

**BENTON COUNTY
FOLEY, MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2007

BENTON COUNTY
FOLEY, MINNESOTA
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INTRODUCTORY SECTION

**BENTON COUNTY
FOLEY, MINNESOTA
ORGANIZATION
DECEMBER 31, 2007**

Office	Name	Term	
		From	To
Commissioners			
1st District	Duane J. Walter	January 2005	January 2009
2nd District	Joe Wollak	January 2007	January 2011
3rd District	Jim McMahon	January 2007	January 2011
4th District	Richard J. Soyka*	January 2005	January 2009
5th District	Earl Bukowski	January 2005	January 2009
Officers			
<u>Elected</u>			
Attorney	Robert Raupp	January 2007	January 2011
Auditor/Treasurer	Joan Neyssen	January 2007	January 2011
Coroner	Clifford Stiles, M.D.	January 2007	January 2011
County Recorder	Marilyn Novak	January 2007	January 2011
Sheriff	Brad Bennett	January 2007	January 2011
<u>Appointed</u>			
Administrator	Montgomery Headley	Indefinite	
Assessor	Brian Koester	January 2005	January 2009
Court Administrator	Timothy Roberts	Indefinite	
Development Director	Chelle Benson	Indefinite	
Highway Engineer	Robert H. Kozel, P.E.	May 2005	May 2009
Human Services			
<u>Board</u>			
Member	Earl Bukowksi	January 2005	January 2009
Chair	Joe Wollak	January 2007	January 2011
Member	Duane J. Walter	January 2005	January 2009
Member	Richard J. Soyka	January 2005	January 2009
Vice Chair	Jim McMahon	January 2007	January 2011
Director	Timothy Martin	Indefinite	

* Chair

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Benton County
Foley, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton 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 basic financial statements are the responsibility of Benton County's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2008, on our consideration of Benton County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of the audit.



The management's discussion and analysis and the other required supplementary information, as listed in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted primarily 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise Benton County's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the basic financial statements. The supplementary information and the schedule of expenditures of federal awards have been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



LarsonAllen LLP

Brainerd, Minnesota
June 24, 2008

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REQUIRED SUPPLEMENTARY INFORMATION

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2007**

This section of Benton County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on December 31, 2007. The Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain comparative information between the current year, 2007, and the prior year, 2006, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2006-2007 fiscal years include the following:

- ◆ County-wide net assets increased 5.2 percent over the prior year, reflecting continued improvement in cash reserves plus new investments in the County road system.
- ◆ Overall fund-level revenues totaled \$32,691,465 and were \$452,104 less than expenditures, consistent with County plans to utilize prior year bond proceeds and fund balances for capital projects.
- ◆ The General Fund's fund balance increased \$782,682 from the prior year, due primarily to higher than expected intergovernmental revenues and investment earnings.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, Required Supplementary Information which includes the Management's Discussion and Analysis (this section), the basic financial statements, and required supplementary information other than MD&A. The basic financial statements include two kinds of statements that present different views of the county:

- ◆ The first two statements are County-wide financial statements which provide both short-term and long-term information about the County's overall financial status.
- ◆ The remaining statements are fund financial statements which focus on individual parts of the County, reporting the County's operations in more detail than the County-wide statements.
 - The governmental funds statements tell how basic services such as general government, human services, and highways and streets were financed in the short term as well as what remains for future spending.
 - Fiduciary funds statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others to whom the resources belong.

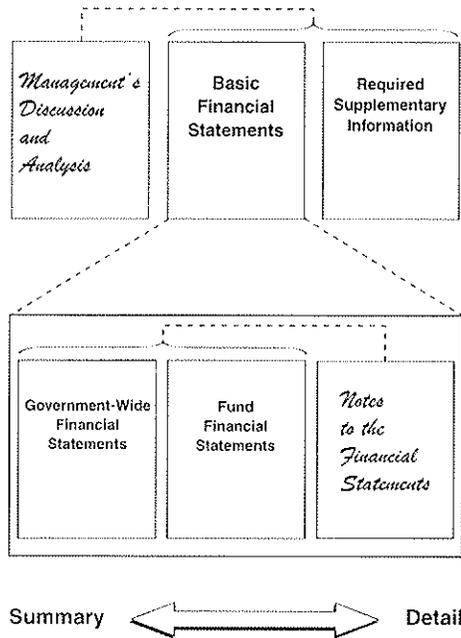
**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2007**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1
Annual Report Format**



**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2007**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County's activities they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Type of statements	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire County's government (except fiduciary funds).	The activities of the County that are not proprietary or fiduciary.	Instances in which the County is the trustee or agent for someone else's resources.
Required financial statements	Statement of net assets.	Balance sheet.	Statement of fiduciary net assets.
	Statement of activities.	Statement of revenues, expenditures and changes in fund balance.	Statement of changes in fiduciary net assets.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included.	All assets and liabilities, both short-term and long-term; agency funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

County-Wide Statements

The County-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the County's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two County-wide statements report the County's net assets and how they have changed. Net assets – the difference between the County's assets and liabilities – are one way to measure the County's financial health or position.

- ◆ Over time, increases or decreases in the County's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- ◆ To assess the overall health of the County you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of County buildings and other facilities.

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2007**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

County-Wide Statements (Continued)

In the County-wide financial statements the County's activities are shown in one category:

- ◆ Governmental activities – the County's basic services are included here. Property taxes and state aids finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's funds – focusing on its most significant or "major" funds – not the County as a whole. Funds are accounting devices the County uses to keep track of specific sources of funding and spending on particular programs:

- ◆ Some funds are required by state law and by bond covenants.
- ◆ The County establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The County has two kinds of funds:

- ◆ Governmental funds – The County's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that 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. Because this information does not encompass the additional long-term focus of the County-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- ◆ Fiduciary funds – The County is the fiscal agent, or fiduciary, for assets that belong to others. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the County-wide financial statements because the County cannot use these assets to finance its operations.

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2007**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets

The County's net assets were \$68,516,239 on December 31, 2007. (See Table A-1).

The increase in invested in capital assets net of related debt was primarily due to construction of infrastructure.

Table A-1
The County's Net Assets

	<u>Governmental Activities</u>		<u>Percent Change</u>
	<u>2007</u>	<u>2006</u>	
Current and Other Assets	\$ 27,839,248	\$ 22,114,498	25.9 %
Capital Assets	62,451,406	61,685,863	1.2
Total Assets	<u>90,290,654</u>	<u>83,800,361</u>	7.7
Current Liabilities	3,391,896	3,673,307	(7.7)
Long-Term Liabilities	18,382,519	15,003,312	22.5
Total Liabilities	<u>21,774,415</u>	<u>18,676,619</u>	16.6
Net Assets			
Invested in Capital Assets			
Net of Related Debt	47,669,482	46,601,438	2.3
Restricted	3,796,158	3,348,795	13.4
Unrestricted	17,050,599	15,173,509	12.4
Total Net Assets	<u>\$ 68,516,239</u>	<u>\$ 65,123,742</u>	5.2

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2007**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Assets

The County-wide total revenues were \$34,195,148 for the year ended December 31, 2007. Property taxes and intergovernmental revenues accounted for 86.7% of total revenue for the year. This portion of total revenues is an increase of 5.0% from the prior year (See Figure Table A-2.)

Table A-2
Change in Net Assets

	Governmental Activities		Total % Change
	2007	2006	
REVENUES			
<u>Program Revenues</u>			
Charges for Services	\$ 3,222,636	\$ 3,346,221	(3.7)%
Operating Grants and Contributions	7,563,125	7,645,788	(1.1)
Capital Grants and Contributions	1,802,923	1,790,823	0.7
<u>General Revenues</u>			
Property Taxes	16,950,080	15,322,707	10.6
Unrestricted State Aid	3,316,418	3,456,499	(4.1)
Investment Earnings	1,028,256	918,173	12.0
Other	311,710	303,543	2.7
Total Revenues	<u>34,195,148</u>	<u>32,783,754</u>	4.3
EXPENSES			
General Government	5,393,761	4,847,503	11.3
Public Safety	6,744,969	6,428,193	4.9
Highways and Streets	6,315,471	4,573,316	38.1
Human Services	9,266,876	8,403,480	10.3
Health	956,317	779,159	22.7
Culture and Recreation	533,650	480,633	11.0
Conservation of Natural Resources	630,830	611,281	3.2
Economic Development	614,505	574,250	7.0
Interest and Fiscal Charges on Long-Term Liabilities	346,272	636,097	(45.6)
Total Expenses	<u>30,802,651</u>	<u>27,333,912</u>	12.7
INCREASE IN NET ASSETS	3,392,497	5,449,842	(37.8)
Net Assets - Beginning of Year	65,123,742	59,673,900	9.1
NET ASSETS - END OF YEAR	<u>\$ 68,516,239</u>	<u>\$ 65,123,742</u>	5.2

New investments in both the local road and county-state aid road system contributed to improvements in net assets, although a portion of these improvements were bond-funded. The rate of increase in net assets slowed in 2007 as spending pressures rose, particularly in the areas of wages, social services, and fuel.

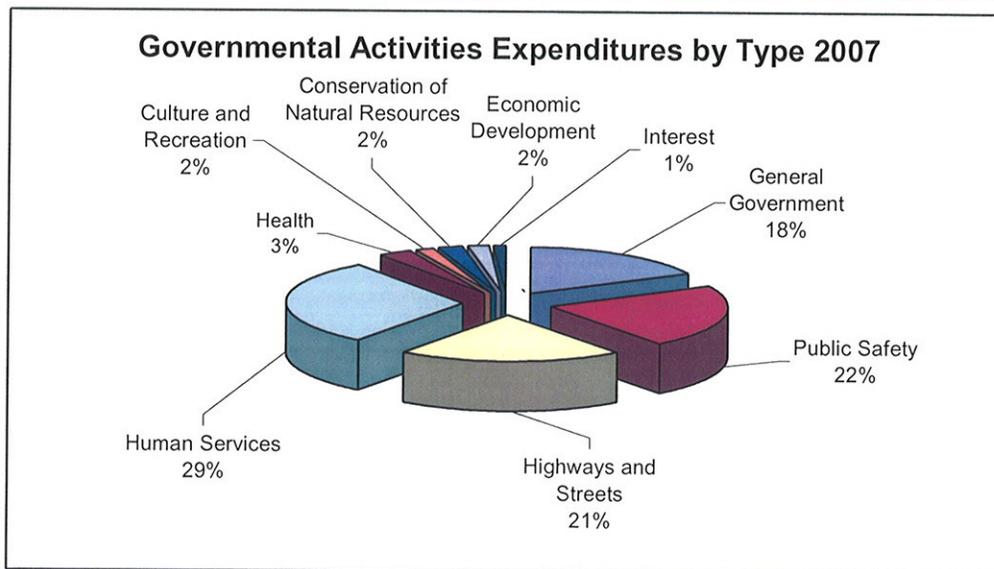
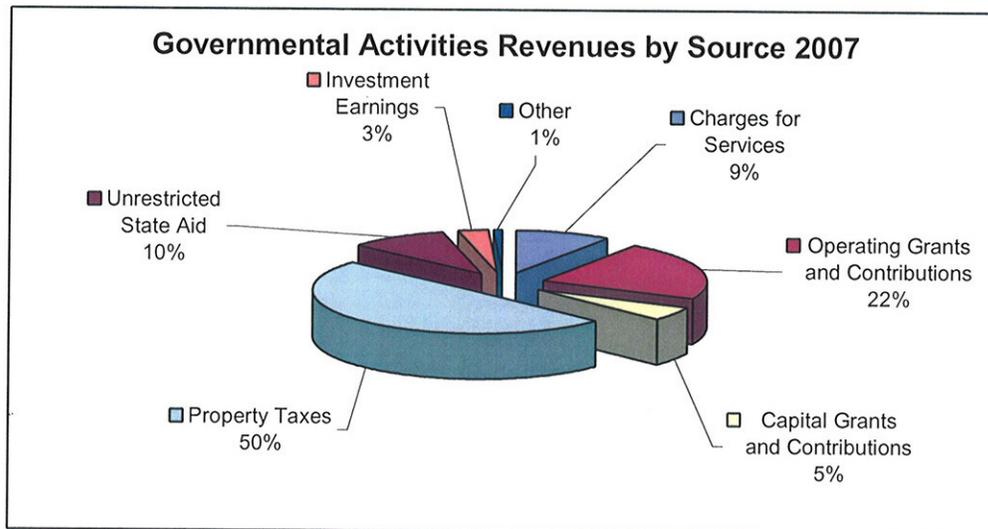
**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2007**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Assets (Continued)

The County-wide cost of all governmental activities this year was \$30,802,651.

