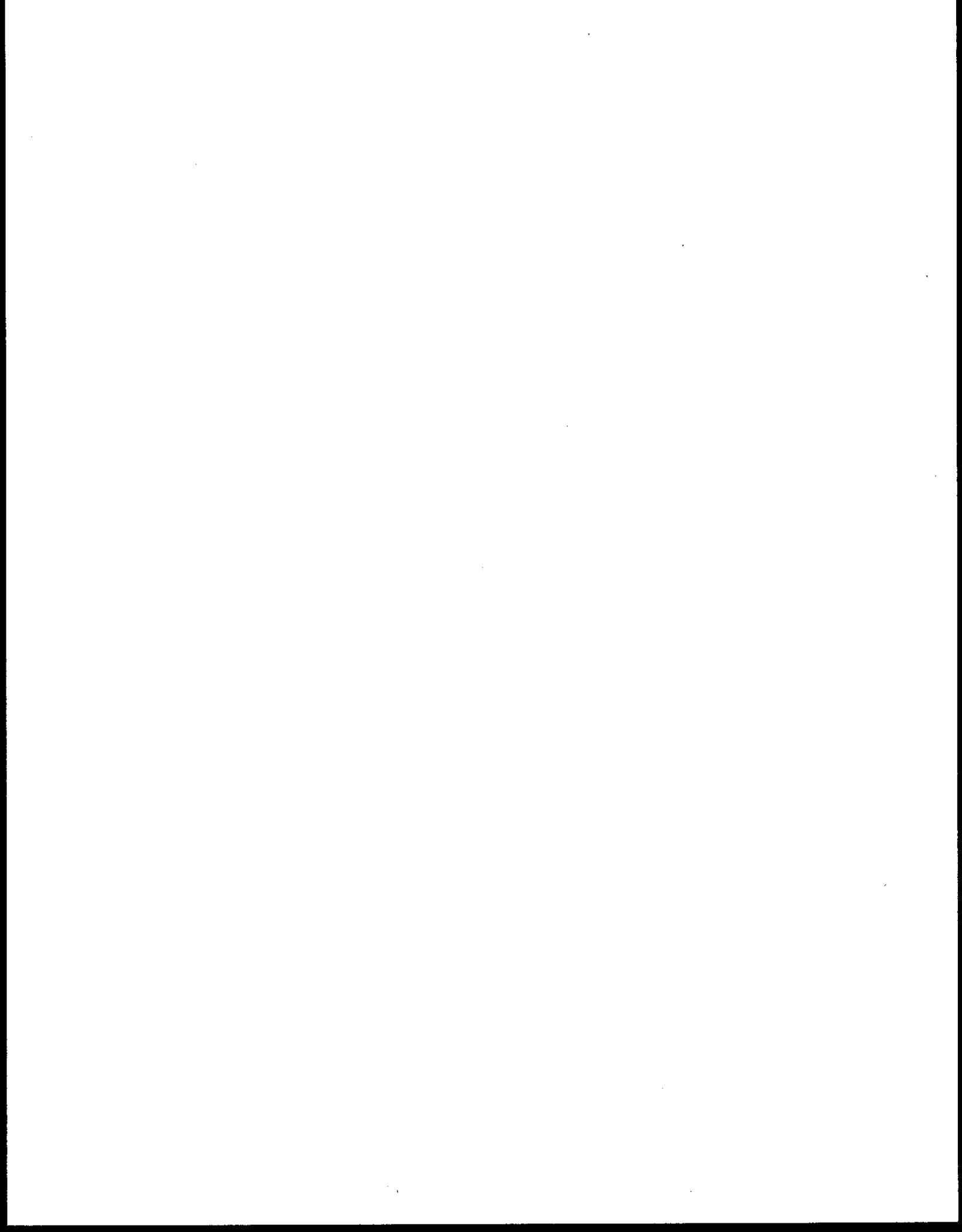
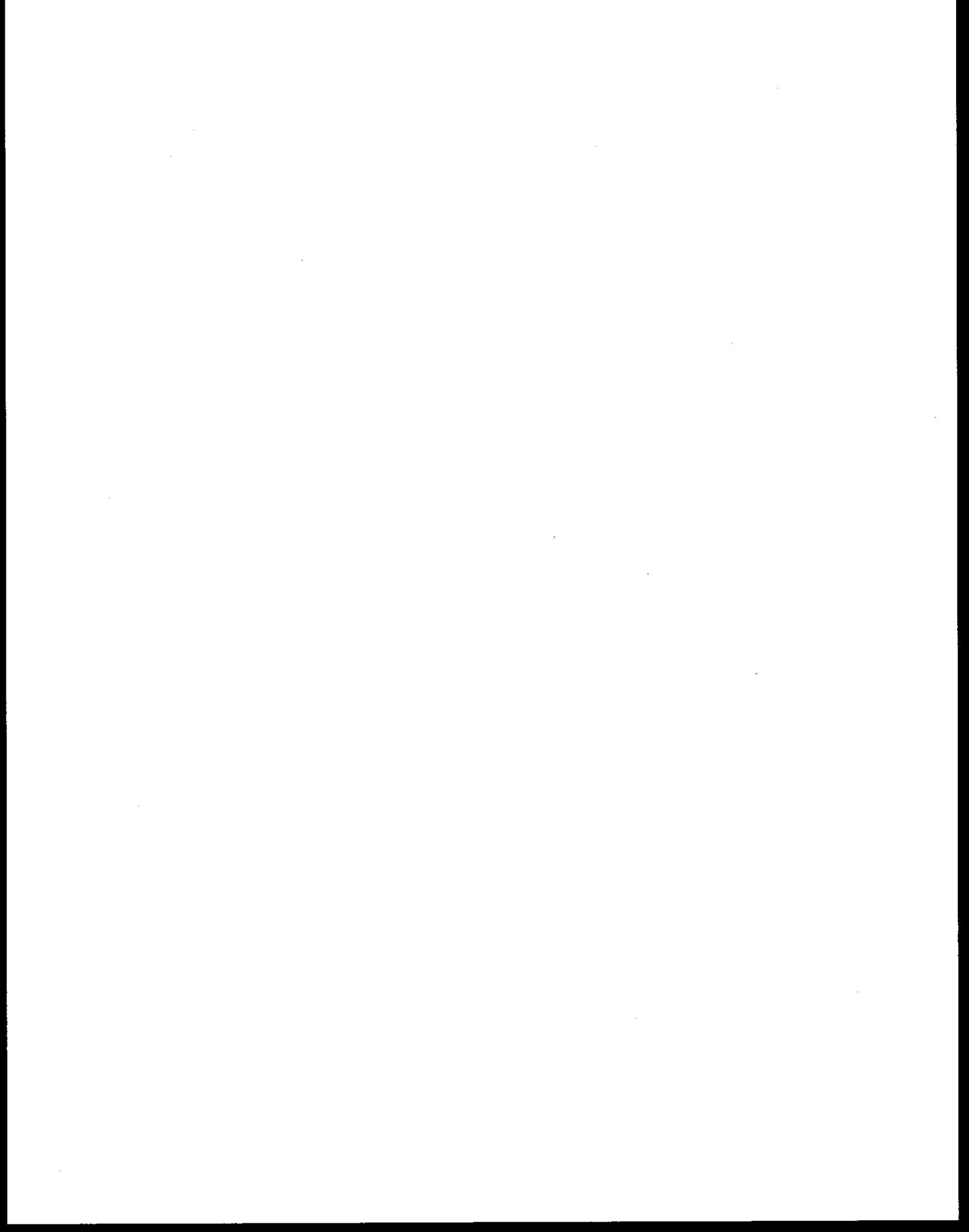


**BENTON COUNTY
FOLEY, MINNESOTA**

BASIC FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2003





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FOLEY, MINNESOTA
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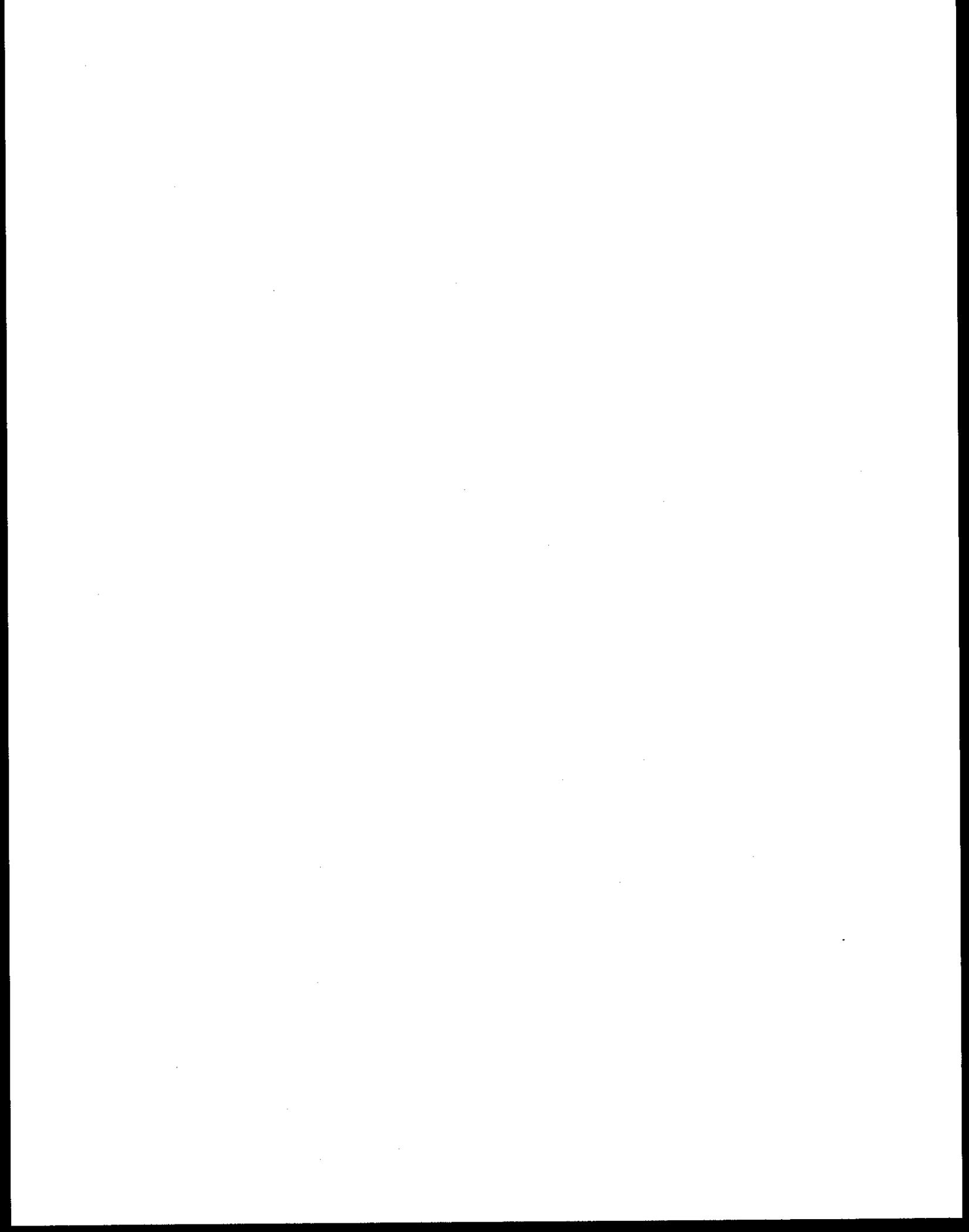
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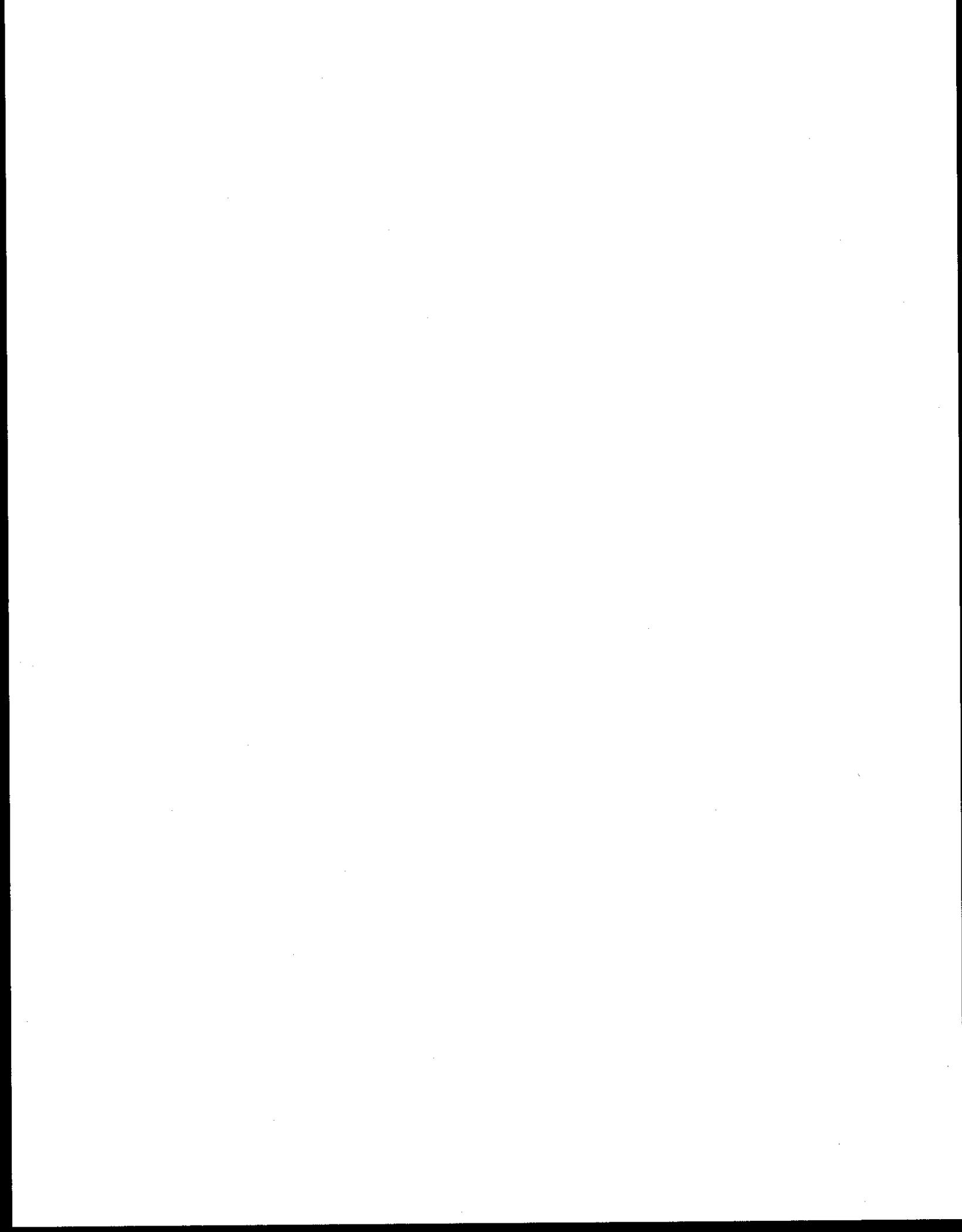
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FOLEY, MINNESOTA
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INTRODUCTORY SECTION



