

**BENTON COUNTY
FOLEY, MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2009

**BENTON COUNTY
FOLEY, MINNESOTA
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INTRODUCTORY SECTION

**BENTON COUNTY
FOLEY, MINNESOTA
ORGANIZATION
DECEMBER 31, 2009**

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	Earl Bukowski	January 2009	January 2013
Member	Joe Wollak	January 2007	January 2011
Vice-Chair	Warren Peschl	January 2009	January 2013
Member	Spencer Buerkle	January 2009	January 2013
Member	Jim McMahon	January 2007	January 2011
Director	Timothy Martin	Indefinite	

* Chair

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FINANCIAL SECTION

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, 2009, 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, 2009, 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 20, 2010, 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.

Board of County Commissioners
Benton County

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.



LarsonAllen LLP

Brainerd, Minnesota
July 20, 2010

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REQUIRED SUPPLEMENTARY INFORMATION

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

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, 2009. 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, 2009, and the prior year, 2008, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2008-2009 fiscal years include the following:

- ◆ County-wide net assets increased 4.0 percent over the prior year, reflecting continued improvement in cash reserves plus new investments in the County road system.
- ◆ Overall fund-level revenues totaled \$36,415,197 and were \$1,211,501 less than expenditures, consistent with County plans to utilize prior year bond proceeds and fund balances for capital projects.
- ◆ The General Fund's fund balance increased \$749,096 from the prior year, due primarily to below budget spending in County departments. Notable factors contributing to this result include lower jail populations and lower than expected costs for building utilities.

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.

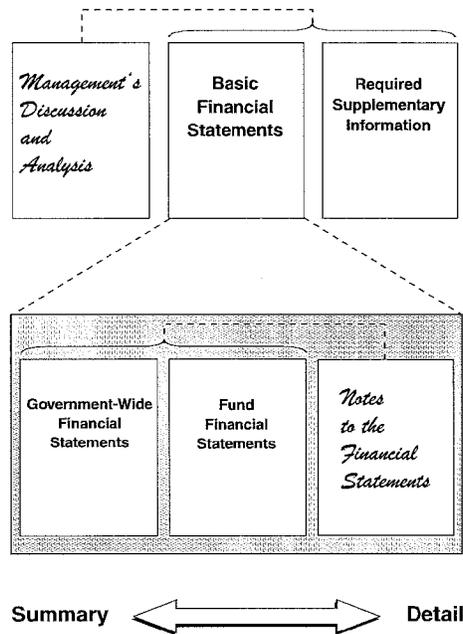
**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

**Figure A-1
Annual Report Format**



**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

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, 2009**

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, 2009**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets

The County's net assets were \$74,684,963 on December 31, 2009. (See Table A-1).

The increase in invested in capital assets net of related debt was primarily due to major improvements to the County road system.

Table A-1
The County's Net Assets

	<u>Governmental Activities</u>		<u>Percent Change</u>
	<u>2009</u>	<u>2008</u>	
Current and Other Assets	\$ 37,068,628	\$ 33,645,792	10.2 %
Capital Assets	65,485,123	63,093,032	3.8
Total Assets	<u>102,553,751</u>	<u>96,738,824</u>	6.0
Current Liabilities	4,066,954	3,656,366	11.2
Long-Term Liabilities	23,801,834	21,288,143	11.8
Total Liabilities	<u>27,868,788</u>	<u>24,944,509</u>	11.7
Net Assets			
Invested in Capital Assets			
Net of Related Debt	51,133,373	48,257,338	6.0
Restricted	12,261,145	9,415,005	30.2
Unrestricted	11,290,445	14,121,972	(20.1)
Total Net Assets	<u>\$ 74,684,963</u>	<u>\$ 71,794,315</u>	4.0

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Assets

The County-wide total revenues were \$36,465,125 for the year ended December 31, 2009. Property taxes and intergovernmental revenues accounted for 88% of total revenue for the year. This portion of total revenues is an increase of 0.4% from the prior year (See Figure Table A-2.)

Table A-2
Change in Net Assets

	Governmental Activities		Total % Change
	2009	2008	
REVENUES			
<u>Program Revenues</u>			
Charges for Services	\$ 3,634,203	\$ 3,451,863	5.3 %
Operating Grants and Contributions	7,469,252	8,326,165	(10.3)
Capital Grants and Contributions	2,452,283	2,576,956	(4.8)
<u>General Revenues</u>			
Property Taxes	18,884,251	18,052,805	4.6
Unrestricted State Aid	3,284,598	3,005,586	9.3
Investment Earnings	389,327	728,988	(46.6)
Other	351,211	303,440	15.7
Total Revenues	<u>36,465,125</u>	<u>36,445,803</u>	0.1
EXPENSES			
General Government	6,008,731	5,662,199	6.1
Public Safety	7,524,795	7,041,850	6.9
Highways and Streets	6,469,759	7,006,963	(7.7)
Human Services	9,652,882	9,484,487	1.8
Health	1,155,812	990,610	16.7
Culture and Recreation	557,548	702,273	(20.6)
Conservation of Natural Resources	728,706	758,446	(3.9)
Economic Development	660,910	697,846	(5.3)
Interest and Fiscal Charges on Long-Term Liabilities	815,334	823,053	(0.9)
Total Expenses	<u>33,574,477</u>	<u>33,167,727</u>	1.2
INCREASE IN NET ASSETS	2,890,648	3,278,076	(11.8)
Net Assets - Beginning of Year	<u>71,794,315</u>	<u>68,516,239</u>	4.8
NET ASSETS - END OF YEAR	<u>\$ 74,684,963</u>	<u>\$ 71,794,315</u>	4.0

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 2009 as bond-funded road projects were completed.

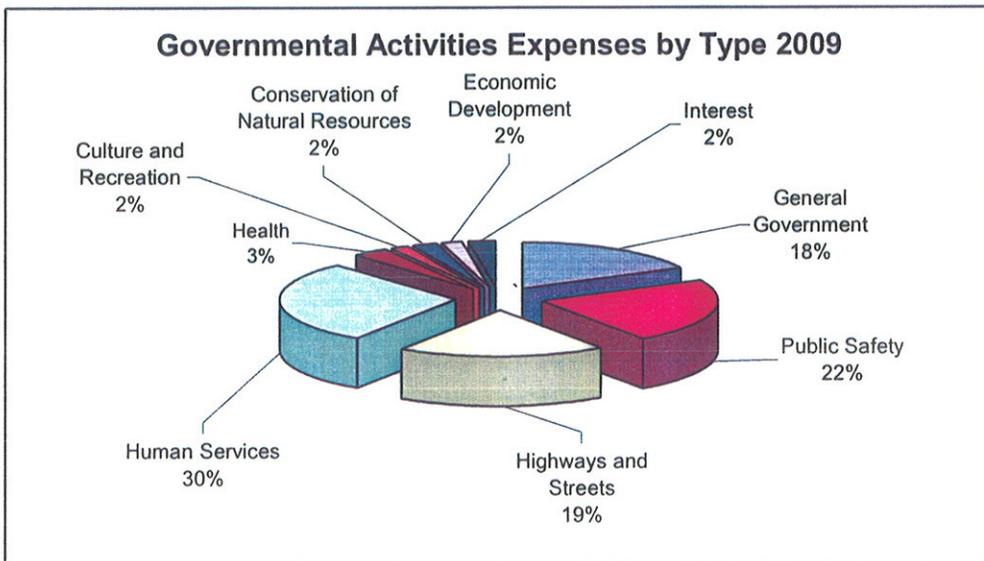
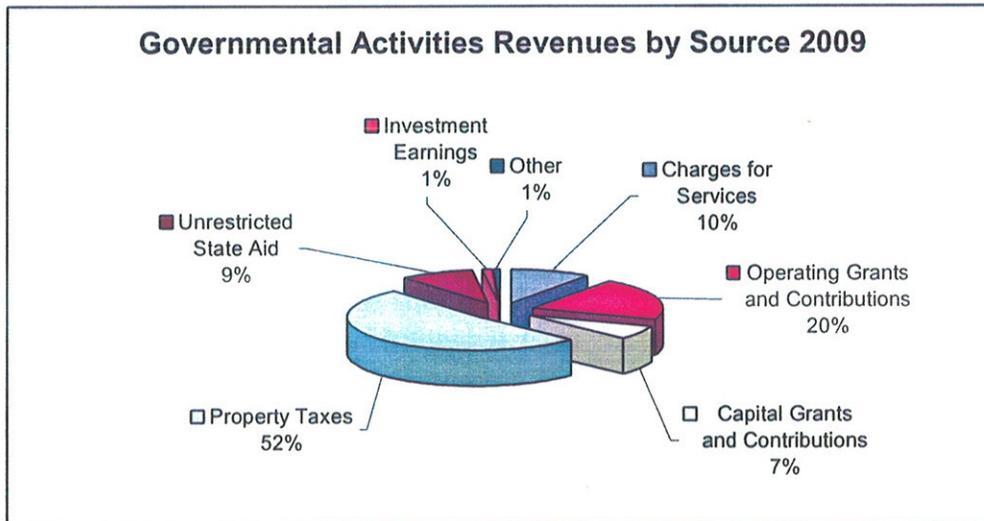
**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

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 \$33,574,477.