- ◆ Some of the cost was paid by the users of the County's programs (\$3,222,636).
- ◆ The federal and state governments contributed to certain programs with grants and contributions (\$9,366,048).
- ◆ A significant portion of the County's costs (\$18,213,967) were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$16,950,080 in property taxes, \$3,316,418 of state aid, and with \$1,339,966 from investment earnings and other general revenues.



**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2007**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Assets (Continued)

Table A-3
Expenses and Net (Revenue) Cost of Services

	Total Cost of Services		Percentage Change	Net (Revenue) Cost of Services		Percentage Change
	2007	2006		2007	2006	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 5,393,761	\$ 4,847,503	11.3 %	\$ 4,040,331	\$ 3,142,949	28.6 %
Public Safety	6,744,969	6,428,193	4.9	5,149,126	4,790,866	7.5
Highways and Streets	6,315,471	4,573,316	38.1	3,677,321	1,721,132	113.7
Human Services	9,266,876	8,403,480	10.3	3,483,228	2,936,382	18.6
Health	956,317	779,159	22.7	399,482	263,990	51.3
Culture and Recreation	533,650	480,633	11.0	401,133	345,166	16.2
Conservation of Natural Resources	630,830	611,281	3.2	176,141	168,865	4.3
Economic Development	614,505	574,250	7.0	540,933	545,633	(0.9)
Interest and Fiscal Charges on Long-Term Liabilities	346,272	636,097	(45.6)	346,272	636,097	(45.6)
Total	\$ 30,802,651	\$ 27,333,912	12.7	\$ 18,213,967	\$ 14,551,080	25.2

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL

The financial performance of the County as a whole is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of \$23,926,413.

Revenues for the County's governmental funds were \$32,691,465, while total expenditures were \$33,143,569. During 2007, the County issued \$3,000,000 in General Obligation street Reconstruction Bonds for various local road improvements.

GENERAL FUND

Includes the general governmental functions of the County not otherwise accounted for in another fund.

ROAD AND BRIDGE FUND

Accounts for financial activity related to the construction and maintenance of the County road system, including County state-aid highways and County roads.

HUMAN SERVICES FUND

Accounts for financial activity related to the provision of social services, medical and financial assistance, and public health.

MISCELLANEOUS SPECIAL REVENUE FUND

Accounts for the financial activity related to a number of smaller activities, including solid waste management, E-911 surcharge funds, natural resource block grants, and park dedication fees.

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2007**

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL (CONTINUED)

DEBT SERVICE FUND

Accounts for principal, interest, and fiscal agent fees associated with the County's outstanding debt, including general obligation debt and capital leases.

CAPITAL PROJECTS FUND

Accounts for the financing of multi-year capital projects, including those funded with Capital Improvement Plan bonds.

The following schedule presents a summary of General Fund revenues:

Table A-4
General Fund Revenues

Fund	Year Ended		Change	
	December 31, 2007	December 31, 2006	Increase (Decrease)	Percent
Taxes	\$ 8,673,074	\$ 8,200,251	\$ 472,823	5.8 %
Intergovernmental	1,856,344	1,894,841	(38,497)	(2.0)
Charges for Services	1,680,175	1,896,357	(216,182)	(11.4)
Investment Earnings	893,534	903,568	(10,034)	(1.1)
Miscellaneous and Other	447,601	362,612	84,989	23.4
Total General Fund Revenues	<u>\$ 13,550,728</u>	<u>\$ 13,257,629</u>	<u>\$ 293,099</u>	2.2

Total General Fund revenue increased by \$293,099, or 2.2%, from the previous year. Increased tax levies supported new funding for County road improvements and maintenance, new positions related to workload and population growth, and wage and benefit increases in labor agreements.

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2007**

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL (CONTINUED)

CAPITAL PROJECTS FUND (CONTINUED)

The following schedule presents a summary of General Fund expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change	
	December 31, 2007	December 31, 2006	Increase (Decrease)	Percent
General Government	\$ 4,885,097	\$ 4,512,920	\$ 372,177	8.2 %
Public Safety	6,163,955	5,869,730	294,225	5.0
Health	25,310	25,031	279	1.1
Culture and Recreation	491,731	466,209	25,522	5.5
Conservation of Natural Resources	334,316	323,442	10,874	3.4
Economic Development	581,508	542,150	39,358	7.3
Capital Outlay	233,594	-	233,594	100.0
Debt Service	7,704	7,704	-	-
Total Expenditures	<u>\$ 12,723,215</u>	<u>\$ 11,747,186</u>	<u>\$ 976,029</u>	8.3

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the County revised the General Fund operating budget to reflect prior year carry-over funds, new state grants, and for minor reallocations between departments.

- ◆ Actual revenues were \$488,132 more than budgeted. This favorable variance is due primarily to improved interest earnings and higher than expected intergovernmental revenue, which was offset by lower property tax collections than expected.
- ◆ Actual expenditures were \$466,235 less than budget. The adopted budget reflects full-funding for all approved positions, including new positions approved for 2007. Vacancy savings, combined with unspent contingencies produced most of this under-budget condition.

CONSTRUCTION PROJECTS AND DEBT SERVICE

The Capital Projects Fund accounts for the use of bond proceeds, State County Program Aid, and other resources to finance the purchase or improvement of capital assets. Activity during 2007 was related to the completion of a new Public Works cold storage facility, parking lot improvements, imaging system enhancements, and other projects.

An annual levy is made to fund the bond payments for all previous bond issues.

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2007**

CAPITAL ASSETS

By the end of 2007, the County had invested over \$104 million (before depreciation) in a broad range of capital assets, including buildings, computers, equipment, and infrastructure. (See Table A-6). (More detailed information about capital assets can be found in Note 3A to the financial statements.) Total depreciation expense for the year was \$3,166,936.

Table A-6
The County's Capital Assets

	Governmental Activities		Percent Change
	2007	2006	
Land	\$ 2,330,072	\$ 2,330,072	-
Right-of-Way	7,895,594	7,895,594	-
Construction in Progress	656,430	2,554,241	(74.3)
Infrastructure	67,871,717	63,031,210	7.7
Land Improvements	190,492	-	100.0
Buildings	18,823,056	18,597,574	1.2
Machinery, Furniture, and Equipment	6,988,316	6,613,039	5.7
Less: Accumulated Depreciation	<u>(42,304,271)</u>	<u>(39,335,867)</u>	7.5
Total	<u>\$62,451,406</u>	<u>\$61,685,863</u>	1.2

LONG-TERM LIABILITIES

At year-end, the County had \$20,201,700 in long-term liabilities outstanding.

- ◆ The County's total long-term debt increased \$3,363,640, due primarily to the issuance of General Obligation Street Reconstruction Bonds.

Table A-7
The County's Long-Term Liabilities

	2007	2006	Percentage Change
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds and Notes	\$10,448,717	\$ 6,307,000	65.7 %
Loans Payable	45,282	96,950	(53.3)
Revenue Bonds Payable	5,460,000	5,935,000	(8.0)
Economic Development Loans Payable	445,044	467,516	(4.8)
Capital Leases Payable	2,009,923	2,380,180	(15.6)
Compensated Absences	1,792,734	1,692,698	5.9
Total	<u>\$20,201,700</u>	<u>\$16,879,344</u>	19.7

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2007**

FACTORS BEARING ON THE COUNTY'S FUTURE

Benton County is projected by the Minnesota State Demographer to be the eighth fastest growing Minnesota county in percentage terms over the next decade. State estimates put Benton County's population at nearly 48,000 people by 2015, up from 38,774 in 2006. This growth will most likely translate into increased demand for services from virtually all areas of county government. The County will be challenged to utilize technology and other means to meet these service demands while keeping staffing growth to a minimum.

Maintaining County roads and bridges will continue to be a significant fiscal strain, as the County's infrastructure ages and wears, while resources remain limited. About one-half of the County's 450-mile road system does not qualify for state funding, placing this funding burden on property taxes or other local sources. Road bonding supported by a debt service levy could address a large backlog of projects. County debt is currently rated "A1" by Moody's Investor Service, which noted in its most recent bond rating the County's above average overall debt burden. Thus, while new debt for road projects may be possible, this option, too, has limits.

Strong residential property growth continues to be a feature of the County's tax base. Commercial development has lagged behind residential growth, leaving homeowners and agricultural landowners to fund much of the increased cost of County government. The County is keenly aware that Benton County's property tax rate is higher than many of its neighboring counties, particularly those with more established commercial development. While Benton County must meet the service demands of the citizens, it too recognized the impact of taxation on property owners. Tax levy growth will most likely reflect restraint, at least in the near term as the County's tax base gradually broadens.

A final influence on the County's financial future is the potential for state legislative action to restrict County levy authority through levy limits or levy freezes, or cut local aid. Levy limits were lifted in 2005, but have been discussed in each legislative session since. Levy limits have taken different forms in the past, so the difficulties imposed on the County would depend on how restrictive any new levy limits might be. Should the State of Minnesota again experience a significant budget deficit, it might turn to cuts in local aid to balance its budget, as the state last did in 2004. As a hedge against possible future cuts in local aid, Benton County has dedicated additional aid received since 2005 to funding capital outlay and other one-time needs, not counting increased aid towards its on-going operating budget.

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 demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Montgomery Headley, County Administrator at (320) 968-5004.

