

**BENTON COUNTY
FOLEY, MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2010

**BENTON COUNTY
FOLEY, MINNESOTA
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2010**

INTRODUCTORY SECTION	
ORGANIZATION	1
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	2
REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	17
STATEMENT OF ACTIVITIES	18
FUND LEVEL FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	19
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS – GOVERNMENTAL ACTIVITIES	21
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	22
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES	24
STATEMENT FIDUCIARY NET ASSETS – AGENCY FUNDS	25
NOTES TO THE FINANCIAL STATEMENTS	26
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN THE MD&A	
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	55
BUDGETARY COMPARISON SCHEDULE – ROAD AND BRIDGE FUND	57
BUDGETARY COMPARISON SCHEDULE – HUMAN SERVICES FUND	58
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	59
SCHEDULE OF FUNDING PROGRESS – OTHER POST EMPLOYMENT HEALTH CARE BENEFITS	60

**BENTON COUNTY
FOLEY, MINNESOTA
TABLE OF CONTENTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010**

FINANCIAL SECTION (CONTINUED)

SUPPLEMENTARY INFORMATION

COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	62
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – NONMAJOR GOVERNMENTAL FUNDS	63
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS	64
SCHEDULE OF INTERGOVERNMENTAL REVENUE	68
REPORTS RELATED TO <i>GOVERNMENT AUDITING STANDARDS</i> AND SINGLE AUDIT	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	70
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	72
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	74
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	79
REPORT ON MINNESOTA LEGAL COMPLIANCE	81

INTRODUCTORY SECTION

**BENTON COUNTY
FOLEY, MINNESOTA
ORGANIZATION
DECEMBER 31, 2010**

Office	Name	Term	
		From	To
Commissioners			
1st District	Warren Peschl	January 2009	January 2013
2nd District	Joe Wollak	January 2007	January 2011
3rd District	Jim McMahon	January 2007	January 2011
4th District	Spencer Buerkle	January 2009	January 2013
5th District	Earl Bukowski*	January 2009	January 2013
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 2009	January 2013
Court Administrator	Timothy Roberts	Indefinite	
Development Director	Chelle Benson	Indefinite	
Highway Engineer	Robert H. Kozel, P.E.	May 2009	May 2013
Human Services			
<u>Board</u>			
Chair	Warren Peschl	January 2009	January 2013
Member	Earl Bukowski	January 2009	January 2011
Vice-Chair	Joe Wollak	January 2007	January 2013
Member	Spencer Buerkle	January 2009	January 2013
Member	Jim McMahon	January 2007	January 2011
Director	Timothy Martin	Indefinite	

* Chair

FINANCIAL SECTION



CPAs, Consultants & Advisors

www.larsonallen.com

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 (County), Minnesota as of and for the year ended December 31, 2010, 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, 2010, 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 July 21, 2011, on our consideration of Benton County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of the audit.



(2)

An independent member of Nexia International

The management's discussion and analysis, budgetary comparison information, and schedule of funding progress, 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.

Larson Allen LLP
LarsonAllen LLP

Brainerd, Minnesota
July 21, 2011

REQUIRED SUPPLEMENTARY INFORMATION

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010**

This section of Benton County's (County) annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on December 31, 2010. 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, 2010, and the prior year, 2009, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2009-2010 fiscal years include the following:

- ◆ County-wide net assets increased 5.1 percent over the prior year, reflecting continued improvement in cash reserves plus new investments in the County road system.
- ◆ Overall fund-level revenues totaled \$34,824,155 and were \$300,612 more than expenditures, consistent with County plans to utilize prior year bond proceeds and fund balances for capital projects.
- ◆ The General Fund's fund balance decreased \$248,071 from the prior year, due primarily to the County's decision to utilize its fund balance for major road improvements.

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:

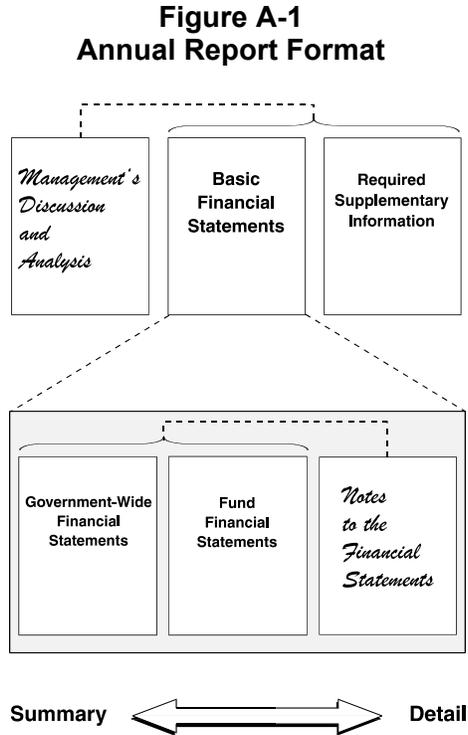
- ◆ The first two statements are County-wide financial statements which provide both short-term and long-term information about the County's overall financial status.
- ◆ The remaining statements are fund financial statements which focus on individual parts of the County, reporting the County's operations 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, 2010**

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.



**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010**

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.

Figure A-2. Major Features of the County's Government-Wide And Fund Financial 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, 2010**

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, 2010**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets

The County's net assets were \$78,484,187 on December 31, 2010. (See Table A-1).

The decrease in restricted net assets was primarily due to the use of idle cash in the Solid Waste Fund to pay off a portion of the County's outstanding long-term debt, as well as the continued use of bond proceeds for major road improvements.

Table A-1
The County's Net Assets

	Governmental Activities		Percent Change
	2010	2009	
Current and Other Assets	\$ 35,321,908	\$ 37,068,628	(4.7)%
Capital Assets	65,631,740	65,485,123	0.2
Total Assets	<u>100,953,648</u>	<u>102,553,751</u>	(1.6)
Current Liabilities	3,684,269	4,066,954	(9.4)
Long-Term Liabilities	18,785,192	23,801,834	(21.1)
Total Liabilities	<u>22,469,461</u>	<u>27,868,788</u>	(19.4)
Net Assets			
Invested in Capital Assets			
Net of Related Debt	50,917,180	51,133,373	(0.4)
Restricted	9,299,609	12,261,145	(24.2)
Unrestricted	18,267,398	11,290,445	61.8
Total Net Assets	<u>\$ 78,484,187</u>	<u>\$ 74,684,963</u>	5.1

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Assets

The County-wide total revenues were \$36,241,330 for the year ended December 31, 2010. Property taxes and intergovernmental revenues accounted for 89% of total revenue for the year. This portion of total revenues is a decrease of 0.2% from the prior year (See Table A-2.)

Table A-2
Change in Net Assets

	Governmental Activities		Total % Change
	2010	2009	
REVENUES			
<u>Program Revenues</u>			
Charges for Services	\$ 3,444,393	\$ 3,634,203	(5.2)%
Operating Grants and Contributions	7,802,242	7,469,252	4.5
Capital Grants and Contributions	2,681,759	2,452,283	9.4
<u>General Revenues</u>			
Property Taxes	18,870,366	18,884,251	(0.1)
Unrestricted State Aid	2,785,547	3,284,598	(15.2)
Investment Earnings	255,597	389,327	(34.3)
Other	401,426	351,211	14.3
Total Revenues	<u>36,241,330</u>	<u>36,465,125</u>	(0.6)
EXPENSES			
General Government	5,960,534	6,008,731	(0.8)
Public Safety	7,618,412	7,524,795	1.2
Highways and Streets	6,294,783	6,469,759	(2.7)
Human Services	8,765,291	9,652,882	(9.2)
Health	1,376,451	1,155,812	19.1
Culture and Recreation	572,701	557,548	2.7
Conservation of Natural Resources	742,620	728,706	1.9
Economic Development	454,260	660,910	(31.3)
Interest and Fiscal Charges on Long-Term Liabilities	657,054	815,334	(19.4)
Total Expenses	<u>32,442,106</u>	<u>33,574,477</u>	(3.4)
INCREASE IN NET ASSETS	3,799,224	2,890,648	31.4
Net Assets - Beginning of Year	74,684,963	71,794,315	4.0
NET ASSETS - END OF YEAR	<u>\$ 78,484,187</u>	<u>\$ 74,684,963</u>	5.1

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 2010 as bond-funded road projects were completed.

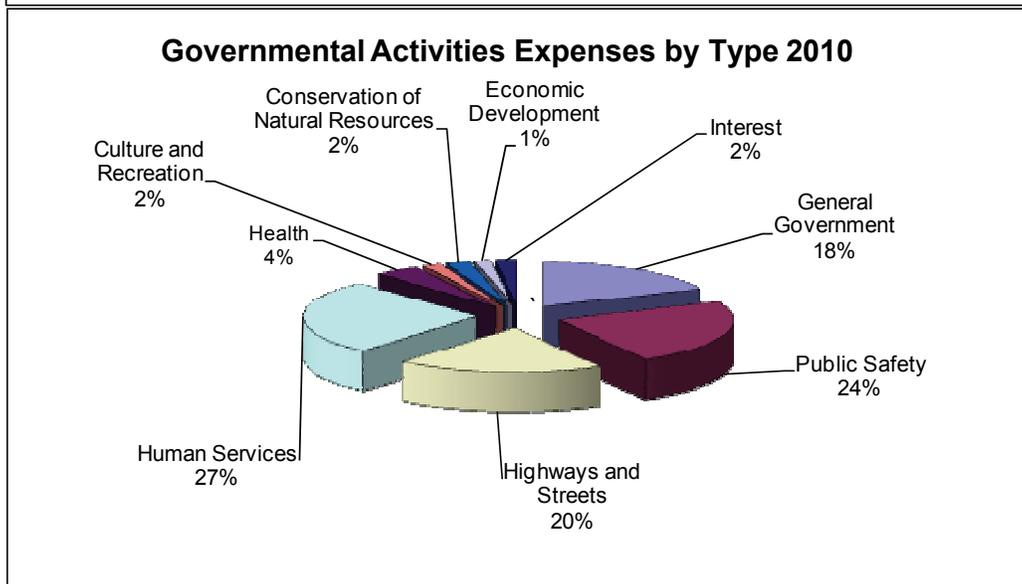
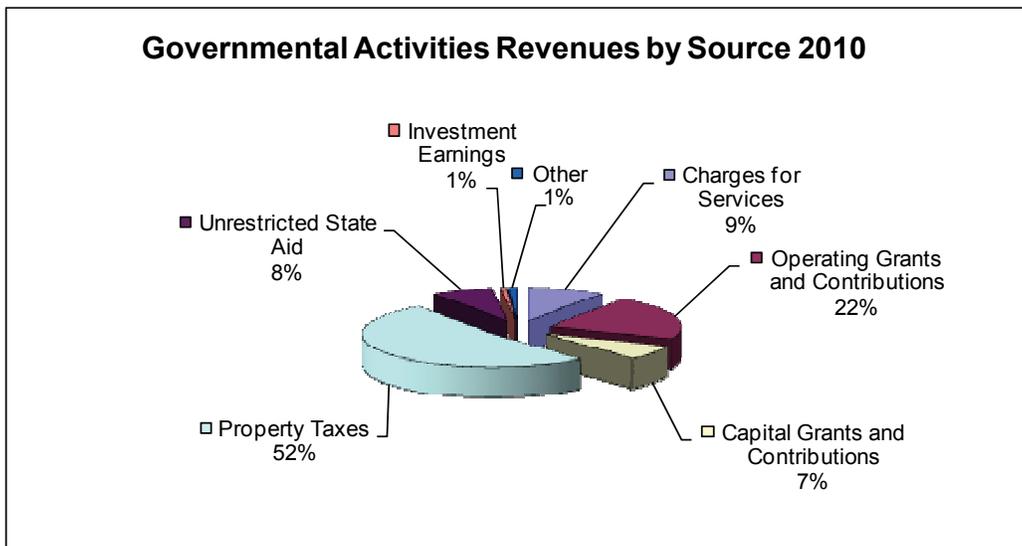
**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010**

