555</b>	<b>\$ (242,136)</b>	<b>\$ 386,872</b>
<b>Fund Balance - January 1</b>	<b>4,286,099</b>	<b>46,414</b>	<b>2,495,015</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>413,729</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,933,654</b>	<b>\$ 218,007</b>	<b>\$ 2,881,887</b>

**EXHIBIT 5**

<u>Ditch</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,056,246	\$ -	\$ -	\$ 6,670,662
371,567	-	-	27,282	398,849
-	-	-	-	46,669
-	218,613	-	202,954	7,598,269
-	-	-	33,607	1,606,497
-	-	-	-	130,707
-	-	-	12,100	13,100
4,099	-	1,594	9,363	213,867
39,699	-	-	31,366	644,201
<b>\$ 415,365</b>	<b>\$ 1,274,859</b>	<b>\$ 1,594</b>	<b>\$ 316,672</b>	<b>\$ 17,322,821</b>
\$ -	\$ -	\$ -	\$ 5,936	\$ 2,775,027
-	-	-	-	1,728,128
-	-	-	-	4,713,925
-	-	-	53,990	211,160
-	-	-	-	3,291,802
-	-	-	897	1,125,222
-	-	-	225,639	252,645
567,342	-	-	134,546	1,016,509
-	-	-	-	189,457
-	-	580,721	-	580,721
-	-	-	-	216,448
70,000	325,000	-	-	395,000
59,941	201,168	-	-	261,109
-	1,322	-	-	1,322
<b>\$ 697,283</b>	<b>\$ 527,490</b>	<b>\$ 580,721</b>	<b>\$ 421,008</b>	<b>\$ 16,758,475</b>
<b>\$ (281,918)</b>	<b>\$ 747,369</b>	<b>\$ (579,127)</b>	<b>\$ (104,336)</b>	<b>\$ 564,346</b>
\$ -	\$ -	\$ 534,000	\$ 196,952	\$ 730,952
-	(534,000)	(6,885)	-	(730,952)
-	-	-	12,093	12,093
<b>\$ -</b>	<b>\$ (534,000)</b>	<b>\$ 527,115</b>	<b>\$ 209,045</b>	<b>\$ 12,093</b>
<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 200,000</b>
<b>\$ (281,918)</b>	<b>\$ 213,369</b>	<b>\$ (52,012)</b>	<b>\$ 104,709</b>	<b>\$ 776,439</b>
<b>929,516</b>	<b>732,469</b>	<b>565,196</b>	<b>452,415</b>	<b>9,507,124</b>
<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>413,729</b>
<b>\$ 647,598</b>	<b>\$ 945,838</b>	<b>\$ 513,184</b>	<b>\$ 557,124</b>	<b>\$ 10,697,292</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**Net change in fund balance - total governmental funds (Exhibit 5) \$ 776,439**

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

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.

Expenditures for general capital assets, infrastructure, and other related capital assets	\$ 2,727,293	
Current year depreciation	(1,104,900)	1,622,393

In the statement of activities, only the gain or loss on the disposal of capital assets are reported; whereas, in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the disposed capital assets. (486,234)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The adjustment to the increase (decrease) in revenues deferred as unavailable.

Deferred revenue - December 31	\$ 2,593,889	
Deferred revenue - January 1	(2,260,318)	333,571

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

Net proceeds for debt issuance (12,093)

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

Principal repayments		
General obligation bonds		395,000

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

Change in accrued interest payable	\$ 950	
Amortization of discounts and deferred issuance charges	(2,416)	
Change in compensated absences	147,094	
Change in inventories	413,729	559,357

**Change in net assets of governmental activities (Exhibit 2) \$ 3,188,433**

**FIDUCIARY FUNDS**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2004**

	<b>Private-Purpose Trust</b>	<b>Agency</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 16,792	\$ 248,152
Investments	52,234	-
Accounts receivable	-	14,533
Accrued interest	501	-
Due from other governments	-	90,560
	<b>\$ 69,527</b>	<b>\$ 353,245</b>
<b><u>Liabilities</u></b>		
Cash overdraft	\$ -	\$ 86,444
Accounts payable	-	115,223
Salaries payable	-	3,090
Due to other governments	-	148,488
	<b>\$ -</b>	<b>\$ 353,245</b>
<b><u>Net Assets</u></b>		
Net assets, held in trust	<b>\$ 69,527</b>	

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*EXHIBIT 8*

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Private-Purpose Trust</u>
<b><u>Additions</u></b>	
Interest	\$ <u>1,246</u>
<b><u>Deductions</u></b>	
Payments to state	\$ 354
Payments in accordance with trust agreements	<u>21,452</u>
<b>Total Deductions</b>	<b>\$ <u>21,806</u></b>
<b>Change in Net Assets</b>	<b>\$ (20,560)</b>
<b>Net Assets - Beginning of the Year</b>	<b><u>90,087</u></b>
<b>Net Assets - End of the Year</b>	<b>\$ <u><u>69,527</u></u></b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004**

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2004. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those that are 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 that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

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

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

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

Additionally, the County reports the following fund types:

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

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

C. Measurement Focus and Basis of Accounting

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2004, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2004 were \$198,811.

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

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

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

2. Receivables and Payables

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

All receivables are shown net of an allowance for uncollectibles.

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

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

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

3. Inventories

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

4. Capital Assets

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

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

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

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

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

5. Compensated Absences

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

6. Deferred Revenue

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

	Unavailable	Unearned
Delinquent property taxes	\$ 111,234	\$ -
Special assessments receivable	1,406,560	-
Grant receivables and highway allotments that do not provide current financial resources	631,536	-
Other receivables that do not provide current financial resources	444,559	-
Grant drawdowns and highway allotments prior to meeting all eligibility requirements	-	1,214,262
Total Deferred/Unearned Revenue for All Governmental Funds	\$ 2,593,889	\$ 1,214,262

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

7. Long-Term Obligations (Continued)

amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. 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.

8. Fund Equity

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

9. Use of Estimates

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

E. Revenues

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

E. Revenues (Continued)

recognized as revenue when the exchange occurs. The modified accrual basis of accounting is used by all governmental fund types. Under this basis, revenue is not recognized in the financial statements unless it is available to finance current expenditures.

Imposed Nonexchange Transactions

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

Intergovernmental

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

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

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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1. Summary of Significant Accounting Policies

E. Revenues (Continued)

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

Ditch Fund Equity

Based on the full accrual basis of accounting, eight of the 137 drainage systems have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the unreserved, undesignated fund balance as of December 31, 2004, using the full accrual method of record keeping.

Account balances	\$ 1,022,547
Account deficits	<u>(28,410)</u>
Fund Balance - Accrual Basis	<u>\$ 994,137</u>

Based upon the modified accrual basis of accounting, governmental accounting requires that noncurrent receivables and bonds payable not affect fund balance. Noncurrent receivables are deferred, and bonds payable are not reported. Using this generally accepted accounting basis, 23 ditches had fund deficits.

Account balances	\$ 793,993
Account deficits	<u>(146,395)</u>
Fund Balance - Modified Accrual Basis	<u>\$ 647,598</u>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County's total cash and investments are reported as follows:

Governmental funds	
Cash and pooled investments	\$ 10,229,106
Cash with fiscal agent	344,065
Investments	10,000
Fiduciary funds	
Private-purpose trust funds	
Cash and pooled investments	16,792
Investments	52,234
Agency funds	
Cash and pooled investments	248,152
Total Cash and Investments	\$ 10,900,349

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the County Treasurer. At December 31, 2004, the carrying amount of the County's deposits totaled \$4,427,063. The bank balance deposit amount was \$5,146,259. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

Following is a summary of the deposits covered by insurance or collateral at December 31, 2004.

	<u>Bank Balance</u>
Covered Deposits	
Insured, or collateralized with securities held by the County or its agent in the County's name	\$ 798,000
Collateralized with securities held by the pledging financial institution's agent in the County's name	4,348,259
Total covered deposits	\$ 5,146,259
Uncollateralized	
	-
Total	\$ 5,146,259

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Three levels of custodial credit risk for securities are defined by generally accepted accounting principles:

- (1) securities that are insured or registered, or for which the securities are held by the County or its agent in the County's name;
- (2) securities that are uninsured and unregistered and are held by the counterparty's trust department or agent in the County's name; and
- (3) securities that are uninsured and unregistered and are held by the counterparty, or by its trust department or agent, but not in the County's name.