**BENTON COUNTY
FOLEY, MINNESOTA
ORGANIZATION
DECEMBER 31, 2003**

ORGANIZATION

Office	Name	Term	
		From	To
Commissioners			
1st District	Duane J. Walter	January 2001	January 2005
2nd District	Daniel Lieser	January 2003	January 2007
3rd District	Duane Grandy	January 2003	January 2007
4th District	Richard J. Soyka *	January 2001	January 2005
5th District	Earl Bukowski	January 2001	January 2005
Officers			
Elected			
Attorney	Robert Raupp	January 2003	January 2007
Auditor/Treasurer	Joan Neyssen	January 2003	January 2007
Coroner	Clifford Stiles, M.D.	January 2003	January 2007
County Recorder	Marilyn Novak	January 2003	January 2007
Sheriff	James McMahon, Sr.	January 2003	January 2007
Appointed			
Assessor	Brian Koester	January 2001	January 2005
Court Administrator	Timothy Roberts	Indefinite	
Highway Engineer	Robert H. Kozel, P.E.	May 2001	May 2005
Administrator	Montgomery Headley	Indefinite	
Human Services			
Board			
Chair	Richard J. Soyka	January 2001	January 2005
Vice Chair	Earl Bukowski	January 2001	January 2005
Member	Duane J. Walter	January 2001	January 2005
Member	Daniel Lieser	January 2003	January 2007
Member	Duane Grandy	January 2003	January 2007
Director	Timothy Martin	Indefinite	

* Chair



PATRICIA ANDERSON
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Benton County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County, Minnesota, as of and for the year ended December 31, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Benton County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County as of December 31, 2003, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, Benton County adopted the provisions of Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, as amended, and Statement No. 38, *Certain Financial Statement Note Disclosures*, as of and for the year ended December 31, 2003. These statements result in a change in the format and content of the basic financial statements.

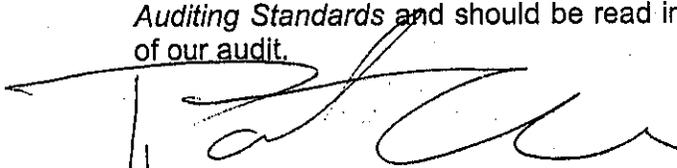
The Management's Discussion and Analysis and the other required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We

Page 2

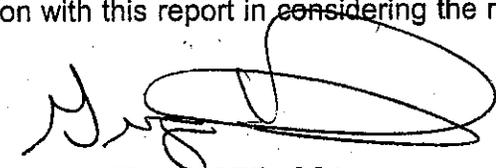
have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 26, 2004, on our consideration of Benton County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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 considering the results of our audit.



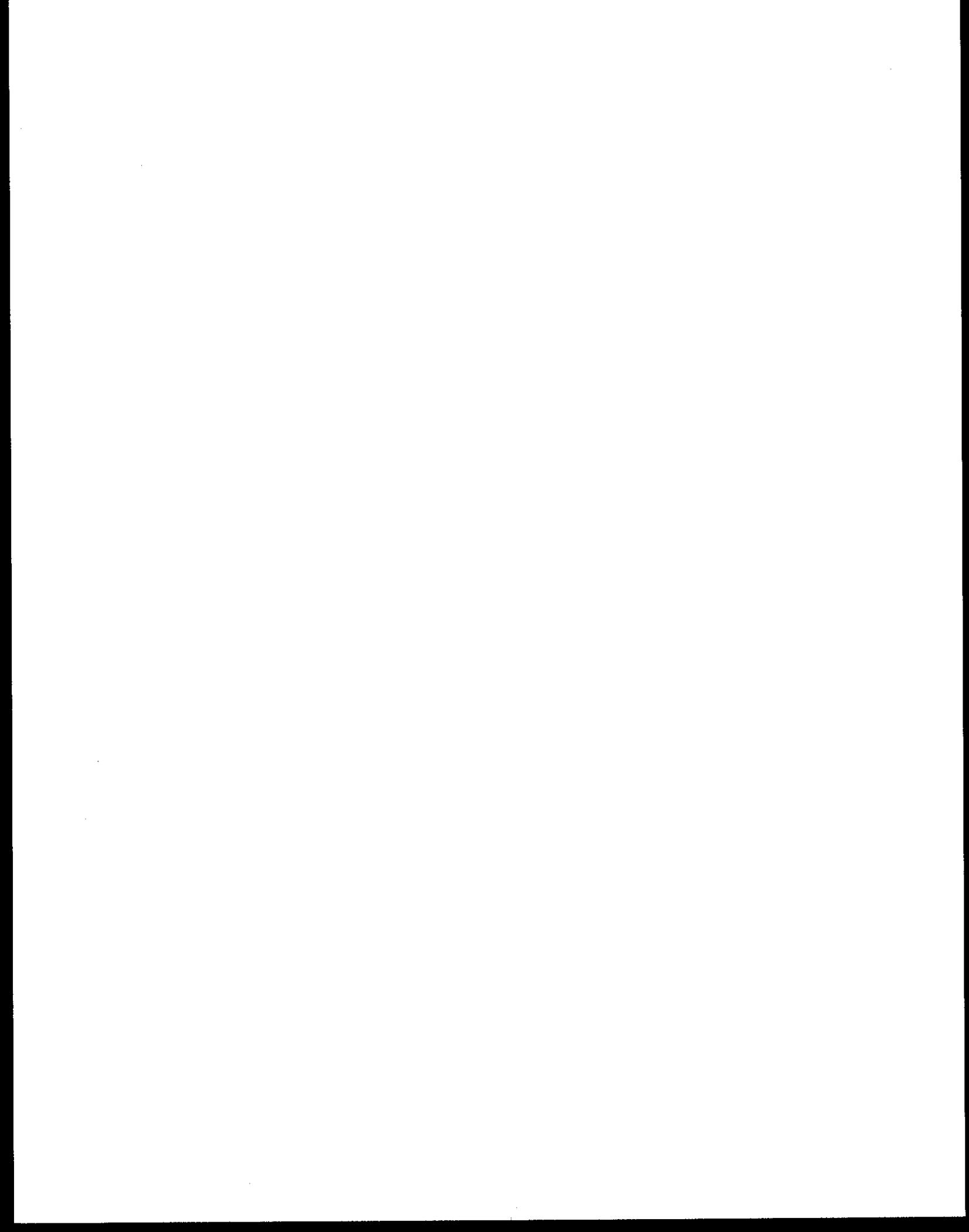
PATRICIA ANDERSON
STATE AUDITOR



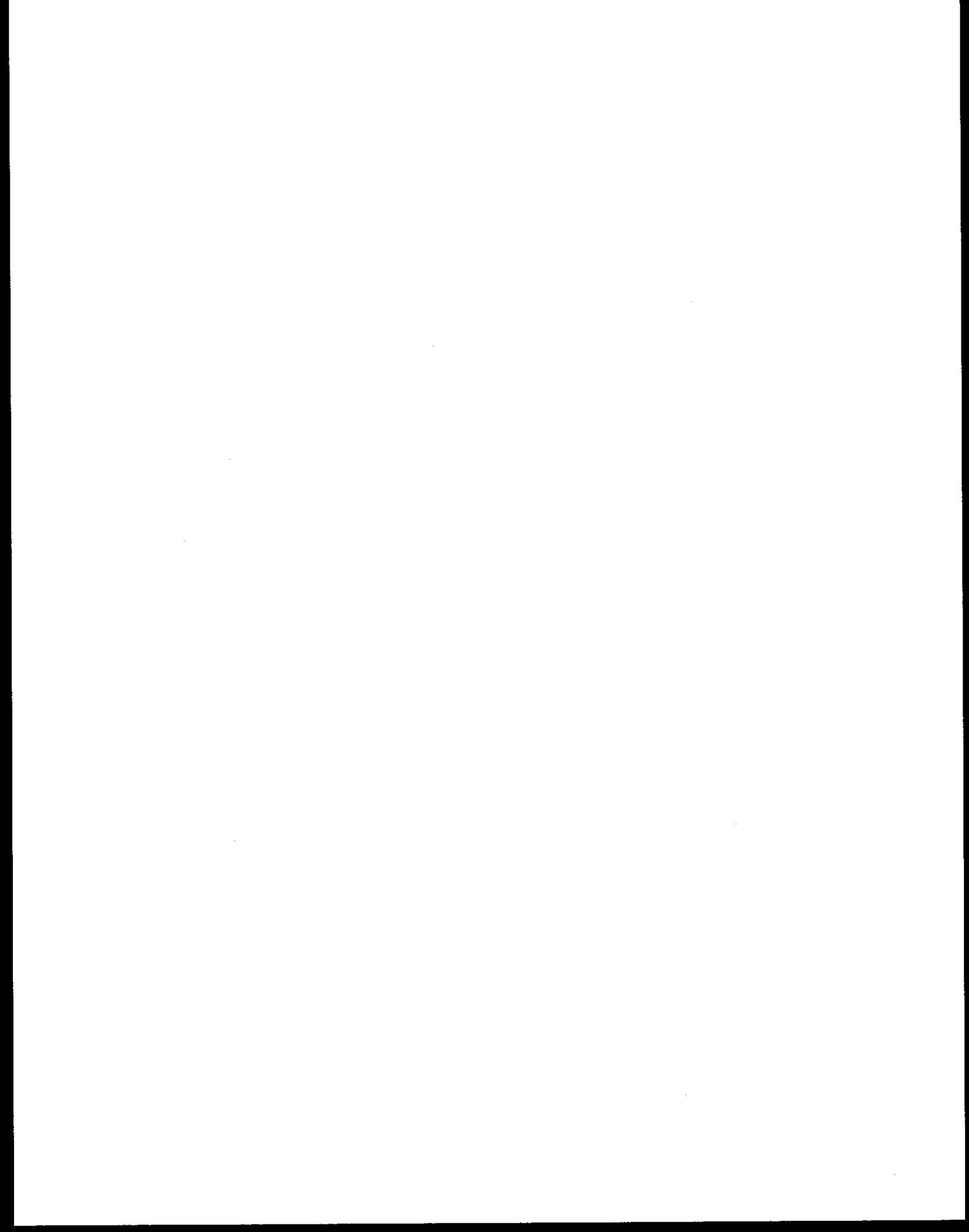
GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: July 26, 2004

FINANCIAL SECTION



REQUIRED SUPPLEMENTARY INFORMATION



**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2003**

This section of Benton County's annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on December 31, 2003. The Management's Discussion and Analysis (MD&A) is a new element of 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 issued in June 1999. Certain comparative information between the current year, 2003 and the prior year, 2002 is required to be presented in the MD&A. However, since this is the first year of implementation of the new reporting model contained in GASB Statement No. 34, and that Statement permits the omission of prior year data in the year of implementation, the County has elected not to prepare comparative data due to the cost of adjusting prior year's financial statements to the new reporting model.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2002-2003 fiscal years include the following:

- County-wide net assets increased 4 percent over the prior year.
- Overall fund-level revenues totaled \$25,069,478 and were \$18,945 more than expenditures.
- The General Fund's fund balance decreased \$1,260,179 from the prior year, due primarily to the transfer of restricted cash to a new Special Revenue Fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor's Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the County:

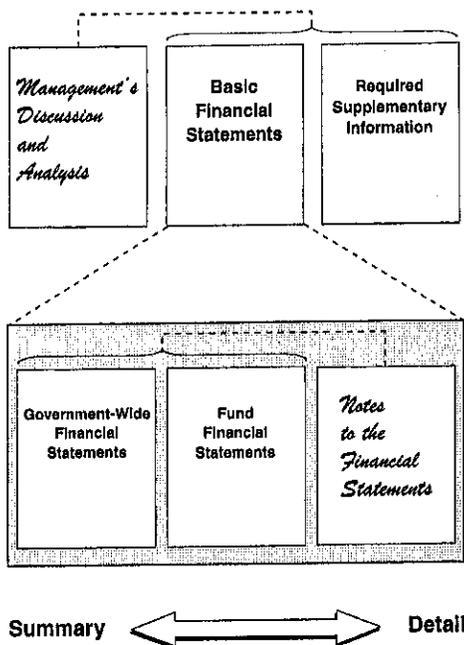
- The first two statements are *county-wide financial statements* which provide both *short-term* and *long-term* information about the County's *overall* financial status.
- The remaining statements are *fund financial statements* which focus on *individual parts* of the County, reporting the County's 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, 2003**

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, 2003**

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 district 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's 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, 2003**

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, 2003**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets

The County's net assets were \$52,491,921 on December 31, 2003. (See Table A-1.)

