

BENTON COUNTY
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2019

**BENTON COUNTY
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INTRODUCTORY SECTION

**BENTON COUNTY
ORGANIZATION
DECEMBER 31, 2019**

Office	Name	Term	
		From	To
Commissioners			
1 st District	Warren Peschl	January 2017	January 2021
2 nd District	Ed Popp	January 2019	January 2023
3 rd District	Steve Heinen	January 2019	January 2023
4 th District	Spencer Buerkle	January 2017	January 2021
5 th District	Allen (Jake) Bauerly*	January 2017	January 2021
Officers			
<u>Elected</u>			
Attorney	Philip Miller	January 2019	January 2023
Auditor-Treasurer	Nadean Inman	January 2019	January 2023
Sheriff	Troy Heck	January 2019	January 2023
<u>Appointed</u>			
Administrator	Montgomery Headley	Indefinite	
Land Services Director/Assessor	Michael K Harvey III	June 2018	January 2021
Courts Administrator	Cheri Woehler	Indefinite	
Highway Engineer	Christopher Byrd, P.E.	June 2016	May 2020
Human Services Director	Robert Cornelius	Indefinite	
Veterans Service Officer	George Fiedler	June 2016	May 2020
<u>Human Services Board</u>			
Vice-Chair	Warren Peschl	January 2017	January 2021
Member	Ed Popp	January 2019	January 2023
Chair	Spencer Buerkle	January 2017	January 2021
Member	Allen (Jake) Bauerly	January 2017	January 2021
Member	Steve Heinen	January 2019	January 2023

* Chair

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Benton County
Foley, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County (the County), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total OPEB liability, related ratios, and notes, schedule of the proportionate share of the net pension liability, schedule of contributions, and notes to the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

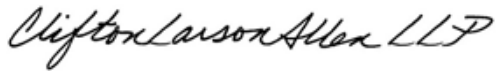
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benton County's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2020, on our consideration of Benton County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Benton County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Benton County's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Brainerd, Minnesota
August 4, 2020

REQUIRED SUPPLEMENTARY INFORMATION

**BENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

This section of Benton County's (County) annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended on December 31, 2019. The management's discussion and analysis (MD&A) is required supplementary information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34. Certain comparative information between the current year, 2019, and the prior year, 2018, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2018-2019 fiscal years include the following:

- ◆ Government-wide net position increased 2.5% from the prior year; this is primarily due to the decrease in long-term liabilities related to debt payoffs and a decrease in the net pension liability.
- ◆ Overall fund-level revenues totaled \$41,106,029 and were \$3,106,327 less than expenditures.
- ◆ The General Fund's fund balance decreased \$586,240 from the prior year, primarily due to transfers out of \$1 million to finance capital projects and equipment.

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 required supplementary information other than MD&A. The basic financial statements include two kinds of statements that present different views of the County:

- ◆ The first two statements are government-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 government-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.

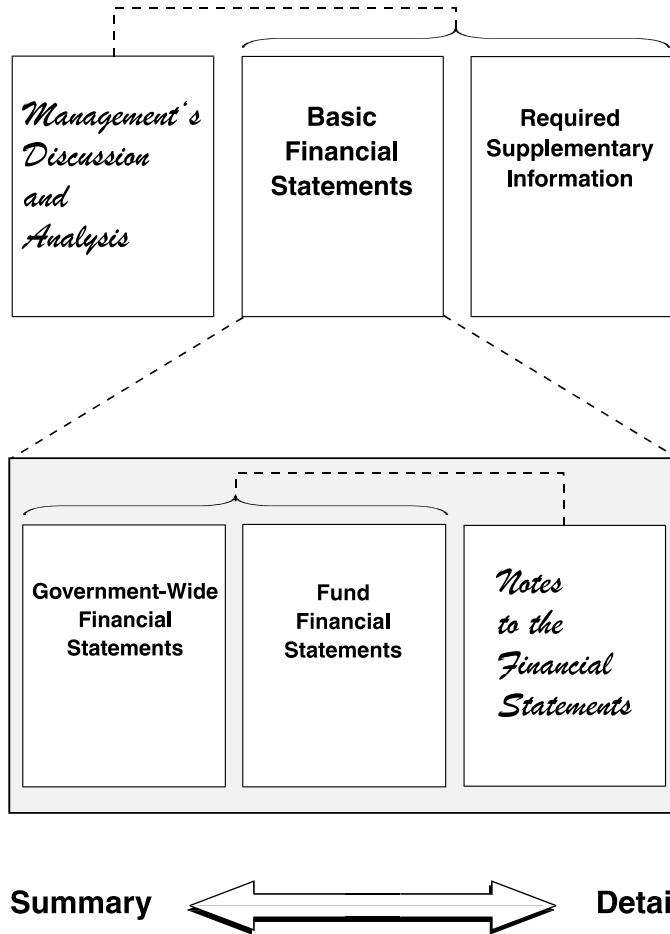
**BENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

**Figure A-1
Annual Report Format**



**BENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Figure A-2. Major Features of the County's Government-Wide and Fund Financial Statements				
Type of statements	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire County's government (except fiduciary funds).	The activities of the County that are not proprietary or fiduciary.	The activities of the County that operate similar to private businesses: internal service.	Instances in which the County is the trustee or agent for someone else's resources.
Required financial statements	Statement of net position.	Balance sheet.	Statement of net position.	Statement of fiduciary net position.
	Statement of activities.	Statement of revenues, expenditures, and changes in fund balances.	Statement of revenues, expenses, and change in net position and statement of cash flows.	Statement of changes in fiduciary net position.
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.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term.	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter, no capital assets included.	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term.	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short-term and long-term; agency funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-Wide Statements

The government-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 position includes all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. 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.

**BENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Statements (Continued)

The two government-wide statements report the County's net position and how it has changed. Net position – the difference between the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources – is one way to measure the County's financial health or position.

- ◆ Over time, increases or decreases in the County's net position 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 nonfinancial factors such as changes in the County's property tax base and the condition of County buildings and other facilities.
- ◆ 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 three 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 government-wide statements, we provide a reconciliation that explains the relationship (or differences) between them.
- ◆ Proprietary Fund – The County uses this fund to manage the self-insurance activities.
- ◆ 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 position. These activities are excluded from the government-wide financial statements because the County cannot use these assets to finance its operations.

**BENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

The County's net position was \$104,635,540 on December 31, 2019. (See Table A-1).

The increase in total net position was primarily due to a decrease long-term liabilities related to debt payoffs and a decrease in the net pension liability.

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

	Governmental Activities		Percent Change
	2019	2018	
Current and Other Assets	\$ 36,446,859	\$ 38,556,650	(5.5)%
Capital Assets	94,714,322	90,878,851	4.2
Total Assets	<u>131,161,181</u>	<u>129,435,501</u>	1.3
Deferred Outflows of Resources	2,862,647	4,685,849	(38.9)
Current Liabilities	3,879,723	4,024,241	(3.6)
Long-Term Liabilities	19,290,356	20,148,234	(4.3)
Total Liabilities	<u>23,170,079</u>	<u>24,172,475</u>	(4.1)
Deferred Inflows of Resources	<u>6,218,209</u>	<u>7,835,553</u>	(20.6)
Net Position:			
Net investment in Capital Assets	88,455,996	84,893,156	4.2
Restricted	9,847,066	8,404,886	17.2
Unrestricted	6,332,478	8,815,280	(28.2)
Total Net Position	<u><u>\$ 104,635,540</u></u>	<u><u>\$ 102,113,322</u></u>	2.5

**BENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Position

The government-wide total revenues were \$41,760,634 for the year ended December 31, 2019. Property taxes, wheelage taxes, and intergovernmental revenues accounted for 86.8% of total revenue for the year. Total revenues for 2019 decreased 3.1% from 2018, as charges for services decreased from the prior year. Total expenses decreased by 0.4% due to a decrease in highways and streets (see Table A-2).

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

	Governmental Activities		Total % Change
	2019	2018	
REVENUES			
<u>Program Revenues</u>			
Charges for Services	\$ 3,932,384	\$ 5,437,885	(27.7)%
Operating Grants and Contributions	12,213,774	13,436,016	(9.1)
Capital Grants and Contributions	677,538	472,535	43.4
<u>General Revenues</u>			
Property and Wheelage Taxes	20,462,017	20,272,960	0.9
Unrestricted State Aid	2,890,935	2,782,851	3.9
Investment Earnings	584,506	306,045	91.0
Other	999,480	371,624	168.9
Total Revenues	<u>41,760,634</u>	<u>43,079,916</u>	(3.1)
EXPENSES			
General Government	6,714,048	6,670,864	0.6
Public Safety	9,077,980	7,966,841	13.9
Highways and Streets	7,739,303	10,013,633	(22.7)
Human Services	12,500,295	11,591,845	7.8
Health	1,041,050	1,069,599	(2.7)
Culture and Recreation	581,494	592,533	(1.9)
Conservation of Natural Resources	1,016,014	927,970	9.5
Economic Development	431,735	419,331	3.0
Interest and Fiscal Charges on Long-Term Liabilities	136,497	149,968	(9.0)
Total Expenses	<u>39,238,416</u>	<u>39,402,584</u>	(0.4)
INCREASE IN NET POSITION	2,522,218	3,677,332	(31.4)
Net Position - Beginning of Year	102,113,322	98,513,029	3.7
Prior Period Adjustment	-	(77,039)	100.0
Net Position - Beginning of Year (as Restated)	<u>102,113,322</u>	<u>98,435,990</u>	3.7
NET POSITION - END OF YEAR	<u>\$ 104,635,540</u>	<u>\$ 102,113,322</u>	2.5

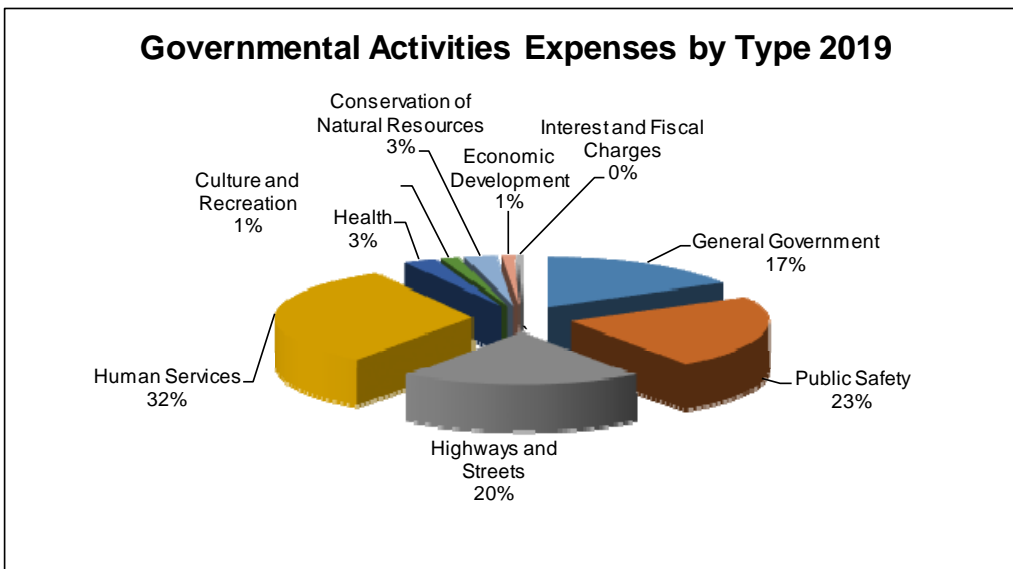
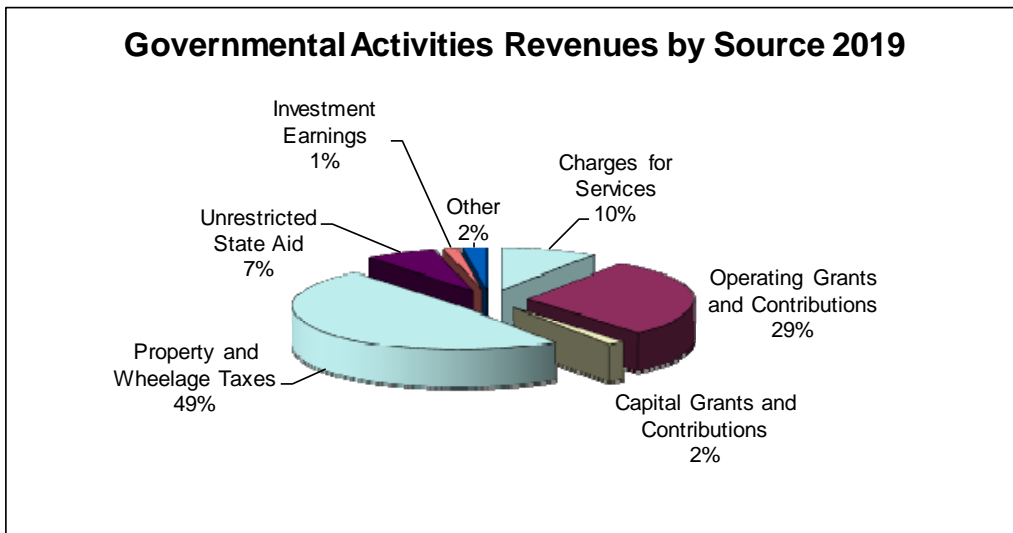
**BENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

The government-wide cost of all governmental activities this year was \$39,238,416.

- ◆ Some of the cost was paid by the users of the County's programs (\$3,932,384).
- ◆ The federal and state governments contributed to certain programs with grants and contributions (\$12,891,312).
- ◆ A significant portion of the County's remaining costs (\$22,414,720) were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$21,319,612 in property and other taxes, \$2,890,935 of state aid, and \$726,391 from investment earnings and other general revenues.



**BENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

Table A-3 presents the cost of each of the County's program functions, as well as each function's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

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

	Total Cost of Services		Percentage Change	Net (Revenue) Cost of Services		Percentage Change
	2019	2018		2019	2018	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 6,714,048	\$ 6,670,864	0.6 %	\$ 4,920,941	\$ 4,835,108	1.8 %
Public Safety	9,077,980	7,966,841	13.9	8,028,305	6,663,475	20.5
Highways and Streets	7,739,303	10,013,633	(22.7)	2,755,549	2,124,428	29.7
Human Services	12,500,295	11,591,845	7.8	5,181,528	4,756,666	8.9
Health	1,041,050	1,069,599	(2.7)	151,964	329,007	(53.8)
Culture and Recreation	581,494	592,533	(1.9)	391,936	463,213	(15.4)
Conservation of Natural Resources	1,016,014	927,970	9.5	430,070	330,396	30.2
Economic Development	431,735	419,331	3.0	417,930	403,887	3.5
Interest and Fiscal Charges on Long-Term Liabilities	136,497	149,968	(9.0)	136,497	149,968	(9.0)
Total	<u>\$ 39,238,416</u>	<u>\$ 39,402,584</u>	(0.4)	<u>\$ 22,414,720</u>	<u>\$ 20,056,148</u>	11.8

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 \$31,231,906.

Revenues for the County's governmental funds were \$41,106,029, while total expenditures were \$44,212,356. The associated decrease of \$3,106,327 resulted from expenditures being higher than revenues and 2019 revenues decreasing from 2018 revenues.

General Fund

The General Fund includes the primary operations of the County in providing services to citizens. The year-ending fund balance in the General Fund decreased by \$586,240 from 2018, due primarily due to transfers out of \$1 million to finance capital projects and equipment.

Road and Bridge Fund

The Road and Bridge Fund accounts for financial activity related to the construction and maintenance of the County road system, including County state-aid highways and County roads. The fund balance in the Road and Bridge Fund decreased by \$1,320,320 (excluding the adjustment for change in inventory) from 2018, due primarily to a decrease in intergovernmental revenue and charges for services.

**BENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

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

Human Services Fund

The Human Services Fund accounts for financial activity related to the provision of social services, medical and financial assistance, and public health. The fund balance in the Human Services Fund increased by \$344,764 from 2018. This increase can be attributed primarily to more than expected intergovernmental revenues and less expenditures than budgeted.

Miscellaneous Special Revenue Fund

The Miscellaneous Special Revenue Fund accounts for the financial activity related to a number of smaller activities, including solid waste management, E-911 surcharge funds, natural resources block grants, and park dedication fees. The fund balance in the Miscellaneous Fund increased by \$65,258 from 2018. This increase can be attributed primarily to additional intergovernmental revenue received during 2019.