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 \$32,442,106.

- ◆ Some of the cost was paid by the users of the County's programs (\$3,444,393).
- ◆ The federal and state governments contributed to certain programs with grants and contributions (\$10,484,001).
- ◆ A significant portion of the County's costs (\$18,513,712) were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$18,938,757 in property taxes and other taxes, \$2,785,547 of state aid, and with \$589,294 from investment earnings and other general revenues.



**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010**

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
	2010	2009		2010	2009	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 5,960,534	\$ 6,008,731	(0.8)%	\$ 4,377,898	\$ 4,634,792	(5.5)%
Public Safety	7,618,412	7,524,795	1.2	6,193,223	6,118,917	1.2
Highways and Streets	6,294,783	6,469,759	(2.7)	2,368,539	2,641,753	(10.3)
Human Services	8,765,291	9,652,882	(9.2)	3,096,827	3,894,447	(20.5)
Health	1,376,451	1,155,812	19.1	670,630	567,475	18.2
Culture and Recreation	572,701	557,548	2.7	452,442	458,270	(1.3)
Conservation of Natural Resources	742,620	728,706	1.9	271,130	258,346	4.9
Economic Development	454,260	660,910	(31.3)	425,969	629,405	(32.3)
Interest and Fiscal Charges on Long-Term Liabilities	657,054	815,334	(19.4)	657,054	815,334	(19.4)
Total	\$ 32,442,106	\$ 33,574,477	(3.4)	\$ 18,513,712	\$ 20,018,739	(7.5)

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 \$29,836,038.

Revenues for the County's governmental funds were \$34,824,155, while total expenditures were \$34,523,543. During 2010, the County continued the draw-down of bond proceeds issued in 2007 and 2008 for road projects.

GENERAL FUND

Includes the general governmental functions of the County not otherwise accounted for in another fund. The year-ending fund balance in the General Fund decreased by \$248,071 from 2009, due primarily to the use of fund balance for major road improvements.

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. The fund balance in the Road and Bridge Fund increased by \$425,527 from 2009, due primarily to transfers of funds from the Capital Projects Fund for project costs. Fund balances in Road and Bridge fluctuate dramatically as resources for major road projects flow in then out when contractor payments are made. The 2010 increase occurred due to the transfer of property tax funds and county program aid accumulated in the Miscellaneous for a major local road project. The project was started in 2010 and will be completed in 2011.

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010**

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

HUMAN SERVICES FUND

Accounts for financial activity related to the provision of social services, medical and financial assistance, and public health. The Human Services Fund balance decreased by \$274,680 from 2009. The decrease was due to the County's decision to utilize reserves for a major road improvement.

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. A significant reason for the \$435,880 improvement in fund balance can be attributed to collections in excess of expenditures from the Solid Waste assessment. The County has maintained the assessment at prior year levels, even with the full repayment of a landfill liability case, due to expectations that the County may need to participate in the construction of a regional solid waste incinerator. Also, the County, as a participant in the Tri-County Solid Waste Commission, has agreed to begin sending waste to a waste burner in Douglas County. This agreement includes a "put or pay" provision, thus the County has maintained the current assessment should this new liability emerge.

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. Fund balance in the Debt Service Fund decreased by \$3,761,020 in 2010. This decrease was due to full refunding of the 2001 jail bonds with proceeds received in 2009.

CAPITAL PROJECTS FUND

Accounts for the financing of multi-year capital projects, including those funded with Capital Improvement Plan bonds. A fund balance increase of \$369,545 was due to the transfer in of funds for a major road improvement.

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010**

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

The following schedule presents a summary of General Fund revenues:

Table A-4
General Fund Revenues

Fund	Year Ended		Change	
	December 31, 2010	December 31, 2009	Increase (Decrease)	Percent
Taxes	\$ 10,159,817	\$ 10,230,916	\$ (71,099)	(0.7)%
Intergovernmental	1,846,862	1,919,796	(72,934)	(3.8)
Charges for Services	1,694,833	1,780,391	(85,558)	(4.8)
Investment Earnings	237,975	360,499	(122,524)	(34.0)
Miscellaneous and Other	511,390	433,775	77,615	17.9
Total General Fund Revenues	<u>\$ 14,450,877</u>	<u>\$ 14,725,377</u>	<u>\$ (274,500)</u>	(1.9)

Total General Fund revenue decreased by \$274,500, or 1.9%, from 2009 due mainly to reduced earnings on investments and fewer chargeable services performed, primarily in the land use function.

The following schedule presents a summary of General Fund expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change	
	December 31, 2010	December 31, 2009	Increase (Decrease)	Percent
General Government	\$ 5,448,993	\$ 5,534,757	\$ (85,764)	(1.5)%
Public Safety	6,883,732	6,829,685	54,047	0.8
Health	71,209	25,078	46,131	184.0
Culture and Recreation	541,837	538,008	3,829	0.7
Conservation of Natural Resources	357,280	347,475	9,805	2.8
Economic Development	407,996	624,343	(216,347)	(34.7)
Capital Outlay	234,937	90,095	144,842	160.8
Total Expenditures	<u>\$ 13,945,984</u>	<u>\$ 13,989,441</u>	<u>\$ (43,457)</u>	(0.3)

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010**

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 \$274,134 more than budgeted. This favorable variance is due primarily to higher than expected grant revenues and a dividend payment from the Minnesota Counties Intergovernmental Trust that was two times larger than expected.
- ◆ Actual expenditures were \$728,199 less than budget. Salary savings from a hiring freeze enacted in December 2008 contributed to the below-budget condition. A reduction in utility usage further reduced the costs of operating.

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 2010 was related to major road re-construction projects and building improvements.

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

CAPITAL ASSETS

By the end of 2010, the County had invested over \$117 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 \$3,505,962.

Table A-6
The County's Capital Assets

	Governmental Activities		Percent Change
	2010	2009	
Land	\$ 2,346,666	\$ 2,346,666	-
Right-of-Way	8,885,167	8,701,373	2.1
Construction-in-Progress	1,291,476	3,409,024	(62.1)
Infrastructure	77,240,283	71,994,376	7.3
Land Improvements	347,356	347,356	-
Buildings	18,823,056	18,823,056	-
Machinery, Furniture, and Equipment	8,431,721	8,299,373	1.6
Less: Accumulated Depreciation	(51,733,985)	(48,436,101)	6.8
Total	<u>\$65,631,740</u>	<u>\$65,485,123</u>	0.2

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010**

LONG-TERM LIABILITIES

At year-end, the County had \$20,530,508 in long-term liabilities outstanding.

- ◆ The County's total long-term debt decreased \$5,183,996, due primarily to the full repayments of the Jail Lease Revenue Bonds and the Capital Lease during 2010.

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

	2010	2009	Percentage Change
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds and Notes	\$17,099,412	\$16,976,177	0.7 %
Revenue Bonds Payable	-	4,440,000	(100.0)
Economic Development Loans Payable	618,160	597,212	3.5
Capital Leases Payable	-	1,356,398	(100.0)
Compensated Absences	2,434,782	2,120,282	14.8
Other Postemployment Benefits	378,154	224,435	68.5
Total	<u>\$20,530,508</u>	<u>\$25,714,504</u>	(20.2)

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 39,805 in 2008. 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 has been used to address a backlog of projects. County debt is currently rated "AA" by Standards and Poor's, an increase from Moody's rating of "A1" in 2009. This increase denotes the County's increased capacity to meet current financial commitments.

Residential property continues to be a primary 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 recognizes 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.

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010**

FACTORS BEARING ON THE COUNTY'S FUTURE (CONTINUED)

The 2010 year-ending financial results saw the impacts of the economic recession with revenues related to the real estate market falling. Building activity was also slowing dramatically, particularly in the residential sector. Both the decline in real estate values and faltering new home and commercial construction will place a significant constraint on the County's ability to address cost increases through higher tax levies. The County has generally worked to avoid tax rate increases, and healthy tax base growth in recent years has allowed for levy increases that did not raise the County tax rate. Even with virtually no tax levy growth, the County's tax rate will most likely increase.

In addition to the effects of the economic recession, Benton County must manage reductions in aid from the state, plus levy limitations imposed in state law. Levy limits are in place through 2011. The combination of aid cuts and levy limits also act to reduce the County's options when seeking to manage its finances. Given these factors, 2011 and perhaps a few years beyond, will be challenging years for local governments. Expectations for restraint in taxation will grow, yet service demands will most likely not fall.