Following is a summary of the fair values of the County's investments, categorized into the aforementioned levels of risk, at December 31, 2004:

	Category			Fair Value
	1	2	3	
U.S. government securities	\$ 1,000,000	\$ -	\$ 2,740,312	\$ 3,740,312
Negotiable certificates of deposit	-	-	1,158,381	1,158,381
Investments held by fiscal agent - negotiable certificates of deposit	-	-	189,338	189,338
Total Investments	<u>\$ 1,000,000</u>	<u>-</u>	<u>\$ 4,088,031</u>	\$ 5,088,031
Add				
Checking accounts				(602,306)
Certificates of deposit				3,139,337
Money market mutual funds				1,255,516
Money market savings accounts				1,890,032
Cash overdraft				86,444
Cash with fiscal agent				43,295
Total Cash and Investments				<u>\$ 10,900,349</u>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

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

Year Ending December 31	Long-Term Receivable Principal
2005	\$ 7,844
2006	8,164
2007	8,496
2008	8,843
2009	9,203
2010 - 2014	124,913
Total	\$ 167,463

3. Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,213,947	\$ -	\$ 24,083	\$ 1,189,864
Construction in progress	-	623,308	-	623,308
Total capital assets not depreciated	\$ 1,213,947	\$ 623,308	\$ 24,083	\$ 1,813,172
Capital assets depreciated				
Buildings	\$ 6,024,036	\$ -	\$ 584,427	\$ 5,439,609
Improvements other than buildings	11,739	-	-	11,739
Machinery, furniture, and equipment	4,484,658	276,554	379,713	4,381,499
Infrastructure	30,604,282	1,827,431	132,512	32,299,201
Total capital assets depreciated	\$ 41,124,715	\$ 2,103,985	\$ 1,096,652	\$ 42,132,048

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 1,775,016	\$ 114,338	\$ 247,486	\$ 1,641,868
Improvements other than buildings	1,370	2,347	-	3,717
Machinery, furniture, and equipment	2,973,598	335,425	344,604	2,964,419
Infrastructure	5,728,617	652,790	42,411	6,338,996
<b>Total accumulated depreciation</b>	<b>\$ 10,478,601</b>	<b>\$ 1,104,900</b>	<b>\$ 634,501</b>	<b>\$ 10,949,000</b>
Total capital assets depreciated, net	\$ 30,646,114	\$ 999,085	\$ 462,151	\$ 31,183,048
<b>Total Capital Assets, Net</b>	<b>\$ 31,860,061</b>	<b>\$ 1,622,393</b>	<b>\$ 486,234</b>	<b>\$ 32,996,220</b>

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

Governmental Activities	
General government	\$ 137,768
Public safety	83,470
Highways and streets, including depreciation of infrastructure assets	875,073
Human services	3,641
Sanitation	166
Conservation of natural resources	4,782
<b>Total Depreciation Expense</b>	<b>\$ 1,104,900</b>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2004, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Human Services Special Revenue	\$ 1,885
Road and Bridge Special Revenue	General	73
<b>Total Due To/From Other Funds</b>		<b>\$ 1,958</b>

The above interfund balances are for services performed.

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2004, consisted of the following:

Transfers to the Capital Projects Fund from the Debt Service Fund	\$ 534,000	Provide funds to retire debt
Transfers to nonmajor government fund from the Capital Projects Fund	6,885	Provide funds for library equipment
Transfers to nonmajor government fund from the General Fund	<u>190,067</u>	Provide funds for library services
Total Interfund Transfers	<u>\$ 730,952</u>	

C. Liabilities

1. Short-Term Debt

The County repaid a \$534,000 certificate of indebtedness during the year ended December 31, 2004. The purpose of this short-term debt is to purchase computer equipment, law enforcement equipment, road equipment, and vehicles.

2. Operating Leases

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

2005	\$ 4,319
2006	4,265
2007	4,265
2008	4,265

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2004
General Obligation Bonds					
2001 G.O. Law Enforcement Refunding Bonds	2009	\$125,000 - \$160,000	2.25 - 3.70	\$ 1,005,000	\$ 750,000
2001A G.O. Capital Improvement Bonds	2021	\$100,000 - \$260,000	3.30 - 5.10	3,405,000	3,065,000
2003 G.O. Courthouse Bonds	2008	\$80,000 - \$100,000	3.00 - 3.50	450,000	370,000
2003 G.O. Refunding Bonds	2010	\$60,000 - \$70,000	1.65 - 3.55	385,000	385,000
Total General Obligation Bonds				<u>\$ 5,245,000</u>	\$ 4,570,000
Less: unamortized discount					(1,854)
Total General Obligation Bonds, Net					<u>\$ 4,568,146</u>

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2004
General Obligation Special Assessment Bonds					
1996 G.O. Special Assessment Drainage Ditch Bonds	2017	\$20,000 - \$95,000	4.00 - 5.70	\$ 700,000	\$ 260,000
1998 G.O. Special Assessment Drainage Ditch Bonds	2008	\$25,000 - \$70,000	3.75 - 4.75	380,000	75,000
2002 G.O. Special Assessment Watershed District Bonds	2023	\$25,000 - \$60,000	2.00 - 5.00	800,000	775,000
2003 G.O. Special Assessment Refunding Drainage Ditch Bonds	2009	\$10,000 - \$30,000	1.65 - 3.20	115,000	115,000
Total General Obligation Special Assessment Bonds				<u>\$ 1,995,000</u>	<u>\$ 1,225,000</u>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2004
General Obligation Revenue Notes					
1998 G.O. Revenue Note	2023	\$50,000	-	\$ 50,000	\$ 50,000
2001 G.O. Revenue Note	2023	\$53,300	-	53,300	53,300
Total General Obligation Revenue Notes				<u>\$ 103,300</u>	<u>\$ 103,300</u>

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2004
Certificate of Indebtedness	2016	N/A	2.00	<u>\$ 12,093</u>	<u>\$ 12,093</u>

In 2004, the County entered into a loan agreement with the Minnesota Pollution Control Agency. According to the agreement, the County can borrow as much as \$545,000. Repayment of the principal will not begin until 2007. Since the County is uncertain as to how much it will have borrowed by that time, a repayment schedule is not being presented here.

4. Debt Service Requirements

Debt service requirements at December 31, 2004, were as follows:

Year Ending December 31	General Obligation Bonds		General Obligation Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2005	\$ 405,000	\$ 183,427	\$ 105,000	\$ 52,407
2006	425,000	170,570	100,000	49,079
2007	445,000	156,193	100,000	45,562
2008	460,000	140,343	75,000	41,781
2009	375,000	124,956	60,000	39,203
2010 - 2014	900,000	490,921	280,000	159,231
2015 - 2019	1,055,000	266,455	285,000	88,570
2020 - 2023	505,000	26,138	220,000	22,750
Total	<u>\$ 4,570,000</u>	<u>\$ 1,559,003</u>	<u>\$ 1,225,000</u>	<u>\$ 498,583</u>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Debt Service Requirements (Continued)

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

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activity Long-Term Liabilities					
Bonds and notes payable					
General obligation bonds	\$ 4,895,000	\$ -	\$ 325,000	\$ 4,570,000	\$ 405,000
General obligation special assessment bonds	1,295,000	-	70,000	1,225,000	105,000
General obligation revenue notes	103,300	-	-	103,300	-
Loan payable	-	12,093	-	12,093	-
Less: discounts	(2,177)	-	(323)	(1,854)	(323)
Total bonds and notes payable	\$ 6,291,123	\$ 12,093	\$ 394,677	\$ 5,908,539	\$ 509,677
Compensated absences	918,192	26,697	173,791	771,098	277,595
Governmental Activity Long-Term Liabilities	<u>\$ 7,209,315</u>	<u>\$ 38,790</u>	<u>\$ 568,468</u>	<u>\$ 6,679,637</u>	<u>\$ 787,272</u>

6. Defeased Debt

At year-end 2004, the County had \$115,000 in defeased debt outstanding.

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution and have direct contact with inmates are covered by the Public Employees Correctional Fund.

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

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

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

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

Funding Policy

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

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

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	5.53
Public Employees Police and Fire Fund	9.30
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2004, 2003, and 2002, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2004	\$ 262,905	\$ 44,230	\$ 27,937
2003	267,064	38,212	26,122
2002	263,626	40,832	26,189

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

B. Defined Contribution Plan

The Public Employees Defined Contribution Plan is a multiple-employer deferred compensation plan for local government officials, except elected county sheriffs. The plan is established and administered in accordance with Minn. Stat. ch. 353D.

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

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

The County's contributions for the years ending December 31, 2004, 2003, and 2002, were \$2,311, \$2,217, and \$2,133, respectively, equal to the contractually required contributions for each year as set by state statute.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

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

The Workers' Compensation Division of the 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. The MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$720,000 per claim in 2004 and \$760,000 per claim in 2005. Should the MCIT Workers' Compensation Division liabilities exceed assets, the MCIT may assess the County in a method and amount to be determined by the MCIT.

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

In 2000, the County entered into an agreement with McLeod County to provide a mechanism for utilizing a pooled self-funded health insurance program under the authority granted to the counties in Minn. Stat. § 471.59. Premiums are paid to the MCIT which provides bookkeeping services to the counties, including the payment of claims. For 2004, the County has retained risk up to an \$80,000 stop-loss per covered person per year (\$1,000,000 aggregate) for the health plan.

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

	Year Ended December 31	
	2004	2003
Unpaid claims, beginning of fiscal year	\$ 42,527	\$ 69,531
Incurred claims (including IBNRs)	736,769	602,817
Claims payments	(705,997)	(629,821)
Unpaid Claims, End of Fiscal Year	\$ 73,299	\$ 42,527

B. Contingent Liabilities

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

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

In 1993, the South Central Minnesota Multi-County Housing 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 2004 is \$105,164. The proportionate shares of the counties may change for the years 2005 through 2024 if there are changes in the taxable market value over the 2001 taxable market value.

C. Joint Ventures

Tri-County Solid Waste

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

One-half of the financing is provided by appropriations from the three counties based on the ratio of their population to the total population of the member counties, and one-half is provided by an equal appropriation from the three counties. Sibley County contributed \$65,218 in 2004. Sibley County is the fiscal agent. Current audited financial statements are not available.

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Meeker-McLeod-Sibley Community Health Services Board

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

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

Minnesota River Basin

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

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

Financing is provided by a contribution from each member county based on its share of the annual budget. Sibley County did not make any contributions during 2004. Complete audited financial statements for the Joint Powers Board can be obtained from its administrative office at Administration Building No. 14, 600 East 4th Street, Chaska, Minnesota 55318.