Debt Service Fund

The Debt Service Fund accounts for principal, interest, and fiscal agent fees associated with the County's outstanding debt, including general obligation debt. The fund balance in the Debt Service Fund increased by \$73,153 in 2019 from 2018. This increase is attributed to increased tax revenue in excess of scheduled principal debt service payments.

Capital Projects Fund

The Capital Projects Fund accounts for the financing of multi-year capital projects, including those funded with Capital Improvement Plan bonds, property tax, and sales tax revenues. The fund balance decrease of \$1,164,801 was due to a \$3 million transfer out for project expenditures.

The following schedule presents a summary of General Fund revenues:

**Table A-4
General Fund Revenues**

	Year Ended		Change	
	December 31, 2019	December 31, 2018	Increase (Decrease)	Percent
Taxes	\$ 11,771,175	\$ 11,889,765	\$ (118,590)	(1.0)%
Intergovernmental	2,072,838	2,130,463	(57,625)	(2.7)
Charges for Services	1,590,548	1,799,407	(208,859)	(11.6)
Investment Earnings	575,864	290,070	285,794	98.5
Miscellaneous and Other	534,344	589,117	(54,773)	(9.3)
Total General Fund Revenues	<u>\$ 16,544,769</u>	<u>\$ 16,698,822</u>	<u>\$ (154,053)</u>	<u>(0.9)</u>

Total General Fund revenue decreased by \$154,053, or 0.9%, from 2018. This decrease was due primarily to decreased taxes and charges for services revenue which was offset with an increase in investment earnings.

**BENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

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

The following schedule presents a summary of General Fund expenditures:

**Table A-5
General Fund Expenditures**

	Year Ended		Change	
	December 31, 2019	December 31, 2018	Increase (Decrease)	Percent
General Government	\$ 6,236,382	\$ 6,257,608	\$ (21,226)	(0.3)%
Public Safety	8,470,489	8,257,188	213,301	2.6
Health	103,139	102,745	394	0.4
Culture and Recreation	556,153	571,689	(15,536)	(2.7)
Conservation of Natural Resources	423,845	420,819	3,026	0.7
Economic Development	338,753	339,486	(733)	(0.2)
Capital Outlay	32,441	29,226	3,215	11.0
Total Expenditures	<u>\$ 16,161,202</u>	<u>\$ 15,978,761</u>	<u>\$ 182,441</u>	1.1

Total General Fund expenditures increased by \$182,441, or 1.1%, from 2018 due primarily to increased public safety expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

- ◆ Actual revenues were \$130,574 more than budgeted. This favorable variance is due primarily to higher than expected investment earnings.
- ◆ Actual expenditures were \$262,343 less than budgeted due to general government unspent budgets.

CONSTRUCTION PROJECTS AND DEBT SERVICE

The Capital Projects Fund accounts for the use of bond proceeds, State County Program Aid, and other resources to finance the purchase or improvement of capital assets. Activity during 2019 was related to building improvements and infrastructure projects.

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

**BENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

CAPITAL ASSETS

By the end of 2019, the County had invested over \$181 million (before depreciation) in a broad range of capital assets, including buildings, computers, equipment, and infrastructure (see Table A-6). (More detailed information about capital assets can be found in Note 3.A to the financial statements.) Total depreciation expense for the year was \$4,951,190.

**Table A-6
Capital Assets**

	Governmental Activities		Percent Change
	2019	2018	
Land	\$ 2,346,666	\$ 2,346,666	-
Right-of-Way	16,086,682	15,696,982	2.5
Construction-in-Progress	3,238,215	7,253,684	(55.4)
Infrastructure	128,219,712	117,266,142	9.3
Land Improvements	364,356	364,356	-
Buildings	19,620,743	18,796,056	4.4
Machinery, Vehicles, Furniture, and Equipment	11,836,988	11,578,928	2.2
Less: Accumulated Depreciation	(86,999,040)	(82,423,963)	5.6
Total	<u>\$ 94,714,322</u>	<u>\$ 90,878,851</u>	4.2

LONG-TERM LIABILITIES

At year-end, the County had \$20,421,391 in long-term liabilities outstanding.

- ◆ The County's total long-term liabilities decreased \$965,168, mainly due to debt payoffs.

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

	2019	2018	Percent Change
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds	\$ 5,795,343	\$ 6,910,162	(16.1)%
Capital Lease	453,311	108,792	316.7
Compensated Absences	2,819,519	2,782,706	1.3
Net Pension Liability	10,300,029	10,471,476	(1.6)
Other Postemployment Health Care Benefits	1,053,189	1,113,423	(5.4)
Total	<u>\$ 20,421,391</u>	<u>\$ 21,386,559</u>	(4.5)

**BENTON COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

FACTORS BEARING ON THE COUNTY'S FUTURE

The COVID-19 pandemic has cast a cloud of uncertainty over County finances for the next 2-3 years. The County enters into this period with good but not excessive fund balances. While reserves can help the County sustain services in the short-term, it is unlikely the County can maintain current spending levels over a downturn lasting more than two years.

A May 2020 revenue forecast from the state of Minnesota for its current FY 20-21 biennium projects a \$2.4 billion deficit, a dramatic shift from only months earlier when the state estimated a \$4 billion surplus. This sudden worsening of state finances does not bode well for counties, who receive substantial resources from the state in both general aid and specific revenue, mostly for Human Services costs.

History has shown that when state finances are suffering, the state often balances its budget in part by reducing aid to counties and by shifting new costs to counties. One target for potential reductions could be the \$2.7 million in local government aid the County expects to receive in 2021. Known as County Program Aid, this general purpose aid has been the focus of reductions in past economic downturns. The nature and extent of cost shifts in Human Services are more difficult to predict, but given past state budget actions, cost shifts will most likely be a part of the State's budget plan.

Locally, the County expects property tax delinquencies to increase as businesses and individuals struggle with the economic effects of the pandemic. In the early stages of the pandemic, the County saw an immediate and substantial loss of inmate boarding revenue, as jail populations fell and other counties stopped needing additional jail space. Boarding revenues for 2020 could fall \$250,000 below the original 2020 estimate of \$375,000. With the pandemic not showing signs of easing, Jail populations will most likely stay far below normal levels well into 2021.

Against this backdrop of revenue uncertainty are expense pressures the County must address. The County's eight collective bargaining agreements include 2.5% general wage increases for 2021 and 2022. In addition, the County must fund annual step increases for employees who have not reached the top of the pay scale. Step increases average 3.2%. Employee health insurance always remains a concern too. The County transitioned to self-funded health insurance in 2018, and early results have been encouraging. Premium contributions increased just 2% in 2019, well below historical levels. Claims data in 2020 suggests the need for either no increase or a modest one for 2021.

One last factor having a potentially beneficial effect on County finances is the federal CARES act funding for pandemic relief. The County is exploring how to best utilize those resources by the December 2020 deadline. If a significant portion of the CARES funding can be retained inside the County, short-term revenue losses could be offset. The County is sensitive to the needs of businesses and individuals affected by the pandemic and may choose to allocate much of its CARES funding externally. In any event, CARES funding is one-time and can only help stabilize County finances in the short-term.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Montgomery Headley, County Administrator, at (320) 968-5001.

BASIC FINANCIAL STATEMENTS

**BENTON COUNTY
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	<u>Governmental Activities</u>
ASSETS	
Cash and Pooled Investments	\$ 31,646,340
Petty Cash and Change Funds	2,800
Taxes Receivable:	
Delinquent	462,769
Special Assessments Receivable:	
Delinquent	7,200
Noncurrent	369,700
Accounts Receivable	299,519
Accrued Interest Receivable	31,240
Loans Receivable, Net of Allowance	345,607
Due from Other Governments	2,822,799
Inventories	284,474
Prepaid Items	174,411
Nondepreciable Capital Assets:	
Land	2,346,666
Right-of-Way	16,086,682
Construction-in-Progress	3,238,215
Depreciable Capital Assets:	
Building (Net)	10,172,395
Machinery, Vehicles, Furniture, and Equipment (Net)	4,953,106
Land Improvements (Net)	186,970
Infrastructure (Net)	<u>57,730,288</u>
Total Assets	131,161,181
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	2,825,250
Other Postemployment Benefits Payable Related	<u>37,397</u>
Total Deferred Outflows of Resources	2,862,647

See accompanying Notes to Financial Statements.

**BENTON COUNTY
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2019**

	Governmental Activities
LIABILITIES	
Accounts Payable	\$ 1,055,886
Salaries Payable	550,924
Contracts Payable	563,163
Due to Other Governments	377,783
Accrued Interest Payable	71,078
Unearned Revenue	60,093
Compensated Absences Payable - Due in Less than One Year	140,976
Other Post Employment Benefits Payable - Due in Less than One Year	69,761
General Obligation Bonds Payable - Due in Less than One Year	895,000
Capital Leases Payable - Due in Less than One Year	95,059
Compensated Absences Payable - Due in More than One Year	2,678,543
Other Postemployment Benefits Payable - Due in More than One Year	1,053,189
General Obligation Bonds Payable - Due in More than One Year	4,900,343
Capital Leases Payable - Due in More than One Year	358,252
Net Pension Liability - Due in More than One Year	10,300,029
Total Liabilities	23,170,079
DEFERRED INFLOWS OF RESOURCES	
Pension Related	6,186,404
Other Postemployment Benefits Payable Related	31,805
Total Deferred Inflows of Resources	6,218,209
NET POSITION	
Net Investment in Capital Assets	88,455,996
Restricted for:	
General Government	188,548
Public Safety	403,821
Highways and Streets	762,339
Human Services	284,225
Culture and Recreation	79,828
Conservation of Natural Resources	4,620,447
Economic Development	755,176
Debt Service	2,752,682
Unrestricted	6,332,478
Total Net Position	\$ 104,635,540

See accompanying Notes to Financial Statements.

**BENTON COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense)
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES					Governmental Activities
General Government	\$ 6,714,048	\$ 1,629,122	\$ 163,985	\$ -	\$ (4,920,941)
Public Safety	9,077,980	530,688	518,987	-	(8,028,305)
Highways and Streets	7,739,303	1,086,248	3,597,957	299,549	(2,755,549)
Human Services	12,500,295	600,256	6,718,511	-	(5,181,528)
Health	1,041,050	7,297	881,789	-	(151,964)
Culture and Recreation	581,494	56,907	132,651	-	(391,936)
Conservation of Natural Resources	1,016,014	8,061	199,894	377,989	(430,070)
Economic Development	431,735	13,805	-	-	(417,930)
Interest	136,497	-	-	-	(136,497)
Total Governmental Activities	<u>\$ 39,238,416</u>	<u>\$ 3,932,384</u>	<u>\$ 12,213,774</u>	<u>\$ 677,538</u>	<u>(22,414,720)</u>
GENERAL REVENUES					
Property Taxes					19,668,932
Wheelage Taxes					793,085
Gravel Taxes					45,373
Mortgage Registry and Deed Tax					42,361
Payments in Lieu of Taxes					31,359
Sales Tax					517,052
Tax Abatement Payments Received					221,450
Grants and Contributions Not Restricted to Specific Programs					2,890,935
Unrestricted Investment Earnings					584,506
Miscellaneous					141,885
Total General Revenues					<u>24,936,938</u>
CHANGE IN NET POSITION					2,522,218
Net Position - Beginning of Year					<u>102,113,322</u>
NET POSITION - END OF YEAR					<u>\$ 104,635,540</u>

See accompanying Notes to Financial Statements.

**BENTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

ASSETS	General	Road and Bridge	Human Services	Miscellaneous
Cash and Pooled Investments	\$ 7,411,755	\$ 2,483,484	\$ 5,704,911	\$ 5,456,002
Petty Cash and Change Funds	2,800	-	-	-
Undistributed Cash in Agency Funds	146,217	18,385	40,238	2,377
Taxes Receivable:				
Delinquent	275,335	51,790	110,883	-
Special Assessments Receivable:				
Delinquent	-	-	-	7,200
Noncurrent	-	-	-	369,700
Accounts Receivable	53,375	700	83,979	14,303
Accrued Interest Receivable	31,240	-	-	-
Due from Other Funds	75,534	15,438	-	148
Due from Other Governments	88,415	809,180	1,443,088	16,627
Inventories	-	284,474	-	-
Prepaid Items	86,504	-	56,550	26,453
Loans Receivable, Net of Allowance	-	-	-	-
Advances to Other Funds	361,461	-	-	-
Total Assets	\$ 8,532,636	\$ 3,663,451	\$ 7,439,649	\$ 5,892,810
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 117,920	\$ 96,402	\$ 427,575	\$ 52,586
Salaries Payable	301,401	41,587	202,172	5,760
Contracts Payable	-	563,152	-	-
Due to Other Funds	18,461	21,868	13,078	8,468
Due to Other Governments	211,649	1,969	76,480	65,327
Unearned Revenue	-	-	11,411	48,682
Advance from Other Funds	-	-	-	-
Total Liabilities	649,431	724,978	730,716	180,823
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue	275,335	814,129	160,933	376,900
FUND BALANCES				
Nonspendable	447,965	284,474	56,550	26,453
Restricted	-	-	234,175	4,708,208
Committed	-	-	-	600,426
Assigned	-	1,839,870	6,257,275	-
Unassigned	7,159,905	-	-	-
Total Fund Balances	7,607,870	2,124,344	6,548,000	5,335,087
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,532,636	\$ 3,663,451	\$ 7,439,649	\$ 5,892,810

See accompanying Notes to Financial Statements.

**BENTON COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2019**

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 2,791,473	\$ 6,230,553	\$ 598,546	\$ 30,676,724
-	-	-	2,800
9,147	642	-	217,006
24,640	121	-	462,769
-	-	-	7,200
-	-	-	369,700
-	-	-	152,357
-	-	-	31,240
-	11,343	21,868	124,331
-	462,051	-	2,819,361
-	-	-	284,474
-	4,904	-	174,411
-	-	345,607	345,607
-	-	-	361,461
<u>\$ 2,825,260</u>	<u>\$ 6,709,614</u>	<u>\$ 966,021</u>	<u>\$ 36,029,441</u>
\$ 1,500	\$ 38,661	\$ 20,433	\$ 755,077
-	-	-	550,920
-	-	-	563,152
-	-	62,456	124,331
-	22,358	-	377,783
-	-	-	60,093
-	-	361,461	361,461
1,500	61,019	444,350	2,792,817
24,640	121	352,660	2,004,718
-	4,904	-	820,346
2,799,120	553,480	610,053	8,905,036
-	6,090,090	-	6,690,516
-	-	-	8,097,145
-	-	(441,042)	6,718,863
<u>2,799,120</u>	<u>6,648,474</u>	<u>169,011</u>	<u>31,231,906</u>
<u>\$ 2,825,260</u>	<u>\$ 6,709,614</u>	<u>\$ 966,021</u>	<u>\$ 36,029,441</u>

See accompanying Notes to Financial Statements.