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, 2010**

	<u>Governmental Activities</u>
ASSETS	
Cash and Pooled Investments	\$ 27,476,135
Restricted Cash	1,665,000
Petty Cash and Change Funds	3,300
Taxes Receivable	
Delinquent	821,448
Special Assessments Receivable	
Delinquent	16,153
Deferred	371,846
Accounts Receivable	221,343
Accrued Interest Receivable	41,348
Loans Receivable	600,494
Due from Other Governments	3,599,357
Inventories	268,417
Prepaid Items	35,840
Deferred Debt Issue Costs	201,227
Non-Depreciable Capital Assets	
Land	2,346,666
Right-of-Way	8,885,167
Construction-in-Progress	1,291,476
Depreciable Capital Assets	
Building (Net)	12,925,437
Machinery, Vehicles, Furniture, and Equipment (Net)	4,322,548
Land Improvements (Net)	302,599
Infrastructure (Net)	35,557,847
Total Assets	<u>100,953,648</u>
LIABILITIES	
Accounts Payable	523,114
Salaries Payable	571,694
Contracts Payable	175,840
Due to Other Governments	185,210
Accrued Interest Payable	230,671
Unearned Revenue	252,424
Compensated Absences Payable - Due in Less than One Year	121,739
General Obligation Bonds and Notes Payable - Due in Less than One Year	1,592,000
Economic Development Loans Payable - Due in Less than One Year	31,577
Compensated Absences Payable - Due in More than One Year	2,313,043
Other Postemployment Benefits Payable - Due in More than One Year	378,154
General Obligation Bonds and Notes Payable - Due in More than One Year	15,507,412
Economic Development Loans Payable - Due in More than One Year	586,583
Total Liabilities	<u>22,469,461</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	50,917,180
Restricted For:	
Debt Service	565,000
Gravel Pit Closure	42,103
Capital Projects	1,430,901
Highway Projects	2,262,766
E-911	306,955
Solid Waste Contingency	2,293,249
Economic Development Loans	1,329,069
Other Items	1,069,566
Unrestricted	18,267,398
Total Net Assets	<u><u>\$ 78,484,187</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, 2010**

FUNCTIONS/PROGRAMS	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
GOVERNMENTAL ACTIVITIES	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Contributions	Governmental Activities
General Government	\$ 5,960,534	\$ 1,306,532	\$ 145,762	\$ 130,342	\$ (4,377,898)
Public Safety	7,618,412	919,987	505,202	-	(6,193,223)
Highways and Streets	6,294,783	186,788	1,559,792	2,179,664	(2,368,539)
Human Services	8,765,291	941,517	4,726,947	-	(3,096,827)
Health	1,376,451	33,624	672,197	-	(670,630)
Culture and Recreation	572,701	26,593	93,666	-	(452,442)
Conservation of Natural Resources	742,620	1,061	98,676	371,753	(271,130)
Economic Development	454,260	28,291	-	-	(425,969)
Interest	657,054	-	-	-	(657,054)
Total Governmental Activities	\$32,442,106	\$ 3,444,393	\$ 7,802,242	\$ 2,681,759	(18,513,712)
GENERAL REVENUES					
					18,870,366
					16,056
					24,495
					27,840
					2,785,547
					255,597
					333,697
					22,312,936
CHANGE IN NET ASSETS					3,799,224
					74,684,963
					\$ 78,484,187

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

**BENTON COUNTY
FOLEY, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

ASSETS	General	Road and Bridge	Human Services	Miscellaneous
Cash and Pooled Investments	\$ 7,861,388	\$ 1,741,740	\$ 4,866,007	\$ 2,040,538
Petty Cash and Change Funds	3,300	-	-	-
Restricted Cash	-	-	-	-
Taxes Receivable				
Delinquent	439,032	110,186	163,879	-
Special Assessments Receivable				
Delinquent	-	-	-	15,240
Deferred	-	-	-	363,956
Accounts Receivable	46,572	3,088	103,476	66,171
Accrued Interest Receivable	35,993	-	-	-
Due from Other Funds	40,311	7,822	-	-
Due from Other Governments	399,697	2,294,293	840,365	22,210
Inventories	-	268,417	-	-
Prepaid Items	23,170	12,670	-	-
Loans Receivable	-	-	-	-
Advances to Other Funds	10,573	-	-	1,233,044
Total Assets	\$ 8,860,036	\$ 4,438,216	\$ 5,973,727	\$ 3,741,159
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 111,829	\$ 18,656	\$ 365,229	\$ 20,201
Salaries Payable	323,113	62,842	181,563	3,852
Contracts Payable	-	103,645	-	-
Due to Other Funds	7,812	379	39,932	10
Due to Other Governments	138,349	3,401	32,864	10,596
Deferred Revenue - Unavailable	439,032	2,395,841	245,138	379,196
Deferred Revenue - Unearned	-	-	215,694	36,730
Advance from Other Funds	-	-	-	-
Total Liabilities	1,020,135	2,584,764	1,080,420	450,585
 FUND BALANCES				
Reserved for				
Capital Projects	-	-	-	-
Inventories	-	268,417	-	-
Advance to Other Funds	10,574	-	-	1,233,044
Prepays	23,170	12,670	-	-
Gravel Pit Closure	-	-	-	-
E-911	-	-	-	306,955
Solid Waste Contingency	-	-	-	681,009
Economic Development Loans	-	-	-	-
Debt Service	-	-	-	-
Other Items	-	-	-	1,069,566
Unreserved, Designated for:				
Cash Flow Purposes	5,072,280	1,478,752	1,957,323	-
Debt Service	-	-	-	-
Future Expenditures	-	93,613	-	-
Unreserved, Undesignated Reported In:				
General Fund	2,733,877	-	-	-
Special Revenue Funds	-	-	2,935,984	-
Total Fund Balances	7,839,901	1,853,452	4,893,307	3,290,574
Total Liabilities and Fund Balances	\$ 8,860,036	\$ 4,438,216	\$ 5,973,727	\$ 3,741,159

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>
\$ 2,601,794	\$ 7,557,408	\$ 807,260	\$ 27,476,135
-	-	-	3,300
1,665,000	-	-	1,665,000
101,009	7,342	-	821,448
-	-	913	16,153
-	-	7,890	371,846
-	-	2,036	221,343
-	3,277	2,078	41,348
-	-	-	48,133
-	42,792	-	3,599,357
-	-	-	268,417
-	-	-	35,840
-	-	600,494	600,494
-	-	-	1,243,617
<u>\$ 4,367,803</u>	<u>\$ 7,610,819</u>	<u>\$ 1,420,671</u>	<u>\$ 36,412,431</u>
\$ 5,550	\$ 239	\$ 1,410	\$ 523,114
-	-	324	571,694
-	72,195	-	175,840
-	-	-	48,133
-	-	-	185,210
101,009	7,342	8,803	3,576,361
-	-	-	252,424
1,086,762	146,282	10,573	1,243,617
<u>1,193,321</u>	<u>226,058</u>	<u>21,110</u>	<u>6,576,393</u>
-	1,430,901	-	1,430,901
-	-	-	268,417
-	-	-	1,243,618
-	-	-	35,840
-	-	42,103	42,103
-	-	-	306,955
-	-	-	681,009
-	-	1,329,069	1,329,069
1,665,000	-	-	1,665,000
-	-	-	1,069,566
-	-	-	8,508,355
1,509,482	-	-	1,509,482
-	5,953,860	-	6,047,473
-	-	-	2,733,877
-	-	28,389	2,964,373
<u>3,174,482</u>	<u>7,384,761</u>	<u>1,399,561</u>	<u>29,836,038</u>
<u>\$ 4,367,803</u>	<u>\$ 7,610,819</u>	<u>\$ 1,420,671</u>	<u>\$ 36,412,431</u>

**BENTON COUNTY
FOLEY, MINNESOTA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2010**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS \$ 29,836,038

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. 65,631,740

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. 3,576,361

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	\$ 17,099,412	
Economic Development Loans	618,160	
Deferred Debt Issue Costs	(201,227)	
Compensated Absences	2,434,782	
Other Postemployment Benefits	378,154	
Accrued Interest Payable	230,671	
	(20,559,952)	(20,559,952)

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 78,484,187

**BENTON COUNTY
FOLEY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2010**

	General	Road and Bridge	Human Services	Miscellaneous
REVENUES				
Taxes	\$ 10,159,817	\$ 2,537,798	\$ 3,711,108	\$ -
Special Assessments	-	-	-	365,559
Licenses and Permits	158,660	8,361	-	22,332
Intergovernmental	1,846,862	2,472,921	5,824,998	359,733
Charges for Services	1,694,833	135,679	911,575	212,275
Fines and Forfeits	17,163	-	-	32,270
Gifts and Contributions	2,000	-	16,785	2,026
Interest on Investments	237,975	-	550	769
Miscellaneous	333,567	58,590	76,962	33,668
Total Revenues	14,450,877	5,213,349	10,541,978	1,028,632
EXPENDITURES				
CURRENT				
General Government	5,448,993	-	-	91,961
Public Safety	6,883,732	-	-	117,290
Highways and Streets	-	3,600,946	-	-
Human Services	-	-	8,654,345	-
Health	71,209	-	1,185,435	-
Culture and Recreation	541,837	-	-	18,022
Conservation of Natural Resources	357,280	-	-	355,280
Economic Development	407,996	-	-	-
INTERGOVERNMENTAL	-	130,103	-	-
CAPITAL OUTLAY				
General Government	71,495	-	-	42,063
Public Safety	163,442	-	-	-
Highways and Streets	-	2,249,525	-	-
Human Services	-	-	4,722	-
Health	-	-	37,156	-
DEBT SERVICE				
Principal	-	51,000	-	-
Interest	-	2,215	-	-
Bond Issuance Costs	-	-	-	-
Fiscal Charges	-	-	-	-
Total Expenditures	13,945,984	6,033,789	9,881,658	624,616
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	504,893	(820,440)	660,320	404,016
OTHER FINANCING SOURCES (USES)				
Transfers In	137,588	1,298,413	-	42,139
Transfers Out	(890,552)	-	(935,000)	(21,525)
Loan Proceeds	-	-	-	-
Refunding Bonds Issued	-	-	-	-
Discount on Bonds Issued	-	-	-	-
Payment on Refunded Bonds	-	-	-	-
Proceeds from Sale of Assets	-	13,000	-	11,250
Total Other Financing Sources (Uses)	(752,964)	1,311,413	(935,000)	31,864
NET CHANGE IN FUND BALANCES	(248,071)	490,973	(274,680)	435,880
Fund Balances - Beginning of Year	8,087,972	1,427,925	5,167,987	2,854,694
INCREASE (DECREASE) IN RESERVED FOR INVENTORIES	-	(65,446)	-	-
FUND BALANCES - END OF YEAR	<u>\$ 7,839,901</u>	<u>\$ 1,853,452</u>	<u>\$ 4,893,307</u>	<u>\$ 3,290,574</u>