South Central Regional Counseling and Testing Center

Sibley County entered into a joint powers agreement creating and operating the South Central Regional Counseling and Testing Center pursuant to Minn. Stat. § 471.59. The South Central Regional Counseling and Testing Center was located at the One to One Clinic, 1008 South Front Street, Mankato, Minnesota 56001. Its purpose was to help

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

C. Joint Ventures

South Central Regional Counseling and Testing Center (Continued)

prevent and reduce the transmission of AIDS and other sexually transmitted diseases through diagnosis, treatment, counseling, education, screening, and contact follow-up. The clinic ceased operations on October 1, 2003, and the joint venture was dissolved December 23, 2004.

The management of the South Central Regional Counseling and Testing Center was vested in the Joint Powers Board composed of one County Commissioner from each of the nine participating counties.

Financing was provided by the state and by each of the participating counties for their share of the anticipated financial cost for the forthcoming calendar year. Sibley County was the fiscal agent for the Joint Powers Board. Sibley County did not make any contributions for 2004. Complete audited financial statements for the South Central Regional Counseling and Testing Center are not currently available.

South Country Health Alliance

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

The SCHA is authorized to provide prepaid comprehensive health maintenance services to persons enrolled under Medicaid and General Assistance Medical Care in each of the above-listed member counties.

While the SCHA was created on July 2, 1998, it did not begin providing health maintenance services until November 1, 2001. At that time, the SCHA began coverage of the beneficiaries enrolled under Medicaid and General Assistance Medical Care in the specified counties. Funding is provided from the State of Minnesota based on eligible participants within the member counties. Sibley County's contribution for

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Country Health Alliance (Continued)

start-up costs through October 31, 2001, was \$50,935. In the event the SCHA incurs operating deficits, the member counties would maintain the SCHA's reserves to meet statutory and regulatory reserve requirements. Minnesota statutes require the SCHA to maintain capital surplus equal to or greater than one month's expenditures. The SCHA is in compliance with these requirements at December 31, 2004.

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

Trailblazer Transit Board

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

Financing is primarily provided from user fees and state and federal grants. Member counties are committed to providing the local match necessary to meet the requirements for state and federal funding. For 2004, Sibley County contributed \$4,398 in matching funds and \$60,000 in appropriations. Complete financial statements for the Trailblazer Transit Board can be obtained from the administrative office at 312 West Alden, Arlington, Minnesota 55307.

Crow River Joint Powers Agreement

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Crow River Joint Powers Agreement (Continued)

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

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

D. Jointly-Governed Organizations

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

Sibley County Children's Collaborative

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

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

3 Counties for Kids Mental Health Collaborative

Sibley, Brown, and Watonwan Counties; the Sioux Trails Mental Health Center; and the River Bend Education District, representing the school districts served by River Bend, have formed the 3 Counties for Kids Mental Health Collaborative, pursuant to

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

3 Counties for Kids Mental Health Collaborative (Continued)

Minn. Stat. § 471.59 and a joint powers agreement. The purpose of the Collaborative is to join local units of government to ensure a unified, unduplicated, and “family friendly” system of intervention and care for families and children.

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

South Central Minnesota Emergency Medical Services

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

6. Subsequent Event

On January 25, 2005, the County Board authorized issuance of \$2,630,000 General Obligation Capital Improvement Crossover Refunding Bonds, Series 2005A. Together with other available funds, the Crossover Refunding Bonds will finance the cost of refunding the 2009 - 2021 maturities of the County’s General Obligation Capital Improvement Bonds of 2001, Series A, dated March 1, 2001, which are outstanding in the amount of \$2,540,000. Interest rates on the Refunding Bonds range from 2.6 percent to 4.15 percent.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*Schedule 1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,680,243	\$ 3,680,243	\$ 3,277,774	\$ (402,469)
Licenses and permits	58,134	58,134	46,669	(11,465)
Intergovernmental	1,276,085	1,348,814	1,559,167	210,353
Charges for services	869,060	869,060	1,488,216	619,156
Fines and forfeits	46,250	46,250	130,707	84,457
Gifts and contributions	-	1,000	1,000	-
Investment earnings	170,500	170,500	198,811	28,311
Miscellaneous	612,336	612,336	245,076	(367,260)
<b>Total Revenues</b>	<b>\$ 6,712,608</b>	<b>\$ 6,786,337</b>	<b>\$ 6,947,420</b>	<b>\$ 161,083</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 162,164	\$ 162,164	\$ 156,505	\$ 5,659
Courts	208,605	208,605	230,255	(21,650)
Law library	22,000	22,000	43,618	(21,618)
County auditor	314,230	314,230	322,784	(8,554)
County treasurer	129,722	129,722	120,659	9,063
Audit services	58,500	58,500	68,254	(9,754)
Data processing	235,232	235,232	197,805	37,427
Truth in taxation	3,550	3,550	4,525	(975)
Elections	156,250	156,250	35,567	120,683
Human resources	67,061	69,061	69,027	34
Attorney	290,229	290,229	264,546	25,683
Recorder	214,315	214,315	197,994	16,321
Surveyor	13,300	13,300	13,325	(25)
County assessor	243,114	243,114	246,970	(3,856)
Planning and zoning	65,384	65,384	67,412	(2,028)
Courthouse building	68,300	68,300	53,694	14,606
Building custodians	134,966	134,966	127,570	7,396
Human services building annex	5,150	5,150	3,177	1,973
Jail building	74,292	74,292	59,929	14,363
Service center	31,122	31,122	38,549	(7,427)
Veterans service officer	57,493	57,493	57,620	(127)
Feedlot program	52,000	52,000	52,370	(370)
Shoreland ordinance	3,615	3,615	3,634	(19)
Other general government	278,336	275,336	333,302	(57,966)
<b>Total general government</b>	<b>\$ 2,888,930</b>	<b>\$ 2,887,930</b>	<b>\$ 2,769,091</b>	<b>\$ 118,839</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*Schedule 1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 1,493,771	\$ 1,731,361	\$ 1,470,809	\$ 260,552
Probation officer	154,004	154,004	181,324	(27,320)
Sentenced to serve	16,435	16,435	16,250	185
Emergency management	33,793	33,793	59,745	(25,952)
<b>Total public safety</b>	<b>\$ 1,698,003</b>	<b>\$ 1,935,593</b>	<b>\$ 1,728,128</b>	<b>\$ 207,465</b>
<b>Sanitation</b>				
Solid waste	\$ 169,069	\$ 169,069	\$ 156,946	\$ 12,123
County landfill	441	441	224	217
<b>Total sanitation</b>	<b>\$ 169,510</b>	<b>\$ 169,510</b>	<b>\$ 157,170</b>	<b>\$ 12,340</b>
<b>Health</b>				
Nursing service	\$ 1,163,156	\$ 1,163,156	\$ 1,121,815	\$ 41,341
Community health services	2,363	2,363	2,510	(147)
<b>Total health</b>	<b>\$ 1,165,519</b>	<b>\$ 1,165,519</b>	<b>\$ 1,124,325</b>	<b>\$ 41,194</b>
<b>Culture and recreation</b>				
Historical society	\$ 8,325	\$ 8,325	\$ 8,325	\$ -
Regional library	190,912	190,912	1,610	189,302
Parks	16,000	16,000	15,714	286
Tourism	2,068	2,068	1,357	711
<b>Total culture and recreation</b>	<b>\$ 217,305</b>	<b>\$ 217,305</b>	<b>\$ 27,006</b>	<b>\$ 190,299</b>
<b>Conservation of natural resources</b>				
Soil and water conservation	\$ 96,992	\$ 96,992	\$ 97,317	\$ (325)
County extension	117,169	117,169	115,474	1,695
Agriculture ditch inspector	94,407	94,407	95,520	(1,113)
County fair	6,310	6,310	6,310	-
<b>Total conservation of natural resources</b>	<b>\$ 314,878</b>	<b>\$ 314,878</b>	<b>\$ 314,621</b>	<b>\$ 257</b>
<b>Economic development</b>				
Housing and Redevelopment Authority	\$ 106,465	\$ 106,465	\$ 105,903	\$ 562
Minnesota Valley Action Council	8,529	8,529	8,487	42
Economic Development Commission	67,023	67,023	45,307	21,716
CALL	35,000	35,000	26,309	8,691
COOL	5,000	5,000	3,451	1,549
<b>Total economic development</b>	<b>\$ 222,017</b>	<b>\$ 222,017</b>	<b>\$ 189,457</b>	<b>\$ 32,560</b>
<b>Total Expenditures</b>	<b>\$ 6,676,162</b>	<b>\$ 6,912,752</b>	<b>\$ 6,309,798</b>	<b>\$ 602,954</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*Schedule 1*  
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Excess of Revenues Over (Under) Expenditures</b>	\$ 36,446	\$ (126,415)	\$ 637,622	\$ 764,037
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(190,067)	(190,067)
<b>Special Item</b>				
Proceeds from sale of health and human services building	-	-	200,000	200,000
<b>Net Change in Fund Balance</b>	\$ 36,446	\$ (126,415)	\$ 647,555	\$ 773,970
<b>Fund Balance - January 1</b>	<u>4,286,099</u>	<u>4,286,099</u>	<u>4,286,099</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 4,322,545</u>	<u>\$ 4,159,684</u>	<u>\$ 4,933,654</u>	<u>\$ 773,970</u>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 962,403	\$ 962,403	\$ 880,108	\$ (82,295)
Intergovernmental	5,100,172	5,100,172	3,683,164	(1,417,008)
Charges for services	28,500	28,500	25,855	(2,645)
Miscellaneous	106,007	106,007	99,110	(6,897)
<b>Total Revenues</b>	<b>\$ 6,197,082</b>	<b>\$ 6,197,082</b>	<b>\$ 4,688,237</b>	<b>\$ (1,508,845)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 296,449	\$ 296,449	\$ 305,026	\$ (8,577)
Maintenance	1,368,651	1,368,651	1,292,161	76,490
Engineering/construction	3,813,614	3,813,614	2,554,425	1,259,189
Equipment, maintenance, and shop	511,284	511,284	533,679	(22,395)
Materials and services for resale	8,100	8,100	28,634	(20,534)
<b>Intergovernmental</b>	<b>198,984</b>	<b>198,984</b>	<b>216,448</b>	<b>(17,464)</b>
<b>Total Expenditures</b>	<b>\$ 6,197,082</b>	<b>\$ 6,197,082</b>	<b>\$ 4,930,373</b>	<b>\$ 1,266,709</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (242,136)</b>	<b>\$ (242,136)</b>
<b>Fund Balance - January 1</b>	<b>46,414</b>	<b>46,414</b>	<b>46,414</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>413,729</b>	<b>413,729</b>
<b>Fund Balance - December 31</b>	<b>\$ 46,414</b>	<b>\$ 46,414</b>	<b>\$ 218,007</b>	<b>\$ 171,593</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,651,869	\$ 1,651,869	\$ 1,456,534	\$ (195,335)
Intergovernmental	1,714,709	1,714,709	1,934,371	219,662
Charges for services	38,950	38,950	58,819	19,869
Miscellaneous	186,855	186,855	228,950	42,095
<b>Total Revenues</b>	<b>\$ 3,592,383</b>	<b>\$ 3,592,383</b>	<b>\$ 3,678,674</b>	<b>\$ 86,291</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 781,437	\$ 781,437	\$ 763,112	\$ 18,325
Social services	2,986,796	2,986,796	2,509,582	477,214
Transit authority	24,150	24,150	19,108	5,042
<b>Total Expenditures</b>	<b>\$ 3,792,383</b>	<b>\$ 3,792,383</b>	<b>\$ 3,291,802</b>	<b>\$ 500,581</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (200,000)</b>	<b>\$ (200,000)</b>	<b>\$ 386,872</b>	<b>\$ 586,872</b>
<b>Fund Balance - January 1</b>	<b>2,495,015</b>	<b>2,495,015</b>	<b>2,495,015</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,295,015</b>	<b>\$ 2,295,015</b>	<b>\$ 2,881,887</b>	<b>\$ 586,872</b>