**Table A-1
The County's Net Assets**

	Governmental Activities		Percentage Change
	2003	2002	
Current and Other Assets	\$ 27,607,758	(1)	(1)
Capital and Non-Current Assets	54,654,524	(1)	(1)
Total Assets	<u>82,262,282</u>	(1)	(1)
Current Liabilities	3,730,978	(1)	(1)
Long Term Liabilities	26,039,383	(1)	(1)
Total Liabilities	<u>29,770,361</u>	(1)	(1)
Net Assets			
Invested in Capital Assets			
Net of Related Debt	29,064,365	(1)	(1)
Restricted	8,019,304	(1)	(1)
Unrestricted	15,408,252	(1)	(1)
Total Net Assets	<u>\$ 52,491,921</u>	(1)	(1)

- (1) The County did not restate its 2002 financial statements in this first year of implementation of GASB 34. Comparative information will be provided in future years.

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2003**

Changes in Net Assets

The County-wide total revenues were \$25,852,697 for the year ended December 31, 2003. Property taxes and intergovernmental revenues accounted for 89% of total revenue for the year. (See Figure A-3.)

**Table A-2
Change in Net Assets**

	Governmental Activities for the fiscal year ended December 31,		Total % Change
	2003	2002	
Revenues			
<u>Program Revenues</u>			
Charges for Services	\$ 1,917,841	(1)	(1)
Operating Grants and Contributions	7,160,072	(1)	(1)
Capital Grants and Contributions	2,196,934	(1)	(1)
<u>General Revenues</u>			
Property Taxes	11,550,002	(1)	(1)
Unrestricted State Aid	2,138,776	(1)	(1)
Investment Earnings	477,136	(1)	(1)
Other	411,936	(1)	(1)
Total Revenues	<u>25,852,697</u>		
Expenses			
General Government	4,028,853	(1)	(1)
Public Safety	5,559,079	(1)	(1)
Highways and Streets	3,713,431	(1)	(1)
Sanitation	77,233	(1)	(1)
Human Services	7,674,892	(1)	(1)
Health	623,049	(1)	(1)
Culture and Recreation	527,504	(1)	(1)
Conservation of Natural Resources	380,568	(1)	(1)
Economic Development	290,886	(1)	(1)
Interest and Fiscal Charges on Long-term Liabilities	1,180,204	(1)	(1)
Total Expenses	<u>24,055,699</u>		
Increase In Net Assets	1,796,998	(1)	(1)
Beginning Net Assets	50,694,923	(1)	(1)
Ending Net Assets	<u>\$ 52,491,921</u>		

(1) The County did not restate its 2002 financial statements in this first year of implementation of GASB 34. Comparative information will be provided in future years.

Total revenues surpassed expenses, increasing net assets \$1,796,998 over last year.

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2003**

The County-wide cost of all *governmental* activities this year was \$24,055,699.

- Some of the cost was paid by the users of the County's programs (\$1,917,841).
- The federal and state governments subsidized certain programs with grants and contributions (\$9,357,006).
- Most of the County's costs (\$12,780,852), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$11,550,002 in property taxes, \$2,138,776 of state aid, and with investment earnings and other general revenues.

Figure A-3 Sources of County's Revenues for Fiscal 2003

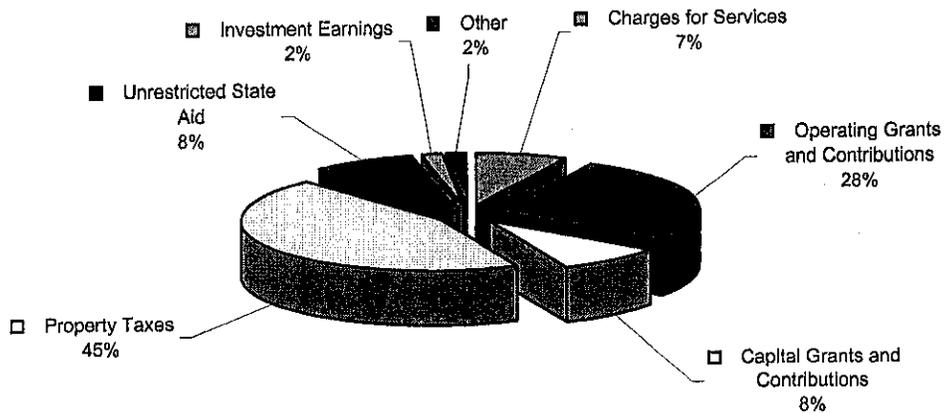
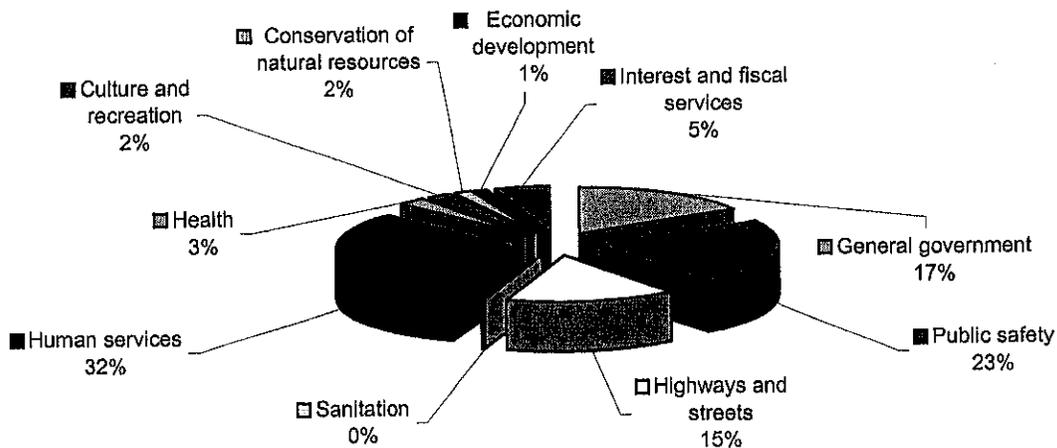


Figure A-4 County's Expenses for Fiscal 2003



**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2003**

Table A-3
Change in Net Assets

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2003	2002		2003	2002	
General Government	\$ 4,028,853	(1)	(1)	\$ 3,321,988	(1)	(1)
Public Safety	5,559,079	(1)	(1)	4,079,162	(1)	(1)
Highways and Streets	3,713,431	(1)	(1)	721,024	(1)	(1)
Sanitation	77,233	(1)	(1)	77,233	(1)	(1)
Human Services	7,674,892	(1)	(1)	2,687,211	(1)	(1)
Health	623,049	(1)	(1)	(8,837)	(1)	(1)
Culture and Recreation	527,504	(1)	(1)	470,399	(1)	(1)
Conservation of Natural Resources	380,568	(1)	(1)	(32,003)	(1)	(1)
Economic Development	290,886	(1)	(1)	284,471	(1)	(1)
Interest and Fiscal Charges on Long-term Liabilities	1,180,204	(1)	(1)	1,180,204	(1)	(1)
Total	\$ 24,055,699	(1)	(1)	\$ 12,780,852	(1)	(1)

(1) The County did not restate its 2002 financial statements in this first year of implementation of GASB 34. Comparative information will be provided in future years.

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 \$24,729,588.

Revenues for the County's governmental funds were \$25,069,478, while total expenditures were \$25,050,533. During 2003, the County also issued two general obligation bonds (\$3,805,000) which were used to finance construction projects. These items were included in other financing sources and uses.

GENERAL FUND

The General Fund includes the primary operations of the County in providing services to citizens and some capital outlay projects.

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2003**

The following schedule presents a summary of General Fund Revenues.

Table A-4
General Fund Revenues

Fund	Year Ended		Change	
	December 31, 2003	December 31, 2002	Increase (Decrease)	Percent
Taxes	\$ 6,402,671	\$ 6,078,402	\$ 324,269	5.3%
Intergovernmental	1,972,367	3,099,834	(1,127,467)	-36.4%
Charges for services	1,290,921	1,122,971	167,950	15.0%
Investment earnings	160,283	298,064	(137,781)	-46.2%
Miscellaneous and other	467,954	622,629	(154,675)	-24.8%
Total General Fund Revenue	\$ 10,294,196	\$ 11,221,900	\$ (927,704)	-8.3%

Total General Fund revenue decreased by \$927,704, or 8.3%, from the previous year. The mix of property tax and state aid can change significantly from year to year without any net change in revenue.

The following schedule presents a summary of General Fund Expenditures.

Table A-5
General Fund Expenditures

	Year Ended		Change	
	December 31, 2003	December 31, 2002	Increase (Decrease)	Percent
General Government	\$ 3,688,161	\$ 4,101,929	\$ (413,768)	-10.1%
Public Safety	5,235,355	4,926,614	308,741	6.3%
Sanitation	77,233	176,225	(98,992)	-56.2%
Health	11,218	37,500	(26,282)	-70.1%
Culture and Recreation	557,129	609,026	(51,897)	-8.5%
Conservation	208,843	264,593	(55,750)	-21.1%
Economic Development	279,470	83,329	196,141	235.4%
Debt Service	7,704	7,705	(1)	0.0%
Total Expenditures	\$ 10,065,113	\$ 10,206,921	\$ (141,808)	-1.4%

General Fund Budgetary Highlights

Over the course of the year, the County revised the annual operating budget for additional allocations and appropriations, additional contracting revenues, transfers of funds.

- Actual revenues were \$44,471 less than expected.
- The actual expenditures were \$580,589 less than budget.

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2003**

CONSTRUCTION PROJECTS AND DEBT SERVICE

The Capital Projects Fund is currently being used to track the capital notes and capital improvement bonds approved by the board over the past years. The majority of the construction expenditures are for road projects, road maintenance equipment and computer equipment.

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

CAPITAL ASSETS

By the end of 2003, the County had invested over \$83,500,000 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 2A to the financial statements.) Total depreciation expense for the year was \$2,752,612.

**Table A-6
The County's Capital Assets**

	<u>2003</u>	<u>2002</u>	<u>Percentage Change</u>
Land	\$ 2,218,573	(1)	(1)
Infrastructure	63,277,780	(1)	(1)
Buildings	15,544,717	(1)	(1)
Machinery, Equipment, and Vehicles	4,961,964	(1)	(1)
Less: Accumulated Depreciation	<u>(31,348,510)</u>	<u>(1)</u>	<u>(1)</u>
Total	<u>\$ 54,654,524</u>	<u>(1)</u>	<u>(1)</u>

(1) The County did not restate its 2002 financial statements in this first year of implementation of GASB 34. Comparative information will be provided in future years.

**BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2003**

Long-term Liabilities

At year-end, the County had \$24,758,934 in long-term liabilities outstanding.

- The County's total debt increased \$1,818,624, due primarily to the issuance of general obligation bonds to finance the construction of a new Public Works facility.

**Table A-7
The County's Long-term Liabilities**

	<u>2003</u>	<u>2002</u>	Percentage Change
General Obligation Bonds and Notes	\$ 7,871,840	\$ 5,066,000	55.4%
Loans Payable	23,112	30,816	-25.0%
Revenue Bonds Payable	13,045,000	13,415,000	-2.8%
Economic Development Loans Payable	782,266	889,991	-12.1%
Capital Leases Payable	<u>3,036,716</u>	<u>3,275,502</u>	-7.3%
Total	<u><u>\$ 24,758,934</u></u>	<u><u>\$ 22,677,309</u></u>	<u>9.2%</u>

FACTORS BEARING ON THE COUNTY'S FUTURE

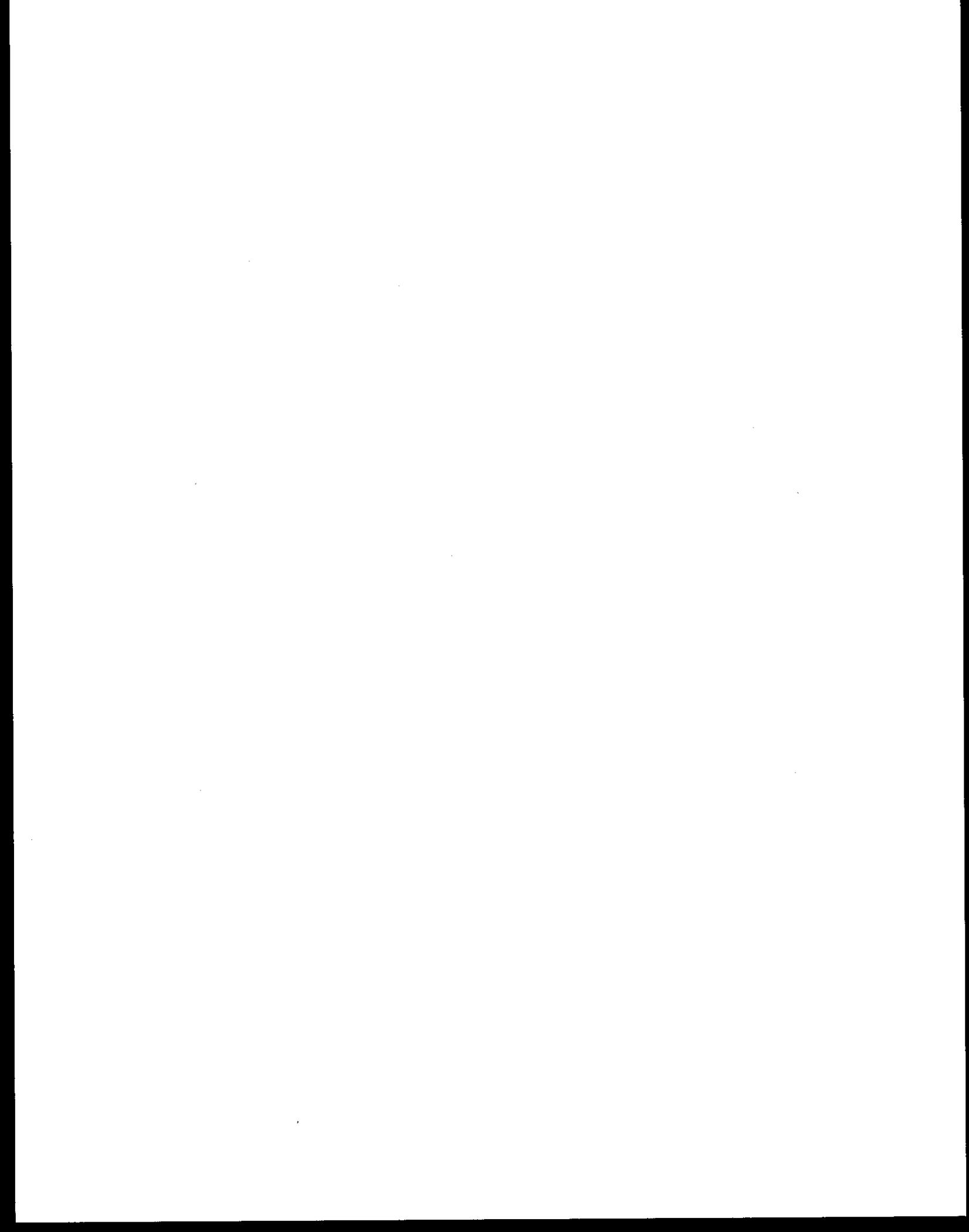
The County is dependent on the State of Minnesota for a significant portion of its revenue. Recent experience demonstrates that the legislature may decrease revenues again.