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

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 2,265,696	\$ 167,715	\$ 27,840	\$ 18,869,974
-	-	812	366,371
-	-	-	189,353
340,826	707,861	-	11,553,201
-	-	-	2,954,362
-	-	-	49,433
-	2,450	-	23,261
695	10,101	6,057	256,147
-	25,023	34,243	562,053
2,607,217	913,150	68,952	34,824,155
-	40,780	-	5,581,734
-	5,000	-	7,006,022
-	-	-	3,600,946
-	-	-	8,654,345
-	-	-	1,256,644
-	-	-	559,859
-	-	30,060	742,620
-	-	39,369	447,365
-	-	-	130,103
-	-	-	113,558
-	56,246	-	219,688
-	810,516	-	3,060,041
-	-	-	4,722
-	-	-	37,156
2,261,398	-	31,265	2,343,663
727,881	-	3,173	733,269
27,850	-	-	27,850
3,958	-	-	3,958
3,021,087	912,542	103,867	34,523,543
(413,870)	608	(34,915)	300,612
-	1,700,000	-	3,178,140
-	(1,331,063)	-	(3,178,140)
-	-	52,213	52,213
1,100,000	-	-	1,100,000
(7,150)	-	-	(7,150)
(4,440,000)	-	-	(4,440,000)
-	-	-	24,250
(3,347,150)	368,937	52,213	(3,270,687)
(3,761,020)	369,545	17,298	(2,970,075)
6,935,502	7,015,216	1,382,263	32,871,559
-	-	-	(65,446)
<u>\$ 3,174,482</u>	<u>\$ 7,384,761</u>	<u>\$ 1,399,561</u>	<u>\$ 29,836,038</u>

**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, 2010**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ (2,970,075)
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	\$ 3,677,491	
Net Book Value of Capital Assets Disposed	(24,912)	
Current Year Depreciation	<u>(3,505,962)</u>	146,617
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		1,417,837
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.		
Proceeds for Debt Issuance	(1,100,000)	
Discount and Bond Issuance Costs for the New Debt Issuance	<u>35,000</u>	(1,065,000)
Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.		
		(52,213)
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	956,000	
Economic Development Loans	31,265	
Revenue Bonds	4,440,000	
Capital Leases	<u>1,356,398</u>	6,783,663
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	64,727	
Amortization of Discounts and Deferred Issuance Charges	7,333	
Change in Compensated Absences	(314,500)	
Change in Other Postemployment Benefits	(153,719)	
Change in Inventories	<u>(65,446)</u>	<u>(461,605)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 3,799,224</u></u>

**BENTON COUNTY
FOLEY, MINNESOTA
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2010**

ASSETS

Cash and Pooled Investments	<u>\$ 1,792,963</u>
-----------------------------	---------------------

LIABILITIES

Due to Other Governments	\$ 1,724,818
Funds Held in Trust	<u>68,145</u>
Total Liabilities	<u>\$ 1,792,963</u>

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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, 2010. 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 (County) was established October 27, 1849, and is an organized county having the powers, duties, and privileges granted counties by *Minnesota Statutes* 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 Statements
Housing and Redevelopment Authority of Benton County (HRA)	County Commissioners are the members of the HRA Board	Separate Financial Statements are not Prepared
Benton County Economic Development Authority (EDA)	County Commissioners are the members of the EDA Board	Separate Financial Statements are not Prepared

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Jointly Governed Organizations

The County participates in several jointly governed organizations which are described in Note 8.

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 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, 2010**

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, 2010**

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2010, 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 *Minnesota Statutes* §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.

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 *Minnesota Statutes* §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, 2010**

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 2005 through 2010, and deferred special assessments payable in 2010, and after. No provision has been made for an estimated uncollectible amount. Significant portions of special assessments receivable are not expected to be collected within one year due to the nature of the receivable.

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.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. In the case of initial capitalization of infrastructure, the County retroactively implemented the reporting of this item when GASB #34 was implemented. 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.

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

Assets	Years
Buildings	50
Land 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 vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 Balance and Net Assets

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.

In the government wide statement of net assets equity is presented as three components. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitation imposed on their use through external restrictions imposed by creditors, grants, or laws or regulations of other governments. All other net assets are presented as unrestricted.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Budget

The following funds had expenditures in excess of budget at the departmental level for the year ended December 31, 2010:

Fund	Function	Expenditures	Budget	Excess
General	Current			
	General Government			
	Veterans Service Officer	\$ 94,278	\$ 92,283	\$ 1,995
	Public Safety			
	Sheriff	3,516,235	3,458,190	58,045
	Health			
	Groundwater Management	71,209	37,430	33,779
Special Revenue Funds				
Road and Bridge	Intergovernmental	130,103	115,000	15,103
Human Services	Current			
	Human Services			
	Income Maintenance	3,022,449	2,945,632	76,817
	Health			
	Nursing Service	1,185,435	989,395	196,040
	Capital Outlay			
	Health	37,156	3,300	33,856

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, 2010**

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	\$ 27,476,135
Petty Cash and Change Funds	3,300
Restricted Cash	1,665,000
Statement of Fiduciary Net Assets	
Cash and Pooled Investments	1,792,963
Total Cash and Investments	<u><u>\$ 30,937,398</u></u>

a. Deposits

Minnesota Statutes §§118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. *Minnesota Statutes* §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 – Deposits

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, 2010, all of the County's deposits were insured and collateralized.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments

Minnesota Statutes §§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 *Minnesota Statutes* §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 repurchase agreement investments as of December 31, 2010 represent ongoing overnight repurchase agreement arrangements at applicable daily quoted rates. The average rate of the repurchase agreements at December 31, 2010 was .23%. Funds are deposited to Benton County's account at 8:00 a.m. on the ensuing business day and the agreement is collateralized by federal or federal agency securities.

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.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

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.

Custodial Credit Risk -- Investments

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 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, 2010**

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, 2010, and information relating to potential investment risks:

	Credit Risk		Concentration	Interest	Carrying (Fair) Value
	Credit Rating	Rating Agency	Risk Over 5 Percent of Portfolio	Rate Risk Maturity Date	
U.S. Treasury Certificates Series EE Bonds	N/R	N/A	<5.0%	N/A	\$ 5,000
U.S. Government agency securities					
Federal Home Loan Mortgage	AAA	S&P	<5.0%	8/25/2015	279,740
Federal Home Loan Mortgage	AAA	S&P	<5.0%	10/28/2015	379,932
Federal Home Loan Mortgage	AAA	S&P	<5.0%	1/27/2014	99,922
Total Federal Home Loan Mortgage					<u>759,594</u>
Federal National Mortgage Association	AAA	S&P	<5.0%	7/27/2017	365,263
Negotiable Certificate of Deposit	N/R	N/A	6.6%	Various	<u>576,943</u>
Investment Pools/Mutual Funds					
MAGIC Fund	N/R	N/A		N/A	7,150,869
Wells Fargo Brokerage Money Market	N/R	N/A		N/A	95,003
Total Investment Pools/Mutual Funds					7,245,872
Repurchase Agreements	N/R	N/A		N/A	<u>149,402</u>
Total Investments					9,102,074
Deposits					21,832,024
Petty Cash					3,300
Total Deposits and Investments					<u>\$ 30,937,398</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, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 2,346,666	\$ -	\$ -	\$ 2,346,666
Infrastructure, Right-of-Way	8,701,373	183,794	-	8,885,167
Construction-in-Progress	3,409,024	3,128,359	5,245,907	1,291,476
Total Capital Assets, not being Depreciated	14,457,063	3,312,153	5,245,907	12,523,309
Capital Assets being Depreciated:				
Buildings	18,823,056	-	-	18,823,056
Land Improvements	347,356	-	-	347,356
Machinery, Furniture, and Equipment	8,299,373	365,338	232,990	8,431,721
Infrastructure	71,994,376	5,245,907	-	77,240,283
Total Capital Assets being Depreciated	99,464,161	5,611,245	232,990	104,842,416
Less Accumulated Depreciation for:				
Buildings	5,500,191	397,428	-	5,897,619
Land Improvements	30,535	14,222	-	44,757
Machinery, Furniture, and Equipment	3,782,347	534,904	208,078	4,109,173
Infrastructure	39,123,028	2,559,408	-	41,682,436
Total Accumulated Depreciation	48,436,101	3,505,962	208,078	51,733,985
Total Capital Assets, Depreciated, Net	51,028,060	2,105,283	24,912	53,108,431
Governmental Activities Capital Assets, Net	\$ 65,485,123	\$ 5,417,436	\$ 5,270,819	\$ 65,631,740

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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 \$856,228 as of December 31, 2010. The final payment on this lease was made in 2010.

