

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

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

YEAR ENDED DECEMBER 31, 2016

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: www.auditor.state.mn.us.

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

Year Ended December 31, 2016



Audit Practice Division
Office of the State Auditor
State of Minnesota

This page was left blank intentionally.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		6
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	17
Statement of Activities	2	20
Fund Financial Statements		
Governmental Funds		
Balance Sheet	3	22
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position--Governmental Activities	4	26
Statement of Revenues, Expenditures, and Changes in Fund Balance	5	27
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	6	31
Proprietary Fund		
Sibley Estates Enterprise Fund		
Statement of Fund Net Position	7	33
Statement of Revenues, Expenses, and Changes in Fund Net Position	8	34
Statement of Cash Flows	9	35
Fiduciary Funds		
Statement of Fiduciary Net Position	10	36
Statement of Changes in Fiduciary Net Position	11	37
Notes to the Financial Statements		38

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

TABLE OF CONTENTS

	Exhibit	Page
Financial Section (Continued)		
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	A-1	108
Public Works Special Revenue Fund	A-2	111
Public Health and Human Services Special Revenue Fund	A-3	112
Schedule of Funding Progress - Other Postemployment Benefits	A-4	113
PERA General Employees Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-5	114
Schedule of Contributions	A-6	115
Sibley County Library System		
Schedule of Proportionate Share of Net Pension Liability	A-7	116
Schedule of Contributions	A-8	117
PERA Public Employees Police and Fire Plan		
Schedule of Proportionate Share of Net Pension Liability	A-9	118
Schedule of Contributions	A-10	118
PERA Public Employees Correctional Plan		
Schedule of Proportionate Share of Net Pension Liability	A-11	119
Schedule of Contributions	A-12	119
Notes to the Required Supplementary Information		120
Supplementary Information		
Budgetary Comparison Schedule - Debt Service Fund	B-1	122
Nonmajor Funds		123
Combining Balance Sheet	C-1	124
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	C-2	125
Budgetary Comparison Schedule - Water Projects Nonmajor Special Revenue Fund	C-3	126
Trust and Agency Funds		127
Private-Purpose Trust Funds		
Combining Statement of Fiduciary Net Position	D-1	128
Combining Statement of Changes in Fiduciary Net Position	D-2	129
Combining Statement of Changes in Assets and Liabilities - All Agency Funds	D-3	130

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

TABLE OF CONTENTS

	Exhibit	Page
Financial Section		
Supplementary Information (Continued)		
Sibley County Library System Component Unit		
General Fund Balance Sheet and Statement of Net Position	E-1	132
General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities	E-2	134
Schedules		
Balance Sheet - By Ditch - Accrual Basis - Ditch Special Revenue Fund	F-1	135
Schedule of Intergovernmental Revenue	F-2	139
Schedule of Expenditures of Federal Awards	F-3	141
Notes to the Schedule of Expenditures of Federal Awards		143
Other Information Section		
Tax Capacity, Tax Rates, Tax Levies, and Percentage of Collections	G-1	145
Management and Compliance Section		
Sibley County		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		146
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance		149
Schedule of Findings and Questioned Costs		152
Corrective Action Plan		158
Summary Schedule of Prior Audit Findings		160
Sibley County Library System Component Unit		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		164

This page was left blank intentionally.

This page was left blank intentionally.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2016

Office	Name	Term Expires
Commissioners		
1st District	Bobbie Harder*	January 2019
2nd District	William "Bill" Pinske	January 2021
3rd District	Jim Swanson	January 2021
4th District	Joy Cohrs	January 2019
5th District	Gary Kruggel	January 2019
Officers		
Elected		
Attorney	David E. Schauer	January 2019
Auditor	Marilee Peterson	January 2019
Recorder	Kathy Dietz	January 2019
Registrar of Titles	Kathy Dietz	January 2019
Sheriff	Bruce Ponath	January 2019
Treasurer	Mary Fisher	January 2019
Appointed		
Administrator	Roxy Traxler	Indefinite
Assessor	Laura Hacker	December 2020
Court Administrator	Karen Messner (State)	Indefinite
Court Services Director	Gary Wilfahrt (State)**	September 2016
Emergency Management Director	Bryan Gorman	December 2016
Environmental Services Director	Jeffery Majeski	Indefinite
Examiner of Titles	Ross Arneson	Indefinite
Extension Educator	Jason Ertl	Indefinite
Human Resources Director	Kimberlai Moore-Sykes	January 2017
Office of Technology Manager	Beth Wilson	Indefinite
Medical Examiner	A. Quinn Strobl, MD	December 2018
Public Health and Human Services Director	Vicki Stock	January 2017
Public Works Director	Timothy Becker	April 2017
Surveyor	Avery Grochow	December 2018
Veterans Services Officer	Lisa Klenk	August 2020

*Chair

**Gary Wilfahrt was replaced by Mary Karl in September 2016.

This page was left blank intentionally.

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Sibley County
Gaylord, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Sibley Estates of Sibley County, which represents the amounts shown as the business-type activities and the major proprietary fund. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Sibley Estates, is based solely on the report of the other auditors. In addition, we did not audit the financial statements of the South Country Health Alliance (SCHA) for the year ended December 31, 2016, in which Sibley County has an equity interest. The SCHA is a joint venture discussed in Note 5.C. to the financial statements. The County's investment in the SCHA, \$1,304,921, represents 1.4 percent and 1.7 percent, respectively, of the assets and net position of the governmental activities. The financial statements of the SCHA, which were prepared in accordance with financial reporting provisions permitted by the Minnesota Department of Health, were audited by other auditors, whose report thereon has

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

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

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

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

Supplementary and Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated August 31, 2017, on our consideration of Sibley County's and the Sibley County Library System component unit's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is 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. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sibley County's and the Sibley County Library System component unit's internal control over financial reporting and compliance. They do not include Sibley Estates of Sibley County or the South Country Health Alliance, which were audited by other auditors.

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 31, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page was left blank intentionally.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016
(Unaudited)**

The financial management of Sibley County offers the readers of Sibley County's financial statements this narrative overview and analysis of the financial activity of Sibley County for the year ended December 31, 2016. We encourage our readers to consider the information presented here in conjunction with additional information that we have provided in our notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Sibley County's governmental activities' total net position is \$77,677,738, of which \$59,340,848 is the net investment in capital assets, and \$5,785,817 is restricted to specific purposes.
- Business-type activities' total net position is \$706,336, of which \$363,284 is the net investment in capital assets.
- Governmental activities' total net position increased by \$1,558,811 in 2016. This increase can mostly be attributed to additional infrastructure. The net position of the County's business-type activities increased by \$27,750.
- At the close of 2016, the unassigned fund balance for the General Fund was \$3,569,953, or 42.7 percent, of the total General Fund expenditures. This amount will be available for 2017 budgeting purposes.
- The net cost of governmental activities in 2016 increased by \$2,355,421 from the previous year to \$12,328,522. The net cost of governmental activities was funded by general revenues totaling \$13,887,333.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements

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

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

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

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

- Governmental activities--Most of the County's basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.
- Business-type activities--The County charges a fee to customers to help it cover all or most of the cost of the services it provides. The activities of Sibley Estates are reported here.

- Component units--The County includes a separate legal entity in its report. The Sibley County Library System is reported in a separate column. Although legally separate, this “component unit” is important because the County is financially accountable.

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

Fund Financial Statements

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

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

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

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

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

- Proprietary funds--When the County charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the County's enterprise fund (a type of proprietary fund) presents the same information as the business-type activities in the government-wide statements but provides more detail and additional information, such as cash flows.

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

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

Government-Wide Financial Analysis

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

**Table I
Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Assets						
Current and other assets	\$ 30,248,782	\$ 30,451,349	\$ 361,713	\$ 285,826	\$ 30,610,495	\$ 30,737,175
Capital assets	60,480,848	59,020,754	363,284	416,939	60,844,132	59,437,693
Total Assets	\$ 90,729,630	\$ 89,472,103	\$ 724,997	\$ 702,765	\$ 91,454,627	\$ 90,174,868
Deferred Outflows of Resources	\$ 6,245,921	\$ 1,012,062	\$ -	\$ -	\$ 6,245,921	\$ 1,012,062
Liabilities						
Long-term liabilities	\$ 16,545,958	\$ 10,954,581	\$ -	\$ -	\$ 16,545,958	\$ 10,954,581
Other liabilities	1,472,444	2,497,216	18,661	24,179	1,491,105	2,521,395
Total Liabilities	\$ 18,018,402	\$ 13,451,797	\$ 18,661	\$ 24,179	\$ 18,037,063	\$ 13,475,976
Deferred Inflows of Resources	\$ 1,279,411	\$ 913,441	\$ -	\$ -	\$ 1,279,411	\$ 913,441
Net Position						
Net investment in capital assets	\$ 59,340,848	\$ 57,565,987	\$ 363,284	\$ 416,939	\$ 59,704,132	\$ 57,982,926
Restricted	5,785,817	5,310,464	-	-	5,785,817	5,310,464
Unrestricted	12,551,073	13,242,476	343,052	261,647	12,894,125	13,504,123
Total Net Position	\$ 77,677,738	\$ 76,118,927	\$ 706,336	\$ 678,586	\$ 78,384,074	\$ 76,797,513

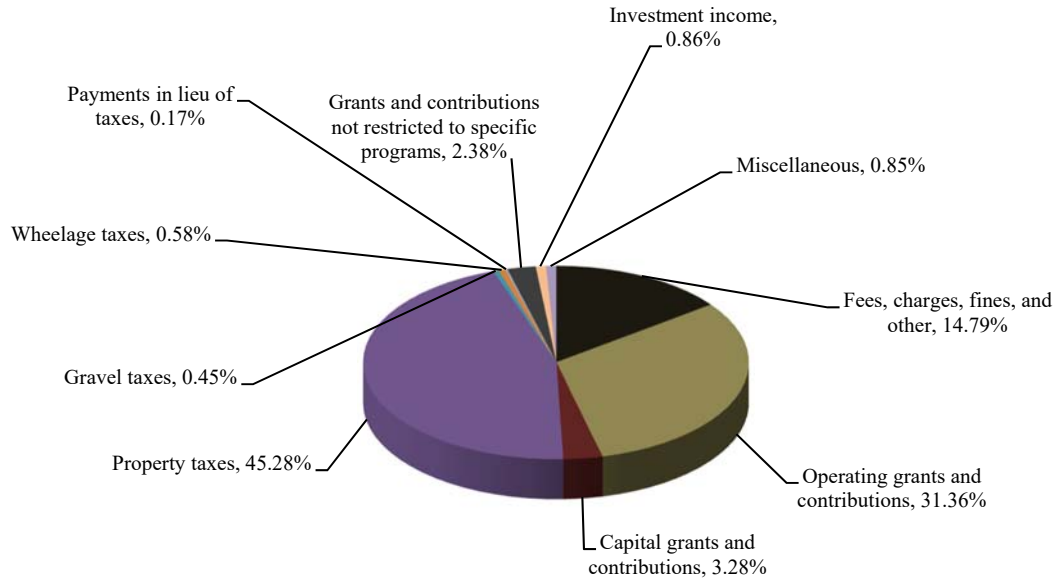
The net position of the County's governmental activities increased by 2.05 percent (\$1,558,811) from 2015 to 2016. Unrestricted net position--the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements--changed from \$13,242,476 at December 31, 2015, to \$12,551,073 at the end of this year. Net position of the business-type activities increased by 4.09 percent (\$27,750).

Table II
Change in Net Position

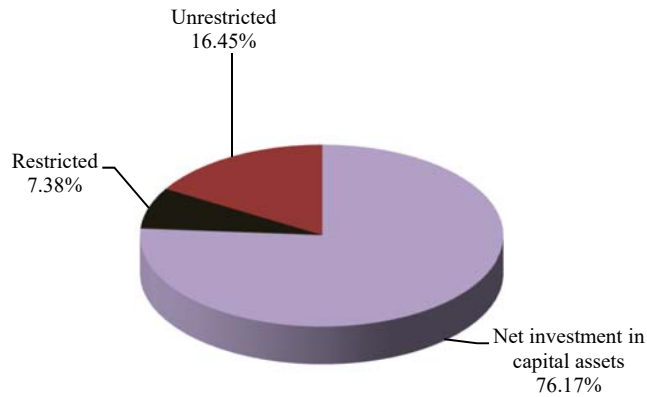
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Fees, charges, fines, and other	\$ 3,876,988	\$ 5,218,782	\$ 185,226	\$ 183,069	\$ 4,062,214	\$ 5,401,851
Operating grants and contributions	8,469,001	8,726,909	142,718	137,056	8,611,719	8,863,965
Capital grants and contributions	899,925	1,306,618	-	-	899,925	1,306,618
General revenues						
Property taxes	12,434,617	11,943,718	-	-	12,434,617	11,943,718
Gravel taxes	122,261	112,405	-	-	122,261	112,405
Wheelage taxes	160,334	163,208	-	-	160,334	163,208
Payments in lieu of tax	46,519	44,952	-	-	46,519	44,952
Grants and contributions not restricted to specific programs	652,794	670,924	-	-	652,794	670,924
Investment income	236,117	248,446	76	64	236,193	248,510
Miscellaneous and other	234,691	209,656	-	-	234,691	209,656
Contributions to permanent fund	-	49,500	-	-	-	49,500
Total Revenues	\$ 27,133,247	\$ 28,695,118	\$ 328,020	\$ 320,189	\$ 27,461,267	\$ 29,015,307
Expenses						
General government	\$ 4,786,891	\$ 4,197,381	\$ -	\$ -	\$ 4,786,891	\$ 4,197,381
Public safety	3,455,477	2,807,162	-	-	3,455,477	2,807,162
Highways and streets	6,123,641	7,469,727	-	-	6,123,641	7,469,727
Sanitation	401,486	387,051	-	-	401,486	387,051
Human services	5,983,637	4,714,557	-	-	5,983,637	4,714,557
Health	1,115,050	1,237,930	-	-	1,115,050	1,237,930
Culture and recreation	381,153	370,373	-	-	381,153	370,373
Conservation of natural Resources	3,136,225	3,840,792	-	-	3,136,225	3,840,792
Economic development	141,572	139,287	-	-	141,572	139,287
Interest	49,304	61,150	-	-	49,304	61,150
Sibley Estates	-	-	300,270	284,092	300,270	284,092
Total Expenses	\$ 25,574,436	\$ 25,225,410	\$ 300,270	\$ 284,092	\$ 25,874,706	\$ 25,509,502
Changes in Net Position	\$ 1,558,811	\$ 3,469,708	\$ 27,750	\$ 36,097	\$ 1,586,561	\$ 3,505,805
Net Position - January 1	76,118,927	72,649,219	678,586	642,489	76,797,513	73,291,708
Net Position - December 31	\$ 77,677,738	\$ 76,118,927	\$ 706,336	\$ 678,586	\$ 78,384,074	\$ 76,797,513

The County's expenses for governmental activities increased \$349,026, or 1.4 percent, from 2015. The following pie charts represent the 2016 revenues by revenue source and net position.

2016 Total Revenues by Source



2016 Total Net Position



GOVERNMENTAL ACTIVITIES

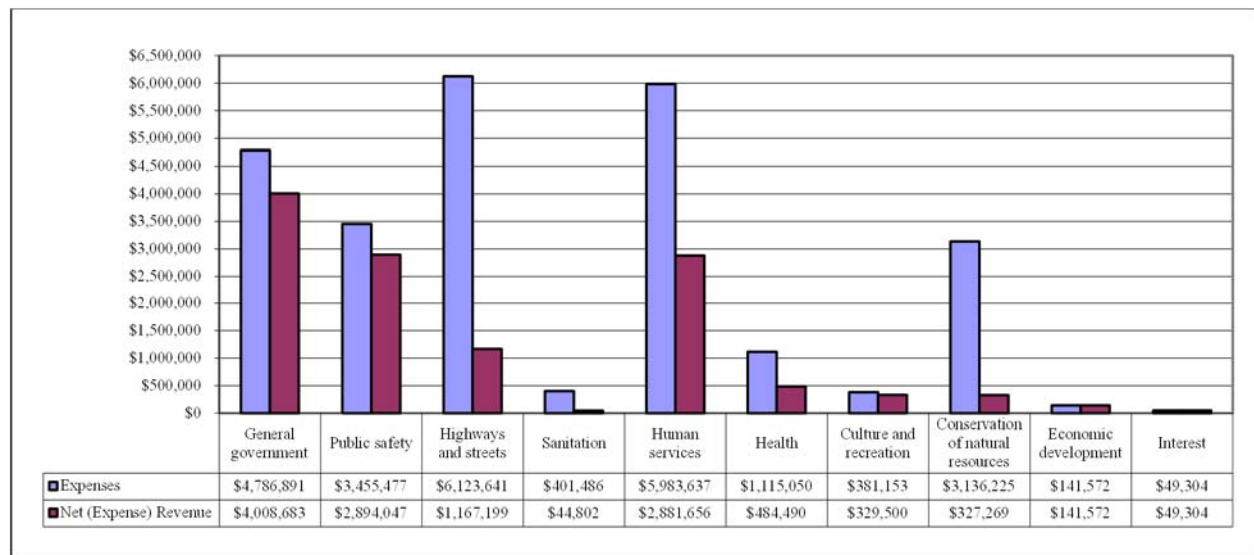
As shown in the Statement of Activities (Exhibit 2), the amount that taxpayers ultimately financed for these activities through County taxes and non-program revenues was \$12,328,522 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with operating or capital grants and contributions.