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.

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BASIC FINANCIAL STATEMENTS



**BENTON COUNTY
FOLEY, MINNESOTA**

**STATEMENT OF NET ASSETS
DECEMBER 31, 2003**

		<u>Amount</u>
<u>Assets</u>		
Cash and pooled investments	\$	18,123,296
Petty cash and change funds		2,900
Cash with fiscal agent		6,263,709
Taxes receivable		
Delinquent		282,474
Special assessments receivable		
Delinquent		2,771
Deferred		1,348
Accounts receivable		194,201
Accrued interest receivable		142,985
Loans receivable		733,007
Due from other governments		1,602,592
Inventories		209,465
Deferred debt issue costs		49,010
Capital assets -		
Land		2,218,573
Infrastructure (net)		37,462,591
Buildings (net)		12,300,805
Machinery, vehicles, furniture, and equipment (net)		2,672,555
Total Assets	\$	82,262,282
<u>Liabilities</u>		
Accounts payable	\$	407,082
Salaries payable		526,017
Contracts payable		46,033
Due to other governments		465,151
Accrued interest payable		434,355
Deferred revenue - unearned		65,245
Compensated absences - due in less than one year		65,934
General obligation bonds and notes payable - due in less than one year		997,000
Loans payable - due in less than one year		7,704
Revenue bonds payable - due in less than one year		370,000
Economic development loans payable - due in less than one year		107,670
Capital leases payable - due in less than one year		238,787
Compensated absences - due in more than one year		1,280,449
General obligation bonds and notes payable - due in more than one year		7,871,840
Loans payable - due in more than one year		23,112
Revenue bonds payable - due in more than one year		13,045,000
Economic development loans payable - due in more than one year		782,266
Capital leases payable - due in more than one year		3,036,716
Total Liabilities	\$	29,770,361
<u>Net Assets</u>		
Invested in capital assets net of related debt	\$	29,064,365
Restricted for		
Debt service		6,263,709
Economic development		1,275,413
Contingency funds		17,500
Recorders' equipment		49,120
Natural resources block grant		63,027
SCORE		85,357
E911		227,486
Gravel pit		3,962
State aid bonding		33,730
Unrestricted		15,408,252
Total Net Assets	\$	52,491,921

**BENTON COUNTY
FOLEY, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets Governmental Activities
		Fees, Charges, Fines and Other	Operating Grants and Contributions		
Functions/Programs					
Primary Government					
Governmental activities:					
General government	\$ 4,028,853	\$ 578,040	\$ 113,333	\$ 15,492	\$ (3,321,988)
Public safety	5,559,079	847,396	632,521	-	(4,079,162)
Highways and streets	3,713,431	75,864	1,058,480	1,858,063	(721,024)
Sanitation	77,233	-	-	-	(77,233)
Human services	7,674,892	348,081	4,639,600	-	(2,687,211)
Health	623,049	10,007	621,879	-	8,837
Culture and recreation	527,504	42,893	14,212	-	(470,399)
Conservation of natural resources	380,568	15,560	73,632	323,379	32,003
Economic development	290,886	-	6,415	-	(284,471)
Interest	1,180,204	-	-	-	(1,180,204)
Total governmental activities	\$ 24,055,699	\$ 1,917,841	\$ 7,160,072	\$ 2,196,934	\$ (12,780,852)
General revenues:					
Property taxes					11,550,002
Gravel taxes					20,081
Mortgage registry and deed tax					50,639
Payments in lieu of tax					3,232
Grants and contributions not restricted to specific programs					2,138,776
Unrestricted investment earnings					477,136
Miscellaneous					337,984
Total general revenues, transfers, and other items					\$ 14,577,850
Change in net assets					1,796,998
Net assets - beginning					50,694,923
Net assets - ending					\$ 52,491,921

**BENTON COUNTY
FOLEY, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets							
Cash and pooled investments	\$ 3,796,345	\$ 1,780,097	\$ 3,178,977	\$ 2,175,901	\$ 4,831,119	\$ 2,360,857	\$ 18,123,296
Petty cash and change funds	2,900	-	-	-	-	-	2,900
Cash with fiscal agent	-	-	-	6,263,709	-	-	6,263,709
Taxes receivable							
Delinquent	153,282	28,967	57,444	42,415	366	-	282,474
Special assessments receivable							
Delinquent	2,322	-	-	-	-	449	2,771
Deferred	-	-	-	-	-	1,348	1,348
Accounts receivable	171,380	-	10,569	-	-	12,252	194,201
Accrued interest receivable	24,563	-	-	115,325	3,097	-	142,985
Due from other funds	32,528	-	-	-	-	-	32,528
Due from other governments	99,112	1,033,039	456,846	-	-	13,595	1,602,592
Inventories	-	209,465	-	-	-	-	209,465
Loans receivable	-	-	-	-	-	733,007	733,007
Advances to other funds	1,943	-	-	-	-	-	1,943
Total Assets	\$ 4,284,375	\$ 3,051,568	\$ 3,703,836	\$ 8,597,350	\$ 4,834,582	\$ 3,121,508	\$ 27,593,219
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 86,420	\$ 12,120	\$ 274,317	\$ -	\$ -	\$ 34,225	\$ 407,082
Salaries payable	301,970	58,351	165,696	-	-	-	526,017
Contracts payable	-	46,033	-	-	-	-	46,033
Due to other funds	-	-	24,543	-	-	7,985	32,528
Due to other governments	184,967	2,626	260,987	-	-	16,571	465,151
Deferred revenue-unavailable	155,604	1,062,006	57,444	42,415	366	1,797	1,319,632
Deferred revenue-uneared	-	65,245	-	-	-	-	65,245
Advance from other funds	-	-	-	-	-	1,943	1,943
Total Liabilities	\$ 728,961	\$ 1,246,381	\$ 782,987	\$ 42,415	\$ 366	\$ 62,521	\$ 2,863,631
Fund Balances							
Reserved for							
Encumbrances	\$ -	\$ 15,317	\$ -	\$ -	\$ -	\$ -	\$ 15,317
Inventories	-	209,465	-	-	-	-	209,465
Advances to other funds	1,943	-	-	-	-	-	1,943
Gravel pit closure	-	-	-	-	-	3,962	3,962
Recorders equipment	-	-	-	-	-	49,120	49,120
E-911	-	-	-	-	-	227,486	227,486
Contingency funds	-	-	-	-	-	17,500	17,500
SCORE	-	-	-	-	-	85,357	85,357
Natural resources block grant	-	-	-	-	-	63,027	63,027
Economic development	-	-	-	-	-	1,275,413	1,275,413
State aid highway bonding	-	-	-	-	33,730	-	33,730
Cash with fiscal agent	-	-	-	6,263,709	-	-	6,263,709
Unreserved							
Designated for debt service	-	-	-	2,291,226	-	-	2,291,226
Designated for future expenditures	-	-	-	-	4,800,486	-	4,800,486
Undesignated	3,553,471	1,580,405	2,920,849	-	-	-	8,054,725
Unreserved, reported in nonmajor:							
Special revenue funds	-	-	-	-	-	1,337,122	1,337,122
Total Fund Balances	\$ 3,555,414	\$ 1,805,187	\$ 2,920,849	\$ 8,554,935	\$ 4,834,216	\$ 3,058,987	\$ 24,729,588
Total Liabilities and Fund Balances	\$ 4,284,375	\$ 3,051,568	\$ 3,703,836	\$ 8,597,350	\$ 4,834,582	\$ 3,121,508	\$ 27,593,219

**BENTON COUNTY
FOLEY, MINNESOTA**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2003**

Fund balances- total governmental funds	\$	24,729,588
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		54,654,524
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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.		1,319,632
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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	\$	8,868,840	
Economic development loans		889,936	
Revenue bonds		13,415,000	
Capital leases		3,275,503	
Loans payable		30,816	
Deferred debt issue costs		(49,010)	
Compensated absences		1,346,383	
Accrued interest payable		434,355	
		(28,211,823)	

Net assets of governmental activities	\$	<u>52,491,921</u>
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**BENTON COUNTY
FOLEY, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues							
Taxes	\$ 6,402,671	\$ 1,082,912	\$ 2,213,584	\$ 1,910,228	\$ 812	\$ 2,869	\$ 11,613,076
Special assessments	8,445	-	-	-	-	314,934	323,379
Licenses and permits	148,391	11,450	-	-	-	8,110	167,951
Intergovernmental	1,972,367	2,137,901	5,636,343	235,839	-	150,745	10,133,195
Charges for services	1,290,921	51,890	235,707	-	-	128,374	1,706,892
Fines and forfeits	13,459	-	-	-	-	42,102	55,561
Gifts and contributions	435	-	-	-	-	-	435
Investment earnings	180,283	-	-	276,780	40,073	8,966	466,102
Miscellaneous	297,224	76,653	122,381	-	-	86,629	582,887
Total Revenues	\$ 10,294,196	\$ 3,360,806	\$ 8,208,015	\$ 2,422,847	\$ 40,885	\$ 742,729	\$ 25,069,478
Expenditures							
Current							
General government	\$ 3,688,161	\$ -	\$ -	\$ -	\$ -	\$ 73,130	\$ 3,761,291
Public safety	5,235,355	-	-	-	-	157,215	5,392,570
Highways and streets	-	3,616,002	-	-	-	-	3,616,002
Sanitation	77,233	-	-	-	-	-	77,233
Human services	-	-	7,839,252	-	-	-	7,839,252
Health	11,218	-	811,831	-	-	-	623,049
Culture and recreation	557,129	-	-	-	-	-	557,129
Conservation of natural resources	208,843	-	-	-	-	171,725	380,568
Economic development	279,470	-	-	-	-	1,764	281,234
Capital outlay	-	-	-	-	238,819	-	238,819
Debt service							
Principal retirement	7,704	129,160	-	876,173	-	104,788	1,117,825
Interest	-	14,373	-	1,072,834	-	18,879	1,106,086
Fiscal charges	-	750	-	6,214	-	-	6,964
Bond issuance costs	-	-	-	-	52,511	-	52,511
Total Expenditures	\$ 10,065,113	\$ 3,760,285	\$ 8,451,083	\$ 1,955,221	\$ 291,330	\$ 527,501	\$ 25,050,533
Excess of Revenues Over (Under) Expenditures	\$ 229,083	\$ (399,479)	\$ (243,068)	\$ 467,626	\$ (250,445)	\$ 215,228	\$ 18,945
Other Financing Sources (Uses)							
Transfers in	\$ 320,496	\$ 196,410	\$ 16,188	\$ 454,904	\$ -	\$ 1,511,932	\$ 2,499,930
Transfers out	(1,809,758)	-	(89,945)	-	(513,980)	(86,247)	(2,499,930)
Bonds and notes issued	-	-	-	-	3,805,000	-	3,805,000
Total Other Financing Sources (Uses)	\$ (1,489,262)	\$ 196,410	\$ (73,757)	\$ 454,904	\$ 3,291,020	\$ 1,425,685	\$ 3,805,000
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (1,260,179)	\$ (203,069)	\$ (316,825)	\$ 922,530	\$ 3,040,575	\$ 1,640,913	\$ 3,823,945
Fund Balance - January 1	4,815,593	1,991,756	3,237,674	7,632,405	1,793,641	1,418,074	20,889,143
Increase (decrease) in reserved for inventories	-	16,500	-	-	-	-	16,500
Fund Balance - December 31	\$ 3,555,414	\$ 1,805,187	\$ 2,920,849	\$ 8,554,935	\$ 4,834,216	\$ 3,058,987	\$ 24,729,588

**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
FOR THE YEAR ENDED DECEMBER 31, 2003**

Net change in fund balances - total governmental funds \$ 3,823,945

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets, infrastructure, and other related capital assets adjustments	\$ 2,450,955	
Current year depreciation	<u>(2,752,612)</u>	(301,657)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,040,685

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The net proceeds for debt issuance are: (3,752,489)

Repayment of debt principal is an expenditure in the governmental funds. but the repayment reduces long-term liabilities in the statement of net assets.