Depreciation expense was charged to functions/programs of the Primary Government as follows:

Governmental Activities	
General Government	\$ 154,286
Public Safety	436,812
Highway and Streets	2,840,577
Human Services	62,663
Culture and Recreation	11,624
Total	<u>\$ 3,505,962</u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2010, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Human Services Fund	\$ 39,932
	Road and Bridge	379
Total Due to General Fund		<u>40,311</u>
Road and Bridge Fund	General Fund	7,812
	Miscellaneous	10
Total Due to Road and Bridge Fund		<u>7,822</u>
	Total	<u>\$ 48,133</u>

The due from other funds above relate to: (1) payment of various legal fees, phone services, and copier charges for the Human Service Fund; (2) payment for phone services for Miscellaneous and Road & Bridge Fund and; (3) payment for professional services for Road & Bridge.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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, 2010, consisted of the following:

Interfund Transfer	Amount	Description
Transfer to General Fund from Miscellaneous Fund	\$ 6,357	Transfer to cover Assessor's Web Costs
	2,389	Transfer from HAVA for Election Expense
	409	Excess in Sheriff Drug, Alcohol and Contingencies
	12,370	Transfer for Administration and Expenses for Permit to Carry
Capital Projects Fund	<u>116,063</u>	Unspent 800 MHz Radio Monies
	137,588	
Transfer to Miscellaneous Fund from General Fund	12,243	Restore Attorney Contingency
	4,896	Restore Sheriff's Contingency
	<u>25,000</u>	Transfer from Suspense for Signage
	42,139	
Transfer to Road and Bridge Fund from Capital Projects Fund	1,215,000	Provide Funds for Road Improvements
General Fund	<u>83,413</u>	Provide Funds for GIS Salary and Expenses
	1,298,413	
Transfer to Capital Projects Fund from General Fund	765,000	Provide Funds for Rice Interchange
Human Services Fund	<u>935,000</u>	Provide Funds for Rice Interchange
	<u>1,700,000</u>	
Total	<u><u>\$ 3,178,140</u></u>	

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

3. Advances From/To Other Funds

Advances from/to other funds as of December 31, 2010, were as follows:

Receivable Fund	Payable Fund	Amount
General	Ditch	\$ 10,573
Miscellaneous	Capital Projects	146,282
Miscellaneous	Debt Service	1,086,762
Total		<u>\$ 1,243,617</u>

The advances above relate to a loan from the general fund for ditch deficits, a loan from the miscellaneous fund (solid waste contingency) to the capital projects fund for the jail master control panel project, and a loan from the miscellaneous fund (solid waste contingency) to the debt service fund for the early payoff of the Court's Facility Lease.

C. Liabilities

1. Deferred Revenues

Deferred revenues consist of taxes, special assessments, grant, and other receivables 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, 2010, is summarized below by fund:

	Special Assessments	Taxes	Grants	Other	Total
Major Governmental Funds					
General	\$ -	\$ 439,032	\$ -	\$ -	\$ 439,032
Road and Bridge	-	110,186	-	2,285,655	2,395,841
Human Services	-	163,879	46,053	35,206	245,138
Miscellaneous	379,196	-	-	-	379,196
Debt Service Fund	-	101,009	-	-	101,009
Capital Projects Fund	-	7,342	-	-	7,342
Total Major Governmental Funds	<u>379,196</u>	<u>821,448</u>	<u>46,053</u>	<u>2,320,861</u>	<u>3,567,558</u>
Other Governmental Funds	<u>8,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,803</u>
Deferred Revenue					
Unavailable	<u>\$ 387,999</u>	<u>\$ 821,448</u>	<u>\$ 46,053</u>	<u>\$ 2,320,861</u>	<u>\$ 3,576,361</u>

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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, 2010
General Obligation Bonds					
2002 G.O. Capital Improvement Bonds	2018	\$155,000- \$275,000	4.00-5.00	\$ 3,065,000	\$ 1,865,000
2003 G.O. Capital Improvement Bonds	2018	\$170,000- \$325,000	2.00-3.85	3,500,000	2,130,000
2007A G. O. Reconstruction Bonds	2022	\$180,000- \$255,000	4.00	3,000,000	2,505,000
2007B G.O. State-Aid Road Bonds	2022	\$110,000- \$175,000	3.65-4.00	2,055,000	1,725,000
2008A G. O. Reconstruction Bonds	2023	\$160,000- \$255,000	3.75-4.50	3,000,000	2,645,000
2008A G.O. Capital Improvement Bonds	2023	\$70,000- \$110,000	3.75-4.50	1,280,000	1,125,000
2009A G.O. Jail Refunding Bonds	2016	\$595,000- \$690,000	2.00-3.25	3,845,000	3,845,000
2010A G.O. CIP Refunding Bonds	2018	\$145,000- \$170,000	1.00-2.40	1,100,000	1,100,000
Total General Obligation Bonds				<u>\$ 20,845,000</u>	16,940,000
Less: Unamortized Bond Discount					(44,864)
Add: Unamortized Bond Premium					152,276
Total General Obligation Bonds, Net					<u>\$ 17,047,412</u>
General Obligation Capital Notes					
2002 G.O. Capital Improvement Notes	2011	\$42,000- \$52,000	2.15	<u>\$ 469,000</u>	<u>\$ 52,000</u>
Economic Development Loans					
U.S. Department of Agriculture	2036	\$7,525- \$34,204	1.00	<u>\$ 805,195</u>	<u>\$ 618,160</u>

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2010, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Capital Notes		Economic Development Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 1,540,000	\$ 563,103	\$ 52,000	\$ 1,118	\$ 31,577	\$ 6,182
2012	1,750,000	519,461	-	-	31,893	5,866
2013	1,805,000	467,050	-	-	32,212	5,547
2014	1,850,000	410,010	-	-	32,534	5,225
2015	1,900,000	347,232	-	-	32,860	4,899
2016-2020	6,205,000	854,746	-	-	169,293	19,502
2021-2025	1,890,000	96,690	-	-	177,804	10,867
2026-2030	-	-	-	-	48,526	4,539
2031-2035	-	-	-	-	51,002	2,062
2036	-	-	-	-	10,459	104
Total	<u>\$ 16,940,000</u>	<u>\$ 3,258,292</u>	<u>\$ 52,000</u>	<u>\$ 1,118</u>	<u>\$ 618,160</u>	<u>\$ 64,793</u>

4. Refunding Debt Issued

During 2010, the County issued Capital Improvement Refunding Bonds, Series 2010A in the amount of \$1,100,000 with interest rates of 1.000 percent to 2.400 percent, along with \$600,000 of County funds to provide for the current refunding of the General Obligation Capital Improvement Bonds Series 2002A. The balance of the outstanding maturities to be refunded is \$1,665,000 and interest rates of 4.350 percent to 5.000 percent.

As a result of this refunding, the County will decrease its debt service requirements \$756,404, resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt service) of \$160,289.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2010, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
General Obligation Bonds	\$ 16,745,000	\$ 1,100,000	\$ 905,000	\$ 16,940,000	\$ 1,540,000
G.O. Capital Notes	103,000	-	51,000	52,000	52,000
Jail Lease Revenue Bonds	4,440,000	-	4,440,000	-	-
Total Bonds Payable	21,288,000	1,100,000	5,396,000	16,992,000	1,592,000
Capital Leases	1,356,398	-	1,356,398	-	-
Economic Development Loans	597,212	52,213	31,265	618,160	31,577
Compensated Absences	2,120,282	1,512,813	1,198,313	2,434,782	121,739
Other Postemployment Benefits	224,435	193,479	39,760	378,154	-
Governmental Activity Long-Term Liabilities	<u>\$ 25,586,327</u>	<u>\$ 2,858,505</u>	<u>\$ 8,021,736</u>	<u>\$ 20,423,096</u>	<u>\$ 1,745,316</u>

Compensated absences and Other Postemployment Benefits are typically liquidated in the General Fund and applicable Special Revenue Funds. Economic Development Loans are liquidated in the Economic Development Special Revenue Fund.

6. Construction Commitments

The government has active construction projects as of December 31, 2010. The projects include the following:

Project Description	Spent-to-Date	Remaining Commitment
County Road Projects	\$4,809,548	\$3,141,676
Capital Projects	722,968	2,604
Total	<u>\$5,532,516</u>	<u>\$3,144,280</u>

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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, 2010 were as follows:

<u>Fund Balance Reservation</u>	
Reserved for Solid Waste Contingency	\$ 681,009
Reserved for Advance to Other Funds	1,233,044
Reserved for E-911	306,955
Reserved for other items:	
Law Library	13,136
Contingency Funds	13,500
Major Trial Expenditures	21,000
Recorders' Equipment	317,728
Motor Pool	23,036
SCORE	174,733
Natural Resources Block Grant	77,782
Extended Juvenile Jurisdiction Grant	2,470
Jail Inmate Capital Expenditures	141,950
Park Dedication Fees	90,918
K-9 Program Expenditures	11,047
Broadbank Grant	67,700
Emergency Management Firewise Grant	11,176
Other	103,390
Total Reserved for Other Items	<u>1,069,566</u>
Total Fund Balance	
Miscellaneous Special Revenue Fund	<u><u>\$ 3,290,574</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 General Employees Retirement Fund (GERF), 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, 2010**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

GERF 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 ten 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 ten 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 GERF 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, 2010**

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 GERF, 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. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.00%, respectively, of their annual covered salary in 2010. PEPFF members were required to contribute 9.40% of their annual covered salary in 2010. 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, 7.00% for Coordinated Plan PERF members, 14.1% for PEPFF members, and 8.75% for PECF members.

The County's contributions to the General Employees Retirement Fund for the years ending December 31, 2010, 2009, and 2008 were \$664,554, \$650,993, and \$587,223, respectively. The County's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2010, 2009, and 2008 were \$237,033, \$226,506, and \$195,098, respectively. The County's contributions to the PECF for the years ending December 31, 2010, 2009, and 2008 were \$140,109, \$144,641, and \$136,863, respectively.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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.

C. Defined Contribution Plan

Three 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 2010, 2009 and 2008 were:

	<u>Contribution Amount</u>		<u>Percentage of Covered Payroll</u>		<u>Required Rates</u>
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	
2010	\$ 4,834	\$ 4,834	5.0 %	5.0 %	5.0 %
2009	4,722	4,722	5.0	5.0	5.0
2008	1,797	1,797	5.0	5.0	5.0

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 6 OPEB DISCLOSURE

The County provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. The County provides benefits for retirees as required by *Minnesota Statutes* §471.61 subdivision 2b. Active employees who retire from the County when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Pursuant to the provisions of the plan, retirees are required to pay varying percentages of the total premium cost. As of January 1, 2010, there were 35 retirees receiving health benefits from the County's health plan.