**BENTON COUNTY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS \$ 31,231,906

Total net position reported for governmental activities in the statement of net position is different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 94,714,322

The County's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:

Net Pension Liability	\$ (10,300,029)	
Deferred Inflows of Resources - Pension Related	(6,186,404)	
Deferred Outflows of Resources - Pension Related	<u>2,825,250</u>	(13,661,183)

The County's Other Postemployment Benefit liability and related deferred outflows are recorded only on the statement of net position. Balances at year-end are:

Other Postemployment Benefits Liability	(1,122,950)	
Deferred Inflows of Resources - OPEB Related	(31,805)	
Deferred Outflows of Resources - OPEB Related	<u>37,397</u>	(1,117,358)

Other long-term assets, such as delinquent taxes, delinquent and noncurrent special assessments, and certain state-aid highway allotments, are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds. 2,004,718

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	(5,795,343)	
Capital Leases	(453,311)	
Compensated Absences	(2,819,519)	
Accrued Interest Payable	<u>(71,078)</u>	(9,139,251)

Internal service fund is used by the County to charge self-insurance services to individual funds. The assets, deferred outflows, liabilities and deferred inflows of the internal service fund are included in the governmental activities in the statement of net position. Internal service fund net position is: 602,386

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 104,635,540

BENTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019

	General	Road and Bridge	Human Services	Miscellaneous
REVENUES				
Taxes	\$ 11,771,175	\$ 2,311,470	\$ 4,798,570	\$ -
Sales Tax	-	-	-	-
Special Assessments	-	-	-	370,652
Licenses and Permits	331,925	44,250	-	38,210
Intergovernmental	2,072,838	3,355,131	8,173,173	460,451
Charges for Services	1,590,548	960,732	432,316	115,903
Fines and Forfeits	12,968	-	-	26,514
Gifts and Contributions	1,453	-	900	7,260
Investment Earnings	575,864	-	827	112
Miscellaneous	187,998	87,396	183,109	88,539
Total Revenues	<u>16,544,769</u>	<u>6,758,979</u>	<u>13,588,895</u>	<u>1,107,641</u>
EXPENDITURES				
Current:				
General Government	6,236,382	-	-	535,501
Public Safety	8,470,489	-	-	142,180
Highways and Streets	-	11,191,151	-	-
Human Services	-	-	12,366,898	-
Health	103,139	-	1,076,267	-
Culture and Recreation	556,153	-	-	3,900
Conservation of Natural Resources	423,845	-	-	510,768
Economic Development	338,753	-	-	-
Capital Outlay:				
General Government	26,747	-	-	-
Public Safety	5,694	-	-	-
Highways and Streets	-	-	-	-
Human Services	-	-	471,997	-
Health	-	-	57,218	-
Debt Service:				
Principal	-	-	-	-
Interest	-	-	-	-
Fiscal Charges	-	-	-	-
Total Expenditures	<u>16,161,202</u>	<u>11,191,151</u>	<u>13,972,380</u>	<u>1,192,349</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	383,567	(4,432,172)	(383,485)	(84,708)
OTHER FINANCING SOURCES (USES)				
Transfers In	33,585	3,112,852	359,541	193,551
Transfers Out	(1,003,392)	(1,000)	-	(43,585)
Proceeds from Capital Lease	-	-	368,708	-
Total Other Financing Sources (Uses)	<u>(969,807)</u>	<u>3,111,852</u>	<u>728,249</u>	<u>149,966</u>
NET CHANGE IN FUND BALANCES	(586,240)	(1,320,320)	344,764	65,258
Fund Balances - Beginning of Year	8,194,110	3,380,976	6,203,236	5,269,829
INCREASE (DECREASE) IN INVENTORIES	-	63,688	-	-
FUND BALANCES - END OF YEAR	<u>\$ 7,607,870</u>	<u>\$ 2,124,344</u>	<u>\$ 6,548,000</u>	<u>\$ 5,335,087</u>

See accompanying Notes to Financial Statements.

BENTON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 925,452	\$ 700,936	\$ -	\$ 20,507,603
-	517,052	-	517,052
-	-	6,547	377,199
-	-	-	414,385
411,916	476,192	-	14,949,701
-	-	-	3,099,499
-	-	-	39,482
-	200	-	9,813
-	8,530	-	585,333
-	10,800	48,120	605,962
<u>1,337,368</u>	<u>1,713,710</u>	<u>54,667</u>	<u>41,106,029</u>
-	34,814	44,423	6,851,120
-	-	-	8,612,669
-	-	-	11,191,151
-	-	-	12,366,898
-	-	-	1,179,406
-	-	-	560,053
-	-	52,858	987,471
-	-	208	338,961
-	-	-	26,747
-	146,303	-	151,997
-	152,453	-	152,453
-	-	-	471,997
-	-	-	57,218
1,075,000	-	-	1,075,000
186,715	-	-	186,715
2,500	-	-	2,500
<u>1,264,215</u>	<u>333,570</u>	<u>97,489</u>	<u>44,212,356</u>
73,153	1,380,140	(42,822)	(3,106,327)
-	465,000	-	4,164,529
-	(3,009,941)	(106,611)	(4,164,529)
-	-	-	368,708
<u>-</u>	<u>(2,544,941)</u>	<u>(106,611)</u>	<u>368,708</u>
73,153	(1,164,801)	(149,433)	(2,737,619)
2,725,967	7,813,275	318,444	33,905,837
-	-	-	63,688
<u>\$ 2,799,120</u>	<u>\$ 6,648,474</u>	<u>\$ 169,011</u>	<u>\$ 31,231,906</u>

See accompanying Notes to Financial Statements.

BENTON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (2,737,619)

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

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

Expenditures for General Capital Assets, Infrastructure, and Other		
Related Capital Asset Adjustments	\$ 8,848,543	
Net Book Value of Capital Assets Disposed	(61,882)	
Current Year Depreciation	<u>(4,951,190)</u>	3,835,471

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

Deferred Inflows of Resources - December 31	2,004,718	
Deferred Inflows of Resources - January 1	<u>(1,288,001)</u>	716,717

Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources.

(15,007)

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

Principal Repayments:		
General Obligation Bonds		1,075,000

Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.

Capital Lease Proceeds	(368,708)	
Principal Payments for Capital Leases	<u>24,189</u>	(344,519)

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	13,438	
Amortization of Discounts/Premiums	39,819	
Change in Compensated Absences	(36,813)	
Change in Net Other Postemployment Benefits	(9,527)	
Change in Inventories	63,688	
Change in Deferred Outflows of Resources - Other Postemployment Benefits	12,401	
Change in Deferred Inflows of Resources - Other Postemployment Benefits	<u>(31,805)</u>	51,201

The net revenues of the internal service fund is reported with governmental activities. (59,026)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 2,522,218

BENTON COUNTY
STATEMENT OF NET POSITION – INTERNAL SERVICE FUND
YEAR ENDED DECEMBER 31, 2019

	<u>Self-Insurance</u>
ASSETS	
Cash and Cash Equivalents	\$ 752,610
Accounts Receivable	147,162
Due From Other Governments	<u>3,438</u>
Total Assets	903,210
LIABILITIES	
Claims Payable	<u>300,824</u>
NET POSITION	
Unrestricted	<u><u>\$ 602,386</u></u>

See accompanying Notes to Financial Statements.

BENTON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
– INTERNAL SERVICE FUND
YEAR ENDED DECEMBER 31, 2019

	<u>Self-Insurance</u>
OPERATING REVENUES	
Premiums	\$ 2,900,581
Miscellaneous	1,244,075
Total Operating Revenues	4,144,656
OPERATING EXPENSES	
Administrative and Fiscal Services	608,513
Claims Paid	3,595,169
Total Operating Expenses	4,203,682
CHANGE IN NET POSITION	(59,026)
Net Position - Beginning of Year	661,412
NET POSITION - END OF YEAR	\$ 602,386

See accompanying Notes to Financial Statements.

BENTON COUNTY
STATEMENT OF CASH FLOWS – INTERNAL SERVICE FUND
YEAR ENDED DECEMBER 31, 2019

	<u>Self-Insurance</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Internal Services Provided	\$ 4,362,928
Payments to Suppliers	(683,210)
Payments for Claims	(3,595,169)
Net Cash Provided by Operating Activities	84,549
NET INCREASE IN CASH AND CASH EQUIVALENTS	84,549
Cash and Cash Equivalents - Beginning of Year	668,061
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 752,610
 RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Loss	\$ (59,026)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Decrease in Accounts Receivable	221,710
Increase in Due from Other Governments	(3,438)
Decrease in Claims Payable	(74,697)
Net Cash Provided by Operating Activities	\$ 84,549

See accompanying Notes to Financial Statements.

**BENTON COUNTY
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2019**

ASSETS

Cash and Pooled Investments	\$ 1,239,250
Due from Other Governments	<u>490,182</u>
Total Assets	<u><u>\$ 1,729,432</u></u>

LIABILITIES

Due to Other Governments	\$ 1,611,654
Funds Held in Trust	<u>117,778</u>
Total Liabilities	<u><u>\$ 1,729,432</u></u>

See accompanying Notes to Financial Statements.

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Benton County’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for the year ended December 31, 2019. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Blended Component Units

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

<u>Component Unit</u>	<u>Component Unit Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Housing and Redevelopment Authority of Benton County (HRA)	County Commissioners are the Members of the HRA Board	Separate Financial Statements are not Prepared
Benton County Economic Development Authority (EDA)	County Commissioners are the Members of the EDA Board	Separate Financial Statements are not Prepared

Joint Ventures

The County participates in several joint ventures which are described in Note 9.

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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 position 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 position, 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 position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

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. Proprietary Fund Statements

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investments earnings, result from nonexchange transactions or incidental activities.

3. Fund Financial Statements

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

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

3. 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 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. Property taxes and intergovernmental revenues are the primary funds committed for these projects.

The Human Services Special Revenue Fund is used to account for public health, economic assistance, and community social services programs. These programs are funded primarily by property taxes, committed through the board approved levy, and intergovernmental revenues.

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

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, which are financed by property tax revenue restricted through bond documents.

The Capital Projects Fund is used to account for financial resources to be used for capital acquisition, construction, or improvement of capital facilities. Financing is provided by bonds issued by the County, state aid, and levy dollars.

The County reports the following internal service fund:

Self-Insurance Internal Service Fund – is used to account for the County's self-insured insurance program. Financing is provided by charges to other County funds and individuals' insurance payments. The County's self-insurance program started in January 2018.

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

3. Fund Financial Statements (Continued)

Additionally, the County reports the following fund type:

Agency Funds are custodial in nature and do not present results of operations. 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, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

1. Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include cash on hand and all cash and investments with an original maturity of three months or less.

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, 2019, based on market prices. Investment earnings are allocated to the Miscellaneous Special Revenue Fund based on cash balances set aside for specific purposes within that fund. Pursuant to Minnesota Statutes §385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2019 were \$585,333.

Benton County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minnesota Statutes §471.59. The investment in the pool is measured at the net asset value per share provided by the pool.

3. Receivables and Payables

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

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

Loans receivable in the Economic Development Fund consist of operating loans to businesses and are offset by an allowance for doubtful accounts of \$7,053. The County develops an estimate of this allowance based on specific identification.

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.

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

3. Receivables and Payables (Continued)

Special assessments receivable consist of delinquent special assessments payable in the years 2014 through 2019, and noncurrent special assessments payable in 2019, and after. No provision has been made for an estimated uncollectible amount. Significant portions of special assessments receivable are not expected to be collected within one year due to the nature of the receivable.

4. Inventories

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

5. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. In the case of initial capitalization of infrastructure, the County retroactively implemented the reporting of this item when GASB Statement No. 34 was implemented. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for all capital assets, except for buildings, which use a threshold of \$25,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

6. Capital Assets (Continued)

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

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

7. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated paid-time-off (PTO) balances or vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The current portion is equal to 5% of the ending compensated absences balance based on historical trends. The noncurrent portion consists of the remaining amount of PTO or vacation and sick leave.

8. Deferred Outflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate section represents a consumption of net position that applies to a future period. The County will not recognize the related outflow until a future event occurs. More detailed information about pension related deferred outflows of resources can be found in Note 5 to the financial statements and more information about other postemployment benefit related deferred outflows of resources can be found in Note 7 to the financial statements.

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

9. Deferred Inflows of Resources

The County's financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund balance that applies to a future period. The County will not recognize the related revenue until a future event occurs. The County has three types of items. The first type of deferred inflows of resources occurs because governmental fund revenues are not recognized until available (collected not later than 90 days after the end of the County's year) under the modified accrual basis of accounting. The second type relates to pension liabilities as described in Note 5 to the financial statements. The third type relates to other postemployment benefits as described in Note 7 to the financial statements. These inflows arise only under the full accrual basis of accounting and consist of difference between expected and actual pension plan economic experience and also pension plan changes on proportionate share and, accordingly, are reported only in the statement of net position.

10. Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received but not yet earned.

11. Long-Term Obligations

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

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.

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

12. Other Postemployment Benefits Liability (OPEB Liability)

For the purposes of measuring the OPEB liability, deferred outflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the County's Retiree Benefits Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they were reported to the Plan. For this purpose, the Plan recognized benefit payments when due and payable in accordance with the benefit term.

13. Pension

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The pension liability is generally liquidated in the General Fund and applicable Special Revenue Funds.

14. Classification of Net Position

In the government-wide and proprietary fund financial statements, net position is classified as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets is the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets. Restricted net position is the amount of net position for which external restrictions of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is the amount of net position that does not meet the definition of restricted or net investment in capital assets.

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

15. Fund Equity

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance relate to prepaids, inventories, and long-term receivables, as applicable, which cannot be spent because they are not in spendable form. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the board of commissioners. The County Administrator is delegated to assign fund balances and their intended uses. Unassigned fund balance is the residual classification for the County's General Fund and includes all spendable amounts not contained in other classifications. Unassigned also includes deficit balances in other governmental funds.

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, it is the County's policy to use restricted first, and then unrestricted net position. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the County's policy to use committed first, then assigned, and finally unassigned amounts.

It is the County's policy that at the end of each fiscal year to maintain an unrestricted portion of the fund balance of no less than five months of operating expenditures in the General, Road and Bridge, and Human Services Funds.

16. 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 STEWARDSHIP, COMPLIANCE, ACCOUNTABILITY

A. Deficit Fund Balance

The Ditch Special Revenue Fund had a deficit fund balance of \$378,028 as of December 31, 2019. The Ditch Fund's deficit will be eliminated with future special assessment revenue. The following is a summary of the individual ditch systems:

One Ditch with Positive Fund Balances	\$	18,591
Four Ditches with Negative Fund Balances		(396,619)
Total		\$ (378,028)

The Boundary Commission Fund had a deficit fund balance of \$44,423 as of December 31, 2019. The Boundary Commission's deficit will be eliminated with future special assessments.

B. Excess of Expenditures over Budget

The following funds had expenditures in excess of budget at the departmental level for the year ended December 31, 2019:

Fund	Function	Expenditures	Budget	Excess
General	Current:			
	General Government:			
	Public Defender	\$ 161,199	\$ 147,000	\$ 14,199
	Auditor-Treasurer	581,947	572,040	9,907
	Recorder	199,170	198,871	299
	Public Safety			
	Probation	742,620	687,356	55,264
	Capital Outlay			
	Public Safety	5,694	-	5,694
Special Revenue Funds				
Human Services	Current			
	Human Services			
	Income Maintenance	3,912,251	3,877,189	35,062
	Capital Outlay			
	Human Services	471,997	-	471,997
	Health	57,218	-	57,218

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

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

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

Government-Wide Statement of Net Position	
Governmental Activities:	
Cash and Pooled Investments	\$ 31,646,340
Petty Cash and Change Funds	2,800
Statement of Fiduciary Net Position	
Cash and Pooled Investments	1,239,250
Total Cash and Investments	\$ 32,888,390

a. Deposits

Minnesota Statutes §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minnesota Statutes §118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least 10% more than the amount on deposit plus accrued interest at the close of the financial institution’s banking day, not covered by insurance or bonds.

Authorized collateral includes: U.S. government treasury bills, notes, or bonds; issues of U.S. government agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standby letters of credit issued by a Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the County’s deposits may not be returned to it. It is the County’s policy to obtain collateral or bonds for all uninsured amounts on deposit, and to obtain necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2019, none of the County’s deposits were exposed to custodial credit risk.

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments

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

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

Interest Rate Risk

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a national recognized statistical rating organization. It is the County's policy to invest only in securities that meet the rating requirements set by state statute.

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. It is the County's policy to have all of its investments that are held by brokers covered 100% by SIPC.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. The County places a limit on investing to no more than 25% of total County investments in one type of security.

The following table presents the County's deposit and investment balances at December 31, 2019, and information relating to potential investment risks:

	Credit Risk		Concentration	Interest	Carrying (Fair) Value
	Credit Rating	Rating Agency	Risk Over 5 Percent of Portfolio	Rate Risk Maturity Date	
Negotiable Certificates of Deposit	N/R	N/A	32.2%*	N/A	\$ 7,374,946
U.S. Government Agency Securities: Federal National Mortgage Association	AA+	S&P	<5.0%	10/30/2023	793,434
Investment Pools/Mutual Funds: MAGIC Fund	N/R	N/A	64.4%*	N/A	14,748,588
Total Investments					22,916,968
Deposits					9,968,622
Petty Cash					2,800
Total Deposits and Investments					<u>\$ 32,888,390</u>

N/A - Not Applicable

N/R - Not Rated

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

* No individual issuer in excess of 5%

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

c. Fair Value Measure

The County uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The County follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the County has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial asset and liabilities are valued using inputs that are adjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

c. Fair Value Measure (Continued)

Assets measured at fair value on a recurring basis:

<u>Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments by Fair Market Value:				
Federal National Mortgage Association	\$ -	\$ 793,434	\$ -	\$ 793,434
Negotiable Certificates of Deposit	-	7,374,946	-	7,374,946
Total Investments at Fair Market Value	<u>\$ -</u>	<u>\$ 8,168,380</u>	<u>\$ -</u>	<u>8,168,380</u>
Investments Measured at Amortized Cost:				
MAGIC Fund:				14,748,588
	Deposits			9,968,622
	Petty Cash			2,800
	Total Deposits and Investments			<u>\$ 32,888,390</u>

The County invests in the MAGIC Fund external local government investment pool which is quoted at a net asset value (NAV). The County invests in this pool for the purpose of the joint investment of the County's money with those other counties to enhance the investment earnings accruing to each member. The MAGIC portfolio is valued using amortized cost. Shares of the MAGIC portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a portfolio's securities or determination of its net asset value not reasonably practical.