Principal repayments:		
General obligation bonds and notes	\$ 429,160	
Economic development loans	104,788	
Revenue bonds	350,000	
Loans payable	7,704	
Capital lease	<u>226,173</u>	1,117,825

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

Change in accrued interest payable	\$ (63,653)	
Amortization of discounts and deferred issuance charges	(3,501)	
Change in compensated absences	(80,657)	
Change in inventories	<u>16,500</u>	<u>(131,311)</u>

Change in net assets of governmental activities \$ 1,796,998

BENTON COUNTY
FOLEY, MINNESOTA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
DECEMBER 31, 2003

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	<u>\$ 1,283,450</u>
<u>Liabilities</u>	
Due to other governments	<u>\$ 1,283,450</u>

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**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2003. 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.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*. The significant changes in the statement include the following:

- For the first time, the financial statements include:
 - o A Management's Discussion and Analysis (MD&A) section providing an analysis of the County's overall financial position and results of operations.
 - o Financial statements prepared using full accrual accounting for all of the County's activities, including infrastructure (roads, bridges, etc.).
 - o A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to financial statements). The County has elected to implement all provisions of the statement in the current year.

For this financial report, the County also implemented GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity

Benton County was established October 27, 1849, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Benton County (primary government) and its component units for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Blended Component Unit

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 one blended component unit.

<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.	County Commissioners are the members of the RRA Board.	Separate financial statements are not prepared.

To date, the only activity undertaken by the Authority has been appropriations made to the Northstar Corridor Development Authority. These appropriations, which are recorded in a separate department in the General Fund, totaled \$47,407 in 2003.

Joint Ventures

The County participates in several joint ventures which are described in Note 5.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

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

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

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds and blended component unit. 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, 2003**

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 economic assistance and community social services programs.

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 funds:

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

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

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

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

The Miscellaneous Special Revenue Fund is used to account for the activities of a number of smaller activities.

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.

C. Measurement Focus and Basis of Accounting

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

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

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

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. 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, 2003, based on market prices. Investment earnings are allocated to the Miscellaneous Special Revenue Fund based on cash balances set aside for specific purposes within that fund. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2003 were \$160,283.

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

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

- a) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- b) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Deposits and Investments (Continued)

- c) 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;
- d) bankers' acceptances of United States banks;
- e) 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
- f) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

3. 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 non-current 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 1998 through 2003, and deferred special assessments payable in 2004 and after. No provision has been made for an estimated uncollectible amount.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Inventories and Prepaid Items

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.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for all capital assets, except for buildings, which use a threshold of \$25,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	20
Public domain infrastructure	25-35
Furniture, equipment, and vehicles	5-20

6. 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.

7. Deferred Revenue

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

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column on 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 effective interest 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.

9. 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.

10. Use of Estimates

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

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 2 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

The County's total cash and investments are reported as follows:

Cash and pooled investments	\$ 18,123,296
Petty cash and change funds	2,900
Cash with fiscal agent	6,263,709
Agency funds cash and pooled investments	<u>1,283,450</u>
 Total Cash and Investments	 <u><u>\$ 25,673,355</u></u>

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the County Auditor/Treasurer. At December 31, 2003, the carrying amount of the County's deposits totaled \$15,629,674. The bank balance deposit amount was \$15,908,620. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Following is a summary of the deposits covered by insurance or collateral at December 31, 2003.

	<u>Bank Balance</u>
Covered Deposits	
Insured, or collateralized with securities held by the County or its agent in the County's name	\$ 500,000
Collateralized with securities held by the pledging financial institution's agent in the County's name	15,362,806
Total covered deposits	\$ 15,862,806
Uncollateralized	45,814
 Total	 \$ 15,908,620

Three levels of custodial credit risk for securities are defined by generally accepted accounting principles:

- (1) securities that are insured or registered, or for which the securities are held by the County or its agent in the County's name;
- (2) securities that are uninsured and unregistered and are held by the counterparty's trust department or agent in the County's name; and
- (3) securities that are uninsured and unregistered and are held by the counterparty, or by its trust department or agent, but not in the County's name.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Following is a summary of the fair values of the County's investments, categorized into the aforementioned levels of risk, at December 31, 2003:

	Custodial Credit Risk			Fair Value
	1	2	3	
U.S. government securities	\$ 619,408	\$ -	\$ -	\$ 619,408
Negotiable certificates of deposit	485,060	-	-	485,060
Money market with fiscal agent	6,263,709	-	-	6,263,709
Total Investments	\$ 7,368,177	\$ -	\$ -	\$ 7,368,177
Minnesota Association of Governments Investing for Counties (MAGIC) funds				2,672,604
Checking accounts				2,527,742
Savings account				11,976,342
Certificates of deposit				1,125,590
Petty cash				2,900
Total Cash and Investments				\$ 25,673,355

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Capital Assets

Capital asset activity for the year ended December 31, 2003, was as follows:

	Beginning Balance	Additions	Deletions	Adjustments	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 2,210,084	\$ 108,900	\$ (36,000)	\$ (64,411)	\$ 2,218,573
Infrastructure, right of way	7,528,872	-	-	-	7,528,872
Total capital assets, not being depreciated	9,738,956	108,900	(36,000)	(64,411)	9,747,445
Capital assets being depreciated:					
Buildings	15,680,898	65,300	(41,000)	(160,481)	15,544,717
Machinery, furniture, and equipment	6,355,604	623,203	(693,436)	(1,323,407)	4,961,964
Infrastructure	53,994,945	1,753,963	-	-	55,748,908
Total capital assets being depreciated	76,031,447	2,442,466	(734,436)	(1,483,888)	76,255,589
Less accumulated depreciation for:					
Buildings	(3,101,792)	(343,601)	41,000	160,481	(3,243,912)
Machinery, furniture, and equipment	(3,929,744)	(376,508)	693,436	1,323,407	(2,289,409)
Infrastructure	(23,782,686)	(2,032,503)	-	-	(25,815,189)
Total accumulated depreciation	(30,814,222)	(2,752,612)	734,436	1,483,888	(31,348,510)
Total capital assets, depreciated, net	45,217,225	(310,146)	-	-	44,907,079
Governmental Activities Capital Assets, Net	\$ 54,956,181	\$ (201,246)	\$ (36,000)	\$ (64,411)	\$ 54,654,524

The adjustment column was needed to account for the reduction in assets due to the new capitalization policy set by the County Board in 2003.

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	129,697
Public safety		343,248
Highways and streets, including depreciation of infrastructure assets		2,200,093
Human services		69,922
Culture and recreation		<u>9,652</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>2,752,612</u></u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2003, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Human Services	\$ 24,543
	Miscellaneous	<u>7,985</u>
Total Due to General Fund		<u><u>\$ 32,528</u></u>

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General	Ditch	\$ 1,943

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2003, consisted of the following:

Transfers to General Fund from		
Capital Projects Fund	\$ 230,551	Provide funds for capital outlay
Human Services Fund	89,945	Reimburse for decrease in HACA
Total Transfer to General Fund	320,496	
Transfers to Road and Bridge Fund from		
General Fund	19,176	Provide funds for health insurance increase
Capital Projects Fund	177,234	Provide funds for capital outlay
Total Transfer to Road and Bridge Fund	196,410	
Transfers to Human Services Fund from		
Capital Projects Fund	16,188	Provide funds for capital outlay
Transfers to Debt Service Fund from		
General Fund	278,650	Provide funds for courts facility debt service payment
Miscellaneous Fund	86,247	Provide funds for landfill debt service payment
Capital Projects Fund	90,007	Provide funds for road lease debt service payment
Total Transfer to Debt Service Fund	454,904	
Transfer to Nonmajor Governmental Funds from		
General Fund	1,511,932	Move restricted revenue to appropriate fund
Total Interfund Transfers	\$ 2,499,930	

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

1. Deferred Revenues

Deferred revenues consists of taxes and special assessments receivable that are not collected soon enough after year-end to pay liabilities of the current year, and state and federal grants received but not yet earned. Deferred revenue at December 31, 2003, is summarized below by fund:

	Special Assessments	Taxes	Grants	Total
Major Governmental Funds				
General	\$ 2,322	\$153,282	\$ -	\$ 155,604
Road and Bridge	-	28,967	1,098,284	1,127,251
Human Services	-	57,444	-	57,444
Debt Service Fund	-	42,415	-	42,415
Capital Projects Fund	-	366	-	366
Total Major Governmental Funds	2,322	282,474	1,098,284	1,383,080
Other Governmental Funds	1,797	-	-	1,797
	<u>\$ 4,119</u>	<u>\$282,474</u>	<u>\$1,098,284</u>	<u>\$1,384,877</u>
Deferred Revenue:				
Unavailable	\$ 4,119	\$282,474	\$1,033,039	\$1,319,632
Unearned	-	-	65,245	65,245
	<u>\$ 4,119</u>	<u>\$282,474</u>	<u>\$1,098,284</u>	<u>\$1,384,877</u>

2. Construction Commitments

The County has active road construction projects as of December 31, 2003, with an uncompleted portion of the contract of \$15,317.

3. Long-Term Debt

Governmental Activities

Types of Indebtedness	Maturity Date	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2003
General Obligation Bonds					
1994 G.O. Landfill Bonds	2005	\$85,000 - 90,000	4.20-5.25	\$ 860,000	\$ 170,000
1995 G.O. State Aid Bonds	2005	\$40,000 - 90,000	4.25- 5.10	720,000	175,000
2002 G.O. Capital Improvement Bonds	2018	\$155,000- 275,000	4.00-5.00	3,065,000	3,065,000
2003 G.O. Capital Improvement Bonds	2018	\$170,000- 325,000	2.00-3.85	3,500,000	3,500,000
Total general obligation bonds				<u>\$ 8,145,000</u>	<u>\$ 6,910,000</u>

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Long-Term Debt (Continued)

Governmental Activities (Continued)

Types of Indebtedness	Maturity Date	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2003
General Obligation Capital Notes					
2002 G.O. Capital Notes	2007	\$365,000- \$400,000	2.70-3.75	\$ 1,530,000	\$ 1,530,000
2002 G.O. Capital Improvement Notes	2005	\$34,000- \$45,000	2.15	210,000	123,840
2003 G.O. Capital Notes	2008	\$60,000- \$65,000	1.20-2.65	<u>305,000</u>	<u>305,000</u>
Total general obligation capital notes				<u><u>\$ 2,045,000</u></u>	<u><u>\$ 1,958,840</u></u>
Revenue Bonds					
1995 Jail Lease Revenue Bonds	2016	\$265,000- \$755,000	4.45-5.70	\$ 9,150,000	\$ 7,030,000
2001 Jail Lease Revenue Refunding Bonds	2016	\$450,000- \$730,000	4.00-4.70	<u>6,385,000</u>	<u>6,385,000</u>
Total revenue bonds				<u><u>\$ 15,535,000</u></u>	<u><u>\$ 13,415,000</u></u>
Capital Leases					
1997 lease purchase with Norwest Investment Services, Inc., to construct a courts facilities building	2012	\$47,275- \$1,299,897	5.70	\$ 3,300,000	\$ 2,662,907
1998 lease purchase with Norwest Investment Services, Inc., to fund future highway projects	2008	\$44,134- \$68,674	5.27	<u>1,000,000</u>	<u>612,596</u>
Total capital leases				<u><u>\$ 4,300,000</u></u>	<u><u>\$ 3,275,503</u></u>
Loans					
Minnesota Department of Trade and Economic Development septic system replacement loans	2007	\$ 3,852	interest-free	<u>\$ 76,725</u>	<u>\$ 30,816</u>
Economic Development Loans					
Local economic development loans	2005	\$ 32,772	3.50	\$ 200,000	\$ 61,940
U.S. Department of Agriculture	2025	\$ 27,146	1.00	660,000	533,546
Minnesota Department of Trade and Economic Development	2008	\$ 5,288	3.00	<u>400,000</u>	<u>294,450</u>
Total economic development loans				<u><u>\$ 1,260,000</u></u>	<u><u>\$ 889,936</u></u>

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2003, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Capital Notes		Revenue Bonds		Capital Lease	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 530,000	\$ 279,712	\$ 469,840	\$ 54,487	\$ 370,000	\$ 656,674	\$ 238,787	\$ 180,830
2005	505,000	237,045	480,000	40,720	395,000	637,068	252,105	167,511
2006	340,000	222,350	484,000	26,892	865,000	607,003	266,168	153,449
2007	365,000	211,146	460,000	9,913	915,000	565,839	281,016	138,601
2008	375,000	198,911	65,000	861	960,000	521,998	296,693	122,924
2009-2013	2,125,000	770,609	-	-	5,695,000	1,830,816	1,940,734	371,483
2014-2018	2,670,000	298,576	-	-	4,215,000	336,306	-	-
2019-2023	-	-	-	-	-	-	-	-
Total	\$ 6,910,000	\$ 2,218,349	\$ 1,958,840	\$ 132,873	\$ 13,415,000	\$ 5,155,704	\$ 3,275,503	\$ 1,134,798

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Liabilities (Continued)

4. Debt Service Requirements (Continued)

Debt service requirements at December 31, 2003, were as follows:

Governmental Activities (Continued)

Year Ending December 31	Loans Payable		Economic Development Loans	
	Principal	Interest	Principal	Interest
2004	7,704	-	107,670	15,709
2005	7,704	-	110,292	12,739
2006	7,704	-	80,912	9,696
2007	7,704	-	82,919	7,689
2008	-	-	84,982	5,625
2009-2013	-	-	117,796	18,816
2014-2018	-	-	122,893	12,837
2019-2023	-	-	129,161	6,569
2024-2028	-	-	53,311	802
Total	30,816	-	889,936	90,482

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2003, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
General Obligation Bonds	\$ 3,580,000	\$ 3,500,000	\$ 170,000	\$ 6,910,000	\$ 530,000
G.O. Capital Notes	1,913,000	305,000	259,160	1,958,840	467,000
Jail Lease Revenue Bonds	13,765,000	-	350,000	13,415,000	370,000
Total Bonds Payable	19,258,000	3,805,000	779,160	22,283,840	1,367,000
Capital Leases	3,501,676	-	226,173	3,275,503	238,787
Economic Development Loans	994,724	-	104,788	889,936	107,670
Loans Payable	38,520	-	7,704	30,816	7,704
Compensated Absences, Net	1,265,726	80,657	-	1,346,383	65,934
Governmental Activity Long-Term Liabilities	<u>\$ 25,058,646</u>	<u>\$ 3,885,657</u>	<u>\$ 1,117,825</u>	<u>\$ 27,826,478</u>	<u>\$ 1,787,095</u>

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 3 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Plan Description

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

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

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

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

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 3 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3 percent for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent for each year of service.