- ◆ Some of the cost was paid by the users of the County's programs (\$3,634,203).
- ◆ The federal and state governments contributed to certain programs with grants and contributions (\$9,921,535).
- ◆ A significant portion of the County's costs (\$20,018,739) were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$18,974,347 in property taxes and other taxes, \$3,284,598 of state aid, and with \$650,442 from investment earnings and other general revenues.



**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

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
	2009	2008		2009	2008	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 6,008,731	\$ 5,662,199	6.1 %	\$ 4,634,792	\$ 4,368,535	6.1 %
Public Safety	7,524,795	7,041,850	6.9	6,118,917	5,566,408	9.9
Highways and Streets	6,469,759	7,006,963	(7.7)	2,641,753	3,428,366	(22.9)
Human Services	9,652,882	9,484,487	1.8	3,894,447	2,670,377	45.8
Health	1,155,812	990,610	16.7	567,475	414,984	36.7
Culture and Recreation	557,548	702,273	(20.6)	458,270	592,894	(22.7)
Conservation of Natural Resources	728,706	758,446	(3.9)	258,346	288,530	(10.5)
Economic Development	660,910	697,846	(5.3)	629,405	659,596	(4.6)
Interest and Fiscal Charges on Long-Term Liabilities	815,334	823,053	(0.9)	815,334	823,053	(0.9)
Total	\$ 33,574,477	\$ 33,167,727	1.2	\$ 20,018,739	\$ 18,812,743	6.4

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 \$32,871,559.

Revenues for the County's governmental funds were \$36,415,197, while total expenditures were \$37,626,698. During 2009, 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 increased by \$749,096 from 2008, due primarily to below-budget spending by County departments, most notably jail costs related to declining daily populations and lower than expected building utility costs.

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 decreased by \$884,268 from 2008, due primarily to funds receipted in 2008 for 2009 expenditures. Fund balances in Road and Bridge fluctuate dramatically as resources for major road projects flow in 2008, then out when contractor payments are made in 2009. This 2009 decrease can be largely attributed to a temporary inflow, in 2008, of State-Aid and other resources for major construction projects.

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

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 grew by \$229,415 from 2008. Revenues came in as expected, while expenditures were below-budget, due largely to less foster care (out of home) placements.

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. The primary reason for the \$175,654 improvement in fund balance can be attributed to collections in excess of revenue 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 grew by \$3,992,761 in 2009. This temporary increase was due to the refunding of the 2001 jail bonds. The County held the net proceeds from the refunding until the scheduled repayment date in January 2010.

CAPITAL PROJECTS FUND

Accounts for the financing of multi-year capital projects, including those funded with Capital Improvement Plan bonds. A fund balance decrease of \$1,408,443 was due to the continued spend-down of 2007 and 2008 road bonding proceeds for various major improvements to both state-aid highway routes and local roads.

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

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, 2009	December 31, 2008	Increase (Decrease)	Percent
Taxes	\$ 10,230,916	\$ 9,578,521	\$ 652,395	6.8 %
Intergovernmental	1,919,796	1,795,822	123,974	6.9
Charges for Services	1,780,391	1,642,926	137,465	8.4
Investment Earnings	360,499	627,782	(267,283)	(42.6)
Miscellaneous and Other	433,775	454,543	(20,768)	(4.6)
Total General Fund Revenues	<u>\$ 14,725,377</u>	<u>\$ 14,099,594</u>	<u>\$ 625,783</u>	4.4

Total General Fund revenue increased by \$625,783, or 4.4%, from the previous year. Increased tax levies supported new positions mandated by the State of Minnesota at the County jail and funding to implement a classification and compensation study.

The following schedule presents a summary of General Fund expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change	
	December 31, 2009	December 31, 2008	Increase (Decrease)	Percent
General Government	\$ 5,534,757	\$ 5,293,922	\$ 240,835	4.5 %
Public Safety	6,829,685	6,468,899	360,786	5.6
Health	25,078	25,257	(179)	(0.7)
Culture and Recreation	538,008	518,683	19,325	3.7
Conservation of Natural Resources	347,475	356,065	(8,590)	(2.4)
Economic Development	624,343	597,492	26,851	4.5
Capital Outlay	90,095	195,655	(105,560)	(54.0)
Total Expenditures	<u>\$ 13,989,441</u>	<u>\$ 13,455,973</u>	<u>\$ 533,468</u>	4.0

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

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 \$79,688 more than budgeted. This favorable variance is due primarily to higher than expected prisoner boarding revenue.
- ◆ Actual expenditures were \$607,326 less than budget. Salary savings from a hiring freeze enacted in December 2008 contributed to the below-budget condition. Also, a declining inmate population reduced jail costs in 2009.

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 2009 was related to major road re-construction projects, building improvements, and an 800 MHz radio project in the Sheriff's Office.

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

CAPITAL ASSETS

By the end of 2009, the County had invested over \$113 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 \$3,294,068.

Table A-6
The County's Capital Assets

	Governmental Activities		Percent Change
	2009	2008	
Land	\$ 2,346,666	\$ 2,330,072	0.7 %
Right-of-Way	8,701,373	8,339,974	4.3
Construction in Progress	3,409,024	3,219,169	5.9
Infrastructure	71,994,376	68,112,455	5.7
Land Improvements	347,356	247,816	40.2
Buildings	18,823,056	18,823,056	-
Machinery, Furniture, and Equipment	8,299,373	7,265,747	14.2
Less: Accumulated Depreciation	<u>(48,436,101)</u>	<u>(45,245,257)</u>	7.1
Total	<u>\$65,485,123</u>	<u>\$63,093,032</u>	3.8

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

LONG-TERM LIABILITIES

At year-end, the County had \$25,714,504 in long-term liabilities outstanding.

- ◆ The County's total long-term debt increased \$2,529,151, due primarily to the issuance of General Obligation Jail Refunding Bonds.

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

	2009	2008	Percentage Change
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds and Notes	\$16,976,177	\$14,039,555	20.9 %
Revenue Bonds Payable	4,440,000	4,965,000	(10.6)
Economic Development Loans Payable	597,212	529,135	12.9
Capital Leases Payable	1,356,398	1,621,357	(16.3)
Compensated Absences	2,120,282	1,911,092	10.9
Other Postemployment Benefits	224,435	119,214	88.3
Total	<u>\$25,714,504</u>	<u>\$23,185,353</u>	10.9

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 "A1" by Moody's Investor Service, which noted in its most recent bond rating the County's above average overall debt burden. Thus, while new debt for road projects may be possible, this option too has limits.

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, 2009**

FACTORS BEARING ON THE COUNTY'S FUTURE (CONTINUED)

The 2009 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. As the local and national economic recession wears on, the County's flexibility will be diminished greatly, requiring dramatic steps to maintain solid County finances.

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, 2010 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.

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BASIC FINANCIAL STATEMENTS

**BENTON COUNTY
FOLEY, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Activities</u>
ASSETS	
Cash and Pooled Investments	\$ 28,776,790
Petty Cash and Change Funds	3,300
Taxes Receivable	
Delinquent	752,660
Special Assessments Receivable	
Delinquent	13,993
Deferred	368,629
Accounts Receivable	174,582
Accrued Interest Receivable	37,393
Loans Receivable	638,333
Due from Other Governments	1,932,526
Inventory	333,863
Prepaid Expenses	11,900
Deferred Debt Issue Costs	179,659
Restricted Cash	3,845,000
Non-Depreciable Capital Assets	
Land	2,346,666
Right-of-Way	8,701,373
Construction in Progress	3,409,024
Depreciable Capital Assets	
Building (Net)	13,322,865
Machinery, Vehicles, Furniture, and Equipment (Net)	4,517,026
Land Improvements (Net)	316,821
Infrastructure (Net)	<u>32,871,348</u>
Total Assets	102,553,751
LIABILITIES	
Accounts Payable	707,036
Salaries Payable	552,019
Contracts Payable	252,047
Due to Other Governments	244,741
Accrued Interest Payable	295,398
Unearned Revenue	103,043
Compensated Absences Payable - Due in Less than One Year	106,014
General Obligation Bonds and Notes Payable - Due in Less than One Year	956,000
Revenue Bonds Payable - Due in Less than One Year	550,000
Economic Development Loans Payable - Due in Less than One Year	23,152
Capital Leases Payable - Due in Less than One Year	277,504
Compensated Absences Payable - Due in More than One Year	2,014,268
Other Postemployment Benefits Payable - Due in More than One Year	224,435
General Obligation Bonds and Notes Payable - Due in More than One Year	16,020,177
Revenue Bonds Payable - Due in More than One Year	3,890,000
Economic Development Loans Payable - Due in More than One Year	574,060
Capital Leases Payable - Due in More than One Year	<u>1,078,894</u>
Total Liabilities	27,868,788
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	51,133,373
Restricted For:	
Debt Service	3,845,000
Gravel Pit	36,435
Capital Projects	4,530,824
E911	207,146
Solid Waste Contingency	1,517,436
Economic Development Loans	1,288,191
Other Items	836,113
Unrestricted	<u>11,290,445</u>
Total Net Assets	<u>\$ 74,684,963</u>

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

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**BENTON COUNTY
FOLEY, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
		Fees, Charges, Fines, and Other	Operating Grants and Contributions			Governmental Activities
GOVERNMENTAL ACTIVITIES						
General Government	\$ 6,008,731	\$ 1,320,752	\$ 53,187	\$ -	\$ (4,634,792)	
Public Safety	7,524,795	1,010,340	395,538	-	(6,118,917)	
Highways and Streets	6,469,759	152,016	1,595,864	2,080,126	(2,641,753)	
Human Services	9,652,882	1,066,505	4,691,930	-	(3,894,447)	
Health	1,155,812	26,486	561,851	-	(567,475)	
Culture and Recreation	557,548	25,667	73,611	-	(458,270)	
Conservation of Natural Resources	728,706	932	97,271	372,157	(258,346)	
Economic Development	660,910	31,505	-	-	(629,405)	
Interest	815,334	-	-	-	(815,334)	
Total Governmental Activities	\$33,574,477	\$ 3,634,203	\$ 7,469,252	\$ 2,452,283	(20,018,739)	
GENERAL REVENUES						
					18,884,251	
					31,743	
					29,580	
					28,773	
					3,284,598	
					389,327	
					261,115	
Total General Revenues					22,909,387	
CHANGE IN NET ASSETS					2,890,648	
Net Assets - Beginning of Year					71,794,315	
NET ASSETS - END OF YEAR					\$ 74,684,963	

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

**BENTON COUNTY
FOLEY, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

ASSETS	General	Road and Bridge	Human Services	Miscellaneous
Cash and Pooled Investments	\$ 8,491,221	\$ 1,296,513	\$ 5,212,800	\$ 2,549,488
Petty Cash and Change Funds	3,300	-	-	-
Restricted Cash	-	-	-	-
Taxes Receivable				
Delinquent	402,039	98,603	151,249	-
Special Assessments Receivable				
Delinquent	-	-	-	13,712
Deferred	-	-	-	367,180
Accounts Receivable	58,830	10,073	81,530	21,881
Accrued Interest Receivable	37,393	-	-	-
Due from Other Funds	53,880	7,862	283	-
Due from Other Governments	113,087	1,040,518	756,002	22,919
Inventories	-	333,863	-	-
Prepaid Expenses	-	11,900	-	-
Loans Receivable	-	-	-	-
Advances to Other Funds	11,385	-	-	293,999
Total Assets	<u>\$ 9,171,135</u>	<u>\$ 2,799,332</u>	<u>\$ 6,201,864</u>	<u>\$ 3,269,179</u>
LIABILITIES AND FUND BALANCES	9,171,135	2,799,332	6,201,864	3,269,179
LIABILITIES				
Accounts Payable	\$ 233,862	\$ 45,072	\$ 397,758	\$ 19,861
Salaries Payable	294,753	81,009	173,100	3,157
Contracts Payable	-	188,526	-	-
Due to Other Funds	7,862	372	53,693	98
Due to Other Governments	130,696	1,810	101,758	10,477
Deferred Revenue - Unavailable	415,990	1,054,618	204,525	380,892
Deferred Revenue - Unearned	-	-	103,043	-
Advance from Other Funds	-	-	-	-
Total Liabilities	<u>1,083,163</u>	<u>1,371,407</u>	<u>1,033,877</u>	<u>414,485</u>
FUND BALANCES				
Reserved for				
Construction	-	-	-	-
Inventories	-	333,863	-	-
Advance to Other Funds	11,385	-	-	293,999
Gravel Pit Closure	-	-	-	-
E-911	-	-	-	207,146
Solid Waste Contingency	-	-	-	1,517,436
Economic Development Loans	-	-	-	-
Debt Service	-	-	-	-
Other Items	-	-	-	836,113
Unreserved, Designated for:				
Cash Flow Purposes	6,057,440	1,094,062	2,583,994	-
Debt Service	-	-	-	-
Future Expenditures	-	-	-	-
Unreserved, Undesignated Reported In:				
General Fund	2,019,147	-	-	-
Special Revenue Funds	-	-	2,583,993	-
Total Fund Balances	<u>8,087,972</u>	<u>1,427,925</u>	<u>5,167,987</u>	<u>2,854,694</u>
Total Liabilities and Fund Balances	<u>\$ 9,171,135</u>	<u>\$ 2,799,332</u>	<u>\$ 6,201,864</u>	<u>\$ 3,269,179</u>

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

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 3,096,582	\$ 7,377,139	\$ 753,047	\$ 28,776,790
-	-	-	3,300
3,845,000	-	-	3,845,000
94,168	6,601	-	752,660
-	-	281	13,993
-	-	1,449	368,629
-	-	2,268	174,582
-	-	-	37,393
-	-	-	62,025
-	-	-	1,932,526
-	-	-	333,863
-	-	-	11,900
-	-	638,333	638,333
-	-	-	305,384
<u>\$ 7,035,750</u>	<u>\$ 7,383,740</u>	<u>\$ 1,395,378</u>	<u>\$ 37,256,378</u>
7,035,750	7,383,740	1,395,378	
\$ 6,080	\$ 4,403	\$ -	\$ 707,036
-	-	-	552,019
-	63,521	-	252,047
-	-	-	62,025
-	-	-	244,741
94,168	6,601	1,730	2,158,524
-	-	-	103,043
-	293,999	11,385	305,384
<u>100,248</u>	<u>368,524</u>	<u>13,115</u>	<u>4,384,819</u>
-	4,775,993	-	4,775,993
-	-	-	333,863
-	-	-	305,384
-	-	36,435	36,435
-	-	-	207,146
-	-	-	1,517,436
-	-	1,288,191	1,288,191
3,845,000	-	-	3,845,000
-	-	-	836,113
-	-	-	9,735,496
3,090,502	-	-	3,090,502
-	2,239,223	-	2,239,223
-	-	-	2,019,147
-	-	57,637	2,641,630
<u>6,935,502</u>	<u>7,015,216</u>	<u>1,382,263</u>	<u>32,871,559</u>
<u>\$ 7,035,750</u>	<u>\$ 7,383,740</u>	<u>\$ 1,395,378</u>	<u>\$ 37,256,378</u>

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**BENTON COUNTY
FOLEY, MINNESOTA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS \$ 32,871,559

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. 65,485,123

Delinquent taxes, delinquent and deferred special assessments, and certain state-aid highway allotments are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 2,158,524

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	\$ 16,976,177	
Economic Development Loans	597,212	
Revenue Bonds	4,440,000	
Capital Leases	1,356,398	
Deferred Debt Issue Costs	(179,659)	
Compensated Absences	2,120,282	
Other Postemployment Benefits	224,435	
Accrued Interest Payable	295,398	
	(25,830,243)	

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 74,684,963

**BENTON COUNTY
FOLEY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2009**

	General	Road and Bridge	Human Services	Miscellaneous
REVENUES				
Taxes	\$ 10,230,916	\$ 2,388,703	\$ 3,791,692	\$ -
Special Assessments	-	-	-	364,490
Licenses and Permits	163,538	8,200	-	27,545
Intergovernmental	1,919,796	3,782,928	5,935,364	266,261
Charges for Services	1,780,391	93,913	983,276	189,840
Fines and Forfeits	34,442	-	-	43,846
Gifts and Contributions	3,125	-	10,632	5,273
Interest on Investments	360,499	-	250	723
Miscellaneous	232,670	92,498	110,555	50,953
Total Revenues	14,725,377	6,366,242	10,831,769	948,931
EXPENDITURES				
CURRENT				
General Government	5,534,757	-	-	159,497
Public Safety	6,829,685	-	-	132,073
Highways and Streets	-	3,739,621	-	-
Human Services	-	-	9,560,490	-
Health	25,078	-	1,041,864	-
Culture and Recreation	538,008	-	-	34,351
Conservation of Natural Resources	347,475	-	-	381,231
Economic Development	624,343	-	-	-
INTERGOVERNMENTAL	-	119,466	-	-
CAPITAL OUTLAY				
General Government	3,686	-	-	-
Public Safety	86,409	-	-	-
Highways and Streets	-	3,676,387	-	-
DEBT SERVICE				
Principal	-	49,000	-	-
Interest	-	3,268	-	-
Bond Issuance Costs	-	-	-	-
Fiscal Charges	-	-	-	-
Total Expenditures	13,989,441	7,587,742	10,602,354	707,152
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	735,936	(1,221,500)	229,415	241,779
OTHER FINANCING SOURCES (USES)				
Transfers In	98,482	253,024	-	15,033
Transfers Out	(85,322)	-	-	(93,443)
Loan Proceeds	-	-	-	-
Refunding Bonds Issued	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Proceeds from Sale of Assets	-	33	-	12,285
Total Other Financing Sources (Uses)	13,160	253,057	-	(66,125)
NET CHANGE IN FUND BALANCES	749,096	(968,443)	229,415	175,654
Fund Balances - Beginning of Year	7,338,876	2,312,193	4,938,572	2,679,040
INCREASE (DECREASE) IN RESERVED FOR INVENTORIES	-	84,175	-	-
FUND BALANCES - END OF YEAR	\$ 8,087,972	\$ 1,427,925	\$ 5,167,987	\$ 2,854,694

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

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 2,320,178	\$ 163,706	\$ 29,608	\$ 18,924,803
-	-	1,235	365,725
-	-	-	199,283
341,682	565,410	-	12,811,441
-	-	-	3,047,420
-	-	-	78,288
-	-	-	19,030
2,421	18,352	7,332	389,577
-	48,254	44,700	579,630
<u>2,664,281</u>	<u>795,722</u>	<u>82,875</u>	<u>36,415,197</u>
-	60,402	-	5,754,656
-	385,533	-	7,347,291
-	-	-	3,739,621
-	-	-	9,560,490
-	-	-	1,066,942
-	-	-	572,359
-	-	-	728,706
-	-	79,432	703,775
-	-	-	119,466
-	-	-	3,686
-	570,087	-	656,496
-	1,005,408	-	4,681,795
1,729,959	-	22,923	1,801,882
832,718	-	5,467	841,453
44,287	-	-	44,287
3,793	-	-	3,793
<u>2,610,757</u>	<u>2,021,430</u>	<u>107,822</u>	<u>37,626,698</u>
53,524	(1,225,708)	(24,947)	(1,211,501)
-	381	-	366,920
-	(183,116)	(5,039)	(366,920)
-	-	91,000	91,000
3,845,000	-	-	3,845,000
94,237	-	-	94,237
-	-	-	12,318
<u>3,939,237</u>	<u>(182,735)</u>	<u>85,961</u>	<u>4,042,555</u>
3,992,761	(1,408,443)	61,014	2,831,054
2,942,741	8,423,659	1,321,249	29,956,330
-	-	-	84,175
<u>\$ 6,935,502</u>	<u>\$ 7,015,216</u>	<u>\$ 1,382,263</u>	<u>\$ 32,871,559</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, 2009**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 2,831,054
<p>Amounts reported for governmental activities in the statement of activities are different because:</p> <p>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.</p>		
Expenditures for General Capital Assets, Infrastructure, and Other Related Capital Asset Adjustments	\$ 5,715,386	
Net Book Value of Capital Assets Disposed	(29,229)	
Current Year Depreciation	<u>(3,294,068)</u>	2,392,089
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		51,897
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.</p>		
Proceeds for Debt Issuance	(3,845,000)	
Premiums and Bond Issuance Costs for the New Debt Issuance	<u>(49,950)</u>	(3,894,950)
<p>Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.</p>		
		(91,000)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Principal Repayments		
General Obligation Bonds and Notes	989,000	
Economic Development Loans	22,923	
Revenue Bonds	525,000	
Capital Leases	<u>264,959</u>	1,801,882
<p>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.</p>		
Change in Accrued Interest Payable	33,652	
Amortization of Discounts and Deferred Issuance Charges	(3,740)	
Change in Compensated Absences	(209,190)	
Change in Other Postemployment Benefits	(105,221)	
Change in Inventories	<u>84,175</u>	(200,324)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 2,890,648</u></u>

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

**BENTON COUNTY
FOLEY, MINNESOTA
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2009**

ASSETS

Cash and Pooled Investments	<u>\$ 1,889,269</u>
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LIABILITIES

Due to Other Governments	\$ 1,799,454
Accounts Payable	<u>89,815</u>
Total Liabilities	<u>\$ 1,889,269</u>

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**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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, 2009. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Benton County was established October 27, 1849, and is an organized county having the powers, duties, and privileges granted counties by *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 three blended component units.

<u>Component Unit</u>	<u>Component Unit Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Regional Railroad Authority (RRA) Provides for the Preservation or Improvement of Rail Transportation within the County (fund closed during 2009)	County Commissioners are the members of the RRA Board	Separate Financial Statements are not Prepared
Housing and Redevelopment Authority of Benton County (HRA)	County Commissioners are the members of the HRA Board	Separate Financial Statements are not Prepared
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, 2009**

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, 2009**

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, 2009**

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, 2009, 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, 2009**

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 2004 through 2009, 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.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Inventories

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. 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
Building Improvements	20
Public Domain Infrastructure	25-35
Furniture, Equipment, and Vehicles	5-20

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Compensated Absences

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

6. Deferred Revenue

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

7. Long-Term Obligations

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

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

8. Fund Equity

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

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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, 2009:

Fund	Function	Expenditures	Budget	Excess
General	Current			
	General Government			
	Data Processing	\$ 625,709	\$ 624,808	\$ 901
	Public Safety			
	Coroner	50,420	46,000	4,420
	Culture and Recreation			
	Regional Library	522,938	522,554	384
	Capital Outlay			
	General Government	3,686	-	3,686
	Public Safety	86,409	71,451	14,958

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, 2009**

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	\$ 28,776,790
Petty Cash and Change Funds	3,300
Restricted Cash	3,845,000
Statement of Fiduciary Net Assets	
Cash and Pooled Investments	1,889,269
Total Cash and Investments	<u><u>\$ 34,514,359</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, 2009, \$190,382 of the County's deposits were uninsured and uncollateralized, therefore exposed to custodial credit risk.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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, 2009 represent ongoing overnight repurchase agreement arrangements at applicable daily quoted rates. The average rate of the repurchase agreements at December 31, 2009 was .23%. Funds are deposited to Benton County's account at 8:00 AM 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, 2009**

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, 2009**

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, 2009, and information relating to potential investment risks:

	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. Government Agency Securities					
Federal Home Loan Mortgage	AAA	S&P	<5.0%	N/A	\$ 119,399
Government National Mortgage Association Note	AAA	S&P	<5.0%	4/15/2026	3,580
Government National Mortgage Association Note	AAA	S&P	<5.0%	7/7/2014	175,328
Total Government National Mortgage Association Note					178,908
Negotiable Certificate of Deposit	N/R	N/A	<5.0%	Various	1,352,955
Investment Pools/Mutual Funds					
MAGIC Fund	N/R	N/A		N/A	6,596,200
Franklin Customer Funds	N/R	N/A		N/A	2,156
Total Investment Pools/Mutual Funds					6,598,356
Repurchase Agreements	N/R	N/A		N/A	74,806
Total Investments					8,324,424
Deposits					26,186,635
Petty Cash					3,300
Total Deposits and Investments					<u>\$ 34,514,359</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, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 2,330,072	\$ 16,594	\$ -	\$ 2,346,666
Infrastructure, Right-of-Way	8,339,974	361,399	-	8,701,373
Construction in Progress	3,219,169	4,071,776	3,881,921	3,409,024
Total Capital Assets, not being Depreciated	13,889,215	4,449,769	3,881,921	14,457,063
Capital Assets being Depreciated:				
Buildings	18,823,056	-	-	18,823,056
Land Improvements	247,816	109,874	10,334	347,356
Machinery, Furniture, and Equipment	7,265,747	1,155,743	122,117	8,299,373
Infrastructure	68,112,455	3,881,921	-	71,994,376
Total Capital Assets being Depreciated	94,449,074	5,147,538	132,451	99,464,161
Less Accumulated Depreciation for:				
Buildings	5,102,763	397,428	-	5,500,191
Land Improvements	18,756	12,639	860	30,535
Machinery, Furniture, and Equipment	3,390,539	494,172	102,364	3,782,347
Infrastructure	36,733,199	2,389,829	-	39,123,028
Total Accumulated Depreciation	45,245,257	3,294,068	103,224	48,436,101
Total Capital Assets, Depreciated, Net	49,203,817	1,853,470	29,227	51,028,060
Governmental Activities Capital Assets, Net	\$ 63,093,032	\$ 6,303,239	\$ 3,911,148	\$ 65,485,123

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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 \$724,500 as of December 31, 2009.

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

Governmental Activities		
General Government	\$	153,196
Public Safety		401,435
Highway and Streets		2,662,982
Human Services		62,663
Culture and Recreation		13,792
	<u>\$</u>	<u>3,294,068</u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2009, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Human Services Fund	\$ 53,693
	Road and Bridge	89
	Miscellaneous	98
Total Due to General Fund		<u>53,880</u>
Road and Bridge Fund	General Fund	7,862
Human Services	Road & Bridge	283
	Total	<u>\$ 62,025</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; (3) payment of a fuel charge for the General Fund and; (4) payment for professional services for Road & Bridge.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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, 2009, consisted of the following:

Interfund Transfer	Amount	Description
Transfer to General Fund from Miscellaneous Fund	\$ 93,443	Provide Funds for Capital Asset additions, Excess from Permit to Carry Account and Administration
Regional Railroad Authority Fund	<u>5,039</u> 98,482	Closed Regional Railroad Authority Fund
Transfer to Road and Bridge Fund from General Fund	69,908	Provide Funds for a GIS Employee Salary
Capital Projects Fund	<u>183,116</u> 253,024	Provide Funds for Capital Improvements
Transfer to Miscellaneous Fund from General Fund	15,033	Provide Funds to County Attorney Major Trial Expense and Sheriff's Contingency
Transfer to Capital Projects Fund from General Fund	<u>381</u>	Provide Funds for Capital Improvements
Total	<u><u>\$ 366,920</u></u>	

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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, 2009, were as follows:

Receivable Fund	Payable Fund	Amount
General	Ditch	\$ 11,385
Miscellaneous	Capital Projects	293,999
Total		<u>\$ 305,384</u>

The advances above relate to a loan from the general fund for ditch deficits, and a loan from the solid waste contingency to the capital projects fund for the jail master control panel project and the 800 MHz radio system upgrade in the Sheriff's office.

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, 2009, is summarized below by fund:

	Special Assessments	Taxes	Grants	Other	Total
Major Governmental Funds					
General	\$ -	\$ 402,039	\$ 13,951	\$ -	\$ 415,990
Road and Bridge	-	98,603	-	956,015	1,054,618
Human Services	-	151,249	44,313	8,963	204,525
Miscellaneous	380,892	-	-	-	380,892
Debt Service Fund	-	94,168	-	-	94,168
Capital Projects Fund	-	6,601	-	-	6,601
Total Major Governmental Funds	380,892	752,660	58,264	964,978	2,156,794
Other Governmental Funds	1,730	-	-	-	1,730
Deferred Revenue					
Unavailable	<u>\$ 382,622</u>	<u>\$ 752,660</u>	<u>\$ 58,264</u>	<u>\$ 964,978</u>	<u>\$ 2,158,524</u>

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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, 2009
General Obligation Bonds					
2002 G.O. Capital Improvement Bonds	2018	\$155,000- \$275,000	4.00-5.00	\$ 3,065,000	\$ 2,055,000
2003 G.O. Capital Improvement Bonds	2018	\$170,000- \$325,000	2.00-3.85	3,500,000	2,345,000
2007A G. O. Reconstruction Bonds	2022	\$180,000- \$255,000	4.00	3,000,000	2,665,000
2007B G.O. State-Aid Road Bonds	2022	\$110,000- \$175,000	3.65-4.00	2,055,000	1,835,000
2008A G. O. Reconstruction Bonds	2023	\$160,000- \$255,000	3.75-4.50	3,000,000	2,805,000
2008A G.O. Capital Improvement Bonds	2023	\$70,000- \$110,000	3.75-4.50	1,280,000	1,195,000
2009A G.O. Jail Refunding Bonds	2016	\$595,000- \$690,000	2.00-3.25	3,845,000	3,845,000
Total General Obligation Bonds				<u>\$ 19,745,000</u>	16,745,000
Less: Unamortized Bond Discount					(42,206)
Add: Unamortized Bond Premium					170,383
Total General Obligation Bonds, Net					<u>\$ 16,873,177</u>
General Obligation Capital Notes					
2002 G.O. Capital Improvement Notes	2011	\$42,000- \$52,000	2.15	<u>\$ 469,000</u>	<u>\$ 103,000</u>
Revenue Bonds					
2001 Jail Lease Revenue Refunding Bonds	2016	\$450,000- \$730,000	4.00-4.70	<u>\$ 6,385,000</u>	<u>\$ 4,440,000</u>
Capital Leases					
2004 Lease Purchase with Norwest Investment Services, Inc., to Finance a Courts Facilities Building	2014	\$82,500- \$165,026	4.68	<u>\$ 2,649,205</u>	<u>\$ 1,356,398</u>
Economic Development Loans					
U.S. Department of Agriculture	2036	\$7,525- \$34,204	1.00	<u>\$ 660,000</u>	<u>\$ 597,212</u>

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2009, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Capital Notes		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 905,000	\$ 564,263	\$ 51,000	\$ 2,215	\$ 550,000	\$ 186,050
2011	1,540,000	551,188	52,000	1,118	570,000	162,668
2012	1,605,000	502,314	-	-	605,000	137,690
2013	1,655,000	451,453	-	-	635,000	110,554
2014	1,695,000	396,168	-	-	660,000	81,410
2015-2019	6,735,000	1,084,871	-	-	1,420,000	67,508
2020-2024	2,610,000	185,045	-	-	-	-
Total	<u>\$ 16,745,000</u>	<u>\$ 3,735,302</u>	<u>\$ 103,000</u>	<u>\$ 3,333</u>	<u>\$ 4,440,000</u>	<u>\$ 745,880</u>

Year Ending December 31	Capital Lease		Economic Development Loans	
	Principal	Interest	Principal	Interest
2010	\$ 277,504	\$ 60,270	\$ 29,569	\$ 5,972
2011	290,643	47,131	29,865	5,676
2012	304,405	33,370	30,163	5,378
2013	318,818	18,957	30,465	5,076
2014	165,026	3,862	30,770	4,772
2015-2019	-	-	158,526	19,180
2020-2024	-	-	166,612	11,094
2025-2029	-	-	64,758	4,239
2030-2034	-	-	39,943	2,033
2035-2036	-	-	16,458	249
Total	<u>\$ 1,356,396</u>	<u>\$ 163,590</u>	<u>\$ 597,129</u>	<u>\$ 63,669</u>

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable					
General Obligation Bonds	\$ 13,840,000	\$ 3,845,000	\$ 940,000	\$ 16,745,000	\$ 905,000
G.O. Capital Notes	152,000	-	49,000	103,000	51,000
Jail Lease Revenue Bonds	4,965,000	-	525,000	4,440,000	550,000
Total Bonds Payable	18,957,000	3,845,000	1,514,000	21,288,000	1,506,000
Capital Leases	1,621,357	-	264,959	1,356,398	277,504
Economic Development Loans	529,135	91,000	22,923	597,212	23,152
Compensated Absences, Net	1,911,092	1,467,553	1,258,363	2,120,282	106,014
Other Postemployment Benefits	119,214	147,806	42,585	224,435	-
Governmental Activity Long-Term Liabilities	<u>\$ 23,137,798</u>	<u>\$ 5,551,359</u>	<u>\$ 3,102,830</u>	<u>\$ 25,586,327</u>	<u>\$ 1,912,670</u>

Compensated absences are typically liquidated in the General Fund and applicable Special Revenue Funds.

5. Construction Commitments

The government has active construction projects as of December 31, 2009. The projects include the following:

<u>Project Description</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
County Road Projects	\$6,297,766	\$1,320,960
Bridge Grading Projects	80,100	1,635

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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, 2009 were as follows:

<u>Fund Balance Reservation</u>	
Reserved for Solid Waste Contingency	\$ 1,517,436
Reserved for Advance to Other Funds	293,999
Reserved for E-911	207,146
Reserved for other items:	
Law Library	19,739
Election Equipment	15,855
Contingency Funds	14,255
Major Trial Expenditures	18,967
Recorders' Equipment	275,851
Motor Pool	11,786
SCORE	79,566
Natural Resources Block Grant	60,063
Extended Juvenile Jurisdiction Grant	2,470
Jail Inmate Capital Expenditures	152,170
Park Dedication Fees	93,362
K-9 Program Expenditures	11,616
Emergency Management Firewise Grant	11,176
Section Corner Project	8,557
Other	60,680
Total Reserved for Other Items	<u>836,113</u>
Total Fund Balance	
Miscellaneous Special Revenue Fund	<u>\$ 2,854,694</u>

NOTE 5 DEFINED BENEFIT PENSION PLANS

A. Plan Description

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

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the PECF.

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

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 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 PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

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

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

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

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.00%, respectively, of their annual covered salary in 2009. PEPFF members were required to contribute 9.40% of their annual covered salary in 2009. PECF members are required to contribute 5.83% of their annual covered salary. Benton County is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.75% for Coordinated Plan PERF members, 14.1% for PEPFF members, and 8.75% for PECF members. The County's contributions to the Public Employees Retirement Fund for the years ending December 31, 2009, 2008, and 2007 were \$650,993, \$587,223, and \$525,410, respectively. The County's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2009, 2008, and 2007 were \$226,506, \$195,098, and \$161,265, respectively. The County's contributions to the PECF for the years ending December 31, 2009, 2008, and 2007 were \$144,641, \$136,863, and \$129,991, respectively.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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 2009, 2008 and 2007 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>	
2009	\$ 4,722	\$ 4,722	5.0 %	5.0 %	5.0 %
2008	1,797	1,797	5.0	5.0	5.0
2007	1,746	1,746	5.0	5.0	5.0

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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, 2008, there were 42 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 2009, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC):	\$ 149,601
Interest on Net OPEB Obligation	5,365
Adjustment to ARC	<u>(7,160)</u>
Annual OPEB Cost	147,806
Contributions during the year	<u>(42,585)</u>
Increase in Net OPEB Obligation	105,221
Net OPEB - Beginning of the Year	<u>119,214</u>
Net OPEB - End of the Year	<u><u>\$ 224,435</u></u>

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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 and 2009 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
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 %

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.

In the January 1, 2008 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 9.00% 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.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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 \$430,000 per claim in 2009, respectively. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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, 2009**

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 2009 contribution to the Great River Regional Library of \$522,938 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, 2009**

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, 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 2009, the County contributed \$8,591 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.

B. Commitments

On September 19, 2006, the County was awarded \$250,000 in loan funds from USDA Rural Development. As of December 31, 2009, \$197,787 had been received under this loan.

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

**BENTON COUNTY
FOLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$10,909,251	\$ 10,909,251	\$ 10,230,916	\$ (678,335)
Licenses and Permits	144,815	144,815	163,538	18,723
Intergovernmental	1,390,563	1,187,147	1,919,796	732,649
Charges for Services	1,644,776	1,644,776	1,780,391	135,615
Fines and Forfeits	24,925	24,925	34,442	9,517
Gifts and Contributions	75	75	3,125	3,050
Investment Earnings	650,000	650,000	360,499	(289,501)
Miscellaneous	84,700	84,700	232,670	147,970
Total Revenues	14,849,105	14,645,689	14,725,377	79,688
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	463,612	463,612	410,390	53,222
Public Defender	100,000	100,000	81,544	18,456
County Administration	529,836	529,836	525,744	4,092
County Auditor/Treasurer	592,336	595,106	566,885	28,221
County Assessor	444,569	444,569	439,131	5,438
Data Processing	666,808	624,808	625,709	(901)
Attorney	887,153	890,546	876,705	13,841
Recorder	223,180	225,240	220,137	5,103
Buildings and Plant	850,532	847,182	796,619	50,563
Veterans Service Officer	95,991	95,991	91,149	4,842
Other General Government	1,091,737	1,080,370	900,744	179,626
Total General Government	5,945,754	5,897,260	5,534,757	362,503
PUBLIC SAFETY				
Sheriff	3,444,100	3,447,244	3,359,422	87,822
Coroner	46,000	46,000	50,420	(4,420)
Civil Defense	79,199	77,199	77,047	152
Prisoner Custodial	3,029,000	3,029,000	2,942,234	86,766
Probation and Parole	459,094	459,094	400,562	58,532
Total Public Safety	7,057,393	7,058,537	6,829,685	228,852
HEALTH				
Groundwater Management	25,310	25,310	25,078	232

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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES				
CURRENT (CONTINUED)				
CULTURE AND RECREATION				
Historical Society	\$ 15,070	\$ 15,070	\$ 15,070	\$ -
Regional Library	522,554	522,554	522,938	(384)
Total Culture and Recreation	537,624	537,624	538,008	(384)
CONSERVATION OF NATURAL RESOURCES				
County Extension	209,604	209,604	189,975	19,629
Soil and Water Conservation	142,500	142,500	142,500	-
Agricultural Society/County Fair	15,000	15,000	15,000	-
Total Conservation of Natural Resources	367,104	367,104	347,475	19,629
ECONOMIC DEVELOPMENT				
County Appropriations	123,715	123,715	121,456	2,259
Department of Development	515,766	515,766	502,887	12,879
Total Economic Development	639,481	639,481	624,343	15,138
CAPITAL OUTLAY				
General Government	1,000	-	3,686	(3,686)
Public Safety	190,930	71,451	86,409	(14,958)
Total Capital Outlay	191,930	71,451	90,095	(18,644)
Total Expenditures	14,764,596	14,596,767	13,989,441	607,326
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	84,509	48,922	735,936	687,014
OTHER FINANCING SOURCES (USES)				
Transfers In	7,200	7,200	98,482	91,282
Transfers Out	(66,788)	(66,788)	(85,322)	(18,534)
Total Other Financing Sources (Uses)	(59,588)	(59,588)	13,160	72,748
NET CHANGE IN FUND BALANCE	\$ 24,921	\$ (10,666)	749,096	\$ 759,762
Fund Balance - Beginning of Year			7,338,876	
FUND BALANCE - END OF YEAR			\$ 8,087,972	

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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,611,857	\$ 2,611,857	\$ 2,388,703	\$ (223,154)
Licenses and Permits	11,000	11,000	8,200	(2,800)
Intergovernmental	4,298,445	4,238,445	3,782,928	(455,517)
Charges for Services	137,350	137,350	93,913	(43,437)
Miscellaneous	15,000	15,000	92,498	77,498
Total Revenues	7,073,652	7,013,652	6,366,242	(647,410)
EXPENDITURES				
CURRENT				
HIGHWAY AND STREETS				
Administration	444,873	444,873	433,788	11,085
Maintenance	2,201,089	2,201,089	2,173,919	27,170
Construction	523,013	523,013	459,044	63,969
GIS	67,669	67,669	70,256	(2,587)
Equipment and Maintenance Shops	782,836	782,836	602,614	180,222
Total Highways and Streets	4,019,480	4,019,480	3,739,621	279,859
INTERGOVERNMENTAL	115,000	115,000	119,466	(4,466)
CAPITAL OUTLAY	4,835,000	4,775,000	3,676,387	1,098,613
DEBT SERVICE				
Principal Retirement	49,000	49,000	49,000	-
Interest	3,268	3,268	3,268	-
Total Debt Service	52,268	52,268	52,268	-
Total Expenditures	9,021,748	8,961,748	7,587,742	1,374,006
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,948,096)	(1,948,096)	(1,221,500)	726,596
OTHER FINANCING SOURCES (USES)				
Transfers In	1,948,096	1,948,096	253,024	(1,695,072)
Proceeds from Sale of Assets	-	-	33	33
Total Other Financing Sources (Uses)	1,948,096	1,948,096	253,057	(1,695,039)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(968,443)	<u>\$ (968,443)</u>
Fund Balance - Beginning of Year			2,312,193	
Increase in Reserved for Inventory			84,175	
FUND BALANCE - END OF YEAR			<u>\$ 1,427,925</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, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 4,070,903	\$ 4,070,903	\$ 3,791,692	\$ (279,211)
Intergovernmental	6,140,475	6,140,475	5,935,364	(205,111)
Charges for Services	754,970	754,970	983,276	228,306
Gifts and Contributions	21,000	21,000	10,632	(10,368)
Interest on Investments	-	-	250	250
Miscellaneous	66,200	66,200	110,555	44,355
Total Revenues	11,053,548	11,053,548	10,831,769	(221,779)
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	3,010,411	3,007,647	3,049,009	(41,362)
Social Services	6,997,305	6,986,976	6,511,481	475,495
Total Human Services	10,007,716	9,994,623	9,560,490	434,133
HEALTH				
Nursing Service	1,045,832	1,042,225	1,041,864	361
Total Expenditures	11,053,548	11,036,848	10,602,354	434,494
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ 16,700</u>	229,415	<u>\$ 212,715</u>
Fund Balance - Beginning of Year			4,938,572	
FUND BALANCE - END OF YEAR			<u>\$ 5,167,987</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, 2009**

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 Bride 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, 2009:

Fund	Function	Expenditures	Budget	Excess
General	Current			
	General Government			
	Data Processing	\$ 625,709	\$ 624,808	\$ 901
	Public Safety			
	Coroner	50,420	46,000	4,420
	Culture and Recreation			
	Regional Library	522,938	522,554	384
	Capital Outlay			
	General Government	3,686	-	3,686
	Public Safety	86,409	71,451	14,958

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, 2009

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 %

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SUPPLEMENTARY INFORMATION

**BENTON COUNTY
FOLEY, MINNESOTA
YEAR ENDED DECEMBER 31, 2009**

NONMAJOR GOVERNMENTAL FUNDS

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

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

The Regional Railroad Authority Special Revenue Fund is used to account for the activities of the Regional Railroad Authority Program. This fund was closed as of December 31, 2009.

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, 2009**

	Nonmajor Special Revenue Funds			Total Nonmajor Funds
	Ditch	Economic Development	Gravel Pit Restoration	
ASSETS				
Cash and Pooled Investments	\$ 69,022	\$ 649,858	\$ 34,167	\$ 753,047
Special Assessments Receivable				
Delinquent	281	-	-	281
Deferred	1,449	-	-	1,449
Accounts Receivable	-	-	2,268	2,268
Loans Receivable	-	638,333	-	638,333
Total Assets	<u>\$ 70,752</u>	<u>\$ 1,288,191</u>	<u>\$ 36,435</u>	<u>\$ 1,395,378</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Deferred Revenue - Unavailable	\$ 1,730	\$ -	\$ -	\$ 1,730
Advances from Other Funds	11,385	-	-	11,385
Total Liabilities	13,115	-	-	13,115
FUND BALANCES				
Reserved for Gravel Pit Closure	-	-	36,435	36,435
Reserved for Economic Development				
Revolving Loans	-	1,288,191	-	1,288,191
Unreserved				
Undesignated	57,637	-	-	57,637
Total Fund Balances	<u>57,637</u>	<u>1,288,191</u>	<u>36,435</u>	<u>1,382,263</u>
Total Liabilities and Fund Balances	<u>\$ 70,752</u>	<u>\$ 1,288,191</u>	<u>\$ 36,435</u>	<u>\$ 1,395,378</u>

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**BENTON COUNTY
FOLEY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2009**

	Nonmajor Special Revenue Funds				Total Nonmajor Funds
	Ditch	Economic Development	Regional Railroad Authority	Gravel Pit Restoration	
REVENUES					
Taxes	\$ -	\$ 28,773	\$ 835	\$ -	\$ 29,608
Special Assessments	1,235	-	-	-	1,235
Investment Earnings	-	7,332	-	-	7,332
Miscellaneous	-	36,326	-	8,374	44,700
Total Revenues	1,235	72,431	835	8,374	82,875
EXPENDITURES					
CURRENT					
Economic Development	-	79,432	-	-	79,432
DEBT SERVICE					
Principal	-	22,923	-	-	22,923
Interest	-	5,467	-	-	5,467
Total Expenditures	-	107,822	-	-	107,822
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,235	(35,391)	835	8,374	(24,947)
OTHER FINANCING SOURCES (USES)					
Transfers Out	-	-	(5,039)	-	(5,039)
Loan Proceeds	-	91,000	-	-	91,000
NET CHANGE IN FUND BALANCES	1,235	55,609	(4,204)	8,374	61,014
Fund Balance - Beginning of Year	56,402	1,232,582	4,204	28,061	1,321,249
FUND BALANCE - END OF YEAR	<u>\$ 57,637</u>	<u>\$ 1,288,191</u>	<u>\$ -</u>	<u>\$ 36,435</u>	<u>\$ 1,382,263</u>

**BENTON COUNTY
FOLEY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2009**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
HOUSING AND REDEVELOPMENT AUTHORITY				
ASSETS				
Cash and Pooled Investments	\$ -	\$ 1,647,076	\$ 1,647,076	\$ -
LIABILITIES				
Due to Other Governments	\$ -	\$ 1,647,076	\$ 1,647,076	\$ -
METROPOLITAN TRANSIT				
ASSETS				
Cash and Pooled Investments	\$ -	\$ 156,428	\$ 156,428	\$ -
LIABILITIES				
Due to Other Governments	\$ -	\$ 156,428	\$ 156,428	\$ -
MUNICIPAL DEVELOPMENT DISTRICT				
ASSETS				
Cash and Pooled Investments	\$ -	\$ 64,602	\$ 64,602	\$ -
LIABILITIES				
Due to Other Governments	\$ -	\$ 64,602	\$ 64,602	\$ -
SCHOOL DISTRICTS				
ASSETS				
Cash and Pooled Investments	\$ 44,641	\$ 11,248,135	\$ 11,244,858	\$ 47,918
LIABILITIES				
Due to Other Governments	\$ 44,641	\$ 11,248,135	\$ 11,244,858	\$ 47,918

**BENTON COUNTY
FOLEY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2009**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
STATE FUNDS				
ASSETS				
Cash and Pooled Investments	<u>\$ 81,351</u>	<u>\$ 4,593,976</u>	<u>\$ 4,593,554</u>	<u>\$ 81,773</u>
LIABILITIES				
Due to Other Governments	<u>\$ 81,351</u>	<u>\$ 4,593,976</u>	<u>\$ 4,593,554</u>	<u>\$ 81,773</u>
CHM COLLABORATIVE				
ASSETS				
Cash and Pooled Investments	<u>\$ 251,047</u>	<u>\$ 199,098</u>	<u>\$ 248,905</u>	<u>\$ 201,240</u>
LIABILITIES				
Due to Other Governments	<u>\$ 251,047</u>	<u>\$ 199,098</u>	<u>\$ 248,905</u>	<u>\$ 201,240</u>
TAXES AND PENALTIES				
ASSETS				
Cash and Pooled Investments	<u>\$ 510,300</u>	<u>\$ 46,343,026</u>	<u>\$ 45,875,023</u>	<u>\$ 978,303</u>
LIABILITIES				
Due to Other Governments	<u>\$ 510,300</u>	<u>\$ 46,343,026</u>	<u>\$ 45,875,023</u>	<u>\$ 978,303</u>
TOWNS AND CITIES				
ASSETS				
Cash and Pooled Investments	<u>\$ 228</u>	<u>\$ 9,754,006</u>	<u>\$ 9,754,169</u>	<u>\$ 65</u>
LIABILITIES				
Due to Other Governments	<u>\$ 228</u>	<u>\$ 9,754,006</u>	<u>\$ 9,754,169</u>	<u>\$ 65</u>

**BENTON COUNTY
FOLEY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2009**

	Balance January 1	Additions	Deductions	Balance December 31
MENTAL HEALTH INITIATIVE COMMUNITY PROJECT				
ASSETS				
Cash and Pooled Investments	\$ 260,637	\$ 2,916,177	\$ 2,760,003	\$ 416,811
LIABILITIES				
Due to Other Governments	\$ 260,637	\$ 2,916,177	\$ 2,760,003	\$ 416,811
SOCIAL WELFARE				
ASSETS				
Cash and Pooled Investments	\$ 62,989	\$ 660,938	\$ 649,091	\$ 74,836
LIABILITIES				
Accounts Payable	\$ 62,989	\$ 660,938	\$ 649,091	\$ 74,836
JAIL INMATE				
ASSETS				
Cash and Pooled Investments	\$ 2,103	\$ 164,722	\$ 164,884	\$ 1,941
LIABILITIES				
Accounts Payable	\$ 2,103	\$ 164,722	\$ 164,884	\$ 1,941
MISSING HEIRS				
ASSETS				
Cash and Pooled Investments	\$ 13,038	\$ -	\$ -	\$ 13,038
LIABILITIES				
Accounts Payable	\$ 13,038	\$ -	\$ -	13,038
HENKEMEYER LANDFILL TRUST				
ASSETS				
Cash and Pooled Investments	\$ 66,300	\$ 2,284	\$ -	\$ 68,584
LIABILITIES				
Due to Other Governments	\$ 66,300	\$ 2,284	\$ -	68,584

**BENTON COUNTY
FOLEY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2009**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
BUILDING OFFICIAL				
ASSETS				
Cash and Pooled Investments	<u>\$ -</u>	<u>\$ 80,427</u>	<u>\$ 80,427</u>	<u>\$ -</u>
LIABILITIES				
Due to Other Governments	<u>\$ -</u>	<u>\$ 80,427</u>	<u>\$ 80,427</u>	<u>\$ -</u>
OTHER AGENCY FUND				
ASSETS				
Cash and Pooled Investments	<u>\$ 5,475</u>	<u>\$ 57,033</u>	<u>\$ 57,748</u>	<u>\$ 4,760</u>
LIABILITIES				
Due to Other Governments	<u>\$ 5,475</u>	<u>\$ 57,033</u>	<u>\$ 57,748</u>	<u>\$ 4,760</u>
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Pooled Investments	<u>\$ 1,298,109</u>	<u>\$ 77,807,501</u>	<u>\$ 77,216,341</u>	<u>\$ 1,889,269</u>
LIABILITIES				
Due to Other Governments	<u>\$ 1,219,979</u>	<u>\$ 76,981,841</u>	<u>\$ 76,402,366</u>	<u>\$ 1,799,454</u>
Accounts Payable	<u>78,130</u>	<u>825,660</u>	<u>813,975</u>	<u>89,815</u>
Total Liabilities	<u>\$ 1,298,109</u>	<u>\$ 77,807,501</u>	<u>\$ 77,216,341</u>	<u>\$ 1,889,269</u>

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

	2008	
	Amount	Net Tax Capacity Rate (%)
Tax Capacity		
Real Estate	\$ 30,097,384	
Personal Property	595,804	
Less:		
Tax Increment	(1,198,753)	
Power Line	(4,883)	
Job Z	(126,846)	
Net Tax Capacity	\$ 29,362,706	
Taxes Levied for County Purposes		
General (including Library)	\$ 10,813,910	34.289%
Road and Bridge	3,085,878	8.929%
Human Service	3,633,251	11.993%
Debt Service	2,583,251	8.781%
Capital Projects	762,859	0.596%
Tax Abatement		
Total Levy for County Purposes	20,879,149	64.588%
Less: County Program Aid	1,909,475	
Net Levy Certified to State	18,969,674	
Less: Market Value Credits Payable by State	1,301,838	
Net Levy for County Purposes	\$ 17,667,836	
Total Tax Capacity - Light and Power		
Assessed at 43%	\$ 41,500	
Assessed at 5%	3,918	
Total Light and Power Tax Levies	\$ 45,418	
Light and Power Tax Levies (Distributed in Accordance with Minn. Stat. Sec. 273.42)		
Assessed at 43%	\$ 53,757	129.534%
Assessed at 5%	5,075	129.534%
Total Light and Power Tax Levies	\$ 58,832	
Special Assessments		
Ditch Liens and Assessments	\$ -	
Solid Waste	354,710	
911 Signs	-	
Total Special Assessments	\$ 354,710	
Percentage of Tax Collections for All Purposes	97.3%	

2009		2010	
Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
\$ 30,885,814		\$ 31,365,502	
571,972		651,834	
(1,221,718)		(1,204,497)	
(4,750)		(4,814)	
(105,580)		(107,688)	
<u>\$ 30,125,738</u>		<u>\$ 30,700,337</u>	
\$ 11,903,161	35.608%	\$ 11,648,557	34.789%
2,798,954	8.373%	2,954,245	8.823%
4,517,171	13.513%	4,335,102	12.947%
2,679,950	8.017%	2,636,487	7.874%
252,050	0.754%	196,213	0.586%
3,677	0.011%	5,692	0.017%
<u>22,154,963</u>	<u>66.276%</u>	<u>21,776,296</u>	<u>65.036%</u>
2,181,198		1,802,531	
19,973,765		19,973,765	
1,304,501		1,327,799	
<u>\$ 18,669,264</u>		<u>\$ 18,645,966</u>	
\$ 40,496		\$ 39,926	
9,814		8,756	
<u>\$ 50,310</u>		<u>\$ 48,682</u>	
\$ 53,652	132.487%	\$ 52,336	131.082%
13,002	132.487%	11,478	131.082%
<u>\$ 66,654</u>		<u>\$ 63,814</u>	
\$ 1,491		\$ 1,449	
364,570		366,980	
-		200	
<u>\$ 366,061</u>		<u>\$ 368,629</u>	
97.2%		N/A	

**BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2009**

	Special Revenue Funds			
	General	Road and Bridge	Human Services	Miscellaneous
SHARED REVENUE				
State				
County Program Aid	\$ 740,207	\$ 436,233	\$ 245,445	\$ -
PERA Rate Reimbursement	19,781	5,043	13,081	-
Disparity Reduction Aid	7,441	-	-	-
Police Aid	173,280	-	-	-
Highway Users Tax	-	3,149,075	-	-
Market Value Credit	709,893	170,470	269,316	-
Enhanced 911	-	-	-	115,852
Total Shared Revenue	1,650,602	3,760,821	527,842	115,852
REIMBURSEMENT FOR SERVICES				
State				
Minnesota Department of Human Services	-	-	87,758	-
PAYMENTS				
Local				
Local Contributions	-	-	-	3,394
GRANTS				
State				
Minnesota Department/Board of Corrections	94,040	-	-	-
Public Safety	48,331	-	-	-
Health	-	-	140,106	-
Natural Resources	4,146	-	-	-
Human Services	-	-	1,139,122	-
Soil and Water Resources	17,473	22,107	-	49,744
Pollution Control Agency	-	-	-	97,271
Peace Officer's Board	11,496	-	-	-
Total State Grants	175,486	22,107	1,279,228	147,015
Federal				
Department of Agriculture	8,200	-	393,462	-
Commerce	-	-	-	-
Justice	20,992	-	-	-
Health and Human Services	43,987	-	3,647,074	-
Homeland Security	20,529	-	-	-
Total Federal Grants	93,708	-	4,040,536	-
Total State and Federal Grants	269,194	22,107	5,319,764	147,015
Total Intergovernmental Revenue	\$ 1,919,796	\$ 3,782,928	\$ 5,935,364	\$ 266,261

<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total All Funds</u>
\$ 495,897	\$ -	\$ 1,917,782
-	-	37,905
-	-	7,441
-	-	173,280
-	181,520	3,330,595
11,629	160,162	1,321,470
-	-	115,852
<u>507,526</u>	<u>341,682</u>	<u>6,904,325</u>
-	-	87,758
-	-	3,394
-	-	94,040
45,289	-	93,620
-	-	140,106
-	-	4,146
-	-	1,139,122
-	-	89,324
-	-	97,271
-	-	11,496
<u>45,289</u>	<u>-</u>	<u>1,669,125</u>
-	-	401,662
12,595	-	12,595
-	-	20,992
-	-	3,691,061
-	-	20,529
<u>12,595</u>	<u>-</u>	<u>4,146,839</u>
<u>57,884</u>	<u>-</u>	<u>5,815,964</u>
<u>\$ 565,410</u>	<u>\$ 341,682</u>	<u>\$ 12,811,441</u>

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



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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, 2009, which collectively comprise the Benton County's basic financial statements and have issued our report thereon dated July 20, 2010. 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 of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as 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, 09-1 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 findings 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, and federal awarding 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

Brainerd, Minnesota
July 20, 2010

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

Board of County Commissioners
Benton County
Foley, Minnesota

Compliance

We have audited the compliance of Benton County (County), Minnesota, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

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 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.



LarsonAllen LLP

Brainerd, Minnesota
July 20, 2010

**BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2009**

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Benton County, Minnesota.
2. A significant deficiency in internal control over financial reporting was disclosed by the audit of the basic financial statements of Benton County and it is 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*". Findings 96-4, 06-1, 06-2, 09-1, 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 Applicable to Each Major Program and Internal Control Over Compliance with OMB Circular A-133".
5. The auditors' report on compliance for the major federal award programs for Benton County expresses an unqualified opinion on all major federal programs.
6. No audit findings relative to the major federal award programs for the 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:

Food Support	CFDA No. 10.561
Child Support Title IV-D	CFDA No. 93.563
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, 2009**

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, 2009**

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, 2009**

MATERIAL WEAKNESSES - FINANCIAL REPORTING (CONTINUED):

09-1 TIMELY DEPOSITS – AUDITOR-TREASURER OFFICE

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 Auditor-Treasurer's Office deposited cash on a weekly basis.

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. In addition the department is out of compliance with the County's fiscal policy as revised on June 2, 2009.

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

CLIENT RESPONSE:

The County Auditor-Treasurer office is changing the process of cash deposits. The office has in place a procedure of cashing up daily. Cash other than the approved \$2,000 change fund will be deposited timely.

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 September through December 2009 was not entered into the general ledger until February 2010.

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 totally aware of the importance and necessity of timely accounting. Staff is making every effort to complete reports on a timely basis.

**BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2009**

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.

PREVIOUSLY REPORTED ITEM RESOLVED:

08-2 SUPERVISOR APPROVAL OF TIMESHEETS

We were not provided with evidence of approval on 2 of 40 timesheets tested in the prior year.

RESOLUTION

In 2009, all timesheets tested had sufficient documentation of approval.

**BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2009**

OTHER ITEM FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE:

09-3 COLLATERALIZATION OF DEPOSITS

Criteria: Minnesota State Statute §118.03A requires accounts not held within FDIC limits to be collateralized. This statute requires coverage to be 110% of the deposit balance and the coverage is calculated based on the market value of the collateral.

Condition: During our audit, we noted the County was undercollateralized in two banks during the year.

Cause: The bank was using par value of collateral when tracking coverage.

Effect: The County is at an increased risk of loss of deposits in the event of a bank failure.

Recommendation: We recommend County management review the statutes related to collateral and track collateral coverage on an ongoing basis.

CLIENT RESPONSE:

The County has contacted the banks and has reviewed the statute to ensure future compliance.

**BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2009**

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	\$ 156,050
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	238,874
ARRA - State Administrative Matching Grants for Food Stamp Program	10.561	<u>6,738</u>
Total Department of Agriculture		401,662
U.S. Department of Commerce		
Passed Through Minnesota Department of Public Safety Public Safety Interoperable Communications Grant Program	11.555	12,595
U.S. Department of Justice		
Direct		
State Criminal Alien Assistance Program	16.606	4,352
Bulletproof Vest Partnership Program	16.607	4,143
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.804	<u>12,497</u>
Total Department of Justice		20,992
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health Public Health Emergency Preparedness (PHER)	93.069	31,865
Immunization Grant	93.268	400
Centers for Disease Control and Prevention - Investigation and Technical Assistance	93.283	32,208
Maternal and Child Health Services Block Grant	93.994	37,534

**BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
Passed Through Minnesota Department of Human Services		
Projects for Assistance in Transition from Homelessness (PATH)	93.150	\$ 2,132
Promoting Safe and Stable Families	93.556	1,286
Temporary Assistance for Needy Families	93.558	463,366
Child Support	93.563	668,180
ARRA - Child Support	93.563	87,269
Refugee and Energy Assistance Grant	93.566	594
Child Care Mandatory and Matching Funds (grant cluster)	93.596	40,173
Child Welfare Services State Grants	93.645	12,577
Foster Care Title IV-E	93.658	105,579
ARRA - Foster Care Title IV-E	93.658	2,279
Social Services Block Grant Title XX	93.667	205,748
Chafee Foster Care Independence Program	93.674	7,415
State Children's Insurance Program	93.767	197
Medical Assistance (grant cluster)	93.778	1,935,998
Block Grants for Community Mental Health Services	93.958	<u>56,261</u>
Total Department of Health and Human Services		3,691,061
U.S Department of Homeland Security		
Pass Through Minnesota Department of Public Safety		
Emergency Management Performance Grant	97.042	14,174
Homeland Security Grant Program	97.067	<u>6,355</u>
Total Department of Homeland Security		<u>20,529</u>
Total Cash Type Federal Awards		<u>\$ 4,146,839</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 2009, the County did not pass on any Federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.

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REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners
Benton County
Foley, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County (County), Minnesota, as of and for the year ended December 31, 2009, and have issued our report thereon dated July 20, 2010.

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

The results of our tests indicate that for the items tested, the County complied with the material terms and conditions of applicable legal provisions except for the item described in detail in the attached Schedule of Findings and Questioned Costs as finding 09-3.

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

Brainerd, Minnesota
July 20, 2010



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