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

**Table III
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Expenses				
General government	\$ 4,786,891	\$ 4,197,381	\$ 4,008,683	\$ 3,451,180
Public safety	3,455,477	2,807,162	2,894,047	2,325,894
Highways and streets	6,123,641	7,469,727	1,167,199	1,157,735
Sanitation	401,486	387,051	44,802	(93,352)
Human services	5,983,637	4,714,557	2,881,656	1,709,781
Health	1,115,050	1,237,930	484,490	225,804
Culture and recreation	381,153	370,373	329,500	347,629
Conservation of natural resources	3,136,225	3,840,792	327,269	647,993
Economic development	141,572	139,287	141,572	139,287
Interest	49,304	61,150	49,304	61,150
Total Expenses	\$ 25,574,436	\$ 25,225,410	\$ 12,328,522	\$ 9,973,101

2016 Program Cost and Program Revenues



THE COUNTY'S FUNDS

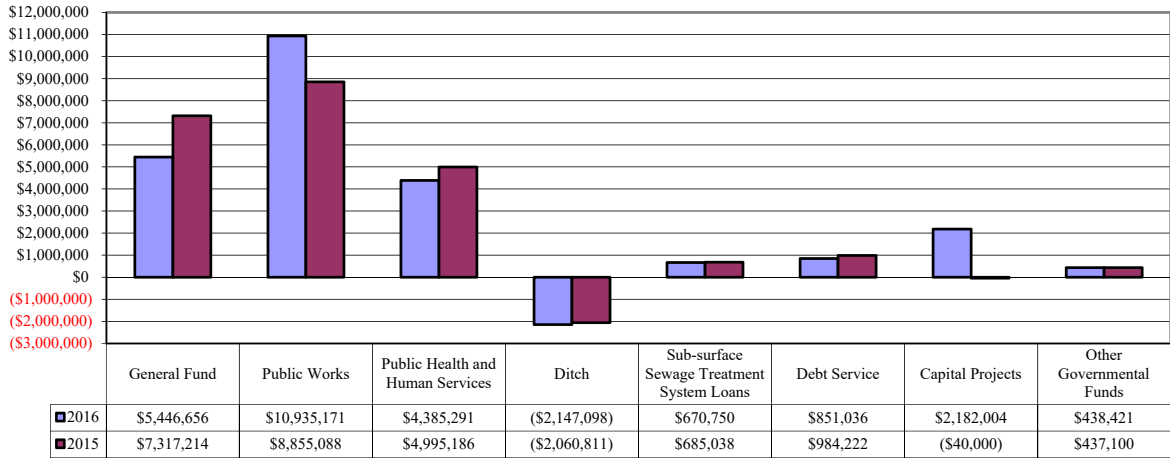
The focus of Sibley County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing Sibley County's financing requirements. In particular, unrestricted balances may serve as a useful measure of a government's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

As of the end of the current fiscal year, Sibley County's governmental funds reported a combined ending fund balance of \$22,762,231. This is an increase of \$1,589,194 in comparison to the prior fiscal year. Of the \$22,762,231 total fund balances, \$814,456 constitutes unassigned fund balances, which are available for spending at the government's discretion or represent the deficit balance in the Ditch Special Revenue Fund.

The General Fund is the chief operating fund for Sibley County. At the end of the fiscal year, unassigned fund balance of the General Fund was \$3,569,953 (or 65.5 percent of the total General Fund's fund balance). As a measure of the General Fund's liquidity, it may be useful to compare the assigned and unassigned fund balance to total expenditures. The assigned and unassigned fund balance represents 42.7 percent of total General Fund expenditures, while total fund balance represents 65.1 percent of that same amount. In 2016, the fund balance amount in the General Fund decreased \$1,870,558.

The Public Works Special Revenue Fund had a total fund balance of \$10,935,171 at the end of 2016. This is an increase of \$2,080,083. This increase is attributed to a significant amount of projects coming in under the engineer's estimate. The Public Health and Human Services Special Revenue Fund had a total fund balance of \$4,385,291 at the end of the current fiscal year. This is a decrease of \$609,895 that can primarily be attributed to greater than anticipated social services and public health nurse expenditures. The Ditch Special Revenue Fund had a negative fund balance of \$2,147,098, which is a decrease of \$86,287 from the prior year. The fund had an increase in expenditures due to ditch redeterminations and additional ditch projects that were completed but not assessed to landowners. The Sub-Surface Sewage Treatment System Loans Special Revenue Fund had a decrease of fund balance of \$14,288 with an ending balance of \$670,750. The Debt Service Fund had a total fund balance of \$851,036 at the end of 2016. This is a decrease of \$133,186. The Capital Projects Fund which had been dormant for many years, ended the year with a fund balance of \$2,182,004. Transfers were made from the General Fund, Public Health and Human Services Fund, and the Public Works Fund into the Capital Projects Fund. This resulted in an increase in fund balance of \$2,222,004 from the prior year.

Governmental Funds - Fund Balance



GENERAL FUND BUDGETARY HIGHLIGHTS

No budget amendments were made for 2016. The actual revenues exceeded budgeted revenues by \$302,183, and actual expenditures were greater than expected by \$157,974. Actual revenues exceeding budgeted revenues was due to the increase in intergovernmental revenue. Actual general government expenditures exceeded budgeted expenditures due to unbudgeted other general government activity.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

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

	2016	2015
Governmental Activities		
Land	\$ 1,724,931	\$ 1,724,931
Construction in progress	374,223	171,545
Infrastructure	51,070,036	49,979,378
Buildings	4,728,385	4,927,615
Machinery, furniture, and equipment	2,569,984	2,201,999
Improvements other than buildings	13,289	15,286
Total	\$ 60,480,848	\$ 59,020,754

	<u>2016</u>	<u>2015</u>
Business-Type Activities		
Land	\$ 23,500	\$ 23,500
Improvements other than buildings	9,269	11,692
Buildings and improvements	308,024	348,948
Machinery, furniture, and equipment	<u>22,491</u>	<u>32,799</u>
Total	<u>\$ 363,284</u>	<u>\$ 416,939</u>

The County's investment in capital assets for its governmental activities as of December 31, 2016, was \$60,480,848 (net of accumulated depreciation). This investment in capital assets includes a broad range of capital assets including, but not limited to, land, buildings, highways and streets, furniture, and equipment. The County's investment in capital assets for its governmental activities increased by 2.5 percent, or \$1,460,094.

The County's investment in capital assets for its business-type activities decreased by \$53,655 in the current year.

Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of \$1,551,650, versus \$1,851,980 last year--a decrease of \$300,330, or 16.2 percent--as shown in Table V. The decrease is due to scheduled debt payments.

Table V
Outstanding Debt at Year-End

	<u>2016</u>	<u>2015</u>
General obligation bonds	\$ 1,140,000	\$ 1,360,000
General obligation special assessment bonds	370,000	440,000
General obligation revenue notes	<u>41,650</u>	<u>51,980</u>
Total	<u>\$ 1,551,650</u>	<u>\$ 1,851,980</u>

The County maintains a general obligation bond rating of "Aa3". This rating is assigned by national rating agencies. The state limits the amount of net debt counties can issue to three percent of the total taxable market value of all property. In 2016, the taxable market value was \$3,373,909,400 and, in 2015, the amount was \$3,555,558,400. The County's outstanding net debt of \$1,551,650 is significantly below the state-imposed limit of \$101,217,282.

The County does not purchase commercial insurance for employee health coverage and has claims and judgments of \$165,178 outstanding at year-end, compared with \$82,219 last year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2017 budget and the tax rates and fees that will be charged for government services.

- State aid from the State of Minnesota has been reduced dramatically over the past several years. However, efforts are being made at the state level to restore and equalize the county program aid. Total county program aid for 2017 is up 35.58 percent compared to 2016.
- For fiscal year 2017, Sibley County's total taxable market value is \$3,278,626,100. This is a decrease of \$95,283,300, or 2.8 percent, over the 2016 total taxable market value of \$3,373,909,400. This decrease is a result of the County Sales Ratio Study conducted by the Sibley County Assessor's Office. These studies are used to update market values on a yearly basis and are based on actual land transactions in the County from year to year.
- The unemployment rate for Sibley County as of June 2016 is 3.1 percent. Sibley County's unemployment rate is slightly lower than the state unemployment rate of 3.4 percent, which is a contrast to last year when Sibley County's unemployment rate was 0.2 percent higher than the state average.
- On December 27, 2016, the Sibley County Board of Commissioners approved the 2017 budget for \$25,618,009. The 2017 total levy is \$13,475,186, and the total net tax levy was \$13,207,501, which was an increase from the 2016 total net tax levy of \$12,757,967. The 2017 budget includes a 3.524 percent overall property tax increase.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

This page was left blank intentionally.

BASIC FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

This page was left blank intentionally.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2016**

	<u>Primary Government</u>			<u>Sibley County Library System Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<u>Assets</u>				
Cash and pooled investments	\$ 21,673,471	\$ 343,089	\$ 22,016,560	\$ 188,353
Cash and pooled investments - restricted	-	14,617	14,617	-
Petty cash and change funds	6,175	300	6,475	20
Cash with fiscal agent	319,689	-	319,689	-
Investments	25,000	-	25,000	-
Taxes receivable - delinquent	156,462	-	156,462	-
Special assessments receivable - delinquent	61,965	-	61,965	-
Special assessments receivable - noncurrent	3,328,366	-	3,328,366	-
Accounts receivable	132,025	523	132,548	1,135
Accrued interest receivable	68,937	-	68,937	-
Due from other governments	2,172,765	-	2,172,765	36,262
Loans receivable	125,773	-	125,773	-
Inventories	836,043	-	836,043	-
Prepaid items	37,190	3,184	40,374	194
Investment in joint venture	1,304,921	-	1,304,921	-
Capital assets				
Non-depreciable	2,099,154	23,500	2,122,654	-
Depreciable - net of accumulated depreciation	58,381,694	339,784	58,721,478	-
Total Assets	\$ 90,729,630	\$ 724,997	\$ 91,454,627	\$ 225,964
<u>Deferred Outflows of Resources</u>				
Deferred pension outflows	\$ 6,245,921	\$ -	\$ 6,245,921	\$ 149,541

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2016**

	<u>Primary Government</u>			<u>Sibley County Library System Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 556,470	\$ 3,599	\$ 560,069	\$ 15,022
Salaries payable	344,081	-	344,081	8,756
Contracts payable	49,349	-	49,349	-
Due to other governments	285,872	-	285,872	2,621
Accrued interest payable	7,349	445	7,794	-
Unearned revenue	64,145	-	64,145	-
Claims payable	165,178	-	165,178	-
Security deposits payable	-	14,617	14,617	-
Compensated absences payable - current	293,857	-	293,857	8,973
General obligation bonds payable - current	225,000	-	225,000	-
General obligation special assessment bonds payable - current	70,000	-	70,000	-
General obligation revenue notes payable - current	10,330	-	10,330	-
MnPCA loans payable - current	179,319	-	179,319	-
AgBMP loans payable - current	100,271	-	100,271	-
Noncurrent liabilities				
Compensated absences payable	794,504	-	794,504	24,262
General obligation bonds payable	915,000	-	915,000	-
General obligation special assessment bonds payable	300,000	-	300,000	-
General obligation revenue notes payable	31,320	-	31,320	-
MnPCA loans payable	556,606	-	556,606	-
AgBMP loans payable	829,847	-	829,847	-
Net pension liability	11,850,496	-	11,850,496	243,585
Net other postemployment benefits obligation	389,408	-	389,408	-
Total Liabilities	\$ 18,018,402	\$ 18,661	\$ 18,037,063	\$ 303,219
<u>Deferred Inflows of Resources</u>				
Deferred pension inflows	\$ 1,279,411	\$ -	\$ 1,279,411	\$ 19,613

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2016**

	<u>Primary Government</u>			<u>Sibley County Library System Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<u>Net Position</u>				
Net investment in capital assets	\$ 59,340,848	\$ 363,284	\$ 59,704,132	\$ -
Restricted for				
General government	364,269	-	364,269	-
Public safety	905,004	-	905,004	-
Highways and streets	1,645,903	-	1,645,903	-
Sanitation	100,873	-	100,873	-
Culture and recreation	36,785	-	36,785	-
Conservation of natural resources	1,481,926	-	1,481,926	-
Economic development	269,604	-	269,604	-
Debt service	851,036	-	851,036	-
Permanent fund principal - nonexpendable	130,417	-	130,417	-
Unrestricted	<u>12,551,073</u>	<u>343,052</u>	<u>12,894,125</u>	<u>52,673</u>
Total Net Position	<u>\$ 77,677,738</u>	<u>\$ 706,336</u>	<u>\$ 78,384,074</u>	<u>\$ 52,673</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Expenses	Fees, Charges, Fines, and Other	Program Revenues Operating Grants and Contributions
<u>Functions/Programs</u>			
Primary government			
Governmental activities			
General government	\$ 4,786,891	\$ 616,111	\$ 162,097
Public safety	3,455,477	186,601	374,829
Highways and streets	6,123,641	75,382	3,981,135
Sanitation	401,486	322,820	33,864
Human services	5,983,637	392,645	2,709,336
Health	1,115,050	177,443	453,117
Culture and recreation	381,153	-	51,653
Conservation of natural resources	3,136,225	2,105,986	702,970
Economic development	141,572	-	-
Interest	49,304	-	-
Total governmental activities	\$ 25,574,436	\$ 3,876,988	\$ 8,469,001
Business-type activities			
Sibley Estates	300,270	185,226	142,718
Total Primary Government	\$ 25,874,706	\$ 4,062,214	\$ 8,611,719
Component Unit			
Sibley County Library System	\$ 528,007	\$ 200,282	\$ 332,222

General Revenues

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

Total general revenues

Change in net position

Net Position - January 1

Net Position - December 31

EXHIBIT 2

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position			Sibley County Library System Component Unit
	Governmental Activities	Business-Type Activities	Total	
\$ -	\$ (4,008,683)	\$ -	\$ (4,008,683)	
-	(2,894,047)	-	(2,894,047)	
899,925	(1,167,199)	-	(1,167,199)	
-	(44,802)	-	(44,802)	
-	(2,881,656)	-	(2,881,656)	
-	(484,490)	-	(484,490)	
-	(329,500)	-	(329,500)	
-	(327,269)	-	(327,269)	
-	(141,572)	-	(141,572)	
-	(49,304)	-	(49,304)	
\$ 899,925	\$ (12,328,522)	\$ -	\$ (12,328,522)	
-	-	27,674	27,674	
\$ 899,925	\$ (12,328,522)	\$ 27,674	\$ (12,300,848)	
\$ -				\$ 4,497
	\$ 12,434,617	\$ -	\$ 12,434,617	\$ -
	122,261	-	122,261	-
	160,334	-	160,334	-
	46,519	-	46,519	-
	652,794	-	652,794	-
	236,117	76	236,193	-
	234,691	-	234,691	-
	\$ 13,887,333	\$ 76	\$ 13,887,409	\$ -
	\$ 1,558,811	\$ 27,750	\$ 1,586,561	\$ 4,497
	76,118,927	678,586	76,797,513	48,176
	\$ 77,677,738	\$ 706,336	\$ 78,384,074	\$ 52,673

This page was left blank intentionally.

FUND FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENTAL FUNDS

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	General	Public Works	Public Health and Human Services
<u>Assets</u>			
Cash and pooled investments	\$ 2,538,175	\$ 10,181,259	\$ 4,170,095
Petty cash and change funds	5,925	-	250
Cash with fiscal agent	319,689	-	-
Investments	-	-	-
Taxes receivable			
Delinquent	67,608	52,157	34,301
Special assessments receivable			
Delinquent	6,725	-	-
Noncurrent	-	-	-
Accounts receivable	17,664	24,611	89,750
Accrued interest receivable	68,937	-	-
Due from other funds	3,028,696	671	150
Due from other governments	69,045	1,084,527	521,447
Loans receivable	-	-	-
Inventories	-	836,043	-
Prepaid items	10,973	26,152	65
	\$ 6,133,437	\$ 12,205,420	\$ 4,816,058
Total Assets	\$ 6,133,437	\$ 12,205,420	\$ 4,816,058

EXHIBIT 3

<u>Ditch</u>	<u>Sub-Surface Sewage Treatment System Loans</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 744,816	\$ 694,517	\$ 851,471	\$ 2,212,595	\$ 280,543	\$ 21,673,471
-	-	-	-	-	6,175
-	-	-	-	-	319,689
-	25,000	-	-	-	25,000
-	-	2,396	-	-	156,462
42,410	12,830	-	-	-	61,965
2,178,380	1,149,986	-	-	-	3,328,366
-	-	-	-	-	132,025
-	-	-	-	-	68,937
-	-	-	-	-	3,029,517
458,584	-	-	-	39,162	2,172,765
-	-	-	-	125,773	125,773
-	-	-	-	-	836,043
-	-	-	-	-	37,190
<u>\$ 3,424,190</u>	<u>\$ 1,882,333</u>	<u>\$ 853,867</u>	<u>\$ 2,212,595</u>	<u>\$ 445,478</u>	<u>\$ 31,973,378</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	General	Public Works	Public Health and Human Services
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 123,433	\$ 21,602	\$ 185,618
Salaries payable	155,350	65,562	121,478
Contracts payable	-	-	-
Due to other funds	811	10	2,382
Due to other governments	38,546	66,408	86,988
Unearned revenue	64,145	-	-
Claims payable	165,178	-	-
Total Liabilities	\$ 547,463	\$ 153,582	\$ 396,466
Deferred Inflows of Resources			
Unavailable revenue	\$ 139,318	\$ 1,116,667	\$ 34,301
Fund Balances (Note 3.E.)			
Nonspendable	\$ 10,973	\$ 862,195	\$ 65
Restricted	1,412,160	702,055	-
Committed	453,570	-	-
Assigned	-	9,370,921	4,385,226
Unassigned	3,569,953	-	-
Total Fund Balances	\$ 5,446,656	\$ 10,935,171	\$ 4,385,291
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,133,437	\$ 12,205,420	\$ 4,816,058

EXHIBIT 3
(Continued)

<u>Ditch</u>	<u>Sub-Surface Sewage Treatment System Loans</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 144,918	\$ 48,767	\$ 435	\$ 30,591	\$ 1,106	\$ 556,470
-	-	-	-	1,691	344,081
49,349	-	-	-	-	49,349
3,026,314	-	-	-	-	3,029,517
89,670	-	-	-	4,260	285,872
-	-	-	-	-	64,145
-	-	-	-	-	165,178
<u>\$ 3,310,251</u>	<u>\$ 48,767</u>	<u>\$ 435</u>	<u>\$ 30,591</u>	<u>\$ 7,057</u>	<u>\$ 4,494,612</u>
<u>\$ 2,261,037</u>	<u>\$ 1,162,816</u>	<u>\$ 2,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,716,535</u>
\$ -	\$ 25,000	\$ -	\$ -	\$ 130,417	\$ 1,028,650
608,399	645,750	851,036	-	308,004	4,527,404
-	-	-	2,182,004	-	2,635,574
-	-	-	-	-	13,756,147
(2,755,497)	-	-	-	-	814,456
<u>\$ (2,147,098)</u>	<u>\$ 670,750</u>	<u>\$ 851,036</u>	<u>\$ 2,182,004</u>	<u>\$ 438,421</u>	<u>\$ 22,762,231</u>
<u>\$ 3,424,190</u>	<u>\$ 1,882,333</u>	<u>\$ 853,867</u>	<u>\$ 2,212,595</u>	<u>\$ 445,478</u>	<u>\$ 31,973,378</u>

This page was left blank intentionally.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016**