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004**

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Budgetary Information

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

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**SUPPLEMENTARY INFORMATION**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,127,379	\$ 1,127,379	\$ 1,056,246	\$ (71,133)
Intergovernmental	81,451	81,451	218,613	137,162
<b>Total Revenues</b>	<b>\$ 1,208,830</b>	<b>\$ 1,208,830</b>	<b>\$ 1,274,859</b>	<b>\$ 66,029</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal retirement	\$ 914,000	\$ 914,000	\$ 325,000	\$ 589,000
Interest	294,830	294,830	201,168	93,662
Administrative charges	-	-	1,322	(1,322)
<b>Total Expenditures</b>	<b>\$ 1,208,830</b>	<b>\$ 1,208,830</b>	<b>\$ 527,490</b>	<b>\$ 681,340</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 747,369</b>	<b>\$ 747,369</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(534,000)	(534,000)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 213,369</b>	<b>\$ 213,369</b>
<b>Fund Balance - January 1</b>	<b>732,469</b>	<b>732,469</b>	<b>732,469</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 732,469</b>	<b>\$ 732,469</b>	<b>\$ 945,838</b>	<b>\$ 213,369</b>

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
DECEMBER 31, 2004**

	<b>Federal Land</b>	<b>Economic Development Revolving Loan</b>	<b>Individual Sewage Treatment System Loans</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 80,917	\$ 29,048	\$ 25,742
Investments	-	-	-
Special assessments receivable			
Noncurrent	-	-	111,546
Accrued interest receivable	-	-	-
Due from other governments	-	-	-
Loans receivable	-	180,250	-
	<b>\$ 80,917</b>	<b>\$ 209,298</b>	<b>\$ 137,288</b>
<b>Total Assets</b>	<b>\$ 80,917</b>	<b>\$ 209,298</b>	<b>\$ 137,288</b>
 <b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ 6,782
Salaries payable	-	-	-
Due to other governments	-	-	-
Deferred revenue - unavailable	-	-	111,546
	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 118,328</b>
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 118,328</b>
<b>Fund Balances</b>			
Reserved for loans receivable	\$ -	\$ 180,250	\$ -
Reserved for unused loan proceeds	-	-	18,960
Unreserved			
Undesignated	80,917	29,048	-
	<b>\$ 80,917</b>	<b>\$ 209,298</b>	<b>\$ 18,960</b>
<b>Total Fund Balances</b>	<b>\$ 80,917</b>	<b>\$ 209,298</b>	<b>\$ 18,960</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 80,917</b>	<b>\$ 209,298</b>	<b>\$ 137,288</b>

**Statement 1**

<u>Library</u>	<u>High Island Water Assessment Project</u>	<u>Forfeited Tax</u>	<u>Nurse Development</u>	<u>Total</u>
\$ 57,344	\$ 187,384	\$ 5,705	\$ 1,483	\$ 387,623
-	-	-	10,000	10,000
-	-	-	-	111,546
-	-	-	6	6
8,895	-	-	-	8,895
-	-	-	-	180,250
<b><u>\$ 66,239</u></b>	<b><u>\$ 187,384</u></b>	<b><u>\$ 5,705</u></b>	<b><u>\$ 11,489</u></b>	<b><u>\$ 698,320</u></b>
\$ 1,235	\$ 4,581	\$ -	\$ -	\$ 12,598
8,683	-	-	-	8,683
59	2,605	5,705	-	8,369
-	-	-	-	111,546
<b><u>\$ 9,977</u></b>	<b><u>\$ 7,186</u></b>	<b><u>\$ 5,705</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 141,196</u></b>
\$ -	\$ -	\$ -	\$ -	\$ 180,250
-	-	-	-	18,960
56,262	180,198	-	11,489	357,914
<b><u>\$ 56,262</u></b>	<b><u>\$ 180,198</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 11,489</u></b>	<b><u>\$ 557,124</u></b>
<b><u>\$ 66,239</u></b>	<b><u>\$ 187,384</u></b>	<b><u>\$ 5,705</u></b>	<b><u>\$ 11,489</u></b>	<b><u>\$ 698,320</u></b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Federal Land</u>	<u>Economic Development Revolving Loan</u>	<u>Individual Sewage Treatment System Loans</u>
<b>Revenues</b>			
Special assessments	\$ -	\$ -	\$ 27,282
Intergovernmental	4,252	-	-
Charges for services	-	-	-
Gifts and contributions	-	-	-
Investment earnings	2,549	6,664	-
Miscellaneous	-	21,718	-
<b>Total Revenues</b>	<b>\$ 6,801</b>	<b>\$ 28,382</b>	<b>\$ 27,282</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ -	\$ -	\$ -
Health	-	-	-
Sanitation	-	-	53,990
Culture and recreation	-	-	-
Conservation of natural resources	6,801	-	-
<b>Total Expenditures</b>	<b>\$ 6,801</b>	<b>\$ -</b>	<b>\$ 53,990</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ 28,382</b>	<b>\$ (26,708)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ -	\$ -	\$ -
Loans issued	-	-	12,093
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,093</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 28,382</b>	<b>\$ (14,615)</b>
<b>Fund Balance - January 1</b>	<b>80,917</b>	<b>180,916</b>	<b>33,575</b>
<b>Fund Balance - December 31</b>	<b>\$ 80,917</b>	<b>\$ 209,298</b>	<b>\$ 18,960</b>

**Statement 2**

<u>Library</u>	<u>High Island Water Assessment Project</u>	<u>Forfeited Tax</u>	<u>Nurse Development</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 27,282
-	198,702	-	-	202,954
33,607	-	-	-	33,607
-	12,100	-	-	12,100
-	-	-	150	9,363
2,879	833	5,936	-	31,366
<b>\$ 36,486</b>	<b>\$ 211,635</b>	<b>\$ 5,936</b>	<b>\$ 150</b>	<b>\$ 316,672</b>
\$ -	\$ -	\$ 5,936	\$ -	\$ 5,936
-	-	-	897	897
-	-	-	-	53,990
225,639	-	-	-	225,639
-	127,745	-	-	134,546
<b>\$ 225,639</b>	<b>\$ 127,745</b>	<b>\$ 5,936</b>	<b>\$ 897</b>	<b>\$ 421,008</b>
<b>\$ (189,153)</b>	<b>\$ 83,890</b>	<b>\$ -</b>	<b>\$ (747)</b>	<b>\$ (104,336)</b>
\$ 196,952	\$ -	\$ -	\$ -	\$ 196,952
-	-	-	-	12,093
<b>\$ 196,952</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 209,045</b>
\$ 7,799	\$ 83,890	\$ -	\$ (747)	\$ 104,709
48,463	96,308	-	12,236	452,415
<b>\$ 56,262</b>	<b>\$ 180,198</b>	<b>\$ -</b>	<b>\$ 11,489</b>	<b>\$ 557,124</b>

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

TRUST AND AGENCY FUNDS

Private-Purpose Trust Funds

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

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

Agency Funds

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

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

South Central Regional Counseling and Testing - To account for all funds used for the implementation and management of the regional STD counseling and testing clinic; financed primarily from grants and intergovernmental revenue from other counties.