A. Annual OPEB Cost and Net OPEB Obligation

The County's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost of 2010, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC):	\$ 196,975
Interest on Net OPEB Obligation	10,100
Adjustment to ARC	<u>(13,596)</u>
Annual OPEB Cost	193,479
Contributions during the year	<u>(39,760)</u>
Increase in Net OPEB Obligation	153,719
Net OPEB - Beginning of the Year	<u>224,435</u>
Net OPEB - End of the Year	<u><u>\$ 378,154</u></u>

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 6 OPEB DISCLOSURE (CONTINUED)

A. Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2008, 2009, and 2010 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
12/31/2010	\$ 193,479	\$ 39,760	20.6 %	\$ 378,154
12/31/2009	147,806	42,585	28.8	224,435
12/31/2008	149,601	30,387	20.3	119,214

B. Funding Status

The County currently has no assets that have been irrevocably deposited in a trust for future health benefits. Therefore, the actuarial value of assets is zero.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$1,081,796	\$ 1,081,796	- %	\$11,499,724	9.4 %
1/1/2010	-	1,373,132	1,373,132	-	12,377,041	11.1

C. Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 6 OPEB DISCLOSURE (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

In the January 1, 2010 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.50% discount rate, which is based on the estimated long-term investment yield on the general assets of the County using an underlying long-term inflation assumption of 3.00%. The annual healthcare cost trend rate is 8.50% initially, reduced incrementally to an ultimate rate of 5.00% after eight years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open thirty-year period.

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 \$450,000 per claim in 2010, 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.

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

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

A. Jointly Governed Organizations

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 *Minnesota Statutes* §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 *Minnesota Statutes* §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, 2010**

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

A. Joint Governed Organizations (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

Central Minnesota Major Crime Investigation Unit

Benton, Morrison, Todd, and Stearns Counties and the City of St. Cloud have entered into a joint powers agreement to organize a group of local law enforcement officers to be available to assist any of the parties in the investigation and solution of major crimes within the four-county area.

Separate financial information can be obtained from Stearns County (fiscal agent).

Great River Regional Library

The Great River Regional Library operates under a joint powers agreement and according to the authority granted by *Minnesota Statutes*. The specific operating framework is set forth in a service agreement which has been entered into by each of the seven members. The membership consists of six counties including Benton County and the City of St. Cloud. The Board of Directors consists of 15 people. The Benton County Board of Commissioners is entitled to appoint two people to the Board. The County's 2010 contribution to the Great River Regional Library of \$529,767 is included in the expenditures of the General Fund.

Separate financial information can be obtained from the Library.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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

A. Joint Governed Organizations (Continued)

Central Minnesota Emergency Medical Services

The Central Minnesota Emergency Medical Services Region was established in 2001, under *Minnesota Statutes* §471.59, to improve access, delivery, and effectiveness of the emergency medical services system; promote systematic and cost-effective delivery of services; and identify and address system needs within the member counties. The member counties are Benton, Cass, Chisago, Crow Wing, Isanti, Kanabec, Mille Lacs, Morrison, Pine, Sherburne, Stearns, Todd, Wadena, and Wright. The Region established a Board comprising one Commissioner from each county. The Region's Board has financial responsibility, and Stearns County is the fiscal agent.

Complete financial information can be obtained from:

Central Minnesota Emergency Medical Services Region
Administration Center
705 Courthouse Square
St. Cloud, Minnesota 56303-4701

St. Cloud Area Planning Organization

The St. Cloud Area Planning Organization was created to keep governmental units and the general public informed and advised on all matters relative to the transportation planning, programming, and funding. The council is an organized joint venture having the duties, powers, and privileges granted joint powers by *Minnesota Statutes* §471.59. During 2010, the County contributed \$8,861 to the St. Cloud Area Planning Organization. Complete financial statements can be obtained from: St. Cloud Area Planning Organization, 1040 County Road #4, St. Cloud, MN 56303.

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

**BENTON COUNTY
FOLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$10,426,017	\$ 10,446,828	\$ 10,159,817	\$ (287,011)
Licenses and Permits	153,480	153,480	158,660	5,180
Intergovernmental	1,660,917	1,493,579	1,846,862	353,283
Charges for Services	1,613,406	1,613,406	1,694,833	81,427
Fines and Forfeits	26,925	26,925	17,163	(9,762)
Gifts and Contributions	75	75	2,000	1,925
Investment Earnings	275,000	275,000	237,975	(37,025)
Miscellaneous	167,400	167,450	333,567	166,117
Total Revenues	14,323,220	14,176,743	14,450,877	274,134
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	447,519	447,519	267,380	180,139
Public Defender	110,000	110,000	67,516	42,484
County Administration	617,069	634,448	632,789	1,659
County Auditor/Treasurer	631,833	596,678	590,018	6,660
County Assessor	437,249	444,762	437,019	7,743
Data Processing	586,827	599,282	566,371	32,911
Attorney	870,895	898,339	894,213	4,126
Recorder	220,020	211,221	209,257	1,964
Buildings and Plant	815,322	832,550	799,420	33,130
Veterans Service Officer	89,773	92,283	94,278	(1,995)
Other General Government	1,188,198	1,156,262	890,732	265,530
Total General Government	6,014,705	6,023,344	5,448,993	574,351
PUBLIC SAFETY				
Sheriff	3,374,837	3,458,190	3,516,235	(58,045)
Coroner	45,840	45,840	32,074	13,766
Civil Defense	77,172	115,681	114,821	860
Prisoner Custodial	2,923,652	2,965,367	2,888,961	76,406
Probation and Parole	418,763	397,436	331,641	65,795
Total Public Safety	6,840,264	6,982,514	6,883,732	98,782
HEALTH				
Groundwater Management	25,310	37,430	71,209	(33,779)

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**BENTON COUNTY
FOLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES				
CURRENT (CONTINUED)				
CULTURE AND RECREATION				
Historical Society	\$ 12,070	\$ 12,070	\$ 12,070	\$ -
Regional Library	531,262	531,262	529,767	1,495
Total Culture and Recreation	543,332	543,332	541,837	1,495
CONSERVATION OF NATURAL RESOURCES				
County Extension	207,285	208,448	204,780	3,668
Soil and Water Conservation	142,500	142,500	142,500	-
Agricultural Society/County Fair	10,000	10,000	10,000	-
Total Conservation of Natural Resources	359,785	360,948	357,280	3,668
ECONOMIC DEVELOPMENT				
County Appropriations	101,236	101,236	80,362	20,874
Department of Development	410,543	355,529	327,634	27,895
Total Economic Development	511,779	456,765	407,996	48,769
CAPITAL OUTLAY				
General Government	87,350	87,350	71,495	15,855
Public Safety	182,500	182,500	163,442	19,058
Total Capital Outlay	269,850	269,850	234,937	34,913
Total Expenditures	14,565,025	14,674,183	13,945,984	728,199
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(241,805)	(497,440)	504,893	1,002,333
OTHER FINANCING SOURCES (USES)				
Transfers In	23,448	23,448	137,588	114,140
Transfers Out	(70,000)	(70,000)	(890,552)	(820,552)
Total Other Financing Sources (Uses)	(46,552)	(46,552)	(752,964)	(706,412)
NET CHANGE IN FUND BALANCE	\$ (288,357)	\$ (543,992)	(248,071)	\$ 295,921
Fund Balance - Beginning of Year			8,087,972	
FUND BALANCE - END OF YEAR			\$ 7,839,901	

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**BENTON COUNTY
FOLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE FUND
YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,553,522	\$ 2,584,936	\$ 2,537,798	\$ (47,138)
Licenses and Permits	9,000	9,000	8,361	(639)
Intergovernmental	2,531,153	2,469,204	2,472,921	3,717
Charges for Services	107,000	107,000	135,679	28,679
Miscellaneous	15,000	15,000	58,590	43,590
Total Revenues	5,215,675	5,185,140	5,213,349	28,209
EXPENDITURES				
CURRENT				
HIGHWAY AND STREETS				
Administration	433,492	438,296	391,209	47,087
Maintenance	2,196,098	2,217,708	2,118,908	98,800
Construction	428,395	366,788	359,419	7,369
GIS	71,102	72,715	69,448	3,267
Equipment and Maintenance Shops	742,373	745,418	661,962	83,456
Total Highways and Streets	3,871,460	3,840,925	3,600,946	239,979
INTERGOVERNMENTAL	115,000	115,000	130,103	(15,103)
CAPITAL OUTLAY	2,469,000	2,469,000	2,249,525	219,475
DEBT SERVICE				
Principal Retirement	51,000	51,000	51,000	-
Interest	2,215	2,215	2,215	-
Total Debt Service	53,215	53,215	53,215	-
Total Expenditures	6,508,675	6,478,140	6,033,789	444,351
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(1,293,000)	(1,293,000)	(820,440)	472,560
OTHER FINANCING SOURCES (USES)				
Transfers In	1,285,000	1,285,000	1,298,413	13,413
Proceeds from Sale of Assets	8,000	8,000	13,000	5,000
Total Other Financing Sources (Uses)	1,293,000	1,293,000	1,311,413	18,413
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	490,973	<u>\$ 490,973</u>
Fund Balance - Beginning of Year			1,427,925	
Increase in Reserved for Inventory			(65,446)	
FUND BALANCE - END OF YEAR			<u>\$ 1,853,452</u>	

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**BENTON COUNTY
FOLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES FUND
YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 3,816,707	\$ 3,764,482	\$ 3,711,108	\$ (53,374)
Intergovernmental	5,076,269	4,914,165	5,824,998	910,833
Charges for Services	846,451	846,451	911,575	65,124
Gifts and Contributions	6,000	6,000	16,785	10,785
Interest on Investments	-	-	550	550
Miscellaneous	65,850	65,850	76,962	11,112
Total Revenues	<u>9,811,277</u>	<u>9,596,948</u>	<u>10,541,978</u>	<u>945,030</u>
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	2,966,989	2,945,632	3,022,449	(76,817)
Social Services	5,922,347	6,027,734	5,631,896	395,838
Total Human Services	<u>8,889,336</u>	<u>8,973,366</u>	<u>8,654,345</u>	<u>319,021</u>
HEALTH				
Nursing Service	1,036,667	989,395	1,185,435	(196,040)
CAPITAL OUTLAY				
Human Services	24,000	24,000	4,722	19,278
Health	3,300	3,300	37,156	(33,856)
Total Capital Outlay	<u>27,300</u>	<u>27,300</u>	<u>41,878</u>	<u>(14,578)</u>
Total Expenditures	<u>9,953,303</u>	<u>9,990,061</u>	<u>9,881,658</u>	<u>108,403</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (142,026)</u>	<u>\$ (393,113)</u>	660,320	<u>\$ 1,053,433</u>
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(935,000)	(935,000)
NET CHANGE IN FUND BALANCE	<u>\$ (142,026)</u>	<u>\$ (393,113)</u>	(274,680)	<u>\$ 118,433</u>
Fund Balance - Beginning of Year			<u>5,167,987</u>	
FUND BALANCE - END OF YEAR			<u>\$ 4,893,307</u>	

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2010**

BUDGETARY INFORMATION

The County Board adopts annual budgets for the General Fund, certain special revenue funds (Road and Bridge, and Human Services) Debt Service Fund, and Capital Projects Fund. 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.