For PERA 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 Public Employees Police and Fire Fund and Public Employees Correctional Fund members and 65 for Basic and Coordinated Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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. Also available are various types of joint and survivor annuity options that 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 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 yet receiving them are bound by the provisions in effect at the time they last terminated public service.

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

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 3 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

B. Funding Policy

Pension benefits are funded from members and employee contributions and income from the investment of fund assets.

Minn. Stat. ch. 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. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 6.20 percent of their annual covered salary. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll:

Public Employees Retirement Fund	
Basic Plan Members	11.78%
Coordinated Plan Members	5.53%
Public Employees Police and Fire Fund	9.30%
Public Employees Correctional Fund	8.75%

The County's contributions for the years ending December 31, 2003, 2002, and 2001, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
	<u> </u>	<u> </u>	<u> </u>
2003	\$ 374,811	\$ 99,082	\$ 108,048
2002	363,812	95,595	102,392
2001	304,353	90,776	84,623

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

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

NOTE 4 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 \$700,000 and \$720,000 per claim in 2002 and 2003, 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, 2003**

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

Joint Ventures

Stearns-Benton Employment and Training Council

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

Benton County did not contribute a financial contribution for its share of the Council's operating costs in 2003.

Complete financial information can be obtained from:

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

**BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

**NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS
(CONTINUED)**

Joint Ventures (Continued)

Tri-County Solid Waste Commission

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

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. Benton County's contribution for its share of the operating costs was \$57,395 in 2003.

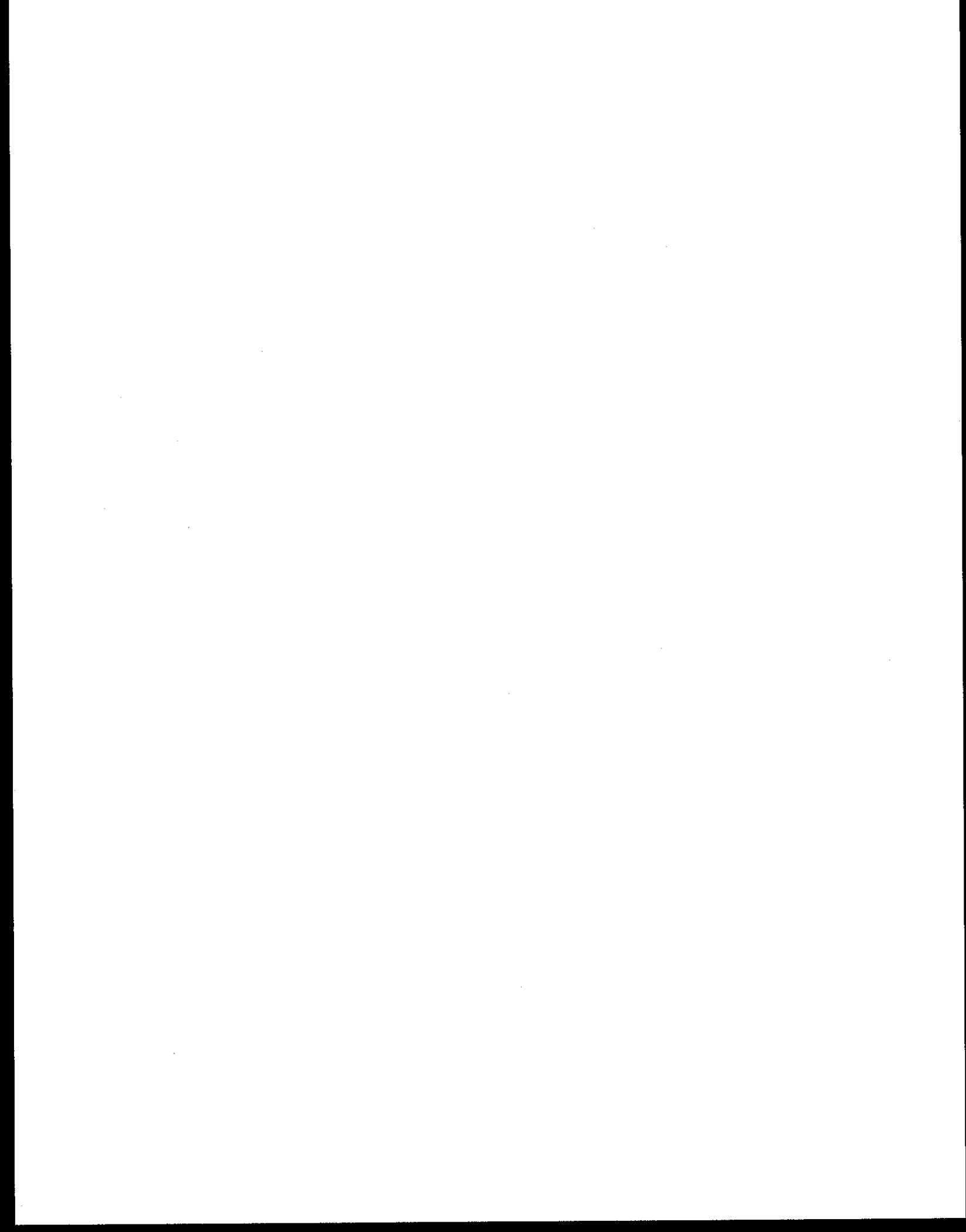
The Commission will remain in existence so long as two or more counties remain as parties to the agreement. Upon dissolution of the Commission, there will be an accounting to determine assets and liabilities. The assets of the Commission will be liquidated and, after payment of liabilities, the proceeds 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

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



**BENTON COUNTY
FOLEY, MINNESOTA**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 7,746,005	\$ 7,139,464	\$ 6,402,671	\$ (736,793)
Special assessments	2,368	2,368	8,445	6,077
Licenses and permits	118,800	118,800	148,391	29,591
Intergovernmental	1,450,232	1,271,030	1,972,367	701,337
Charges for services	1,283,111	1,370,223	1,290,921	(79,302)
Fines and forfeits	32,000	32,000	13,459	(18,541)
Gifts and contributions	20,900	20,900	435	(20,465)
Investments earnings	230,200	230,200	160,283	(69,917)
Miscellaneous	146,304	153,682	297,224	143,542
Total Revenues	\$ 11,029,920	\$ 10,338,667	\$ 10,294,196	\$ (44,471)
Expenditures				
Current				
General government				
Commissioners	\$ 431,970	\$ 386,170	\$ 308,370	\$ 77,800
Public defender	42,000	42,000	36,194	5,806
Law library	52,593	-	-	-
County administration	834,105	770,178	716,210	53,968
County auditor/treasurer	556,761	551,377	529,866	21,511
County assessor	245,451	254,951	253,713	1,238
Data processing	334,676	341,345	301,870	39,475
Attorney	603,670	605,270	583,290	21,980
Recorder	151,647	151,647	151,437	210
Buildings and plant	815,426	823,926	741,499	82,427
Veterans service officer	65,845	66,245	65,712	533
Total general government	\$ 4,134,144	\$ 3,993,109	\$ 3,688,161	\$ 304,948
Public safety				
Sheriff	\$ 2,331,949	\$ 2,596,643	\$ 2,360,653	\$ 235,990
Boat and water safety	19,240	19,240	11,183	8,057
Coroner	25,000	25,000	28,981	(3,981)
Civil defense	50,234	50,234	98,902	(48,668)
Prisoner custodial	2,312,681	2,278,598	2,220,010	58,588
Probation and parole	360,382	360,382	515,626	(155,244)
Total public safety	\$ 5,099,486	\$ 5,330,097	\$ 5,235,355	\$ 94,742
Sanitation				
Solid waste	\$ 77,910	\$ 77,910	\$ 77,233	\$ 677

**BENTON COUNTY
FOLEY, MINNESOTA**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current (Continued)				
Health				
Groundwater management	\$ 37,500	\$ 37,500	\$ 11,218	\$ 26,282
Culture and recreation				
Historical society	\$ 11,500	\$ 11,500	\$ 11,500	\$ -
Parks	282,197	286,432	130,395	156,037
Regional library	415,234	415,234	415,234	-
Total culture and recreation	\$ 708,931	\$ 713,166	\$ 557,129	\$ 156,037
Conservation of natural resources				
Cooperative extension	\$ 180,194	\$ 145,959	\$ 139,803	\$ 6,156
Soil and water conservation	57,750	57,750	57,750	-
Agricultural society/county fair	11,950	11,950	11,290	660
Total conservation of natural resources	\$ 249,894	\$ 215,659	\$ 208,843	\$ 6,816
Economic development				
Solid waste	\$ 586,171	\$ 278,261	\$ 279,470	\$ (1,209)
Debt service				
Principal retirement	\$ -	\$ -	\$ 7,704	\$ (7,704)
Total Expenditures	\$ 10,894,036	\$ 10,645,702	\$ 10,065,113	\$ 580,589
Excess of Revenues Over (Under) Expenditures	\$ 135,884	\$ (307,035)	\$ 229,083	\$ 536,118
Other Financing Sources (Uses)				
Transfers in	\$ 104,050	\$ 104,050	\$ 320,496	\$ 216,446
Transfers out	(364,402)	(364,402)	(1,809,758)	(1,445,356)
Total Other Financing Sources (Uses)	\$ (260,352)	\$ (260,352)	\$ (1,489,262)	\$ (1,228,910)

**BENTON COUNTY
FOLEY, MINNESOTA**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (124,468)	\$ (567,387)	\$ (1,260,179)	\$ (692,792)
Fund Balance - January 1	4,815,593	4,815,593	4,815,593	-
Fund Balance - December 31	<u>\$ 4,691,125</u>	<u>\$ 4,248,206</u>	<u>\$ 3,555,414</u>	<u>\$ (692,792)</u>

**BENTON COUNTY
FOLEY, MINNESOTA**

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Taxes	\$ 1,196,343	\$ 1,196,343	\$ 1,082,912	\$ (113,431)
Licenses and permits	4,000	4,000	11,450	7,450
Intergovernmental	3,044,179	3,044,179	2,137,901	(906,278)
Charges for services	36,000	36,000	51,890	15,890
Miscellaneous	32,293	32,293	76,653	44,360
Total Revenues	\$ 4,312,815	\$ 4,312,815	\$ 3,360,806	\$ (952,009)
Expenditures				
Current				
Highways and Streets				
Administration	\$ 420,892	\$ 391,225	\$ 315,541	\$ 75,684
Maintenance	1,313,279	1,313,279	1,153,608	159,671
Construction	2,610,730	2,610,730	1,753,963	856,767
Equipment maintenance and shop	405,489	405,489	392,890	12,599
Total highways and streets	\$ 4,750,390	\$ 4,720,723	\$ 3,616,002	\$ 1,104,721
Debt service				
Principal retirement	\$ 136,020	\$ 136,020	\$ 129,160	\$ 6,860
Interest	\$ 15,245	\$ 15,245	\$ 14,373	\$ 872
Fiscal charges	\$ 750	\$ 750	\$ 750	\$ -
Total Expenditures	\$ 4,902,405	\$ 4,872,738	\$ 3,760,285	\$ 1,112,453
Excess of Revenues Over (Under) Expenditures	\$ (589,590)	\$ (559,923)	\$ (399,479)	\$ 160,444
Other Financing Sources (Uses)				
Transfers in	590,000	590,000	196,410	(393,590)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 410	\$ 30,077	\$ (203,069)	\$ (233,146)
Fund Balance - January 1	1,991,756	1,991,756	1,991,756	-
Increase (decrease) in reserved for inventory	-	-	16,500	16,500
Fund Balance - December 31	\$ 1,992,166	\$ 2,021,833	\$ 1,805,187	\$ (216,646)

**BENTON COUNTY
FOLEY, MINNESOTA**

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 2,445,827	\$ 2,445,827	\$ 2,213,584	\$ (232,243)
Intergovernmental	5,671,620	5,671,620	5,636,343	(35,277)
Charges for services	287,408	287,408	235,707	(51,701)
Miscellaneous	30,000	30,000	122,381	92,381
Total Revenues	\$ 8,434,855	\$ 8,434,855	\$ 8,208,015	\$ (226,840)
Expenditures				
Current				
Human Services				
Income maintenance	\$ 2,099,268	\$ 2,007,144	\$ 2,169,093	\$ (161,949)
Social services	6,129,641	6,104,475	5,670,159	434,316
Total human services	\$ 8,228,909	\$ 8,111,619	\$ 7,839,252	\$ 272,367
Health				
Nursing service	706,931	698,103	611,831	86,272
Total Expenditures	\$ 8,935,840	\$ 8,809,722	\$ 8,451,083	\$ 358,639
Excess of Revenues Over (Under) Expenditures	\$ (500,985)	\$ (374,867)	\$ (243,068)	\$ 131,799
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 16,188	\$ 16,188
Transfers out	-	-	(89,945)	(89,945)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (73,757)	\$ (73,757)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ (500,985)	\$ (374,867)	\$ (316,825)	\$ 58,042
Fund Balance - January 1	3,237,674	3,237,674	3,237,674	-
Fund Balance - December 31	\$ 2,736,689	\$ 2,862,807	\$ 2,920,849	\$ 58,042

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**BENTON COUNTY
FOLEY, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2003**

A. Budgetary Information

The County Board adopts an annual budget for the following funds: The General Fund, certain Special Revenue Funds (Road and Bridge, Human Services, Ditch, Economic Development, and Miscellaneous). These budgets are prepared on the modified accrual basis of accounting. Annual budgets are not adopted for the Gravel Pit Restoration Special Revenue Fund, Debt Service Fund, and the Capital Project Fund. These funds have budgets, which are approved at the time the project or budget is initially authorized and may overlap years.