BASIC FINANCIAL STATEMENTS

**BENTON COUNTY
FOLEY, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

	<u>Governmental Activities</u>
ASSETS	
Cash and Pooled Investments	\$ 23,050,858
Petty Cash and Change Funds	3,300
Taxes Receivable	
Delinquent	576,084
Special Assessments Receivable	
Delinquent	5,543
Deferred	354,710
Accounts Receivable	157,772
Accrued Interest Receivable	121,282
Loans Receivable	814,485
Due from Other Governments	2,404,429
Inventory	262,624
Deferred Debt Issue Costs	88,161
Non-Depreciable Capital Assets	
Land	2,330,072
Right-of-Way	7,895,594
Construction in Progress	656,430
Depreciable Capital Assets	
Building (Net)	14,117,721
Machinery, Vehicles, Furniture, and Equipment (Net)	3,857,301
Land Improvements (Net)	182,118
Infrastructure (Net)	33,412,170
Total Assets	<u>90,290,654</u>
LIABILITIES	
Accounts Payable	642,888
Salaries Payable	307,356
Contracts Payable	117,942
Due to Other Governments	217,989
Accrued Interest Payable	286,540
Compensated Absences Payable - Due in Less than One Year	89,637
General Obligation Bonds and Notes Payable - Due in Less than One Year	778,000
Loans Payable - Due in Less than One Year	45,282
Revenue Bonds Payable - Due in Less than One Year	495,000
Economic Development Loans Payable - Due in Less than One Year	22,696
Capital Leases Payable - Due in Less than One Year	388,566
Compensated Absences Payable - Due in More than One Year	1,703,097
General Obligation Bonds and Notes Payable - Due in More than One Year	9,670,717
Revenue Bonds Payable - Due in More than One Year	4,965,000
Economic Development Loans Payable - Due in More than One Year	422,348
Capital Leases Payable - Due in More than One Year	1,621,357
Total Liabilities	<u>21,774,415</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	47,669,482
Restricted For:	
Gravel Pit	24,880
E911	249,528
Solid Waste Contingency	1,229,878
Economic Development Loans	1,180,045
Other Items	1,111,827
Unrestricted	17,050,599
Total Net Assets	<u><u>\$ 68,516,239</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**BENTON COUNTY
FOLEY, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2007**

FUNCTIONS/PROGRAMS	<u>Expenses</u>	Program Revenues	
		<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>
GOVERNMENTAL ACTIVITIES			
General Government	\$ 5,393,761	\$ 1,259,337	\$ 94,093
Public Safety	6,744,969	997,436	598,407
Highways and Streets	6,315,471	139,134	1,053,493
Human Services	9,266,876	693,705	5,089,943
Health	956,317	66,020	490,815
Culture and Recreation	533,650	60,095	72,422
Conservation of Natural Resources	630,830	6,909	90,380
Economic Development	614,505	-	73,572
Interest	346,272	-	-
Total Governmental Activities	\$ 30,802,651	\$ 3,222,636	\$ 7,563,125

GENERAL REVENUES

Property Taxes
Gravel Taxes
Mortgage Registry and Deed Tax
Forfeited Tax
Grants and Contributions not Restricted to Specific Pro
Unrestricted Investment Earnings
Miscellaneous

Total General Revenues

CHANGE IN NET ASSETS

Net Assets - Beginning of Year

NET ASSETS - END OF YEAR

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Governmental Activities
\$ -	\$ (4,040,331)
-	(5,149,126)
1,445,523	(3,677,321)
-	(3,483,228)
-	(399,482)
-	(401,133)
357,400	(176,141)
-	(540,933)
-	(346,272)
\$ 1,802,923	(18,213,967)

16,950,080
25,555
46,589
32,954
3,316,418
1,028,256
206,612
21,606,464
3,392,497
65,123,742
\$68,516,239

**BENTON COUNTY
FOLEY, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

ASSETS	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Miscellaneous</u>
Cash and Pooled Investments	\$ 7,535,774	\$ 1,273,054	\$ 4,136,981	\$ 2,579,378
Petty Cash and Change Funds	3,300	-	-	-
Taxes Receivable				
Delinquent	299,098	78,519	117,062	-
Special Assessments Receivable				
Delinquent	-	-	-	5,521
Deferred	-	-	-	354,710
Accounts Receivable	62,224	19,322	54,959	15,764
Accrued Interest Receivable	111,948	-	-	-
Due from Other Funds	58,040	15,956	-	-
Due from Other Governments	199,540	1,411,916	769,862	23,111
Inventories	-	262,624	-	-
Loans Receivable	-	-	-	-
Total Assets	<u>\$ 8,269,924</u>	<u>\$ 3,061,391</u>	<u>\$ 5,078,864</u>	<u>\$ 2,978,484</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 265,322	\$ 46,464	\$ 297,179	\$ 23,040
Salaries Payable	176,897	31,683	98,776	-
Contracts Payable	-	8,284	-	-
Due to Other Funds	15,797	-	48,810	159
Due to Other Governments	141,600	2,921	69,647	3,821
Deferred Revenue - Unavailable	415,464	1,491,491	188,995	360,231
Total Liabilities	<u>1,015,080</u>	<u>1,580,843</u>	<u>703,407</u>	<u>387,251</u>
FUND BALANCES				
Reserved for				
Encumbrances	-	-	-	-
Inventories	-	262,624	-	-
Gravel Pit Closure	-	-	-	-
E-911	-	-	-	249,528
Solid Waste Contingency	-	-	-	1,229,878
Economic Development Loans	-	-	-	-
Other Items	-	-	-	1,111,827
Unreserved				
Designated for Cash Flow Purposes	5,078,391	1,217,924	1,968,956	-
Designated for Debt Service	-	-	-	-
Designated for Future Expenditures	-	-	-	-
Undesignated	2,176,453	-	2,406,501	-
Total Fund Balances	<u>7,254,844</u>	<u>1,480,548</u>	<u>4,375,457</u>	<u>2,591,233</u>
Total Liabilities and Fund Balances	<u>\$ 8,269,924</u>	<u>\$ 3,061,391</u>	<u>\$ 5,078,864</u>	<u>\$ 2,978,484</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,516,312	\$ 4,547,046	\$ 462,313	\$ 23,050,858
-	-	-	3,300
76,357	5,048	-	576,084
-	-	22	5,543
-	-	-	354,710
-	-	5,503	157,772
-	8,046	1,288	121,282
-	-	-	73,996
-	-	-	2,404,429
-	-	-	262,624
-	-	814,485	814,485
<u>\$ 2,592,669</u>	<u>\$ 4,560,140</u>	<u>\$ 1,283,611</u>	<u>\$ 27,825,083</u>
\$ -	\$ 10,883	\$ -	\$ 642,888
-	-	-	307,356
-	109,658	-	117,942
-	-	9,230	73,996
-	-	-	217,989
76,357	5,048	913	2,538,499
<u>76,357</u>	<u>125,589</u>	<u>10,143</u>	<u>3,898,670</u>
-	3,827,390	-	3,827,390
-	-	-	262,624
-	-	24,880	24,880
-	-	-	249,528
-	-	-	1,229,878
-	-	1,180,045	1,180,045
-	-	-	1,111,827
-	-	-	8,265,271
2,516,312	-	-	2,516,312
-	607,161	-	607,161
-	-	68,543	4,651,497
<u>2,516,312</u>	<u>4,434,551</u>	<u>1,273,468</u>	<u>23,926,413</u>
<u>\$ 2,592,669</u>	<u>\$ 4,560,140</u>	<u>\$ 1,283,611</u>	<u>\$ 27,825,083</u>

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BENTON COUNTY
FOLEY, MINNESOTA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS		\$ 23,926,413
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		62,451,406
Delinquent taxes, delinquent and deferred special assessments, and certain state-aid highway allotments are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		2,538,499
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 and Notes	\$ 10,448,717	
Economic Development Loans	445,044	
Revenue Bonds	5,460,000	
Capital Leases	2,009,923	
Loans Payable	45,282	
Deferred Debt Issue Costs	(88,161)	
Compensated Absences	1,792,734	
Accrued Interest Payable	286,540	
	(20,400,079)	
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 68,516,239</u></u>

**BENTON COUNTY
FOLEY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2007**

	General	Road and Bridge	Human Services	Miscellaneous
REVENUES				
Taxes	\$ 8,673,074	\$ 2,456,097	\$ 3,338,604	\$ -
Special Assessments	-	-	-	335,867
Licenses and Permits	160,550	15,500	-	18,840
Intergovernmental	1,856,344	2,004,922	6,047,376	255,561
Charges for Services	1,680,175	107,726	594,566	177,277
Fines and Forfeits	81,446	-	-	42,762
Gifts and Contributions	2,575	-	28,526	24,442
Interest on Investments	893,534	-	6,009	14,668
Miscellaneous	203,030	40,172	156,016	94,703
Total Revenues	13,550,728	4,624,417	10,171,097	964,120
EXPENDITURES				
CURRENT				
General Government	4,885,097	-	-	112,630
Public Safety	6,163,955	-	-	157,488
Highways and Streets	-	3,363,055	-	-
Human Services	-	-	9,328,777	-
Health	25,310	-	857,793	-
Culture and Recreation	491,731	-	-	30,457
Conservation of Natural Resources	334,316	-	-	295,465
Economic Development	581,508	-	-	-
INTERGOVERNMENTAL	-	106,593	-	-
CAPITAL OUTLAY	233,594	1,091,629	-	21,852
DEBT SERVICE				
Principal	7,704	90,964	-	-
Interest	-	7,988	-	-
Fiscal Charges	-	-	-	-
Total Expenditures	12,723,215	4,660,229	10,186,570	617,892
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	827,513	(35,812)	(15,473)	346,228
OTHER FINANCING SOURCES (USES)				
Transfers In	60,770	4,921	-	16,358
Transfers Out	(105,601)	(8,451)	(16,902)	(37,075)
Loan Proceeds	-	-	-	-
Proceeds from the Sale of Bonds	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Bond Issue Costs	-	-	-	-
Discount on Bonds Issued	-	-	-	-
Proceeds from Sale of Assets	-	11,195	-	16,111
Total Other Financing Sources (Uses)	(44,831)	7,665	(16,902)	(4,606)
NET CHANGE IN FUND BALANCES	782,682	(28,147)	(32,375)	341,622
Fund Balances - Beginning of Year	6,472,162	1,456,439	4,407,832	2,249,611
INCREASE IN RESERVED FOR INVENTORIES	-	52,256	-	-
FUND BALANCES - END OF YEAR	\$ 7,254,844	\$ 1,480,548	\$ 4,375,457	\$ 2,591,233

The Notes to the Financial Statements are an Integral Part of this Statement.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,143,480	\$ 163,099	\$ 105,212	\$ 16,879,566
-	-	1,033	336,900
-	-	-	194,890
171,293	621,988	5,972	10,963,456
-	-	-	2,559,744
-	-	-	124,208
-	5,320	-	60,863
-	99,277	14,768	1,028,256
-	-	49,661	543,582
<u>2,314,773</u>	<u>889,684</u>	<u>176,646</u>	<u>32,691,465</u>
-	48,515	77,022	5,123,264
-	78,574	-	6,400,017
-	-	-	3,363,055
-	-	-	9,328,777
-	-	-	883,103
-	-	-	522,188
-	-	1,049	630,830
-	-	32,997	614,505
-	-	-	106,593
-	2,436,488	-	3,783,563
1,670,257	-	22,471	1,791,396
577,963	-	5,807	591,758
4,520	-	-	4,520
<u>2,252,740</u>	<u>2,563,577</u>	<u>139,346</u>	<u>33,143,569</u>
<u>62,033</u>	<u>(1,673,893)</u>	<u>37,300</u>	<u>(452,104)</u>
-	120,402	-	202,451
(32,983)	-	(1,439)	(202,451)
-	-	71,072	71,072
-	5,055,000	-	5,055,000
-	10,567	-	10,567
-	(56,697)	-	(56,697)
-	(20,080)	-	(20,080)
-	-	-	27,306
<u>(32,983)</u>	<u>5,109,192</u>	<u>69,633</u>	<u>5,087,168</u>
29,050	3,435,299	106,933	4,635,064
2,487,262	999,252	1,166,535	19,239,093
-	-	-	52,256
<u>\$ 2,516,312</u>	<u>\$ 4,434,551</u>	<u>\$ 1,273,468</u>	<u>\$ 23,926,413</u>

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**BENTON COUNTY
FOLEY, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2007**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 4,635,064
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for General Capital Assets, Infrastructure, and Other Related Capital Asset Adjustments	\$ 4,017,515	
Net Book Value of Capital Assets Disposed	(85,036)	
Current Year Depreciation	<u>(3,166,936)</u>	765,543
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,330,482
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The new proceeds for debt issuance are:		(5,055,000)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Principal Repayments		
General Obligation Bonds and Notes	872,000	
Economic Development Loans	22,471	
Revenue Bonds	475,000	
Loans Payable	51,668	
Capital Leases	<u>370,257</u>	1,791,396
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in Accrued Interest Payable	(78,868)	
Amortization of Discounts and Deferred Issuance Charges	51,660	
Change in Compensated Absences	(100,036)	
Change in Inventories	<u>52,256</u>	<u>(74,988)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 3,392,497</u></u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**BENTON COUNTY
FOLEY, MINNESOTA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2007**

ASSETS

Cash and Pooled Investments	<u>\$ 1,945,809</u>
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LIABILITIES

Due to Other Governments	<u>\$ 1,945,809</u>
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**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Benton County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) 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). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Benton County was established October 27, 1849, 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 Benton County (primary government) and its component units for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Blended Component Units

Blended component units are legally separate organizations that are so intertwined with the County that they are, in substance, the same as the County and, therefore, are reported as if they were part of the County. Benton County has two blended component units.