Fund balance - total governmental funds (Exhibit 3)		\$ 22,762,231
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		60,480,848
Investments in joint ventures are reported in governmental activities and are not financial resources and, therefore, are not reported in the governmental funds.		1,304,921
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		4,716,535
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.		
Deferred outflows related to pensions	\$ 6,245,921	
Deferred inflows related to pensions	<u>(1,279,411)</u>	4,966,510
Governmental funds do not report a liability for accrued interest on long-term liabilities until due and payable.		(7,349)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds payable	\$ (1,510,000)	
Revenue notes payable	(41,650)	
MnPCA loans payable	(735,925)	
AgBMP loans payable	(930,118)	
Compensated absences	(1,088,361)	
Net pension liability	(11,850,496)	
Net other postemployment benefits obligation	<u>(389,408)</u>	<u>(16,545,958)</u>
Net Position of Governmental Activities (Exhibit 1)		<u><u>\$ 77,677,738</u></u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Public Works</u>	<u>Public Health and Human Services</u>
Revenues			
Taxes	\$ 5,314,231	\$ 4,321,494	\$ 2,977,583
Special assessments	132,468	-	-
Licenses and permits	47,984	-	-
Intergovernmental	1,090,153	4,859,472	3,345,946
Charges for services	786,939	69,559	433,948
Fines and forfeits	18,268	-	-
Gifts and contributions	3,027	-	-
Investment earnings	235,336	-	-
Miscellaneous	296,922	48,984	136,140
Total Revenues	\$ 7,925,328	\$ 9,299,509	\$ 6,893,617
Expenditures			
Current			
General government	\$ 4,336,340	\$ -	\$ -
Public safety	2,693,264	-	-
Highways and streets	-	6,817,403	-
Sanitation	201,971	-	-
Human services	-	-	5,070,585
Health	-	-	1,053,634
Culture and recreation	376,118	-	-
Conservation of natural resources	520,653	-	-
Economic development	140,876	-	-
Capital outlay	99,456	33,740	-
Intergovernmental	-	323,962	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Administrative charges	-	-	-
Total Expenditures	\$ 8,368,678	\$ 7,175,105	\$ 6,124,219

EXHIBIT 5

<u>Ditch</u>	<u>Sub-Surface Sewage Treatment System Loans</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 97,663	\$ -	\$ -	\$ 12,710,971
2,093,785	345,815	-	-	-	2,572,068
-	-	-	-	-	47,984
353,397	-	2,559	-	150,441	9,801,968
-	-	-	-	-	1,290,446
-	-	-	-	-	18,268
-	-	-	-	-	3,027
-	-	-	-	3,283	238,619
778	-	-	-	-	482,824
\$ 2,447,960	\$ 345,815	\$ 100,222	\$ -	\$ 153,724	\$ 27,166,175
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,336,340
-	-	-	-	-	2,693,264
-	-	-	-	-	6,817,403
-	193,591	-	-	-	395,562
-	-	-	-	-	5,070,585
-	-	-	-	-	1,053,634
-	-	-	-	-	376,118
2,444,812	-	-	-	152,403	3,117,868
-	-	-	-	-	140,876
-	-	-	673,951	-	807,147
-	-	-	-	-	323,962
70,000	284,276	220,000	-	-	574,276
18,940	17,360	12,043	-	-	48,343
495	-	1,365	-	-	1,860
\$ 2,534,247	\$ 495,227	\$ 233,408	\$ 673,951	\$ 152,403	\$ 25,757,238

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Public Works</u>	<u>Public Health and Human Services</u>
Excess of Revenues Over (Under) Expenditures	\$ (443,350)	\$ 2,124,404	\$ 769,398
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ -	\$ -
Transfers out	(1,427,208)	(89,454)	(1,379,293)
Loans issued	-	-	-
Total Other Financing Sources (Uses)	\$ (1,427,208)	\$ (89,454)	\$ (1,379,293)
Net Change in Fund Balance	\$ (1,870,558)	\$ 2,034,950	\$ (609,895)
Fund Balance - January 1	7,317,214	8,855,088	4,995,186
Increase (decrease) in inventories	-	45,133	-
Fund Balance - December 31	\$ 5,446,656	\$ 10,935,171	\$ 4,385,291

EXHIBIT 5
(Continued)

<u>Ditch</u>	<u>Sub-Surface Sewage Treatment System Loans</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ (86,287)	\$ (149,412)	\$ (133,186)	\$ (673,951)	\$ 1,321	\$ 1,408,937
\$ -	\$ -	\$ -	\$ 2,895,955	\$ -	\$ 2,895,955
-	-	-	-	-	(2,895,955)
-	135,124	-	-	-	135,124
<u>\$ -</u>	<u>\$ 135,124</u>	<u>\$ -</u>	<u>\$ 2,895,955</u>	<u>\$ -</u>	<u>\$ 135,124</u>
\$ (86,287)	\$ (14,288)	\$ (133,186)	\$ 2,222,004	\$ 1,321	\$ 1,544,061
(2,060,811)	685,038	984,222	(40,000)	437,100	21,173,037
-	-	-	-	-	45,133
<u>\$ (2,147,098)</u>	<u>\$ 670,750</u>	<u>\$ 851,036</u>	<u>\$ 2,182,004</u>	<u>\$ 438,421</u>	<u>\$ 22,762,231</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

Net change in fund balance - total governmental funds (Exhibit 5) \$ 1,544,061

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

In the funds, distributions of joint venture equity interest are reported as revenue. In the statement of net position, an asset is reported for the equity interest, and distributions, increases, and decreases in joint venture equity are reported in the statement of activities. The adjustment is the increase or decrease in equity in the joint venture. (585,635)

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

Unavailable revenue - December 31	\$ 4,716,535	
Unavailable revenue - January 1	<u>(4,787,601)</u>	(71,066)

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

Expenditures for general capital assets	\$ 4,569,337	
Current year depreciation	(3,098,320)	
Net book value of assets sold or disposed	<u>(10,923)</u>	1,460,094

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

Proceeds of new debt		
AgBMP loans payable	\$ (135,124)	
Repayment of debt principal	<u>574,276</u>	439,152

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT 6
(Continued)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

Change in inventories	\$ 45,133	
Change in deferred pension outflows	5,233,859	
Change in accrued interest	899	
Change in compensated absences	(110,200)	
Change in net pension liability	(5,872,980)	
Change in net other postemployment benefits obligation	(47,349)	
Change in deferred pension inflows	<u>(477,157)</u>	<u>(1,227,795)</u>
Change in Net Position of Governmental Activities (Exhibit 2)		<u><u>\$ 1,558,811</u></u>

This page was left blank intentionally.

PROPRIETARY FUND

This page was left blank intentionally.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FUND NET POSITION
SIBLEY ESTATES ENTERPRISE FUND
DECEMBER 31, 2016**

Assets

Current assets

Cash and pooled investments	\$ 343,089
Cash and pooled investments - restricted	14,617
Petty cash and change funds	300
Accounts receivable	523
Prepaid items	3,184
	<hr/>

Total current assets **\$ 361,713**

Noncurrent assets

Capital assets	
Nondepreciable	\$ 23,500
Depreciable - net	339,784
	<hr/>

Total noncurrent assets **\$ 363,284**

Total Assets **\$ 724,997**

Liabilities

Current liabilities

Accounts payable	\$ 3,599
Accrued interest payable	445
Security deposits payable	14,617
	<hr/>

Total Liabilities **\$ 18,661**

Net Position

Net investment in capital assets	\$ 363,284
Unrestricted	343,052
	<hr/>

Total Net Position **\$ 706,336**

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
SIBLEY ESTATES ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

Operating Revenues	
Rents	\$ 176,119
Intergovernmental - federal	142,718
Miscellaneous	9,107
	<hr/>
Total Operating Revenues	\$ 327,944
Operating Expenses	
Personal services	\$ 86,044
Professional services	26,551
Supplies	5,770
Telephone	4,495
Utilities	50,771
Taxes and licenses	1,100
Marketing costs	2,393
Insurance	5,338
Repairs and maintenance	39,533
Independent public accountant costs	7,000
Miscellaneous	17,617
Depreciation and amortization	53,655
	<hr/>
Total Operating Expenses	\$ 300,267
Operating Income (Loss)	\$ 27,677
Nonoperating Revenues (Expenses)	
Interest income	\$ 76
Interest expense	(3)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ 73
Change in Net Position	\$ 27,750
Net Position - January 1	678,586
	<hr/>
Net Position - December 31	\$ 706,336
	<hr/> <hr/>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
SIBLEY ESTATES ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

Cash Flows from Operating Activities	
Receipts from customers	\$ 183,418
Receipts from government agencies	142,718
Payments to suppliers and vendors	(159,040)
Payments to and on behalf of employees	<u>(86,044)</u>
Net cash provided by (used in) operating activities	<u>\$ 81,052</u>
Cash Flows from Investing Activities	
Interest paid	\$ (85)
Interest received on investments	<u>76</u>
Net cash provided by (used in) investing activities	<u>\$ (9)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 81,043
Cash and Cash Equivalents, January 1	<u>276,963</u>
Cash and Cash Equivalents, December 31	<u>\$ 358,006</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	<u>\$ 27,677</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 53,655
(Increase) decrease in accounts receivable	(177)
(Increase) decrease in prepaid items	5,333
Increase (decrease) in accounts payable	(3,326)
Increase (decrease) in accrued liabilities	(479)
Increase (decrease) in security deposits payable	<u>(1,631)</u>
Total adjustments	<u>\$ 53,375</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 81,052</u>

This page was left blank intentionally.

FIDUCIARY FUNDS

This page was left blank intentionally.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2016**

	Private-Purpose Trust	Agency
<u>Assets</u>		
Cash and pooled investments	\$ 24,976	\$ 466,102
Investments	10,740	-
Accrued interest	5	-
Total Assets	\$ 35,721	\$ 466,102
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 34,741
Due to other governments	-	431,361
Total Liabilities	\$ -	\$ 466,102
<u>Net Position</u>		
Net position, held in trust	\$ 35,721	

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Private-Purpose Trust</u>
<u>Additions</u>	
Interest	\$ 46
<u>Deductions</u>	
Payments in accordance with trust agreements	<u>26,952</u>
Change in Net Position	\$ (26,906)
Net Position - Beginning of the Year	<u>62,627</u>
Net Position - End of the Year	<u><u>\$ 35,721</u></u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2016. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Discretely Presented Component Unit

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

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

Joint Ventures and Jointly-Governed Organizations

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

2. Fund Financial Statements

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

The County reports the following major governmental funds:

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

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

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

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

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

The County reports the following major enterprise fund:

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

Additionally, the County reports the following fund types:

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

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

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

C. Measurement Focus and Basis of Accounting

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2016. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund.

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

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

Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2016 were \$235,336.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables

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

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

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

Special assessments receivable consist of delinquent special assessments payable in the years 2011 through 2016 and noncurrent special assessments payable in 2017 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments receivable.

3. Inventories and Prepaid Items

The County uses the first in/first out valuation method for all inventory purchased after 2011. There are a few old signs and seldom used items purchased prior to 2011, which 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.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Capital Assets

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

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

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

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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive separation pay and other employees who are expected to become eligible in the future to receive such payments upon termination

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences (Continued)

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

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

6. Long-Term Obligations

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Pension Plan

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

9. Unearned Revenue

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

10. Classification of Net Position

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

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

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances

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

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

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

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

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

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

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

12. Use of Estimates

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

E. Revenues

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Revenues (Continued)

1. Imposed Nonexchange Transactions

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

2. Intergovernmental

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

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

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

3. Exchange Transactions

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Balance - Ditch Special Revenue Fund

The Ditch Special Revenue Fund has a deficit fund balance of \$2,147,098. The deficit will be eliminated with future special assessment levies against benefited properties. The following is a summary of the individual ditch systems:

44 ditches with positive fund balances	\$ 608,399
43 ditches with deficit fund balances	<u>(2,755,497)</u>
Total Fund Balance	<u>\$ (2,147,098)</u>

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental activities	
Cash and pooled investments	\$ 21,673,471
Petty cash and change funds	6,175
Cash with fiscal agent	319,689
Investments	25,000
Business-type activities	
Cash and pooled investments	343,089
Cash and pooled investments - restricted	14,617
Petty cash and change funds	300
Fiduciary funds	
Private-purpose trust funds	
Cash and pooled investments	24,976
Investments	10,740
Agency funds	
Cash and pooled investments	466,102
Sibley County Library System	<u>188,353</u>
Total Cash and Investments	<u>\$ 23,072,512</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Deposits	\$ 3,533,223
Petty cash and change funds	6,475
Cash with fiscal agent	319,689
Investments	<u>19,213,125</u>
Total	<u>\$ 23,072,512</u>

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, County deposits may not be returned to it. The County's policy regarding custodial credit risk for deposits is to obtain collateral or bond to cover any uninsured portion of the County's deposits and to comply with state law. As of December 31, 2016, Sibley County's deposits were not exposed to custodial credit risk.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County's investment policy is to minimize investment custodial credit risk by permitting brokers that obtained investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage available. Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. As of December 31, 2016, \$9,897,703 of the County's investments were subject to custodial credit risk.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

The following table presents the County's deposit and investment balances at December 31, 2016, and information relating to potential investment risks:

Investment - Issuer	Credit Risk		Concentration Risk (%)	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency		Maturity Date	
Federal Home Loan Bank					
Wells Fargo Advisors					
Federal Home Loan Bank	Aaa	Moody's		12/30/2021	\$ 249,750
Federal Home Loan Bank	Aaa	Moody's		11/17/2022	246,825
Wells Fargo Securities					
Federal Home Loan Bank	Aaa	Moody's		04/28/2017	250,001
Federal Home Loan Bank	Aaa	Moody's		07/27/2018	248,502
Federal Home Loan Bank	Aaa	Moody's		04/29/2019	248,248
Federal Home Loan Bank	Aaa	Moody's		01/19/2021	248,030
 Total Federal Home Loan Bank			7.76		<u>\$ 1,491,356</u>
Federal Home Loan Mortgage Corporation					
Wells Fargo Advisors					
Federal Home Loan Mortgage Corporation	Aaa	Moody's		11/28/2018	\$ 498,750
Federal Home Loan Mortgage Corporation	Aaa	Moody's		06/30/2021	248,000
Wells Fargo Securities					
Federal Home Loan Mortgage Corporation	Aaa	Moody's		06/29/2018	248,559
Federal Home Loan Mortgage Corporation	Aaa	Moody's		08/24/2018	248,602
Federal Home Loan Mortgage Corporation	Aaa	Moody's		08/28/2018	248,413
Federal Home Loan Mortgage Corporation	Aaa	Moody's		12/27/2019	246,102
 Total Federal Home Loan Mortgage Corporation			9.06		<u>\$ 1,738,426</u>
Federal Farm Credit Bank					
Wells Fargo Securities					
Federal Farm Credit Bank	Aaa	Moody's		04/20/2021	\$ 245,013
Federal Farm Credit Bank	Aaa	Moody's		12/06/2021	248,504
 Total Federal Farm Credit Bank			2.57		<u>\$ 493,517</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Investment - Issuer	Credit Risk		Concentration Risk (%)	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency		Maturity Date	
Municipal Bonds					
Northland Securities					
City of Glencoe - G.O. Bond	A1	Moody's	0.52	02/01/2018	\$ 100,065
City of Mountain Lake - G.O. Bond	A+	S&P	0.53	02/01/2019	101,466
Total Municipal Bonds					<u>\$ 201,531</u>
Federal National Mortgage Association					
Wells Fargo Advisors					
Federal Home Loan Mortgage Corporation	Aaa	Moody's		03/16/2021	\$ 246,500
Wells Fargo Securities					
Federal Home Loan Mortgage Corporation	Aaa	Moody's		07/26/2021	242,644
Total Federal National Mortgage Association					<u>\$ 489,144</u>
Negotiable certificates of deposit					
Wells Fargo Advisors					
American Express	N/A	N/A	1.29	09/25/2019	\$ 247,127
Apple Bank	N/A	N/A	1.27	03/09/2017	244,941
Barclays Bank Delaware	N/A	N/A	1.28	07/16/2019	246,710
Bank of Hope	N/A	N/A	1.27	09/22/2017	244,596
Bank of Leumi	N/A	N/A	1.27	09/27/2018	243,322
Beal Bank USA	N/A	N/A	1.27	04/12/2017	244,877
Berkshire Bank	N/A	N/A	1.27	02/28/2017	244,973
Capital One Bank USA, N.A.	N/A	N/A	1.28	07/31/2017	245,211
Capital One, N.A.	N/A	N/A	1.29	07/29/2020	247,296
Comenity Capital Bank	N/A	N/A	1.27	01/25/2018	244,191
First National Bank	N/A	N/A	1.27	08/16/2017	244,632
JPMorgan Chase Bank, N.A.	N/A	N/A	1.27	03/22/2018	244,201
Plains Commerce Bank	N/A	N/A	1.27	02/03/2017	245,005
Sanfra National Bank	N/A	N/A	1.27	06/01/2017	244,794
Santander Bank	N/A	N/A	1.27	01/20/2017	245,017
United Bankers Bank	N/A	N/A	1.27	09/24/2018	243,131
Washington Trust Westerly	N/A	N/A	1.27	03/23/2018	244,463
Worlds Foremost Bank	N/A	N/A	1.05	08/13/2019	200,514
Wells Fargo Securities					
Ally Bank	N/A	N/A	1.28	04/24/2017	245,171
American Exp Centurian Bank	N/A	N/A	1.17	05/23/2018	225,560
Bank Baroda	N/A	N/A	1.28	03/08/2018	245,884
Bank of China	N/A	N/A	1.27	01/13/2017	245,024
Bank Hapoalim BM	N/A	N/A	1.27	11/03/2017	244,577
Bank of North Carolina	N/A	N/A	1.28	01/30/2017	245,090
BMO Harris Bank	N/A	N/A	1.28	10/02/2017	245,531
BMW Bank	N/A	N/A	1.27	10/16/2020	244,155
Choice Financial Group	N/A	N/A	1.27	01/08/2018	244,386
Compass Bank	N/A	N/A	1.28	07/24/2017	245,636
Crescom Bank	N/A	N/A	1.27	03/24/2017	245,017

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Investment - Issuer	Credit Risk		Concentration Risk (%)	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency		Maturity Date	
Negotiable certificates of deposit					
Wells Fargo Securities (Continued)					
Discover Bank	N/A	N/A	1.28	08/14/2017	245,650
EVB	N/A	N/A	1.29	09/25/2019	248,418
Everbank	N/A	N/A	1.27	07/13/2018	244,056
First Source Bank	N/A	N/A	1.28	12/19/2017	245,461
Goldman Sachs Bank	N/A	N/A	0.55	05/15/2017	105,078
Homestreet Bank	N/A	N/A	1.27	11/14/2017	244,534
Investors Bank	N/A	N/A	1.28	02/17/2017	245,066
MB Financial Bank, N.A.	N/A	N/A	1.28	03/09/2017	245,078
Medallion Bank	N/A	N/A	1.28	03/16/2018	245,967
Merrick Bank	N/A	N/A	1.28	10/30/2017	245,508
Smartbank	N/A	N/A	1.27	04/18/2018	244,034
State Bank India	N/A	N/A	1.28	12/12/2017	244,991
TBK Bank SSB	N/A	N/A	1.17	06/07/2018	225,088
TCF National Bank	N/A	N/A	1.28	03/02/2017	245,089
VIST Bank	N/A	N/A	1.28	07/18/2017	245,142
Wells Fargo Bank, N.A.	N/A	N/A	1.28	12/04/2017	245,470
Wex Bank	N/A	N/A	1.28	07/07/2017	244,990
Yadkin Bank	N/A	N/A	1.28	06/19/2017	245,114
ZB, N.A.	N/A	N/A	1.27	08/01/2017	244,318
Northland Securities					
Customers Bank	N/A	N/A	1.28	06/19/2017	245,194
Independence Bank	N/A	N/A	1.27	02/28/2018	244,285
Total negotiable certificates of deposit					\$ 12,029,563
Mutual funds/investment pools					
MAGIC	N/R	N/A	N/A	N/A	\$ 2,767,438
First National Bank	N/R	N/A	N/A	N/A	2,150
Total mutual funds/investment pools					\$ 2,769,588
Total investments					\$ 19,213,125
Deposits					3,533,223
Petty cash and change funds					6,475
Cash with fiscal agent					319,689
Total Cash and Investments					<u>\$ 23,072,512</u>

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Fair Value Measurements

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

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

At December 31, 2016, the County had the following recurring fair value measurements.

