

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

SIBLEY COUNTY
GAYLORD, MINNESOTA

YEAR ENDED DECEMBER 31, 2007

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 160 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 730 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@state.mn.us
www.auditor.state.mn.us

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Year Ended December 31, 2007



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

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2007**

Office	Name	Term	
		From	To
Commissioners			
1st District	Leo "Lee" Anderly	January 2003	January 2011
2nd District	William "Bill" Pinske	January 2003	January 2009
3rd District	Leo L. Bauer**	January 1991	January 2009
4th District	Charles Woehler	January 1993	January 2011
5th District	Harold Pettis*	January 1999	January 2011
Officers			
Elected			
Attorney	David E. Schauer	February 1988	January 2011
Auditor	Lisa Pfarr	January 1999	January 2011
County Recorder	Kathy Dietz	February 2005	January 2011
Registrar of Titles	Kathy Dietz	February 2005	January 2011
Sheriff	Bruce Ponath	January 2003	January 2011
Treasurer	Mary Fisher	January 1999	January 2011
Appointed			
Assessor	Calvin Roberts	November 1978	December 2008
Medical Examiner (f.k.a. Coroner)	Janis Amatuzio, M.D.	January 2006	January 2011
Public Works Director	Darin Mielke	March 2005	April 2010
Surveyor	LeRoy Grewe	November 1978	January 2011
Court Administrator	Karen Messner (State)		Indefinite
Court Services Director	Mary Karl (State)		Indefinite
Environmental Services Director	Jeffrey Majeski		Indefinite
Examiner of Titles	Ross Arneson		Indefinite
Extension/Economic Development Director	Tim Dolan		Indefinite
Human Resource Director	Roseann Nagel		Indefinite
Human Services Director	Vicki Stock		Indefinite
Information Service Director	Beth Wilson		Indefinite
Public Health Director	Alethea Freidrichs		Indefinite
Veterans Services/Emergency Services Director	Steven Schow		Indefinite

*Chair

**Vice Chair

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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

We have audited the accompanying financial statements of the governmental 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, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Sibley County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County as of December 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Sibley County Library System, the discretely presented component unit of Sibley County, has not previously been presented with the Sibley County financial report.

The Management's Discussion and Analysis and the budgetary comparison schedules for the General Fund and the Public Works and Human Services Special Revenue Funds are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2008, on our consideration of Sibley County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 26, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007
(Unaudited)**

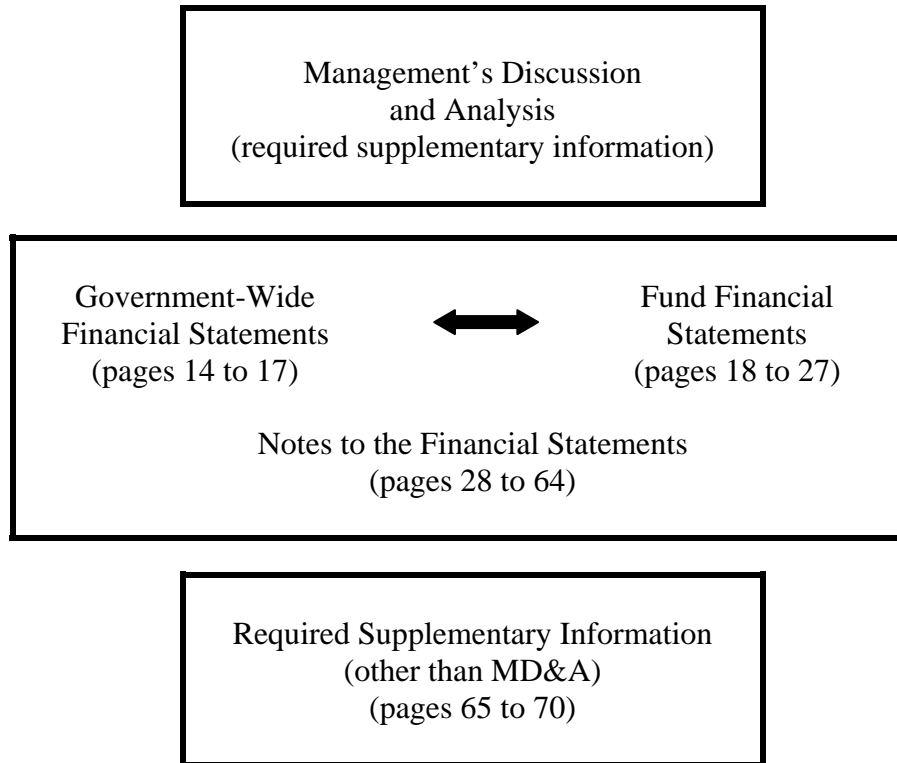
The financial management of Sibley County offers readers of Sibley County's financial statements this narrative overview and analysis of the financial activity of Sibley County for year ended December 31, 2007. We encourage our readers to consider the information presented here in combination with additional information that we have provided in our notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of Sibley County's governmental activities exceeded its liabilities at the close of the most recent fiscal year by \$55,274,630, of which \$38,107,467 is invested in capital assets, net of related debt, and \$2,177,964 is restricted for specific purposes.
- Sibley County's governmental activities' net assets increased by \$3,841,217 in 2007. This increase can be attributed to additional capital assets and budgeted savings from operations.
- At the close of the current fiscal year, Sibley County's governmental funds reported a combined ending fund balance of \$19,175,074. Of that amount, \$13,308,666 or 69.406 percent, is available for spending at the discretion of the County Board (unreserved fund balance).
- At the close of 2007, the unreserved fund balance for the General Fund was \$6,915,065, or 83.986 percent, of the total General Fund expenditures. This amount is available for 2008 budgeting purposes.
- The net cost of governmental activities in 2007 increased by \$3,784,085 to \$7,815,608 from the previous year. The net cost was funded by general revenues totaling \$11,656,825.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



There are two government-wide financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits 1 and 2) provide information about the activities of the County as a whole and present a long-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 Assets (Exhibit 1) presents information on all of Sibley County's assets and liabilities. The difference of these two items is called net assets. Over time, an increase or decrease in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 (delinquent taxes and earned but unused vacation and severance leave).

Fund Financial Statements

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

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

Reporting the County's Fiduciary Responsibilities

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

Government-Wide Financial Analysis

A useful tool for analyzing financial statements is by comparing information from the previous years. In the case of Sibley County, assets exceeded liabilities by \$55,274,630 at the close of the current fiscal year.

Table I
Net Assets

	2007	2006 (Restated)	\$ Change	% Change
Current and noncurrent assets	\$ 23,959,205	\$ 22,152,267	\$ 1,806,938	8.157
Capital assets	<u>41,413,356</u>	<u>39,387,256</u>	<u>2,026,100</u>	5.144
Total Assets	<u>\$ 65,372,561</u>	<u>\$ 61,539,523</u>	<u>\$ 3,833,038</u>	6.229
Long-term debt outstanding	\$ 8,886,903	\$ 8,894,762	\$ (7,859)	(0.088)
Other liabilities	<u>1,211,028</u>	<u>1,211,348</u>	<u>(320)</u>	(0.026)
Total Liabilities	<u>\$ 10,097,931</u>	<u>\$ 10,106,110</u>	<u>\$ (8,179)</u>	(0.081)
Net Assets				
Invested in capital assets, net of related debt	\$ 38,107,467	\$ 35,550,684	\$ 2,556,783	7.192
Restricted	2,177,964	2,119,269	58,695	2.770
Unrestricted	<u>14,989,199</u>	<u>13,763,460</u>	<u>1,225,739</u>	8.906
Total Net Assets	<u>\$ 55,274,630</u>	<u>\$ 51,433,413</u>	<u>\$ 3,841,217</u>	7.468

Capital assets - net of related debt (land, building, machinery and equipment, improvements other than buildings and construction in progress, less any related debt used to acquire these assets still outstanding) at the end of the current fiscal year were \$38,107,467. This represents 68.942 percent of total net assets. Sibley County uses these assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted, though, that these assets are reported net of related debt, and other resources are needed to repay this debt, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional part of Sibley County's net assets represents resources/assets subject to external restrictions on how they may be used. At the end of the current fiscal year, the County's restricted assets were \$2,177,964; this is a \$58,695 increase from 2006. The remaining unrestricted net assets of \$14,989,199 may be used to meet the County's ongoing obligations to citizens and creditors.

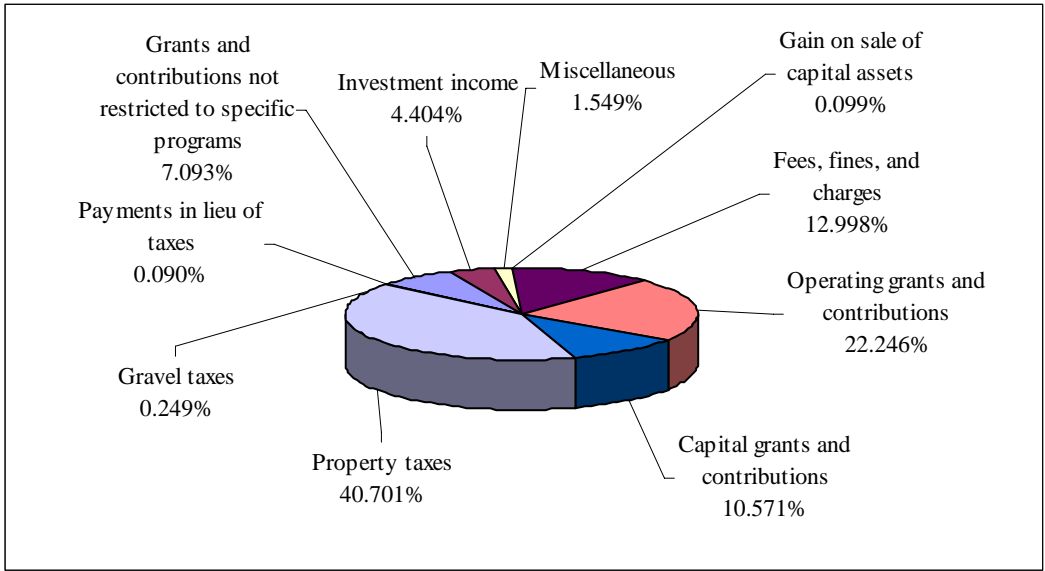
Sibley County's net assets increased \$3,841,217, or 7.468 percent, from 2006; this increase can be attributed to an increase in infrastructure (roads and bridges) of about \$2.86 million as well as budget savings from the three major funds. Table II illustrates the change in net assets.

Table II
Change in Net Assets

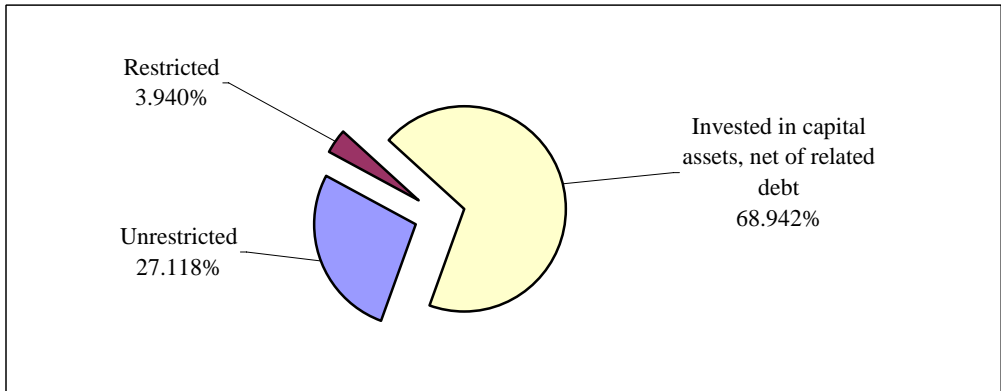
	2007	2006 (Restated)	\$ Change	% Change
Revenues				
Program revenues				
Fees, fines, and charges	\$ 2,796,179	\$ 3,216,832	\$ (420,653)	(13.077)
Operating grants and contributions	4,785,919	4,822,193	(36,274)	(0.752)
Capital grants and contributions	2,274,103	1,523,180	750,923	49.300
General revenues				
Property taxes	8,756,121	8,460,766	295,355	3.491
Gravel taxes	53,529	77,775	(24,246)	(31.175)
Payments in lieu of tax	19,408	21,246	(1,838)	(8.651)
Grants and contributions not restricted to specific programs	1,525,816	1,658,803	(132,987)	(8.017)
Investment income	947,530	709,875	237,655	33.478
Miscellaneous	333,175	289,243	43,932	15.189
Gain on sale of capital assets	21,246	71,900	(50,654)	(70.451)
Total Revenues	\$ 21,513,026	\$ 20,851,813	\$ 661,213	3.171
Expenses				
Governmental activities				
General government	\$ 3,250,450	\$ 2,070,097	\$ 1,180,353	57.019
Public safety	2,322,692	2,197,034	125,658	5.719
Highways and streets	4,299,168	2,260,738	2,038,430	90.167
Sanitation	479,583	411,692	67,891	16.491
Human services	3,955,769	3,430,143	525,626	15.324
Health	1,554,064	1,343,903	210,161	15.638
Culture and recreation	307,549	67,571	239,978	355.149
Conservation of natural resources	972,486	1,308,072	(335,586)	(25.655)
Economic development	194,557	178,335	16,222	9.096
Interest	335,491	332,473	3,018	0.908
Total Expenses	\$ 17,671,809	\$ 13,600,058	\$ 4,071,751	29.939
Increase (Decrease) in Net Assets	\$ 3,841,217	\$ 7,251,755	\$ (3,410,538)	(47.031)
Net Assets - Beginning January 1	51,433,413	44,181,658	7,251,755	16.414
Net Assets - Ending December 31	\$ 55,274,630	\$ 51,433,413	\$ 3,841,217	7.468

The County's expenses increased \$4,071,751, or 29.939 percent, from 2006. This increase is a result of increased spending on highways and streets, general government, and culture and recreation. Sibley County expects highway and street expenses to remain the same or increase slightly for fiscal year 2008.