Based on a process established by the County Board, all departments of 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, function, and department. The legal level of budgetary control – the level at which expenditures may not legally exceed appropriations – is the function level. Budgets may be amended during the year with proper approval.

Encumbrance accounting is employed in governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be re-apportioned and honored during the subsequent year.

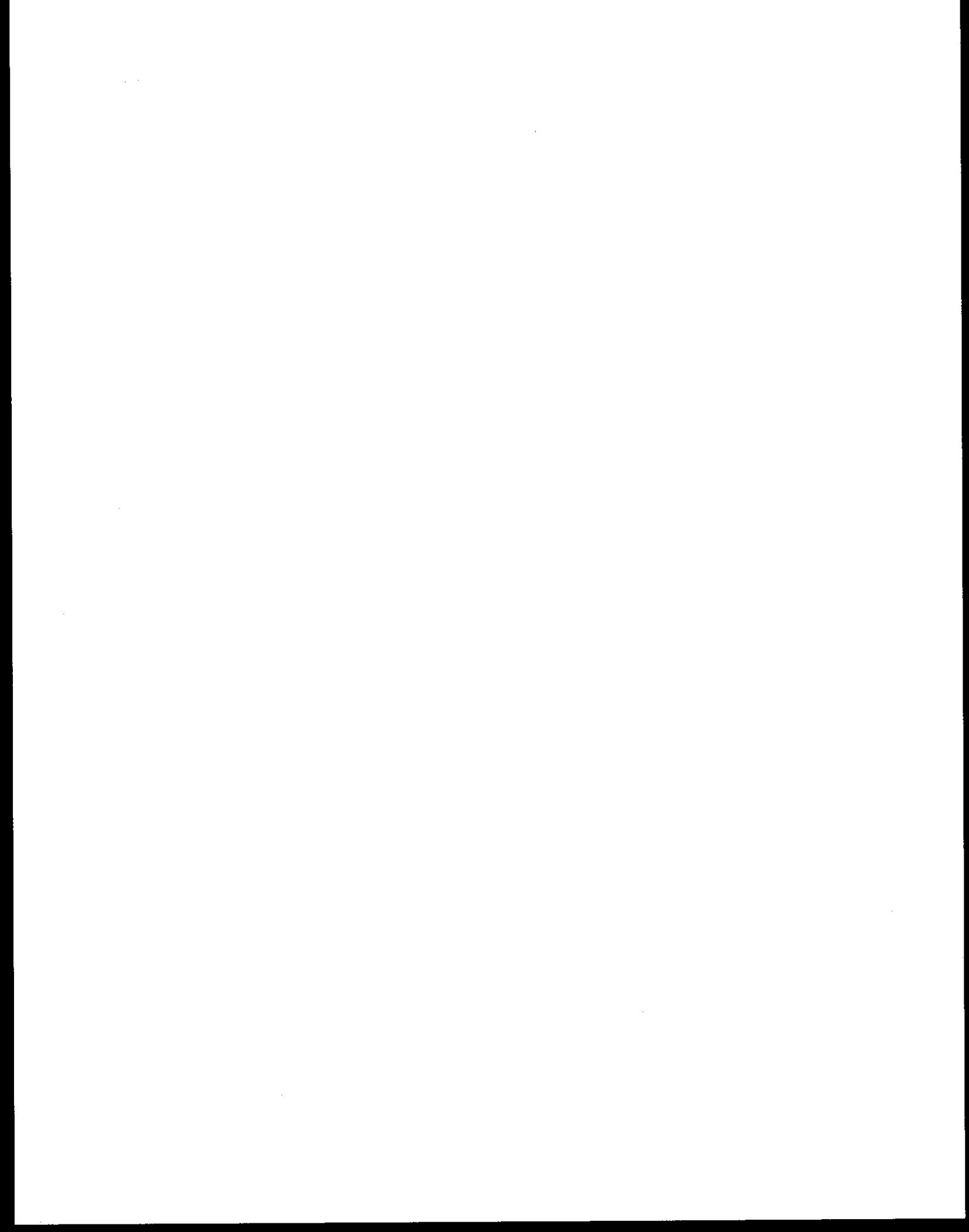
B. Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget at the function level for the year ended December 31, 2003:

<u>Fund</u>	<u>Function</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	Current			
	Economic development	\$279,470	\$278,261	\$1,209
	Debt Service			
	Principal retirement	7,704	-	7,704

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SUPPLEMENTARY INFORMATION



**BENTON COUNTY
FOLEY, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2003**

	Special Revenue Funds				Total
	Ditch	Economic Development	Miscellaneous	Gravel Pit Restoration	
Assets					
Cash and pooled investments	\$ 67,156	\$ 542,406	\$ 1,747,333	\$ 3,962	\$ 2,360,857
Special assessments receivable					
Prior	449	-	-	-	449
Noncurrent	1,348	-	-	-	1,348
Accounts receivable	-	-	12,252	-	12,252
Due from other governments	-	-	13,595	-	13,595
Loans receivable	-	733,007	-	-	733,007
Total Assets	\$ 68,953	\$ 1,275,413	\$ 1,773,180	\$ 3,962	\$ 3,121,508
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 34,225	\$ -	\$ 34,225
Due to other funds	-	-	7,985	-	7,985
Due to other governments	-	-	16,571	-	16,571
Deferred revenue-unavailable	1,797	-	-	-	1,797
Advance from other funds	1,943	-	-	-	1,943
Total Liabilities	\$ 3,740	\$ -	\$ 58,781	\$ -	\$ 62,521
Fund Balances					
Reserved for gravel pit closure	\$ -	\$ -	\$ -	\$ 3,962	\$ 3,962
Reserved for recorders' equipment	-	-	49,120	-	49,120
Reserved for E-911	-	-	227,486	-	227,486
Reserved for contingency funds	-	-	17,500	-	17,500
Reserved for SCORE	-	-	85,357	-	85,357
Reserved for natural resources block grant	-	-	63,027	-	63,027
Reserved for economic development	-	1,275,413	-	-	1,275,413
Unreserved					
Designated for future expenditures	-	-	1,271,909	-	1,271,909
Undesignated	65,213	-	-	-	65,213
Total Fund Balances	\$ 65,213	\$ 1,275,413	\$ 1,714,399	\$ 3,962	\$ 3,058,987
Total Liabilities and Fund Balances	\$ 68,953	\$ 1,275,413	\$ 1,773,180	\$ 3,962	\$ 3,121,508

**BENTON COUNTY
FOLEY, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Ditch	Economic Development	Miscellaneous	Gravel Pit Restoration	Total
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ 2,869	\$ 2,869
Special assessments	629	-	314,305	-	314,934
Licenses and permits	-	-	8,110	-	8,110
Intergovernmental	-	-	150,745	-	150,745
Charges for services	-	-	128,374	-	128,374
Fines and forfeits	-	-	42,102	-	42,102
Investment earnings	-	6,415	2,551	-	8,966
Miscellaneous	-	42,032	44,597	-	86,629
Total Revenues	\$ 629	\$ 48,447	\$ 690,784	\$ 2,869	\$ 742,729
Expenditures					
Current					
General government	\$ -	\$ -	\$ 73,130	\$ -	\$ 73,130
Public safety	-	-	157,215	-	157,215
Conservation of natural resources	-	-	171,725	-	171,725
Economic development	-	1,764	-	-	1,764
Debt service					
Principal retirement	-	104,788	-	-	104,788
Interest	-	18,879	-	-	18,879
Total Expenditures	\$ -	\$ 125,431	\$ 402,070	\$ -	\$ 527,501
Excess of Revenues Over (Under) Expenditures	\$ 629	\$ (76,984)	\$ 288,714	\$ 2,869	\$ 215,228
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ -	\$ 1,511,932	\$ -	\$ 1,511,932
Transfers out	-	-	(86,247)	-	(86,247)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 1,425,685	\$ -	\$ 1,425,685
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ 629	\$ (76,984)	\$ 1,714,399	\$ 2,869	\$ 1,640,913
Fund Balance - January 1	64,584	1,352,397	-	1,093	1,418,074
Fund Balance - December 31	\$ 65,213	\$ 1,275,413	\$ 1,714,399	\$ 3,962	\$ 3,058,987

**BENTON COUNTY
FOLEY, MINNESOTA**

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special assessments	\$ 700	\$ 700	\$ 629	\$ (71)
Expenditures				
Current				
Conservation of natural resources				
Ditch maintenance	700	700	-	700
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 629	\$ 629
Fund Balance - January 1	<u>64,584</u>	<u>64,584</u>	<u>64,584</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 64,584</u>	<u>\$ 64,584</u>	<u>\$ 65,213</u>	<u>\$ 629</u>

**BENTON COUNTY
FOLEY, MINNESOTA**

**BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment earnings	\$ 13,000	\$ 13,000	\$ 6,415	\$ (6,585)
Miscellaneous	144,525	144,525	42,032	(102,493)
Total Revenues	\$ 157,525	\$ 157,525	\$ 48,447	\$ (109,078)
Expenditures				
Current				
Economic Development				
Administration	\$ 2,500	\$ 2,500	\$ 1,764	\$ 736
Debt service				
Principal retirement	103,788	103,788	104,788	(1,000)
Interest	19,591	19,591	18,879	712
Total Expenditures	\$ 125,879	\$ 125,879	\$ 125,431	\$ 448
Excess of Revenues Over (Under) Expenditures	\$ 31,646	\$ 31,646	\$ (76,984)	\$ (108,630)
Fund Balance - January 1	1,352,397	1,352,397	1,352,397	-
Fund Balance - December 31	\$ 1,384,043	\$ 1,384,043	\$ 1,275,413	\$ (108,630)

**BENTON COUNTY
FOLEY, MINNESOTA**

**BUDGETARY COMPARISON SCHEDULE
MISCELLANEOUS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special assessments	\$ -	\$ 314,205	\$ 314,305	\$ 100
Licenses and permits	-	7,030	8,110	1,080
Intergovernmental	-	141,262	150,745	9,483
Charges for services	-	122,593	128,374	5,781
Fines and forfeits	-	36,598	42,102	5,504
Investment earnings	-	2,551	2,551	-
Miscellaneous	-	41,118	44,597	3,479
Total Revenues	\$ -	\$ 665,357	\$ 690,784	\$ 25,427
Expenditures				
Current				
General government				
Law library	\$ -	\$ 119,234	\$ 59,926	\$ 59,308
Attorney	-	26,000	2,585	23,415
Recorder	-	59,739	10,619	49,120
Buildings and plant	-	5,130	-	5,130
Total general government	\$ -	\$ 210,103	\$ 73,130	\$ 136,973
Public safety				
Sheriff	\$ -	\$ 263,894	\$ 36,134	\$ 227,760
Community corrections	-	47,058	22,636	24,422
Other public safety	-	204,556	98,445	106,111
Total public safety	\$ -	\$ 515,508	\$ 157,215	\$ 358,293
Culture and recreation				
Parks	\$ -	\$ 59,352	\$ -	\$ 59,352
Conservation of natural resources				
Other	\$ -	\$ 1,433,527	\$ 171,725	\$ 1,261,802
Total Expenditures	\$ -	\$ 2,218,490	\$ 402,070	\$ 1,816,420
Excess of Revenues Over (Under) Expenditures	\$ -	\$ (1,553,133)	\$ 288,714	\$ 1,841,847
Other Financing Sources (Uses)				
Transfers In	\$ -	\$ 42,310	\$ 1,511,932	\$ 1,469,622
Transfers out	-	-	(86,247)	(86,247)
Total Other Financing Sources (Uses)	\$ -	\$ 42,310	\$ 1,425,685	\$ 1,383,375
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	\$ -	\$ (1,510,823)	\$ 1,714,399	\$ 3,225,222
Fund Balance - January 1	-	-	-	-
Fund Balance - December 31	\$ -	\$ (1,510,823)	\$ 1,714,399	\$ 3,225,222

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**BENTON COUNTY
FOLEY, MINNESOTA**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>HOUSING AND REDEVELOPMENT AUTHORITY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 1,670,774	\$ 1,670,774	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 1,670,774	\$ 1,670,774	\$ -
<u>METROPOLITAN TRANSIT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 132,853	\$ 132,853	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 132,853	\$ 132,853	\$ -
<u>MUNICIPAL DEVELOPMENT DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 195,512	\$ 195,512	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 195,512	\$ 195,512	\$ -
<u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 27,811	\$ 6,334,273	\$ 6,335,342	\$ 26,742
<u>Liabilities</u>				
Due to other governments	\$ 27,811	\$ 6,334,273	\$ 6,335,342	\$ 26,742