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

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

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS  
PRIVATE-PURPOSE TRUST FUNDS  
DECEMBER 31, 2004**

	Court Estate	Missing Heirs	Total
<u>Assets</u>			
Cash and pooled investments	\$ -	\$ 16,792	\$ 16,792
Investments	20,897	31,337	52,234
Accrued interest	-	501	501
	<b>\$ 20,897</b>	<b>\$ 48,630</b>	<b>\$ 69,527</b>
<u>Net Assets</u>			
Net assets, held in trust	<b>\$ 20,897</b>	<b>\$ 48,630</b>	<b>\$ 69,527</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

Statement 4

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
PRIVATE-PURPOSE TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Court Estate	Missing Heirs	Total
<b><u>Additions</u></b>			
Interest	\$ 141	\$ 1,105	\$ 1,246
<b><u>Deductions</u></b>			
Payments to state	\$ -	\$ 354	\$ 354
Payments in accordance with trust agreements	21,452	-	21,452
<b>Total Deductions</b>	<b>\$ 21,452</b>	<b>\$ 354</b>	<b>\$ 21,806</b>
<b>Change in Net Assets</b>	<b>\$ (21,311)</b>	<b>\$ 751</b>	<b>\$ (20,560)</b>
<b>Net Assets - Beginning of the Year</b>	<b>42,208</b>	<b>47,879</b>	<b>90,087</b>
<b>Net Assets - End of the Year</b>	<b>\$ 20,897</b>	<b>\$ 48,630</b>	<b>\$ 69,527</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*Statement 5*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>OTHER AGENCY</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 99,978	\$ 1,194,912	\$ 1,195,616	\$ 99,274
Departmental cash	5,648	-	5,648	-
Accounts receivable	7,856	-	7,856	-
<b>Total Assets</b>	<b>\$ 113,482</b>	<b>\$ 1,194,912</b>	<b>\$ 1,209,120</b>	<b>\$ 99,274</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 40,716	\$ 36,849	\$ 40,716	\$ 36,849
Due to other governments	72,766	60,921	71,262	62,425
<b>Total Liabilities</b>	<b>\$ 113,482</b>	<b>\$ 97,770</b>	<b>\$ 111,978</b>	<b>\$ 99,274</b>
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b>\$ 139,489</b>	<b>\$ 13,392,559</b>	<b>\$ 13,460,314</b>	<b>\$ 71,734</b>
<b><u>Liabilities</u></b>				
Unapportioned taxes and special assessments	\$ -	\$ 77,846	\$ 77,846	\$ -
Due to other governments	139,489	71,734	139,489	71,734
<b>Total Liabilities</b>	<b>\$ 139,489</b>	<b>\$ 149,580</b>	<b>\$ 217,335</b>	<b>\$ 71,734</b>
 <b><u>SOUTH CENTRAL REGIONAL COUNSELING AND TESTING</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b>\$ 49,911</b>	<b>\$ 6,535</b>	<b>\$ 56,446</b>	<b>\$ -</b>
<b><u>Liabilities</u></b>				
Accounts payable	<b>\$ 49,911</b>	<b>\$ 6,535</b>	<b>\$ 56,446</b>	<b>\$ -</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*Statement 5  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TRI-COUNTY SOLID WASTE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 399,309	\$ 399,309	\$ -
Accounts receivable	-	14,533	-	14,533
Due from other governments	-	90,560	-	90,560
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 504,402</b>	<b>\$ 399,309</b>	<b>\$ 105,093</b>
<b><u>Liabilities</u></b>				
Cash overdraft	\$ -	\$ 86,444	\$ -	\$ 86,444
Accounts payable	-	1,230	-	1,230
Salaries payable	-	3,090	-	3,090
Due to other governments	-	14,329	-	14,329
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 105,093</b>	<b>\$ -</b>	<b>\$ 105,093</b>
 <b><u>SIBLEY COUNTY CHILDREN'S COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b>\$ 157,893</b>	<b>\$ 128,814</b>	<b>\$ 209,563</b>	<b>\$ 77,144</b>
<b><u>Liabilities</u></b>				
Accounts payable	<b>\$ 157,893</b>	<b>\$ 128,814</b>	<b>\$ 209,563</b>	<b>\$ 77,144</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*Statement 5  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 447,271	\$ 15,122,129	\$ 15,321,248	\$ 248,152
Departmental cash	5,648	-	5,648	-
Accounts receivable	7,856	14,533	7,856	14,533
Due from other governments	-	90,560	-	90,560
	<b>\$ 460,775</b>	<b>\$ 15,227,222</b>	<b>\$ 15,334,752</b>	<b>\$ 353,245</b>
<b><u>Liabilities</u></b>				
Cash overdraft	\$ -	\$ 86,444	\$ -	\$ 86,444
Accounts payable	248,520	173,428	306,725	115,223
Salaries payable	-	3,090	-	3,090
Unapportioned taxes and special assessments	-	77,846	77,846	-
Due to other governments	212,255	146,984	210,751	148,488
	<b>\$ 460,775</b>	<b>\$ 487,792</b>	<b>\$ 595,322</b>	<b>\$ 353,245</b>

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## **OTHER SCHEDULES**

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

Schedule 5

**TAX CAPACITY, TAX RATES, TAX LEVIES, AND PERCENTAGE OF COLLECTIONS**

	Taxes Levied for Collection					
	2003		2004		2005	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
<b>Tax Capacity</b>						
Real property	\$ 9,239,198		\$ 10,040,259		\$ 11,599,324	
Personal property	466,563		571,239		629,484	
<b>Total Tax Capacity</b>	<b>\$ 9,705,761</b>		<b>\$ 10,611,498</b>		<b>\$ 12,228,808</b>	
<b>Taxes Levied for County Purposes</b>						
General	\$ 4,306,674	44.372	\$ 3,854,729	36.326	\$ 4,468,313	36.539
Road and Bridge	502,130	5.174	1,011,484	9.532	1,778,842	14.546
Human Services	1,681,117	17.321	1,811,399	17.070	2,117,143	17.313
Debt Service	1,113,000	11.467	1,208,830	11.392	624,840	5.110
<b>Total Levy for County Purposes</b>	<b>\$ 7,602,921</b>	<b>78.334</b>	<b>\$ 7,886,442</b>	<b>74.320</b>	<b>\$ 8,989,138</b>	<b>73.508</b>
<b>Less Credits Payable by State</b>	1,059,762		531,394		637,338	
<b>Net Levy for County Purposes</b>	<b>\$ 6,543,159</b>		<b>\$ 7,355,048</b>		<b>\$ 8,351,800</b>	
<b>Tax Capacity - Light and Power</b>						
Transmission lines	\$ 3,362		\$ 2,714		\$ 3,486	
Distribution lines	2,160		1,847		1,917	
<b>Total Tax Capacity - Light and Power</b>	<b>\$ 5,522</b>		<b>\$ 4,561</b>		<b>\$ 5,403</b>	
<b>Tax Levies - Light and Power</b>						
Transmission lines	\$ 3,857	114.734	\$ 3,144	115.828	\$ 3,972	113.297
Distribution lines	2,478	114.734	2,139	115.828	2,172	113.297
<b>Total Tax Levies - Light and Power</b>	<b>\$ 6,335</b>		<b>\$ 5,283</b>		<b>\$ 6,144</b>	
<b>Special Assessments</b>						
Ditch liens and assessments	<b>\$ 1,020,852</b>		<b>\$ 928,849</b>		<b>\$ 1,235,964</b>	
<b>Percentage of Tax Collections for All Purposes</b>	<b>98.74%</b>		<b>98.90%</b>			

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
ACCRUAL BASIS  
DECEMBER 31, 2004**

	Special Assessments	
	Cash	Delinquent
<b>County Ditches</b>		
C.D. #1A	\$ 3,057	\$ 16
C.D. #2	8,837	-
C.D. #4A	7,924	-
C.D. #4B	4,020	-
C.D. #6A	1,156	-
C.D. BEV CREEK 1	(691)	-
C.D. #9A	7,616	-
C.D. #10	902	-
C.D. #11	15,509	-
C.D. #12A	53	-
C.D. #13A	8,826	42
C.D. #18A	8,962	-
C.D. #21A	1,931	-
C.D. #22	97	-
C.D. #23A	3,192	-
C.D. #23B	9,137	-
C.D. #24A	1,390	-
C.D. #25A	581	-
C.D. #26	31	-
C.D. #29M	1,629	10
C.D. #29P	538	-
C.D. #30A	37	-
C.D. #31A	36,188	-
C.D. #32A	1,587	-
C.D. #37A	3,445	-
C.D. #38	23	-
C.D. #39A	7,228	-
C.D. #40A	1,709	-
C.D. #42	16,051	263
C.D. #43	2,649	-
C.D. #44	5,145	50
C.D. #45	39	-
C.D. #46	1,462	-
C.D. #47	8,745	-
C.D. #48	3,169	-
C.D. #49	5,755	-
C.D. #50	3,710	-
C.D. #54	371	-
C.D. #55	300	325