2. Loans Receivable

Loans receivable is reported at \$345,607; of this amount, \$334,907 is expected to be collected in more than one year.

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 2,346,666	\$ -	\$ -	\$ 2,346,666
Infrastructure, Right-of-Way	15,696,982	389,700	-	16,086,682
Construction-in-Progress	7,253,684	6,938,101	10,953,570	3,238,215
Total Capital Assets, not being Depreciated	25,297,332	7,327,801	10,953,570	21,671,563
Capital Assets being Depreciated:				
Buildings	18,796,056	824,687	-	19,620,743
Land Improvements	364,356	-	-	364,356
Machinery, Vehicles, Furniture and Equipment	11,578,928	696,055	437,995	11,836,988
Infrastructure	117,266,142	10,953,570	-	128,219,712
Total Capital Assets being Depreciated	148,005,482	12,474,312	437,995	160,041,799
Less Accumulated Depreciation for:				
Buildings	9,041,245	407,103	-	9,448,348
Land Improvements	162,597	14,789	-	177,386
Machinery, Vehicles, Furniture and Equipment	6,534,819	725,176	376,113	6,883,882
Infrastructure	66,685,302	3,804,122	-	70,489,424
Total Accumulated Depreciation	82,423,963	4,951,190	376,113	86,999,040
Total Capital Assets, Depreciated, Net	65,581,519	7,523,122	61,882	73,042,759
Governmental Activities Capital Assets, Net	\$ 90,878,851	\$ 14,850,923	\$ 11,015,452	\$ 94,714,322

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

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

Governmental Activities:	
General Government	\$ 180,709
Public Safety	533,812
Highway and Streets	4,142,365
Human Services	85,987
Culture and Recreation	8,317
Total	<u>\$ 4,951,190</u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2019 is as follows:

2. Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Human Services Fund	\$ 13,078
	Ditch	26,187
	Boundary Commission	36,269
Total Due to General Fund		<u>75,534</u>
Road and Bridge Fund	General Fund	6,970
	Miscellaneous Fund	8,468
Total Due to Road and Bridge Fund		<u>15,438</u>
Miscellaneous Fund	General Fund	148
Capital Projects Fund	General Fund	11,343
Ditch Fund	Road and Bridge Fund	21,868
Total		<u>\$ 124,331</u>

The due from other funds above relate to: (1) payment of legal fees from the Human Services Fund; (2) to eliminate negative pooled cash from the Ditch Fund and Boundary Commission Fund; (3) payment for fuel and highway clean-up for the Road and Bridge Fund, (4) ditch assessment for the Ditch Fund.

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2019 consisted of the following:

Interfund Transfer	Amount	Description
Transfer to General Fund from:		
Miscellaneous Fund	\$ 4,650	To cover Assessor's web costs.
Miscellaneous Fund	3,418	To transfer year-end excess funding from the Sheriff Department drug, alcohol, and DWI investigations to General Fund.
Miscellaneous Fund	25,517	From permit to carry account to cover administration expenditures.
	<u>33,585</u>	
Transfer to Road and Bridge Fund from:		
Capital Projects Fund	3,006,241	For 2019 spending on local road projects.
Ditch Fund	106,611	To reimburse for ditch cleaning.
	<u>3,112,852</u>	
Transfer to Miscellaneous Fund from:		
General Fund	113,934	To record 2019 budgeted transfers.
General Fund	12,023	To transfers wetlands money.
General Fund	3,775	To adjust tax forfeited property settlement amount
General Fund	7,500	To restore the Sheriff contingency account to the required year-end balance.
General Fund	24,346	To restore the balance in the county attorney's contingency account to the required year-end balance.
General Fund	2,853	To restore the balance in the county's suspense account to \$75,000.
General Fund	24,420	2019 Payment for Records and Dispatch System.
Road and Bridge Fund	1,000	To fund pictometry.
Capital Projects	3,700	To fund pictometry.
	<u>193,551</u>	
Transfer to Human Services Fund from		
General Fund	359,541	Fund EDMS expansion to social services.
Transfer to Capital Projects Fund from:		
General Fund	455,000	Budgeted for 2019 capital projects.
Miscellaneous Fund	10,000	Budgeted for 2019 capital projects.
	<u>465,000</u>	
General Fund		
Total	<u>\$ 4,164,529</u>	

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Deferred Inflows of Resources

Deferred inflows of resources in the governmental funds consist of special assessments, taxes, grant, and loan receivables that are not collected soon enough after year-end to pay liabilities of the current year. Deferred inflows at December 31, 2019 are summarized below by fund:

	Special Assessments	Delinquent Taxes	Grants	Loans	Total
Major Governmental Funds:					
General	\$ -	\$ 275,335	\$ -	\$ -	\$ 275,335
Road and Bridge	-	51,790	762,339	-	814,129
Human Services	-	110,883	50,050	-	160,933
Miscellaneous	376,900	-	-	-	376,900
Debt Service Fund	-	24,640	-	-	24,640
Capital Projects Fund	-	121	-	-	121
Total Major Governmental Funds	376,900	462,769	812,389	-	1,652,058
Other Governmental Funds	-	-	-	352,660	352,660
Deferred Inflows of Resources	<u>\$ 376,900</u>	<u>\$ 462,769</u>	<u>\$ 812,389</u>	<u>\$ 352,660</u>	<u>\$ 2,004,718</u>

D. Liabilities

1. Long-Term Debt

Governmental Activities

Types of Indebtedness	Maturity Date	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2019
2014A G.O. Tax Abatement Bonds	2030	\$190,000- \$390,000	2.50-3.50	\$ 4,500,000	\$ 3,065,000
2017A G.O. Refunding Bonds	2023	\$350,000- \$745,000	3.00	<u>3,590,000</u>	<u>2,525,000</u>
Total General Obligation Bonds				<u>\$ 8,090,000</u>	5,590,000
Add: Unamortized Bond Premium					<u>205,343</u>
Total General Obligation Bonds, Net					<u>\$ 5,795,343</u>

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Liabilities (Continued)

2. Debt Service Requirements

Debt service requirements at December 31, 2019 were as follows:

Governmental Activities

Year Ending December 31,	General Obligation Bonds	
	Principal	Interest
2020	\$ 895,000	\$ 157,163
2021	930,000	129,778
2022	965,000	101,363
2023	585,000	78,700
2024	255,000	67,006
2025-2029	1,570,000	205,413
2030	390,000	6,825
Total	<u>\$ 5,590,000</u>	<u>\$ 746,248</u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2019 was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
General Obligation Bonds	\$ 6,665,000	\$ -	\$ 1,075,000	\$ 5,590,000	\$ 895,000
Bond Premium	245,162	-	39,819	205,343	-
Total Bonds Payable	6,910,162	-	1,114,819	5,795,343	895,000
Capital Lease	108,792	368,708	24,189	453,311	95,059
Compensated Absences	2,782,706	2,859,908	2,823,095	2,819,519	140,976
Governmental Activity Long-Term Liabilities	<u>\$ 9,801,660</u>	<u>\$ 3,228,616</u>	<u>\$ 3,962,103</u>	<u>\$ 9,068,173</u>	<u>\$ 1,131,035</u>

Compensated absences are typically liquidated in the General Fund and applicable Special Revenue Funds. Bonds payable is liquidated in the Debt Service Fund. The capital lease is liquidated in the General Fund and Human Services Fund.

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Liabilities (Continued)

4. Capital Lease

The County has lease agreements with MailFinance, Neopost, and Marco for mailing machines and copiers that were entered into during 2018. The lease period for the MailFinance and Marco leases is five years and is four years for the Neopost lease. The County has two lease agreements with Eastgate for a building that was entered into during 2019. The lease period for the leases are five years. The historical cost of these leases is \$500,232 with \$46,439 of related accumulated depreciation.

Minimal annual principal and interest payments required to retire long-term debt are as follows:

Year Ending December 31	Capital Lease	
	Principal	Interest
2020	\$ 95,059	\$ 2,562
2021	97,717	1,660
2022	100,786	727
2023	81,653	81
2024	78,096	-
Total	<u>\$ 453,311</u>	<u>\$ 5,030</u>

5. Construction Commitments

The County has active construction projects as of December 31, 2019. The projects include the following:

Project Description	Spent-to-Date	Remaining Commitment
County Road Projects	<u>\$ 2,593,865</u>	<u>\$ 1,637,802</u>

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 FUND BALANCES

At December 31, 2019, portions of the County's fund balance are not available for appropriation due to legal restrictions (Restricted), County board action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General Fund	Road and Bridge Fund	Human Services Fund	Miscellaneous Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Funds
Nonspendable:								
Advances to Other Funds	\$ 361,461	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 361,461
Prepaid Items	86,504	-	56,550	26,453	-	4,904	-	174,411
Inventories	-	284,474	-	-	-	-	-	284,474
Total Nonspendable	447,965	284,474	56,550	26,453	-	4,904	-	820,346
Restricted:								
E-911	-	-	-	353,614	-	-	-	353,614
SCORE Grant	-	-	-	302,171	-	-	-	302,171
Outreach Grant	-	-	-	6,940	-	-	-	6,940
Aquatic Invasive Species Grant	-	-	-	149,239	-	-	-	149,239
Recorders' Equipment	-	-	-	188,549	-	-	-	188,549
Solid Waste Contingency	-	-	-	3,568,623	-	-	-	3,568,623
Forfeitures	-	-	-	24,572	-	-	-	24,572
Permit to Carry Guns	-	-	-	1,000	-	-	-	1,000
Electronic Home Monitoring Grant	-	-	-	24,635	-	-	-	24,635
Comprehensive Plan Update	-	-	-	9,037	-	-	-	9,037
Park Dedication Fees	-	-	-	79,828	-	-	-	79,828
Child Protection Grant	-	-	234,175	-	-	-	-	234,175
Gravel Pit Closure Costs	-	-	-	-	-	-	188,946	188,946
Economic Development Loan Program	-	-	-	-	-	-	402,516	402,516
Debt Service	-	-	-	-	2,799,120	-	-	2,799,120
Bonded Construction Projects	-	-	-	-	-	553,480	-	553,480
Ditch Repairs	-	-	-	-	-	-	18,591	18,591
Total Restricted	-	-	234,175	4,708,208	2,799,120	553,480	610,053	8,905,036
Committed:								
Attorney Contingent	-	-	-	5,000	-	-	-	5,000
Sheriff Contingent	-	-	-	12,500	-	-	-	12,500
Major Trial Expense	-	-	-	21,000	-	-	-	21,000
Motor Pool	-	-	-	10,335	-	-	-	10,335
K-9 Program	-	-	-	13,527	-	-	-	13,527
Jail Inmate Capital Expenditures	-	-	-	113,956	-	-	-	113,956
Juvenile Work Crew	-	-	-	2,545	-	-	-	2,545
Juvenile Diversion Program	-	-	-	21,603	-	-	-	21,603
Police Activities League	-	-	-	201	-	-	-	201
Emergency Management Donations	-	-	-	1,880	-	-	-	1,880
County Board Contingency	-	-	-	75,000	-	-	-	75,000
Elections Equipment	-	-	-	41,185	-	-	-	41,185
Technology	-	-	-	254,452	-	-	-	254,452
Other Items	-	-	-	27,242	-	-	-	27,242
Future Construction Projects	-	-	-	-	-	6,090,090	-	6,090,090
Total Committed	-	-	-	600,426	-	6,090,090	-	6,690,516
Assigned:								
Road and Bridge Operations	-	1,839,870	-	-	-	-	-	1,839,870
Health and Human Services Programs	-	-	6,257,275	-	-	-	-	6,257,275
Total Assigned	-	1,839,870	6,257,275	-	-	-	-	8,097,145
Unassigned								
	7,159,905	-	-	-	-	-	(441,042)	6,718,863
Total Fund Balances	\$ 7,607,870	\$ 2,124,344	\$ 6,548,000	\$ 5,335,087	\$ 2,799,120	\$ 6,648,474	\$ 169,011	\$ 31,231,906

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 DEFINED BENEFIT PENSION PLANS

A. Plan Description

The County participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax-qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan

All full-time and certain part-time employees are covered by defined benefit pension plans administered by PERA. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

3. Local Government Correctional Plan

The Correctional Plan was established for correctional officers serving in county and regional corrections facilities. Eligible participants must be responsible for the security, custody, and control of the facilities and their inmates.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1.0% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. Police and Fire Plan Benefits (Continued)

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1.0%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

3. Correctional Plan Benefits

Benefits for Correctional Plan members first hired after June 30, 2010, vest on a prorated basis from 50% after five years up to 100% after 10 years of credited service. The annuity accrual rate is 1.9% of average salary for each year of service in that plan. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 100% of the COLA announced by SSA, with a minimum increase of at least 1.0% and a maximum of 2.5%. If the plan's funding status declines to 85% or below for two consecutive years or 80% for one year, the maximum will be lowered from 2.5% to 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 and the County was required to contribute 7.50% for Coordinated Plan members. The County's contributions to the General Employees Fund for the year ended December 31, 2019 were \$811,974. The County's contributions were equal to the required contributions as set by state statute.

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions (Continued)

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.8% of pay to 11.3% and employers rates increased from 16.2% to 16.95% on January 1, 2019. The County's contributions to the Police and Fire Fund for the year ended December 31, 2019 were \$326,026. The County's contributions were equal to the required contributions as set by state statute.

3. Correctional Fund Contributions

Plan members were required to contribute 5.83% of their annual covered salary and the County was required to contribute 8.75% of pay for plan members in fiscal year 2019. The County's contributions to the Correctional Fund for the year ended December 31, 2019 were \$178,151. The County's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2019, the County reported a liability of \$8,304,222 for its proportionate share of the General Employees Fund's net pension liability. The County's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in 2019. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the County totaled \$258,155, for a total net pension liability of \$8,562,377 associated with the County. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2019, the County's proportionate share was 0.1502% which was a decrease of 0.0055% from its proportionate share measured as of June 30, 2018.

For the year ended December 31, 2019, the County recognized pension expense of \$864,303 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional \$19,333 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2019, the County reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 230,141	\$ -
Changes in Actuarial Assumptions	-	652,717
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	841,731
Changes in Proportion and Differences Between Agency Contributions and Proportionate Share of Contributions	-	358,371
Agency Contributions Subsequent to the Measurement Date	408,048	-
Total	<u>\$ 638,189</u>	<u>\$ 1,852,819</u>

\$408,048 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense Amount</u>
2020	\$ (621,062)
2021	(763,190)
2022	(251,809)
2023	13,383

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2019, the County reported a liability of \$1,865,181 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2019, the County's proportionate share was 0.1752% which was an increase of 0.0181% from its proportionate share measured as of June 30, 2018. The County also recognized \$23,562 for the year ended December 31, 2019, as revenue and an offsetting reduction of net pension liability for its proportionate share of the state of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the state of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90% funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2019 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July, 2048, whichever is earlier.

For the year ended December 31, 2019, the County recognized pension expense of \$259,281 for its proportionate share of the PEPFPs pension expense.

At December 31, 2019, the County reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 79,194	\$ 283,900
Changes in Actuarial Assumptions	1,547,804	2,094,026
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	388,473
Changes in Proportion and Differences Between Agency Contributions and Proportionate Share of Contributions	271,690	173,037
Agency Contributions Subsequent to the Measurement Date	173,073	-
Total	<u>\$ 2,071,761</u>	<u>\$ 2,939,436</u>

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

\$173,073 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to the pension will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense Amount</u>
2020	\$ (133,796)
2021	(252,646)
2022	(732,977)
2023	27,409
2024	51,262

3. Correctional Plan Pension Costs

At December 31, 2019, the County reported a liability of \$130,626 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2019, the County's proportionate share was 0.944% which was a decrease of 0.025% from its proportionate share measured as of June 30, 2018.