2007 Revenues by Source



2007 Net Assets



GOVERNMENTAL ACTIVITIES

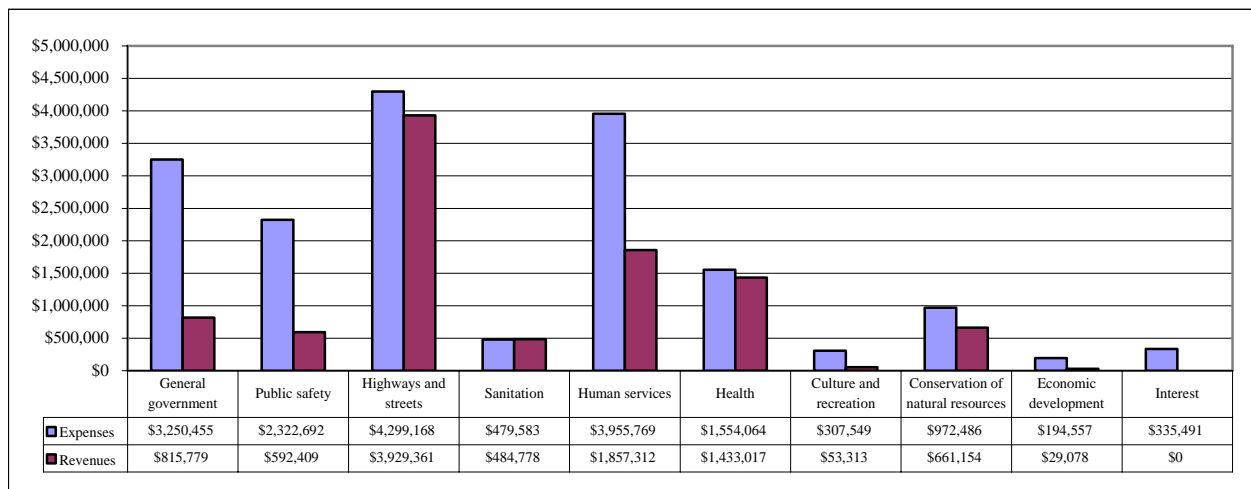
As shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through County taxes and non-program revenues was only \$7,815,608 because some of the cost was paid by those who directly benefited from the programs or by other governments and organizations 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		
	2007	2006 (Restated)	\$ Change	2007	2006 (Restated)	\$ Change
	Expenses					
Governmental activities						
General government	\$ 3,250,450	\$ 2,070,097	\$ 1,180,353	\$ 2,434,671	\$ 1,168,817	\$ 1,265,854
Public safety	2,322,692	2,197,034	125,658	1,730,283	1,481,985	248,298
Highways and streets	4,299,168	2,260,738	2,038,430	369,807	(793,678)	1,163,485
Sanitation	479,583	411,692	67,891	(5,195)	(10,053)	4,858
Human services	3,955,769	3,430,143	525,626	2,098,457	1,232,933	865,524
Health	1,554,064	1,343,903	210,161	121,047	7,548	113,499
Culture and recreation	307,549	67,571	239,978	254,236	10,375	243,861
Conservation of natural resources	972,486	1,308,072	(335,586)	311,332	182,485	128,847
Economic development	194,557	178,335	16,222	165,479	167,226	(1,747)
Interest	335,491	332,473	3,018	335,491	332,473	3,018
Total Expenses	\$ 17,671,809	\$ 13,600,058	\$ 4,071,751	\$ 7,815,608	\$ 3,780,111	\$ 4,035,497

2007 Cost and Program Revenues



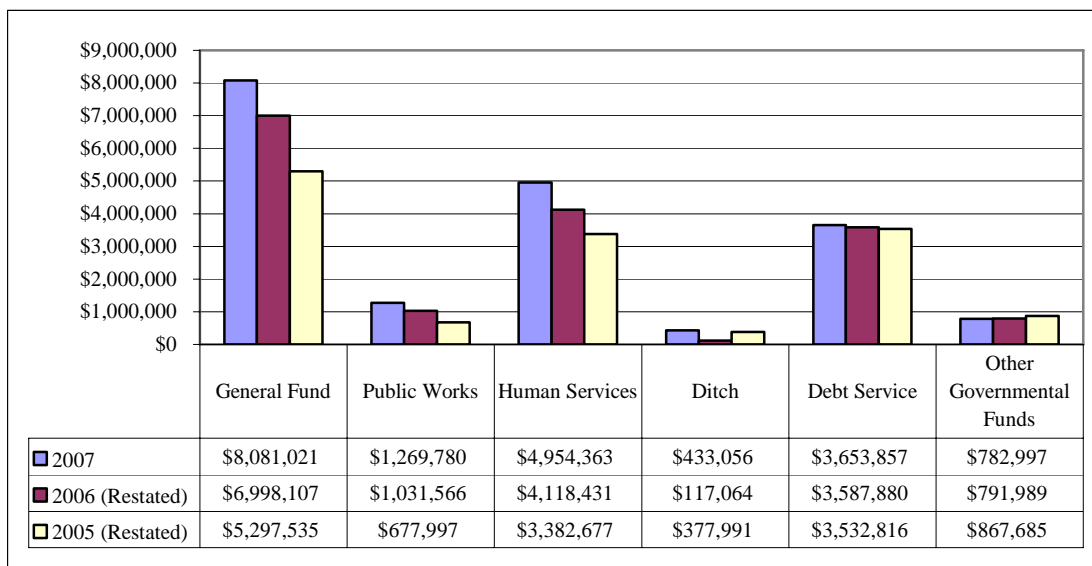
THE COUNTY’S FUNDS

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, unreserved balances may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

Sibley County reports seven major funds and five nonmajor governmental funds. The major funds are: General Fund, Public Works Special Revenue, Human Services Special Revenue, Ditch Special Revenue, Individual Sewage Treatment System Loans Special Revenue, Debt Service, and Capital Projects.

As of the end of the current fiscal year, Sibley County's governmental funds reported a combined ending fund balance of \$19,175,074. This is an increase of \$2,530,037 in comparison to the prior fiscal year. Of the \$19,175,074 total fund balances, \$13,308,666 constitutes unreserved fund balances, which are available for spending at the government's discretion. The remaining \$5,866,408 fund balance is reserved for specific purposes and programs and is not available for new spending.

Governmental Funds - Fund Balance



The General Fund is the chief operating fund for Sibley County. At the end of the fiscal year, unreserved fund balance of the General Fund was \$6,915,065 (85.572 percent), and reserved fund balance was \$1,165,956 (14.428 percent). As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and the total fund balance to total fund expenditures. Unreserved fund balance represents 83.986 percent of the total General Fund expenditures, while total fund balance represents 98.147 percent of that same amount.

The Public Works Special Revenue Fund had a total fund balance of \$1,269,780 at the end of 2007. The increase of \$238,214 is in part due to the increased intergovernmental revenue from the State (bridge bonding).

The Human Services Special Revenue Fund had a total fund balance of \$4,954,363 at the end of the current fiscal year. This increase of \$835,932 is due to an increase in state and federal grants, a \$517,914 distribution of equity plus interest from South Country Health Alliance, and an overall decrease in fund expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

The actual revenues exceeded budgeted revenues by \$992,863, and actual expenditures were less than expected by \$360,630.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

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

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

	Governmental Activities			
	2007	2006	\$ Change	% Change
Land	\$ 1,322,147	\$ 1,288,439	\$ 33,708	2.616
Infrastructure	32,298,672	30,425,812	1,872,860	6.155
Buildings	5,629,830	5,751,639	(121,809)	(2.118)
Machinery, furniture, vehicles, and equipment	2,139,001	1,903,683	235,318	12.361
Improvements other than buildings	23,706	17,683	6,023	34.061
Total Capital Assets	<u>\$ 41,413,356</u>	<u>\$ 39,387,256</u>	<u>\$ 2,026,100</u>	5.144

The County's investment in capital assets for its governmental activities as of December 31, 2007, was \$41,413,356 (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 total increase in the County's investment in capital assets for the current fiscal year was 5.144 percent, or \$2,026,100. The most significant increase in capital assets was in the area of infrastructure. The 2007 increase amounted to about \$1.87 million, about 6.155 percent.

Long-Term Debt

At the end of the current fiscal year, the County had total outstanding debt of \$8,412,209 versus \$8,624,342 last year--a decrease of 2.460 percent--as shown in Table V.

Table V
Outstanding Debt at Year-End

	2007	2006	\$ Change
Bonds payable			
General obligation capital improvement bonds	\$ 5,925,000	\$ 6,370,000	\$ (445,000)
Special assessment debt with governmental commitment	920,000	1,020,000	(100,000)
Revenue notes	103,300	103,300	-
Less: unamortized discounts	(42,965)	(43,288)	323
Total bonds and notes payable	<u>\$ 6,905,335</u>	<u>\$ 7,450,012</u>	<u>\$ (544,677)</u>
Promissory notes	561,489	263,294	298,195
Compensated absences	945,385	911,036	34,349
Long-Term Liabilities	<u>\$ 8,412,209</u>	<u>\$ 8,624,342</u>	<u>\$ (212,133)</u>

The County maintains a general obligation bond rating of “A3.” This rating is assigned by national rating agencies. The state limits the amount of net debt counties can issue to two percent of the total taxable market value of all property. In 2007, the taxable market value was \$1,774,703,300, and in 2006, the amount was \$1,571,346,300. The County’s outstanding net debt of \$8,412,209 is significantly below the state-imposed limit of \$35,494,066.

The County does not purchase commercial insurance for employee health coverage and has claims and judgments of \$66,911 outstanding at year-end compared with \$57,610 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 2008 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. The potential for more 2008 state aid cuts with little mandate relief will put significant pressure on Sibley County’s 2008 budget.
- For fiscal year 2008, Sibley County’s total taxable market value is \$1,908,603,400. This is an increase of \$133,900,100, or 7.545 percent, over the 2007 total taxable market value of \$1,774,703,300. This increase is a result of the County Sales Ratio Study conducted by the Sibley County Assessor’s Office. These studies are used to update market values on a yearly basis and are based on actual land transactions in the County from year to year.
- The unemployment rate for Sibley County is currently 4.5 percent. Sibley County’s unemployment rate is about the same percentage as the state unemployment rate of 4.7 percent.
- On December 26, 2007, the Sibley County Board of Commissioners approved the 2008 budget for \$23,070,663. The 2008 total levy is \$10,136,291, which is an increase of \$414,274 compared to the 2007 levy of \$9,722,017. The 2008 budget includes a 4.261 percent overall property tax levy 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, contact the Office of the Sibley County Auditor, Sibley County Courthouse, 400 Court Avenue, P. O. Box 171, Gaylord, Minnesota 55334, or you can visit our website at www.co.sibley.mn.us.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

	Primary Government Governmental Activities	Sibley County Library System Component Unit
<u>Assets</u>		
Current assets		
Cash and pooled investments	\$ 15,662,255	\$ 77,689
Petty cash and change funds	6,150	20
Departmental cash	12,290	-
Cash with fiscal agent	3,080,801	-
Investments	9,000	3,619
Taxes receivable		
Prior - net	127,692	-
Special assessments receivable		
Prior - net	10,835	-
Noncurrent - net	2,013,498	-
Accounts receivable - net	82,079	237
Accrued interest receivable	129,057	-
Due from other governments	1,212,011	27,321
Loans receivable	128,965	-
Inventories	745,346	-
Prepaid items	50,501	-
Noncurrent assets		
Advance to other governments	190,370	-
Deferred charges	29,774	-
Long-term receivables	143,014	-
Investment in joint venture	325,567	-
Capital assets		
Non-depreciable	1,322,147	-
Depreciable - net of accumulated depreciation	40,091,209	-
	\$ 65,372,561	\$ 108,886
Total Assets	\$ 65,372,561	\$ 108,886

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

	<u>Primary Government Governmental Activities</u>	<u>Sibley County Library System Component Unit</u>
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 484,037	\$ 9,501
Salaries payable	301,551	12,053
Contracts payable	3,752	-
Due to other governments	254,065	12,339
Accrued interest payable	100,712	-
Claims payable	66,911	-
Compensated absences payable - current	255,254	-
General obligation bonds payable - current	460,000	-
General obligation special assessment debt payable - current	75,000	-
General obligation promissory notes payable - current	23,877	-
Noncurrent liabilities		
Compensated absences payable	690,131	-
General obligation bonds payable	5,422,035	-
General obligation special assessment debt payable	845,000	-
Revenue notes payable	103,300	-
General obligation promissory notes payable	537,612	-
Advance from other governments	474,694	-
Total Liabilities	<u>\$ 10,097,931</u>	<u>\$ 33,893</u>
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 38,107,467	\$ -
Restricted for		
General government	304,512	-
Public safety	411,191	-
Highways and streets	78,783	-
Culture and recreation	74,836	-
Sanitation	84,563	-
Capital projects	247,069	-
Debt service	977,010	-
Unrestricted	14,989,199	74,993
Total Net Assets	<u>\$ 55,274,630</u>	<u>\$ 74,993</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Governmental activities		
General government	\$ 3,250,450	\$ 757,879
Public safety	2,322,692	225,810
Highways and streets	4,299,168	78,417
Sanitation	479,583	484,778
Human services	3,955,769	170,337
Health	1,554,064	494,983
Culture and recreation	307,549	2,653
Conservation of natural resources	972,486	567,833
Economic development	194,557	13,489
Interest	335,491	-
	\$ 17,671,809	\$ 2,796,179
 Component Unit		
Sibley County Library System	\$ 435,906	\$ 177,510

General Revenues

Property taxes
Gravel taxes
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Investment income
Miscellaneous
Gain on sale of capital assets

Total general revenues

Change in net assets

Net Assets - Beginning, as restated (Note 1.F.)