**Schedule 6**

Assets				
<u>Receivable</u>				
<u>Deferred</u>	<u>One-Year</u>	<u>Accounts</u>	<u>Interditch</u>	<u>Total</u>
	<u>Repair Liens</u>	<u>Receivable</u>	<u>Loans</u>	
			<u>Receivable</u>	
\$ -	\$ -	\$ -	\$ -	\$ 3,073
-	-	-	-	8,837
-	-	-	-	7,924
-	-	-	-	4,020
-	-	-	-	1,156
-	7,551	-	-	6,860
-	-	-	-	7,616
-	11,510	-	-	12,412
-	-	-	-	15,509
-	9,916	-	-	9,969
-	-	-	-	8,868
-	-	-	-	8,962
-	-	-	-	1,931
-	14,209	-	-	14,306
-	-	-	-	3,192
-	35,693	-	-	44,830
-	-	-	-	1,390
-	-	-	-	581
-	784	-	-	815
-	-	-	-	1,639
-	-	-	-	538
-	1,728	-	-	1,765
-	-	-	-	36,188
-	-	-	-	1,587
-	-	-	-	3,445
-	-	-	-	23
-	8,534	-	-	15,762
-	-	-	-	1,709
-	-	-	-	16,314
-	-	-	-	2,649
-	-	-	-	5,195
-	3,978	-	-	4,017
-	-	-	-	1,462
-	-	-	-	8,745
-	-	-	-	3,169
-	-	-	-	5,755
-	-	-	-	3,710
-	55,771	-	-	56,142
-	49,839	-	-	50,464

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
ACCRUAL BASIS  
DECEMBER 31, 2004**

	<u>Accounts Payable</u>	<u>Due to Other Governments</u>	<u>Deferred Revenue</u>
<b>County Ditches</b>			
C.D. #1A	\$ -	\$ -	\$ -
C.D. #2	-	-	-
C.D. #4A	-	-	-
C.D. #4B	-	-	-
C.D. #6A	-	-	-
C. D. BEV CREEK 1	-	-	-
C.D. #9A	-	-	-
C.D. #10	7,912	-	-
C.D. #11	-	-	-
C.D. #12A	-	-	-
C.D. #13A	-	-	-
C.D. #18A	-	-	-
C.D. #21A	-	-	-
C.D. #22	-	-	-
C.D. #23A	-	-	-
C.D. #23B	3,135	-	-
C.D. #24A	-	-	-
C.D. #25A	-	-	-
C.D. #26	-	-	-
C.D. #29M	-	-	-
C.D. #29P	-	-	-
C.D. #30A	-	-	-
C.D. #31A	-	-	-
C.D. #32A	-	-	-
C.D. #37A	-	-	-
C.D. #38	-	-	-
C.D. #39A	9	-	-
C.D. #40A	-	-	-
C.D. #42	-	-	-
C.D. #43	-	-	-
C.D. #44	-	-	-
C.D. #45	-	-	-
C.D. #46	-	-	-
C.D. #47	-	-	-
C.D. #48	-	-	-
C.D. #49	-	-	-
C.D. #50	-	-	-
C.D. #54	-	-	-
C.D. #55	872	-	-

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

<b>Liabilities</b>					<b>Total Liabilities and Fund Balance</b>
<b>Interditch Loans Payable</b>	<b>Bonds Payable</b>	<b>Total</b>	<b>Fund Balance</b>		
\$ -	\$ -	\$ -	\$ 3,073	\$	3,073
-	-	-	8,837		8,837
-	-	-	7,924		7,924
-	-	-	4,020		4,020
-	-	-	1,156		1,156
-	-	-	6,860		6,860
-	-	-	7,616		7,616
-	-	7,912	4,500		12,412
-	-	-	15,509		15,509
17,000	-	17,000	(7,031)		9,969
-	-	-	8,868		8,868
-	-	-	8,962		8,962
-	-	-	1,931		1,931
9,400	-	9,400	4,906		14,306
-	-	-	3,192		3,192
-	-	3,135	41,695		44,830
-	-	-	1,390		1,390
-	-	-	581		581
100	-	100	715		815
-	-	-	1,639		1,639
-	-	-	538		538
900	-	900	865		1,765
-	-	-	36,188		36,188
-	-	-	1,587		1,587
-	-	-	3,445		3,445
-	-	-	23		23
-	-	9	15,753		15,762
-	-	-	1,709		1,709
-	-	-	16,314		16,314
-	-	-	2,649		2,649
-	-	-	5,195		5,195
3,300	-	3,300	717		4,017
-	-	-	1,462		1,462
-	-	-	8,745		8,745
-	-	-	3,169		3,169
-	-	-	5,755		5,755
-	-	-	3,710		3,710
22,400	-	22,400	33,742		56,142
-	-	872	49,592		50,464

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
ACCRUAL BASIS  
DECEMBER 31, 2004**

	<u>Cash</u>	<u>Special Assessments</u>
		<u>Delinquent</u>
<b>County Ditches (Continued)</b>		
C.D. #56	3,994	-
C.D. #57A	1,026	-
C.D. #58	1,090	-
C.D. #59	9,785	55
C.D. #60	3,088	-
C.D. #61	993	-
C.D. #64	21,667	-
C.D. #65	13,416	-
C.D. #66	19,025	-
C.D. #67	18,111	-
C.D. #61 Outlet Impr	79	-
C.D. #2A IMP	19,119	-
C.D. #24B IMP	9,979	-
C.D. #18C IMP	21,757	73
C.D. #2 Lat A	72	3
C.D. #4A Lat A	3,911	-
C.D. #4A Lat B	2,345	-
C.D. #4A Lat C	1,341	-
C.D. #22 Lat A & 1Br	570	-
C.D. #22 Lat B & 1Br	3,470	-
C.D. #22 Lat B Impr	504	-
C.D. #23A Lat 1 & 1Br	5,511	-
C.D. #23A Lat 2	997	-
C.D. #23A Lat 3	6,781	-
C.D. #23A Lat 4	6,278	-
C.D. #29A Lat 1 Spur 5	12,156	-
C.D. #31A Lat A to 3	1,610	-
C.D. #31A Lat 3	1,539	-
C.D. #37 Lat 1A	6,825	-
C.D. #44 Lat A	2,287	67
C.D. #50 Lat A	3,920	-
C.D. #55 Lat 1 of Lat C	350	-
C.D. #55 Lat 1 of Lat C Impr	65	-
C.D. #55 Ret Pond Impr	70	-
C.D. #56 Lat A	1,251	-
C.D. #59 Lat A	613	-
C.D. #59 Lat 1	351	-
<b>Total County Ditches</b>	<b>\$ 388,256</b>	<b>\$ 904</b>

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

Assets				
Receivable	One-Year	Accounts	Interditch	Total
Deferred	Repair Liens	Receivable	Loans Receivable	
-	-	-	-	3,994
-	-	-	-	1,026
-	-	-	-	1,090
-	-	-	-	9,840
-	-	-	-	3,088
-	9,569	-	-	10,562
-	-	-	-	21,667
-	-	-	-	13,416
-	-	-	-	19,025
53,750	-	-	60,000	131,861
-	-	40,121	-	40,200
26,030	-	-	17,700	62,849
12,726	-	-	6,000	28,705
23,351	-	-	18,000	63,181
-	10,623	-	-	10,698
-	-	-	-	3,911
-	-	-	-	2,345
-	-	-	-	1,341
-	4,652	-	-	5,222
-	-	-	-	3,470
-	-	-	-	504
-	-	-	-	5,511
-	-	-	-	997
-	-	-	-	6,781
-	-	-	-	6,278
-	-	-	-	12,156
-	-	-	-	1,610
-	-	-	-	1,539
-	-	-	-	6,825
-	-	-	-	2,354
-	-	-	-	3,920
-	-	-	-	350
-	-	6,094	-	6,159
-	-	-	-	70
-	-	-	-	1,251
-	-	-	-	613
-	-	-	-	351
<b>\$ 115,857</b>	<b>\$ 224,357</b>	<b>\$ 46,215</b>	<b>\$ 101,700</b>	<b>\$ 877,289</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
ACCRUAL BASIS  
DECEMBER 31, 2004**

	<u>Accounts Payable</u>	<u>Due to Other Governments</u>	<u>Deferred Revenue</u>
<b>County Ditches (Continued)</b>			
C.D. #56	-	-	-
C.D. #57A	-	-	-
C.D. #58	-	-	-
C.D. #59	560	-	-
C.D. #60	-	-	-
C.D. #61	-	-	-
C.D. #64	-	-	-
C.D. #65	-	-	-
C.D. #66	-	-	-
C.D. #67	-	-	-
C.D. #61 Outlet Impr	335	-	-
C.D. #2A IMP	-	-	-
C.D. #24B IMP	-	-	-
C.D. #18C IMP	-	-	-
C.D. #2 Lat A	-	-	-
C.D. #4A Lat A	-	-	-
C.D. #4A Lat B	-	-	-
C.D. #4A Lat C	-	-	-
C.D. #22 Lat A & 1Br	-	-	-
C.D. #22 Lat B & 1Br	-	-	-
C.D. #22 Lat B Impr	-	-	-
C.D. #23A Lat 1 & 1Br	-	-	-
C.D. #23A Lat 2	-	-	-
C.D. #23A Lat 3	-	-	-
C.D. #23A Lat 4	-	-	-
C.D. #29A Lat 1 Spur 5	-	-	-
C.D. #31A Lat A to 3	-	-	-
C.D. #31A Lat 3	-	-	-
C.D. #37 Lat 1A	-	-	-
C.D. #44 Lat A	-	-	-
C.D. #50 Lat A	-	-	-
C.D. #55 Lat 1 of Lat C	-	-	-
C.D. #55 Lat 1 of Lat C Impr	-	-	-
C.D. #55 Ret Pond Impr	-	-	-
C.D. #56 Lat A	-	-	-
C.D. #59 Lat A	-	-	-
C.D. #59 Lat 1	-	-	-
<b>Total County Ditches</b>	<b>\$ 12,823</b>	<b>\$ -</b>	<b>\$ -</b>