For the year ended December 31, 2019, the County recognized pension expense of \$232,353 for its proportionate share of the Correctional Plan's pension expense.

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs (Continued)

At December 31, 2019, the County reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to the Correctional Plan from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 4,803	\$ 21,357
Changes in Actuarial Assumptions	-	1,159,748
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	168,086
Changes in Proportion and Differences Between Agency Contributions and Proportionate Share of Contributions	17,540	44,958
Agency Contributions Subsequent to the Measurement Date	92,957	-
Total	<u>\$ 115,300</u>	<u>\$ 1,394,149</u>

\$92,957 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2020	\$ (714,913)
2021	(607,950)
2022	(50,211)
2023	1,268

E. Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2019, was \$1,375,270.

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

	<u>GERF</u>	<u>PEPFP</u>	<u>PECF</u>
Inflation	2.50% per Year	2.50% per Year	2.00% per Year
Active Member Payroll Growth	3.25% per Year	3.25% per Year	3.50% per Year
Investment Rate of Return	7.50%	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan, 1.0% per year for the Police and Fire Plan, and 2.0% per year for the Correctional Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. The five-year experience study for the Correctional Plan, prepared by a former actuary, was completed in 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study completed in 2016. Economic assumptions were updated in 2019 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changes prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

Correctional Fund

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5 %	5.10 %
International Equity	17.5	5.90
Private Markets	25.0	5.90
Fixed Income	20.0	0.75
Cash	2.0	-
Totals	<u>100.0 %</u>	

G. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund, the Police and Fire Fund, and the Correctional Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

H. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Description	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
County's Proportionate Share of GERF			
Net Pension Liability	\$ 13,651,693	\$ 8,304,222	\$ 3,888,821
County's Proportionate Share of PEPFP			
Net Pension Liability	4,076,939	1,865,181	36
County's Proportionate Share of PECF			
Net Pension Liability	1,392,219	130,626	(878,851)

I. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

NOTE 6 DEFINED CONTRIBUTION PLAN

Five County board members are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and 0.25% of the assets in each member's account annually.

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 DEFINED CONTRIBUTION PLANS (CONTINUED)

Total contributions made by the County during fiscal year 2019 were:

Contribution Amount		Contribution Rate		Required
Employee	Employer	Employee	Employer	Rates
\$ 8,297	\$ 8,297	5.0 %	5.0 %	5.0 %

NOTE 7 OPEB DISCLOSURE

The County provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. The County provides benefits for retirees as required by Minnesota Statutes §471.61 subdivision 2b. Active employees who retire from the County when eligible to receive a retirement benefit from PERA (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County’s health benefits program. Pursuant to the provisions of the plan, retirees are required to pay 100% of the total premium cost. As of January 1, 2019, there were 22 inactive employees receiving health benefits from the County’s health plan. The County has no active employees or inactive employees entitled to but not receiving benefits.

A. Funding Policy

The County’s OPEB plan is financed on a pay-as-you-go basis and currently has no assets that have been deposited into an irrevocable trust for future health benefits. Therefore, the actuarial value of assets is zero. Separate stand-alone financial statements are not issued for the plan.

B. Actuarial Methods and Assumptions

The County’s OPEB liability was measured as of January 1, 2019, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2018.

The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary	3.0%
Health Care Trend Rates	6.25% Decreasing to 5.00% Over 5 Years

Mortality rates were based on the RP-2014 white collar mortality tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel). The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience studies.

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 7 OPEB DISCLOSURE (CONTINUED)

B. Actuarial Methods and Assumptions (Continued)

The discount rate used to measure the total OPEB liability was 3.80%. The discount rate is equal to the 20-Year high quality, tax-exempt, general obligation municipal bonds as of the Measurement Date.

Since the most recent valuation, the following assumption changes have been made:

- The discount rate was changed from 3.30% to 3.80%.

C. Changes to Total OPEB Liability

	Total OPEB liability
Balance as of January 1, 2019	\$ 1,113,423
Changes for the Year:	
Service Cost	60,559
Interest	37,893
Assumption Changes	(37,106)
Benefit Payments	(51,819)
Net Change in Total OPEB Liability	9,527
Balance as of December 31, 2019	\$ 1,122,950

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (2.80%)	Discount Rate (3.80%)	1% Increase (4.80%)
Total OPEB Liability	\$ 1,210,202	\$ 1,122,950	\$ 1,042,418

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.25% decreasing to 4.00% over 5 years) or 1% higher (7.25% decreasing to 6.00% over 5 years) than the current healthcare costs trend rates:

	1% Decrease (5.25% Decreasing to 4.00% over 5 years)	Current Trend Rates (6.25% Decreasing to 5.00% over 5 years)	1% Increase (7.25% Decreasing to 6.00% over 5 years)
Medical Trend Rate			
Total OPEB Liability	\$ 1,011,044	\$ 1,122,950	\$ 1,254,803

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7 OPEB DISCLOSURE (CONTINUED)

C. Changes to Total OPEB Liability (Continued)

For the year ended December 31, 2019, the County recognized OPEB expense of \$93,151. At December 31, 2019, the County reported \$31,805 in deferred inflows of resources, and \$37,397 in deferred outflows of resources resulting from County contributions subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year ended December 31, 2020.

NOTE 8 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 Intergovernmental 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 \$500,000 per claim in 2019. 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.

On September 19, 2017, Benton County entered into a joint powers agreement with four counties (Lyon, Murray, Redwood, and Swift) and Southwest Health and Human Services to form the Minnesota Public Sector Collaborative to self-insure health insurance as of January 1, 2018. Currently, the County contracts with Preferred One to administer employee and dependent group health coverage. Claims are paid by Preferred One and reimbursed by the County on a weekly basis.

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 RISK MANAGEMENT (CONTINUED)

Premiums are paid into the Internal Service Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. The County has retained risk up to a \$50,000 specific excess coverage per contract claim per year (\$1,000,000 aggregate) for the health plan. Liabilities of the fund are reported when it is probable that the loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount, as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors.

Changes in the balance of claims liabilities during the past two years are as follows:

	Year Ended December 31,	
	2019	2018
Unpaid Claims, Beginning of Year	\$ 375,521	\$ -
Incurred Claims (including IBNR)	3,520,472	2,395,429
Claims Payments	(3,595,169)	(2,019,908)
Unpaid Claims, End of Year	\$ 300,824	\$ 375,521

NOTE 9 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

A. Joint Ventures

Career Solutions

Career Solutions was created for the purpose of undertaking, implementing, and maintaining the programs established under the Job Training Partnership Act of 1982 and other federal and state laws and regulations governing the establishment and implementation of programs within the areas governed by Stearns and Benton Counties. The Council is an organized joint venture having the duties, powers, and privileges granted joint powers by Minnesota Statutes §471.59. The Council is governed by a Joint Powers Board and a Workforce Development Council. The Joint Powers Board is composed of two commissioners each from Stearns and Benton Counties and one Workforce Development Council member. The Workforce Development Council is composed of 24 members from local business, industry, agriculture, labor organizations, public or private education, and community service groups. Included in the Joint Powers board's duties and powers is the authority to approve the Council's budget and enter into any necessary contracts or leases.

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

A. Joint Ventures (Continued)

Career Solutions (Continued)

Benton County pays a contractual amount through Human Services for its administrative costs, but the amounts contributed are considered immaterial. There is no accumulation of significant financial resources or fiscal stress related to this entity.

Complete financial information can be obtained from:

Minnesota Workforce Center
1540 Northway Drive
St. Cloud, MN 56303

Tri-County Solid Waste Commission

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

Each county's proportionate share of the net operating costs is based on the usage of the household hazardous waste facility and the solid waste picked up in each county. The County contributed \$31,987 during 2019. There is no accumulation of significant financial resources or fiscal stress related to this entity.

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
3601 5th Street South
Waite Park, MN 56387

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

A. Joint Ventures (Continued)

Central Minnesota Violent Offender Task Force

Benton, Morrison, Todd, Sherburne, and Stearns Counties and the Cities of Sartell, Sauk Rapids, Waite Park, St. Joseph, St. Cloud, and Little Falls have entered into a joint powers agreement to investigate, identify, and disrupt illegal drug and gang activity through multi-jurisdictional investigations in Central Minnesota. The Stearns County Sheriff's Office is the fiscal agent for the Central Minnesota Violent Offender Task Force. Members provide officers to the Task Force in lieu of appropriations. Benton County provided no funding to this organization in 2019. There is no accumulation of significant financial resources or fiscal stress related to this entity.

Control of the Task Force is vested in a board of directors. The members of the board shall be the Sheriff of each member county, a county attorney from a member county as the legal advisor to the Task Force, the chief of police for the Little Falls Police Department, the chief of police for the City of St. Cloud, and one representative among the chiefs of police from the Cities of Sartell, Sauk Rapids, Waite Park, and St. Joseph, who shall be selected annually by a majority vote of the chiefs of police.

Separate financial information can be obtained from:

St. Cloud Police Department
101 11th Avenue North, P.O. Box 1616
St. Cloud, MN 56303

Great River Regional Library

The Great River Regional Library operates under a joint powers agreement and according to the authority granted by Minnesota Statutes. The specific operating framework is set forth in a service agreement which has been entered into by each of the seven members. The membership consists of Benton, Morrison, Stearns, Wright, Sherburne, and Todd Counties. The board of directors consists of 15 people. The Benton County Board of Commissioners has one representative on the Library board. The County's 2019 contribution to the Great River Regional Library of \$544,084 is included in the expenditures of the General Fund. There is no accumulation of significant financial resources or fiscal stress related to this entity.

Separate financial information can be obtained from:

Great River Regional Library
1300 W. St. Germain Street
St. Cloud, MN 56301

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

A. Joint Ventures (Continued)

Central Minnesota Emergency Medical Services

The Central Minnesota Emergency Medical Services Region was established in 2001, under Minnesota Statutes §471.59, to improve access, delivery, and effectiveness of the emergency medical services system; promote systematic and cost-effective delivery of services; and identify and address system needs within the member counties. The member counties are Benton, Cass, Chisago, Crow Wing, Kanabec, Mille Lacs, Morrison, Pine, Sherburne, Stearns, Todd, Wadena, and Wright. The Region established a board comprising one commissioner from each county. The Region's board has financial responsibility, and Stearns County is the fiscal agent. The County had no contributions during 2019. There is no accumulation of significant financial resources or fiscal stress related to this entity.

Complete financial information can be obtained from:

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

St. Cloud Area Planning Organization

The St. Cloud Area Planning Organization was created to keep governmental units and the general public informed and advised on all matters relative to the transportation planning, programming, and funding. The Council is an organized joint venture having the duties, powers, and privileges granted joint powers by Minnesota Statutes §471.59. The joint venture is governed by a Policy board, which is comprised of 11 local government member jurisdictions, as well as representatives from the Central Minnesota Transportation Alliance and St. Cloud Metro Bus. The Policy Board is responsible for adopting regional transportation plans, projects, and policies. The Policy Board consists of 43 voting members, 36 of which are elected officials from cities, counties, and townships. During 2019, the County contributed \$6,798 to the St. Cloud Area Planning Organization. There is no accumulation of significant financial resources or fiscal stress related to this entity. Complete financial statements can be obtained from:

St. Cloud Area Planning Organization
1040 County Road #4
St. Cloud, MN 56303

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

A. Joint Ventures (Continued)

Elk River Watershed Association

The Elk River Watershed Association was created to coordinate actions related to common activities in Sherburne and Benton Counties comprehensive local water management plans within the Elk River Watershed. The Association is comprised of Benton and Sherburne Counties and Benton and Sherburne Soil and Water Conservation Districts, with each having one representative on the board of directors. During 2019, the County contributed \$7,500 to the Elk River Watershed Association. There is no accumulation of significant financial resources or fiscal stress related to this entity.

Separate financial information can be obtained from:

Sherburne County Soil and Water Conservation District
14855 Highway 10
Elk River, MN 55330

Central Minnesota Emergency Services Board

The Central Minnesota Regional Radio Board was established in 2007, under the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39. As of June 1, 2011, the Central Minnesota Regional Radio Board changed its name to the Central Minnesota Emergency Services board. Members include the City of St. Cloud and the counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Mille Lacs, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

The purpose of the Central Minnesota Emergency Services Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the state of Minnesota.

The Central Minnesota Emergency Services Board is composed of one commissioner of each county appointed by their respective County Board and one City Council Member from each city appointed by their respective City Council, as provided in the Central Minnesota Emergency Service board's by-laws.

In the event of dissolution of the Central Minnesota Emergency Services board, all property, assets, and funds of the board shall be distributed to the parties of the agreement upon termination in direct proportion to their participation and contribution. Any city or county that has withdrawn from the agreement prior to termination of the board shall share in the distribution of property, assets, and funds of the board only to the extent they shared in the original expense.

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

A. Joint Ventures (Continued)

Central Minnesota Emergency Services Board (Continued)

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2019, Benton County contributed \$5,623 to the board. There is no accumulation of significant financial resources or fiscal stress related to this entity.

Separate financial information can be obtained from:

Central Minnesota Emergency Services Board
City of St. Cloud
Office of the Mayor
City Hall
400 Second Street South
St. Cloud, MN 56301

Central Minnesota Economic Development 7w District

Central Minnesota Economic Development 7w District Board was established in 2018 pursuant to Minnesota Statutes, §§ 471.59 for the purpose of coordinating and implementing economic development activities within the district. The member counties are Benton, Sherburne, Stearns, and Wright.

The Central Minnesota Economic Development 7w District Board is composed of two directors from each county who is a party to the agreement and one additional director from the private sector, representing the business community.

If the Joint Powers Board is terminated by the federal EDA, then the Parties shall institute a wind down plan.

The County had no contributions during 2019. There is no accumulation of significant financial resources or fiscal stress related to this entity.

Complete financial information can be obtained from:

Central MN Jobs and Training
406 East 7th Street
P.O. Box 720
Monticello, MN 55362

BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

A. Joint Ventures (Continued)

Central Minnesota Home Visiting Coalition

Central Minnesota Home Visiting Coalition Board was established in 2019 pursuant to Minnesota Statutes, §§ 471.59 for the purpose of promoting public health including family health. The member counties are Benton, Sherburne, Stearns, and Wright.

The Central Minnesota Home Visiting Coalition Board is composed of one county board commissioner from each county who is a party to the agreement.

The County had no contributions during 2019. There is no accumulation of significant financial resources or fiscal stress related to this entity.

Complete financial information can be obtained from:

Central Minnesota Home Visiting Coalition
Sherburne County
13880 Business Center Drive, Suite 100
Elk River, MN 55330

B. Contingent Liabilities

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

During 2019, counties were notified by the Minnesota Department of Human Services (DHS) that DHS made errors in the calculation of Substance Use Disorder (SUD) for Institutes of Mental Disease (IMD) claims from January 2014 to June 2019. Based on these errors, DHS has requested counties repay \$8.8 million to DHS. The County's share of the \$8.8 million is \$74,316. Minnesota Counties have raised concerns over how the amount was calculated, the accuracy of the calculation and whether DHS has the legal/statutory authority to require the Counties to repay the amounts. The Association of Minnesota Counties (AMC) has recommended that the counties not repay any amounts until these concerns have been addressed, and after the conclusion of the 2020 Minnesota legislative session, in hopes that this matter is resolved by other means. Therefore, this \$74,316 has not been recorded as a liability by the county as of December 31, 2019.

**BENTON COUNTY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 10 TAX ABATEMENTS

The County has multiple pay-as-you-go tax increment financing districts with local businesses pursuant to Minn. Stat. §§ 469.174-1799; three to promote economic development, two to promote housing districts for low to moderate income, and one to promote redevelopment. The County is currently collecting tax increments that are paid through the property tax collection processes. The requirement for businesses to receive the excess tax increments from the County is to perform improvements on the owned property. The increment taxes are based on the increase of the property value after the improvements are made. There are six TIF Districts that exist within Benton County boundaries are listed below by city.