Net Assets - Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Sibley County Library System Component Unit
\$ 57,900	\$ -	\$ (2,434,671)	
366,599	-	(1,730,283)	
1,576,841	2,274,103	(369,807)	
-	-	5,195	
1,686,975	-	(2,098,457)	
938,034	-	(121,047)	
50,660	-	(254,236)	
93,321	-	(311,332)	
15,589	-	(165,479)	
-	-	(335,491)	
\$ 4,785,919	\$ 2,274,103	\$ (7,815,608)	
\$ 262,471	\$ -		\$ 4,075
		\$ 8,756,121	\$ -
		53,529	-
		19,408	-
		1,525,816	-
		947,530	-
		333,175	962
		21,246	-
		\$ 11,656,825	\$ 962
		\$ 3,841,217	\$ 5,037
		51,433,413	69,956
		\$ 55,274,630	\$ 74,993

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	General	Public Works	Human Services
<u>Assets</u>			
Cash and pooled investments	\$ 6,854,478	\$ 1,131,556	\$ 4,881,432
Petty cash and change funds	6,150	-	-
Departmental cash	12,290	-	-
Cash with fiscal agent	504,666	-	-
Investments	-	-	-
Taxes receivable			
Delinquent	63,845	28,955	25,660
Special assessments receivable			
Delinquent	5,124	-	-
Noncurrent	-	-	-
Accounts receivable	803	26,194	30,963
Accrued interest receivable	129,044	-	-
Due from other funds	545,332	5,979	1,023
Due from other governments	147,212	734,335	284,019
Loans receivable	-	-	-
Inventories	-	745,346	-
Prepaid items	41,563	-	8,938
Advances to other governments	190,370	-	-
Long-term receivables	143,014	-	-
	\$ 8,643,891	\$ 2,672,365	\$ 5,232,035
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 104,943	\$ 178,963	\$ 151,600
Salaries payable	177,294	56,745	65,973
Contracts payable	-	752	-
Due to other funds	6,989	-	969
Due to other governments	100,569	32,035	33,470
Deferred revenue - unavailable	106,164	659,396	25,660
Claims payable	66,911	-	-
Advance from other governments	-	474,694	-
	\$ 562,870	\$ 1,402,585	\$ 277,672

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

EXHIBIT 3

<u>Ditch</u>	<u>Individual Sewage Treatment System Loans</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,028,376	\$ 83,538	\$ 1,077,722	\$ 247,069	\$ 358,084	\$ 15,662,255
-	-	-	-	-	6,150
-	-	-	-	-	12,290
-	-	2,576,135	-	-	3,080,801
-	-	-	-	9,000	9,000
-	-	9,232	-	-	127,692
437	5,274	-	-	-	10,835
1,405,547	607,951	-	-	-	2,013,498
24,119	-	-	-	-	82,079
-	-	-	-	13	129,057
-	-	-	-	-	552,334
25,635	20,810	-	-	-	1,212,011
-	-	-	-	128,965	128,965
-	-	-	-	-	745,346
-	-	-	-	-	50,501
-	-	-	-	-	190,370
-	-	-	-	-	143,014
\$ 2,484,114	\$ 717,573	\$ 3,663,089	\$ 247,069	\$ 496,062	\$ 24,156,198
\$ 10,883	\$ 19,785	\$ -	\$ -	\$ 17,863	\$ 484,037
-	-	-	-	1,539	301,551
3,000	-	-	-	-	3,752
534,400	-	-	-	9,976	552,334
72,672	-	-	-	15,319	254,065
1,430,103	613,225	9,232	-	-	2,843,780
-	-	-	-	-	66,911
-	-	-	-	-	474,694
\$ 2,051,058	\$ 633,010	\$ 9,232	\$ -	\$ 44,697	\$ 4,981,124

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	General	Public Works	Human Services
<u>Liabilities and Fund Balances</u>			
(Continued)			
Fund Balances			
Reserved for			
Prepaid items	\$ 41,563	\$ -	\$ 8,938
Law library	29,802	-	-
Recorder's equipment	65,919	-	-
Probation fees	13,894	-	-
Inventories	-	745,346	-
Gravel pit closure	-	78,783	-
Advances to other governments	190,370	-	-
Loans receivable	-	-	-
Long-term receivable	143,014	-	-
Sheriff's contingency	8,217	-	-
Gun permits	2,600	-	-
Alcohol education	13,793	-	-
Land records technology	36,597	-	-
Attorney's forfeited property	25,360	-	-
Drug task force	83,422	-	-
Parks improvements	74,836	-	-
Check diversion	255	-	-
HAVA grant	38,043	-	-
E-911	235,250	-	-
Traffic diversion	66,956	-	-
Public transit	94,897	-	-
DARE	698	-	-
Shoreland ordinance	470	-	-
Debt service	-	-	-
Unused loan proceeds	-	-	-
Unreserved			
Designated for capital improvement	-	-	-
Designated for cash flows	3,755,005	-	4,945,425
Designated for petty cash and change funds	6,150	-	-
Undesignated	3,153,910	445,651	-
Unreserved, reported in nonmajor			
Special revenue funds	-	-	-
Total Fund Balances	\$ 8,081,021	\$ 1,269,780	\$ 4,954,363
Total Liabilities and Fund Balances	\$ 8,643,891	\$ 2,672,365	\$ 5,232,035

EXHIBIT 3
(Continued)

<u>Ditch</u>	<u>Individual Sewage Treatment System Loans</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,501
-	-	-	-	-	29,802
-	-	-	-	-	65,919
-	-	-	-	-	13,894
-	-	-	-	-	745,346
-	-	-	-	-	78,783
-	-	-	-	-	190,370
-	-	-	-	128,965	128,965
-	-	-	-	-	143,014
-	-	-	-	-	8,217
-	-	-	-	-	2,600
-	-	-	-	-	13,793
-	-	-	-	-	36,597
-	-	-	-	-	25,360
-	-	-	-	-	83,422
-	-	-	-	-	74,836
-	-	-	-	-	255
-	-	-	-	-	38,043
-	-	-	-	-	235,250
-	-	-	-	-	66,956
-	-	-	-	-	94,897
-	-	-	-	-	698
-	-	-	-	-	470
-	-	3,653,857	-	-	3,653,857
-	84,563	-	-	-	84,563
-	-	-	247,069	-	247,069
433,056	-	-	-	-	9,133,486
-	-	-	-	-	6,150
-	-	-	-	-	3,599,561
-	-	-	-	322,400	322,400
<u>\$ 433,056</u>	<u>\$ 84,563</u>	<u>\$ 3,653,857</u>	<u>\$ 247,069</u>	<u>\$ 451,365</u>	<u>\$ 19,175,074</u>
<u>\$ 2,484,114</u>	<u>\$ 717,573</u>	<u>\$ 3,663,089</u>	<u>\$ 247,069</u>	<u>\$ 496,062</u>	<u>\$ 24,156,198</u>

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007**

Fund balance - total governmental funds (Exhibit 3)		\$ 19,175,074
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		41,413,356
Investments in joint ventures are reported in governmental activities and are not financial resources. Therefore, they are not reported in the governmental funds.		325,567
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,843,780
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, net of discounts	\$ (6,802,035)	
Revenue notes payable	(103,300)	
General obligation promissory notes	(561,489)	
Compensated absences	(945,385)	
Accrued interest payable	(100,712)	
Deferred debt issuance charges	29,774	
	(8,483,147)	(8,483,147)
Net Assets of Governmental Activities (Exhibit 1)		<u>\$ 55,274,630</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Public Works</u>	<u>Human Services</u>
Revenues			
Taxes	\$ 4,434,170	\$ 2,135,584	\$ 1,679,162
Special assessments	133,351	-	-
Licenses and permits	43,181	-	-
Intergovernmental	2,246,179	4,078,796	1,994,260
Charges for services	1,369,051	69,627	49,279
Fines and forfeits	18,086	-	-
Gifts and contributions	1,945	-	-
Investment earnings	764,163	-	-
Miscellaneous	323,861	83,340	638,972
	<u>\$ 9,333,987</u>	<u>\$ 6,367,347</u>	<u>\$ 4,361,673</u>
Expenditures			
Current			
General government	\$ 3,059,400	\$ -	\$ -
Public safety	2,221,976	-	-
Highways and streets	-	5,934,136	-
Sanitation	147,481	-	-
Human services	-	-	3,525,741
Health	1,539,468	-	-
Culture and recreation	304,259	-	-
Conservation of natural resources	387,035	-	-
Economic development	187,288	-	-
Capital outlay	386,700	233,102	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Administrative charges	-	-	-
	<u>\$ 8,233,607</u>	<u>\$ 6,167,238</u>	<u>\$ 3,525,741</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 1,100,380</u>	<u>\$ 200,109</u>	<u>\$ 835,932</u>
Other Financing Sources (Uses)			
Transfers in	\$ 1,251	\$ 10,034	\$ -
Transfers out	(19,888)	-	-
General obligation promissory notes	-	-	-
Proceeds from the sale of capital assets	1,171	20,075	-
	<u>\$ (17,466)</u>	<u>\$ 30,109</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ 1,082,914</u>	<u>\$ 230,218</u>	<u>\$ 835,932</u>
Fund Balance - January 1 (Note 1.F.)	<u>6,998,107</u>	<u>1,031,566</u>	<u>4,118,431</u>
Increase (decrease) in reserved for inventories	<u>-</u>	<u>7,996</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 8,081,021</u>	<u>\$ 1,269,780</u>	<u>\$ 4,954,363</u>

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

EXHIBIT 5

Ditch	Individual Sewage Treatment System Loans	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 568,922	\$ -	\$ -	\$ 8,817,838
784,426	73,323	-	-	-	991,100
-	-	-	-	-	43,181
-	-	56,663	-	172,875	8,548,773
49,093	-	-	-	200	1,537,250
-	-	-	-	-	18,086
-	-	-	-	18,600	20,545
-	-	137,809	-	8,363	910,335
-	-	-	-	35,201	1,081,374
\$ 833,519	\$ 73,323	\$ 763,394	\$ -	\$ 235,239	\$ 21,968,482
\$ -	\$ -	\$ -	\$ -	\$ 27,492	\$ 3,086,892
-	-	-	-	-	2,221,976
-	-	-	-	-	5,934,136
-	340,752	-	-	-	488,233
-	-	-	-	-	3,525,741
-	-	-	-	769	1,540,237
-	-	-	-	-	304,259
370,575	-	-	-	204,978	962,588
-	-	-	-	7,755	195,043
-	-	-	34,003	-	653,805
100,000	-	445,000	-	-	545,000
54,109	-	251,188	-	-	305,297
1,446	-	1,229	-	-	2,675
\$ 526,130	\$ 340,752	\$ 697,417	\$ 34,003	\$ 240,994	\$ 19,765,882
\$ 307,389	\$ (267,429)	\$ 65,977	\$ (34,003)	\$ (5,755)	\$ 2,202,600
\$ 9,854	\$ -	\$ -	\$ -	\$ -	\$ 21,139
(1,251)	-	-	-	-	(21,139)
-	298,195	-	-	-	298,195
-	-	-	-	-	21,246
\$ 8,603	\$ 298,195	\$ -	\$ -	\$ -	\$ 319,441
\$ 315,992	\$ 30,766	\$ 65,977	\$ (34,003)	\$ (5,755)	\$ 2,522,041
117,064	53,797	3,587,880	281,072	457,120	16,645,037
-	-	-	-	-	7,996
\$ 433,056	\$ 84,563	\$ 3,653,857	\$ 247,069	\$ 451,365	\$ 19,175,074

**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, 2007**

Net change in fund balance - total governmental funds (Exhibit 5) \$ 2,522,041

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 assets, 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. (424,663)

In the funds, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment is the increase or decrease in revenue deferred as unavailable.

Deferred revenue - December 31	\$ 2,843,780	
Deferred revenue - January 1	<u>(3,318,974)</u>	(475,194)

Funds report capital outlay as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on disposal of assets is reported; whereas, in the fund, the proceeds increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets disposed of.

Expenditures for general capital assets	\$ 3,616,058	
Current year depreciation	<u>(1,589,958)</u>	2,026,100

Issuing long-term debt provides current financial resources, while debt repayment uses current financial resources. Neither transaction has any effect on net assets.

New borrowing on general obligation promissory notes		(298,195)
Repayment of debt principal - general obligation bonds		545,000

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

Change in accrued interest payable	\$ (25,103)	
Change in deferred charges	(2,093)	
Amortization of bond discounts	(323)	
Change in compensated absences	(34,349)	
Change in inventories	<u>7,996</u>	<u>(53,872)</u>

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 3,841,217

FIDUCIARY FUNDS

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2007**

	Private-Purpose Trust	Agency
<u>Assets</u>		
Cash and pooled investments	\$ 19,648	\$ 531,564
Investments	31,337	-
Accrued interest	495	-
Total Assets	\$ 51,480	\$ 531,564
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 81,315
Due to other governments	-	450,249
Total Liabilities	\$ -	\$ 531,564
<u>Net Assets</u>		
Net assets, held in trust	\$ 51,480	

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Private-Purpose Trust</u>
<u>Additions</u>	
Interest	\$ 1,598
<u>Deductions</u>	
Payments in accordance with trust agreements	<u>7,683</u>
Change in Net Assets	\$ (6,085)
Net Assets - Beginning of the Year	<u>57,565</u>
Net Assets - End of the Year	<u><u>\$ 51,480</u></u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2007. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Sibley County was established March 5, 1853, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Sibley County (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 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

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.

B. Basic Financial Statements

1. Government-Wide Statements

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

The government-wide statement of net assets: (a) is presented on a consolidated basis; and (b) is 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 assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

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

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

The Individual Sewage Treatment System Loans Special Revenue Fund is used to account for loans provided to private landowners for installation and replacement of individual sewage treatment systems.

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

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund types:

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Sibley County considers property taxes and special assessments to be available if collected within 60 days of the end of the current period. Sibley County considers licenses, interest, and all other revenues susceptible to accrual as available if collected within 90 days after the end of the current period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2007, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2007 were \$764,163.

2. Receivables and Payables

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

When appropriate, all receivables are shown net of an allowance for uncollectibles.

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

3. Inventories

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Capital Assets

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

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

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

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

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

5. Compensated Absences

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period. Governmental funds and the government-wide statements also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current year, there was no unearned revenue. The various components of deferred revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes	\$ 127,692	\$ -
Special assessments receivable delinquent and deferred	2,024,333	-
Highway allotments that do not provide current financial resources	630,441	-
Deferred revenue from accrued interest	37,195	-
Receivable from Ditch Fund petitioners	24,119	-
Total Deferred/Unearned Revenue for All Governmental Funds	\$ 2,843,780	\$ -

Advances from other governments in the Public Works Special Revenue Fund result from advances from the Minnesota Department of Transportation for highway allotments for construction.