Component Unit	Component Unit Reporting Entity Because	Separate Financial
Regional Railroad Authority (RRA) Provides for the Preservation or Improvement of Rail Transportation within the County.	County Commissioners are the members of the RRA Board	Separate Financial Statements are not Prepared.
Housing and Redevelopment Authority of Benton County (HRA)	County Commissioners are the members of the HRA Board	Separate Financial Statements are not Prepared.

Joint Ventures

The County participates in several joint ventures which are described in Note 8.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) display information about the primary government and its component units. 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.

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

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

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component units. 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 major fund displayed as a separate column in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

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

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

The Miscellaneous Special Revenue Fund is used to account for a number of smaller activities that do not have their own fund, including solid waste management, E-911 surcharge funds, natural resource block grants, and park dedication fees.

The Debt Service Fund is used to account for the accumulation of resources for, and the payments of, principal, interest and related costs of the County's long-term bonds.

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

Additionally, the County reports the following fund types:

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 agency capacity. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide statements.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Benton County considers all revenues to be available if they are collected within 90 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/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. Investment earnings are allocated to the Miscellaneous Special Revenue Fund based on cash balances set aside for specific purposes within that fund. 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 \$1,028,256.

Benton County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans).

All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable. No provision has been made for an estimated uncollectible amount.

Special assessments receivable consist of delinquent special assessments payable in the years 2002 through 2007, and deferred special assessments payable in 2007 and after. No provision has been made for an estimated uncollectible amount.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Reported inventories are equally offset by reserved fund balance to indicate they do not constitute available spendable resources.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, 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 for all capital assets, except for buildings, which use a threshold of \$25,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 asset's lives are not capitalized.

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

BENTON COUNTY
 FOLEY, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Capital Assets (Continued)

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

Assets	Years
Buildings	50
Building Improvements	20
Public Domain Infrastructure	25-35
Furniture, Equipment, and Vehicles	5-20

5. Compensated Absences

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

6. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Long-Term Obligations

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

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

8. Fund Equity

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

9. Use of Estimates

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

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures over Budget

The following funds had expenditures in excess of budget at the departmental level for the year ended December 31, 2007:

Fund	Function	Expenditures	Budget	Excess
General	Current			
	Public Safety			
	Sheriff	\$ 2,925,493	\$ 2,913,757	\$ 11,736
	Coroner	48,896	40,000	8,896
	Probation and Parole	556,595	504,811	51,784
	Health			
	Groundwater Management	25,310	25,000	310
	Capital Outlay			
	Public Safety	193,325	192,148	1,177
Special Revenue Funds				
Road and Bridge	Current			
	Highways and Streets			
	Equipment and Maintenance			
	Shops	828,871	668,731	160,140
	Intergovernmental	106,593	-	106,593
Human Services	Current			
	Human Services			
	Income Maintenance	2,757,002	2,627,671	129,331
	Social Services	6,571,775	6,367,277	204,498
	Health			
	Nursing Service	857,793	828,447	29,346

The additional expenditures were financed by greater than anticipated grant revenues, greater than anticipated charges for services revenue, existing fund balance, and other additional revenues.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. **Deposits and Investments**

Reconciliation of Benton County's total cash and investments to the basic financial statements follows:

Government-Wide Statement of Net Assets	
Governmental Activities	
Cash and Pooled Investments	\$ 23,050,858
Petty Cash and Change Funds	3,300
Statement of Fiduciary Net Assets	
Cash and Pooled Investments	<u>1,945,809</u>
Total Cash and Investments	<u><u>\$ 24,999,967</u></u>

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes: U.S. government treasury bills, notes, or bonds; issues of U.S. government agencies; general obligations rated "A" or better; revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by a Federal Home Loan Bank; and certificates of deposit. *Minnesota Statutes* require 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 County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2007, the County's deposits were not exposed to custodial credit risk.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

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.

The County does not allow investments in mutual funds.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County does not have a formal policy to manage its exposure to interest rate risk.

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 national recognized statistical rating organization. It is the County's policy to invest only in securities that meet the rating requirements set by state statute.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. **Deposits and Investments (Continued)**

b. Investments (Continued)

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 that are in the possession of an outside party. It's the County's policy to invest in only securities covered 100% by SIPC.

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. The County places a limit on investing to no more than 25% of total County investments in one type of security.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

The following table presents the County's investment balances at December 31, 2007, and information relating to potential investment risks:

	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. Government Agency Securities					
Federal National Mortgage Association Note	AAA	S&P	<5.00%	6/18/2008	\$ 176,110
Total Federal National Mortgage Association Note					<u>176,110</u>
Federal Home Loan Bank Note	AAA	S&P	5.04%	10/22/2010	201,952
Federal Home Loan Bank Note	AAA	S&P	<5.00%	4/10/2012	195,528
Total Federal Home Loan Bank Note					<u>397,480</u>
Federal Home Loan Mortgage	AAA	S&P	5.01%	N/A	200,902
Total Federal Home Loan Mortgage					<u>200,902</u>
Government National Mortgage Association Note	AAA	S&P	<5.0%	5/20/2009	1,041
Government National Mortgage Association Note	AAA	S&P	<5.0%	4/15/2026	4,825
Total Government National Mortgage Association Note					<u>5,866</u>
Investment Pools/Mutual Funds					
MAGIC Fund	N/R	N/A		N/A	3,023,276
Franklin Customer Funds	N/R	N/A		N/A	202,650
Total Investment Pools/Mutual Funds					<u>3,225,926</u>
Total Investments					4,006,284
Deposits					20,990,383
Petty Cash					3,300
Total Deposits and Investments					<u>\$ 24,999,967</u>

N/A - Not Applicable

N/R - Not Rated

<5.0% - Concentration is Less than 5% of Investments

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital Assets, not being Depreciated:				
Land	\$ 2,330,072	\$ -	\$ -	\$ 2,330,072
Infrastructure, Right-of-Way	7,895,594	-	-	7,895,594
Construction in Progress	2,554,241	3,379,750	(5,277,561)	656,430
Total Capital Assets, not being Depreciated	<u>12,779,907</u>	<u>3,379,750</u>	<u>(5,277,561)</u>	<u>10,882,096</u>
Capital Assets being Depreciated:				
Buildings	18,597,574	278,430	(52,948)	18,823,056
Land Improvements	-	190,492	-	190,492
Machinery, Furniture, and Equipment	6,613,039	605,897	(230,620)	6,988,316
Infrastructure	63,031,210	4,840,507	-	67,871,717
Total Capital Assets being Depreciated	<u>88,241,823</u>	<u>5,915,326</u>	<u>(283,568)</u>	<u>93,873,581</u>
Less Accumulated Depreciation for:				
Buildings	4,311,238	405,746	(11,649)	4,705,335
Land Improvements	-	8,374	-	8,374
Machinery, Furniture, and Equipment	2,848,553	469,345	(186,883)	3,131,015
Infrastructure	32,176,076	2,283,471	-	34,459,547
Total Accumulated Depreciation	<u>39,335,867</u>	<u>3,166,936</u>	<u>(198,532)</u>	<u>42,304,271</u>
Total Capital Assets, Depreciated, Net	<u>48,905,956</u>	<u>2,748,390</u>	<u>(85,036)</u>	<u>51,569,310</u>
Governmental Activities Capital Assets, Net	<u>\$ 61,685,863</u>	<u>\$ 6,128,140</u>	<u>\$ (5,362,597)</u>	<u>\$ 62,451,406</u>

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Capital Assets (Continued)

In 2004, Benton County entered into a capital lease agreement for a courts facilities building totaling \$2,649,205. The historical cost of this facility is \$3,293,185 with related accumulated depreciation of \$658,637 as of December 31, 2007.

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

Governmental Activities		
General Government	\$	167,252
Public Safety		402,551
Highway and Streets		2,515,140
Human Services		69,922
Culture and Recreation		12,071
		<u>\$ 3,166,936</u>

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	\$ 48,810
	Ditch - Nonmajor Fund	9,230
Total Due to General Fund		<u>58,040</u>
Road and Bridge Fund	General Fund	15,797
	Miscellaneous Fund	159
Total Due to Road and Bridge Fund		<u>15,956</u>
	Total	<u>\$ 73,996</u>

The due from other funds above relate to: (1) payment of various legal fees, phone services, and copier charges for the Human Services Fund; (2) payment of various phone charges and copier charges for the Road and Bridge Fund; (3) payment of various commissary, phone card and other fees for the General Fund; and (4) payment of a fuel charge for the Miscellaneous Fund.

BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

2. Interfund Transfers

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

Interfund Transfer	Amount	Description
Transfer to General Fund from Miscellaneous Fund	\$ 27,787	Transfer Excess Firearms Permit and Excess Drug/Alcohol Enforcement Contingencies Correct Excess TIF Refund Received to Debt Service
Debt Service Fund	32,983	
	<u>60,770</u>	
Transfer to Road and Bridge Fund from General Fund	4,921	Provide Funds for Traffic Study
Transfer to Miscellaneous Fund from General Fund	14,919	Restore Statutory Balances in County Attorney's Contingency
Economic Development	1,439	Provide Funds for Economic Development TIF Admin Costs
	<u>16,358</u>	
Transfer to Capital Projects Fund from General Fund	85,761	Provide Funds for Public Works Cold Storage and Imaging System Enhancements
Road and Bridge Fund	8,451	Provide Funds for Capital Improvements
Miscellaneous Fund	9,288	Provide Funds for Improvements at Bend In The River Park
Human Services Fund	16,902	Provide Funds for Imaging System Enhancements
	<u>120,402</u>	
Total	<u>\$ 202,451</u>	

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

1. Deferred Revenues

Deferred revenues consists of taxes and special assessments receivable that are not collected soon enough after year-end to pay liabilities of the current year, and state and federal grants received but not yet earned. Deferred revenue at December 31, 2007, is summarized below by fund:

	Special Assessments	Taxes	Grants	Other	Total
Major Governmental Funds					
General	\$ -	\$ 299,098	\$ -	\$ 116,366	\$ 415,464
Road and Bridge	-	78,519	-	1,412,972	1,491,491
Human Services	-	117,062	71,933	-	188,995
Miscellaneous	360,231	-	-	-	360,231
Debt Service Fund	-	76,357	-	-	76,357
Capital Projects Fund	-	5,048	-	-	5,048
Total Major Governmental Funds	<u>360,231</u>	<u>576,084</u>	<u>71,933</u>	<u>1,529,338</u>	<u>2,537,586</u>
Other Governmental Funds	22	-	-	891	913
	<u>\$ 360,253</u>	<u>\$ 576,084</u>	<u>\$ 71,933</u>	<u>\$ 1,530,229</u>	<u>\$ 2,538,499</u>
Deferred Revenue					
Unavailable	<u>\$ 360,253</u>	<u>\$ 576,084</u>	<u>\$ 71,933</u>	<u>\$ 1,530,229</u>	<u>\$ 2,538,499</u>

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

2. Long-Term Debt

Governmental Activities

Types of Indebtedness	Maturity Date	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2007
General Obligation Bonds					
2002 G.O. Capital Improvement Bonds	2018	\$155,000- 275,000	4.00-5.00	\$ 3,065,000	\$ 2,415,000
2003 G.O. Capital Improvement Bonds	2018	\$170,000- 325,000	2.00-3.85	3,500,000	2,755,000
2007A G.O. Street reconstruction Bonds	2022	\$155,000- 255,000	4.05	3,000,000	3,000,000
2007B G.O. State-Aid Road Bonds	2022	\$110,000- 175,000	4.05	<u>2,055,000</u>	<u>2,055,000</u>
Total General Obligation Bonds				\$ 11,620,000	<u>\$ 10,225,000</u>
Less: Unamortized Bond Discount					\$ (51,190)
Add: Unamortized Bond Premium					<u>9,907</u>
Total General Obligation Bonds, Net				<u>\$ 11,620,000</u>	<u>\$ 10,183,717</u>
General Obligation Capital Notes					
2002 G.O. Capital Improvement Notes	2011	\$42,000- \$52,000	2.15	\$ 469,000	\$ 200,000
2003 G.O. Capital Notes	2008	\$60,000- \$65,000	1.20-2.65	<u>305,000</u>	<u>65,000</u>
Total General Obligation Capital Notes				<u>\$ 774,000</u>	<u>\$ 265,000</u>
Revenue Bonds					
2001 Jail Lease Revenue Refunding Bonds	2016	\$450,000- \$730,000	4.00-4.70	<u>\$ 6,385,000</u>	<u>\$ 5,460,000</u>
Capital Leases					
2004 lease purchase with Norwest Investment Services, Inc., to finance a Courts Facilities Building	2014	\$82,500- \$165,026	4.68	\$ 2,649,205	\$ 1,874,337
1998 lease purchase with Norwest Investment Services, Inc., to fund Future Highway Projects	2008	\$44,134- \$68,674	5.27	<u>1,000,000</u>	<u>135,586</u>
Total Capital Leases				<u>\$ 3,649,205</u>	<u>\$ 2,009,923</u>
Loans					
City of Foley, County Road 43 Improvement Loan	2008	\$41,440- \$45,283	3.00	<u>\$ 173,369</u>	<u>\$ 45,282</u>
Total loans				<u>\$ 173,369</u>	<u>\$ 45,282</u>
Economic Development Loans					
U.S. Department of Agriculture	2025	\$27,146	1.00	<u>\$ 660,000</u>	<u>\$ 445,044</u>

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Debt Service Requirements

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

Governmental Activities

Year Ending December 31	General Obligation Bonds		Capital Notes		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 665,000	\$ 436,694	\$ 113,000	\$ 5,161	\$ 495,000	\$ 229,019
2009	660,000	366,656	49,000	3,268	525,000	208,291
2010	675,000	341,568	51,000	2,215	550,000	186,050
2011	710,000	315,189	52,000	1,118	570,000	162,668
2012	735,000	287,471	-	-	605,000	137,690
2013-2017	4,180,000	967,753	-	-	2,715,000	259,472
2018-2022	2,600,000	217,456	-	-	-	-
Total	<u>\$ 10,225,000</u>	<u>\$ 2,932,786</u>	<u>\$ 265,000</u>	<u>\$ 11,762</u>	<u>\$ 5,460,000</u>	<u>\$ 1,183,190</u>

Year Ending December 31	Capital Lease		Loans Payable		Economic Development Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 388,566	\$ 90,176	\$ 45,282	\$ 1,358	\$ 22,696	\$ 4,450
2009	264,959	72,815	-	-	22,923	4,223
2010	277,504	60,270	-	-	23,152	3,994
2011	290,644	47,131	-	-	23,383	3,763
2012	304,405	33,370	-	-	23,617	3,529
2013-2017	483,845	22,818	-	-	121,676	14,054
2018-2022	-	-	-	-	127,882	7,848
2023-2025	-	-	-	-	79,715	1,598
Total	<u>\$ 2,009,923</u>	<u>\$ 326,580</u>	<u>\$ 45,282</u>	<u>\$ 1,358</u>	<u>\$ 445,044</u>	<u>\$ 43,459</u>

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

4. Changes in Long-Term Liabilities

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

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable					
General Obligation Bonds	\$ 5,535,000	\$ 5,055,000	\$ 365,000	10,225,000	\$ 665,000
G.O. Capital Notes	772,000	-	507,000	265,000	113,000
Jail Lease Revenue Bonds	5,935,000	-	475,000	5,460,000	495,000
Total Bonds Payable	12,242,000	5,055,000	1,347,000	15,950,000	1,273,000
Capital Leases	2,380,180	-	370,257	2,009,923	388,566
Loans Payable	96,950	-	51,668	45,282	45,282
Economic Development Loans	467,515	-	22,471	445,044	22,696
Compensated Absences, Net	1,692,698	1,171,134	1,071,098	1,792,734	89,637
Governmental Activity Long-Term Liabilities	<u>\$ 16,879,343</u>	<u>\$ 6,226,134</u>	<u>\$ 2,862,494</u>	<u>\$ 20,242,983</u>	<u>\$ 1,819,181</u>

5. Construction Commitments

The government has active construction projects as of December 31, 2007. The projects include the following:

<u>Project Description</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
County Road Project	\$ 226,806	\$ 200,348

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 4 FUND BALANCES

Miscellaneous Special Revenue Fund reserved fund balances are aggregated on the Governmental Funds Balance Sheet. Disaggregated fund balances as of December 31, 2007 were as follows:

<u>Fund Balance Reservation</u>	
Reserved for Solid Waste Contingency	\$ 1,229,878
Reserved for E-911	249,528
Reserved for other items:	
Law Library	22,806
Election Equipment	15,689
Contingency Funds	13,500
Major Trial Expenditures	21,000
Recorders' Equipment	221,558
Motor Pool	31,181
911 Address Signs	117,010
SCORE	186,567
Natural Resources Block Grant	53,106
Electronic Home Monitoring Grant	15,965
Jail Inmate Capital Expenditures	157,564
Park Dedication Fees	143,007
K-9 Program Expenditures	15,267
Comprehensive Plan Update	67,369
Other	30,238
Total Reserved for Other Items	<u>1,111,827</u>
Total Fund Balance	
Miscellaneous Special Revenue Fund	<u><u>\$ 2,591,233</u></u>

NOTE 5 DEFINED BENEFIT PENSION PLANS

A. Plan Description

All full-time and certain part-time employees of Benton County are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF), the Public Employees Police and Fire Fund (PEPFF), and the Local Government Correctional Service Retirement Fund, called the Public Employees Correctional Fund (PECF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

PERF 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, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF. 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 jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the PECF.

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 PERA's 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 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining 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 PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for PECF members. For all PEPFF members, PECF members, and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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 receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF, PEPFF, and PECF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 5.75%, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan will increase in 2008 to 6.0%. PEPFF members were required to contribute 7.8% of their annual covered salary in 2007. That rate will increase to 8.6% in 2008. PECF members are required to contribute 5.83% of their annual covered salary. Benton County is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.25% for Coordinated Plan PERF members, 11.7% for PEPFF members, and 8.75% for PECF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.5% and 12.9% respectively, effective January 1, 2008. The County's contributions to the Public Employees Retirement Fund for the years ending December 31, 2007, 2006, and 2005 were \$525,410, \$461,060, and \$418,105, respectively. The County's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2007, 2006, and 2005 were \$161,265, \$144,030, and \$121,123, respectively. The County's contributions to the PECF for the years ending December 31, 2007, 2006, and 2005 were \$129,991, \$123,832, and \$113,008, respectively.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Funding Policy (Continued)

The County's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 6 DEFINED CONTRIBUTION PLAN

Two county commissioners of Benton County are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP 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. *Minnesota Statutes*, Chapter 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 elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee 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 two percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

Total contributions made by Benton County during fiscal years 2007 and 2006 were:

	Contribution Amount		Percentage of Covered Payroll		Required Rates
	Employee	Employer	Employee	Employer	
2007	\$ 1,746	\$ 1,746	5.0%	5.0%	5.0%
2006	\$ 1,555	\$ 1,555	5.0%	5.0%	5.0%

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 7 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. 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, respectively. 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. The 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.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

A. Joint Ventures

Stearns-Benton Employment and Training Council

The Stearns-Benton Employment Training Council was created for the purpose of undertaking, implementing, and maintaining the programs established under the Job Training Partnership Act of 1982 and other federal and state laws and regulations governing the establishment and implementation of programs within the areas governed by Stearns and Benton Counties. The council is an organized joint venture having the duties, powers, and privileges granted joint powers by Minn. Stat. § 471.59. The Council is governed by an Elected Officials Board and Private Industry Council (PIC). The Elected Officials Board is composed of two commissioners each from Stearns and Benton Counties and one PIC Board member. The PIC is composed of 24 members from local business, industry, agriculture, labor organizations, public or private education, and community service groups. Included in the Elected Officials Board's duties and powers is the authority to approve the Council's budget and enter into any necessary contracts or leases.

Benton County pays a contractual amount through Human Services for their administrative costs, but the amounts contributed are considered immaterial.

Complete financial information can be obtained from:

Stearns-Benton Employment and Training Council
3333 West Division Street, Suite 210
St. Cloud, Minnesota 56301-3783

Tri-County Solid Waste Commission

The Tri-County Solid Waste Commission was established in July 1983 by a joint powers agreement among Benton, Sherburne, and Stearns Counties to conduct a solid waste management program on behalf of the participating counties. The commission is an organized joint venture having the duties, powers, and privileges granted joint powers by Minn. Stat. § 471.59. The Commission is governed by a board of directors. Each member county is entitled to no less than two and no more than four of its own county commissioners on the board. Population of the member counties determines how many of their commissioners sit on the Board. The board of directors currently comprises eight members: four county commissioners from Stearns County and two each from Benton and Sherburne Counties.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007**

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

A. Joint Ventures (Continued)

Tri-County Solid Waste Commission (Continued)

Each county's proportionate share of the net operating costs is based on the usage of the household hazardous waste facility and the solid waste picked up in each county.

The Commission will remain in existence so long as two or more counties remain as parties to the agreement. Upon dissolution of the Commission, there will be an accounting to determine assets and liabilities. The assets of the Commission will be liquidated and, after payment of liabilities, the proceeds will be distributed to the member counties in the ratio that the total contributions made by each of them bears to the sum total of contributions made by all.