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

<b>Liabilities</b>			<b>Total Liabilities and Fund Balance</b>	
<b>Interditch Loans Payable</b>	<b>Bonds Payable</b>	<b>Total</b>	<b>Fund Balance</b>	<b>Balance</b>
-	-	-	3,994	3,994
-	-	-	1,026	1,026
-	-	-	1,090	1,090
-	-	560	9,280	9,840
-	-	-	3,088	3,088
-	-	-	10,562	10,562
-	-	-	21,667	21,667
-	-	-	13,416	13,416
-	-	-	19,025	19,025
-	75,000	75,000	56,861	131,861
40,200	-	40,535	(335)	40,200
-	47,000	47,000	15,849	62,849
-	22,000	22,000	6,705	28,705
-	46,000	46,000	17,181	63,181
6,700	-	6,700	3,998	10,698
-	-	-	3,911	3,911
-	-	-	2,345	2,345
-	-	-	1,341	1,341
-	-	-	5,222	5,222
-	-	-	3,470	3,470
-	-	-	504	504
-	-	-	5,511	5,511
-	-	-	997	997
-	-	-	6,781	6,781
-	-	-	6,278	6,278
-	-	-	12,156	12,156
-	-	-	1,610	1,610
-	-	-	1,539	1,539
-	-	-	6,825	6,825
-	-	-	2,354	2,354
-	-	-	3,920	3,920
-	-	-	350	350
7,300	-	7,300	(1,141)	6,159
1,100	-	1,100	(1,030)	70
-	-	-	1,251	1,251
-	-	-	613	613
-	-	-	351	351
<b>\$ 108,400</b>	<b>\$ 190,000</b>	<b>\$ 311,223</b>	<b>\$ 566,066</b>	<b>\$ 877,289</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
ACCRUAL BASIS  
DECEMBER 31, 2004**

	Special Assessments	
	Cash	Delinquent
<b>Judicial Ditches</b>		
H.I. Proj. #2	\$ 40	\$ -
H.I. Proj. #5	15	-
H.I. Proj. #7	(4)	-
H.I. Proj. #8	10	-
H.I. Proj. #9	10	-
H.I. Proj. #11	52,014	-
JD #1A N&S	12,971	-
JD #1A S&N	44,203	20
JD #3A SCM	14,075	-
JD #5 M&S	597	-
JD #5 S&N	4,056	-
JD #6A S&N	153	-
JD #6 N&S	1,494	-
JD #8 S&R	54	-
JD #8 M&S	1,189	-
JD #11 RSM	10,240	-
JD #12 Sibley	60	-
JD #13 SRN	8,273	-
JD #13 SRN Turtle	4,981	-
JD #13 N&S	798	-
JD #14 S&N	1,344	-
JD #15 S&M	3,911	-
JD #15 R&S	288	-
JD #15 N&S	2,383	-
JD #16 N&S	1,192	-
JD #17 S&M	1,493	-
JD #18 S&M	15,744	340
JD #19 S&M	2,113	-
JD #20 S&N	17,323	22
JD #21 S&C	846	-
JD #22 S&C	862	-
JD #24 RSM	518	259
JD #30 R&S	92	-
JD #31 RSN	55	-
JD #1A Lts 1 & 3 Brs S&N	3,237	-
JD #1A Lt 2 N&S	10,238	-
JD #3A Lt 4 & Br 1 SCM	3,069	-
JD #6A Lt 2 S&N	15,691	121
JD #6A Lt 1 of Lt 2 S&N	2,098	-
JD #7 Lts 1, 2, 3, and 4	39,663	-
JD #7 Lts 16 & 17 SRN	9,349	-

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

Assets				
<u>Receivable</u>				
<u>Deferred</u>	<u>One-Year</u>	<u>Accounts</u>	<u>Interditch</u>	<u>Total</u>
	<u>Repair Liens</u>	<u>Receivable</u>	<u>Loans</u>	
			<u>Receivable</u>	
\$ -	\$ -	\$ -	\$ -	\$ 40
-	-	-	-	15
-	-	-	-	(4)
-	-	-	-	10
-	-	-	-	10
635,946	-	-	110,000	797,960
-	-	-	-	12,971
-	-	-	-	44,223
-	-	-	-	14,075
-	-	-	-	597
-	-	-	-	4,056
-	37,428	-	-	37,581
-	-	-	-	1,494
-	9,713	-	-	9,767
-	-	-	-	1,189
-	-	-	-	10,240
-	8,804	-	-	8,864
-	-	-	-	8,273
-	-	-	-	4,981
-	-	-	-	798
-	-	-	-	1,344
-	-	-	-	3,911
-	-	-	-	288
-	-	-	-	2,383
-	-	-	-	1,192
-	-	-	-	1,493
-	-	-	-	16,084
-	-	-	-	2,113
-	-	-	-	17,345
-	-	-	-	846
-	-	-	-	862
-	7,475	-	-	8,252
-	-	-	-	92
-	5,664	-	-	5,719
-	-	-	-	3,237
-	-	-	25,000	35,238
-	-	-	-	3,069
-	-	-	-	15,812
-	-	-	-	2,098
212,268	-	-	130,000	381,931
-	-	-	-	9,349

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
ACCRUAL BASIS  
DECEMBER 31, 2004**

	Accounts Payable	Due to Other Governments	Deferred Revenue
<b>Judicial Ditches</b>			
H.I. Proj. #2	\$ -	\$ -	\$ -
H.I. Proj. #5	-	-	-
H.I. Proj. #7	-	-	-
H.I. Proj. #8	-	-	-
H.I. Proj. #9	-	-	-
H.I. Proj. #11	450	-	-
JD #1A N&S	-	-	-
JD #1A S&N	-	-	-
JD #3A SCM	-	-	-
JD #5 M&S	-	-	-
JD #5 S&N	-	-	-
JD #6A S&N	2,243	-	-
JD #6 N&S	-	-	-
JD #8 S&R	-	387	-
JD #8 M&S	-	-	-
JD #11 RSM	-	8,855	-
JD #12 Sibley	-	-	-
JD #13 SRN	-	-	-
JD #13 SRN Turtle	-	-	-
JD #13 N&S	-	-	-
JD #14 S&N	-	-	-
JD #15 S&M	-	-	-
JD #15 R&S	-	405	-
JD #15 N&S	-	-	-
JD #16 N&S	-	-	-
JD #17 S&M	-	-	-
JD #18 S&M	7,278	-	-
JD #19 S&M	-	-	-
JD #20 S&N	-	-	-
JD #21 S&C	-	-	-
JD #22 S&C	-	-	-
JD #24 RSM	-	-	-
JD #30 R&S	-	16	-
JD #31 RSN	-	132	-
JD #1A Lts 1 & 3 Brs S&N	-	-	-
JD #1A Lt 2 N&S	-	-	-
JD #3A Lt 4 & Br 1 SCM	-	-	-
JD #6A Lt 2 S&N	868	-	-
JD #6A Lt 1 of Lt 2 S&N	963	-	-
JD #7 Lts 1, 2, 3, and 4	-	-	-
JD #7 Lts 16 & 17 SRN	-	-	-

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

<b>Liabilities</b>			<b>Total Liabilities and Fund Balance</b>	
<b>Interditch Loans Payable</b>	<b>Bonds Payable</b>	<b>Total</b>	<b>Fund Balance</b>	<b>Balance</b>
\$ -	\$ -	\$ -	\$ 40	\$ 40
-	-	-	15	15
-	-	-	(4)	(4)
-	-	-	10	10
-	-	-	10	10
-	775,000	775,450	22,510	797,960
-	-	-	12,971	12,971
-	-	-	44,223	44,223
-	-	-	14,075	14,075
-	-	-	597	597
-	-	-	4,056	4,056
-	-	2,243	35,338	37,581
-	-	-	1,494	1,494
4,700	-	5,087	4,680	9,767
-	-	-	1,189	1,189
-	-	8,855	1,385	10,240
1,000	-	1,000	7,864	8,864
-	-	-	8,273	8,273
-	-	-	4,981	4,981
-	-	-	798	798
-	-	-	1,344	1,344
-	-	-	3,911	3,911
-	-	405	(117)	288
-	-	-	2,383	2,383
-	-	-	1,192	1,192
-	-	-	1,493	1,493
-	-	7,278	8,806	16,084
-	-	-	2,113	2,113
-	-	-	17,345	17,345
-	-	-	846	846
-	-	-	862	862
2,000	-	2,000	6,252	8,252
-	-	16	76	92
100	-	232	5,487	5,719
-	-	-	3,237	3,237
-	-	-	35,238	35,238
-	-	-	3,069	3,069
-	-	868	14,944	15,812
-	-	963	1,135	2,098
-	280,000	280,000	101,931	381,931
-	-	-	9,349	9,349

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
ACCRUAL BASIS  
DECEMBER 31, 2004**

	<u>Cash</u>	<u>Special Assessments Delinquent</u>
<b>Judicial Ditches (Continued)</b>		
JD #7 Lts 32 & 33 SRN	2,358	-
JD #11 Lat H7 RSM	1,216	-
JD #11 Lt H8 & H9 RSM	1,775	-
JD #11 Lt O RSM	969	-
JD #11 Lt J RSM	1,629	-
JD #11 Lt I, I-1 & 1-2 RSM	3,040	-
JD #11 Lt A-13	400	-
JD #11 Lt I-3	2,441	-
JD #13 Lt A SRN	126	-
JD #13 Br5 SRN	506	-
JD #15 Br J&K R&S	2,141	-
JT #1A NS	2,975	-
JT #1 RS	1,901	-
JT #7 SNR	8,155	17
JT #24 CS	354	-
JT #1 Lat L SN MAIDL	1,178	-
JT #7 Lat 17 IMP Berger	150	-
JT #7 Lat 24, 25, and 26	1,647	-
JT 5 SN IMP YAHNKE	39	-
	<hr/>	<hr/>
<b>Total Judicial Ditches</b>	<b>\$ 319,738</b>	<b>\$ 779</b>
	<hr/>	<hr/>
<b>Total All Ditches</b>	<b>\$ 707,994</b>	<b>\$ 1,683</b>
	<hr/>	<hr/>
Reconcile to Exhibit 3	-	-
	<hr/>	<hr/>
<b>Total Modified Accrual</b>	<b>\$ 707,994</b>	<b>\$ 1,683</b>
	<hr/> <hr/>	<hr/> <hr/>