7. Long-Term Obligations

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

7. Long-Term Obligations (Continued)

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.

8. Fund Equity

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

9. Use of Estimates

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

E. Revenues

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Revenues (Continued)

Imposed Nonexchange Transactions

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

Intergovernmental

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

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

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

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**

1. Summary of Significant Accounting Policies (Continued)

F. Restatement - Net Assets and Fund Balance

Net Assets - January 1, as previously reported	\$ 51,495,146
Less: Library Fund	(61,733)
	\$ 51,433,413
Fund Balance - January 1, as previously reported	\$ 16,706,770
Less: Library Fund	(61,733)
	\$ 16,645,037

In 2006, the County reported the Library's activities as a nonmajor governmental fund. In 2007, the Sibley County Library System is reported as a discrete component unit of Sibley County.

2. Stewardship, Compliance, and Accountability

A. Ditch Fund Equity

On the full accrual basis of accounting, 10 of the 137 drainage systems have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balance as of December 31, 2007, using the full accrual basis of accounting.

Account balances	\$ 955,700
Account deficits	(12,541)
	\$ 943,159

Using the modified accrual basis of accounting, noncurrent receivables and bonds payable do not affect fund balance. Noncurrent receivables are deferred, and bonds payable are not reported. Using this basis of accounting, 25 ditches had fund deficits.

Account balances	\$ 972,292
Account deficits	(539,236)
	\$ 433,056

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

B. Expenditures in Excess of Appropriations

For the year ended December 31, 2007, expenditures exceeded appropriations by \$1,294,785 in the Public Works Special Revenue Fund; by \$59,477 in the Debt Service Fund; and by \$150,948 in the Water Assessment Project Special Revenue Fund. In the Public Works Special Revenue Fund, expenditures exceeded appropriations because of the continued expenses associated with the necessary bridge repairs during 2007 that were not included in the budget. Interest paid by the escrow agent for the 2007 crossover refunding bonds was not budgeted for in the Debt Service Fund. In the Water Assessment Projects Special Revenue Fund, expenditures exceeded appropriations due to the increased cost of contracted services and the shared cost of the Water Planning Coordinator that were not fully budgeted for.

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 funds		
Cash and pooled investments	\$	15,662,255
Petty cash and change funds		6,150
Cash with fiscal agent		3,080,801
Fund investments		9,000
Fiduciary funds		
Private-purpose trust funds		
Cash and pooled investments		19,648
Fund investments		31,337
Agency funds		
Cash and pooled investments		531,564
Library cash held by the Treasurer		71,549
		19,412,304
Total Cash and Investments	\$	19,412,304
Deposits	\$	2,951,981
Petty cash and change funds		6,150
Investments		16,454,173
		19,412,304
Total	\$	19,412,304

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, except for what is covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better or revenue obligations rated "AA" or better; irrevocable 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, 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, 2007, 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

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

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

**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 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. The County only invests 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 has a custodial credit risk policy that permits the County's brokers to hold the County's investments to the extent that the brokers have SIPC insurance. At December 31, 2007, the investments held in the fiscal agent accounts, which totaled \$3,080,801, and the certificates of deposit purchased through CDARS, which totaled \$500,000, were subject to custodial 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 investment balances at December 31, 2007, and information relating to potential investment risks:

Investment – Issuer	Credit Risk		Concentration Risk (%)	Interest Rate Risk	Fair Value
	Credit Rating	Rating Agency		Maturity Date	
Federal Home Loan Bank Wachovia Securities					
Federal Home Loan Bank	Aaa	Moody's		06/30/2008	\$ 118,988
Federal Home Loan Bank	Aaa	Moody's		07/29/2008	200,314
Federal Home Loan Bank	Aaa	Moody's		12/30/2008	225,486
Federal Home Loan Bank	Aaa	Moody's		12/30/2008	99,779
Federal Home Loan Bank	Aaa	Moody's		01/19/2010	200,154
Federal Home Loan Bank	Aaa	Moody's		03/30/2010	100,479
Federal Home Loan Bank	Aaa	Moody's		12/09/2010	99,927
Federal Home Loan Bank	Aaa	Moody's		07/10/2012	100,035
Wells Fargo Brokerage					
Federal Home Loan Bank	Aaa	Moody's		02/06/2008	250,158
Federal Home Loan Bank	Aaa	Moody's		08/08/2008	100,031
Federal Home Loan Bank	Aaa	Moody's		07/23/2008	200,126
Federal Home Loan Bank	Aaa	Moody's		06/27/2011	252,033
Federal Home Loan Bank	Aaa	Moody's		10/24/2012	200,750
Federal Home Loan Bank	Aaa	Moody's		11/06/2012	202,062
Federal Home Loan Bank	Aaa	Moody's		12/12/2014	251,095
Total Federal Home Loan Bank			15.81		\$ 2,601,417
Federal National Mortgage Association					
Wachovia Securities					
Federal National Mortgage Association	Aaa	Moody's		09/05/2012	\$ 404,625
Federal National Mortgage Association	Aaa	Moody's		11/07/2012	300,864
Federal National Mortgage Association	Aaa	Moody's		05/07/2015	300,750
Federal National Mortgage Association	Aaa	Moody's		12/12/2017	150,422
Total Federal National Mortgage Association			7.03		\$ 1,156,661

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment - Issuer	Credit Risk		Concentration Risk (%)	Interest Rate Risk	Fair Value
	Credit Rating	Rating Agency		Maturity Date	
Federal Home Loan Mortgage Corporation Wachovia Securities					
Federal Home Loan Mortgage Corporation	Aaa	Moody's		10/23/2012	\$ 201,840
Federal Home Loan Mortgage Corporation	Aaa	Moody's		11/26/2014	251,624
Federal Home Loan Mortgage Corporation	Aaa	Moody's		12/19/2017	298,889
Federal Home Loan Mortgage Corporation	Aaa	Moody's		12/27/2017	350,000
Total Federal Home Loan Mortgage Corporation			6.70		\$ 1,102,353
Farm Credit Note Wells Fargo Brokerage					
Farm Credit Note	Aaa	Moody's	1.23	04/20/2011	\$ 202,000
Negotiable Certificates of Deposit Wachovia Securities					
Cathay Bank, Los Angeles, CA	N/A	N/A	0.59	01/10/2008	\$ 97,000
Indymac Bank, Pasadena, CA	N/A	N/A	0.59	01/10/2008	97,000
Seattle Savings Bank	N/A	N/A	0.59	01/13/2008	97,000
Carolina First Bank, Greenville, SC	N/A	N/A	0.58	02/11/2008	95,000
One United Bank, Boston, MA	N/A	N/A	0.59	02/12/2008	97,000
Florida Choice Bank, Mount Dora, FL	N/A	N/A	0.59	02/15/2008	97,000
Paragon Commercial Bank, Raleigh, NC	N/A	N/A	0.59	02/19/2008	97,000
National Bank, Sumter, SC	N/A	N/A	0.58	03/07/2008	95,086
Bank North GA, Alpharetta, GA	N/A	N/A	0.59	03/12/2008	97,000
Washington Mutual Bank, Henderson, NV	N/A	N/A	0.59	03/12/2008	97,000
Pacific Cap Bank, Santa Barbara, CA	N/A	N/A	0.59	03/28/2008	97,000
Discover Bank, Greenwood, DE	N/A	N/A	0.59	04/14/2008	97,000
Midfirst Bank, Oklahoma City, OK	N/A	N/A	0.59	04/24/2008	97,000
Tomatobank NA, Diamond Bar, CA	N/A	N/A	0.59	04/28/2008	97,000
State Bank India, New York, NY	N/A	N/A	0.59	04/30/2008	97,000
NCB FSB, Hillsboro, OH	N/A	N/A	0.59	06/30/2008	97,000
Bancorp Bank, Wilmington, DE	N/A	N/A	0.59	06/30/2008	97,000
Colonial Bank, Montgomery, AL	N/A	N/A	0.58	07/31/2008	96,000
Coastal Bank, Brunswick, GA	N/A	N/A	0.58	11/07/2008	95,000
Orion Bank, Naples, FL	N/A	N/A	0.58	11/07/2008	95,277
E Trade Bank, Arlington, VA	N/A	N/A	0.58	11/28/2008	95,000
Imperial Cap Bank, La Jolla, CA	N/A	N/A	0.58	12/12/2008	95,299
Sterling Savings Bank, Spokane, WA	N/A	N/A	0.58	12/18/2008	95,319
Commercial Bank	N/A	N/A	0.58	05/13/2009	96,097
National Bank Comm	N/A	N/A	0.59	11/02/2009	96,287
Hilltop Community Bank	N/A	N/A	0.59	11/06/2009	96,284
Professional Business Foundation Bank	N/A	N/A	0.58	05/20/2010	95,026
	N/A	N/A	0.59	11/15/2010	96,533

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment - Issuer	Credit Risk		Concentration Risk (%)	Interest Rate Risk	Fair Value
	Credit Rating	Rating Agency		Maturity Date	
Wells Fargo Brokerage					
Firstbank of Puerto Rico	N/A	N/A	0.58	02/21/2008	95,060
Lehman Brothers Commercial Bank	N/A	N/A	0.58	02/22/2008	95,054
United Central Bank, Garland, TX	N/A	N/A	0.58	05/07/2008	95,030
Republic Federal Bank, Miami, FL	N/A	N/A	0.58	05/09/2008	95,031
Franklin Bank, Houston, TX	N/A	N/A	0.37	12/26/2008	60,145
Home Federal, Rochester, MN	N/A	N/A	0.58	12/26/2008	95,230
Security B & TC, Albany, GA	N/A	N/A	0.58	12/26/2008	95,231
Southwest USA, Las Vegas, NV	N/A	N/A	0.58	06/29/2009	95,751
Fidelity Bank, Norcross, GA	N/A	N/A	0.58	07/01/2009	95,556
New Frontier Bank, Greeley, CO	N/A	N/A	0.37	12/14/2009	60,499
Capital One, Glen Allen, VA	N/A	N/A	0.58	12/21/2009	95,792
GMAC Bank	N/A	N/A	0.58	12/21/2009	95,864
Purchased through CDARs					
Hometown Bank, Henderson, MN	N/A	N/A	1.52	01/17/2008	250,000
Hometown Bank, Henderson, MN	N/A	N/A	1.52	01/24/2008	250,000
Total Negotiable Certificates of Deposit					<u>\$ 4,271,451</u>
Mutual Fund					
Federal - Prime Cash Obligation Fund	N/A	N/A	16.67	N/A	<u>\$ 2,742,784</u>
Minnesota Association of Counties					
Investing for Counties (MAGIC)	N/A	N/A	7.88	N/A	<u>\$ 1,296,535</u>
Cash and Investments with Fiscal Agent or Broker					
Northland Trust Services					
Fannie Mae - STRIPS	N/A	N/A	15.66	02/15/2008	<u>\$ 2,576,135</u>
Cash with Fiscal Agent	N/A	N/A	3.07	N/A	<u>\$ 504,666</u>
Cash with Broker	N/A	N/A	0.00	N/A	<u>\$ 171</u>
Total			<u>100.00</u>		<u>\$ 16,454,173</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

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

Year Ending December 31	Long-Term Receivables Principal
2008	\$ 8,871
2009	9,203
2010	8,765
2011	9,934
2012	10,340
2013 - 2014	95,901
Total	\$ 143,014

3. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,288,439	\$ 33,708	\$ -	\$ 1,322,147
Capital assets depreciated				
Infrastructure	\$ 38,164,707	\$ 2,859,930	\$ -	\$ 41,024,637
Buildings	7,715,006	73,411	42,874	7,745,543
Machinery, furniture, and equipment	5,142,319	639,696	337,712	5,444,303
Improvements other than buildings	25,026	9,313	-	34,339
Total capital assets depreciated	\$ 51,047,058	\$ 3,582,350	\$ 380,586	\$ 54,248,822

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Infrastructure	\$ 7,738,895	\$ 987,070	\$ -	\$ 8,725,965
Buildings	1,963,367	195,220	42,874	2,115,713
Machinery, furniture, and equipment	3,238,636	404,378	337,712	3,305,302
Improvements other than buildings	7,343	3,290	-	10,633
	<u>\$ 12,948,241</u>	<u>\$ 1,589,958</u>	<u>\$ 380,586</u>	<u>\$ 14,157,613</u>
Total accumulated depreciation				
Total capital assets depreciated, net	\$ 38,098,817	\$ 1,992,392	\$ -	\$ 40,091,209
Total Capital Assets, Net	<u>\$ 39,387,256</u>	<u>\$ 2,026,100</u>	<u>\$ -</u>	<u>\$ 41,413,356</u>

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

Governmental Activities	
General government	\$ 255,355
Public safety	83,685
Highways and streets, including depreciation of infrastructure assets	1,234,188
Human services	3,641
Public health	3,604
Culture and recreation	927
Conservation of natural resources	8,558
	<u>8,558</u>
Total Depreciation Expense	<u>\$ 1,589,958</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2007, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Human Services Fund	\$ 969
	Ditch Fund	534,400
	Forfeited Taxes Fund	9,963
Public Works Fund	General Fund	5,979
Human Services	General Fund	1,010
	Water Assessment Projects Fund	13
Total Due To/From Other Funds		<u>\$ 552,334</u>

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, consisted of the following:

Transfer from Ditch Fund to the General Fund	\$ 1,251	Closed County Ditch 56, transfer amount represents interest owed to the General Fund
Transfer from General Fund to the Public Works Fund	10,034	The cost for Public Works to keep up the park systems
Transfers from General Fund to the Ditch Fund	<u>9,854</u>	To correct a deficit ditch account
Total Interfund Transfers	<u>\$ 21,139</u>	

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Operating Leases

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

2008	\$	396
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In November 2007, the County entered into an operating lease for a Cannon copier. Minimum future rental payments are:

2008	\$	4,590
2009		4,590
2010		4,590
2011		4,590
2012		4,208

2. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2007
General obligation bonds					
2001 G.O. Law Enforcement Refunding Bonds	2009	\$125,000 - \$160,000	2.25 - 3.70	\$ 1,005,000	\$ 315,000
2001A G.O. Capital Improvement Bonds	2021	\$100,000 - \$260,000	3.30 - 5.10	3,405,000	2,680,000
2003 G.O. Courthouse Bonds	2008	\$80,000 - \$100,000	3.00 - 3.50	450,000	100,000
2003 G.O. Jail Facility Refunding Bonds	2010	\$60,000 - \$70,000	1.65 - 3.55	385,000	200,000
2005 G.O. Capital Improvement Refunding Bonds	2021	\$165,000 - \$250,000	2.65 - 4.15	2,630,000	2,630,000
Total general obligation bonds				\$ 7,875,000	\$ 5,925,000
Less: unamortized discount					(42,965)
Net General Obligation Bonds					\$ 5,882,035

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2007
General obligation special assessment bonds					
1996 G.O. Special Assessment Drainage Ditch Bonds	2017	\$20,000 - \$95,000	4.00 - 5.70	\$ 700,000	\$ 200,000
2002 G.O. Special Assessment Watershed District Bonds	2023	\$25,000 - \$60,000	2.00 - 5.00	800,000	685,000
2003 G.O. Special Assessment Refunding Drainage Ditch Bonds	2009	\$10,000 - \$30,000	1.65 - 3.20	115,000	35,000
Total General Obligation Special Assessment Bonds				<u>\$ 1,615,000</u>	<u>\$ 920,000</u>
General obligation revenue notes					
1998 G.O. Revenue Note - County-Wide	2021	\$50,000	-	\$ 50,000	\$ 50,000
2001 G.O. Revenue Note - County-Wide	2021	\$53,300	-	53,300	53,300
Total General Obligation Revenue Notes				<u>\$ 103,300</u>	<u>\$ 103,300</u>
General obligation promissory notes					
G.O. Promissory Notes High Island I	2017	N/A	2.00	\$ 276,872	\$ 276,872
G.O. Promissory Notes Rush River I	N/A	N/A	2.00	258,609	258,609
G.O. Promissory Notes Rush River II	N/A	N/A	2.00	15,073	15,073
G.O. Promissory Notes Buffalo Creek	N/A	N/A	2.00	10,935	10,935
Total G.O. Promissory Notes				<u>\$ 561,489</u>	<u>\$ 561,489</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2007, were as follows:

Year Ending December 31	General Obligation Bonds		General Obligation Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2008	\$ 460,000	\$ 235,445	\$ 75,000	\$ 41,781
2009	540,000	217,873	60,000	39,203
2010	385,000	201,833	55,000	36,814
2011	335,000	188,921	55,000	34,413
2012	345,000	176,135	55,000	31,950
2013 - 2017	1,960,000	651,679	305,000	117,773
2018 - 2022	1,900,000	180,355	255,000	48,103
2023	-	-	60,000	1,500
Total	\$ 5,925,000	\$ 1,852,241	\$ 920,000	\$ 351,537

The general obligation revenue notes principal of \$103,300 and no interest are due and payable in the year ending December 31, 2021.

Amounts reported as general obligation promissory notes are borrowed against loan agreements with the Minnesota Pollution Control Agency (MPCA).

On November 9, 2004, the County approved an agreement with the MPCA for the High Island Implementation Project loan. The loan is not to exceed the amount of \$1,000,000, but the County may draw up to \$545,000 at this time. The remaining \$455,000 will require a new or amended agreement. Payments on this loan begin in 2008.

On May 23, 2006, the County approved an agreement with the MPCA for the Rush River Project loan. The loan is not to exceed the amount of \$1,000,000, but the County may draw up to \$259,000 at this time. During 2007, the County reached its loan capacity and had an amended loan agreement approved on September 11, 2007, for \$333,333. The amended loan agreement has become Rush River Project II. Payments on the Rush River Project I loan are projected to begin in 2009, and payments on Rush River Project II are projected to begin in 2011.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Debt Service Requirements (Continued)

On May 23, 2006, the County approved an agreement for the Buffalo Creek Project loan. The loan is not to exceed \$250,000, but the County may draw up to \$50,000 at this time. The remaining \$200,000 will require a new or amended agreement with the MPCA; payments on the loan are projected to begin in 2009. The County began drawing on the loan in 2007.

On July 10, 2007, the County approved an agreement for the Middle Minnesota Watershed Project loan. The loan is not to exceed \$45,000; the County can currently draw up to \$15,000 on this note, but has not drawn anything as of December 31, 2007. The remaining \$30,000 will require a new or amended agreement with the MPCA. Payments on this loan are projected to begin in 2011.

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Long-Term Liabilities					
Bonds and notes payable					
General obligation bonds	\$ 6,370,000	\$ -	\$ 445,000	\$ 5,925,000	\$ 460,000
General obligation special Assessment bonds	1,020,000	-	100,000	920,000	75,000
General obligation revenue notes	103,300	-	-	103,300	-
General obligation Promissory notes	263,294	298,195	-	561,489	23,877
Less: discounts	(43,288)	-	(323)	(42,965)	-
Total bonds and notes payable	\$ 7,713,306	\$ 298,195	\$ 544,677	\$ 7,466,824	\$ 558,877
Compensated absences	911,036	44,229	9,880	945,385	255,254
Governmental Activities Long-Term Liabilities	<u>\$ 8,624,342</u>	<u>\$ 342,424</u>	<u>\$ 554,557</u>	<u>\$ 8,412,209</u>	<u>\$ 814,131</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Crossover Refunding

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

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

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund.

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

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

For all Public Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

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

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.75 percent, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan increased in 2008 to 6.00 percent. Public Employees Police and Fire Fund members were required to contribute 7.80 percent of their annual covered salary in 2007. That rate increased to 8.60 percent in 2008. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2007 and 2008:

	<u>2007</u>	<u>2008</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.25	6.50
Public Employees Police and Fire Fund	11.70	12.90
Public Employees Correctional Fund	8.75	8.75

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2007, 2006, and 2005, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Public Employees Retirement Fund	\$ 323,531	\$ 291,942	\$ 259,942
Public Employees Police and Fire Fund	69,981	57,262	47,137
Public Employees Correctional Fund	31,585	28,803	27,639

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

B. Defined Contribution Plan

Two of Sibley County's elected officials are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA in accordance with Minn. Stat. ch. 353D. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minn. Stat. § 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2007, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 2,660	\$ 2,660
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County self-insures for employee health. 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 \$400,000 per claim in 2007 and \$410,000 per claim in 2008. 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.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

In 2000, the County entered into an agreement with McLeod County to provide a mechanism for utilizing a pooled self-funded health insurance program under the authority granted to the counties in Minn. Stat. § 471.59. Premiums are paid to MCIT which provides bookkeeping services to the counties, including the payment of claims. For 2007, 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 re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended December 31	
	2006	2007
Unpaid claims, beginning of fiscal year	\$ 79,994	\$ 57,610
Incurred claims (including IBNRs)	695,355	676,198
Claims payments	(717,739)	(666,897)
Unpaid Claims, End of Fiscal Year	\$ 57,610	\$ 66,911

B. Contingent Liabilities

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

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

In 1993, the South Central Minnesota Multi-County Housing Authority issued \$20,315,000 of revenue bonds to construct housing units in Sibley County and four surrounding counties. The Authority has since defaulted on these bonds. In 2000, the counties entered into a settlement agreement where each of the counties will approve a special tax levy on behalf of the Authority from 2001 through 2024 to cover the operating deficits based on each county's proportionate share of the housing units constructed. Sibley County's proportionate share of the operating deficit for 2007 is \$111,600. The proportionate shares of the counties may change for the years 2008 through 2024 if there are changes in the taxable market value over the 2001 taxable market value.

C. Joint Ventures

Tri-County Solid Waste

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

One-half of the financing is provided by appropriations from the three counties based on the ratio of their population to the total population of the member counties, and one-half is provided by an equal appropriation from the three counties. Sibley County contributed \$71,301 in 2007. Sibley County is the fiscal agent. Current audited financial statements are not available.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Meeker-McLeod-Sibley Community Health Services Board

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

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

Minnesota River Basin

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

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

Financing is provided by a contribution from each member county based on its share of the annual budget. Sibley County paid dues in the amount of \$1,593 in 2007. Complete audited financial statements for the Minnesota River Basin can be obtained from its administrative office at Administration Building No. 14, 600 East 4th Street, Chaska, Minnesota 55318.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

South Country Health Alliance

The South Country Health Alliance (SCHA) was created by a joint powers agreement between Brown, Dodge, Freeborn, Goodhue, Kanabec, Mower, Sibley, Steele, Wabasha, and Waseca Counties on July 24, 1998, under Minn. Stat. § 471.59. Mower County has since withdrawn. The agreement was amended in 2006 to give the original counties an equity interest in the joint venture, retroactive to 2001. In 2007, Cass, Crow Wing, Morrison, Todd, and Wadena Counties joined the joint venture. The agreement was in accordance with Minn. Stat. § 256B.692, which allows the formation of a board of directors to operate, control, and manage all matters concerning the participating member counties' health care functions, referred to as county-based purchasing.

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

Each member county has an explicit and measurable right to its share of the total capital surplus of the SCHA. Gains and losses are allocated to all members based on the percentage of their utilization. The County's equity interest in the SCHA at the end of 2007 was \$325,567. The equity interest is reported as an investment in joint venture on the government-wide statement of net assets. The County reported distributions from the SCHA of \$584,289 in 2006 and does not anticipate any further distributions at this time.

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Trailblazer Transit Board

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

Financing is primarily provided from user fees and state and federal grants. Member counties are committed to providing the local match necessary to meet the requirements for state and federal funding. For 2007, Sibley County made contributions of \$144,979.

Complete financial statements for the Trailblazer Transit Board can be obtained from the administrative office at P. O. Box 88, Gaylord, Minnesota 55334.

Crow River Joint Powers Agreement

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

The governing board is composed of one board member from each of the participating counties. Financing is provided by state proceeds. Current audited financial statements are available at 322 South Minnesota Avenue, St. Peter, Minnesota 56082.

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

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

D. Jointly-Governed Organizations

Sibley County Children’s Collaborative

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

Sibley County Children’s Collaborative

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

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

Three Counties for Kids Collaborative

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

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

South Central Minnesota Emergency Medical Services

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

6. Subsequent Event

The joint venture, South Country Health Alliance, has recommended that in 2008 there be a capital call from Sibley County of \$444,042, payable in two installments. The first installment of \$222,021 was paid on May 20, 2008, and the second installment of \$222,021 is due no later than November 25, 2008.

7. Sibley County Library System Discrete Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

Reporting Entity

The Sibley County Library System is an organization formed by the County to provide library services to Sibley County. There are branch libraries in five cities: Arlington, Gaylord, Gibbon, Henderson, and Winthrop. The Library Board consists of seven members, one 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 Library Board, 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

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

Basis of Accounting

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

7. Sibley County Library System Discrete Component Unit Disclosures (Continued)

B. Detailed Notes on the General Fund

Deposits

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

Cash held by the County Treasurer	\$ 71,549
Cash with the Arlington Branch	3,890
Cash with the Henderson Branch	<u>2,250</u>
 Total Cash and Pooled Investments	 <u>\$ 77,689</u>

Minn. Stat. §§ 118A.02 and 118A.04 authorize the Sibley County Library System to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all Sibley County Library System deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day 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 deposits may not be returned to it. As of December 31, 2007, the Sibley County Library System's deposits were not exposed to custodial credit risk.

Investments

The Sibley County Library System received 72 shares of Medtronic, Inc., as a gift several years ago. The Sibley County Library System has chosen to hold on to the stock and has possession of the stock certificates.

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REQUIRED SUPPLEMENTARY INFORMATION

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,927,997	\$ 4,927,997	\$ 4,434,170	\$ (493,827)
Special assessments	130,000	130,000	133,351	3,351
Licenses and permits	64,260	64,260	43,181	(21,079)
Intergovernmental	1,510,843	1,510,843	2,246,179	735,336
Charges for services	1,110,935	1,110,935	1,369,051	258,116
Fines and forfeits	1,500	1,500	18,086	16,586
Gifts and contributions	1,000	1,000	1,945	945
Investment earnings	406,731	406,731	764,163	357,432
Miscellaneous	187,858	187,858	323,861	136,003
Total Revenues	\$ 8,341,124	\$ 8,341,124	\$ 9,333,987	\$ 992,863
Expenditures				
Current				
General government				
Commissioners	\$ 205,414	\$ 339,900	\$ 225,701	\$ 114,199
Courts	23,000	21,000	22,639	(1,639)
Law library	28,000	28,000	33,941	(5,941)
County auditor	373,262	384,166	357,242	26,924
County treasurer	150,916	159,335	151,003	8,332
County assessor	280,831	284,482	285,976	(1,494)
Audit services	65,000	65,000	65,141	(141)
Elections - voter registration	26,238	27,428	20,884	6,544
Election and technology	32,254	32,254	-	32,254
Data processing	337,823	340,389	335,860	4,529
Computer - truth in taxation	4,900	4,900	4,878	22
Human resources	111,161	120,897	114,727	6,170
Attorney	386,301	390,000	314,341	75,659
Recorder	375,779	378,613	346,454	32,159
Surveyor	30,000	30,000	23,969	6,031
Planning and zoning	81,820	83,052	91,132	(8,080)
Buildings	74,835	95,141	93,905	1,236
Building custodians	147,411	152,023	135,802	16,221
Jail buildings	62,650	70,103	84,259	(14,156)
Service center	60,375	66,103	67,549	(1,446)
Barclay property	-	-	1,368	(1,368)
Veterans service officer	85,529	86,584	64,404	22,180
Public transit	120,000	120,000	144,979	(24,979)
County fleet car	-	9,682	8,487	1,195
Feedlot program	56,546	57,854	51,524	6,330
Shoreland ordinance	3,076	3,076	3,934	(858)
Other general government	-	-	9,301	(9,301)
Total general government	\$ 3,123,121	\$ 3,349,982	\$ 3,059,400	\$ 290,582