Separate financial information can be obtained from:

Tri-County Solid Waste Commission
601 North 20th Avenue
St. Cloud, Minnesota 56303

B. Commitments

On September 19, 2006, the County was awarded \$250,000 in loan funds from USDA Rural Development. As of December 31, 2007, \$71,072 had been received under this loan.

NOTE 9 SUBSEQUENT EVENTS

On June 2, 2008, the County issued \$3,000,000 of General Obligation Street Reconstruction Bonds and \$1,280,000 of General Obligation Capital Improvement Plan Bonds for local road improvements and right-of-way acquisition. The bonds have interest rates between 3.75% - 4.50% and will mature on February 1, 2023.

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**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A**

**BENTON COUNTY
FOLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 9,393,966	\$ 9,393,966	\$ 8,673,074	\$ (720,892)
Licenses and Permits	170,434	170,434	160,550	(9,884)
Intergovernmental	1,099,730	1,128,393	1,856,344	727,951
Charges for Services	1,877,346	1,877,346	1,680,175	(197,171)
Fines and Forfeits	26,232	26,232	81,446	55,214
Gifts and Contributions	75	75	2,575	2,500
Investment Earnings	400,000	400,000	893,534	493,534
Miscellaneous	66,150	66,150	203,030	136,880
Total Revenues	13,033,933	13,062,596	13,550,728	488,132
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	473,707	478,169	391,045	87,124
Public Defender	50,000	50,000	46,737	3,263
County Administration	464,844	464,844	458,001	6,843
County Auditor/Treasurer	514,907	522,851	503,385	19,466
County Assessor	394,213	394,213	376,498	17,715
Data Processing	570,965	579,965	544,367	35,598
Attorney	774,645	779,751	763,981	15,770
Recorder	201,014	205,810	198,275	7,535
Buildings and Plant	786,274	786,274	661,825	124,449
Veterans Service Officer	81,046	81,046	79,416	1,630
Other General Government	941,033	922,481	861,567	60,914
Total General Government	5,252,648	5,265,404	4,885,097	380,307
PUBLIC SAFETY				
Sheriff	2,913,757	2,913,757	2,925,493	(11,736)
Coroner	40,000	40,000	48,896	(8,896)
Civil Defense	79,005	91,228	82,371	8,857
Prisoner Custodial	2,668,870	2,668,870	2,550,600	118,270
Probation and Parole	504,811	504,811	556,595	(51,784)
Total Public Safety	6,206,443	6,218,666	6,163,955	54,711
HEALTH				
Groundwater Management	25,000	25,000	25,310	(310)

**BENTON COUNTY
FOLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES				
CURRENT (CONTINUED)				
CULTURE AND RECREATION				
Historical Society	\$ 13,970	\$ 13,970	\$ 13,970	\$ -
Regional Library	477,761	477,761	477,761	-
Total Culture and Recreation	491,731	491,731	491,731	-
CONSERVATION OF NATURAL RESOURCES				
County Extension	190,882	190,882	181,241	9,641
Soil and Water Conservation	138,075	138,075	138,075	
Agricultural Society/County Fair	15,000	15,000	15,000	-
Total Conservation of Natural Resources	343,957	343,957	334,316	9,641
ECONOMIC DEVELOPMENT				
Economic Development	118,167	118,167	99,198	18,969
Solid Waste	484,473	484,473	482,310	2,163
Total Economic Development	602,640	602,640	581,508	21,132
CAPITAL OUTLAY				
General Government	42,200	42,200	40,269	1,931
Public Safety	157,500	192,148	193,325	(1,177)
Total Capital Outlay	199,700	234,348	233,594	754
DEBT SERVICE				
Principal Retirement	7,704	7,704	7,704	-
Total Expenditures	13,129,823	13,189,450	12,723,215	466,235
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(95,890)	(126,854)	827,513	954,367
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	60,770	60,770
Transfers Out	-	-	(105,601)	(105,601)
Total Other Financing Sources (Uses)	-	-	(44,831)	(44,831)
NET CHANGE IN FUND BALANCE	\$ (95,890)	\$ (126,854)	782,682	\$ 909,536
Fund Balance - Beginning of Year			6,472,162	
FUND BALANCE - END OF YEAR			\$ 7,254,844	

**BENTON COUNTY
FOLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE FUND
YEAR ENDED DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,699,042	\$ 2,699,042	\$ 2,456,097	\$ (242,945)
Licenses and Permits	7,000	7,000	15,500	8,500
Intergovernmental	3,012,102	3,012,102	2,004,922	(1,007,180)
Charges for Services	118,350	118,350	107,726	(10,624)
Miscellaneous	15,500	15,500	40,172	24,672
Total Revenues	5,851,994	5,851,994	4,624,417	(1,227,577)
EXPENDITURES				
CURRENT				
HIGHWAY AND STREETS				
Administration	415,849	415,849	372,651	43,198
Maintenance	2,023,391	2,023,391	1,951,034	72,357
Construction	628,071	628,071	210,499	417,572
Equipment and Maintenance Shops	668,731	668,731	828,871	(160,140)
Total Highways and Streets	3,736,042	3,736,042	3,363,055	372,987
INTERGOVERNMENTAL	-	-	106,593	(106,593)
CAPITAL OUTLAY	2,806,000	2,806,000	1,091,629	1,714,371
DEBT SERVICE				
Principal Retirement	90,964	90,964	90,964	-
Interest	7,988	7,988	7,988	-
Total Debt Service	98,952	98,952	98,952	-
Total Expenditures	6,640,994	6,640,994	4,660,229	1,980,765
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(789,000)	(789,000)	(35,812)	753,188
OTHER FINANCING SOURCES (USES)				
Transfers In	899,000	899,000	4,921	(894,079)
Transfers Out	-	-	(8,451)	(8,451)
Proceeds from Sale of Assets	5,000	5,000	11,195	6,195
Total Other Financing Sources (Uses)	904,000	904,000	7,665	(896,335)
NET CHANGE IN FUND BALANCE	<u>\$ 115,000</u>	<u>\$ 115,000</u>	(28,147)	<u>\$ (143,147)</u>
Fund Balance - Beginning of Year			1,456,439	
Increase in Reserved for Inventory			52,256	
FUND BALANCE - END OF YEAR			<u>\$ 1,480,548</u>	

**BENTON COUNTY
FOLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES FUND
DECEMBER 31, 2007**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,661,650	\$ 3,661,650	\$ 3,338,604	\$ (323,046)
Intergovernmental	5,466,483	5,471,483	6,047,376	575,893
Charges for Services	538,400	533,400	594,566	61,166
Gifts and Contributions	-	-	28,526	28,526
Interest on Investments	300	300	6,009	5,709
Miscellaneous	64,500	64,500	156,016	91,516
Total Revenues	<u>9,731,333</u>	<u>9,731,333</u>	<u>10,171,097</u>	<u>439,764</u>
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	2,627,671	2,627,671	2,757,002	(129,331)
Social Services	6,367,277	6,367,277	6,571,775	(204,498)
Total Human Services	<u>8,994,948</u>	<u>8,994,948</u>	<u>9,328,777</u>	<u>(333,829)</u>
HEALTH				
Nursing Service	828,447	828,447	857,793	(29,346)
Total Expenditures	<u>9,823,395</u>	<u>9,823,395</u>	<u>10,186,570</u>	<u>(363,175)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(92,062)	(92,062)	(15,473)	76,589
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(16,902)	(16,902)
NET CHANGE IN FUND BALANCE	<u>\$ (92,062)</u>	<u>\$ (92,062)</u>	<u>(32,375)</u>	<u>\$ 59,687</u>
Fund Balance - Beginning of Year			<u>4,407,832</u>	
FUND BALANCE - END OF YEAR			<u>\$ 4,375,457</u>	

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2007**

BUDGETARY INFORMATION

The County Board adopts annual budgets for the General Fund and certain special revenue funds (Road and Bridge, Human Services, and Regional Railroad Authority). These budgets are prepared on the modified accrual basis of accounting. Annual budgets are not adopted for the Economic Development, Miscellaneous, Ditch, and Gravel Pit Restoration Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund.

Based on a process established by the County Board, all departments for the County submit requests for appropriations to the County Administrator each year. After review, analysis and discussions with the departments, the County Administrator's proposed budget is presented to the County Board for review. The County Board holds public hearings and a final budget must be prepared and adopted no later than December 31.

The overall budget is prepared by fund and department. The legal level of budgetary control— the level at which expenditures may no legally exceed appropriations – is the department level. Budgets may be amended during the year with proper approval.

The following major funds had expenditures in excess of budget at the department level for the year ended December 31, 2007:

Fund	Function	Expenditures	Budget	Excess
General	Current			
	Public Safety			
	Sheriff	\$ 2,925,493	\$ 2,913,757	\$ 11,736
	Coroner	48,896	40,000	8,896
	Probation and Parole	556,595	504,811	51,784
	Health			
	Groundwater Management	25,310	25,000	310
	Capital Outlay			
	Public Safety	193,325	192,148	1,177
Special Revenue Funds				
Road and Bridge	Current			
	Highways and Streets			
	Equipment and Maintenance			
	Shops	828,871	668,731	160,140
	Intergovernmental	106,593	-	106,593
Human Services	Current			
	Human Services			
	Income Maintenance	2,757,002	2,627,671	129,331
	Social Services	6,571,775	6,367,277	204,498
	Health			
	Nursing Service	857,793	828,447	29,346

The additional expenditures were financed by greater than anticipated grant revenues, greater than anticipated charges for services, existing fund balance, and other additional revenues.

SUPPLEMENTARY INFORMATION

BENTON COUNTY
FOLEY, MINNESOTA
YEAR ENDED DECEMBER 31, 2007

NONMAJOR GOVERNMENTAL FUNDS

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

The Economic Development Special Revenue Fund is used to account for the activities of the Economic Development revolving loan program.

The Regional Railroad Authority Special Revenue Fund is used to account for the activities of the Regional Railroad Authority Program.

The Gravel Pit Restoration Special Revenue Fund is used to account for the 10 percent of aggregate production taxes collected and retained by the County to restore abandoned pits on public or tax-forfeited land.