	December 31, 2016	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. agencies	\$ 4,212,443	\$ -	\$ 4,212,443	\$ -
Municipal bonds	201,531	-	201,531	-
Negotiable certificates of deposit	12,029,563	-	12,029,563	-
 Total Investments Included in the Fair Value Hierarchy	\$ 16,443,537	\$ -	\$ 16,443,537	\$ -
 Investments measured at the net asset value (NAV)				
MAGIC Portfolio	\$ 2,767,438			
Money Market Mutual Fund	2,150			
 Total Investments Measured at the NAV	\$ 2,769,588			

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Fair Value Measurements (Continued)

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

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

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

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2016, for the County are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes - delinquent	\$ 156,462	\$ -
Special assessments - delinquent	61,965	-
Special assessments - noncurrent	3,328,366	1,712,506
Accounts receivable	132,025	-
Accrued interest receivable	68,942	-
Due from other governments	2,172,765	-
Loans receivable	125,773	112,522
Total Governmental Activities	\$ 6,046,298	\$ 1,825,028

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

3. Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,724,931	\$ -	\$ -	\$ 1,724,931
Construction in progress	171,545	323,546	120,868	374,223
Total capital assets not depreciated	\$ 1,896,476	\$ 323,546	\$ 120,868	\$ 2,099,154
Capital assets depreciated				
Infrastructure	\$ 69,501,988	\$ 3,257,347	\$ -	\$ 72,759,335
Buildings	8,635,712	274,991	-	8,910,703
Machinery, furniture, and equipment	7,481,616	834,321	509,750	7,806,187
Improvements other than buildings	39,333	-	-	39,333
Total capital assets depreciated	\$ 85,658,649	\$ 4,366,659	\$ 509,750	\$ 89,515,558

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Governmental Activities (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for Infrastructure	\$ 19,522,610	\$ 2,166,689	\$ -	\$ 21,689,299
Buildings	3,708,097	474,221	-	4,182,318
Machinery, furniture, and equipment	5,279,617	455,413	498,827	5,236,203
Improvements other than buildings	24,047	1,997	-	26,044
Total accumulated depreciation	<u>\$ 28,534,371</u>	<u>\$ 3,098,320</u>	<u>\$ 498,827</u>	<u>\$ 31,133,864</u>
Total capital assets depreciated, net	<u>\$ 57,124,278</u>	<u>\$ 1,268,339</u>	<u>\$ 10,923</u>	<u>\$ 58,381,694</u>
Total Capital Assets, Net	<u>\$ 59,020,754</u>	<u>\$ 1,591,885</u>	<u>\$ 131,791</u>	<u>\$ 60,480,848</u>

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 23,500	\$ -	\$ -	\$ 23,500
Capital assets depreciated				
Improvements other than buildings	\$ 58,536	\$ -	\$ -	\$ 58,536
Buildings and improvements	1,479,519	-	-	1,479,519
Machinery, furniture, and equipment	148,576	-	-	148,576
Total capital assets depreciated	<u>\$ 1,686,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,686,631</u>
Less: accumulated depreciation for				
Improvements other than buildings	\$ 46,844	\$ 2,423	\$ -	\$ 49,267
Buildings and improvements	1,130,571	40,924	-	1,171,495
Machinery, furniture, and equipment	115,777	10,308	-	126,085
Total accumulated depreciation	<u>\$ 1,293,192</u>	<u>\$ 53,655</u>	<u>\$ -</u>	<u>\$ 1,346,847</u>
Total capital assets depreciated, net	<u>\$ 393,439</u>	<u>\$ (53,655)</u>	<u>\$ -</u>	<u>\$ 339,784</u>
Total Capital Assets, Net	<u>\$ 416,939</u>	<u>\$ (53,655)</u>	<u>\$ -</u>	<u>\$ 363,284</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	297,667
Public safety		185,602
Highways and streets, including depreciation of infrastructure assets		2,430,773
Human services		179,260
Culture and recreation		5,018
Total Depreciation Expense - Governmental Activities	\$	3,098,320
Business-Type Activities		
Housing and redevelopment	\$	53,655

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2016, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Fund	\$ 3,026,314
	Public Health and Human Services Fund	2,382
Total due to General Fund		\$ 3,028,696
Public Works Fund	General Fund	\$ 671
Public Health and Human Services Fund	General Fund	\$ 140
	Public Works Fund	10
Total due to Public Health and Human Services Fund		\$ 150
Total Due To/From Other Funds		\$ 3,029,517

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

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

2. Interfund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 1,427,208	Capital Outlay
Public Works Fund	Capital Projects Fund	89,454	Capital Outlay
Public Health and Human Services Fund	Capital Projects Fund	<u>1,379,293</u>	Capital Outlay
Total		<u>\$ 2,895,955</u>	

C. Liabilities

1. Security Deposits Payable

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

2. Contract Commitments

The County has active contract commitments as of December 31, 2016. The commitments include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Public Works Special Revenue Fund Highway projects	\$ -	\$ 559,660
Ditch Special Revenue Fund Ditch projects and repairs	115,034	200,180

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Operating Leases

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

Year Ending December 31	Amount
2017	\$ 19,980
2018	16,575
2019	13,263
2020	5,527
Total	\$ 55,345

4. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2016
General obligation bonds 2012 G.O. Refunding Bonds	2021	\$225,000 - \$235,000	0.70 - 1.30	\$ 1,800,000	\$ 1,140,000
General obligation special assessment bonds 2012 G.O. Special Assessment Refunding Bonds	2023	\$50,000 - \$70,000	1.20 - 2.35	\$ 645,000	\$ 370,000
General obligation revenue notes 2001 G.O. Revenue Note - County-Wide	2021	\$2,665 - \$5,165	-	\$ 103,300	\$ 41,650

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2016
Minnesota Pollution Control Agency (MnPCA) loans					
High Island I	2017	\$14,495	2.00	\$ 261,561	\$ 28,559
High Island II	2021	\$20,390	2.00	367,955	193,124
Rush River I	2018	\$14,704	2.00	265,347	43,245
Rush River II	2021	\$32,009	2.00	577,616	303,165
Buffalo Creek I	2019	\$2,582	2.00	46,589	14,962
Buffalo Creek II	2022	\$1,279	2.00	23,089	14,401
Middle Minnesota I	2021	\$1,362	2.00	24,587	11,671
Middle Minnesota II	2023	\$2,419	2.00	43,657	31,460
Bevens Silver Creek	2023	\$7,332	2.00	132,304	95,338
Total MnPCA Loans				<u>\$ 1,742,705</u>	<u>\$ 735,925</u>
Minnesota Department of Agriculture loans					
Ag Best Management Loan Program (AgBMP)	2027	\$3,868 - \$66,511	-	<u>\$ 1,188,015</u>	<u>\$ 930,118</u>

5. Debt Service Requirements

Debt service requirements at December 31, 2016, were as follows:

Year Ending December 31	General Obligation Bonds		General Obligation Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 225,000	\$ 10,650	\$ 70,000	\$ 6,420
2018	225,000	8,906	50,000	5,587
2019	225,000	6,825	50,000	4,763
2020	230,000	4,378	50,000	3,850
2021	235,000	1,527	50,000	2,850
2022 - 2023	-	-	100,000	2,350
Total	<u>\$ 1,140,000</u>	<u>\$ 32,286</u>	<u>\$ 370,000</u>	<u>\$ 25,820</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Debt Service Requirements (Continued)

Year Ending December 31	General Obligation Revenue Notes		MnPCA Loans		AgBMP Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 10,330	\$ -	\$ 179,319	\$ 13,826	\$ 100,271	\$ -
2018	10,330	-	139,085	10,367	120,878	-
2019	10,330	-	127,029	7,718	114,522	-
2020	5,330	-	124,393	5,191	117,979	-
2021	5,330	-	125,531	2,691	121,547	-
2022 - 2026	-	-	40,568	994	354,921	-
Total	\$ 41,650	\$ -	\$ 735,925	\$ 40,787	\$ 930,118	\$ -

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities long-term liabilities					
Bonds payable					
General obligation bonds	\$ 1,360,000	\$ -	\$ 220,000	\$ 1,140,000	\$ 225,000
General obligation special assessment bonds	440,000	-	70,000	370,000	70,000
Total bonds payable	\$ 1,800,000	\$ -	\$ 290,000	\$ 1,510,000	\$ 295,000
General obligation revenue notes	51,980	-	10,330	41,650	10,330
MnPCA loans	911,710	-	175,785	735,925	179,319
AgBMP loans	893,155	135,124	98,161	930,118	100,271
Compensated absences	978,161	615,839	505,639	1,088,361	293,857
Governmental Activities Long-Term Liabilities	\$ 4,635,006	\$ 750,963	\$ 1,079,915	\$ 4,306,054	\$ 878,777

Compensated absences, other postemployment benefit liability, and pension liabilities are generally liquidated by the General Fund and Public Works, Public Health and Human Services, and Water Projects Special Revenue Funds.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

7. Other Postemployment Benefits (OPEB)

Plan Description

The County provides a defined benefit health care plan to qualifying retirees and their spouses. The plan offers medical, dental, and life insurance coverage. Medical coverage is administered by Medica. Dental coverage is administered through Health Partners. Sun Life is the life insurance provider. The County is self-insured for medical coverage through the McLeod/Sibley Joint Health Insurance Program. Retirees pay 100 percent of the blended active/retiree premium rate, in accordance with Minn. Stat. ch. 471.61, subd. 2b. The retirees, whose cost is statistically higher than the group average, are receiving an implicit rate “subsidy.” As of January 1, 2016, there was one retiree receiving health benefits from the County’s health plan and two retirees receiving dental coverage through Health Partners. It is the County’s policy to periodically review its medical, dental, and life insurance coverage in order to provide the most favorable benefits and premiums for County employees and retirees.

Funding Policy

Retirees and their spouses contribute to the County health care plan at the same rate as current County employees. If retirees are over age 65 and Medicare eligible, their health coverage, if elected, is considered supplemental coverage, and their premiums would be discounted. Contribution requirements for health insurance are established by the McLeod/Sibley Joint Health Insurance Committee, based on contract terms with Medica. Contribution requirements for dental and life insurance are established by the County Board along with contract requirements with Health Partners and Sun Life. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2016, the County contributed \$40,279 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The County’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

amortize any unfunded actuarial accrued liabilities over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$	94,523
Interest on net OPEB obligation		13,682
Adjustment to ARC		<u>(20,577)</u>
Annual OPEB cost	\$	87,628
Contributions made (pay-as-you-go)		<u>(40,279)</u>
Increase in net OPEB obligation	\$	47,349
Net OPEB Obligation - Beginning of Year		<u>342,059</u>
Net OPEB Obligation - End of Year	\$	<u><u>389,408</u></u>

The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for the years ended December 31, 2014, 2015, and 2016, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contributions</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2014	\$ 90,261	\$ 21,436	23.7%	\$ 289,046
December 31, 2015	88,854	35,841	40.3	342,059
December 31, 2016	87,628	40,279	46.0	389,408

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the County had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$636,254, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$636,254. The covered payroll (annual payroll of active employees covered by the plan) was \$6,138,389, and the ratio of the UAAL to the covered payroll was 10.4 percent.

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

Actuarial Methods and Assumptions

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

For January 1, 2014, the actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions included a 4.0 percent discount rate, which is based on the investment yield expected to finance benefits. The County does not plan to pre-fund for this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 7.5 percent initially and grading to 5.0 percent over ten years.

D. Unearned Revenue/Deferred Inflows of Resources

Unearned revenue and deferred inflows of resources as of December 31, 2016, for the County's governmental funds are as follows:

	Unearned Revenue	Deferred Inflows of Resources
Unavailable revenue		
Delinquent property taxes	\$ -	\$ 156,462
Special assessments receivable, delinquent and noncurrent	-	3,390,331
Highway allotments that do not provide current financial resources	-	978,615
Grants	-	163,023
Accrued interest	-	28,104
Unearned revenue		
Grants	64,145	-
Total Governmental Funds	\$ 64,145	\$ 4,716,535

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

E. Fund Balance

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

	<u>General</u>	<u>Public Works</u>	<u>Public Health and Human Services</u>	<u>Ditch</u>	<u>Sub-Surface Sewage Treatment System Loans</u>
Nonspendable					
Inventories	\$ -	\$ 836,043	\$ -	\$ -	\$ -
Prepaid items	10,973	26,152	65	-	-
Federal lands	-	-	-	-	-
Loan security	-	-	-	-	25,000
Total nonspendable	\$ 10,973	\$ 862,195	\$ 65	\$ -	\$ 25,000
Restricted					
Highway maintenance and construction - gravel tax	\$ -	\$ 480,298	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-
Sub-surface sewage treatment systems	-	-	-	-	645,750
Economic development loans	-	-	-	-	-
Conservation projects	-	-	-	-	-
Juvenile fines	20,961	-	-	-	-
Law library	5,706	-	-	-	-
Ditch maintenance and construction	-	-	-	608,399	-
Land restoration - gravel tax	-	221,757	-	-	-
Attorney's forfeited property	17,637	-	-	-	-
Recorder's equipment purchases	175,635	-	-	-	-
Land records technology	162,460	-	-	-	-
Shoreland grant	2,831	-	-	-	-
E-911	884,043	-	-	-	-
Park improvements	36,785	-	-	-	-
Aquatic invasive species program	106,102	-	-	-	-
Total restricted	\$ 1,412,160	\$ 702,055	\$ -	\$ 608,399	\$ 645,750
Committed					
Tobacco ordinance	\$ 8,843	\$ -	\$ -	\$ -	\$ -
County parks	116,175	-	-	-	-
Alcohol enforcement and education	6,571	-	-	-	-
Solid waste	321,981	-	-	-	-
Projects, technology and equipment purchases	-	-	-	-	-
Total committed	\$ 453,570	\$ -	\$ -	\$ -	\$ -

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

E. Fund Balance (Continued)

	<u>General</u>	<u>Public Works</u>	<u>Public Health and Human Services</u>	<u>Ditch</u>	<u>Sub-Surface Sewage Treatment System Loans</u>
Assigned					
Public works	\$ -	\$ 9,370,921	\$ -	\$ -	\$ -
Public health and human services	-	-	4,385,226	-	-
Total assigned	<u>\$ -</u>	<u>\$ 9,370,921</u>	<u>\$ 4,385,226</u>	<u>\$ -</u>	<u>\$ -</u>
Unassigned	<u>\$ 3,569,953</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,755,497)</u>	<u>\$ -</u>
Total Fund Balance	<u>\$ 5,446,656</u>	<u>\$ 10,935,171</u>	<u>\$ 4,385,291</u>	<u>\$ (2,147,098)</u>	<u>\$ 670,750</u>

	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable				
Inventories	\$ -	\$ -	\$ -	\$ 836,043
Prepaid items	-	-	-	37,190
Federal lands	-	-	130,417	130,417
Loan security	-	-	-	25,000
Total nonspendable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 130,417</u>	<u>\$ 1,028,650</u>
Restricted				
Highway maintenance and construction - gravel tax	\$ -	\$ -	\$ -	\$ 480,298
Debt service	851,036	-	-	851,036
Sub-surface sewage treatment systems	-	-	-	645,750
Economic development loans	-	-	269,604	269,604
Conservation projects	-	-	38,400	38,400
Juvenile fines	-	-	-	20,961
Law library	-	-	-	5,706
Ditch maintenance and construction	-	-	-	608,399
Land restoration - gravel tax	-	-	-	221,757
Attorney's forfeited property	-	-	-	17,637
Recorder's equipment purchases	-	-	-	175,635
Land records technology	-	-	-	162,460
Shoreland grant	-	-	-	2,831
E-911	-	-	-	884,043
Park improvements	-	-	-	36,785
Aquatic invasive species program	-	-	-	106,102
Total restricted	<u>\$ 851,036</u>	<u>\$ -</u>	<u>\$ 308,004</u>	<u>\$ 4,527,404</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

E. Fund Balance (Continued)

	Debt Service	Capital Projects	Other Governmental Funds	Total
Committed				
Tobacco ordinance	\$ -	\$ -	\$ -	\$ 8,843
County parks	-	-	-	116,175
Alcohol enforcement and education	-	-	-	6,571
Solid waste	-	-	-	321,981
Projects, technology and equipment purchases	-	2,182,004	-	2,182,004
Total committed	<u>\$ -</u>	<u>\$ 2,182,004</u>	<u>\$ -</u>	<u>\$ 2,635,574</u>
Assigned				
Public works	\$ -	\$ -	\$ -	\$ 9,370,921
Public health and human services	-	-	-	4,385,226
Total assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,756,147</u>
Unassigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 814,456</u>
Total Fund Balance	<u>\$ 851,036</u>	<u>\$ 2,182,004</u>	<u>\$ 438,421</u>	<u>\$ 22,762,231</u>