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

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<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	\$ 1,950,640	\$ 2,000,182	\$ 1,998,956	\$ 1,226
Probation officer	173,808	175,331	176,314	(983)
Sentenced to serve	17,625	17,625	8,952	8,673
Emergency management	37,449	41,307	37,754	3,553
Total public safety	\$ 2,179,522	\$ 2,234,445	\$ 2,221,976	\$ 12,469
Sanitation				
Recycling	\$ 186,939	\$ 187,703	\$ 147,182	\$ 40,521
Hazardous waste	431	484	299	185
Total sanitation	\$ 187,370	\$ 188,187	\$ 147,481	\$ 40,706
Health				
Nursing service	\$ 1,495,692	\$ 1,518,129	\$ 1,537,012	\$ (18,883)
Community health services	2,163	2,163	2,456	(293)
Total health	\$ 1,497,855	\$ 1,520,292	\$ 1,539,468	\$ (19,176)
Culture and recreation				
Historical society	\$ 18,325	\$ 18,325	\$ 12,329	\$ 5,996
County library	227,714	227,714	227,881	(167)
Parks	78,160	78,160	61,631	16,529
Park improvement	72,348	72,348	-	72,348
Tourism	2,355	2,355	2,418	(63)
Total culture and recreation	\$ 398,902	\$ 398,902	\$ 304,259	\$ 94,643
Conservation of natural resources				
Soil and water conservation	\$ 114,040	\$ 114,040	\$ 114,040	\$ -
County extension	145,152	146,324	144,464	1,860
Agriculture ditch inspector	110,541	121,950	122,221	(271)
County fair	6,310	6,310	6,310	-
Total conservation of natural resources	\$ 376,043	\$ 388,624	\$ 387,035	\$ 1,589

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Economic development				
Minnesota Valley Action Council	\$ 8,619	\$ 8,619	\$ 14,192	\$ (5,573)
Economic Development Commission	58,410	70,986	60,983	10,003
Housing and Redevelopment Authority	112,900	112,900	112,113	787
Total economic development	\$ 179,929	\$ 192,505	\$ 187,288	\$ 5,217
Unallocated				
Non-departmental	\$ 332,195	\$ -	\$ -	\$ -
Capital outlay				
General government	\$ 235,300	\$ 237,300	\$ 227,967	\$ 9,333
Public safety	84,000	84,000	158,733	(74,733)
Total capital outlay	\$ 319,300	\$ 321,300	\$ 386,700	\$ (65,400)
Total Expenditures	\$ 8,594,237	\$ 8,594,237	\$ 8,233,607	\$ 360,630
Excess of Revenues Over (Under) Expenditures	\$ (253,113)	\$ (253,113)	\$ 1,100,380	\$ 1,353,493
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 1,251	\$ 1,251
Transfers out	(24,000)	(24,000)	(19,888)	4,112
Proceeds from the sale of capital assets	-	-	1,171	1,171
Total Other Financing Sources (Uses)	\$ (24,000)	\$ (24,000)	\$ (17,466)	\$ 6,534
Net Change in Fund Balance	\$ (277,113)	\$ (277,113)	\$ 1,082,914	\$ 1,360,027
Fund Balance - January 1	6,998,107	6,998,107	6,998,107	-
Fund Balance - December 31	\$ 6,720,994	\$ 6,720,994	\$ 8,081,021	\$ 1,360,027

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
PUBLIC WORKS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,333,755	\$ 2,333,755	\$ 2,135,584	\$ (198,171)
Intergovernmental	2,473,148	2,473,148	4,078,796	1,605,648
Charges for services	32,000	32,000	69,627	37,627
Miscellaneous	59,050	59,050	83,340	24,290
Total Revenues	\$ 4,897,953	\$ 4,897,953	\$ 6,367,347	\$ 1,469,394
Expenditures				
Current				
Highways and streets				
Administration	\$ 349,546	\$ 349,546	\$ 333,037	\$ 16,509
Maintenance	1,946,135	1,946,135	1,974,369	(28,234)
Engineering/construction	1,278,320	1,278,320	2,625,143	(1,346,823)
Equipment, maintenance, and shop	711,121	711,121	777,632	(66,511)
Highway township allotments	227,831	227,831	217,160	10,671
Highway equipment purchase levy	-	-	6,795	(6,795)
Total highways and streets	\$ 4,512,953	\$ 4,512,953	\$ 5,934,136	\$ (1,421,183)
Capital outlay				
Highways and streets	359,500	359,500	233,102	126,398
Total Expenditures	\$ 4,872,453	\$ 4,872,453	\$ 6,167,238	\$ (1,294,785)
Excess of Revenues Over (Under) Expenditures	\$ 25,500	\$ 25,500	\$ 200,109	\$ 174,609
Other Financing Sources (Uses)				
Transfers in	\$ 24,000	\$ 24,000	\$ 10,034	\$ (13,966)
Transfers out	(49,500)	(49,500)	-	49,500
Proceeds from sale of assets	-	-	20,075	20,075
Total Other Financing Sources (Uses)	\$ (25,500)	\$ (25,500)	\$ 30,109	\$ 55,609
Net Change in Fund Balance	\$ -	\$ -	\$ 230,218	\$ 230,218
Fund Balance - January 1	1,031,566	1,031,566	1,031,566	-
Increase (decrease) in reserved for inventories	-	-	7,996	7,996
Fund Balance - December 31	\$ 1,031,566	\$ 1,031,566	\$ 1,269,780	\$ 238,214

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

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,872,625	\$ 1,872,625	\$ 1,679,162	\$ (193,463)
Intergovernmental	1,700,983	1,700,983	1,994,260	293,277
Charges for services	57,900	57,900	49,279	(8,621)
Miscellaneous	220,563	220,563	638,972	418,409
Total Revenues	\$ 3,852,071	\$ 3,852,071	\$ 4,361,673	\$ 509,602
Expenditures				
Current				
Human services				
Income maintenance	\$ 936,196	\$ 936,196	\$ 829,949	\$ 106,247
Social services	2,890,875	2,890,875	2,668,958	221,917
Other	25,000	25,000	26,834	(1,834)
Total Expenditures	\$ 3,852,071	\$ 3,852,071	\$ 3,525,741	\$ 326,330
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 835,932	\$ 835,932
Fund Balance - January 1	4,118,431	4,118,431	4,118,431	-
Fund Balance - December 31	\$ 4,118,431	\$ 4,118,431	\$ 4,954,363	\$ 835,932

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
DECEMBER 31, 2007**

	<u>Court Estate</u>	<u>Missing Heirs</u>	<u>Total</u>
<u>Assets</u>			
Cash and pooled investments	\$ -	\$ 19,648	\$ 19,648
Investments	-	31,337	31,337
Accrued interest	-	495	495
Total Assets	<u>\$ -</u>	<u>\$ 51,480</u>	<u>\$ 51,480</u>
<u>Net Assets</u>			
Net assets, held in trust	<u>\$ -</u>	<u>\$ 51,480</u>	<u>\$ 51,480</u>

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General, Public Works Special Revenue, and Human Services Special Revenue Funds. The Sibley County Board of Commissioners holds public hearings, and a final budget must be prepared and adopted no later than December 31. The appropriated budget is prepared by fund. Revisions that 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. Expenditures in Excess of Appropriations

Expenditures were in excess of appropriations in the Public Works Special Revenue Fund by \$1,294,785 for the year ended December 31, 2007. This is due to the continued expenses associated with the necessary road and bridge repairs during 2007 not included in the budget.

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SUPPLEMENTARY INFORMATION

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 637,940	\$ 637,940	\$ 568,922	\$ (69,018)
Intergovernmental	-	-	56,663	56,663
Investment earnings	-	-	137,809	137,809
Total Revenues	\$ 637,940	\$ 637,940	\$ 763,394	\$ 125,454
Expenditures				
Debt service				
Principal	\$ 450,000	\$ 450,000	\$ 445,000	\$ 5,000
Interest	154,591	154,591	251,188	(96,597)
Administrative charges	33,349	33,349	1,229	32,120
Total Expenditures	\$ 637,940	\$ 637,940	\$ 697,417	\$ (59,477)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 65,977	\$ 65,977
Fund Balance - January 1	3,587,880	3,587,880	3,587,880	-
Fund Balance - December 31	\$ 3,587,880	\$ 3,587,880	\$ 3,653,857	\$ 65,977

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Capital outlay				
General government				
Commissioners	\$ 3,192	\$ 3,192	\$ -	\$ 3,192
County auditor	135	135	-	135
County treasurer	472	472	472	-
Election and technology	110,000	110,000	-	110,000
Data processing	54,966	54,966	15,502	39,464
Service center	2,834	2,834	-	2,834
Other general government	20,742	20,742	-	20,742
Total general government	\$ 192,341	\$ 192,341	\$ 15,974	\$ 176,367
Public safety	38,916	38,916	18,029	20,887
Highways and streets	49,815	49,815	-	49,815
Total Expenditures	\$ 281,072	\$ 281,072	\$ 34,003	\$ 247,069
Excess of Revenues Over (Under)				
Expenditures	\$ (281,072)	\$ (281,072)	\$ (34,003)	\$ 247,069
Fund Balance - January 1	281,072	281,072	281,072	-
Fund Balance - December 31	\$ -	\$ -	\$ 247,069	\$ 247,069

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

NONMAJOR SPECIAL REVENUE FUNDS

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

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

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

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

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

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2007**

	Federal Land	Economic Development Revolving Loan	Water Assessment Project	Forfeited Tax	Nurse Development	Total
<u>Assets</u>						
Cash and pooled investments	\$ 80,883	\$ 101,045	\$ 149,598	\$ 25,083	\$ 1,475	\$ 358,084
Investments	-	-	-	-	9,000	9,000
Accrued interest receivable	-	-	-	-	13	13
Loans receivable	-	128,965	-	-	-	128,965
	\$ 80,883	\$ 230,010	\$ 149,598	\$ 25,083	\$ 10,488	\$ 496,062
Total Assets	\$ 80,883	\$ 230,010	\$ 149,598	\$ 25,083	\$ 10,488	\$ 496,062
<u>Liabilities and Fund Balances</u>						
Liabilities						
Accounts payable	\$ -	\$ -	\$ 17,863	\$ -	\$ -	\$ 17,863
Salaries payable	-	-	1,539	-	-	1,539
Due to other funds	-	-	13	9,963	-	9,976
Due to other governments	-	-	199	15,120	-	15,319
	\$ -	\$ -	\$ 19,614	\$ 25,083	\$ -	\$ 44,697
Total Liabilities	\$ -	\$ -	\$ 19,614	\$ 25,083	\$ -	\$ 44,697
Fund Balances						
Reserved for						
Loans receivable	\$ -	\$ 128,965	\$ -	\$ -	\$ -	\$ 128,965
Unreserved						
Undesignated	80,883	101,045	129,984	-	10,488	322,400
	\$ 80,883	\$ 230,010	\$ 129,984	\$ -	\$ 10,488	\$ 451,365
Total Fund Balances	\$ 80,883	\$ 230,010	\$ 129,984	\$ -	\$ 10,488	\$ 451,365
Total Liabilities and Fund Balances	\$ 80,883	\$ 230,010	\$ 149,598	\$ 25,083	\$ 10,488	\$ 496,062

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Federal Land</u>	<u>Economic Development Revolving Loan</u>	<u>Water Assessment Project</u>	<u>Forfeited Tax</u>	<u>Nurse Development</u>	<u>Total</u>
Revenues						
Intergovernmental	\$ 5,005	\$ -	\$ 167,870	\$ -	\$ -	\$ 172,875
Charges for services	-	200	-	-	-	200
Gifts and contributions	-	-	18,600	-	-	18,600
Investment earnings	4,216	3,787	-	-	360	8,363
Miscellaneous	-	7,709	-	27,492	-	35,201
Total Revenues	\$ 9,221	\$ 11,696	\$ 186,470	\$ 27,492	\$ 360	\$ 235,239
Expenditures						
Current						
General government	\$ -	\$ -	\$ -	\$ 27,492	\$ -	\$ 27,492
Health	-	-	-	-	769	769
Conservation of natural resources	9,255	-	195,723	-	-	204,978
Economic development	-	7,755	-	-	-	7,755
Total Expenditures	\$ 9,255	\$ 7,755	\$ 195,723	\$ 27,492	\$ 769	\$ 240,994
Excess of Revenues Over (Under) Expenditures	\$ (34)	\$ 3,941	\$ (9,253)	\$ -	\$ (409)	\$ (5,755)
Fund Balance - January 1	80,917	226,069	139,237	-	10,897	457,120
Fund Balance - December 31	\$ 80,883	\$ 230,010	\$ 129,984	\$ -	\$ 10,488	\$ 451,365

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
WATER ASSESSMENT PROJECT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 31,500	\$ 31,500	\$ 167,870	\$ 136,370
Gifts and contributions	18,800	18,800	18,600	(200)
Total Revenues	\$ 50,300	\$ 50,300	\$ 186,470	\$ 136,170
Expenditures				
Current				
Conservation of natural resources				
High Island Project Phase II	\$ 32,775	\$ 32,775	\$ 136,201	\$ (103,426)
Rush River Project Phase II	12,000	12,000	59,522	(47,522)
Total Expenditures	\$ 44,775	\$ 44,775	\$ 195,723	\$ (150,948)
Excess of Revenues Over (Under)				
Expenditures	\$ 5,525	\$ 5,525	\$ (9,253)	\$ (14,778)
Fund Balance - January 1	139,237	139,237	139,237	-
Fund Balance - December 31	\$ 144,762	\$ 144,762	\$ 129,984	\$ (14,778)

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

TRUST AND AGENCY FUNDS

Private-Purpose Trust Funds

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

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

Agency Funds

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

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

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

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

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Statement 4

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE-PURPOSE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Court Estate	Missing Heirs	Total
<u>Additions</u>			
Interest	\$ 6	\$ 1,592	\$ 1,598
<u>Deductions</u>			
Payments in accordance with trust agreements	7,683	-	7,683
Change in Net Assets	\$ (7,677)	\$ 1,592	\$ (6,085)
Net Assets - Beginning of the Year	7,677	49,888	57,565
Net Assets - End of the Year	\$ -	\$ 51,480	\$ 51,480

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Statement 5

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>OTHER AGENCY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 100,878	\$ 914,970	\$ 900,077	\$ 115,771
<u>Liabilities</u>				
Accounts payable	\$ 34,377	\$ 433,354	\$ 437,934	\$ 29,797
Due to other governments	66,501	481,616	462,143	85,974
Total Liabilities	\$ 100,878	\$ 914,970	\$ 900,077	\$ 115,771
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 71,447	\$ 19,165,601	\$ 18,881,822	\$ 355,226
<u>Liabilities</u>				
Unapportioned taxes and special assessments	\$ -	\$ 69,769	\$ 69,769	\$ -
Due to other governments	71,447	355,226	71,447	355,226
Total Liabilities	\$ 71,447	\$ 424,995	\$ 141,216	\$ 355,226