Purpose	Name	City	Percentage of Increment Collected to Be Returned	Decertification Date	Excess Tax Increment Paid During 2019
Economic Development	TIF District 20	Sauk Rapids	96 %	12/31/21	\$ 224,372
Economic Development	TIF District 21	Sauk Rapids	96	12/31/22	60,569
Economic Development	TIF District 1-9	Foley	94	12/31/25	60,693
Housing District for Low to Moderate Income	TIF District 1-8	Rice	99	12/31/38	26,704
Housing District for Low to Moderate Income	TIF District 1-8	Foley	32	12/31/39	2,615
Redevelopment	TIF District 23	Sauk Rapids	77	12/31/41	67,910

For the year ended December 31, 2019, the County paid excess tax increment in the amount of \$442,863. The County's tax revenues were reduced by \$302,779 during 2019. No other commitments were made by the County as part of these agreements.

NOTE 11 SUBSEQUENT EVENTS

Subsequent to year end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the County, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness and shortages of personnel. Management believes the County is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS**

BENTON COUNTY
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY, RELATED
RATIOS, AND NOTES
YEAR ENDED DECEMBER 31, 2019

	Measurement Date January 1, 2019	Measurement Date January 1, 2018
Total OPEB Liability		
Service Cost	\$ 60,559	\$ 64,133
Interest	37,893	36,202
Assumption Changes	(37,106)	-
Benefit Payments	(51,819)	(39,308)
Net Change in Total OPEB Liability	9,527	61,027
Total OPEB Liability - Beginning, as Restated	1,113,423	1,052,396
Total OPEB Liability - Ending	\$ 1,122,950	\$ 1,113,423
Covered Employee Payroll	\$ 13,393,190	\$ 13,003,097
County's OPEB Liability as a Percentage of Covered Employee Payroll	8 %	9 %

Note 1: The County implemented GASB Statement No. 75 in 2018. The above table will be expanded to 10 years of information as the information becomes available.

Note 2: No assets are accumulated in a trust.

BENTON COUNTY
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2019

PERA GENERAL EMPLOYEES RETIREMENT PLAN

Measurement Date	Employer's Portion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with Benton County	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.150 %	\$ 8,304,222	\$ 258,155	\$ 8,562,377	\$ 10,634,199	78.09 %	80.20 %
2018	0.156	8,637,598	283,316	8,920,914	10,463,459	82.55	79.53
2017	0.156	9,978,089	125,502	10,103,591	10,075,256	99.04	75.90
2016	0.160	13,169,836	171,984	13,341,820	10,791,851	122.04	68.91
2015	0.162	8,312,760	N/A	8,312,760	9,915,678	83.83	78.19

PERA PUBLIC EMPLOYEES POLICE AND FIRE

Measurement Date	Employer's Portion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.175 %	\$ 1,865,181	\$ 1,848,727	100.89 %	89.30 %
2018	0.157	1,674,524	1,655,660	101.14	88.84
2017	0.165	2,227,696	1,696,213	131.33	85.43
2016	0.172	6,902,659	1,654,186	417.28	63.80
2015	0.170	1,931,598	1,598,587	120.83	86.61

PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN

Measurement Date	Employer's Portion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.944 %	\$ 130,626	\$ 2,012,422	6.49 %	98.20 %
2018	0.969	159,354	1,975,745	8.07	97.64
2017	0.950	2,707,509	1,907,753	141.92	67.89
2016	1.020	3,726,203	1,922,086	193.86	58.16
2015	1.000	154,600	1,861,093	8.31	96.95

These schedules are intended to show information for 10 years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

See accompanying Notes to Required Supplementary Information.

**BENTON COUNTY
SCHEDULE OF COUNTY CONTRIBUTIONS
YEAR ENDED DECEMBER 31, 2019**

PERA GENERAL EMPLOYEES RETIREMENT PLAN

Year Ended	Statutorily Required Contributions	Actual Contributions in Relation to Statutorily Required Contributions	Contribution (Deficiency) Excess	Covered Payroll	Actual Contributions as a Percentage of Covered Payroll
2019	\$ 811,974	\$ 811,974	\$ -	\$ 10,826,321	7.50 %
2018	786,079	786,079	-	10,481,016	7.50
2017	774,408	774,408	-	10,307,154	7.50
2016	737,219	737,219	-	9,829,853	7.50
2015	743,589	743,589	-	9,914,920	7.50

PERA PUBLIC EMPLOYEES POLICE AND FIRE

Year Ended	Statutorily Required Contributions	Actual Contributions in Relation to Statutorily Required Contributions	Contribution (Deficiency) Excess	Covered Payroll	Actual Contributions as a Percentage of Covered Payroll
2019	\$ 326,025	\$ 326,025	\$ -	\$ 1,923,450	16.95 %
2018	287,332	287,332	-	1,773,654	16.20
2017	267,654	267,654	-	1,652,186	16.20
2016	267,195	267,195	-	1,649,353	16.20
2015	258,971	258,971	-	1,598,587	16.20

PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN

Year Ended	Statutorily Required Contributions	Actual Contributions in Relation to Statutorily Required Contributions	Contribution (Deficiency) Excess	Covered Payroll	Actual Contributions as a Percentage of Covered Payroll
2019	\$ 178,151	\$ 178,151	\$ -	\$ 2,036,011	8.75 %
2018	175,198	175,198	-	2,002,256	8.75
2017	166,535	166,535	-	1,907,018	8.75
2016	166,326	166,326	-	1,900,861	8.75
2015	163,494	163,494	-	1,868,503	8.75

These schedules are intended to show information for 10 years. Additional years will be displayed as they become available. The measurement date for each year is December 31.

See accompanying Notes to Required Supplementary Information.

**BENTON COUNTY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 11,748,349	\$ 11,748,349	\$ 11,771,175	\$ 22,826
Licenses and Permits	275,170	275,170	331,925	56,755
Intergovernmental	2,156,859	2,156,859	2,072,838	(84,021)
Charges for Services	1,844,437	1,844,437	1,590,548	(253,889)
Fines and Forfeits	12,700	12,700	12,968	268
Gifts and Contributions	1,000	1,000	1,453	453
Investment Earnings	150,000	150,000	575,864	425,864
Miscellaneous	225,680	225,680	187,998	(37,682)
Total Revenues	<u>16,414,195</u>	<u>16,414,195</u>	<u>16,544,769</u>	<u>130,574</u>
EXPENDITURES				
Current:				
General Government:				
Commissioners	298,385	298,385	282,556	15,829
Public Defender	147,000	147,000	161,199	(14,199)
Administration	662,971	662,971	633,133	29,838
Auditor-Treasurer	572,040	572,040	581,947	(9,907)
Assessor	551,354	551,354	551,315	39
Information Technology	825,005	825,005	808,301	16,704
Attorney	1,277,665	1,277,665	1,271,005	6,660
Recorder	198,871	198,871	199,170	(299)
Property Management	759,953	759,953	732,909	27,044
Veterans Service Officer	80,561	80,561	74,590	5,971
Other Outside Agencies	141,354	141,354	138,555	2,799
Other General Government	930,606	930,606	801,702	128,904
Total General Government	<u>6,445,765</u>	<u>6,445,765</u>	<u>6,236,382</u>	<u>209,383</u>
Public Safety:				
Sheriff	4,291,751	4,291,751	4,225,238	66,513
Emergency Management	95,293	95,293	94,572	721
Prisoner Custodial	3,424,666	3,424,666	3,408,059	16,607
Probation	687,356	687,356	742,620	(55,264)
Total Public Safety	<u>8,499,066</u>	<u>8,499,066</u>	<u>8,470,489</u>	<u>28,577</u>
Health:				
Groundwater Management	113,325	113,325	103,139	10,186

See accompanying Notes to Required Supplementary Information.

**BENTON COUNTY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
Current (Continued):				
Culture and Recreation:				
Historical Society	\$ 12,070	\$ 12,070	\$ 12,070	\$ -
Regional Library	544,083	544,083	544,083	-
Total Culture and Recreation	<u>556,153</u>	<u>556,153</u>	<u>556,153</u>	<u>-</u>
Conservation of Natural Resources:				
University of Minnesota Extension	228,947	228,947	224,345	4,602
Soil and Water Conservation	199,500	199,500	199,500	-
Total Conservation of Natural Resources	<u>428,447</u>	<u>428,447</u>	<u>423,845</u>	<u>4,602</u>
Economic Development:				
Economic Development	10,000	10,000	10,000	-
Department of Development	342,789	342,789	328,753	14,036
Total Economic Development	<u>352,789</u>	<u>352,789</u>	<u>338,753</u>	<u>14,036</u>
Capital Outlay:				
General Government	28,000	28,000	26,747	1,253
Public Safety	-	-	5,694	(5,694)
Total Capital Outlay	<u>28,000</u>	<u>28,000</u>	<u>32,441</u>	<u>(4,441)</u>
Total Expenditures	<u>16,423,545</u>	<u>16,423,545</u>	<u>16,161,202</u>	<u>262,343</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,350)	(9,350)	383,567	392,917
OTHER FINANCING SOURCES (USES)				
Transfers In	104,350	104,350	33,585	(70,765)
Transfers Out	(998,475)	(998,475)	(1,003,392)	(4,917)
Total Other Financing Sources (Uses)	<u>(894,125)</u>	<u>(894,125)</u>	<u>(969,807)</u>	<u>(75,682)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (903,475)</u>	<u>\$ (903,475)</u>	(586,240)	<u>\$ 317,235</u>
Fund Balance - Beginning of Year			<u>8,194,110</u>	
FUND BALANCE - END OF YEAR			<u>\$ 7,607,870</u>	

See accompanying Notes to Required Supplementary Information.

**BENTON COUNTY
BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE FUND
YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,293,974	\$ 2,293,974	\$ 2,311,470	\$ 17,496
Licenses and Permits	20,000	20,000	44,250	24,250
Intergovernmental	3,888,031	3,648,256	3,355,131	(293,125)
Charges for Services	76,500	776,290	960,732	184,442
Miscellaneous	30,000	30,000	87,396	57,396
Total Revenues	<u>6,308,505</u>	<u>6,768,520</u>	<u>6,758,979</u>	<u>(9,541)</u>
EXPENDITURES				
Current:				
Highways and Streets:				
Administration	454,238	454,238	387,214	67,024
Maintenance	2,748,810	2,748,810	2,542,977	205,833
Construction	5,367,530	7,700,410	7,398,503	301,907
Equipment and Maintenance Shop	878,587	878,587	862,457	16,130
Total Highways and Streets	<u>9,449,165</u>	<u>11,782,045</u>	<u>11,191,151</u>	<u>590,894</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,140,660)	(5,013,525)	(4,432,172)	581,353
OTHER FINANCING SOURCES (USES)				
Transfers In	3,120,660	3,970,713	3,112,852	(857,861)
Transfers Out	-	-	(1,000)	(1,000)
Proceeds from Sale of Assets	20,000	20,000	-	(20,000)
Total Other Financing Sources (Uses)	<u>3,140,660</u>	<u>3,990,713</u>	<u>3,111,852</u>	<u>(878,861)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (1,022,812)</u>	(1,320,320)	<u>\$ (297,508)</u>
Fund Balance - Beginning of Year			3,380,976	
Increase in Inventory			<u>63,688</u>	
FUND BALANCE - END OF YEAR			<u>\$ 2,124,344</u>	

See accompanying Notes to Required Supplementary Information.

**BENTON COUNTY
BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES FUND
YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 4,801,314	\$ 4,801,314	\$ 4,798,570	\$ (2,744)
Intergovernmental	8,128,006	8,128,006	8,173,173	45,167
Charges for Services	369,115	369,115	432,316	63,201
Gifts and Contributions	-	-	900	900
Investment Earnings	1,450	1,450	827	(623)
Miscellaneous	75,000	75,000	183,109	108,109
Total Revenues	<u>13,374,885</u>	<u>13,374,885</u>	<u>13,588,895</u>	<u>214,010</u>
EXPENDITURES				
Current:				
Human Services:				
Income Maintenance	3,877,189	3,877,189	3,912,251	(35,062)
Social Services	8,635,971	8,635,971	8,454,647	181,324
Total Human Services	<u>12,513,160</u>	<u>12,513,160</u>	<u>12,366,898</u>	<u>146,262</u>
Health:				
Public Health	1,221,266	1,221,266	1,076,267	144,999
CAPITAL OUTLAY				
Human Services	-	-	471,997	(471,997)
Health	-	-	57,218	(57,218)
Total Capital Outlay	<u>-</u>	<u>-</u>	<u>529,215</u>	<u>(529,215)</u>
Total Expenditures	<u>13,734,426</u>	<u>13,734,426</u>	<u>13,972,380</u>	<u>(237,954)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(359,541)	(359,541)	(383,485)	(23,944)
OTHER FINANCING USES				
Transfers In	359,541	359,541	359,541	-
Proceeds from Capital Lease	-	-	368,708	368,708
Total Other Financing Sources (Uses)	<u>359,541</u>	<u>359,541</u>	<u>728,249</u>	<u>368,708</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	344,764	<u>\$ 344,764</u>
Fund Balance - Beginning of Year,			<u>6,203,236</u>	
FUND BALANCE - END OF YEAR			<u>\$ 6,548,000</u>	

See accompanying Notes to Required Supplementary Information.

**BENTON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019**

I. BUDGETARY INFORMATION

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

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

The overall budget is prepared by fund and department. The legal level of budgetary control – the level at which expenditures may not legally exceed appropriations – is the department level. The Road and Bridge and Human Services Funds are considered departments of one for budgetary control purposes. Budgets may be amended during the year with proper approval.

II. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following major funds had expenditures in excess of budget at the department level for the year ended December 31, 2019:

Fund	Function	Expenditures	Budget	Excess
General	Current:			
	General Government:			
	Public Defender	\$ 161,199	\$ 147,000	\$ 14,199
	Auditor-Treasurer	581,947	572,040	9,907
	Recorder	199,170	198,871	299
	Public Safety			
	Probation	742,620	687,356	55,264
	Capital Outlay			
	Public Safety	5,694	-	5,694
Special Revenue Funds				
Human Services	Current			
	Human Services			
	Income Maintenance	3,912,251	3,877,189	35,062
	Capital Outlay			
	Human Services	471,997	-	471,997
	Health	57,218	-	57,218

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

BENTON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

III. CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

A. General Employees Fund
2019

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreased from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018

Changes in Actuarial Assumption

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50% beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumption

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for nonvested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5 % per year thereafter.

BENTON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

III. CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

A. General Employees Fund (Continued)

2017 (Continued)

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Actuarial Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

B. Police and Fire Fund

2019

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

BENTON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

III. CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

B. Police and Fire Fund (Continued)

2018

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019 and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019 and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested deferred members. The CSA has been changed to 33% for vested members and 2% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.

BENTON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

III. CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

B. Police and Fire Fund (Continued)

2017 (Continued)

Changes in Actuarial Assumptions (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% % per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2037 and 2.50% per year thereafter.

Changes in Plan Provisions

- The postretirement benefit increase to be paid after the attainment of the 90.00% funding threshold was changed from inflation up to 2.50%, to a fixed rate of 2.50%.

C. Correctional Fund

2019

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

BENTON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

III. CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

C. Correctional Fund (Continued)
2018

Changes in Actuarial Assumptions

- The Single Discount Rate was changed from 5.96% per annum to 7.50% per annum.
- The mortality projection scale was changed from MP-2016 to MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50% per year to 2.00% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Postretirement benefit increases were changed from 2.50% per year with a provision to reduce to 1.00% if the funding status declines to a certain level, to 100% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 2.50%, beginning January 1, 2019. If the funding status declines to 85.00% for two consecutive years or 80.00% for one year, the maximum increase will be lowered to 1.50%.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

Changes in Actuarial Assumptions

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to MP-2016).
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested, deferred members. The CSA has been changed to 35% for vested members and 1% for nonvested members.
- The Single Discount Rate was changed from 5.31% per annum to 5.96% per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

BENTON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

III. CHANGES IN SIGNIFICANT PENSION PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

C. Correctional Fund (Continued)

2016

Changes in Actuarial Assumptions

- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.31%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

IV. OTHER POSTEMPLOYMENT BENEFITS

As disclosed on the Schedule of Funding Progress, no assets have been irrevocably deposited in a trust to advance fund the employer's obligation. Therefore, the actuarial value of assets is zero.

Since the most recent valuation, the following assumption changes have been made:

2019

- The discount rate was changed from 3.30% to 3.80%.