4. Pension Plans

A. Defined Benefit Pension Plans

1. Plan Description

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

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan or the Basic Plan. Employees of Sibley County are members of the Coordinated Plan.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

1. Plan Description (Continued)

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

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

2. Benefits Provided

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

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

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Coordinated members were required to contribute 6.50 percent of their annual covered salary in 2016. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2016. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2016.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

3. Contributions (Continued)

In 2016, the County was required to contribute the following percentages of annual covered salary:

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

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

The County's contributions for the year ended December 31, 2016, to the pension plans were:

General Employees Retirement Plan	\$ 479,622
Public Employees Police and Fire Plan	124,191
Public Employees Correctional Plan	37,078

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

4. Pension Costs

General Employees Retirement Plan

At December 31, 2016, the County reported a liability of \$7,989,592 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.0984 percent. It was 0.0984 percent measured as of June 30, 2015. The County recognized pension expense of \$1,041,615 for its proportionate share of the General Employees Retirement Plan's pension expense.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Fund (Continued)

The County also recognized \$31,118 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

County's proportionate share of the net pension liability	\$	7,989,592
State of Minnesota's proportionate share of the net pension liability associated with the County		<u>104,363</u>
Total		<u><u>\$ 8,093,955</u></u>

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 649,036
Changes in actuarial assumptions	1,564,369	-
Difference between projected and actual investment earnings	1,516,458	-
Changes in proportion	-	263,060
Contributions paid to PERA subsequent to the measurement date	<u>258,795</u>	<u>-</u>
Total	<u><u>\$ 3,339,622</u></u>	<u><u>\$ 912,096</u></u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Fund (Continued)

The \$258,795 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2017	\$ 554,300
2018	554,300
2019	771,532
2020	288,599

Public Employees Police and Fire Fund

At December 31, 2016, the County reported a liability of \$3,130,276 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.078 percent. It was 0.074 percent measured as of June 30, 2015. The County recognized pension expense of \$557,078 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized \$7,020 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 353,206
Changes in actuarial assumptions	1,722,728	-
Difference between projected and actual investment earnings	471,763	-
Changes in proportion	66,675	-
Contributions paid to PERA subsequent to the measurement date	69,653	-
Total	\$ 2,330,819	\$ 353,206

The \$69,653 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	\$ 410,322
2018	410,322
2019	410,322
2020	373,698
2021	303,296

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Correctional Fund

At December 31, 2016, the County reported a liability of \$730,628 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the County's proportion was 0.20 percent. It was 0.24 percent measured as of June 30, 2015. The County recognized pension expense of \$207,019 for its proportionate share of the Public Employees Correctional Plan's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 572	\$ 9,471
Changes in actuarial assumptions	465,498	-
Difference between projected and actual investment earnings	85,955	-
Changes in proportion	1,886	4,638
Contributions paid to PERA subsequent to the measurement date	21,569	-
Total	\$ 575,480	\$ 14,109

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Fund (Continued)

The \$21,569 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	\$ 173,440
2018	173,440
2019	177,232
2020	15,690

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2016, was \$1,805,712.

5. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan were based on RP-2014 tables, while mortality rates for the Public Employees Police and Fire Plan and the Public Employees Correctional Plan were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent. Cost of living benefit increases for retirees are assumed to be 2.5 percent for the Public Employees Correctional Plan.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was for the period 2008 through 2015. The experience study for the Public Employees Police and Fire Plan was for the period 2004 through 2009. The experience study for the Public Employees Correctional Plan was for the period 2006 through 2011.

On August 16, 2016, an updated experience study was done for PERA's Public Employees Police and Fire Plan for the period 2011 through 2015, which would result in a larger pension liability. However, PERA will implement the changes in assumptions for its June 30, 2017, estimate of pension liability.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2016, a reduction of the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In the Public Employees Police and Fire Plan and the Public Employees Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056, and June 30, 2058, respectively. Beginning in fiscal years ended June 30, 2057, for the Public Employees Police and Fire Plan and June 30, 2059, for the Public Employees Correctional Plan, when projected benefit payments exceed the Plans' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60 percent for the Public Employees Police and Fire Plan and 5.31 percent for the Public Employees Correctional Plan was determined that produced approximately the same present value of the projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent thereafter.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans (Continued)

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions (Continued)

Public Employees Correctional Plan

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

8. Pension Liability Sensitivity

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

	Proportionate Share of the					
	General Employees Retirement Plan		Public Employees Police and Fire Plan		Public Employees Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 11,347,588	4.60%	\$ 4,381,971	4.31%	\$ 1,100,100
Current	7.50	7,989,592	5.60	3,130,276	5.31	730,628
1% Increase	8.50	5,223,517	6.60	2,107,546	6.31	442,184

9. Pension Plan Fiduciary Net Position

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Pension Plans (Continued)

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by Sibley County during the year ended December 31, 2016, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 7,549	\$ 7,549
Percentage of covered payroll	5%	5%

5. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers'

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

Compensation and Property and Casualty Divisions. The County self-insures for employee health. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2016 and 2017. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

In 2000, the County entered into an agreement with McLeod County to provide a mechanism for utilizing a pooled self-funded health insurance program under the authority granted to the counties in Minn. Stat. § 471.59. Premiums are paid to MCIT, which provides bookkeeping services to the counties, including the payment of claims. For 2016, the County has retained risk up to \$125,000 stop-loss per covered person per year (\$1,000,000 aggregate) for the health plan.

Liabilities 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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended December 31	
	2016	2015
Unpaid claims, beginning of fiscal year	\$ 82,219	\$ 114,845
Incurred claims (including IBNRs)	1,350,840	1,051,857
Claims payments	(1,267,881)	(1,080,976)
Less: recoveries	-	(3,507)
	\$ 165,178	\$ 82,219
Unpaid Claims, End of Fiscal Year		

B. Contingent Liabilities

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

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

In 1993, the South Central Minnesota Multi-County Housing and Redevelopment Authority issued \$20,315,000 of revenue bonds to construct housing units in Sibley County and four surrounding counties. The Authority has since defaulted on these bonds. In 2000, the counties entered into a settlement agreement where each of the counties will approve a special tax levy on behalf of the Authority from 2001 through 2024 to cover the operating deficits based on each county's proportionate share of the housing units constructed. Sibley County's proportionate share of the operating deficit for 2016 is \$133,373. The proportionate shares of the counties may change for the years 2017 through 2024 if there are changes in the taxable market value over the 2001 taxable market value.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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

C. Joint Ventures

Crow River Joint Powers Agreement

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

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

The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds. For 2016, Sibley County contributed \$325 to the Joint Powers Board. Current financial statements are not available.

Meeker-McLeod-Sibley Community Health Services Board

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

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

Current financial statements are available from the McLeod County Auditor-Treasurer's Office, 2391 Hennepin Avenue North, Glencoe, Minnesota 55336.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Rural Minnesota Energy Board

The Rural Minnesota Energy Board was established in 2005 under the authority of Minn. Stat. § 471.59. The purpose of the Board is to provide policy guidance on issues surrounding energy development in rural Minnesota. The focus of the Board includes, but is not limited to, renewable energy, wind energy, energy transmission lines, hydrogen energy technology, and bio-diesel and ethanol use. During 2016, Sibley County contributed \$1,000 to the Board.

Rush River Clean Water Partnership

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

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

High Island Watershed Evaluation Project

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

High Island Watershed Evaluation Project (Continued)

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

Sibley County Children's Collaborative

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

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

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

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

South Central Minnesota Regional Emergency Communications Board

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Central Minnesota Regional Emergency Communications Board (Continued)

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

Blue Earth County acts as the fiscal agent for the Radio Board. During 2016, Sibley County contributed \$3,416 to the Joint Powers Board. The Chair of the Board is Kip Bruender, and the address is P. O. Box 8608, Mankato, Minnesota 56002-8608.

South Central Workforce Service Area Joint Powers Board

In June 2012, the County entered into a joint powers agreement with Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Waseca, and Watonwan Counties, creating the South Central Workforce Services Area Joint Powers Board. The agreement is authorized by Minn. Stat. § 471.59. The Board is comprised of one voting member and one alternate member for each participating county. The goal of the Board is to develop and maintain a quality workforce for South Central Minnesota. Sibley County made no contributions to this organization in 2016.

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

South Country Health Alliance

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

South Country Health Alliance (Continued)

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

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated annually to all members based on the percentage of their utilization. The County's equity interest in the SCHA at the end of 2016 was \$1,304,921. The equity interest is reported as an investment in joint venture on the government-wide statement of net position. Changes in equity are included in the government-wide statement of activities as human services program expenses or revenues.

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

Three Counties for Kids Collaborative

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

The Collaborative is financed by Local Collaborative Time Study (LCTS) funds and program reimbursements. Control of the Collaborative is vested in a Board of Directors consisting of seven members. Brown County Family Services acts as a fiscal agent for the Collaborative. During 2016, Sibley County did not provide funding to the Collaborative.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Three Counties for Kids Collaborative (Continued)

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

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

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

Trailblazer Transit Board

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

Financing is primarily provided from state and federal grants. Member counties are committed to providing the local match necessary to meet the requirements for state and federal funding. For 2016, Sibley County made no contributions to the Board.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Tri-County Solid Waste

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

One-half of the financing is provided by appropriations from the three counties based on the ratio of their population to the total population of the member counties, and one-half is provided by an equal appropriation from the three counties. Sibley County contributed \$55,756 in 2016. Nicollet County is the fiscal agent.

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.

Region Five - Southwest Minnesota Homeland Security Emergency Management Organization

The Region Five - Southwest Minnesota Security Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Sibley County's responsibility does not extend beyond making this appointment. During the year, the County paid \$15 in membership fees.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Minnesota Criminal Justice Data Communications Network

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

Sentence to Serve

Sibley County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Although Sibley County has no operational or financial control over the STS program, the County budgets for a percentage of this program. During the year, Sibley County contributed \$60,266 to the program.

South Central Community Based Initiative

The South Central Community Based Initiative Joint Powers Board was established pursuant to Minn. Stat. §§ 471.59 and 245.4661 and a joint powers agreement effective June 20, 2008. The purpose of this joint powers agreement is to provide services to persons with mental illness in the most clinically-appropriate, person-centered, least restrictive, and cost effective ways. The focus is on improved access and outcomes for persons with mental illness as a result of the collaboration between state-operated services programs and community-based treatment. The membership of the Board is comprised of one representative appointed by Blue Earth, Brown, Faribault, Freeborn, Le Sueur, Martin, Nicollet, Rice, Sibley, and Watonwan Counties. Sibley County did not contribute to the Joint Powers Board in 2016.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

South Central Emergency Medical Service

The South Central Emergency Medical Service (SCEMS) Joint Powers Board consists of Blue Earth, Brown, Faribault, Le Sueur, Martin, Nicollet, Sibley, Waseca, and Watonwan Counties. The purpose of SCEMS is to ensure quality patient care is available throughout the nine-county area by maximizing the response capabilities of emergency medical personnel and to promote public education on injury prevention and appropriate response during a medical emergency. Each county appoints one member for the Joint Powers Board. Sibley County did not contribute to SCEMS in 2016.

Southwest Minnesota Immunization Information Connection

The Southwest Minnesota Immunization Information Connection (SW-MIIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. Sibley County did not contribute to the SW-MIIC during 2016.

E. Subsequent Event

The County Board authorized the sale of \$6,955,000 General Obligation Bonds, Series 2017A on August 22, 2017. The bonds will be issued for the purpose of financing improvements to the Courthouse and Annex, including mechanical and HVAC improvements, insulation, roof repairs, tuck-pointing, window sealing, plaster repair, and more. In addition, approximately \$1,910,000 of the issuance will be used to finance improvements to County Ditches 29 and 39 and Judicial Ditches 18 and 32. At this time, final interest rates are not available. It is estimated that principal payments will begin in 2019 and continue until 2038 in amounts varying between \$130,000 and \$460,000. The bonds maturing in 2026 and years thereafter are subject to redemption and prepayment at the option of the County.

6. Sibley County Library System Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

Reporting Entity

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

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

Basis of Presentation and Basis of Accounting

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

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

B. Detailed Notes on the General Fund

1. Assets

Deposits

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

Cash held by the County Treasurer	\$ 187,922
Cash with the Henderson Branch	<u>431</u>
Total Cash and Pooled Investments	<u>\$ 188,353</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures

B. Detailed Notes on the General Fund

1. Assets

Deposits (Continued)

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

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, the Sibley County Library System’s deposits may not be returned to it. The Sibley County Library System follows the County’s policy regarding custodial credit risk for deposits, which is to obtain collateral or bond to cover any uninsured portion of deposits and to comply with state law. As of December 31, 2016, the Sibley County Library System’s deposits were not exposed to custodial credit risk.

2. Liabilities

Changes in Long-Term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term liabilities					
Compensated absences	\$ 32,830	\$ 17,690	\$ 17,285	\$ 33,235	\$ 8,973

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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

C. Defined Benefit Pension Plan

1. Plan Description

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

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan or the Basic Plan. Employees of the Sibley County Library System are members of the Coordinated Plan.

2. Benefits Provided

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

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures

C. Defined Benefit Pension Plan

2. Benefits Provided (Continued)

members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 percent for each year of service. Only Method 2 is used for members hired after June 30, 1989.

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

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. In 2016, General Employees Retirement Plan Coordinated members were required to contribute 6.50 percent of their annual covered salary, and employers were required to contribute 7.50 percent of annual covered salary.

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

The Sibley County Library System's contributions for the General Employees Retirement Plan for the year ended December 31, 2016, were \$14,355. The contributions are equal to the contractually required contributions as set by state statute.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures

C. Defined Benefit Pension Plan (Continued)

4. Pension Costs

At December 31, 2016, the Sibley County Library System reported a liability of \$243,585 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Sibley County Library System's proportion of the net pension liability was based on the Sibley County Library System's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the Sibley County Library System's proportion was 0.0030 percent. It was 0.0029 percent measured as of June 30, 2015. The Sibley County Library System recognized pension expense of \$59,181 for its proportionate share of the General Employees Retirement Plan's pension expense.

The Sibley County Library System also recognized \$936 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

Sibley County Library System's proportionate share of the net pension liability	\$ 243,585
State of Minnesota's proportionate share of the net pension liability associated with the Sibley County Library System	<u>3,140</u>
Total	<u><u>\$ 246,725</u></u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures

C. Defined Benefit Pension Plan

4. Pension Costs (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 19,613
Changes in actuarial assumptions	47,694	-
Difference between projected and actual investment earnings	45,866	-
Changes in proportion	48,513	-
Contributions paid to PERA subsequent to the measurement date	7,468	-
Total	\$ 149,541	\$ 19,613

The \$7,468 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	\$ 44,483
2018	44,483
2019	24,695
2020	8,799

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures

C. Defined Benefit Pension Plan (Continued)

5. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan were based on RP-2014 tables. The cost of living benefit increases for retirees is assumed to be 1.0 percent.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was for the period 2008 through 2015.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures

C. Defined Benefit Pension Plan (Continued)

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2016, a reduction of the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures

C. Defined Benefit Pension Plan (Continued)

8. Pension Liability Sensitivity

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

	<u>Proportionate Share of the General Employees Retirement Plan</u>	
	<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% Decrease	6.50%	\$ 345,963
Current	7.50	243,585
1% Increase	8.50	159,254

9. Pension Plan Fiduciary Net Position

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

D. Risk Management

The Sibley County Library System is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the Sibley County Library System carries commercial insurance. The Sibley County Library System has entered into a joint powers agreement with Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The Sibley County Library System is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The Sibley County Library System

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Sibley County Library System Component Unit Disclosures

D. Risk Management (Continued)

does not offer employee health or dental benefits. For other risk, the Sibley County Library System carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2016 and 2017. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the Sibley County Library System in a method and amount to be determined by MCIT.

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

REQUIRED SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,500,533	\$ 5,500,533	\$ 5,314,231	\$ (186,302)
Special assessments	134,000	134,000	132,468	(1,532)
Licenses and permits	23,310	23,310	47,984	24,674
Intergovernmental	738,897	738,897	1,090,153	351,256
Charges for services	813,190	813,190	786,939	(26,251)
Fines and forfeits	7,260	7,260	18,268	11,008
Gifts and contributions	500	500	3,027	2,527
Investment earnings	202,250	202,250	235,336	33,086
Miscellaneous	203,205	203,205	296,922	93,717
Total Revenues	\$ 7,623,145	\$ 7,623,145	\$ 7,925,328	\$ 302,183
Expenditures				
Current				
General government				
Commissioners	\$ 261,403	\$ 261,403	\$ 264,750	\$ (3,347)
Courts	58,500	58,500	73,741	(15,241)
Law library	25,000	25,000	12,611	12,389
County auditor	267,672	267,672	255,669	12,003
County treasurer	345,930	345,930	461,255	(115,325)
Audit services	83,200	83,200	77,529	5,671
Information services	500,302	500,302	473,780	26,522
Elections/voter registration	109,706	109,706	111,054	(1,348)
County administrator/human resources	491,090	491,090	474,792	16,298
County attorney	525,762	525,762	468,212	57,550
County recorder	300,571	300,571	275,662	24,909
County surveyor	32,500	32,500	32,500	-
County assessor	314,812	314,812	323,728	(8,916)
Planning and zoning	50,645	50,645	66,543	(15,898)
Courthouse building	96,675	96,675	92,120	4,555
Building custodians	185,666	185,666	177,270	8,396
Sibley County food shelf	93	93	117	(24)
Jail building	67,250	67,250	62,618	4,632
Sibley County service center	73,130	73,130	83,251	(10,121)
Sheriff shed	3,350	3,350	1,201	2,149
Sibley East and West	8,800	8,800	8,296	504
Veterans service officer	136,478	136,478	113,043	23,435
Public transit	50,000	50,000	-	50,000
County fleet car	11,400	11,400	32,936	(21,536)
Shoreland ordinance	2,700	2,700	2,229	471
MPCA feedlot program	67,131	67,131	66,408	723
Other general government activities	62,900	62,900	325,025	(262,125)
Total general government	\$ 4,132,666	\$ 4,132,666	\$ 4,336,340	\$ (203,674)