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

*Statement 5
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TRI-COUNTY SOLID WASTE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 317,278	\$ 286,868	\$ 30,410
Accounts receivable	8,351	-	8,351	-
Due from other governments	62,214	-	62,214	-
Total Assets	\$ 70,565	\$ 317,278	\$ 357,433	\$ 30,410
<u>Liabilities</u>				
Cash overdraft	\$ 36,482	\$ -	\$ 36,482	\$ -
Accounts payable	904	21,361	904	21,361
Salaries payable	2,136	-	2,136	-
Due to other governments	31,043	9,049	31,043	9,049
Total Liabilities	\$ 70,565	\$ 30,410	\$ 70,565	\$ 30,410
 <u>SIBLEY COUNTY CHILDREN'S COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 52,122	\$ 59,859	\$ 81,824	\$ 30,157
<u>Liabilities</u>				
Accounts payable	\$ 52,122	\$ 59,859	\$ 81,824	\$ 30,157

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

***Statement 5
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 224,447	\$ 20,457,708	\$ 20,150,591	\$ 531,564
Accounts receivable	8,351	-	8,351	-
Due from other governments	62,214	-	62,214	-
Total Assets	<u>\$ 295,012</u>	<u>\$ 20,457,708</u>	<u>\$ 20,221,156</u>	<u>\$ 531,564</u>
<u>Liabilities</u>				
Cash overdraft	\$ 36,482	\$ -	\$ 36,482	\$ -
Accounts payable	87,403	514,574	520,662	81,315
Salaries payable	2,136	-	2,136	-
Unapportioned taxes and special assessments	-	69,769	69,769	-
Due to other governments	168,991	845,891	564,633	450,249
Total Liabilities	<u>\$ 295,012</u>	<u>\$ 1,430,234</u>	<u>\$ 1,193,682</u>	<u>\$ 531,564</u>

LIBRARY BOARD COMPONENT UNIT

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Statement 6

**GENERAL FUND BALANCE SHEET AND STATEMENT OF NET ASSETS
SIBLEY COUNTY LIBRARY BOARD COMPONENT UNIT
DECEMBER 31, 2007**

	General Fund	Reconciliation	Statement of Net Assets
<u>Assets</u>			
Cash and pooled investments	\$ 77,689	\$ -	\$ 77,689
Petty cash and change funds	20	-	20
Investments	3,619	-	3,619
Accounts receivable	237	-	237
Due from other governments	27,321	-	27,321
Total Assets	\$ 108,886	\$ -	\$ 108,886
<u>Liabilities and Fund Balance/Net Assets</u>			
Current liabilities			
Accounts payable	\$ 9,501	\$ -	\$ 9,501
Salaries payable	12,053	-	12,053
Due to other governments	12,339	-	12,339
Total Liabilities	\$ 33,893	\$ -	\$ 33,893
Fund Balance			
Unreserved			
Undesignated	74,993	(74,993)	
Net Assets			
Unrestricted		74,993	74,993
Total Liabilities and Fund Balance/Net Assets	\$ 108,886	\$ -	\$ 108,886

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Statement 7

**GENERAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
AND STATEMENT OF ACTIVITIES
SIBLEY COUNTY LIBRARY BOARD COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General Fund	Reconciliation	Statement of Activities
Revenues			
Intergovernmental	\$ 226,389	\$ -	\$ 226,389
Charges for services	20,699	-	20,699
Gifts and contributions	36,082	-	36,082
Miscellaneous	157,773	-	157,773
Total Revenues	\$ 440,943	\$ -	\$ 440,943
Expenditures/Expenses			
Current			
County library	435,906	-	435,906
Excess of Revenues Over (Under)			
Expenditures/Expenses	\$ 5,037	\$ -	\$ 5,037
Fund Balance/Net Assets - January 1	69,956	-	69,956
Fund Balance/Net Assets - December 31	\$ 74,993	\$ -	\$ 74,993

OTHER SCHEDULES

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 7

**TAX CAPACITY, TAX RATES, TAX LEVIES, AND PERCENTAGE OF COLLECTIONS
DECEMBER 31, 2007**

	Taxes Levied for Collection					
	2006		2007		2008	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 13,362,857		\$ 15,367,104		\$ 16,603,334	
Personal property	611,886		586,484		491,863	
Total Tax Capacity	<u>\$ 13,974,743</u>		<u>\$ 15,953,588</u>		<u>\$ 17,095,197</u>	
Taxes Levied for County Purposes						
General	\$ 4,862,987	34.798	\$ 5,235,322	32.816	\$ 5,314,894	31.090
Public Works	2,113,350	15.123	2,419,991	15.169	2,910,980	17.028
Human Services	2,083,088	14.906	2,003,638	12.559	1,939,484	11.345
Debt Service	632,200	4.524	637,940	3.999	512,730	2.999
Total Levy for County Purposes	<u>\$ 9,691,625</u>	<u>69.351</u>	<u>\$ 10,296,891</u>	<u>64.543</u>	<u>\$ 10,678,088</u>	<u>62.462</u>
Less: credits payable by state	607,092		574,874		541,797	
Net Levy for County Purposes	<u>\$ 9,084,533</u>		<u>\$ 9,722,017</u>		<u>\$ 10,136,291</u>	
Tax Capacity - Light and Power						
Transmission lines	\$ 2,964		\$ 3,160		\$ 2,942	
Distribution lines	1,979		2,094		1,967	
Total Tax Capacity - Light and Power	<u>\$ 4,943</u>		<u>\$ 5,254</u>		<u>\$ 4,909</u>	
Tax Levies - Light and Power						
Transmission lines	\$ 3,301	111.355	\$ 3,338	105.641	\$ 3,060	104.029
Distribution lines	2,204	111.355	2,202	105.641	2,046	104.029
Total Tax Levies - Light and Power	<u>\$ 5,505</u>		<u>\$ 5,540</u>		<u>\$ 5,106</u>	
Special Assessments						
Ditch liens and assessments	<u>\$ 464,907</u>		<u>\$ 1,229,933</u>		<u>\$ 1,127,278</u>	
Percentage of Tax Collections for All Purposes	98.78%		98.85%			

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
ACCRUAL BASIS
DECEMBER 31, 2007**

	Assets					
	Cash	Special Assessments Receivable		One Year Repair Liens	Receivables	Total
		Delinquent	Deferred			
County Ditches						
C.D. #1A	\$ 3,551	\$ 19	\$ -	\$ -	\$ -	\$ 3,570
C.D. #2	41	22	-	18,634	-	18,697
C.D. #4A	6,565	-	-	-	-	6,565
C.D. #4B	3,425	-	-	-	-	3,425
C.D. #6A	316	-	-	-	-	316
C.D. BEV CREEK 1	5,323	-	-	-	-	5,323
C.D. #9A	3,860	-	-	-	-	3,860
C.D. #10	2,889	-	-	-	-	2,889
C.D. #11	11,667	-	-	-	-	11,667
C.D. #12A	703	-	-	-	-	703
C.D. #13A	9,946	-	-	-	-	9,946
C.D. #18A	17,055	-	-	-	-	17,055
C.D. #21A	1,294	-	-	-	-	1,294
C.D. #22	6,423	-	-	-	-	6,423
C.D. #23A	3,192	-	-	-	-	3,192
C.D. #23B	30,919	-	-	-	-	30,919
C.D. #24A	8,930	3	-	-	-	8,933
C.D. #25A	66	-	-	-	-	66
C.D. #26	1	-	-	3,265	-	3,266
C.D. #29M	784	2	-	-	-	786
C.D. #29P	818	-	-	-	-	818
C.D. #29 SCHWARTZ	81	-	-	-	24,119	24,200
C.D. #30A	98	-	-	432	-	530
C.D. #31A	12,357	-	-	-	-	12,357
C.D. #32A	253	-	-	-	-	253
C.D. #37A	3,445	-	-	-	-	3,445
C.D. #38	23	-	-	1	-	24
C.D. #39A	4,957	-	-	10,668	-	15,625
C.D. #40A	404	-	-	-	-	404
C.D. #42	28	-	-	20,465	-	20,493
C.D. #43	1,204	-	-	-	-	1,204
C.D. #44	5,064	-	-	-	-	5,064
C.D. #45	570	-	-	-	-	570
C.D. #46	1,462	-	-	-	-	1,462
C.D. #47	15	85	-	3,816	-	3,916
C.D. #48	2,720	-	-	-	-	2,720
C.D. #49	1	-	-	13,215	-	13,216
C.D. #50	5,366	154	-	-	-	5,520
C.D. #54	11,073	-	-	-	-	11,073
C.D. #55	4,547	-	-	16,613	-	21,160
C.D. #56	51	-	-	19,519	-	19,570
C.D. #57A	35	-	-	1,383	-	1,418
C.D. #58	1,090	-	-	-	-	1,090
C.D. #59	91	-	-	24,639	-	24,730
C.D. #60	2,575	-	-	-	-	2,575
C.D. #61	7,548	-	-	-	-	7,548
C.D. #64	21,917	-	-	-	-	21,917
C.D. #65	13,692	-	-	-	-	13,692
C.D. #66	19,440	-	-	-	-	19,440
C.D. #67	52,872	-	-	-	-	52,872

Schedule 8

Liabilities						Fund Balance	Total Liabilities and Fund Balance
Accounts Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue	Bonds Payable	Total		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,570	\$ 3,570
-	21,800	-	-	-	21,800	(3,103)	18,697
-	-	-	-	-	-	6,565	6,565
-	-	-	-	-	-	3,425	3,425
-	-	-	-	-	-	316	316
-	-	-	-	-	-	5,323	5,323
-	-	-	-	-	-	3,860	3,860
-	-	-	-	-	-	2,889	2,889
-	-	-	-	-	-	11,667	11,667
-	-	-	-	-	-	703	703
-	-	-	-	-	-	9,946	9,946
-	-	-	-	-	-	17,055	17,055
-	-	-	-	-	-	1,294	1,294
-	-	-	-	-	-	6,423	6,423
-	-	-	-	-	-	3,192	3,192
-	-	-	-	-	-	30,919	30,919
-	-	-	-	-	-	8,933	8,933
-	-	-	-	-	-	66	66
-	2,600	-	-	-	2,600	666	3,266
-	-	-	-	-	-	786	786
-	-	-	-	-	-	818	818
700	24,200	-	-	-	24,900	(700)	24,200
-	300	-	-	-	300	230	530
-	-	-	-	-	-	12,357	12,357
-	-	-	-	-	-	253	253
-	-	-	-	-	-	3,445	3,445
-	-	-	-	-	-	24	24
54	-	-	-	-	54	15,571	15,625
-	-	-	-	-	-	404	404
2,829	6,300	-	-	-	9,129	11,364	20,493
-	-	-	-	-	-	1,204	1,204
-	-	-	-	-	-	5,064	5,064
-	-	-	-	-	-	570	570
-	-	-	-	-	-	1,462	1,462
-	1,400	-	-	-	1,400	2,516	3,916
-	-	-	-	-	-	2,720	2,720
-	4,900	-	-	-	4,900	8,316	13,216
-	-	-	-	-	-	5,520	5,520
-	-	-	-	-	-	11,073	11,073
2,765	-	-	-	-	2,765	18,395	21,160
-	15,200	-	-	-	15,200	4,370	19,570
-	700	-	-	-	700	718	1,418
-	-	-	-	-	-	1,090	1,090
-	21,700	-	-	-	21,700	3,030	24,730
-	-	-	-	-	-	2,575	2,575
-	-	-	-	-	-	7,548	7,548
-	-	-	-	-	-	21,917	21,917
-	-	-	-	-	-	13,692	13,692
-	-	-	-	-	-	19,440	19,440
-	-	-	-	-	-	52,872	52,872

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
ACCRUAL BASIS
DECEMBER 31, 2007**

	Assets					Total
	Cash	Special Assessments Receivable		One Year Repair Liens	Receivables	
		Delinquent	Deferred			
County Ditches (Continued)						
C.D. #2A IMP	27,834	8	-	-	-	27,842
C.D. #24B IMP	15,317	1	-	-	-	15,318
C.D. #18C IMP	24,286	-	-	5,710	-	29,996
C.D. #2 Lat A	3,351	-	-	-	-	3,351
C.D. #4A Lat A	3,911	-	-	-	-	3,911
C.D. #4A Lat B	2,345	-	-	-	-	2,345
C.D. #4A Lat C	1,341	-	-	-	-	1,341
C.D. #22 Lat A & 1Br	29	-	-	9,304	-	9,333
C.D. #22 Lat B & 1Br	446	-	-	27,611	-	28,057
C.D. #22 Lat B IMP	504	-	-	-	-	504
C.D. #23A Lat 1 & 1Br	5,511	-	-	-	-	5,511
C.D. #23A Lat 2	2,172	-	-	-	-	2,172
C.D. #23A Lat 3	6,781	-	-	-	-	6,781
C.D. #23A Lat 4	6,278	-	-	-	-	6,278
C.D. #29A SPUR 5 Lat 1	12,156	-	-	-	-	12,156
C.D. #31A Lat A to 3	1,610	-	-	-	-	1,610
C.D. #31A Lat 3	1,539	-	-	-	-	1,539
C.D. #37 Lat 1A	6,825	-	-	-	-	6,825
C.D. #44 Lat A	1,968	-	-	-	-	1,968
C.D. #50 Lat A	3,677	-	-	-	-	3,677
C.D. #55 Lat 1 of Lat C Impr XX	-	-	-	-	-	-
C.D. #55 Lat 1 of Lat C Impr C	532	-	-	-	-	532
C.D. #55 Ret Pond Impr	-	-	-	-	-	-
C.D. #56 Lat A	613	-	-	-	-	613
C.D. #59 Lat A	-	-	-	-	-	-
C.D. #59 Lat 1	487	-	-	-	-	487
C.D. #61 Outlet Impr	97	-	10,950	1,913	-	12,960
Total County Ditches	\$ 420,357	\$ 294	\$ 10,950	\$ 177,188	\$ 24,119	\$ 632,908
Judicial Ditches						
H.I. Proj. #2	\$ 20	\$ -	\$ -	\$ -	\$ -	\$ 20
H.I. Proj. #5	15	-	-	-	-	15
H.I. Proj. #7	(4)	-	-	-	-	(4)
H.I. Proj. #8	10	-	-	-	-	10
H.I. Proj. #9	10	-	-	-	-	10
H.I. Proj. #10	48,193	-	28,399	5,207	-	81,799
H.I. Proj. #11	167,031	-	489,712	51,067	-	707,810
JD #1A S&N	33,157	-	-	-	1,126	34,283
JD #3A SCM	8,958	-	-	-	318	9,276
JD #5 M&S	417	-	-	-	-	417
JD #5 S&N	2,458	-	-	-	169	2,627
JD #6A S&N	11,474	-	-	-	578	12,052
JD #6 N&S	1,498	-	-	-	-	1,498
JD #8 S&R	6,649	-	-	-	195	6,844
JD #8 M&S	1,045	-	-	-	1,071	2,116
JD #11 RSM	17,019	-	-	-	2,089	19,108
JD #12 Sibley	6,001	20	-	-	-	6,021
JD #13 SRN	4,970	-	-	-	5	4,975
JD #13 SRN Turtle	4,790	-	-	-	-	4,790