2018

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).
- The retirement and withdrawal tables for all employees were updated.
- The discount rate was changed from 3.50% to 3.30%.

SUPPLEMENTARY INFORMATION

BENTON COUNTY
YEAR ENDED DECEMBER 31, 2019

NONMAJOR GOVERNMENTAL FUNDS

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

The Boundary Commission Special Revenue Fund is used to account for the activities of the Boundary Commission.

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 5% of aggregate production taxes collected and retained by the County to restore abandoned pits on public or tax-forfeited land.

**BENTON COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	Nonmajor Special Revenue Funds				Total Nonmajor Funds
	Ditch	Boundary Commission	Economic Development	Gravel Pit Restoration	
ASSETS					
Cash and Pooled Investments	\$ -	\$ -	\$ 409,600	\$ 188,946	\$ 598,546
Due from Other Funds	21,868	-	-	-	21,868
Loans Receivable, Net of Allowance	-	-	345,607	-	345,607
	<u>-</u>	<u>-</u>	<u>345,607</u>	<u>-</u>	<u>345,607</u>
Total Assets	<u>\$ 21,868</u>	<u>\$ -</u>	<u>\$ 755,207</u>	<u>\$ 188,946</u>	<u>\$ 966,021</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 12,248	\$ 8,154	\$ 31	\$ -	\$ 20,433
Due to Other Funds	26,187	36,269	-	-	62,456
Advances from Other Funds	361,461	-	-	-	361,461
Total Liabilities	<u>399,896</u>	<u>44,423</u>	<u>31</u>	<u>-</u>	<u>444,350</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	-	-	352,660	-	352,660
FUND BALANCES					
Restricted	18,591	-	402,516	188,946	610,053
Unassigned	(396,619)	(44,423)	-	-	(441,042)
Total Fund Balances	<u>(378,028)</u>	<u>(44,423)</u>	<u>402,516</u>	<u>188,946</u>	<u>169,011</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 21,868</u>	<u>\$ -</u>	<u>\$ 755,207</u>	<u>\$ 188,946</u>	<u>\$ 966,021</u>

**BENTON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019**

	Nonmajor Special Revenue Funds				Total Nonmajor Funds
	Ditch	Boundary Commission	Economic Development	Gravel Pit Restoration	
REVENUES					
Special Assessments	\$ 6,547	\$ -	\$ -	\$ -	\$ 6,547
Miscellaneous	-	-	32,106	16,014	48,120
Total Revenues	<u>6,547</u>	<u>-</u>	<u>32,106</u>	<u>16,014</u>	<u>54,667</u>
EXPENDITURES					
Current:					
General Government	-	44,423	-	-	44,423
Conservation of Natural Resources	52,858	-	-	-	52,858
Economic Development	-	-	208	-	208
Total Expenditures	<u>52,858</u>	<u>44,423</u>	<u>208</u>	<u>-</u>	<u>97,489</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(46,311)	(44,423)	31,898	16,014	(42,822)
OTHER FINANCING SOURCES (USES)					
Transfers Out	<u>(106,611)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(106,611)</u>
NET CHANGE IN FUND BALANCES	(152,922)	(44,423)	31,898	16,014	(149,433)
Fund Balances - Beginning of Year	<u>(225,106)</u>	<u>-</u>	<u>370,618</u>	<u>172,932</u>	<u>318,444</u>
FUND BALANCES - END OF YEAR	<u>\$ (378,028)</u>	<u>\$ (44,423)</u>	<u>\$ 402,516</u>	<u>\$ 188,946</u>	<u>\$ 169,011</u>

**BENTON COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2019**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
HOUSING AND REDEVELOPMENT AUTHORITY				
ASSETS				
Cash and Pooled Investments	<u>\$ -</u>	<u>\$ 613,147</u>	<u>\$ 569,010</u>	<u>\$ 44,137</u>
LIABILITIES				
Due to Other Governments	<u>\$ -</u>	<u>\$ 613,147</u>	<u>\$ 569,010</u>	<u>\$ 44,137</u>
SCHOOL DISTRICTS				
ASSETS				
Cash and Pooled Investments	<u>\$ 50,428</u>	<u>\$ 14,052,332</u>	<u>\$ 14,068,220</u>	<u>\$ 34,540</u>
LIABILITIES				
Due to Other Governments	<u>\$ 50,428</u>	<u>\$ 14,052,332</u>	<u>\$ 14,068,220</u>	<u>\$ 34,540</u>
LICENSE CENTER				
ASSETS				
Cash and Pooled Investments	<u>\$ -</u>	<u>\$ 4,126,652</u>	<u>\$ 4,090,771</u>	<u>\$ 35,881</u>
LIABILITIES				
Due to Other Governments	<u>\$ -</u>	<u>\$ 4,126,652</u>	<u>\$ 4,090,771</u>	<u>\$ 35,881</u>
STATE FUNDS				
ASSETS				
Cash and Pooled Investments	<u>\$ 80,004</u>	<u>\$ 4,613,721</u>	<u>\$ 4,536,412</u>	<u>\$ 157,313</u>
LIABILITIES				
Due to Other Governments	<u>\$ 80,004</u>	<u>\$ 4,613,721</u>	<u>\$ 4,536,412</u>	<u>\$ 157,313</u>

BENTON COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2019

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
CHM COLLABORATIVE				
ASSETS				
Cash and Pooled Investments	\$ 154,657	\$ 110,076	\$ 96,928	\$ 167,805
Due from Other Governments	<u>27,591</u>	<u>2,750</u>	<u>27,591</u>	<u>2,750</u>
Total Assets	<u>\$ 182,248</u>	<u>\$ 112,826</u>	<u>\$ 124,519</u>	<u>\$ 170,555</u>
LIABILITIES				
Due to Other Governments	<u>\$ 182,248</u>	<u>\$ 112,826</u>	<u>\$ 124,519</u>	<u>\$ 170,555</u>
TAXES AND PENALTIES				
ASSETS				
Cash and Pooled Investments	\$ 447,848	\$ 50,503,103	\$ 50,331,628	\$ 619,323
Due from Other Governments	<u>3,690</u>	<u>-</u>	<u>-</u>	<u>3,690</u>
Total Assets	<u>\$ 451,538</u>	<u>\$ 50,503,103</u>	<u>\$ 50,331,628</u>	<u>\$ 623,013</u>
LIABILITIES				
Due to Other Governments	<u>\$ 451,538</u>	<u>\$ 50,503,103</u>	<u>\$ 50,331,628</u>	<u>\$ 623,013</u>
TOWNS AND CITIES				
ASSETS				
Cash and Pooled Investments	<u>\$ 297</u>	<u>\$ 11,933,843</u>	<u>\$ 11,934,032</u>	<u>\$ 108</u>
LIABILITIES				
Due to Other Governments	<u>\$ 297</u>	<u>\$ 11,933,843</u>	<u>\$ 11,934,032</u>	<u>\$ 108</u>
MENTAL HEALTH INITIATIVE COMMUNITY PROJECT				
ASSETS				
Cash and Pooled Investments	\$ (19,398)	\$ 1,755,868	\$ 1,803,528	\$ (67,058)
Due from Other Governments	<u>426,485</u>	<u>483,742</u>	<u>426,485</u>	<u>483,742</u>
Total Assets	<u>\$ 407,087</u>	<u>\$ 2,239,610</u>	<u>\$ 2,230,013</u>	<u>\$ 416,684</u>
LIABILITIES				
Due to Other Governments	<u>\$ 407,087</u>	<u>\$ 2,239,610</u>	<u>\$ 2,230,013</u>	<u>\$ 416,684</u>

BENTON COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2019

	Balance January 1	Additions	Deductions	Balance December 31
SOCIAL WELFARE				
ASSETS				
Cash and Pooled Investments	\$ 98,064	\$ 742,597	\$ 740,706	\$ 99,955
LIABILITIES				
Funds Held in Trust	\$ 98,064	\$ 742,597	\$ 740,706	\$ 99,955
JAIL INMATE				
ASSETS				
Cash and Pooled Investments	\$ 17,582	\$ 221,594	\$ 227,314	\$ 11,862
LIABILITIES				
Funds Held in Trust	\$ 17,582	\$ 221,594	\$ 227,314	\$ 11,862
MISSING HEIRS				
ASSETS				
Cash and Pooled Investments	\$ 10,955	\$ 6	\$ 5,000	\$ 5,961
LIABILITIES				
Funds Held in Trust	\$ 10,955	\$ 6	\$ 5,000	\$ 5,961
HENKEMEYER LANDFILL TRUST				
ASSETS				
Cash and Pooled Investments	\$ 115,594	\$ -	\$ -	\$ 115,594
LIABILITIES				
Due to Other Governments	\$ 115,594	\$ -	\$ -	\$ 115,594
BUILDING OFFICIAL				
ASSETS				
Cash and Pooled Investments	\$ 602	\$ 128,623	\$ 126,610	\$ 2,615
LIABILITIES				
Due to Other Governments	\$ 602	\$ 128,623	\$ 126,610	\$ 2,615

BENTON COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2019

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
HUMAN SERVICES AGENCY FUND				
ASSETS				
Cash and Pooled Investments	<u>\$ 1,857</u>	<u>\$ 2,783</u>	<u>\$ 2,922</u>	<u>\$ 1,718</u>
LIABILITIES				
Due to Other Governments	<u>\$ 1,857</u>	<u>\$ 2,783</u>	<u>\$ 2,922</u>	<u>\$ 1,718</u>
SHERIFF INVESTIGATIONS FUND				
ASSETS				
Cash and Pooled Investments	<u>\$ 5,151</u>	<u>\$ 4,345</u>	<u>\$ -</u>	<u>\$ 9,496</u>
LIABILITIES				
Due to Other Governments	<u>\$ 5,151</u>	<u>\$ 4,345</u>	<u>\$ -</u>	<u>\$ 9,496</u>
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Pooled Investments	\$ 963,641	\$ 88,808,690	\$ 88,533,081	\$ 1,239,250
Due from Other Governments	<u>457,766</u>	<u>486,492</u>	<u>454,076</u>	<u>490,182</u>
Total Assets	<u>\$ 1,421,407</u>	<u>\$ 89,295,182</u>	<u>\$ 88,987,157</u>	<u>\$ 1,729,432</u>
LIABILITIES				
Due to Other Governments	\$ 1,294,806	\$ 88,330,985	\$ 88,014,137	\$ 1,611,654
Funds Held in Trust	<u>126,601</u>	<u>964,197</u>	<u>973,020</u>	<u>117,778</u>
Total Liabilities	<u>\$ 1,421,407</u>	<u>\$ 89,295,182</u>	<u>\$ 88,987,157</u>	<u>\$ 1,729,432</u>

OTHER SUPPLEMENTARY INFORMATION

**BENTON COUNTY
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2019**

	Special Revenue Funds			
	General	Road and Bridge	Human Services	Miscellaneous
SHARED REVENUE AND APPROPRIATIONS				
State:				
County Program Aid	\$ 1,258,665	\$ 229,536	\$ 522,900	\$ -
PERA Rate Reimbursement	53,495	7,768	24,325	-
Disparity Reduction Aid	7,441	-	-	-
Police Aid	199,983	-	-	-
Highway Users Tax	-	2,763,385	-	-
Market Value Credit	185,197	33,773	76,938	-
Aquatic Invasive Species Aid	-	-	-	34,845
Enhanced 911	-	-	-	117,849
Riparian Aid	58,936	-	-	-
Out of Home Placement Aid	-	-	5,584	-
SCORE	-	8,438	-	106,113
Total Shared Revenue and Appropriations	<u>1,763,717</u>	<u>3,042,900</u>	<u>629,747</u>	<u>258,807</u>
REIMBURSEMENT FOR SERVICES				
State:				
Minnesota Department of: Human Services	-	-	2,085,349	-
LOCAL				
Payments in Lieu of Tax	21,687	2,581	5,880	-
Local Contributions	-	-	-	-
Total Local	<u>21,687</u>	<u>2,581</u>	<u>5,880</u>	<u>-</u>
GRANTS				
State:				
Minnesota Department/Board of:				
Corrections	101,271	-	-	-
Public Safety	26,905	-	-	72,464
Health	-	-	248,971	-
Natural Resources	10,515	-	-	-
Human Services	-	-	1,411,367	-
Water and Soil Resources	13,271	-	-	119,180
Veterans Affairs	-	-	-	10,000
Agriculture	-	2,575	-	-
Transportation	-	7,526	-	-
Peace Officer's Board	26,843	-	-	-
Total State Grants	<u>178,805</u>	<u>10,101</u>	<u>1,660,338</u>	<u>201,644</u>
Federal:				
Department of:				
Agriculture	25,411	-	627,654	-
Justice	11,160	-	-	-
Transportation	15,298	299,549	-	-
Education	-	-	1,296	-
Health and Human Services	56,760	-	3,162,909	-
Total Federal Grants	<u>108,629</u>	<u>299,549</u>	<u>3,791,859</u>	<u>-</u>
Total State and Federal Grants	<u>287,434</u>	<u>309,650</u>	<u>5,452,197</u>	<u>201,644</u>
Total Intergovernmental Revenue	<u>\$ 2,072,838</u>	<u>\$ 3,355,131</u>	<u>\$ 8,173,173</u>	<u>\$ 460,451</u>

BENTON COUNTY
SCHEDULE OF INTERGOVERNMENTAL REVENUE (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total All Funds</u>
\$ -	\$ 475,052	\$ 2,486,153
-	-	85,588
-	-	7,441
-	-	199,983
174,550	-	2,937,935
14,786	1,059	311,753
-	-	34,845
-	-	117,849
-	-	58,936
-	-	5,584
-	-	114,551
<u>189,336</u>	<u>476,111</u>	<u>6,360,618</u>
-	-	2,085,349
1,130	81	31,359
<u>221,450</u>	<u>-</u>	<u>221,450</u>
<u>222,580</u>	<u>81</u>	<u>252,809</u>
-	-	101,271
-	-	99,369
-	-	248,971
-	-	10,515
-	-	1,411,367
-	-	132,451
-	-	10,000
-	-	2,575
-	-	7,526
-	-	26,843
<u>-</u>	<u>-</u>	<u>2,050,888</u>
-	-	653,065
-	-	11,160
-	-	314,847
-	-	1,296
<u>-</u>	<u>-</u>	<u>3,219,669</u>
<u>-</u>	<u>-</u>	<u>4,200,037</u>
<u>-</u>	<u>-</u>	<u>6,250,925</u>
<u>\$ 411,916</u>	<u>\$ 476,192</u>	<u>\$ 14,949,701</u>

**REPORTS RELATED TO *GOVERNMENT AUDITING STANDARDS*
AND SINGLE AUDIT**



**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of County Commissioners
Benton County
Foley, Minnesota

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Benton County's basic financial statements, and have issued our report thereon dated August 4, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Benton County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Benton County's internal control. Accordingly, we do not express an opinion on the effectiveness of Benton County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-001 to 2019-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2019-003 to be a significant deficiency.

Compliance and Other Matters

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

Benton County’s Responses to Findings

Benton County’s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Benton County’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Benton County’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Benton County’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Brainerd, Minnesota
August 4, 2020



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of County Commissioners
Benton County
Foley, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Benton County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Benton County's major federal programs for the year ended December 31, 2019. Benton County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Benton County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Benton County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Benton County's compliance.

Opinion on Each Major Federal Program

In our opinion, Benton County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-004 to 2019-007. Our opinion on each major federal program is not modified with respect to these matters.

Benton County's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Benton County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of Benton County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Benton County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Benton County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-004 to be a material weakness.

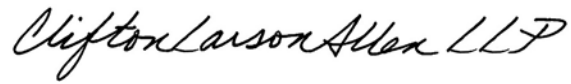
A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-005 to 2019-008 to be significant deficiencies.

Board of County Commissioners
Benton County

Benton County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Benton County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Brainerd, Minnesota
August 4, 2020

**BENTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2019**

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? X yes no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? X yes no

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with the 2 CFR 200.516(a)? X yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.563	Child Support Enforcement
93.778	Medical Assistance Program (Medicaid Cluster)
93.558	Temporary Assistance for Needy Families (TANF Cluster)

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

BENTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2019

MATERIAL WEAKNESSES (FINANCIAL REPORTING):

AUDIT ADJUSTMENTS (2019-001)

Criteria: County management is responsible for establishing and maintaining internal controls for the proper recording of all County's receipts and disbursements, including reclassifications between funds and activity of all investing and savings accounts.