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

Page 108

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 2,244,904	\$ 2,244,904	\$ 2,212,796	\$ 32,108
Enhanced 911 system	49,500	49,500	15,170	34,330
Probation officer	208,470	208,470	126,813	81,657
Sentence to Serve	62,266	62,266	60,265	2,001
Emergency management	106,935	106,935	247,040	(140,105)
South Central Minnesota Regional Emergency Communications Board	4,050	4,050	31,180	(27,130)
Total public safety	\$ 2,676,125	\$ 2,676,125	\$ 2,693,264	\$ (17,139)
Sanitation				
SCORE solid waste	\$ 212,968	\$ 212,968	\$ 200,892	\$ 12,076
County landfill	875	875	1,079	(204)
Total sanitation	\$ 213,843	\$ 213,843	\$ 201,971	\$ 11,872
Culture and recreation				
Historical society	\$ 15,000	\$ 15,000	\$ 17,400	\$ (2,400)
Sibley County Library System	309,565	309,565	308,700	865
Parks	36,950	36,950	14,064	22,886
County seat trail	-	-	33,532	(33,532)
Tourism	2,725	2,725	2,422	303
Total culture and recreation	\$ 364,240	\$ 364,240	\$ 376,118	\$ (11,878)
Conservation of natural resources				
Soil and water conservation	\$ 161,755	\$ 161,755	\$ 189,822	\$ (28,067)
County extension	149,459	149,459	146,370	3,089
Agriculture ditch inspector	132,661	132,661	142,639	(9,978)
County fair	23,040	23,040	23,040	-
Aquatic invasive species	58,238	58,238	18,782	39,456
Total conservation of natural resources	\$ 525,153	\$ 525,153	\$ 520,653	\$ 4,500
Economic development				
Housing and Redevelopment Authority	\$ 134,198	\$ 134,198	\$ 133,842	\$ 356
Minnesota Valley Action Council	7,779	7,779	7,034	745
Total economic development	\$ 141,977	\$ 141,977	\$ 140,876	\$ 1,101

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Capital outlay				
General government	\$ 49,950	\$ 49,950	\$ 12,054	\$ 37,896
Public safety	105,750	105,750	87,402	18,348
Culture and recreation	1,000	1,000	-	1,000
Total capital outlay	<u>\$ 156,700</u>	<u>\$ 156,700</u>	<u>\$ 99,456</u>	<u>\$ 57,244</u>
Total Expenditures	<u>\$ 8,210,704</u>	<u>\$ 8,210,704</u>	<u>\$ 8,368,678</u>	<u>\$ (157,974)</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (587,559)</u>	<u>\$ (587,559)</u>	<u>\$ (443,350)</u>	<u>\$ 144,209</u>
Other Financing Sources (Uses)				
Transfers out	-	-	(1,427,208)	(1,427,208)
Net Change in Fund Balance	<u>\$ (587,559)</u>	<u>\$ (587,559)</u>	<u>\$ (1,870,558)</u>	<u>\$ (1,282,999)</u>
Fund Balance - January 1	<u>7,317,214</u>	<u>7,317,214</u>	<u>7,317,214</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 6,729,655</u>	<u>\$ 6,729,655</u>	<u>\$ 5,446,656</u>	<u>\$ (1,282,999)</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
PUBLIC WORKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,409,553	\$ 4,409,553	\$ 4,321,494	\$ (88,059)
Intergovernmental	5,110,479	5,110,479	4,859,472	(251,007)
Charges for services	73,800	73,800	69,559	(4,241)
Miscellaneous	33,750	33,750	48,984	15,234
Total Revenues	\$ 9,627,582	\$ 9,627,582	\$ 9,299,509	\$ (328,073)
Expenditures				
Current				
Highways and streets				
Geographical information systems (GIS)	\$ 36,729	\$ 36,729	\$ 37,769	\$ (1,040)
Maintenance	3,056,339	3,056,339	2,302,987	753,352
Engineering/construction	5,477,303	5,477,303	3,414,176	2,063,127
Equipment, shop maintenance, and repairs	839,624	839,624	662,180	177,444
Administration	330,587	330,587	306,169	24,418
Township allotments	40,000	40,000	94,122	(54,122)
Total highways and streets	\$ 9,780,582	\$ 9,780,582	\$ 6,817,403	\$ 2,963,179
Capital outlay				
Highways and streets	13,000	13,000	33,740	(20,740)
Intergovernmental				
Highways and streets	300,000	300,000	323,962	(23,962)
Total Expenditures	\$ 10,093,582	\$ 10,093,582	\$ 7,175,105	\$ 2,918,477
Excess of Revenues Over (Under) Expenditures	\$ (466,000)	\$ (466,000)	\$ 2,124,404	\$ 2,590,404
Other Financing Sources (Uses)				
Transfers in	\$ 150,000	\$ 150,000	\$ -	\$ (150,000)
Transfers out	(204,000)	(204,000)	(89,454)	114,546
Total Other Financing Sources (Uses)	\$ (54,000)	\$ (54,000)	\$ (89,454)	\$ (35,454)
Net Change in Fund Balance	\$ (520,000)	\$ (520,000)	\$ 2,034,950	\$ 2,554,950
Fund Balance - January 1	8,855,088	8,855,088	8,855,088	-
Increase (decrease) in inventories	-	-	45,133	45,133
Fund Balance - December 31	\$ 8,335,088	\$ 8,335,088	\$ 10,935,171	\$ 2,600,083

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,072,681	\$ 3,072,681	\$ 2,977,583	\$ (95,098)
Intergovernmental	3,140,901	3,140,901	3,345,946	205,045
Charges for services	319,695	319,695	433,948	114,253
Gifts and contributions	500	500	-	(500)
Miscellaneous	141,647	141,647	136,140	(5,507)
Total Revenues	\$ 6,675,424	\$ 6,675,424	\$ 6,893,617	\$ 218,193
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,382,197	\$ 1,382,197	\$ 1,317,475	\$ 64,722
Social services	4,186,853	4,186,853	3,729,211	457,642
Miscellaneous social service programs	26,246	26,246	23,899	2,347
Total human services	\$ 5,595,296	\$ 5,595,296	\$ 5,070,585	\$ 524,711
Health				
Public health nurse	1,180,128	1,180,128	1,053,634	126,494
Total Expenditures	\$ 6,775,424	\$ 6,775,424	\$ 6,124,219	\$ 651,205
Excess of Revenues Over (Under) Expenditures	\$ (100,000)	\$ (100,000)	\$ 769,398	\$ 869,398
Other Financing Sources (Uses)				
Transfers out	-	-	(1,379,293)	(1,379,293)
Net Change in Fund Balance	\$ (100,000)	\$ (100,000)	\$ (609,895)	\$ (509,895)
Fund Balance - January 1	4,995,186	4,995,186	4,995,186	-
Fund Balance - December 31	\$ 4,895,186	\$ 4,895,186	\$ 4,385,291	\$ (509,895)

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2008	\$ -	\$ 439,762	\$ 439,762	0.00%	\$ 5,555,369	7.92%
January 1, 2011	-	627,928	627,928	0.00	5,392,445	11.64
January 1, 2014	-	636,254	636,254	0.00	6,138,389	10.37

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016**

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016**

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-7

**SIBLEY COUNTY LIBRARY SYSTEM
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016**

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-8

**SIBLEY COUNTY LIBRARY SYSTEM
SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016**

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2016**

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2016**

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-11

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2016**

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT A-12

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2016**

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

1. Budgetary Information

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

2. Excess of Expenditures Over Appropriations

The following fund had expenditures in excess of appropriations (the legal level of budgetary control) for the year ended December 31, 2016:

Fund	Expenditures	Final Budget	Excess
General Fund	\$ 8,368,678	\$ 8,210,704	\$ 157,974

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

3. Other Postemployment Benefits

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

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

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

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30, 2016:

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

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

Public Employees Correctional Plan

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

SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 100,000	\$ 100,000	\$ 97,663	\$ (2,337)
Intergovernmental	-	-	2,559	2,559
Total Revenues	\$ 100,000	\$ 100,000	\$ 100,222	\$ 222
Expenditures				
Debt service				
Principal	\$ 220,000	\$ 220,000	\$ 220,000	\$ -
Interest	13,142	13,142	12,043	1,099
Administrative charges	14,768	14,768	1,365	13,403
Total Expenditures	\$ 247,910	\$ 247,910	\$ 233,408	\$ 14,502
Net Change in Fund Balance	\$ (147,910)	\$ (147,910)	\$ (133,186)	\$ 14,724
Fund Balance - January 1	984,222	984,222	984,222	-
Fund Balance - December 31	\$ 836,312	\$ 836,312	\$ 851,036	\$ 14,724

This page was left blank intentionally.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

NONMAJOR FUNDS

Nonmajor Special Revenue Funds

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

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

Nonmajor Permanent Fund

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

This page was left blank intentionally.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT C-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016**

	<u>Special Revenue Funds</u>			<u>Permanent Fund Federal Lands</u>	<u>Total Nonmajor Governmental Funds (Exhibit 3)</u>
	<u>Revolving Loan (SEDCO)</u>	<u>Water Projects</u>	<u>Total</u>		
<u>Assets</u>					
Cash and pooled investments	\$ 143,831	\$ 6,295	\$ 150,126	\$ 130,417	\$ 280,543
Due from other governments	-	39,162	39,162	-	39,162
Loans receivable	125,773	-	125,773	-	125,773
Total Assets	\$ 269,604	\$ 45,457	\$ 315,061	\$ 130,417	\$ 445,478
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ -	\$ 1,106	\$ 1,106	\$ -	\$ 1,106
Salaries payable	-	1,691	1,691	-	1,691
Due to other governments	-	4,260	4,260	-	4,260
Total Liabilities	\$ -	\$ 7,057	\$ 7,057	\$ -	\$ 7,057
Fund Balances					
Nonspendable for					
Federal lands	\$ -	\$ -	\$ -	\$ 130,417	\$ 130,417
Restricted for					
Economic development loans	269,604	-	269,604	-	269,604
Conservation projects	-	38,400	38,400	-	38,400
Total Fund Balances	\$ 269,604	\$ 38,400	\$ 308,004	\$ 130,417	\$ 438,421
Total Liabilities and Fund Balances	\$ 269,604	\$ 45,457	\$ 315,061	\$ 130,417	\$ 445,478

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT C-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Special Revenue Funds</u>			<u>Permanent Fund Federal Lands</u>	<u>Total Nonmajor Governmental Funds (Exhibit 5)</u>
	<u>Revolving Loan (SEDCO)</u>	<u>Water Projects</u>	<u>Total</u>		
Revenues					
Intergovernmental	\$ -	\$ 143,723	\$ 143,723	\$ 6,718	\$ 150,441
Investment earnings	2,905	-	2,905	378	3,283
Total Revenues	\$ 2,905	\$ 143,723	\$ 146,628	\$ 7,096	\$ 153,724
Expenditures					
Current					
Conservation of natural resources	-	145,307	145,307	7,096	152,403
Net Change in Fund Balance	\$ 2,905	\$ (1,584)	\$ 1,321	\$ -	\$ 1,321
Fund Balance - January 1	266,699	39,984	306,683	130,417	437,100
Fund Balance - December 31	\$ 269,604	\$ 38,400	\$ 308,004	\$ 130,417	\$ 438,421

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT C-3

**BUDGETARY COMPARISON SCHEDULE
WATER PROJECTS NONMAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 153,792	\$ 153,792	\$ 143,723	\$ (10,069)
Expenditures				
Current				
Conservation of natural resources				
High Island TMDL Implementation	\$ 148,216	\$ 148,216	\$ 8,825	\$ 139,391
Rush River TMDL Implementation	-	-	29,017	(29,017)
SWAG	5,576	5,576	271	5,305
Water Projects Administration	-	-	11,798	(11,798)
HIC/RR TMDL Implementation Project	-	-	68,964	(68,964)
Lower MN Wraps North Project	-	-	26,432	(26,432)
Total Expenditures	\$ 153,792	\$ 153,792	\$ 145,307	\$ 8,485
Net Change in Fund Balance	\$ -	\$ -	\$ (1,584)	\$ (1,584)
Fund Balance - January 1	39,984	39,984	39,984	-
Fund Balance - December 31	\$ 39,984	\$ 39,984	\$ 38,400	\$ (1,584)

This page was left blank intentionally.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

TRUST AND AGENCY FUNDS

Private-Purpose Trust Funds

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

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

Agency Funds

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

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

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

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

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

This page was left blank intentionally.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT D-1

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
DECEMBER 31, 2016**

	Nurse Development	Missing Heirs	Total
<u>Assets</u>			
Cash and pooled investments	\$ 802	\$ 24,174	\$ 24,976
Investments	5,500	5,240	10,740
Accrued interest	5	-	5
Total Assets	\$ 6,307	\$ 29,414	\$ 35,721
<u>Net Position</u>			
Net position, held in trust	\$ 6,307	\$ 29,414	\$ 35,721

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT D-2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Nurse Development	Missing Heirs	Total
<u>Additions</u>			
Interest	\$ 22	\$ 24	\$ 46
<u>Deductions</u>			
Payments in accordance with trust agreements	855	26,097	26,952
Change in Net Position	\$ (833)	\$ (26,073)	\$ (26,906)
Net Position - Beginning of the Year	7,140	55,487	62,627
Net Position - End of the Year	\$ 6,307	\$ 29,414	\$ 35,721

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT D-3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Balance January 1	Additions	Deductions	Balance December 31
<u>OTHER AGENCY</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 153,542</u>	<u>\$ 913,600</u>	<u>\$ 909,016</u>	<u>\$ 158,126</u>
<u>Liabilities</u>				
Accounts payable	\$ 204	\$ 450,037	\$ 448,332	\$ 1,909
Due to other governments	<u>153,338</u>	<u>463,563</u>	<u>460,684</u>	<u>156,217</u>
Total Liabilities	<u>\$ 153,542</u>	<u>\$ 913,600</u>	<u>\$ 909,016</u>	<u>\$ 158,126</u>
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 143,008</u>	<u>\$ 30,084,585</u>	<u>\$ 30,080,669</u>	<u>\$ 146,924</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 143,008</u>	<u>\$ 30,084,585</u>	<u>\$ 30,080,669</u>	<u>\$ 146,924</u>
 <u>FORFEITED TAX</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 28,034</u>	<u>\$ 1,301</u>	<u>\$ 29,335</u>	<u>\$ -</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 28,034</u>	<u>\$ 1,301</u>	<u>\$ 29,335</u>	<u>\$ -</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT D-3
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SIBLEY COUNTY CHILDREN'S COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 50,359	\$ 81,427	\$ 98,954	\$ 32,832
<u>Liabilities</u>				
Accounts payable	\$ 50,359	\$ 81,427	\$ 98,954	\$ 32,832
 <u>ECONOMIC DEVELOPMENT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 89,324	\$ 97,984	\$ 59,088	\$ 128,220
<u>Liabilities</u>				
Due to other governments	\$ 89,324	\$ 97,984	\$ 59,088	\$ 128,220
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 464,267	\$ 31,178,897	\$ 31,177,062	\$ 466,102
<u>Liabilities</u>				
Accounts payable	\$ 50,563	\$ 531,464	\$ 547,286	\$ 34,741
Due to other governments	413,704	30,647,433	30,629,776	431,361
Total Liabilities	\$ 464,267	\$ 31,178,897	\$ 31,177,062	\$ 466,102

SIBLEY COUNTY LIBRARY SYSTEM COMPONENT UNIT

This page was left blank intentionally.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT E-1

**GENERAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION
SIBLEY COUNTY LIBRARY SYSTEM COMPONENT UNIT
DECEMBER 31, 2016**

	General Fund	Adjustments	Governmental Activities
<u>Assets and Deferred Outflows of Resources</u>			
Current assets			
Cash and pooled investments	\$ 188,353	\$ -	\$ 188,353
Petty cash and change funds	20	-	20
Accounts receivable	1,135	-	1,135
Due from other governments	36,262	-	36,262
Prepaid items	194	-	194
	\$ 225,964	\$ -	\$ 225,964
Deferred outflows of resources			
Deferred pension outflows	\$ -	\$ 149,541	\$ 149,541
	\$ 225,964	\$ 149,541	\$ 375,505
<u>Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position</u>			
Liabilities			
Current liabilities			
Accounts payable	\$ 15,022	\$ -	\$ 15,022
Salaries payable	8,756	-	8,756
Due to other governments	2,621	-	2,621
Compensated absences payable - current	-	8,973	8,973
Noncurrent liabilities			
Compensated absences payable	-	24,262	24,262
Net pension liability	-	243,585	243,585
	\$ 26,399	\$ 276,820	\$ 303,219
Deferred Inflows of Resources			
Deferred pension inflows	\$ -	\$ 19,613	\$ 19,613
Fund Balance			
Nonspendable - prepaid items	\$ 194	\$ (194)	
Unassigned	199,371	(199,371)	
	\$ 199,565	\$ (199,565)	
Net Position			
Unrestricted		\$ 52,673	\$ 52,673
	\$ 225,964	\$ 149,541	\$ 375,505

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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

**GENERAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION
SIBLEY COUNTY LIBRARY SYSTEM COMPONENT UNIT
DECEMBER 31, 2016**

Reconciliation of the General Fund Balance to Net Position

Fund Balance - General Fund		\$ 199,565
Deferred outflows resulting from pension obligations are not available resources and, therefore, are not reported in the governmental fund.		149,541
Long-term liabilities, including compensated absences and pension liability are not due and payable in the current period and, therefore, are not reported in the governmental fund.		
Compensated absences	\$ (33,235)	
Net pension liability	<u>(243,585)</u>	(276,820)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental fund.		<u>(19,613)</u>
Net Position - Governmental Activities		<u><u>\$ 52,673</u></u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT E-2

**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES
SIBLEY COUNTY LIBRARY SYSTEM COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental	\$ 309,775	\$ 936	\$ 310,711
Charges for services	3,935	-	3,935
Gifts and contributions	21,511	-	21,511
Miscellaneous	196,347	-	196,347
Total Revenues	\$ 531,568	\$ 936	\$ 532,504
Expenditures/Expenses			
Current			
Culture and recreation			
County library	482,776	45,231	528,007
Net Change in Fund Balance/Net Position	\$ 48,792	\$ (44,295)	\$ 4,497
Fund Balance/Net Position - January 1	150,773	(102,597)	48,176
Fund Balance/Net Position - December 31	\$ 199,565	\$ (146,892)	\$ 52,673

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

Net Change in Fund Balance **\$ 48,792**

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

Change in compensated absences payable	(405)
Change in net pension liability	(93,292)
Change in deferred pension outflows	61,438
Change in deferred pension inflows	(12,036)

Change in Net Position of Governmental Activities **\$ 4,497**

This page was left blank intentionally.