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 not legally exceed appropriations – is the department level. The Road and Bridge and Human Services funds are considered departments of one for budgetary control purposes. 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, 2010:

Fund	Function	Expenditures	Budget	Excess
General	Current			
	General Government			
	Veterans Service Officer	\$ 94,278	\$ 92,283	\$ 1,995
	Public Safety			
	Sheriff	3,516,235	3,458,190	58,045
	Health			
	Groundwater Management	71,209	37,430	33,779
Special Revenue Funds				
Road and Bridge	Intergovernmental	130,103	115,000	15,103
Human Services	Current			
	Human Services			
	Income Maintenance	3,022,449	2,945,632	76,817
	Health			
	Nursing Service	1,185,435	989,395	196,040
	Capital Outlay			
	Health	37,156	3,300	33,856

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

**BENTON COUNTY
 FOLEY, MINNESOTA
 SCHEDULE OF FUNDING PROGRESS
 OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS
 DECEMBER 31, 2010**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$1,081,796	\$ 1,081,796	- %	\$11,499,724	9.4 %
1/1/2010	-	1,373,132	1,373,132	-	12,377,041	11.1

SUPPLEMENTARY INFORMATION

**BENTON COUNTY
FOLEY, MINNESOTA
YEAR ENDED DECEMBER 31, 2010**

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 Gravel Pit Restoration Special Revenue Fund is used to account for the ten 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, 2010**

	Nonmajor Special Revenue Funds			Total Nonmajor Funds
	Ditch	Economic Development	Gravel Pit Restoration	
ASSETS				
Cash and Pooled Investments	\$ 38,962	\$ 727,268	\$ 41,030	\$ 807,260
Special Assessments Receivable				
Delinquent	913	-	-	913
Deferred	7,890	-	-	7,890
Accounts Receivable	-	963	1,073	2,036
Accrued Interest Receivable	-	2,078	-	2,078
Loans Receivable	-	600,494	-	600,494
Total Assets	<u>\$ 47,765</u>	<u>\$ 1,330,803</u>	<u>\$ 42,103</u>	<u>\$ 1,420,671</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ 1,410	\$ -	\$ 1,410
Salaries Payable	-	324	-	324
Deferred Revenue - Unavailable	8,803	-	-	8,803
Advances from Other Funds	10,573	-	-	10,573
Total Liabilities	19,376	1,734	-	21,110
FUND BALANCES				
Reserved for Gravel Pit Closure	-	-	42,103	42,103
Reserved for Economic Development				
Revolving Loans	-	1,329,069	-	1,329,069
Unreserved				
Undesignated	28,389	-	-	28,389
Total Fund Balances	<u>28,389</u>	<u>1,329,069</u>	<u>42,103</u>	<u>1,399,561</u>
Total Liabilities and Fund Balances	<u>\$ 47,765</u>	<u>\$ 1,330,803</u>	<u>\$ 42,103</u>	<u>\$ 1,420,671</u>

**BENTON COUNTY
FOLEY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2010**

	Nonmajor Special Revenue Funds			Total Nonmajor Funds
	Ditch	Economic Development	Gravel Pit Restoration	
REVENUES				
Taxes	\$ -	\$ 27,840	\$ -	\$ 27,840
Special Assessments	812	-	-	812
Investment Earnings	-	6,057	-	6,057
Miscellaneous	-	28,575	5,668	34,243
Total Revenues	812	62,472	5,668	68,952
EXPENDITURES				
CURRENT				
Conservation of Natural Resources	30,060	-	-	30,060
Economic Development	-	39,369	-	39,369
DEBT SERVICE				
Principal	-	31,265	-	31,265
Interest	-	3,173	-	3,173
Total Expenditures	30,060	73,807	-	103,867
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(29,248)	(11,335)	5,668	(34,915)
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	-	52,213	-	52,213
NET CHANGE IN FUND BALANCES	(29,248)	40,878	5,668	17,298
Fund Balance - Beginning of Year	57,637	1,288,191	36,435	1,382,263
FUND BALANCE - END OF YEAR	<u>\$ 28,389</u>	<u>\$ 1,329,069</u>	<u>\$ 42,103</u>	<u>\$ 1,399,561</u>

**BENTON COUNTY
FOLEY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2010**

	Balance January 1	Additions	Deductions	Balance December 31
HOUSING AND REDEVELOPMENT AUTHORITY				
ASSETS				
Cash and Pooled Investments	\$ -	\$ 1,787,006	\$ 1,787,006	\$ -
LIABILITIES				
Due to Other Governments	\$ -	\$ 1,787,006	\$ 1,787,006	\$ -
METROPOLITAN TRANSIT				
ASSETS				
Cash and Pooled Investments	\$ -	\$ 184,288	\$ 184,288	\$ -
LIABILITIES				
Due to Other Governments	\$ -	\$ 184,288	\$ 184,288	\$ -
MUNICIPAL DEVELOPMENT DISTRICT				
ASSETS				
Cash and Pooled Investments	\$ -	\$ 69,265	\$ 69,265	\$ -
LIABILITIES				
Due to Other Governments	\$ -	\$ 69,265	\$ 69,265	\$ -
SCHOOL DISTRICTS				
ASSETS				
Cash and Pooled Investments	\$ 47,918	\$ 11,363,061	\$ 11,362,867	\$ 48,112
LIABILITIES				
Due to Other Governments	\$ 47,918	\$ 11,363,061	\$ 11,362,867	\$ 48,112

**BENTON COUNTY
FOLEY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2010**

	Balance January 1	Additions	Deductions	Balance December 31
STATE FUNDS				
ASSETS				
Cash and Pooled Investments	\$ 81,773	\$ 4,692,062	\$ 4,650,451	\$ 123,384
LIABILITIES				
Due to Other Governments	\$ 81,773	\$ 4,692,062	\$ 4,650,451	\$ 123,384
CHM COLLABORATIVE				
ASSETS				
Cash and Pooled Investments	\$ 201,240	\$ 124,493	\$ 168,581	\$ 157,152
LIABILITIES				
Due to Other Governments	\$ 201,240	\$ 124,493	\$ 168,581	\$ 157,152
TAXES AND PENALTIES				
ASSETS				
Cash and Pooled Investments	\$ 978,303	\$ 46,180,895	\$ 46,294,995	\$ 864,203
LIABILITIES				
Due to Other Governments	\$ 978,303	\$ 46,180,895	\$ 46,294,995	\$ 864,203
TOWNS AND CITIES				
ASSETS				
Cash and Pooled Investments	\$ 65	\$ 9,930,640	\$ 9,930,640	\$ 65
LIABILITIES				
Due to Other Governments	\$ 65	\$ 9,930,640	\$ 9,930,640	\$ 65

**BENTON COUNTY
FOLEY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2010**

	Balance January 1	Additions	Deductions	Balance December 31
MENTAL HEALTH INITIATIVE COMMUNITY PROJECT				
ASSETS				
Cash and Pooled Investments	\$ 416,811	\$ 2,640,836	\$ 2,594,329	\$ 463,318
LIABILITIES				
Due to Other Governments	\$ 416,811	\$ 2,640,836	\$ 2,594,329	\$ 463,318
SOCIAL WELFARE				
ASSETS				
Cash and Pooled Investments	\$ 74,836	\$ 571,965	\$ 596,055	\$ 50,746
LIABILITIES				
Funds Held in Trust	\$ 74,836	\$ 571,965	\$ 596,055	\$ 50,746
JAIL INMATE				
ASSETS				
Cash and Pooled Investments	\$ 1,941	\$ 175,157	\$ 172,737	\$ 4,361
LIABILITIES				
Funds Held in Trust	\$ 1,941	\$ 175,157	\$ 172,737	\$ 4,361
MISSING HEIRS				
ASSETS				
Cash and Pooled Investments	\$ 13,038	\$ -	\$ -	\$ 13,038
LIABILITIES				
Funds Held in Trust	\$ 13,038	\$ -	\$ -	13,038
HENKEMEYER LANDFILL TRUST				
ASSETS				
Cash and Pooled Investments	\$ 68,584	\$ -	\$ -	\$ 68,584
LIABILITIES				
Due to Other Governments	\$ 68,584	\$ -	\$ -	68,584

**BENTON COUNTY
FOLEY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2010**

	Balance January 1	Additions	Deductions	Balance December 31
BUILDING OFFICIAL				
ASSETS				
Cash and Pooled Investments	\$ -	\$ 48,878	\$ 48,878	\$ -
LIABILITIES				
Due to Other Governments	\$ -	\$ 48,878	\$ 48,878	\$ -
OTHER AGENCY FUND				
ASSETS				
Cash and Pooled Investments	\$ 4,760	\$ 61,494	\$ 66,254	\$ -
LIABILITIES				
Due to Other Governments	\$ 4,760	\$ 61,494	\$ 66,254	\$ -
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Pooled Investments	\$ 1,889,269	\$ 77,830,040	\$ 77,926,346	\$ 1,792,963
LIABILITIES				
Due to Other Governments	\$ 1,799,454	\$ 77,082,918	\$ 77,157,554	\$ 1,724,818
Funds Held in Trust	89,815	747,122	768,792	68,145
Total Liabilities	\$ 1,889,269	\$ 77,830,040	\$ 77,926,346	\$ 1,792,963

**BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2010**

	Special Revenue Funds			
	General	Road and Bridge	Human Services	Miscellaneous
SHARED REVENUE				
State				
County Program Aid	\$ 818,133	\$ 209,497	\$ 299,901	\$ -
PERA Rate Reimbursement	19,781	5,043	13,080	-
Disparity Reduction Aid	7,441	-	-	-
Police Aid	177,041	-	-	-
Highway Users Tax	-	2,075,916	-	-
Market Value Credit	425,249	182,465	158,191	-
Enhanced 911	-	-	-	115,851
	1,447,645	2,472,921	471,172	115,851
Total Shared Revenue				
REIMBURSEMENT FOR SERVICES				
State				
Minnesota Department of Human Services	-	-	81,678	-
PAYMENTS				
Local				
Local Contributions	4,388	-	-	1,321
GRANTS				
State				
Minnesota Department/Board of Corrections	90,193	-	-	-
Public Safety	48,845	-	-	-
Health	-	-	266,634	-
Natural Resources	2,684	-	-	-
Human Services	-	-	1,101,646	-
Soil and Water Resources	31,220	-	-	58,675
Transportation	-	-	-	-
Pollution Control Agency	-	-	-	98,676
Peace Officer's Board	10,755	-	-	-
	183,697	-	1,368,280	157,351
Total State Grants				
Federal				
Department of Agriculture	23,825	-	451,604	-
Commerce	-	-	-	85,210
Justice	8,788	-	-	-
Health and Human Services	94,068	-	3,452,264	-
Energy	-	-	-	-
Homeland Security	84,451	-	-	-
	211,132	-	3,903,868	85,210
Total Federal Grants				
Total State and Federal Grants	394,829	-	5,272,148	242,561
Total Intergovernmental Revenue	\$ 1,846,862	\$ 2,472,921	\$ 5,824,998	\$ 359,733

Capital Projects	Debt Service	Total All Funds
\$ 475,000	\$ -	\$ 1,802,531
-	-	37,904
-	-	7,441
-	-	177,041
-	-	2,075,916
8,445	163,321	937,671
-	-	115,851
483,445	163,321	5,154,355
-	-	81,678
-	-	5,709
-	-	90,193
148,777	-	197,622
-	-	266,634
-	-	2,684
-	-	1,101,646
-	-	89,895
-	177,505	177,505
-	-	98,676
-	-	10,755
148,777	177,505	2,035,610
-	-	475,429
30,507	-	115,717
-	-	8,788
-	-	3,546,332
45,132	-	45,132
-	-	84,451
75,639	-	4,275,849
224,416	177,505	6,311,459
\$ 707,861	\$ 340,826	\$ 11,553,201

**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 (County), Minnesota as of and for the year ended December 31, 2010, which collectively comprise the Benton County's basic financial statements and have issued our report thereon dated July 21, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control over financial reporting that we consider to be a material weaknesses and a deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 96-4, 06-01, 06-02 and 09-02 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and questioned costs as 08-1 to be a significant deficiency.

Board of County Commissioners
Benton County

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Benton 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*.

Benton County's written responses to the material weaknesses and significant deficiency identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, Board of County Commissioners, others within the organization, federal awarding agencies, state funding agencies, and pass-through entities; and is not intended to be and should not be used by anyone other than these specified parties.

LarsonAllen LLP
LarsonAllen LLP

Brainerd, Minnesota
July 21, 2011

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 (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 could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2010. 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit 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 Benton 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, Benton County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of Benton County is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

This report is intended solely for the information and use of management, the Board of County Commissioners, others within the organization, federal awarding agencies and pass-through entities; and is not intended to be used by anyone other than these specified parties.

Larson Allen LLP
LarsonAllen LLP

Brainerd, Minnesota
July 21, 2011

**BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2010**

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Benton County, Minnesota.
2. Deficiencies in internal controls were disclosed by the audit of the basic financial statements of Benton County and they 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*". Significant deficiencies 96-4, 06-1, 06-2 and 09-2 are considered to be material weaknesses.
3. No instances of noncompliance material to the basic financial statements of Benton 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 That Could Have A Direct and Material Effect on Each Major Program and on 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 Benton 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 major programs were:

Temporary Assistance for Needy Families	CFDA No. 93.558
Medical Assistance Grant Cluster	CFDA No. 93.778
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Benton County did not qualify, under federal guidelines, as a low-risk auditee.

**BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2010**

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.

CLIENT RESPONSE:

The County will review accounting functions and segregate them as it deems cost beneficial.

**BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2010**

MATERIAL WEAKNESSES - FINANCIAL REPORTING (CONTINUED):

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.

CLIENT RESPONSE:

The County understands that this is required communications for the preparation of the financial statements and will continue to work at this area to achieve the overall goal.

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.

CLIENT RESPONSE:

The County will continue to work at eliminating the need for audit adjustments.

**BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2010**

MATERIAL WEAKNESSES - FINANCIAL REPORTING (CONTINUED):

09-2 TIMELY UPDATING OF GENERAL LEDGER INFORMATION

Criteria: Procedures should be in place to ensure that the general ledger is updated on a timely basis. Without an up to date general ledger the budget to actual reports and prior year to current year comparison reports are not complete and accurate.

Condition: During our audit, we noted that interest earned in October through December 2010 was not entered into the general ledger until March 2011.

Cause: Unknown.

Effect: Without interest in the general ledger system, County management does not have a complete and accurate report of budget to actual revenues and cash cannot be fully reconciled to the bank statements in a timely fashion.

Recommendation: We recommend County management adopt policies and implement procedures to ensure the general ledger is updated on a timely basis.

CLIENT RESPONSE:

Loss of a long-term staff member had a great effect on the usual timely bank reconciliation and interest reporting. The Auditor-Treasurer office is aware of the importance and necessity of timely accounting. Staff is making every effort to complete reports on a timely basis.

SIGNIFICANT DEFICIENCY – FINANCIAL REPORTING:

08-1 CASH HANDLING PROCEDURES – JAIL DEPARTMENT

Criteria: Procedures should be in place to deposit collections on a timely basis. Having large amounts of undeposited cash increases the risk of misplacement or misappropriation of the cash.

Condition: During our audit, we noted the Jail Department handled, over \$200,000 in cash transactions for 2008 which were not deposited into a bank account. Instead, these inmate collections are stored in envelopes in the office safe.

Cause: Past practice.

Effect: Not depositing cash on a regular basis provides a greater opportunity for fraudulent activity occurring and not being detected in a timely manner.

Recommendation: We recommend County management adopt policies and implement procedures to reconcile and deposit inmate cash collections intact and on a timely basis.

CLIENT RESPONSE:

The County understands the risks involved with their current process and is in the process of researching different options to minimize the risks identified.

**BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2010**

PREVIOUSLY REPORTED ITEM RESOLVED:

09-1 TIMELY DEPOSITS – AUDITOR-TREASURER OFFICE

During the 2009 audit, we noted the Auditor-Treasurer Office deposited cash on a weekly basis, which was determined to not be timely based on the amount of cash in the office.

RESOLUTION

In 2010, the office changed their process to deposit on a more timely basis.

OTHER ITEM FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE:

PREVIOUSLY REPORTED ITEM RESOLVED:

09-3 COLLATERALIZATION OF DEPOSITS

During 2009, the County was undercollateralized in two banks during the year.

RESOLUTION

No similar instances noted in the current year.

**BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2010**

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	\$ 188,957
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	286,459
ARRA - State Administrative Matching Grants for Food Stamp Program	10.561	<u>13</u>
Total Department of Agriculture		475,429
U.S. Department of Commerce		
Passed Through Minnesota Department of Public Safety and the City of St. Cloud Public Safety Interoperable Communications Grant Program	11.555	30,507
Passed Through Blandin Foundation ARRA - Broadband Technology Opportunities	11.557	<u>17,510</u>
Total Department of Commerce		48,017
U.S. Department of Justice		
Direct		
State Criminal Alien Assistance Program	16.606	2,930
Bulletproof Vest Partnership Program	16.607	<u>5,858</u>
Total Department of Justice		8,788
U.S. Department of Energy		
Passed Through Minnesota Department of Commerce ARRA - Energy Efficiency Grant	81.128	45,132
U.S. Election Assistance Commission		
Passed Through Minnesota Secretary of State Help America Vote Act	90.401	2,389
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health Public Health Emergency Preparedness (PHER)	93.069	13,572
Centers for Disease Control and Prevention - Investigation and Technical Assistance	93.283	31,501
Maternal and Child Health Services Block Grant	93.994	37,979
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	1,637
Temporary Assistance for Needy Families	93.558	577,638

**BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2010**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services (Continued)		
Child Support	93.563	\$ 746,609
ARRA - Child Support	93.563	54,420
Refugee and Energy Assistance Grant	93.566	312
Child Care Mandatory and Matching Funds (grant cluster)	93.596	31,853
Child Welfare Services State Grants	93.645	20,593
Foster Care Title IV-E	93.658	82,607
Social Services Block Grant Title XX	93.667	204,834
Chafee Foster Care Independence Program	93.674	3,836
State Children's Insurance Program	93.767	407
Medical Assistance (grant cluster)	93.778	<u>1,775,739</u>
Total Department of Health and Human Services		3,583,537
U.S. Department of Homeland Security		
Pass Through Minnesota Department of Public Safety		
Hazard Mitigation Grant	97.039	26,369
Emergency Management Performance Grant	97.042	34,881
Pass Through Minnesota Department of Public Safety and West Central Minnesota Emergency Management Services Corporation		
Homeland Security Grant Program	97.067	<u>28,724</u>
Total Department of Homeland Security		<u>89,974</u>
Total Cash Type Federal Awards		<u><u>\$ 4,253,266</u></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 2010, the County did not pass on any Federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.

Reconciliation to the Schedule of Intergovernmental Revenue

Federal Grant Revenue per Schedule of Intergovernmental Revenue:	\$ 4,275,849
Revenues reported in the Schedule of Intergovernmental Revenue, not included as expenditures in the Schedule of Expenditures of Federal Awards	<u>(22,583)</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 4,253,266</u></u>

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 (County), Minnesota, as of and for the year ended December 31, 2010, and have issued our report thereon dated July 21, 2011.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the provisions of the *Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to *Minnesota Statutes §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 Political Subdivisions* 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 provision.

This report is intended solely for the information and use of management, Board of County Commissioners, others within the County, federal awarding agencies, pass-through entities, 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
LarsonAllen LLP

Brainerd, Minnesota
July 21, 2011