**BENTON COUNTY
FOLEY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	Nonmajor Special Revenue Funds				Total Nonmajor Funds
	Ditch	Economic Development	Regional Railroad Authority	Gravel Pit Restoration	
ASSETS					
Cash and Pooled Investments	\$ 76,399	\$ 361,974	\$ 1,374	\$ 22,566	\$ 462,313
Special Assessments Receivable					
Delinquent	22	-	-	-	22
Accounts Receivable	-	2,298	-	3,205	5,503
Accrued Interest Receivable	-	1,288	-	-	1,288
Loans Receivable	-	814,485	-	-	814,485
Total Assets	<u>\$ 76,421</u>	<u>\$ 1,180,045</u>	<u>\$ 1,374</u>	<u>\$ 25,771</u>	<u>\$ 1,283,611</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to Other Funds	\$ 9,230	\$ -	\$ -	\$ -	\$ 9,230
Deferred Revenue - Unavailable	22	-	-	891	913
Total Liabilities	9,252	-	-	891	10,143
FUND BALANCES					
Reserved for Gravel Pit Closure	-	-	-	24,880	24,880
Reserved for Economic Development					
Revolving Loans	-	1,180,045	-	-	1,180,045
Unreserved					
Undesignated	67,169	-	1,374	-	68,543
Total Fund Balances	<u>67,169</u>	<u>1,180,045</u>	<u>1,374</u>	<u>24,880</u>	<u>1,273,468</u>
Total Liabilities and Fund Balances	<u>\$ 76,421</u>	<u>\$ 1,180,045</u>	<u>\$ 1,374</u>	<u>\$ 25,771</u>	<u>\$ 1,283,611</u>

**BENTON COUNTY
FOLEY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2007**

	Nonmajor Special Revenue Funds				Total Nonmajor Funds
	Ditch	Economic Development	Regional Railroad Authority	Gravel Pit Restoration	
REVENUES					
Taxes	\$ -	\$ 32,954	\$ 72,258	\$ -	\$ 105,212
Special Assessments	1,033	-	-	-	1,033
Intergovernmental	-	-	5,972	-	5,972
Investment Earnings	-	14,768	-	-	14,768
Miscellaneous	-	43,090	-	6,571	49,661
Total Revenues	<u>1,033</u>	<u>90,812</u>	<u>78,230</u>	<u>6,571</u>	<u>176,646</u>
EXPENDITURES					
CURRENT					
General Government	-	-	77,022	-	77,022
Conservation of Natural Resources	1,049	-	-	-	1,049
Economic Development	-	32,997	-	-	32,997
DEBT SERVICE					
Principal Payments	-	22,471	-	-	22,471
Interest	-	5,807	-	-	5,807
Total Expenditures	<u>1,049</u>	<u>61,275</u>	<u>77,022</u>	<u>-</u>	<u>139,346</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(16)	29,537	1,208	6,571	37,300
OTHER FINANCING SOURCES (USES)					
Transfers Out	-	(1,439)	-	-	(1,439)
Loan Proceeds	-	71,072	-	-	71,072
NET CHANGE IN FUND BALANCES	(16)	99,170	1,208	6,571	106,933
Fund Balance - Beginning of Year	<u>67,185</u>	<u>1,080,875</u>	<u>166</u>	<u>18,309</u>	<u>1,166,535</u>
FUND BALANCE - END OF YEAR	<u>\$ 67,169</u>	<u>\$ 1,180,045</u>	<u>\$ 1,374</u>	<u>\$ 24,880</u>	<u>\$ 1,273,468</u>

BENTON COUNTY
FOLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
REGIONAL RAILROAD AUTHORITY SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 79,424	\$ 79,424	\$ 72,258	\$ (7,166)
Intergovernmental	-	-	5,972	5,972
Total Revenues	79,424	79,424	78,230	(1,194)
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Buildings and Plant	77,024	77,024	77,022	2
NET CHANGE IN FUND BALANCE	<u>\$ 2,400</u>	<u>\$ 2,400</u>	1,208	<u>\$ 1,192</u>
Fund Balance - Beginning of Year			166	
FUND BALANCE - END OF YEAR			<u>\$ 1,374</u>	

**BENTON COUNTY
FOLEY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
HOUSING AND REDEVELOPMENT AUTHORITY				
ASSETS				
Cash and Pooled Investments	\$ -	\$ 1,486,109	\$ 1,486,109	\$ -
LIABILITIES				
Due to Other Governments	\$ -	\$ 1,486,109	\$ 1,486,109	\$ -
METROPOLITAN TRANSIT				
ASSETS				
Cash and Pooled Investments	\$ -	\$ 171,039	\$ 171,039	\$ -
LIABILITIES				
Due to Other Governments	\$ -	\$ 171,039	\$ 171,039	\$ -
MUNICIPAL DEVELOPMENT DISTRICT				
ASSETS				
Cash and Pooled Investments	\$ -	\$ 85,527	\$ 85,527	\$ -
LIABILITIES				
Due to Other Governments	\$ -	\$ 85,527	\$ 85,527	\$ -
SCHOOL DISTRICTS				
ASSETS				
Cash and Pooled Investments	\$ 28,872	\$ 10,086,960	\$ 10,077,088	\$ 38,744
LIABILITIES				
Due to Other Governments	\$ 28,872	\$ 10,086,960	\$ 10,077,088	\$ 38,744

**BENTON COUNTY
FOLEY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
STATE FUNDS				
ASSETS				
Cash and Pooled Investments	\$ 102,395	\$ 4,787,064	\$ 4,794,610	\$ 94,849
LIABILITIES				
Due to Other Governments	\$ 102,395	\$ 4,787,064	\$ 4,794,610	\$ 94,849
CHM COLLABORATIVE				
ASSETS				
Cash and Pooled Investments	\$ 367,019	\$ 244,744	\$ 294,849	\$ 316,914
LIABILITIES				
Due to Other Governments	\$ 367,019	\$ 244,744	\$ 294,849	\$ 316,914
TAXES AND PENALTIES				
ASSETS				
Cash and Pooled Investments	\$ 688,165	\$ 41,040,534	\$ 41,039,518	\$ 689,181
LIABILITIES				
Due to Other Governments	\$ 688,165	\$ 41,040,534	\$ 41,039,518	\$ 689,181
TOWNS AND CITIES				
ASSETS				
Cash and Pooled Investments	\$ 217	\$ 8,377,330	\$ 8,376,171	\$ 1,376
LIABILITIES				
Due to Other Governments	\$ 217	\$ 8,377,330	\$ 8,376,171	\$ 1,376

**BENTON COUNTY
FOLEY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
MENTAL HEALTH INITIATIVE COMMUNITY PROJECT				
ASSETS				
Cash and Pooled Investments	\$ 411,245	\$ 998,388	\$ 873,080	\$ 536,553
LIABILITIES				
Due to Other Governments	\$ 411,245	\$ 998,388	\$ 873,080	\$ 536,553
SOCIAL WELFARE				
ASSETS				
Cash and Pooled Investments	\$ 31,610	\$ 643,583	\$ 537,458	\$ 137,735
LIABILITIES				
Due to Other Governments	\$ 31,610	\$ 643,583	\$ 537,458	\$ 137,735
JAIL INMATE				
ASSETS				
Cash and Pooled Investments	\$ 56,729	\$ 569,541	\$ 574,971	\$ 51,299
LIABILITIES				
Due to Other Governments	\$ 56,729	\$ 569,541	\$ 574,971	\$ 51,299

**BENTON COUNTY
FOLEY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2007**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
MISSING HEIRS				
ASSETS				
Cash and Pooled Investments	\$ -	\$ 12,858	\$ -	\$ 12,858
LIABILITIES				
Due to Other Governments	\$ -	\$ 12,858	\$ -	12,858
HENKEMEYER LANDFILL TRUST				
ASSETS				
Cash and Pooled Investments	\$ -	\$ 66,300	\$ -	\$ 66,300
LIABILITIES				
Due to Other Governments	\$ -	\$ 66,300	\$ -	66,300
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Pooled Investments	\$ 1,686,252	\$ 68,569,977	\$ 68,310,420	\$ 1,945,809
LIABILITIES				
Due to Other Governments	\$ 1,686,252	\$ 68,569,977	\$ 68,310,420	\$ 1,945,809

**BENTON COUNTY
FOLEY, MINNESOTA
TAX CAPACITY, TAX CAPACITY RATES, LEVIES, AND PERCENTAGE OF COLLECTION
YEAR ENDED DECEMBER 31**

	2006	
	Amount	Net Tax Capacity Rate (%)
Tax Capacity		
Real Estate	\$ 25,099,305	
Personal Property	605,276	
Less:		
Tax Increment	(1,346,170)	
Power Line	(4,106)	
Job Z	-	
Net Tax Capacity	\$ 24,354,305	
Taxes Levied for County Purposes		
General (including Library)	\$ 9,431,274	36.049%
Road and Bridge	2,297,661	7.601%
Human Service	3,462,861	13.713%
Debt Service	2,361,501	9.696%
Capital Projects	728,900	0.719%
Total Levy for County Purposes	\$ 18,282,197	67.778%
Less: County Program Aid	1,775,324	
Net Levy Certified to State	\$ 16,506,873	
Less: Market Value Credits Payable by State	1,365,627	
Net Levy for County Purposes	\$ 15,141,246	
Total Tax Capacity - Light and Power		
Assessed at 43%	\$ 42,238	
Assessed at 5%	3,822	
Total Light and Power Tax Levies	\$ 46,060	
Light and Power Tax Levies (distributed in accordance with Minn. Stat. 273.42)		
Assessed at 43%	\$ 55,470	131.327%
Assessed at 5%	5,019	131.327%
Total Light and Power Tax Levies	\$ 60,489	
Special Assessments		
Ditch Liens and Assessments	\$ 1,592	
Glendorado Septic Systems	289	
Solid Waste	321,690	
Total Special Assessments	\$ 323,571	
Percentage of Tax Collections for All Purposes	98.2%	

2007		2008	
Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
\$ 27,808,223		\$ 30,097,384	
622,146		595,804	
(1,111,309)		(1,198,753)	
(4,873)		(4,883)	
(76,528)		(126,846)	
<u>\$ 27,237,659</u>		<u>\$ 29,362,706</u>	
\$ 9,842,223	33.780%	\$ 10,813,910	34.289%
3,115,979	9.609%	3,085,878	8.929%
3,765,504	13.381%	3,633,251	11.993%
2,278,638	8.547%	2,583,251	8.781%
783,500	0.642%	762,859	0.596%
<u>\$ 19,785,844</u>	<u>65.959%</u>	<u>\$ 20,879,149</u>	<u>64.588%</u>
1,817,148		1,909,475	
<u>\$ 17,968,696</u>		<u>\$ 18,969,674</u>	
1,327,641		1,301,838	
<u>\$ 16,641,055</u>		<u>\$ 17,667,836</u>	
\$ 44,690		\$ 41,500	
4,048		3,918	
<u>\$ 48,738</u>		<u>\$ 45,418</u>	
\$ 59,141	130.150%	\$ 54,695	129.534%
5,357	130.150%	5,164	129.534%
<u>\$ 64,498</u>		<u>\$ 59,859</u>	
\$ 1,070		\$ -	
-			
330,850		354,710	
<u>\$ 331,920</u>		<u>\$ 354,710</u>	
97.5%		N/A	

**BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2007**

	<u>Special Revenue Funds</u>		
	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
SHARED REVENUE			
State			
County Program Aid	\$ 640,857	\$ 446,437	\$ 120,954
PERA Rate Reimbursement	19,781	5,043	13,080
Disparity Reduction Aid	7,441	-	-
Police Aid	129,900	-	-
Highway Users Tax	-	1,258,324	-
Market Value Credit	690,570	199,618	273,800
Enhanced 911	-	-	-
Total Shared Revenue	<u>1,488,549</u>	<u>1,909,422</u>	<u>407,834</u>
REIMBURSEMENT FOR SERVICES			
State			
Minnesota Department of Human Services	89,886	-	2,037,839
Health	-	-	13,295
Total Reimbursement for Services	<u>89,886</u>	<u>-</u>	<u>2,051,134</u>
PAYMENTS			
Local			
Local Contributions	19,550	80,034	1,000
GRANTS			
State			
Minnesota Department/Board of Corrections	105,080	-	-
Public Safety	55,839	-	-
Health	-	-	204,217
Natural Resources	7,122	-	-
Human Services	-	-	1,961,252
Soil and Water Resources	17,473	-	-
Veterans Affairs	4,200	-	-
Pollution Control Agency	-	-	-
Peace Officer's Board	9,648	-	-
Total State Grants	<u>199,362</u>	<u>-</u>	<u>2,165,469</u>
Federal			
Department of Agriculture	-	-	138,116
Justice	2,326	-	-
Transportation	4,838	15,466	-
Health and Human Services	4,186	-	1,283,823
Homeland Security	47,647	-	-
Total Federal Grants	<u>58,997</u>	<u>15,466</u>	<u>1,421,939</u>
Total State and Federal Grants	<u>258,359</u>	<u>15,466</u>	<u>3,587,408</u>
Total Intergovernmental Revenue	<u>\$ 1,856,344</u>	<u>\$ 2,004,922</u>	<u>\$ 6,047,376</u>

Special Revenue Funds				
Miscellaneous	Capital Projects	Regional Railroad Authority	Debt Service	Total All Funds
\$ -	\$ 608,500	\$ -	\$ -	\$ 1,816,748
-	-	-	-	37,904
-	-	-	-	7,441
-	-	-	-	129,900
-	-	-	-	1,258,324
-	13,488	5,972	171,293	1,354,741
115,552	-	-	-	115,552
115,552	621,988	5,972	171,293	4,720,610
-	-	-	-	2,127,725
-	-	-	-	13,295
-	-	-	-	2,141,020
-	-	-	-	100,584
-	-	-	-	105,080
-	-	-	-	55,839
-	-	-	-	204,217
-	-	-	-	7,122
-	-	-	-	1,961,252
49,629	-	-	-	67,102
-	-	-	-	4,200
90,380	-	-	-	90,380
-	-	-	-	9,648
140,009	-	-	-	2,504,840
-	-	-	-	138,116
-	-	-	-	2,326
-	-	-	-	20,304
-	-	-	-	1,288,009
-	-	-	-	47,647
-	-	-	-	1,496,402
140,009	-	-	-	4,001,242
<u>\$ 255,561</u>	<u>\$ 621,988</u>	<u>\$ 5,972</u>	<u>\$ 171,293</u>	<u>\$ 10,963,456</u>

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**REPORTS RELATED TO *GOVERNMENT AUDITING STANDARDS* AND
SINGLE AUDIT (A-133)**

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
Benton County
Foley, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Benton County, Minnesota 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 June 24, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Benton 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 Benton 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 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 certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 consider deficiencies 96-4, 06-1, 06-2, and 07-1 described in the accompanying schedule of findings and questioned costs to be significant deficiencies 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 the entity's internal control.

Internal Control Over Financial Reporting (Continued)

Our consideration of the 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 the 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 believe that the deficiencies described in the accompanying schedule of findings and questioned costs as items 96-4, 06-1, and 06-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

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

LarsonAllen LLP

LarsonAllen LLP

Brainerd, Minnesota
June 24, 2008

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Benton County
Foley, Minnesota

Compliance

We have audited the compliance of Benton County, Minnesota, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a major program that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or combination of significant deficiencies, which results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a major program, will not be prevented or detected.

Our consideration of internal control over compliance 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 or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

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



LarsonAllen LLP

Brainerd, Minnesota
June 24, 2008

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**BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2007**

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Benton County, Minnesota.
2. Significant deficiencies in internal control were disclosed during the audit of the basic financial statements for the County and are reported in the "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*". Control deficiencies 96-4, 06-1, and 06-2 are considered to be material weaknesses. Control deficiency 07-1 is considered to be a significant deficiency.
3. No instances of noncompliance material to the basic financial statements of the County were disclosed during the audit.
4. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance with OMB Circular A-133".
5. The auditors' report on compliance for the major federal award programs for Benton County expresses an unqualified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for the County were disclosed during the audit that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as a major program were:

Temporary Assistance for Needy Families	CFDA No. 93.558
Child Care and Development Block Grant Cluster	CFDA No. 93.596 and 93.575
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. The County was not determined to be a low-risk auditee for 2007.

BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2007

MATERIAL WEAKNESSES - FINANCIAL REPORTING:

96-4 DEPARTMENTAL INTERNAL ACCOUNTING – SEGREGATION OF DUTIES

Criteria: County management should constantly be aware of the need to have adequate segregation of duties regarding the processing of transactions for the County. In addition, County management should be aware that the concentration of duties and responsibilities in one or a very few individuals is not desirable from an internal control perspective.

Condition: Adequate segregation of the accounting functions necessary to ensure adequate internal accounting control, is not in place for various County departments.

Cause: The County has a limited number of personnel within several County departments.

Effect: The design of the internal controls over financial reporting could affect the ability of the County to record, process, summarize and report financial data consistently with the assertions of management in the financial statements. In addition, this lack of segregation of duties may result in the County's inability to prevent/detect material misappropriation of County assets.

Recommendation: We recommend County management be aware of the lack of segregation of duties within the accounting functions and assess whether additional segregation of duties is cost beneficial. If additional segregation is not possible, we recommend County management implement some oversight procedures to ensure the internal control policies and procedures are being implemented by County staff.

06-1 FINANCIAL REPORTING PROCESS

Criteria: County management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements in accordance applicable accounting and reporting standards.

Condition: As part of the audit, management requested us to prepare a draft of the financial statements, including the related notes to the financial statements.

Cause: Benton County has a limited number of personnel.

Effect: The design of the controls over the financial reporting process would affect the ability of County to report their financial data consistently with the assertions of management in the financial statements.

Recommendation: We recommend that County management be aware of the responsibilities regarding financial reporting. If management chooses to undertake these financial reporting responsibilities, a number of policies, procedures, and reviews will need to be developed and implemented.

BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2007

MATERIAL WEAKNESSES - FINANCIAL REPORTING (Continued):

06-2 AUDIT ADJUSTMENTS

Criteria: County management is responsible for establishing and maintaining internal controls for the proper recording of all County's accounting transactions, including account coding and reporting of accruals and net assets.

Condition: As part of the audit we proposed material audit adjustments for capital assets, receivables and payables, reclassifications to the proper accounts, and note disclosure preparation.

Cause: Benton County has a limited number of personnel.

Effect: The design of the internal controls over recording transactions and year-end accruals limits the ability of the County to provide accurate accrual basis financial information.

Recommendation: We recommend County management and financial personnel continue to increase their awareness and knowledge of all procedures and processes involved in recording transactions, accruals, and reclassifications and develop internal control policies to ensure proper recording of these items.

SIGNIFICANT DEFICIENCY:

07-1 BANK RECONCILIATION ROLES SOCIAL WELFARE

Criteria: According to standard internal control practices, bank reconciliations should be reviewed by appropriate personnel.

Condition: Social Welfare was unable to provide evidence that bank reconciliations were reviewed.

Cause: Past practice.

Effect: The County is at increased risk that errors or misstatements in this account will not be detected.

Recommendation: We recommend that reviewers of bank reconciliations sign and date for reviews performed.

**BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2007**

CONTROL DEFICIENCY:

07-2 VOIDED CHECKS

Criteria: Voided checks should be retained per state statute and for internal control purposes.

Condition: Voided checks for the Social Welfare account are not being retained.

Cause: Past practice.

Effect: Social Welfare is not in compliance with data retention requirements.

Recommendation: We recommend Social Welfare to keep all voided checks on file.

PREVIOUSLY REPORTED ITEMS RESOLVED

06-3 TIMELY DEPOSITS

County Corrections, Development, Highway, and Property Management Departments were depositing cash with the treasurer on a weekly or monthly basis.

RESOLUTION

The County adopted and implemented a policy regarding timely deposits effective 2007.

06-4 SUPPORTING DOCUMENTATION FOR DISBURSEMENTS

The County was not able to provide supporting documentation for 2 of 40 disbursements tested.

RESOLUTION

No similar instances noted during testing in 2007.

06-5 EXTENSION DEPARTMENT CHECKING ACCOUNT

The Extension Department has a checking account that has not been used for several years. However, the department has not taken the necessary steps to close the account.

RESOLUTION

The account was closed by the County.

**BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2007**

PREVIOUSLY REPORTED ITEM RESOLVED – LEGAL COMPLIANCE

06-6 COMPUTER ACCESS

During the course of the audit, we noted that personnel throughout the County do not lock their computers when they leave their workstations.

RESOLUTION

IT department has installed screensaver passwords that lock the computers automatically after a specified period of time.

06-7 APPROVAL OF COUNTY ACCOUNTS

During the course of the audit, the County was unable to provide dates when change funds, bank accounts, and credit cards were approved by the Board. The Sherriff's Department was unable to provide dates when a BP gas station credit card was approved. Property Management was unable to provide dates when the Park change fund was approved; \$100 was stolen from this change fund in 2006. Health and Human Services was unable to provide dates when its checking account was approved by the Board.

RESOLUTION

The accounts were approved by the Board during 2007.

06-8 PUBLISHING OF VENDORS

When the County published disbursements, it disclosed the name of the credit card company and not the actual vendor.

RESOLUTION

No similar instances noted during testing in 2007.

06-9 EMPLOYEE CLUB VENDING MACHINE

An employee club operates vending machines in County buildings. Proceeds from these vending machines were used to fund various employee events. The County did not charge the employee club to operate these vending machines on County property.

RESOLUTION

The County executed the necessary contracts in order to be compliant with state statute.

**BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Supplemental Food Program for Women, Infants, and Children (WIC)	10.557	\$ 130,677
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	<u>7,439</u>
Total Department of Agriculture		138,116
U.S. Department of Justice		
Direct		
Bulletproof Vest Partnership Program	16.607	<u>2,326</u>
Total Department of Justice		2,326
U.S. Department of Transportation		
Passed Through Minnesota Department of Natural Resources Highway Planning and Construction (grant cluster)	20.205	15,466
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	<u>4,838</u>
Total Department of Transportation		20,304

**BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2007**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health		
Immunization Grant	93.268	\$ 520
Centers for Disease Control and Prevention - Investigation and Technical Assistance	93.283	52,974
Community Mental Health Block Grant	93.958	3,463
Maternal and Child Health Services Block Grant	93.994	38,308
Passed Through Minnesota Department of Human Services		
Temporary Assistance for Needy Families	93.558	377,403
Child Care Development Block Grant (grant cluster)	93.575	198,306
Child Care Mandatory and Matching Funds (grant cluster)	93.596	323,921
Grants to States for Access and Visitation Programs	93.597	2,093
Child Welfare Services State Grants	93.645	5,591
Foster Care Title IV-E	93.658	71,588
Social Services Block Grant Title XX	93.667	208,505
Chafee Foster Care Independence Program	93.674	4,968
State Children's Insurance Program	93.767	369
Total Department of Health and Human Services		<u>1,288,009</u>
U.S Department of Homeland Security		
Pass Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	15,632
Pass Through Minnesota Department of Public Safety		
Emergency Management Performance Grant	97.042	29,113
Homeland Security Grant Program	97.067	2,902
Total Department of Homeland Security		<u>47,647</u>
Total Cash Type Federal Awards		<u>\$ 1,496,402</u>

1. The Schedule of Expenditures of Federal Awards presents the activity of Federal award programs expended by Benton County. The County's reporting entity is defined in Note 1 to the Financial Statements.
2. The expenditures on this schedule are on the basis of accounting used by the individual funds of the County. Governmental funds use the modified accrual basis of accounting.
3. During 2007, the County did not pass on any Federal money to subreceptients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.

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REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners
Benton County
Foley, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County, Minnesota, as of and for the year ended December 31, 2007, and have issued our report thereon dated June 24, 2008.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the provisions of the *Audit Guide for Local Government*, promulgated by the State Auditor pursuant to *Minnesota Statute § 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 *Audit Guide for Local Government* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, tax increment financing districts, and county and city miscellaneous provisions. Our study included all of the listed categories, except tax increment financing districts, because the County does not have any tax increment financing districts.

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

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



LarsonAllen LLP

Brainerd, Minnesota
June 24, 2008