Schedule 8
(Continued)

Liabilities							Total Liabilities and Fund Balance
Accounts Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue	Bonds Payable	Total	Fund Balance	
-	-	-	-	13,000	13,000	14,842	27,842
-	-	-	-	9,000	9,000	6,318	15,318
-	-	-	-	13,000	13,000	16,996	29,996
-	-	-	-	-	-	3,351	3,351
-	-	-	-	-	-	3,911	3,911
-	-	-	-	-	-	2,345	2,345
-	-	-	-	-	-	1,341	1,341
-	6,800	-	-	-	6,800	2,533	9,333
-	26,700	-	-	-	26,700	1,357	28,057
-	-	-	-	-	-	504	504
-	-	-	-	-	-	5,511	5,511
-	-	-	-	-	-	2,172	2,172
-	-	-	-	-	-	6,781	6,781
-	-	-	-	-	-	6,278	6,278
-	-	-	-	-	-	12,156	12,156
-	-	-	-	-	-	1,610	1,610
-	-	-	-	-	-	1,539	1,539
-	-	-	-	-	-	6,825	6,825
-	-	-	-	-	-	1,968	1,968
-	-	-	-	-	-	3,677	3,677
-	-	-	-	-	-	-	-
-	-	-	-	-	-	532	532
-	-	-	-	-	-	-	-
-	-	-	-	-	-	613	613
-	-	-	-	-	-	-	-
-	-	-	-	-	-	487	487
-	13,800	-	-	-	13,800	(840)	12,960
\$ 6,348	\$ 146,400	\$ -	\$ -	\$ 35,000	\$ 187,748	\$ 445,160	\$ 632,908
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20	\$ 20
-	-	-	-	-	-	15	15
-	-	-	-	-	-	(4)	(4)
-	-	-	-	-	-	10	10
-	-	-	-	-	-	10	10
-	-	48,092	-	-	48,092	33,707	81,799
-	-	-	-	685,000	685,000	22,810	707,810
-	-	3,388	-	-	3,388	30,895	34,283
-	-	1	-	-	1	9,275	9,276
-	-	1	-	-	1	416	417
1,699	-	142	-	-	1,841	786	2,627
-	-	1,417	-	-	1,417	10,635	12,052
-	-	837	-	-	837	661	1,498
-	-	587	-	-	587	6,257	6,844
-	-	183	-	-	183	1,933	2,116
-	-	59	-	-	59	19,049	19,108
-	-	-	-	-	-	6,021	6,021
-	-	4,287	-	-	4,287	688	4,975
-	-	-	-	-	-	4,790	4,790

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
ACCRUAL BASIS
DECEMBER 31, 2007**

	Assets					Total
	Cash	Special Assessments Receivable		One Year Repair Liens	Receivables	
		Delinquent	Deferred			
Judicial Ditches (Continued)						
JD #13 N&S	815	-	-	-	5	820
JD #14 S&N	1,342	-	-	-	-	1,342
JD #15 S&M	2,379	-	-	-	44	2,423
JD #15 R&S	42	-	-	-	5	47
JD #15 N&S	1,652	-	-	-	515	2,167
JD #16 N&S	1,161	-	-	-	-	1,161
JD #17 S&M	866	-	-	-	345	1,211
JD #18 S&M	11,633	53	-	-	3,556	15,242
JD #19 S&M	1,941	-	-	-	7	1,948
JD #20 S&N	6,731	3	-	-	1,539	8,273
JD #21 S&C	581	-	-	-	310	891
JD #22 S&C	100	-	-	2,150	489	2,739
JD #24 RSM	5,274	-	-	-	10	5,284
JD #30 R&S	51	-	-	-	5	56
JD #31 RSN	91	-	-	7,080	4	7,175
JD #1A Lts 1 & 3 Brs S&N	3,457	-	-	-	-	3,457
JD #1A Lt 2 N&S	38,029	-	-	-	-	38,029
JD #3A Lt 4 & Br 1 SCM	3,069	-	-	-	-	3,069
JD #6A Lt 2	18,494	-	-	-	-	18,494
JD #6A Lt 1 of Lt 2 S&N	2,394	-	-	-	-	2,394
JD #7 Lts 1, 2, 3, and 4	167,064	-	132,999	26,201	-	326,264
JD #7 Lts 16 & 17 SRN	5,201	-	-	-	249	5,450
JD #7 Lts 32 & 33 SRN	1,275	-	-	-	-	1,275
JD #11 Lat H7 RSM	1,216	-	-	-	-	1,216
JD #11 Lt H8 & H9 RSM	1,328	-	-	-	-	1,328
JD #11 Lt O RSM	590	-	-	-	-	590
JD #11 Lt D-1 RSM	(329)	-	-	-	-	(329)
JD #11 Lat JRSM	228	-	-	3,588	-	3,816
JD #11 Lt A-13	400	-	-	-	-	400
JD # 11 Lt S II - 1I-2	3,040	-	-	-	-	3,040
JD #11 Lt I-3	1,866	-	-	-	-	1,866
JD #13 Lt A SRN	126	-	-	-	-	126
JD #13 Br5 SRN	506	-	-	-	-	506
JT #1A NS	9,606	-	-	-	453	10,059
JT #1 RS	507	-	-	-	60	567
JT #7 SNR	123	-	23,231	50,891	160	74,405
JT #24 CS	149	-	-	-	199	348
JT #1 Lat L SN MAIDL	1,178	-	-	-	-	1,178
JT #7 Lat 17 IMP Berger	37	67	183,786	20,880	30	204,800
JT #7 Lat 24, 25, and 26	26	-	-	-	-	26
JT #5 SN IMP YAHNKE	69	-	170,660	21,558	12,099	204,386
Total Judicial Ditches	\$ 608,019	\$ 143	\$ 1,028,787	\$ 188,622	\$ 25,635	\$ 1,851,206
Total All Ditches	\$ 1,028,376	\$ 437	\$ 1,039,737	\$ 365,810	\$ 49,754	\$ 2,484,114
Reconcile to Exhibit 3	-	-	-	-	-	-
Total Modified Accrual	\$ 1,028,376	\$ 437	\$ 1,039,737	\$ 365,810	\$ 49,754	\$ 2,484,114

Schedule 8
(Continued)

Liabilities						Fund Balance	Total Liabilities and Fund Balance
Accounts Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue	Bonds Payable	Total		
-	-	87	-	-	87	733	820
-	-	-	-	-	-	1,342	1,342
-	-	1	-	-	1	2,422	2,423
-	-	226	-	-	226	(179)	47
-	-	7,360	-	-	7,360	(5,193)	2,167
-	-	103	-	-	103	1,058	1,161
-	-	1	-	-	1	1,210	1,211
-	-	28	-	-	28	15,214	15,242
-	-	1	-	-	1	1,947	1,948
-	-	8	-	-	8	8,265	8,273
-	-	-	-	-	-	891	891
-	1,500	-	-	-	1,500	1,239	2,739
-	-	1	-	-	1	5,283	5,284
-	-	2	-	-	2	54	56
-	2,300	3,325	-	-	5,625	1,550	7,175
-	-	79	-	-	79	3,378	3,457
-	-	-	-	-	-	38,029	38,029
-	-	-	-	-	-	3,069	3,069
140	-	-	-	-	140	18,354	18,494
-	-	-	-	-	-	2,394	2,394
-	-	-	-	200,000	200,000	126,264	326,264
-	-	-	-	-	-	5,450	5,450
-	2,800	-	-	-	2,800	(1,525)	1,275
-	-	-	-	-	-	1,216	1,216
-	-	-	-	-	-	1,328	1,328
-	-	-	-	-	-	590	590
-	-	-	-	-	-	(329)	(329)
-	-	-	-	-	-	3,816	3,816
-	-	-	-	-	-	400	400
-	-	-	-	-	-	3,040	3,040
-	-	-	-	-	-	1,866	1,866
-	-	220	-	-	220	(94)	126
-	-	-	-	-	-	506	506
-	-	1,058	-	-	1,058	9,001	10,059
-	-	221	-	-	221	346	567
-	-	957	-	-	957	73,448	74,405
-	-	-	-	-	-	348	348
-	-	-	-	-	-	1,178	1,178
-	196,900	-	-	-	196,900	7,900	204,800
-	600	-	-	-	600	(574)	26
5,696	183,900	-	-	-	189,596	14,790	204,386
\$ 7,535	\$ 388,000	\$ 72,672	\$ -	\$ 885,000	\$ 1,353,207	\$ 497,999	\$ 1,851,206
\$ 13,883	\$ 534,400	\$ 72,672	\$ -	\$ 920,000	\$ 1,540,955	\$ 943,159	\$ 2,484,114
-	-	-	1,430,103	(920,000)	-	(510,103)	-
\$ 13,883	\$ 534,400	\$ 72,672	\$ 1,430,103	\$ -	\$ 2,051,058	\$ 433,056	\$ 2,484,114

**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 9

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

Shared Revenue

State

Highway users tax	\$	3,714,516
Mobile home HACA		95
Market value credit		653,055
Market value credit - mobile home		15,352
Market value credit - agricultural		200,845
PERA rate reimbursement		25,089
Disparity reduction aid		55,211
County program aid		574,874
Police aid		57,262
E-911		89,647
Petroleum tax relief		1,295
		1,295

Total Shared Revenue **\$ 5,387,241**

Reimbursement for Services

Minnesota Department of Human Services **\$ 1,453,357**

Payments

Local

Local contributions	\$	320,343
Payments in lieu of taxes		19,408
		19,408

Total Payments **\$ 339,751**

Grants

State

Minnesota Department/Board of		
Corrections	\$	35,081
Public Safety		7,911
Health		107,135
Natural Resources		3,076
Human Services		467,432
Water and Soil Resources		71,645
Pollution Control Agency		177,039
		177,039

Total State **\$ 869,319**

Federal

Department of		
Agriculture	\$	101,323
Housing and Urban Development		5,000
Health and Human Services		329,125
Homeland Security		10,346
Environmental Protection Agency		53,311
		53,311

Total Federal **\$ 499,105**

Total State and Federal Grants **\$ 1,368,424**

Total Intergovernmental Revenue **\$ 8,548,773**

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**SIBLEY COUNTY
GAYLORD, MINNESOTA**

Schedule 10

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER, 31, 2007

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

01-2 **Accounting Policies and Procedures**

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

We recommend that the County develop and implement formal policies and procedures for purchasing, journal entries, cash disbursements, and budget adjustments. The County is currently working on developing these policies and procedures and hopes to have them completed by the end of 2008.

PREVIOUSLY REPORTED ITEMS RESOLVED

Library Board Operations (01-1)

Prior to 2007, the County presented Library operations at the County as a special revenue fund. We recommended that the County Board examine its relationship and responsibilities with regard to the Sibley County Library Board.

Resolution

The Sibley County Library Board is presented as a discrete component unit of Sibley County for 2007.

Preparation of Financial Statements (06-1)

Prior to 2007, the County relied on its external auditors for some of the preparation of its financial statements. We recommended the County continue its progress toward preparing its entire financial report.

Resolution

Sibley County is now preparing its financial statements.

II. OTHER FINDINGS AND RECOMMENDATIONS

A. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

00-2 Outdated Disaster Recovery Plan

The County's Disaster Recovery Plan was last updated in December 1997. It has never been tested. An outdated, untested plan that assigns responsibility to untrained personnel may not prove to be nearly as effective as intended in times of actual need. In addition, the County has not determined a method to continue processing critical financial and other information in case of a disaster. However, the County Board has approved the formation of a Disaster Recovery Committee, and the County is working toward a continuity of operations plan.

We recommend the Information Services Department update the Disaster Recovery Plan on an annual basis and sufficiently train its team members so that it may be effectively implemented in times of need. We also recommend that the recovery plan be periodically tested and the County determine a method to continue processing critical information in case of a disaster. The County is currently working on developing an updated disaster recovery plan and hopes to have it completed by the end of 2009.

B. OTHER ITEMS FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

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

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

This year, the legislature enacted a new law, Minn. Stat. § 471.6175, intended to help counties address their OPEB liability in at least three important ways:

- it allows governments to create both irrevocable and revocable OPEB trusts;
- it authorizes the use of a different list of permissible investments for both irrevocable and revocable OPEB trusts; and
- it also permits governments to invest OPEB trust assets with the State Board of Investment, bank trust departments, and certain insurance companies.

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

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

If applicable for Sibley County, GASB Statement 45 would be implemented for the year ended December 31, 2008.



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*

Board of County Commissioners
Sibley County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Sibley County as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sibley County's internal control over financial reporting as a basis for designing our auditing procedures 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 preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination

of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiency described in the accompanying Schedule of Findings and Recommendations as item 01-2 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Sibley County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

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

Also included in the Schedule of Findings and Recommendations are a management practices comment and an other item for consideration. We believe the recommendations and information to be of benefit to Sibley County, and they are reported for that purpose.

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

November 26, 2008