Condition and Context: As part of the audit, we proposed material adjustments for closing the County's books at year-end, recording of accruals, net pension liability and related deferred inflows and outflows of resources, reclassifications of fund balances between categories and revenues and expenditures to the proper accounts.

Cause: The County has a limited number of personnel.

Possible Effect: The design of the internal controls over recording revenues and expenditures, including reclassifications, could affect the ability of the County to detect or prevent errors, a misappropriation of assets, or fraudulent activity.

Repeat Finding: Yes – Finding 2018-001.

Recommendation: We recommend County management be consistently aware of all procedures and processes involved in recording receipts, disbursements, and reclassifications, and develop internal control policies to ensure proper recording of these items.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding. Management will continue to work at eliminating the need for audit adjustments through learning about new GASB standards and reviewing work performed by department personnel.

BENTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2019

MATERIAL WEAKNESSES (FINANCIAL REPORTING) (CONTINUED):

FINANCIAL REPORTING PROCESS (2019-002)

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

Condition and Context: As part of the audit, management requested us to prepare a draft of the financial statements, including the related notes to the financial statements. The County does not have an internal control policy in place over preparation or review of the annual financial statements that would enable management to prepare the financial statements and related note disclosures in accordance with applicable accounting and reporting standards. Management reviews and accepts responsibility for the financial statements.

Cause: The County has a limited number of personnel.

Possible Effect: The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the County's internal controls.

Repeat Finding: Yes – Finding 2018-002.

Recommendation: We recommend the County continue to evaluate their internal staff capacity to determine if an internal control policy over the preparation of the financial statements and other areas is beneficial.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding. The County will review the financial reporting requirements and undertake them if deemed cost-beneficial.

BENTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2019

SIGNIFICANT DEFICIENCY (FINANCIAL REPORTING):

SEGREGATION OF DUTIES (2019-003)

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

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

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

Possible Effect: The lack of adequate segregation of duties can result in incorrect financial information, failure to detect misstatements or misappropriations, and the lack of adherence to the County's procedures.

Repeat Finding: Yes – Finding 2018-003.

Recommendation: We recommend management be aware of the lack of segregation of duties within the accounting functions and provide oversight to ensure the internal control policies and procedures are being implemented by organization staff.

Views of Responsible Officials and Planned Corrective Actions: There is no disagreement with the audit finding. The County will review the accounting functions and segregate them if deemed cost-beneficial.

**BENTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2019**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS:

CASEFILE REVIEW (2019-004)

Federal Agency: U.S. Department of Health and Human Services

Federal Program Title: Temporary Assistance for Needy Families

CFDA Number: 93.558

Pass-Through Agency: Minnesota Department of Human Services

Pass-Through Numbers: 1901MNTANF

Compliance Requirement Affected: Eligibility

Award Period: Year-Ended December 31, 2019

Type of Finding: Material Weakness in Internal Control over Compliance and Compliance

Criteria: According to Uniform Guidance 2 CFR Part 200, Appendix XI Compliance Supplement for CFDA 93.558 and 42 CFR section 431.10, standard internal control procedures recommend internal reviews over case file eligibility determinations to ascertain case workers are complying with state and federal requirements.

Condition and Context: During inquiry and our statistically valid sample testing of case files reviews completed during 2019, it was noted that there were minimal to no case file reviews performed. The sample sizes were based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits* if there were case file reviews performed.

Questioned Costs: Unable to be determined.

Cause: Lack of personnel.

Possible Effect: Errors made in determining eligibility may not be discovered and benefits may be issued to clients who are not eligible.

Repeat Finding: Yes – Finding 2018-005.

Recommendation: We recommend the County review case files on a periodic basis throughout the year.

Views of Responsible Officials: There is no disagreement with the audit finding.

BENTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2019

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED):

ELIGIBILITY DOCUMENTATION – TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (2019-005)

Federal Agency: U.S. Department of Health and Human Services

Federal Program Title: Temporary Assistance for Needy Families

CFDA Number: 93.558

Pass-Through Agency: Minnesota Department of Human Services

Pass-Through Numbers: 1901MNTANF

Compliance Requirement Affected: Eligibility

Award Period: Year-Ended December 31, 2019

Type of Finding: Significant Deficiency in Internal Control over Compliance and Compliance

Criteria: According to Uniform Guidance 2 CFR Part 200, Appendix XI Compliance Supplement for CFDA 93.558 and 42 CFR section 431.10, the federal eligibility compliance requirements for Temporary Assistance for Needy Families require verification whether or not they or any member of their household has been convicted of a felony involving a controlled substance.

Condition and Context: During our statistically valid sample testing of eligibility, it was noted that one out of sixty transactions did not have documentation to support whether or not they or any member of their household has been convicted of a felony involving a controlled substance. The sample sizes were based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Questioned Costs: Not applicable. The County administers the program, but benefits to participants in this program are paid by the state of Minnesota.

Cause: Program personnel entering case information did not ensure all required information was input or updated correctly or that all required information was obtained and/or retained.

Possible Effect: The County could be providing benefits to ineligible clients.

Repeat Finding: Not applicable.

Recommendation: We recommend the County implement procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations exist and issues are followed up on in a timely manner.

Views of Responsible Officials: There is no disagreement with the audit finding.

**BENTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2019**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED):

**ELIGIBILITY DOCUMENTATION – MEDICAL ASSISTANCE PROGRAM (MEDICAID CLUSTER)
(2019-006)**

Federal Agency: U.S. Department of Health and Human Services
Federal Program Title: Medical Assistance Program (Medicaid Cluster)
CFDA Number: 93.778
Pass-Through Agency: Minnesota Department of Human Services
Pass-Through Numbers: 1905MN5ADM, 1905MN5MAP
Compliance Requirement Affected: Eligibility
Award Period: Year-Ended December 31, 2019

Type of Finding: Significant Deficiency in Internal Control over Compliance and Compliance

Criteria: According to Uniform Guidance 2 CFR Part 200, Appendix XI Compliance Supplement for CFDA 93.778 and 42 CFR section 431.10, the federal eligibility compliance requirements for Medical Assistance require verification of specific assets owned by applicants. In order for benefit amounts to be calculated correctly, it's necessary for the information to be entered into the state eligibility system, MAXIS, accurately.

Condition and Context: During our statistically valid sample testing of eligibility, it was noted that one out of sixty transactions did not have asset documentation to support the amount that was entered into the state system MAXIS. The sample sizes were based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Questioned Costs: Not applicable. The County administers the program, but benefits to participants in this program are paid by the state of Minnesota.

Cause: Program personnel entering case information in MAXIS did not ensure all required information was input or updated in MAXIS correctly or that all required information was obtained and/or retained.

Possible Effect: The County could be providing benefits to ineligible clients.

Repeat Finding: Yes – Finding 2018-006.

Recommendation: We recommend the County implement procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations exist and are properly input or updated in MAXIS and issues are followed up on in a timely manner.

Views of Responsible Officials: There is no disagreement with the audit finding.

BENTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2019

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED):

ACCURATE LISTING OF EMPLOYEES FOR RANDOM MOMENT STUDIES (2019-007)

Federal Agency: U.S. Department of Health and Human Services

Federal Program Title: Medical Assistance Program (Medicaid Cluster)

CFDA Number: 93.778

Pass-Through Agency: Minnesota Department of Human Services

Pass-Through Numbers: 1905MN5ADM, 1905MN5MAP

Compliance Requirement Affected: Activities Allowed or Unallowed/Allowable Costs/Cost Principles

Award Period: Year-Ended December 31, 2019

Type of Finding: Significant Deficiency in Internal Control over Compliance and Compliance

Criteria: The County maintains a list of all employees subject to random moment studies, which the state uses as a basis for determining salary reimbursement under federal programs.

Condition and Context: During our statistically valid sample of the second and third quarter random moment studies listings, it was noted that 1 out of 43 employees were included on the third quarter social services listing, however, they were terminated during the second quarter. The sample sizes were based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Questioned Costs: Unable to be determined.

Cause: County staff input error of payroll codes.

Possible Effect: The County could receive an incorrect federal funding allocation on incorrect employee information provided to the state for reimbursement.

Repeat Finding: Yes – Finding 2018-007.

Recommendation: We recommend the County implement procedures to ensure the quarterly listing provided to the state is an accurate listing of employees working on income maintenance programs.

Views of Responsible Officials: There is no disagreement with the audit finding.

**BENTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2019**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED):

CONTROLS OVER REPORTING (2019-008)

Federal Agency: U.S. Department of Health and Human Services
Federal Program Title: Medical Assistance Program (Medicaid Cluster)
CFDA Number: 93.778
Pass-Through Agency: Minnesota Department of Human Services
Pass-Through Numbers: 1905MN5ADM, 1905MN5MAP
Compliance Requirement Affected: Reporting
Award Period: Year-Ended December 31, 2019

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria: Standard internal control procedures dictate that all reports should be formally reviewed and approved by someone other than the person who prepared the reports.

Condition and Context: During our statistically valid sample testing of reporting, it was noted that 2 out of 2 quarterly Child and Teen Check-Up reports tested did not have a documented review before submission. The sample sizes were based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Questioned Costs: None.

Cause: Oversight by management.

Possible Effect: The County could have submitted inaccurate reports for reimbursement.

Repeat Finding: Not applicable.

Recommendation: We recommend the County implement procedures to ensure the quarterly Child and Teen Check-up reports are formally reviewed and approved by someone other than the person who prepared the reports.

Views of Responsible Officials: There is no disagreement with the audit finding.

**BENTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2019**

OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE

DITCH SPECIAL REVENUE FUND – CASH DEFICIT (2019-009)

Criteria: Minnesota Statutes §103E.655 subd. 2 requires active ditch systems to maintain sufficient fund to pay for project costs.

Condition and Context: The County reported 2 out of 6 active ditch systems as having deficit cash balances as of December 31, 2019, totaling \$22,910.

Cause: Expenditures to upgrade ditches are incurred prior to revenue stream.

Possible Effect: The County is not in compliance with Minnesota Statutes §103E.655 subd. 2.

Repeat Finding: Yes – Finding 2018-009.

Recommendation: We recommend the County continue to try to eliminate the deficit cash balances in the active ditch systems by borrowing from an eligible ditch system or fund with a surplus cash balance.

CLIENT'S RESPONSE:

The County will review statutes and continue to monitor the individual ditch deficits and eliminate them when feasible.

PUBLISHING OF CREDIT CARD CLAIMS (2019-010)

Criteria: Minnesota Statutes §375.17 requires counties to publish all individual vendors providing goods and services to the County and not just the credit card company.

Condition and Context: The County did not publish individual vendors providing goods and services to the County.

Cause: Past practice.

Possible Effect: The County is not in compliance with Minnesota Statutes §375.17.

Repeat Finding: Not applicable.

Recommendation: We recommend the County start publishing actual vendors paid and not just the credit card company.

CLIENT'S RESPONSE:

The County will review statutes and perform necessary actions to be compliant.

**BENTON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2019**

PREVIOUSLY REPORTED ITEM RESOLVED – SIGNIFICANT DEFICIENCY (FINANCIAL REPORTING)

INVENTORY CONTROL (2018-004)

The County did not have procedures for establishing and maintaining an accurate inventory system in order to track inventory levels and the value of inventory on hand.

PREVIOUSLY REPORTED ITEM RESOLVED – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

DOCUMENTATION OF PROCUREMENT, SUSPENSION, AND DEBARMENT (2018-008)

The County did not have documentation on the methods of procurement used nor any historical documentation on how each service provider was chosen and what means were used to procure these services.

BENTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019

Federal Grantor Pass - Through Agency Grant Program Title (Program or Cluster Title)	Federal CFDA Number	Pass - Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through Minnesota Department of Health: WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	192MN004W1003	\$ 364,384	\$ -
Passed Through Minnesota Department of Human Services: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Part of SNAP Cluster)	10.561	192MN101S2514	<u>288,681</u>	-
Total Department of Agriculture			653,065	-
U.S. Department of Justice				
Direct:				
State Criminal Alien Assistance Program	16.606	N/A	8,375	-
Bulletproof Vest Partnership Program	16.607	N/A	<u>2,785</u>	-
Total Department of Justice			11,160	-
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation Highway Planning and Construction (Part of Highway Planning and Construction Cluster)	20.205	00005	299,549	-
Passed Through City of St. Cloud State and Community Highway Safety (Part of Highway Safety Cluster)	20.600	F-ENFRC19-2019- STCLOUDPD-052	2,726	-
National Priority Safety Programs (Part of Highway Safety Cluster)	20.616	F-ENFRC19-2019- STCLOUDPD-052	5,417	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC19-2019- STCLOUDPD-052 F-ENFRC20-2020- STCLOUDPD-052	\$ 6,150	
Total Department of Transportation			<u>1,005</u> <u>7,155</u>	-
			314,847	-
U.S. Department of Education				
Passed Through Minnesota Department of Health: Special Education-Grants for Infants and Families	84.181	H18A180029	1,296	-
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Health: Public Health Emergency Preparedness	93.069	NU90TP922026	29,256	-
Early Hearing Detection and Intervention	93.251	H61MC00035	450	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	NUR3DD000062	225	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	68583	3,750	-
Temporary Assistance for Needy Families (Part of TANF Cluster)	93.558	1901MNTANF	46,949	-
Maternal and Child Health Services Block Grant to the States	93.994	B0432551	45,103	-
Passed Through Minnesota Department of Human Services: Promoting Safe and Stable Families	93.556	G-1801MNFPPSS	7,471	-
Temporary Assistance for Needy Families (Part of TANF Cluster)	93.558	1901MNTANF	447,083	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Part of CCDF Cluster)	93.596	G1901MNCDDF	30,558	-
Child Support Enforcement	93.563	1904MNCSES 1904MNCST	124,220 <u>657,562</u>	-
Refugee and Entrant Assistance-State Administered Programs	93.566	1901MNRDMA	303	-
Community-Based Child Abuse Prevention Grants	93.590	G-1802MNFPRPG	10,907	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1801MNCWSS	6,201	-

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this section.

BENTON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

Federal Grantor Pass - Through Agency Grant Program Title (Program or Cluster Title)	Federal CFDA Number	Pass - Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services (Continued)				
Passed Through Minnesota Department of Human Services (Continued):				
Foster Care Title IV-E	93.658	1901MNFOST	\$ 318,837	\$ -
Social Services Block Grant	93.667	G-1901MNSOSR	203,398	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-1901MNCILP	7,910	-
Children's Health Insurance Program	93.767	1905MN5021	239	-
Medical Assistance Program (Part of Medicaid Cluster)	93.778	1905MN5ADM 1905MN5MAP	\$ 1,274,175 14,085	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08T1010027-18	650	-
Total Department of Health and Human Services			<u>3,229,332</u>	-
Total Cash Type Federal Awards			<u>\$ 4,209,700</u>	<u>\$ -</u>

Clusters of programs are groupings of closely related programs that share common compliance requirements.
Total expenditures by cluster are:

Temporary Assistance for Need Families (TANF) Cluster	\$ 494,032
CCDF Cluster	30,558
Medicaid Cluster	1,288,260
SNAP Cluster	288,681
Highway Planning and Construction Cluster	299,549
Highway Safety Cluster	8,143

Notes to the Schedule of Expenditures of Federal Awards

- The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Benton County. The County's reporting entity is defined in Note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Benton County, it is not intended to and does not present the financial position or changes in net position of Benton County.
- Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Benton County has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
- Reconciliation to the Schedule of Intergovernmental Revenue**

Federal Grant Revenue per Schedule of Intergovernmental Revenue:	\$ 4,200,037
Grants Received More than 90 Days After Year-End, Unavailable in 2019:	
Promoting Safe and Stable Families	1,731
Community-Based Child Abuse Prevention Grants	6,791
Stephanie Tubbs Jones Child Welfare Services Program	1,141
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 4,209,700</u>



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners
Benton County
Foley, Minnesota

We have audited, 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, the 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, 2019, and the related notes to the financial statements, which collectively comprise the County's financial statements as listed in the table of contents and have issued our report thereon dated August 4, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that Benton County failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, insofar as they relate to accounting matters, except as described in the schedule of findings and questioned costs as items 2019-009 and 2019-010. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Benton County's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

Benton County's written responses to the legal compliance findings identified in our audit are described in the schedule of findings and questioned costs. Benton County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
August 4, 2020