SCHEDULES

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH - ACCRUAL BASIS
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2016**

	Assets					
	Cash	Special Assessments Receivable		One-Year Repair Liens	Receivables	Total
		Delinquent	Noncurrent			
County Ditches						
C.D. #1	\$ 1,100	\$ 34,220	\$ 1,192	\$ 51,551	\$ -	\$ 88,063
C.D. #2	10,916	3	-	1,355	-	12,274
C.D. #4A	40,787	-	-	29,046	-	69,833
C.D. #9A	3,278	9	-	-	-	3,287
C.D. #10	1,650	-	-	5,755	-	7,405
C.D. #11	1,653	10	-	28,367	-	30,030
C.D. #12A	2,088	-	-	13,221	-	15,309
C.D. #13A	9,778	-	-	34,500	-	44,278
C.D. #18	4,420	6	-	96,658	69,998	171,082
C.D. #21A	3,674	-	-	-	-	3,674
C.D. #22	1,501	4	-	-	-	1,505
C.D. #23A	3,222	2,255	-	53,291	-	58,768
C.D. #24A	1,342	-	735	9,751	-	11,828
C.D. #25A	2,072	-	-	704	-	2,776
C.D. #26	4,670	-	-	-	-	4,670
C.D. #29	8,137	64	20,016	33,727	-	61,944
C.D. #29 Impr. SCHWARTZ	1,797	116	37,762	-	-	39,675
C.D. #30A	1,700	-	-	4,320	-	6,020
C.D. #31A	2,837	-	-	31,198	-	34,035
C.D. #32A	1,349	3	-	17,186	-	18,538
C.D. #37A	1,451	-	-	-	-	1,451
C.D. #38	214	-	-	-	-	214
C.D. #39	64,154	-	150,840	-	-	214,994
C.D. #40A	16,050	-	-	3,443	-	19,493
C.D. #42	2,703	24	-	85,106	109,784	197,617
C.D. #43	1,323	-	-	14,372	-	15,695
C.D. #44	2,245	-	82,871	-	-	85,116
C.D. #45	1,202	-	-	3,553	-	4,755
C.D. #46	215	-	-	226	-	441
C.D. #47	1,969	-	29,119	-	-	31,088
C.D. #48	7,978	-	-	-	-	7,978
C.D. #49	23,847	-	-	854	-	24,701
C.D. #50	5,467	107	-	36,642	-	42,216
C.D. #54	27,415	522	-	42,451	-	70,388
C.D. #55	18,915	1,828	-	97,897	63,237	181,877
C.D. #56	1,987	-	-	781	-	2,768
C.D. #57A	2,222	22	-	12,379	-	14,623
C.D. #58	10,659	-	-	8,788	-	19,447
C.D. #59	2,549	97	-	45,385	-	48,031
C.D. #60	2,421	-	-	-	-	2,421
C.D. #61	2,445	-	-	24,879	-	27,324
C.D. #64	21,448	-	-	-	-	21,448
C.D. #65	3,554	-	16,368	-	-	19,922
C.D. #66	19,750	-	-	-	-	19,750
C.D. #67	71,935	3	-	-	-	71,938
C.D. #61 Outlet Impr	211	-	1,217	-	-	1,428
C.D. #70	4,671	-	154,297	1,120	-	160,088
Total County Ditches	\$ 426,971	\$ 39,293	\$ 494,417	\$ 788,506	\$ 243,019	\$ 1,992,206

EXHIBIT F-1

Accounts and Contracts Payable	Liabilities			Total	Deferred Inflows of Resources Unavailable Revenue	Fund Balance	Total Liabilities, Deferred Inflows of Resources, and Fund Balance
	Due to Other Funds	Due to Other Governments	Bonds Payable				
\$ -	\$ 3,000	\$ -	\$ -	\$ 3,000	\$ -	\$ 85,063	\$ 88,063
2,730	46	-	-	2,776	-	9,498	12,274
41,044	-	-	-	41,044	-	28,789	69,833
785	-	-	-	785	-	2,502	3,287
426	17,000	-	-	17,426	-	(10,021)	7,405
-	6,046	-	-	6,046	-	23,984	30,030
502	15,000	-	-	15,502	-	(193)	15,309
2,781	-	-	-	2,781	-	41,497	44,278
2,290	105,000	-	-	107,290	-	63,792	171,082
699	-	-	-	699	-	2,975	3,674
-	10,000	-	-	10,000	-	(8,495)	1,505
5,090	10,077	-	-	15,167	-	43,601	58,768
-	10,000	-	-	10,000	-	1,828	11,828
216	-	-	-	216	-	2,560	2,776
2,032	-	-	-	2,032	-	2,638	4,670
5,709	1,120,000	-	-	1,125,709	-	(1,063,765)	61,944
-	36,000	-	-	36,000	-	3,675	39,675
400	10,000	-	-	10,400	-	(4,380)	6,020
2,659	-	-	-	2,659	-	31,376	34,035
1,186	22,000	-	-	23,186	-	(4,648)	18,538
523	-	-	-	523	-	928	1,451
30	-	-	-	30	-	184	214
909	205,000	-	-	205,909	-	9,085	214,994
408	-	-	-	408	-	19,085	19,493
4,362	256,081	-	-	260,443	-	(62,826)	197,617
1,119	10,018	-	-	11,137	-	4,558	15,695
-	66,000	-	-	66,000	-	19,116	85,116
442	-	-	-	442	-	4,313	4,755
165	-	-	-	165	-	276	441
11,075	20,000	-	-	31,075	-	13	31,088
694	-	-	-	694	-	7,284	7,978
-	-	-	-	-	-	24,701	24,701
26,061	-	-	-	26,061	-	16,155	42,216
453	-	-	-	453	-	69,935	70,388
4,935	-	-	-	4,935	-	176,942	181,877
1,099	-	-	-	1,099	-	1,669	2,768
362	23,000	-	-	23,362	-	(8,739)	14,623
96	-	-	-	96	-	19,351	19,447
21,980	21,000	-	-	42,980	-	5,051	48,031
640	-	-	-	640	-	1,781	2,421
1,084	2,000	-	-	3,084	-	24,240	27,324
290	-	-	-	290	-	21,158	21,448
3,427	46	-	-	3,473	-	16,449	19,922
44	-	-	-	44	-	19,706	19,750
1,649	-	-	-	1,649	-	70,289	71,938
-	500	-	-	500	-	928	1,428
2,108	157,000	-	-	159,108	-	980	160,088
\$ 152,504	\$ 2,124,814	\$ -	\$ -	\$ 2,277,318	\$ -	\$ (285,112)	\$ 1,992,206

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH - ACCRUAL BASIS
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2016**

	Assets					
	Cash	Special Assessments Receivable		One-Year Repair Liens	Receivables	Total
		Delinquent	Noncurrent			
High Island Project						
H.I. Proj. #2	\$ 21	\$ -	\$ -	\$ -	\$ -	\$ 21
H.I. Proj. #5	15	-	-	-	-	15
H.I. Proj. #8	10	-	-	-	-	10
H.I. Proj. #9	10	-	-	-	-	10
H.I. Proj. #10	34,563	-	1,991	-	-	36,554
H.I. Proj. #11	177,175	-	166,320	-	-	343,495
Total High Island Project	\$ 211,794	\$ -	\$ 168,311	\$ -	\$ -	\$ 380,105
Judicial Ditches						
JD #1A S&N	\$ 2,693	\$ 4	\$ -	\$ 28,802	\$ 13,558	\$ 45,057
J.D. #2 SC	2,595	-	1,916	44,036	-	48,547
JD #3 SCM	2,944	61	10,768	39,577	14,919	68,269
JD #5 M&S	2,709	-	-	5,595	29	8,333
JD #5 S&N	11,875	12	-	4,821	163	16,871
JD #6A S&N	1,969	1	-	32,469	10,511	44,950
JD #8 S&R	3,474	-	-	4,840	408	8,722
JD #8 M&S	1,778	-	-	8,464	1,182	11,424
JD #11 RSM	2,267	-	-	93,427	44,189	139,883
JD #12 Sibley	13,023	10	-	1,761	-	14,794
JD #13 SRN	9,295	126	-	14,440	998	24,859
JD #13 N&S	180	-	-	-	-	180
JD #14 S&N	777	-	-	233	-	1,010
JD #15 S&M	4,676	-	-	-	79	4,755
JD #15 R&S	1,824	-	-	6,134	222	8,180
JD #15 N&S	1,574	-	-	841	81	2,496
JD #16 N&S	181	-	-	140	278	599
JD #17 S&M	3,103	-	-	4,455	648	8,206
JD #18 S&M	(1,034)	-	-	-	-	(1,034)
JD #19 S&M	1,691	-	-	9,426	23,331	34,448
JD #20 S&N	2,392	974	-	44,931	27,628	75,925
JD #21 S&C	1,551	170	-	-	87	1,808
JD #22 S&C	4,662	-	-	-	36	4,698
JD #24 RSM	3,228	1,295	-	37,378	7,679	49,580
JD #30 R&S	15	-	-	86	-	101
JD #31 RSN	2,214	-	-	3,540	135	5,889
JD #32 SM	5,585	-	92,930	-	439	98,954
JD #6 NS	1,307	-	-	-	15	1,322
JT #1A N&S	3,465	325	-	62,703	65,232	131,725
JT #1 RS	576	-	-	10,873	1,561	13,010
JT #7 SNR	1,606	34	-	49,844	2,058	53,542
JT #24 CS	416	-	-	300	99	815
JT #7 Lat 17 IMP Berger	1,929	105	64,355	-	-	66,389
JT #5 YAHNKE S&N Impr	9,511	-	48,061	-	-	57,572
Total Judicial Ditches	\$ 106,051	\$ 3,117	\$ 218,030	\$ 509,116	\$ 215,565	\$ 1,051,879
Total All Ditches	\$ 744,816	\$ 42,410	\$ 880,758	\$ 1,297,622	\$ 458,584	\$ 3,424,190
Reconcile to Exhibit 3	-	-	-	-	-	-
Total Modified Accrual	\$ 744,816	\$ 42,410	\$ 880,758	\$ 1,297,622	\$ 458,584	\$ 3,424,190

EXHIBIT F-1
(Continued)

Accounts and Contracts Payable	Liabilities				Total	Deferred Inflows of Resources Unavailable Revenue	Fund Balance	Total Liabilities, Deferred Inflows of Resources, and Fund Balance
	Due to Other Funds	Due to Other Governments	Bonds Payable					
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21	\$ 21	
-	-	-	-	-	-	15	15	
-	-	-	-	-	-	10	10	
-	-	-	-	-	-	10	10	
-	-	-	-	-	-	36,554	36,554	
-	-	-	350,000	350,000	-	(6,505)	343,495	
\$ -	\$ -	\$ -	\$ 350,000	\$ 350,000	\$ -	\$ 30,105	\$ 380,105	
\$ 5,487	\$ 50,000	\$ 3,088	\$ -	\$ 58,575	\$ -	\$ (13,518)	\$ 45,057	
-	27,000	-	-	27,000	-	21,547	48,547	
5,531	38,000	10,576	-	54,107	-	14,162	68,269	
-	10,000	12	-	10,012	-	(1,679)	8,333	
-	-	42	-	42	-	16,829	16,871	
-	-	347	-	347	-	44,603	44,950	
-	-	3,608	-	3,608	-	5,114	8,722	
-	6,500	2,171	-	8,671	-	2,753	11,424	
17,844	326,000	5,110	-	348,954	-	(209,071)	139,883	
-	-	-	-	-	-	14,794	14,794	
-	-	11,250	-	11,250	-	13,609	24,859	
-	-	210	-	210	-	(30)	180	
-	-	64	-	64	-	946	1,010	
-	-	7	-	7	-	4,748	4,755	
-	3,000	1,606	-	4,606	-	3,574	8,180	
-	-	247	-	247	-	2,249	2,496	
-	-	1	-	1	-	598	599	
-	-	5	-	5	-	8,201	8,206	
9,702	163,000	7,552	-	180,254	-	(181,288)	(1,034)	
-	16,000	7	-	16,007	-	18,441	34,448	
-	36,000	809	-	36,809	-	39,116	75,925	
-	-	-	-	-	-	1,808	1,808	
-	-	-	-	-	-	4,698	4,698	
-	60,000	1,785	-	61,785	-	(12,205)	49,580	
-	-	65	-	65	-	36	101	
-	-	4,114	-	4,114	-	1,775	5,889	
-	100,000	13	-	100,013	-	(1,059)	98,954	
-	-	442	-	442	-	880	1,322	
-	25,000	9,123	-	34,123	-	97,602	131,725	
-	1,000	16,788	-	17,788	-	(4,778)	13,010	
3,199	20,000	10,628	20,000	53,827	-	(285)	53,542	
-	-	-	-	-	-	815	815	
-	20,000	-	-	20,000	-	46,389	66,389	
-	-	-	-	-	-	57,572	57,572	
\$ 41,763	\$ 901,500	\$ 89,670	\$ 20,000	\$ 1,052,933	\$ -	\$ (1,054)	\$ 1,051,879	
\$ 194,267	\$ 3,026,314	\$ 89,670	\$ 370,000	\$ 3,680,251	\$ -	\$ (256,061)	\$ 3,424,190	
-	-	-	(370,000)	(370,000)	2,261,037	(1,891,037)	-	
\$ 194,267	\$ 3,026,314	\$ 89,670	\$ -	\$ 3,310,251	\$ 2,261,037	\$ (2,147,098)	\$ 3,424,190	

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT F-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Appropriations and Shared Revenue				
State				
Highway users tax	\$ 3,576,853	\$ -	\$ 3,576,853	\$ -
Market value credit	334,980	-	334,980	-
PERA rate reimbursement	25,384	-	25,384	-
Disparity reduction aid	54,639	-	54,639	-
County program aid	197,434	-	197,434	-
Police aid	99,226	-	99,226	-
E-911	87,933	-	87,933	-
Petroleum tax relief	2,219	-	2,219	-
SCORE	33,864	-	33,864	-
Aquatic invasive species prevention aid	65,970	-	65,970	-
Total appropriations and shared revenue	\$ 4,478,502	\$ -	\$ 4,478,502	\$ -
Reimbursement for Services				
State				
Minnesota Department of Human Services	\$ 455,605	\$ -	\$ 455,605	\$ -
Payments				
Local				
Local contributions	\$ 41,105	\$ -	\$ 41,105	\$ 309,775
Payments in lieu of taxes	46,519	-	46,519	-
Total payments	\$ 87,624	\$ -	\$ 87,624	\$ 309,775
Grants				
State				
Minnesota Department/Board of				
Corrections	\$ 24,568	\$ -	\$ 24,568	\$ -
Public Safety	95,459	-	95,459	-
Transportation	564,853	-	564,853	-
Health	115,927	-	115,927	-
Natural Resources	51,417	-	51,417	-
Human Services	1,063,901	-	1,063,901	-
Veteran's Affairs	20,000	-	20,000	-
Water and Soil Resources	98,843	-	98,843	-
Peace Officer Standards and Training Board	3,752	-	3,752	-
Pollution Control Agency	48,481	-	48,481	-
Total state	\$ 2,087,201	\$ -	\$ 2,087,201	\$ -

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT F-2
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Total Primary Government</u>	<u>Component Unit</u>
Grants (Continued)				
Federal				
Department of				
Agriculture	\$ 260,182	\$ -	\$ 260,182	\$ -
Transportation	538,964	-	538,964	-
Housing and Urban Development	-	142,718	142,718	-
Education	1,450	-	1,450	-
Health and Human Services	1,418,512	-	1,418,512	-
Homeland Security	379,676	-	379,676	-
Environmental Protection Agency	94,252	-	94,252	-
Total federal	\$ 2,693,036	\$ 142,718	\$ 2,835,754	\$ -
Total state and federal grants	\$ 4,780,237	\$ 142,718	\$ 4,922,955	\$ -
Total Intergovernmental Revenue	\$ 9,801,968	\$ 142,718	\$ 9,944,686	\$ 309,775

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT F-3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Meeker-McLeod-Sibley Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	16162MN004W1003	\$ 86,161
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514	<u>174,021</u>
Total U.S. Department of Agriculture			\$ <u>260,182</u>
U.S. Department of Housing and Urban Development			
Passed Through Minnesota Housing Finance Agency Section 8 Housing Choice Vouchers	14.871	MN46-8023-001	\$ <u>142,718</u>
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	00072	\$ <u>376,092</u>
U.S. Environmental Protection Agency			
Passed Through Minnesota Pollution Control Agency Nonpoint Source Implementation Grants	66.460	97593511	\$ <u>94,252</u>
U.S. Department of Education			
Passed Through Meeker-McLeod-Sibley Community Health Services Special Education - Grants for Infants and Families	84.181	H181A150029	\$ <u>1,450</u>
U.S. Department of Health and Human Services			
Passed Through Meeker-McLeod-Sibley Community Health Services Public Health Emergency Preparedness	93.069	3U9OTP000529	\$ 23,432
Universal Newborn Hearing Screening	93.251	H61MC00035-16-02	800
Immunization Cooperative Agreements	93.268	5H23IP000737	400
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$120,728)	93.558	1601MNTANF	31,599
Block Grants for Prevention and Treatment of Substance Abuse (Total Block Grants for Prevention and Treatment of Substance Abuse 93.959 \$93,269)	93.959	TI010027-15	8,633
Maternal and Child Health Services Block Grant to the States	93.994	B04MC29349	15,370

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT F-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services (Continued)			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1611MNFPCV	3,573
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$120,728)	93.558	1601MNTANF	89,129
Child Support Enforcement	93.563	1604MNCSES	240,835
Refugee and Entrant Assistance - State-Administered Programs	93.566	1601MNRCA	141
Child Care and Development Block Grant	93.575	G1601MNCCDF	3,423
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPRG	1,298
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	1,898
Foster Care - Title IV-E	93.658	1601MNFPOST	165,228
Social Services Block Grant	93.667	G-1601MNSOSR	92,524
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	919
Medical Assistance Program	93.778	05-1605MN5ADM	609,357
Block Grants for Prevention and Treatment of Substance Abuse (Total Block Grants for Prevention and Treatment of Substance Abuse 93.959 \$93,269)	93.959	TI010027-15	84,636
Total U.S. Department of Health and Human Services			\$ 1,373,195
U.S. Department of Homeland Security			
Passed Through Henderson Township			
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Total Disaster Grants - Public Assistance (Presidentially Declared Disasters) 97.036 \$307,503)	97.036	DR-4182/P07204182PA	\$ 12,285
Passed Through Minnesota Department of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (Total Disaster Grants - Public Assistance (Presidentially Declared Disasters) 97.036 \$307,503)	97.036	DR-4182/P07204182PA	295,218
Emergency Management Performance Grants	97.042	2015 EMPG SFY16	34,197
Homeland Security Grant Program	97.067	2016 SHSP SFY17	117,327
Total U.S. Department of Homeland Security			\$ 459,027
Total Federal Awards			\$ 2,706,916

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2016.