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

Assets				
<u>Receivable</u>			<u>Interditch</u>	
<u>Deferred</u>	<u>One-Year</u>	<u>Accounts</u>	<u>Loans</u>	<u>Total</u>
	<u>Repair Liens</u>	<u>Receivable</u>	<u>Receivable</u>	
-	-	-	-	2,358
-	-	-	-	1,216
-	-	-	-	1,775
-	-	-	-	969
-	3,587	-	-	5,216
-	-	-	-	3,040
-	-	-	-	400
-	-	-	-	2,441
-	-	-	-	126
-	-	-	-	506
-	-	-	-	2,141
-	-	-	-	2,975
-	5,474	-	-	7,375
-	26,758	-	-	34,930
-	-	-	-	354
-	-	-	-	1,178
-	-	194,850	-	195,000
-	-	-	-	1,647
-	-	55,460	-	55,499
<b>\$ 848,214</b>	<b>\$ 104,903</b>	<b>\$ 250,310</b>	<b>\$ 265,000</b>	<b>\$ 1,788,944</b>
<b>\$ 964,071</b>	<b>\$ 329,260</b>	<b>\$ 296,525</b>	<b>\$ 366,700</b>	<b>\$ 2,666,233</b>
-	-	-	(366,700)	(366,700)
<b>\$ 964,071</b>	<b>\$ 329,260</b>	<b>\$ 296,525</b>	<b>\$ -</b>	<b>\$ 2,299,533</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
ACCRUAL BASIS  
DECEMBER 31, 2004**

	<u>Accounts Payable</u>	<u>Due to Other Governments</u>	<u>Deferred Revenue</u>
<b>Judicial Ditches (Continued)</b>			
JD #7 Lts 32 & 33 SRN	-	-	-
JD #11 Lat H7 RSM	-	-	-
JD #11 Lt H8 & H9 RSM	-	-	-
JD #11 Lt O RSM	-	-	-
JD #11 Lt J RSM	1,500	-	-
JD #11 Lt I, I-1 & 1-2 RSM	-	-	-
JD #11 Lt A-13	-	-	-
JD #11 Lt I-3	-	-	-
JD #13 Lt A	-	-	-
JD #13 Br5 SRN	-	-	-
JD #15 Br J&K R&S	-	-	-
JT #1A NS	-	-	-
JT #1 RS	3,607	-	-
JT #7 SNR	775	1,343	-
JT #24 CS	-	-	-
JT #1 Lat L SN MAIDL	-	-	-
JT #7 Lat 17 IMP Berger	11,765	7	-
JT #7 Lat 24, 25, and 26	-	-	-
JT 5 SN IMP YAHNKE	6,979	-	-
	<hr/>	<hr/>	<hr/>
<b>Total Judicial Ditches</b>	<b>\$ 36,428</b>	<b>\$ 11,145</b>	<b>\$ -</b>
	<hr/>	<hr/>	<hr/>
<b>Total All Ditches</b>	<b>\$ 49,251</b>	<b>\$ 11,145</b>	<b>\$ -</b>
	<hr/>	<hr/>	<hr/>
Reconcile to Exhibit 3	-	-	1,591,539
	<hr/>	<hr/>	<hr/>
<b>Total Modified Accrual</b>	<b>\$ 49,251</b>	<b>\$ 11,145</b>	<b>\$ 1,591,539</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

<b>Liabilities</b>					<b>Total</b>
<b>Interditch Loans Payable</b>	<b>Bonds Payable</b>	<b>Total</b>	<b>Fund Balance</b>	<b>Total Liabilities and Fund Balance</b>	
-	-	-	2,358	2,358	
-	-	-	1,216	1,216	
-	-	-	1,775	1,775	
-	-	-	969	969	
-	-	1,500	3,716	5,216	
-	-	-	3,040	3,040	
-	-	-	400	400	
-	-	-	2,441	2,441	
-	-	-	126	126	
-	-	-	506	506	
-	-	-	2,141	2,141	
-	-	-	2,975	2,975	
-	-	3,607	3,768	7,375	
-	-	2,118	32,812	34,930	
-	-	-	354	354	
-	-	-	1,178	1,178	
195,000	-	206,772	(11,772)	195,000	
-	-	-	1,647	1,647	
55,500	-	62,479	(6,980)	55,499	
<b>\$ 258,300</b>	<b>\$ 1,055,000</b>	<b>\$ 1,360,873</b>	<b>\$ 428,071</b>	<b>\$ 1,788,944</b>	
<b>\$ 366,700</b>	<b>\$ 1,245,000</b>	<b>\$ 1,672,096</b>	<b>\$ 994,137</b>	<b>\$ 2,666,233</b>	
(366,700)	(1,245,000)	(20,161)	(346,539)	(366,700)	
<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,651,935</b>	<b>\$ 647,598</b>	<b>\$ 2,299,533</b>	

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

Schedule 7

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u><b>Total Governmental Funds</b></u>
<b>Shared Revenue</b>	
<b>State</b>	
Highway users tax	\$ 3,441,223
Market value credit	668,738
Market value credit - mobile home	2,586
Market value credit - agricultural	225,987
PERA rate reimbursement	25,385
Disparity reduction aid	56,616
County program aid	531,394
Police aid	38,212
Criminal justice aid	8,595
Temporary court aid	67,316
	<u>67,316</u>
<b>Total Shared Revenue</b>	<b>\$ 5,066,052</b>
<b>Reimbursement for Services</b>	
<b>State</b>	
Minnesota Department of Human Services	\$ 1,073,075
	<u>1,073,075</u>
<b>Payments</b>	
<b>Local</b>	
Payments in lieu of taxes	\$ 22,891
	<u>22,891</u>
<b>Grants</b>	
<b>State</b>	
Minnesota Department/Board of	
Administration	\$ 35,759
Education	27,809
Commerce	49,362
Corrections	35,022
Public Safety	21,740
Peace Officer Standards and Training	3,223
Health	121,588
Human Services	362,588
Water and Soil Resources	91,143
Office of Environmental Assistance	49,099
Pollution Control Agency	198,702
	<u>198,702</u>
<b>Total State</b>	<b>\$ 996,035</b>

**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

*Schedule 7*  
*(Continued)*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Total Governmental Funds</b>
	<hr/>
<b>Grants (Continued)</b>	
<b>Federal</b>	
Department of	
Agriculture	\$ 76,257
Justice	7,500
Education	1,249
Health and Human Services	310,333
Homeland Security	38,572
Environmental Protection Agency	<hr/> 6,305
<b>Total Federal</b>	<hr/> <b>\$ 440,216</b>
<b>Total State and Federal Grants</b>	<hr/> <b>\$ 1,436,251</b>
<b>Total Intergovernmental Revenue</b>	<hr/> <b>\$ 7,598,269</b> <hr/>

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**SIBLEY COUNTY  
GAYLORD, MINNESOTA**

**Schedule 8**

SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2004

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

01-1 Library Board Operations

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

- Collections for overdue books, photocopies, and some grants and donations are not deposited with a city or Sibley County. Instead, the collections are deposited into a separate checking account operated by the branch library.
- Several directors have the ability to collect funds, make deposits, authorize disbursements, write checks, and perform bank reconciliations.
- Several of the library branches use charge cards or open purchase accounts that have not been formally approved and are not governed by a formal policy.
- Financial activity is reported inconsistently between the five libraries. Funding sources include the County, cities, library clubs, book clubs, and other sources. Likewise, some disbursements are reported/submitted to the County, some to the cities, and some are paid directly from the checking accounts maintained at each branch library.
- The Library Board did not provide any documentation that it reported total financial activity annually to the governing body of a city or the County, as required by Minn. Stat. § 134.13.

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

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

01-2 Accounting Policies and Procedures

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

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

PREVIOUSLY REPORTED ITEM RESOLVED

**Capital Asset Inventory (96-4)**

The County had not been performing annual inventories of capital assets.

**Resolution**

An inventory of capital assets was performed in 2004.

**II. OTHER FINDINGS AND RECOMMENDATIONS**

MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

00-2 Outdated Disaster Recovery Plan

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

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

**PREVIOUSLY REPORTED ITEMS RESOLVED**

**Use of General Ledger System (99-3)**

The general ledger system was not utilized to identify vendors, specify revenue type by source, and separate federal grant receipts.

**Resolution**

Transactions were clarified with vendor descriptions, and a set of account codes were established for grant accounting.

**Capital Asset Accounting System (00-3)**

The County had not established formal policies and procedures and a centralized system to account for capital assets.

**Resolution**

Capital asset policies and procedures and a capital assets system have been established.

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

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PATRICIA ANDERSON  
STATE AUDITOR

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

Board of County Commissioners  
Sibley County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sibley County as of and for the year ended December 31, 2004, and have issued our report thereon dated October 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by

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

### Compliance and Other Matters

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

### Minnesota Legal Compliance

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

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

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

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

/s/Pat Anderson

PATRICIA ANDERSON  
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: October 28, 2005