**BENTON COUNTY
FOLEY, MINNESOTA**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>CENTRAL MINNESOTA TRAINING ASSOCIATION</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 57,480	\$ 29,920	\$ 35,335	\$ 52,065
<u>Liabilities</u>				
Due to other governments	\$ 57,480	\$ 29,920	\$ 35,335	\$ 52,065
<u>STATE FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 150,035	\$ 4,554,666	\$ 4,608,374	\$ 96,327
<u>Liabilities</u>				
Due to other governments	\$ 150,035	\$ 4,554,666	\$ 4,608,374	\$ 96,327
<u>CMH COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled Investments	\$ 571,604	\$ 358,086	\$ 265,726	\$ 663,964
<u>Liabilities</u>				
Due to other governments	\$ 571,604	\$ 358,086	\$ 265,726	\$ 663,964
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled Investments	\$ 705,989	\$ 29,759,998	\$ 30,023,146	\$ 442,841
<u>Liabilities</u>				
Unapportioned taxes and special assessments	\$ 237,099	\$ -	\$ 237,099	\$ -
Due to other governments	468,890	29,759,998	29,786,047	442,841
Total Liabilities	\$ 705,989	\$ 29,759,998	\$ 30,023,146	\$ 442,841

**BENTON COUNTY
FOLEY, MINNESOTA**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 8,272	\$ 5,906,764	\$ 5,913,525	\$ 1,511
<u>Liabilities</u>				
Due to other governments	\$ 8,272	\$ 5,906,764	\$ 5,913,525	\$ 1,511
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,521,191	\$ 48,942,846	\$ 49,180,587	\$ 1,283,450
Total Assets	\$ 1,521,191	\$ 48,942,846	\$ 49,180,587	\$ 1,283,450
<u>Liabilities</u>				
Unapportioned taxes and special assessments	\$ 237,099	\$ -	\$ 237,099	\$ -
Due to other governments	1,284,092	48,942,846	48,943,488	1,283,450
Total Liabilities	\$ 1,521,191	\$ 48,942,846	\$ 49,180,587	\$ 1,283,450

**BENTON COUNTY
FOLEY, MINNESOTA**

TAX CAPACITY, TAX CAPACITY RATES, LEVIES, AND PERCENTAGE OF COLLECTION

	2002		2003		2004	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real Estate	\$ 16,221,572		\$ 18,059,308		\$ 19,954,061	
Personal Property	533,677		523,819		531,897	
Less:						
Tax Increment	(1,062,475)		(1,221,482)		(1,312,811)	
Power Line	(4,179)		(4,127)		(4,139)	
Net Tax Capacity	\$ 15,688,595		\$ 17,357,518		\$ 19,169,008	
Taxes Levied for County Purposes						
General (including Library)	\$ 7,036,959	42.477	\$ 7,817,569	40.003	\$ 7,823,705	39.027
Road and Bridge	1,504,760	8.930	1,286,222	6.766	1,103,737	5.506
Human Services	2,777,181	16.481	2,771,577	14.091	2,829,781	14.116
Debt Service	1,173,799	6.966	2,130,670	12.275	2,045,690	10.672
Capital Projects	45,000	0.267	-	-	-	-
Total Levy for County Purposes	\$ 12,537,699	75.121	\$ 14,006,038	73.135	\$ 13,802,913	69.321
Less: State Aid Payable by State	837,125		1,311,734		514,906	
Net Levy Certified to State	\$ 11,700,574		\$ 12,694,304		\$ 13,288,007	
Less: Market Value Credits Payable by State	1,274,417		1,318,622		1,312,434	
Net Levy for County Purposes	\$ 10,426,157		\$ 11,375,682		\$ 11,975,573	
Tax Capacity - Light and Power						
Assessed at 43%	\$ 32,354		\$ 38,998		\$ 40,100	
Assessed at 5%	2,824		3,454		3,580	
Total Tax Capacity - Light and Power	\$ 35,178		\$ 42,452		\$ 43,680	
Light and Power Tax Levies (distributed in accordance with Minn. Stat. 273.42)						
Assessed at 43%	\$ 46,038	142.294	\$ 56,187	144.074	\$ 55,499	138.406
Assessed at 5%	4,018	142.294	4,975	144.074	4,955	138.406
Total Light and Power Tax Levies	\$ 50,056		\$ 61,162		\$ 60,454	
Special Assessments						
Ditch Liens and Assessments	\$ 9,569		\$ 575		\$ 543	
Glendorado Septic Systems	365		346		327	
Little Rock Septic Systems	12,444		2,368		-	
Solid Waste	284,909		299,551		308,594	
911 Signs	-		-		154,910	
Total Special Assessments	\$ 307,287		\$ 302,840		\$ 464,374	
Percentage of Tax Collections for All Purposes	98.4%		98.3%			

**BENTON COUNTY
FOLEY, MINNESOTA**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	General Fund	Special Revenue Funds			Debt Service	Total All Funds	
		Road and Bridge	Human Services	Miscellaneous			Total
Shared Revenue							
State							
HACA	\$ 476,249	\$ 80,533	\$ -	\$ -	\$ 80,533	\$ -	\$ 556,782
Mobile home HACA	28,432	4,804	10,040	-	14,844	-	43,276
PERA rate reimbursement	19,781	5,043	13,080	-	18,123	-	37,904
Disparity reduction aid	7,572	-	-	-	-	-	7,572
Family preservation aid	-	-	92,738	-	92,738	-	92,738
Police aid	99,437	-	-	-	-	-	99,437
Criminal Justice aid	169,332	-	-	-	-	-	169,332
Highway users tax	-	1,872,897	-	-	1,872,897	-	1,872,897
Market value credit	721,286	123,464	254,494	-	377,958	221,529	1,320,773
Market value credit-MH	12,788	-	4,512	-	4,512	3,927	21,227
Enhanced 911	54,593	-	-	-	-	-	54,593
Total Shared Revenue	\$ 1,589,470	\$ 2,086,741	\$ 374,864	\$ -	\$ 2,461,605	\$ 225,456	\$ 4,276,531
Reimbursement for Services							
State							
Minnesota Department of Human Services	\$ 84,682	\$ -	\$ 2,258,033	\$ -	\$ 2,258,033	\$ -	\$ 2,342,715
Health	-	-	39,869	-	39,869	-	39,869
Total Reimbursement for Services	\$ 84,682	\$ -	\$ 2,297,902	\$ -	\$ 2,297,902	\$ -	\$ 2,382,584
Payments							
Local							
Local contributions	\$ 32,066	\$ 16,055	\$ -	\$ -	\$ 16,055	\$ 10,383	\$ 58,504
Payments in lieu of taxes	3,232	-	-	-	-	-	3,232
Total Payments	\$ 35,298	\$ 16,055	\$ -	\$ -	\$ 16,055	\$ 10,383	\$ 61,736
Grants							
State							
Minnesota Department/Board of Administration	\$ -	\$ -	\$ -	\$ 64,076	\$ 64,076	\$ -	\$ 64,076
Corrections	-	-	-	7,561	7,561	-	7,561
Public safety	158,063	3,654	-	-	3,654	-	161,717
Education	-	-	275,617	-	275,617	-	275,617
Transportation	-	10,607	-	-	10,607	-	10,607
Health	-	-	147,877	-	147,877	-	147,877
Natural Resources	21,394	-	-	-	-	-	21,394
Human Services	-	-	1,379,674	-	1,379,674	-	1,379,674
Soil and Water Resources	-	-	-	5,476	5,476	-	5,476
Environmental Assistance	-	-	-	73,632	73,632	-	73,632
Peace Officer's	9,751	-	-	-	-	-	9,751
Total State	\$ 189,208	\$ 14,261	\$ 1,803,168	\$ 150,745	\$ 1,968,174	\$ -	\$ 2,157,382
Federal							
Department of Agriculture	\$ -	\$ -	\$ 75,724	\$ -	\$ 75,724	\$ -	\$ 75,724
Justice	46,750	-	-	-	-	-	46,750
Emergency Management	26,959	20,844	-	-	20,844	-	47,803
Health and Human Services	-	-	1,084,685	-	1,084,685	-	1,084,685
Total Federal	\$ 73,709	\$ 20,844	\$ 1,160,409	\$ -	\$ 1,181,253	\$ -	\$ 1,254,962
Total Grants	\$ 262,917	\$ 35,105	\$ 2,963,577	\$ 150,745	\$ 3,149,427	\$ -	\$ 3,412,344
Total Intergovernmental	\$ 1,972,367	\$ 2,137,901	\$ 5,636,343	\$ 150,745	\$ 7,924,989	\$ 235,839	\$ 10,133,195

**BENTON COUNTY
FOLEY, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 67,279
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	8,445
Total U.S. Department of Agriculture		\$ 75,724
U.S. Department of Justice		
Passed Through Minnesota Department of Public Safety State Domestic Preparedness Grant	16.007	\$ 20,273
Crime Victim Assistance Grant	16.575	20,569
Passed Through Minnesota Department of Economic Security Juvenile Accountability Incentive Block Grant	16.523	5,908
Total U.S. Department of Justice		\$ 46,750
Federal Emergency Management Agency		
Passed Through Minnesota Department of Public Safety Public Assistance Grants	83.544	\$ 28,651
Emergency Management Performance Grants	83.552	15,492
State and Local all Hazards Emergency Grant	83.562	3,680
Total Federal Emergency Management Agency		\$ 47,803

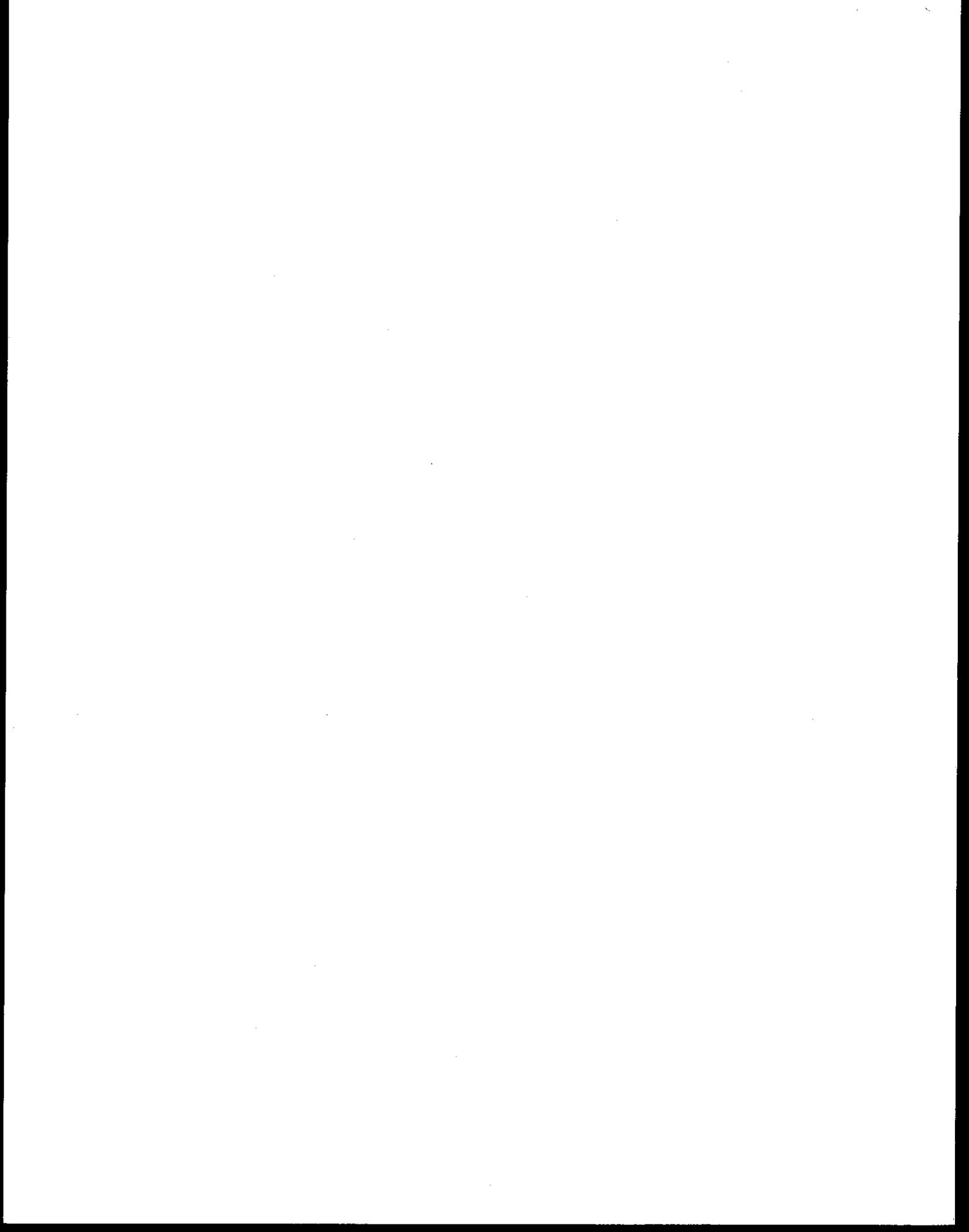
**BENTON COUNTY
FOLEY, MINNESOTA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health Immunization Grants	93.268	\$ 450
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	39,396
Temporary Assistance for Needy Families	93.558	12,305
Passed Through Minnesota Department of Human Services Temporary Assistance for Needy Families	93.558	203,011
Passed Through Minnesota Department of Education Child Care Mandatory and Matching Funds	93.596	477,234
Passed Through Minnesota Department of Human Services Child Welfare Services - State Grants	93.645	7,165
Foster Care Title IV-E	93.658	68,550
Social Services Block Grant Title XX	93.667	217,789
Independent Living	93.674	6,293
Community Mental Health Block Grant	93.958	9,546
Passed Through Minnesota Department of Health Maternal and Child Health Services Block Grant	93.994	42,946
Total U.S. Department of Health and Human Services		\$ 1,084,685
Total Federal Awards		\$ 1,254,962

Notes to Schedule of Expenditures of Federal Awards

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 basic 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 2003, the County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.



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