This page was left blank intentionally.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Sibley County under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Sibley County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Sibley County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the basis of accounting used by the individual funds of Sibley County. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the full accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Sibley County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 2,835,754
Grants received more than 60 days after year-end, unavailable in 2016	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	
(CFDA No. 97.036)	94,606
Homeland Security Grant Program (CFDA No. 97.067)	36,881
Unavailable in 2015, recognized as revenue in 2016	
Highway Planning and Construction (CFDA No. 20.205)	(162,872)
Block Grants for Prevention and Treatment of Substance Abuse	
(CFDA No. 93.959)	(45,317)
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	
(CFDA No. 97.036)	<u>(52,136)</u>
 Expenditures Per Schedule of Expenditures of Federal Awards	 <u><u>\$ 2,706,916</u></u>

**Other Information
Section**

This page was left blank intentionally.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT G-1

**TAX CAPACITY, TAX RATES, TAX LEVIES, AND PERCENTAGE OF COLLECTIONS
DECEMBER 31, 2016**

	Taxes Levied for Collection					
	2015		2016		2017	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 27,681,395		\$ 25,686,881		\$ 25,099,121	
Personal property	1,316,063		1,698,169		1,820,719	
Total Tax Capacity	<u>\$ 28,997,458</u>		<u>\$ 27,385,050</u>		<u>\$ 26,919,840</u>	
Taxes Levied for County Purposes						
General government	\$ 5,368,773	18.243	\$ 5,542,467	19.950	\$ 6,156,021	22.183
Public works	4,611,019	15.669	4,200,253	15.299	3,873,353	14.342
Health and human services	2,443,688	8.304	3,112,681	11.300	3,198,812	11.969
Debt service	100,000	0.347	100,000	0.368	247,000	0.924
Total Levy for County Purposes	<u>\$ 12,523,480</u>		<u>\$ 12,955,401</u>		<u>\$ 13,475,186</u>	
Less: County program aid	249,886		197,434		267,685	
Net Levy for County Purposes	<u>\$ 12,273,594</u>	<u>42.563</u>	<u>\$ 12,757,967</u>	<u>46.917</u>	<u>\$ 13,207,501</u>	<u>49.418</u>
Tax Capacity - Light and Power						
Transmission lines	\$ 3,910		\$ 3,990		\$ 5,024	
Distribution lines	2,562		2,618		3,570	
Total Tax Capacity - Light and Power	<u>\$ 6,472</u>		<u>\$ 6,608</u>		<u>\$ 8,594</u>	
Tax Levies - Light and Power						
Transmission lines	\$ 3,242	82.904	\$ 3,623	90.807	\$ 4,730	94.149
Distribution lines	2,124	82.904	2,377	90.807	3,361	94.149
Total Tax Levies - Light and Power	<u>\$ 5,366</u>		<u>\$ 6,000</u>		<u>\$ 8,091</u>	
Special Assessments						
Ditch liens and all other assessments	<u>\$ 1,697,240</u>		<u>\$ 2,084,203</u>		<u>\$ 1,796,815</u>	
Percentage of Tax Collections for All Purposes		98.60%		98.83%		

(Unaudited)

Page 145

This page was left blank intentionally.

This page was left blank intentionally.

SIBLEY COUNTY

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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

Independent Auditor's Report

Board of County Commissioners
Sibley County
Gaylord, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 31, 2017. Our report includes references to other auditors who audited the financial statements of Sibley Estates of Sibley County and the South Country Health Alliance joint venture as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the South Country Health Alliance were not audited in accordance with *Government Auditing Standards*. The results of our testing of the Sibley County Library System component unit's internal control over financial reporting and on compliance and other matters are reported on separately within the Management and Compliance Section.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that Sibley County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Questioned Costs as item 2013-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Other Matters

Included in the Schedule of Findings and Questioned Costs is a management practices comment. We believe this recommendation to be of benefit to the County, and it is reported for that purpose.

Sibley County's Response to Findings

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

August 31, 2017

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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

Independent Auditor's Report

Board of County Commissioners
Sibley County
Gaylord, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Sibley County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2016. Sibley County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Sibley County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

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

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

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 31, 2017

This page was left blank intentionally.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

The major federal programs are:

Child Support Enforcement	CFDA No. 93.563
Medical Assistance Program	CFDA No. 93.778
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	CFDA No. 97.036

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2011-002

Audit Adjustments

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

Condition: During our audit, we identified material adjustments which resulted in significant changes to the County's financial statements.

Context: The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Effect: The following audit adjustments were necessary to be recorded for December 31, 2016:

- An adjustment of \$366,781 was required in the Ditch Special Revenue Fund to reduce charges for services revenue and conservation expenditures for cross-county ditch related activity.
- The Public Works Special Revenue Fund required an adjustment of \$978,615 to record the receivable and unavailable revenue relating to the highway allotment activity.

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

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

View of Responsible Official: Concur

ITEM ARISING THIS YEAR

Finding Number 2016-001

Payroll Controls - Pension Contributions

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

Condition: Pension contributions were not made as required for one employee for the period August 30, 2014, to February 12, 2016. After this error was discovered, the County corrected the payroll system to withhold employer and employee pension contributions and provided the necessary information to the pension plan for billing.

Context: Eligible County employees participate in the Public Employees Retirement Association (PERA) pension plans. Under Minn. Stat. § 353.27, subd. 12.(c), in cases such as this where contributions have been omitted, the employee's obligation is limited to the 60 days preceding the pay period in which deductions are first withheld. Beyond the 60 days, any remaining omitted employee contributions (limited to three years) must be paid by the employer in addition to the employer share and interest.

Effect: In addition to the required employer contributions owed to the pension plan, the County was required to pay \$5,076 for the employee's share that extended beyond the 60-day limit, plus interest. An additional correction by PERA is expected to increase this amount by approximately \$3,000. Errors in pension contributions may impact the County's net pension liability.

Cause: The County indicated that an oversight occurred upon reactivation of an employee's payroll profile in 2014.

Recommendation: We recommend the County establish internal controls necessary to ensure that all employee information is accurately entered into the payroll system.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2013-001

Driver Awareness Class

Criteria: As stated in Minn. Stat. § 169.022:

The provisions of [Minn. Stat., ch. 169] shall be applicable and uniform throughout this state and in all political subdivisions and municipalities therein, and no local authority shall enact or enforce any rule or regulation in conflict with the provisions of this chapter unless expressly authorized herein. Local authorities may adopt traffic regulations which are not in conflict with the provisions of this chapter; provided, that when any local ordinance regulating traffic covers the same subject for which a penalty is provided for in this chapter, then the penalty provided for violation of said local ordinance shall be identical with the penalty provided for in this chapter for the same offense.

In *State v. Hoben*, 89 N.W.2d 813 (1959), the Minnesota Supreme Court recognized in this language a legislative intent “that the application of its provisions should be uniform throughout the state both as to penalties and procedures.” The Supreme Court concluded: “It would be a strange anomaly for the legislature to define a crime, specify punishment therefore, provide that its application shall be uniform throughout the state, and then permit a municipality to prosecute that crime as a civil offense.”

The Minnesota Attorney General’s Office stated “[i]n the specific case of traffic offenses, the legislature has plainly preempted the field of enforcement.” December 1, 2003, letter to State Representative Steve Smith (citing Minn. Stat. § 169.022, *Hoben*, and other provisions of Minn. Stat., ch. 169). It noted the strong legislative assertion of state preemption in the area of traffic regulation, and concluded that local governments were precluded from creating their own enforcement systems.

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

Context: In the December 1, 2003, letter to State Representative Steve Smith the Minnesota Attorney General specifically addressed the issue of a driver improvement course or clinic in lieu of a ticket or other penalty. After reviewing the state law, the Attorney General concluded: “All such programs, however, require that a *trial court* make the determination as to whether attendance at such a [driver’s] clinic is appropriate. We are aware of no express authority for local officials to create a *pretrial* diversion program.” (Emphasis is that of the Attorney General.)

The Minnesota Supreme Court has stated, “[a]s a creature of the state deriving its sovereignty from the state, the county should play a leadership role in carrying out legislative policy.” *Kasch v. Clearwater County*, 289 N.W. 2d 148, 152 (Minn. 1980), *quoting County of Freeborn v. Bryson*, 243 N.W. 2d 316, 321 (Minn. 1976).

In January 2014, a judge in the Minnesota Third Judicial District issued a permanent injunction against a similar driver diversion program operated by another Minnesota county. The judge, like the Minnesota Attorney General, concluded that the driver diversion program was not authorized under Minnesota law. The involved county has discontinued its program and has not appealed the decision.

Effect: The Sibley County Driver Awareness Class is unauthorized and in violation of Minn. Stat. § 169.022.

Cause: The County informed us, in its opinion, the reliance on Minn. Stat. § 169.022 as the objection to the County’s Driver Awareness Class is unfounded. It is the opinion of the Sibley County Attorney that the Driver Awareness Class is a proper exercise of the discretion that law enforcement and prosecutors have regarding criminal matters.

Recommendation: We recommend the County comply with Minn. Stat. ch. 169, by not offering a Driver Awareness Class in lieu of issuance or court filing of a state uniform traffic ticket.

View of Responsible Official: Acknowledged

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2014-001

Ditch Deficit Fund Balances

Criteria: Each individual ditch system should maintain positive balances to meet its financial obligations.

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

Context: As of December 31, 2016, 43 County ditches had deficit fund balances totaling \$2,755,497. Taking into consideration assessments that have been approved for collection in future years which do not yet contribute to the reported ditch system fund balance, deficit balances are reduced to 18 ditch systems with a total deficit of \$1,593,485.

Effect: Ditch systems with fund deficit balances indicate that measures have not been taken to ensure that the ditch can meet financial obligations.

Cause: The County indicated that there have been significant repair and improvement costs for these ditches. Such costs are the financial responsibility of those who benefit from the ditch system, however, they are generally incurred prior to landowners being assessed. In some cases, the County will be issuing bonds to finance the project costs after which assessments will be approved. In many cases, assessments have already been levied to cover these costs which will be collected in future years.

Recommendation: We recommend that the County continue to monitor the balances of the ditch systems and eliminate the fund deficit balances by approving the necessary special assessments whenever practical.

View of Responsible Official: Concur

V. **PREVIOUSLY REPORTED ITEMS RESOLVED**

2015-001 Reporting (CFDA No. 93.778)

2015-002 Identification of Federal Awards (CFDA No. 97.036)

**REPRESENTATION OF SIBLEY COUNTY
GAYLORD, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016**

Finding Number: 2011-002

Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Marilee Peterson, Sibley County Auditor

Corrective Action Planned:

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

Anticipated Completion Date:

Ongoing

Finding Number: 2013-001

Finding Title: Driver Awareness Class

Name of Contact Persons Responsible for Corrective Action:

Bruce Ponath, Sibley County Sheriff
David Schauer, Sibley County Attorney

Corrective Action Planned:

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

Anticipated Completion Date:

July 2017

Finding Number: 2014-001

Finding Title: Ditch Deficit Fund Balances

Name of Contact Person Responsible for Corrective Action:

Marilee Peterson, Sibley County Auditor

Corrective Action Planned:

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

Anticipated Completion Date:

By the end of 2018, we anticipate having enough funds in the ditch accounts that the fund as a whole will have a positive balance.

Finding Number: 2016-001

Finding Title: Payroll Controls – Pension Contributions

Name of Contact Person Responsible for Corrective Action:

Jodi Coleman, Human Resources Manager

Corrective Action Planned:

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

Anticipated Completion Date:

September 2017

**REPRESENTATION OF SIBLEY COUNTY
GAYLORD, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Finding Number: 2011-002

Finding Title: Audit Adjustments

Summary of Condition: During the 2015 audit, material adjustments were identified which resulted in significant changes to Sibley County's financial statements.

Summary of Corrective Action Previously Reported: Sibley County Auditor's Office staff will work to review the County-prepared trial balances and prepare the necessary (if any) audit adjustments and/or reclassifications so to ensure the County's financial statements reflect the accrual basis of accounting. Communication with the State Auditor's Office is key to ensure consistent acceptable practices year after year. The audit adjustments will diminish as our new staff become more familiar with financial practices, the financial statements, grant schedules, and alike. Procedures have been implemented to deter repetition of these adjustments.

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

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

Yes _____ No X

Finding Number: 2013-001

Finding Title: Driver Awareness Class

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

Summary of Corrective Action Previously Reported: Sibley County respectfully disagrees with the analysis of the Office of the State Auditor with regard to Sibley County Driver's Awareness Class. Sibley County Driver's Awareness Class does not constitute a traffic regulation,

nor can it be construed as an administrative citation. First, the program is not a regulation, as contemplated in Minn. Stat. § 169.022, because it does not mandate or prohibit any conduct other than that provided in statute or ordinance. Second, citations issued by deputies or city law enforcement are not administrative citations pursuant to Minn. Stat. § 169.999, because the citations issued to offenders who do not take advantage of the course will ultimately be filed in the District Court. Third, the order from Judge Fabian, seated in Wabasha County, did not specifically address the Sibley County Driver's Awareness Class. It is our position that the order was limited to the facts of the case litigated there in the Third Judicial District.

The Sibley County Driver's Awareness Class is a diversion program and this is an exercise of law enforcement and prosecutorial discretion. The letter of the Sibley County Attorney dated November 20, 2013, addressed to the State Auditor's Office is incorporated by reference. That analysis is instructive.

The Sibley County Driver's Awareness Class is founded on the principle of law enforcement discretion and prosecutorial discretion. Whether a law enforcement officer stops a vehicle or not, issues a citation or not, or gives a verbal warning or not, is all within the officer's discretion. The Sibley County Driver's Awareness Class was implemented as a joint action of the Sibley County Attorney's Office and the Sibley County Sheriff's Office. Its purpose was to provide education to drivers and to improve public safety, rather than just take money from them. The diversion criteria for participating in the class was established by both departments and the criteria limits participants to only limited offenders. It should be noted that Sibley County has multiple diversion programs in place for adult and juvenile offenders. The most recent being the Driving Diversion Program with Diversion Solutions, LLC., created on October 14, 2014.

As noted above, Sibley County respectfully disagrees with the analysis of the Office of the State Auditor with regard to the Sibley County Driver's Awareness Class. Sibley County will continue to comply with the laws of the State of Minnesota and court decisions interpreting them. Sibley County has not found any law or court ruling which specifically prohibits the exercise of discretion by law enforcement of prosecutors.

Status: Not Corrected. Sibley County respectfully disagrees with the analysis of the Office of the State Auditor with regard to Sibley County Driver's Awareness Class. Sibley County Driver's Awareness Class does not constitute a traffic regulation, nor can it be construed as an administrative citation. However, at the June 27, 2017, County Board meeting, a motion was made by Commissioner Pinske, seconded by Commissioner Cohrs to direct the County Attorney and County Sheriff to cease operations of the Driver Diversion Program due to legislative changes. Therefore, this finding will be corrected by the next audit cycle.

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

Finding Number: 2014-001

Finding Title: Ditch Deficit Fund Balances

Summary of Condition: The County had ditch systems with individual deficit fund balances at December 31, 2015.

Summary of Corrective Action Previously Reported: Sibley County recognizes the importance of having fund balance available to provide for the repair and maintenance costs of a county drainage system. The principal understanding is that each drainage system belongs to the property owners located within that watershed. Sibley County Commissioners manage the drainage systems in their respective districts though the funds do not belong to the County. Annually, four criteria are used to determine the assessment levy: (1) fund balance, (2) previous expenditures, (3) future expenditures, and (4) outstanding loan balances. Nevertheless, after the assessment is levied on a drainage system, culvert, bridge, and ditch repairs happen or natural disasters which are unforeseen. These emergency ditch repairs are critical to the operation of a drainage system. Sibley County Commissioners realize Minn. Stat. § 103E.735, subd. 1, gives the authority to establish a fund balance not to exceed 20 percent of the assessed benefits for the drainage system or \$100,000, whichever is larger. Sibley County continues to monitor the fund balances of the drainage systems and work toward eliminating the deficits in the future. In addition, the County is actively pursuing bonding in order to fund current and future ditch projects.

Status: Not Corrected. Each year, Sibley County aggressively assesses the landowners on the ditch systems with the intent of being able to establish a fund balance as permitted by statute, for each drainage system. Many landowners have benefits in multiple systems and therefore have high assessments. With numerous repairs being done annually on the ditch system and with the expense of redetermination of ditch benefits, a fund balance has not yet been established for all systems.

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

Finding Number: 2015-001

Finding Title: Reporting

Program: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: During review of the 2015 reports, it was noted the first and second quarter Local Collaborative Time Study (LCTS) Cost Schedules (DHS 3220), submitted to the Department of Human Services, were not reviewed by the Fiscal Reporting and Payment Agent or someone independent of the preparer. Additionally, the signed copies of the quarterly reports were not retained on site.

Summary of Corrective Action Previously Reported: Fiscal Reporting and Payment Agent will print, review for reasonableness, and maintain LCTS reports completed by County partners on a quarterly basis. Records will be maintained for four years. Reports from past quarters have been requested from County partners and will be kept on file as requested.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No X

Finding Number: 2015-002

Finding Title: Identification of Federal Awards

Program: Disaster Grants - Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)

Summary of Condition: The County did not properly identify amounts expended for the Disaster Grants - Public Assistance (Presidentially Declared Disasters) federal award program in the population of expenditures provided for audit. The expenditure population did not include \$745,425 related to the Henderson Township project that the County was administering.

Summary of Corrective Action Previously Reported: A complete and comprehensive list of agreements and contracts signed into by the County will be compiled by new staff in the administration department and submitted to the Office of the State Auditor on an annual basis. Department heads and fiscal staff throughout the County will be educated on the importance of communicating grant dollars that are not received directly from the state or federal government. In addition, the criteria of a single audit will be a topic of education at upcoming finance staff meetings and department head meetings.

Status: Fully Corrected. Corrective action was taken.

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

Yes _____ No X

SIBLEY COUNTY LIBRARY SYSTEM COMPONENT UNIT

This page was left blank intentionally.



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Sibley County, Minnesota, which include as supplementary information, the financial statements of the Sibley County Library System, a discretely presented component unit of Sibley County, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 31, 2017.

Internal Control Over Financial Reporting

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Sibley

County Library System's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

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

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the Sibley County Library System's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for deposits and investments, claims and disbursements, and miscellaneous provisions because they were tested in conjunction with the audit of the financial statements of Sibley County. We also did not test for compliance with the provisions of contracting and bidding, public indebtedness, and tax increment financing because the Sibley County Library System did not enter into any contracts that were subject to legal requirements as stipulated by Minnesota statutes, had no debt in 2016, and did not administer any tax increment financing districts.

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

August 31, 2017

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR