BENTON COUNTY
FOLEY, MINNESOTA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2011

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FOLEY, MINNESOTA
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INTRODUCTORY SECTION

BENTON COUNTY
FOLEY, MINNESOTA
ORGANIZATION
DECEMBER 31, 2011

Office	Name	Term	
		From	To
Commissioners			
1st District	Warren Peschl	January 2009	January 2013
2nd District	Joe Wollak	January 2011	January 2015
3rd District	Jim McMahon	January 2011	January 2015
4th District	Spencer Buerkle*	January 2009	January 2013
5th District	Earl Bukowski	January 2009	January 2013
Officers			
Elected			
Attorney	Robert Raupp	January 2011	January 2015
Auditor/Treasurer	Karri Thorsten	January 2011	January 2015
County Recorder	Marilyn Novak	January 2011	January 2015
Sheriff	Brad Bennett	January 2011	January 2015
Appointed			
Administrator	Montgomery Headley	Indefinite	
Assessor	Brian Koester	January 2009	January 2013
Court Administrator	Timothy Roberts	Indefinite	
Development Director	Chelle Benson	Indefinite	
Highway Engineer	Robert H. Kozel, P.E.	May 2009	May 2013
Human Services			
Board			
Chair	Warren Peschl	January 2009	January 2013
Member	Earl Bukowski	January 2009	January 2013
Vice-Chair	Joe Wollak	January 2011	January 2015
Member	Spencer Buerkle	January 2009	January 2013
Member	Jim McMahon	January 2011	January 2015
Director	Timothy Martin	Indefinite	

* Chair

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Benton County
Foley, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County (County), Minnesota as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of Benton County's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County, as of December 31, 2011, and the respective changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 9, certain errors resulting in an understatement of fund balance were corrected during the correct year. As a result, January 1, 2011 fund balance has been restated to correct the error.

As discussed in the notes to the financial statements, the County adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Report and Governmental Fund Type Definitions*, as of and for the year ended December 31, 2011. Adoption of this statement results in significant changes to the classification of the components of fund balance in its governmental fund types.

Board of County Commissioners
Benton County

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2012 on our consideration of Benton County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress – other postemployment health care benefits on pages 4 through 16, 58 through 62, and 63, respectively, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Benton County's basic financial statements. The combining nonmajor and agency fund financial statements and the schedule of intergovernmental revenue, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The combining nonmajor and agency fund financial statements, the schedule of intergovernmental revenue, 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 financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
August 7, 2012

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REQUIRED SUPPLEMENTARY INFORMATION

BENTON COUNTY
FOLEY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011

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, 2011. The Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* Certain comparative information between the current year, 2011, and the prior year, 2010, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2010-2011 fiscal years include the following:

- County-wide net assets increased 5.0 percent over the prior year. Long-term liabilities fell as the County used cash balances to repay a Courts Facility lease-purchase agreement five years early. Also, the County continued an expanded road construction program, supported by bonding, state aid, and levy dollars.
- Overall fund-level revenues totaled $34,032,450 and were $167,588 more than expenditures.
- The General Fund's fund balance increased $555,620 from the prior year, due to a substantially higher than expected dividend from the Minnesota Counties Intergovernmental Trust, along with the typical pattern of County departments not fully expending their budgets.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

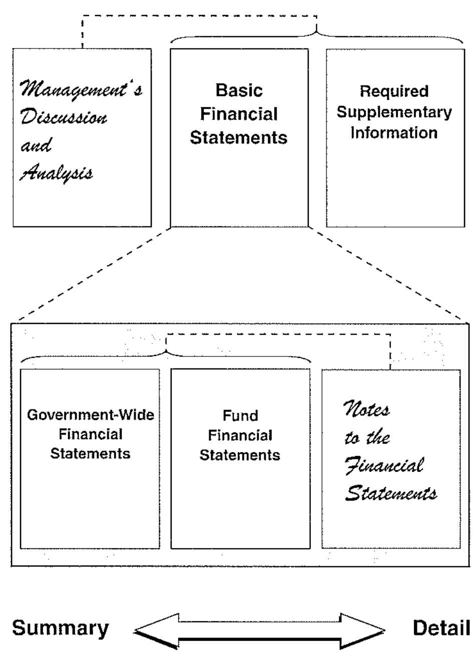
- The first two statements are County-wide financial statements which provide both short-term and long-term information about the County's overall financial status.
- The remaining statements are fund financial statements which focus on individual parts of the County, reporting the County's operations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

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



OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

County-Wide Statements

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

County-Wide Statements (Continued)

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

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

Fund Financial Statements

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

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

The County has two kinds of funds:

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets

The County's net assets were $82,410,170 on December 31, 2011. (See Table A-1).

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

Table A-1
The County's Net Assets

	Governmental Activities		Percent
	2011	2010	Change
Current and Other Assets	$ 37,409,784	$ 35,321,908	5.9 %
Capital Assets	66,003,132	65,631,740	0.6
Total Assets	103,412,916	100,953,648	2.4
Current Liabilities	5,198,566	3,684,269	41.1
Long-Term Liabilities	15,804,180	18,785,192	(15.9)
Total Liabilities	21,002,746	22,469,461	(6.5)
Net Assets			
Invested in Capital Assets Net of Related Debt	52,571,091	50,917,180	3.2
Restricted	14,706,199	9,299,609	58.1
Unrestricted	15,132,880	18,267,398	(17.2)
Total Net Assets	$ 82,410,170	$ 78,484,187	5.0

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Assets

The County-wide total revenues were $35,732,344 for the year ended December 31, 2011. Property taxes and intergovernmental revenues accounted for 90 percent of total revenue for the year. Total revenues for 2011 fell 1.4 percent from 2010, as interest earnings and development-related fees continued to decline. Total expenses dropped by 0.8 percent due to County efforts to limit compensation and benefits increases and reduce operating budgets (See Table A-2).

Table A-2
Change in Net Assets

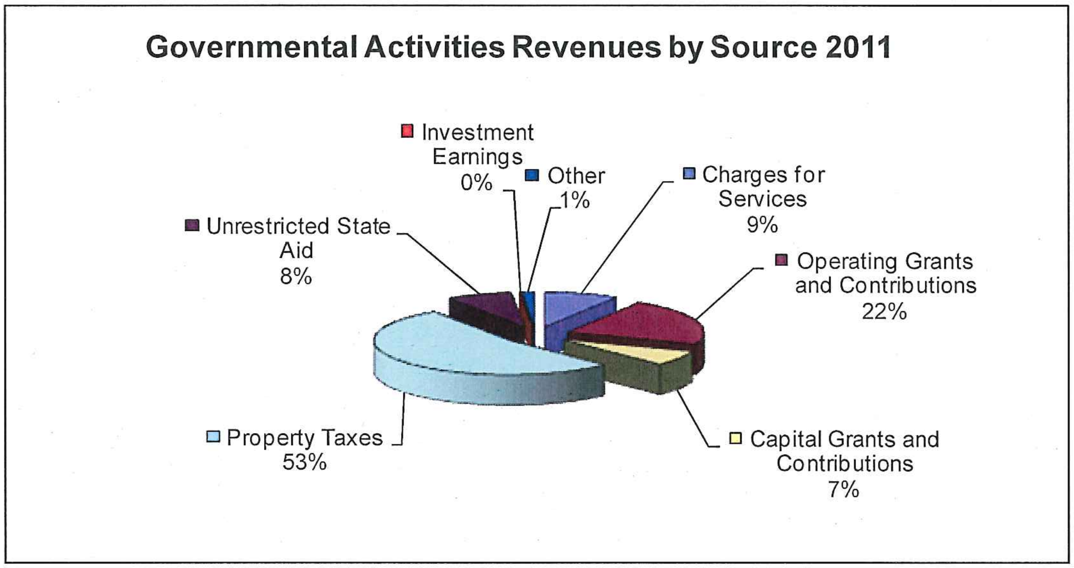
	Governmental Activities		Total %
	2011	2010	Change
REVENUES			
Program Revenues			
Charges for Services	$ 3,135,171	$ 3,444,393	(9.0)%
Operating Grants and Contributions	7,811,154	7,802,242	0.1
Capital Grants and Contributions	2,530,335	2,681,759	(5.6)
General Revenues			
Property Taxes	18,910,547	18,870,366	0.2
Unrestricted State Aid	2,786,520	2,785,547	0.0
Investment Earnings	69,479	255,597	(72.8)
Other	489,138	401,426	21.9
Total Revenues	35,732,344	36,241,330	(1.4)
EXPENSES			
General Government	6,037,509	5,960,534	1.3
Public Safety	7,722,139	7,618,412	1.4
Highways and Streets	6,146,311	6,294,783	(2.4)
Human Services	8,932,795	8,765,291	1.9
Health	1,159,287	1,376,451	(15.8)
Culture and Recreation	554,372	572,701	(3.2)
Conservation of Natural Resources	695,294	742,620	(6.4)
Economic Development	421,244	454,260	(7.3)
Interest and Fiscal Charges on Long-Term Liabilities	526,593	657,054	(19.9)
Total Expenses	32,195,544	32,442,106	(0.8)
INCREASE IN NET ASSETS	3,536,800	3,799,224	(6.9)
Net Assets - Beginning of Year	78,484,187	74,684,963	5.1
Prior Period Adjustment	389,183	-	100.0
Net Assets - Beginning of Year (as restated)	78,873,370	74,684,963	5.6
NET ASSETS - END OF YEAR	$ 82,410,170	$ 78,484,187	5.0

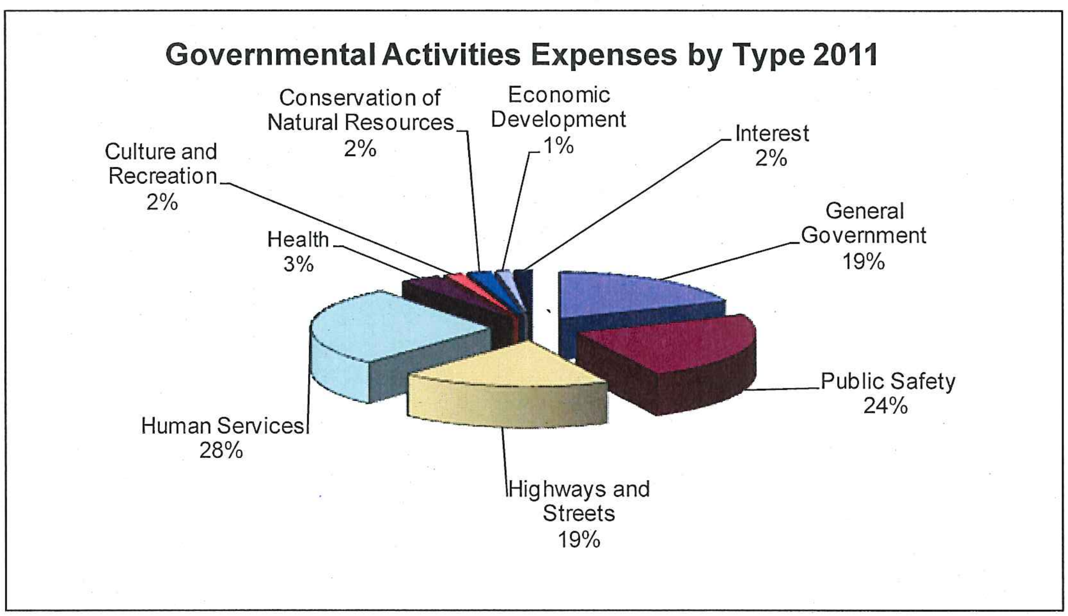
FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Assets (Continued)

The County-wide cost of all governmental activities this year was $32,195,544.

- Some of the cost was paid by the users of the County's programs ($3,135,171).
- The federal and state governments contributed to certain programs with grants and contributions ($10,342,613).
- A significant portion of the County's costs ($18,717,760) were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with $18,909,423 in property taxes and other taxes, $2,786,520 of state aid, and with $473,446 from investment earnings and other general revenues.





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FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Assets (Continued)

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

	Total Cost of Services		Percentage	Net (Revenue) Cost of Services		Percentage
	2011	2010	Change	2011	2010	Change
GOVERNMENTAL ACTIVITIES						
General Government	$ 6,037,509	$ 5,960,534	1.3 %	$ 4,578,786	$ 4,377,898	4.6 %
Public Safety	7,722,139	7,618,412	1.4	6,379,283	6,193,223	3.0
Highways and Streets	6,146,311	6,294,783	(2.4)	2,313,882	2,368,539	(2.3)
Human Services	8,932,795	8,765,291	1.9	3,448,212	3,096,827	11.3
Health	1,159,287	1,376,451	(15.8)	290,069	670,630	(56.7)
Culture and Recreation	554,372	572,701	(3.2)	495,320	452,442	9.5
Conservation of Natural Resources	695,294	742,620	(6.4)	289,790	271,130	6.9
Economic Development	421,244	454,260	(7.3)	396,949	425,969	(6.8)
Interest and Fiscal Charges on Long-Term Liabilities	526,593	657,054	(19.9)	526,593	657,054	(19.9)
Total	$ 32,195,544	$ 32,442,106	(0.8)	$ 18,718,884	$ 18,513,712	1.1

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 $30,280,941.

Revenues for the County's governmental funds were $34,032,450, while total expenditures were $33,864,862. The associated small surplus ($167,588) resulted from the County's efforts to contain expenditure growth, yet still provide essential County services. This close alignment of expenditures with available revenues followed from the County's strategy to not increase its property tax levy in 2011.

GENERAL FUND

The General Fund includes the general governmental functions of the County not otherwise accounted for in another fund. The year-ending fund balance in the General Fund increased by $555,620 from 2010, due primarily to a higher than expected dividend from the Minnesota Counties Intergovernmental Trust, and County departments spending on average 97 percent of their 2011 budgets.

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 $672,700 as funding was drawn down for road projects during 2011. Fund balances in Road and Bridge fluctuate dramatically as resources for major road projects flow in then out when contractor payments are made. The resources for the projects were transferred in during prior years, but contractor payments were made during 2011 when the projects were completed.

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 Human Services Fund balance increased by $587,372 from 2010. Revenues tied to caseload exceeded expectations, while expenditures came in slightly under budget, combining to improve fund balance.

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 resource block grants, and park dedication fees. The Miscellaneous Fund fund balance increased by $89,921 from 2010. This increase can be attributed to collections in excess of expenditures from the Solid Waste assessment. The County has maintained the assessment at prior year levels, even with the full repayment of a landfill liability case, due to expectations that the County may need to participate in the construction of a regional solid waste incinerator. Also, the County, as a participant in the Tri-County Solid Waste Commission, has agreed to begin sending waste to a waste burner in Douglas County. This agreement includes a "put or pay" provision, thus the County has maintained the current assessment should this new liability emerge.

DEBT SERVICE FUND

The Debt Service Fund accounts for principal, interest, and fiscal agent fees associated with the County's outstanding debt, including general obligation debt and capital leases. Fund balance in the Debt Service Fund increased by $395,933 in 2011. Fund balance growth in the Debt Service Fund is generally related to the statutory requirement to levy 105 percent of the annual principal and interest due on the County's outstanding general obligations debt.

CAPITAL PROJECTS FUND

The Capital Projects Fund accounts for the financing of multi-year capital projects, including those funded with Capital Improvement Plan bonds. A fund balance decrease of $887,927 was due to the planned draw-down of bond proceeds and other cash balances for road projects.

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

The following schedule presents a summary of General Fund revenues:

Table A-4
General Fund Revenues

Fund	Year Ended December 31, 2011	Year Ended December 31, 2010	Change Increase (Decrease)	Change Percent
Taxes	$ 10,617,999	$ 10,159,817	$ 458,182	4.5 %
Intergovernmental	1,650,305	1,846,862	(196,557)	(10.6)
Charges for Services	1,608,015	1,694,833	(86,818)	(5.1)
Investment Earnings	61,628	237,975	(176,347)	(74.1)
Miscellaneous and Other	643,091	511,390	131,701	25.8
Total General Fund Revenues	$ 14,581,038	$ 14,450,877	$ 130,161	0.9

Total General Fund revenue increased by $130,161, or 0.9 percent, from 2010. Property taxes allocated to General Fund activities increased, although the overall County levy for all funds did not increase from 2010. Additional tax dollars were needed for General Fund functions to offset decreased interest earnings and development fees.

The following schedule presents a summary of General Fund expenditures:

Table A-5
General Fund Expenditures

	Year Ended December 31, 2011	Year Ended December 31, 2010	Change Increase (Decrease)	Change Percent
General Government	$ 5,589,857	$ 5,448,993	$ 140,864	2.6 %
Public Safety	7,094,870	6,883,732	211,138	3.1
Health	1,830	71,209	(69,379)	(97.4)
Culture and Recreation	540,078	541,837	(1,759)	(0.3)
Conservation of Natural Resources	357,599	357,280	319	0.1
Economic Development	376,027	407,996	(31,969)	(7.8)
Capital Outlay	-	234,937	(234,937)	(100.0)
Total Expenditures	$ 13,960,261	$ 13,945,984	$ 14,277	0.1

Expenditure growth was virtually non-existent in 2011, as the County continued its aggressive efforts to contain compensation and benefits increases and cut operating costs. Such strategies included hiring freezes, contracting out functions, and eliminating positions.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Actual revenues were $201,582 more than budgeted. This favorable variance is due primarily to higher than expected grant revenues and a dividend payment from the Minnesota Counties Intergovernmental Trust that was larger than expected.
- Actual expenditures were $483,862 less than budget. Unspent budget authority resided mainly in the County's Contingency budget and in the Jail budget, where lower inmate populations have reduced variable costs. Overall, General Fund departments spent an average 97 percent of their authorized 2011 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 2011 was related to road construction projects and minor building projects.

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

CAPITAL ASSETS

By the end of 2011, the County had invested over $121 million (before depreciation) in a broad range of capital assets, including buildings, computers, equipment, and infrastructure. (See Table A-6). (More detailed information about capital assets can be found in Note 3A to the financial statements.) Total depreciation expense for the year was $3,584,121.

Table A-6
The County's Capital Assets

	Governmental Activities 2011	Governmental Activities 2010	Percent Change
Land	$ 2,346,666	$ 2,346,666	- %
Right-of-Way	9,151,633	8,885,167	3.0
Construction-in-Progress	253,626	1,291,476	(80.4)
Infrastructure	81,641,164	77,240,283	5.7
Land Improvements	364,356	347,356	4.9
Buildings	18,823,056	18,823,056	-
Machinery, Furniture, and Equipment	8,547,070	8,431,721	1.4
Less: Accumulated Depreciation	(55,124,439)	(51,733,985)	6.6
Total	$66,003,132	$65,631,740	0.6

LONG-TERM LIABILITIES

At year-end, the County had $19,179,007 in long-term liabilities outstanding.

- The County's total long-term debt decreased $1,351,501, due to the full repayment of a Courts Facility lease-purchase arrangement and the ongoing repayment of existing debt. No new debt has been issued since 2008.

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

	2011	2010	Percentage Change
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds and Notes	$15,530,541	$17,099,412	(9.2)%
Economic Development Loans Payable	586,583	618,160	(5.1)
Compensated Absences	2,558,680	2,434,782	5.1
Other Postemployment Health Care Benefits	503,203	378,154	33.1
Total	$19,179,007	$20,530,508	(6.6)

FACTORS BEARING ON THE COUNTY'S FUTURE

In the near term, the effects of the down real estate market will continue to weigh heavily on the County's tax rate and how it approaches tax levy decisions. Declining real estate values brought the County's tax net tax capacity down just over 3 percent between 2010 and 2011. For 2012 taxes, tax capacity fell 8 percent. Even though the County cut its levy by 0.5 percent in 2012, the 2012 tax rate still rose over 5 percentage points as tax capacity fell.

The County has been sensitive to local economic conditions and concerns about the County tax burden. In an effort to not add to that burden, the County has not increased its levy since 2009. In fact, the 2012 levy is just over $100,000 lower than the 2009 levy. So far the County has been able to adequately sustain essential functions without adding new revenue. In doing so, the County has required aggressive efforts to contain expenditure growth, including successfully negotiating labor agreements with no or modest wage and benefits increases, eliminating positions and contracting out functions. Department non-salary and benefits operating budgets have not grown, except in rare cases, since 2009.

Through this period of fiscal difficulty since 2009, the County has attempted to maintain investments in capital equipment, its buildings and roads. This has allowed the County to avoid the costs associated with worn and obsolete equipment. The County's five-year capital improvement plan identifies major building maintenance projects, which have been funded instead of being pushed into the future.

FACTORS BEARING ON THE COUNTY'S FUTURE (CONTINUED)

The County's approach to maintaining its reserves, capital project planning and funding, and overall financial planning and management has been recognized by Standard and Poor's with an "AA" bond rating on the County's most recent 2011 Capital Improvement Plan Bond refunding.

The County's tax rate compared to our neighboring counties continues to be a concern, particularly when compared to counties that make up the St. Cloud metropolitan area. Pressure will continue to keep the County tax rate to little or any growth, or possibly reduce it as the County attempts to become more attractive in the competitive marketplace for growth and private investment.

The goal of restraint in levy growth will come up against employee demands for wage and benefits increases and rising costs to operate County functions. Volatile oil prices can quickly drive up the cost of road projects, eroding the purchasing power of the County's available resources. County buildings, most notably the County Jail, are reaching a point where major building system upgrades and replacements will be required over the next five years.

Current reserve levels place the County in a good position to fund some of its capital needs over the next three to five years. However, it is unlikely the County can sustain its zero-growth levy approach much longer, unless significant service level reductions occur. Given the presence of multiple state mandates, major changes in County services may not be possible. The challenge will remain for the County to meet the service expectations of its residents and state law, while keeping its tax burden at a level that attracts growth and investment.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Montgomery Headley, County Administrator at (320) 968-5004.

BASIC FINANCIAL STATEMENTS

BENTON COUNTY
FOLEY, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Governmental Activities
ASSETS	
Cash and Pooled Investments	$ 29,641,985
Petty Cash and Change Funds	3,300
Undistributed Cash in Agency Funds	352,929
Taxes Receivable	
Delinquent	822,368
Special Assessments Receivable	
Delinquent	19,937
Deferred	366,032
Accounts Receivable	147,595
Accrued Interest Receivable	14,186
Loans Receivable	502,773
Due from Other Governments	4,980,098
Inventories	320,698
Prepaid Items	32,927
Deferred Debt Issue Costs	204,956
Non-Depreciable Capital Assets	
Land	2,346,666
Right-of-Way	9,151,633
Construction-in-Progress	253,626
Depreciable Capital Assets	
Building (Net)	12,530,902
Machinery, Vehicles, Furniture, and Equipment (Net)	4,110,025
Land Improvements (Net)	305,282
Infrastructure (Net)	37,304,998
Total Assets	103,412,916
LIABILITIES	
Accounts Payable	456,579
Salaries Payable	593,752
Contracts Payable	191,481
Due to Other Governments	316,365
Accrued Interest Payable	185,500
Unearned Revenue	80,062
Compensated Absences Payable - Due in Less than One Year	127,934
General Obligation Bonds and Notes Payable - Due in Less than One Year	3,215,000
Economic Development Loans Payable - Due in Less than One Year	31,893
Compensated Absences Payable - Due in More than One Year	2,430,746
Other Postemployment Benefits Payable - Due in More than One Year	503,203
General Obligation Bonds and Notes Payable - Due in More than One Year	12,315,541
Economic Development Loans Payable - Due in More than One Year	554,690
Total Liabilities	21,002,746
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	52,571,091
Restricted For:	
Debt Service	3,496,095
Gravel Pit Closure	54,172
Capital Projects	2,350,622
Highway Projects	3,937,601
E-911	347,975
Solid Waste Contingency	2,450,513
Economic Development Loans	1,302,819
Recorders' Equipment	311,749
SCORE Grant	184,329
Other Items	270,324
Unrestricted	15,132,880
Total Net Assets	$ 82,410,170

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

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BENTON COUNTY
FOLEY, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES					
General Government	$ 6,037,509	$ 1,290,040	$ 147,733	$ 20,950	$ (4,578,786)
Public Safety	7,722,139	839,616	503,240	-	(6,379,283)
Highways and Streets	6,146,311	136,772	1,541,556	2,154,101	(2,313,882)
Human Services	8,932,795	800,070	4,684,513	-	(3,448,212)
Health	1,159,287	21,285	847,933	-	(290,069)
Culture and Recreation	554,372	22,322	36,730	-	(495,320)
Conservation of Natural Resources	695,294	771	49,449	355,284	(289,790)
Economic Development	421,244	24,295	-	-	(396,949)
Interest	526,593	-	-	-	(526,593)
Total Governmental Activities	$32,195,544	$ 3,135,171	$ 7,811,154	$ 2,530,335	(18,718,884)

GENERAL REVENUES	
Property Taxes	18,910,547
Gravel Taxes	34,198
Mortgage Registry and Deed Tax	25,995
Forfeited Tax	24,978
Grants and Contributions not Restricted to Specific Programs	2,786,520
Unrestricted Investment Earnings	69,479
Miscellaneous	433,960
Gain on Sale of Capital Assets	(29,993)
Total General Revenues	22,255,684
CHANGE IN NET ASSETS	3,536,800
Net Assets - Beginning of Year	78,484,187
Prior Period Adjustment	389,183
Restated Net Assets - Beginning of Year	78,873,370
NET ASSETS - END OF YEAR	$ 82,410,170

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

BENTON COUNTY
FOLEY, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General	Road and Bridge	Human Services	Miscellaneous
ASSETS				
Cash and Pooled Investments	$ 8,762,940	$ 1,151,251	$ 5,258,705	$ 2,573,168
Petty Cash and Change Funds	3,300	-	-	-
Undistributed Cash in Agency Funds	217,202	36,285	59,436	5,250
Taxes Receivable				
Delinquent	447,096	104,491	165,028	-
Special Assessments Receivable				
Delinquent	-	-	-	19,229
Deferred	-	-	-	357,510
Accounts Receivable	46,741	8,146	68,860	18,886
Accrued Interest Receivable	13,189	-	24	261
Due from Other Funds	26,756	7,977	-	-
Due from Other Governments	115,243	3,937,908	904,846	22,101
Inventories	-	320,698	-	-
Prepaid Items	21,863	11,064	-	-
Loans Receivable	-	-	-	-
Advances to Other Funds	8,890	-	-	921,503
Total Assets	$ 9,663,220	$ 5,577,820	$ 6,456,899	$ 3,917,908
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 106,745	$ 28,415	$ 274,016	$ 40,698
Salaries Payable	327,426	72,888	188,532	4,582
Contracts Payable	-	191,481	-	-
Due to Other Funds	7,956	375	26,382	20
Due to Other Governments	148,245	13,280	93,738	61,102
Deferred Revenue - Unavailable	461,777	4,042,092	289,557	377,239
Deferred Revenue - Unearned	-	-	32,664	47,398
Advance from Other Funds	-	-	-	-
Total Liabilities	1,052,149	4,348,531	904,889	531,039
FUND BALANCES				
Nonspendable	30,753	331,762	-	921,503
Restricted	-	-	-	2,236,470
Committed	-	-	-	228,896
Assigned	-	897,527	5,552,010	-
Unassigned	8,580,318	-	-	-
Total Fund Balances	8,611,071	1,229,289	5,552,010	3,386,869
Total Liabilities and Fund Balances	$ 9,663,220	$ 5,577,820	$ 6,456,899	$ 3,917,908

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

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
$ 4,383,774	$ 6,623,653	$ 888,494	$ 29,641,985
-	-	-	3,300
33,408	1,348	-	352,929
100,424	5,329	-	822,368
-	-	708	19,937
-	-	8,522	366,032
-	-	4,962	147,595
45	445	222	14,186
-	-	-	34,733
-	-	-	4,980,098
-	-	-	320,698
-	-	-	32,927
-	-	502,773	502,773
-	-	-	930,393
$ 4,517,651	$ 6,630,775	$ 1,405,681	$ 38,169,954
$ 6,530	$ -	$ 175	$ 456,579
-	-	324	593,752
-	-	-	191,481
-	-	-	34,733
-	-	-	316,365
100,424	5,329	9,230	5,285,648
-	-	-	80,062
796,118	125,385	8,890	930,393
903,072	130,714	18,619	7,889,013
-	-	-	1,284,018
3,614,579	2,350,622	1,356,991	9,558,662
-	4,149,439	30,071	4,408,406
-	-	-	6,449,537
-	-	-	8,580,318
3,614,579	6,500,061	1,387,062	30,280,941
$ 4,517,651	$ 6,630,775	$ 1,405,681	$ 38,169,954

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BENTON COUNTY
FOLEY, MINNESOTA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2011

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS		$ 30,280,941
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		66,003,132
Delinquent taxes, delinquent and deferred special assessments, and certain state-aid highway allotments are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		5,285,648
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General Obligation Bonds and Notes	$ 15,530,541	
Economic Development Loans	586,583	
Deferred Debt Issue Costs	(204,956)	
Compensated Absences	2,558,680	
Other Postemployment Benefits	503,203	
Accrued Interest Payable	185,500	(19,159,551)
TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES		$ 82,410,170

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

BENTON COUNTY
FOLEY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2011

	General	Road and Bridge	Human Services	Miscellaneous
REVENUES				
Taxes	$ 10,617,999	$ 2,345,799	$ 3,793,631	$ -
Special Assessments	-	-	-	355,703
Licenses and Permits	183,121	5,650	-	23,033
Intergovernmental	1,650,305	2,169,684	5,892,430	216,821
Charges for Services	1,608,015	149,467	814,334	169,541
Fines and Forfeits	16,279	-	-	25,384
Gifts and Contributions	1,741	-	13,364	4,270
Interest on Investments	61,628	-	440	2,152
Miscellaneous	441,950	46,282	11,225	34,723
Total Revenues	14,581,038	4,716,882	10,525,424	831,627
EXPENDITURES				
CURRENT				
General Government	5,589,857	-	-	235,845
Public Safety	7,094,870	-	-	182,175
Highways and Streets	-	5,285,108	-	-
Human Services	-	-	8,834,927	-
Health	1,830	-	1,103,125	-
Culture and Recreation	540,078	-	-	1,320
Conservation of Natural Resources	357,599	-	-	337,695
Economic Development	376,027	-	-	-
INTERGOVERNMENTAL	-	153,519	-	-
CAPITAL OUTLAY				
Public Safety	-	-	-	-
Highways and Streets	-	-	-	-
DEBT SERVICE				
Principal	-	52,000	-	-
Interest	-	1,118	-	-
Bond Issuance Costs	-	-	-	-
Fiscal Charges	-	-	-	-
Total Expenditures	13,960,261	5,491,745	9,938,052	757,035
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	620,777	(774,863)	587,372	74,592
OTHER FINANCING SOURCES (USES)				
Transfers In	24,057	50,382	-	39,311
Transfers Out	(89,214)	(500)	-	(23,982)
Refunding Bonds Issued	-	-	-	-
Discount on Bonds Issued	-	-	-	-
Payment on Refunded Bonds	-	-	-	-
Total Other Financing Sources (Uses)	(65,157)	49,882	-	15,329
NET CHANGE IN FUND BALANCES	555,620	(724,981)	587,372	89,921
Fund Balances - Beginning of Year	7,839,901	1,853,452	4,893,307	3,290,574
Prior Period Adjustment	215,550	48,537	71,331	6,374
Restated Fund Balances - Beginning of Year	8,055,451	1,901,989	4,964,638	3,296,948
INCREASE (DECREASE) IN INVENTORIES	-	52,281	-	-
FUND BALANCES - END OF YEAR	$ 8,611,071	$ 1,229,289	$ 5,552,010	$ 3,386,869

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

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
$ 2,127,772	$ 84,548	$ 24,978	$ 18,994,727
-	-	1,682	357,385
-	-	-	211,804
330,647	762,737	-	11,022,624
-	-	-	2,741,357
-	-	-	41,663
-	-	-	19,375
672	3,472	1,555	69,919
-	2,681	36,735	573,596
2,459,091	853,438	64,950	34,032,450
-	38,936	-	5,864,638
-	5,000	-	7,282,045
-	155,750	-	5,440,858
-	-	-	8,834,927
-	-	-	1,104,955
-	-	-	541,398
-	-	-	695,294
-	-	39,364	415,391
-	-	-	153,519
-	37,409	-	37,409
-	1,504,216	-	1,504,216
1,340,000	-	31,577	1,423,577
523,966	-	6,508	531,592
30,130	-	-	30,130
4,913	-	-	4,913
1,899,009	1,741,311	77,449	33,864,862
560,082	(887,873)	(12,499)	167,588
-	21	-	113,771
-	(75)	-	(113,771)
1,710,000	-	-	1,710,000
(9,149)	-	-	(9,149)
(1,865,000)	-	-	(1,865,000)
(164,149)	(54)	-	(164,149)
395,933	(887,927)	(12,499)	3,439
3,174,482	7,384,761	1,399,561	29,836,038
44,164	3,227	-	389,183
3,218,646	7,387,988	1,399,561	30,225,221
-	-	-	52,281
$ 3,614,579	$ 6,500,061	$ 1,387,062	$ 30,280,941

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BENTON COUNTY
FOLEY, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ 3,439
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for General Capital Assets, Infrastructure, and Other Related Capital Asset Adjustments	$ 3,995,006	
Net Book Value of Capital Assets Disposed	(39,493)	
Current Year Depreciation	(3,584,121)	371,392
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		1,709,287
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.		
Proceeds for Debt Issuance	(1,710,000)	
Discount and Bond Issuance Costs for the New Debt Issuance	39,279	(1,670,721)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Principal Repayments		
General Obligation Bonds and Notes	3,257,000	
Economic Development Loans	31,577	3,288,577
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	45,171	
Amortization of Discounts and Deferred Issuance Charges	(13,679)	
Change in Compensated Absences	(123,898)	
Change in Other Postemployment Benefits	(125,049)	
Change in Inventories	52,281	(165,174)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		$ 3,536,800

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

BENTON COUNTY
FOLEY, MINNESOTA
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2011

ASSETS		
Cash and Pooled Investments	$	1,443,684
LIABILITIES		
Due to Other Governments	$	1,345,003
Funds Held in Trust		98,681
Total Liabilities	$	1,443,684

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Benton County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2011. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Blended Component Units

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Jointly Governed Organizations

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

2. Fund Financial Statements

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

Additionally, the County reports the following fund types:

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agency capacity. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2011, based on market prices. Investment earnings are allocated to the Miscellaneous Special Revenue Fund based on cash balances set aside for specific purposes within that fund. Pursuant to *Minnesota Statutes* §385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Receivables and Payables

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

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

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

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

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

Special assessments receivable consist of delinquent special assessments payable in the years 2006 through 2011, and deferred special assessments payable in 2012, and after. No provision has been made for an estimated uncollectible amount. Significant portions of special assessments receivable are not expected to be collected within one year due to the nature of the receivable.

3. Inventories

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the government-wide financial statements. In the case of initial capitalization of infrastructure, the County retroactively implemented the reporting of this item when GASB #34 was implemented. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 for all capital assets, except for buildings, which use a threshold of $25,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated paid-time off (PTO) balances or vacation and sick leave balances. Employees hired before June 21, 2011 can choose to convert to the PTO plan or continue receiving vacation and sick 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Deferred Revenue

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

7. Long-Term Obligations

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

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

8. Fund Equity

At December 31, 2011, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This standard changed fund balance classifications within the fund level statements.

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. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Fund Equity (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the County's policy to use restricted first, then unrestricted fund balance. 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 six months of operating expenditures in the General, Road and Bridge, and Human Services Funds.

9. Use of Estimates

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

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures over Budget

The following funds had expenditures in excess of budget at the departmental level for the year ended December 31, 2011:

Fund	Function	Expenditures	Budget	Excess
General	Current			
	General Government			
	Recorder	$ 218,520	$ 203,510	$ 15,010
	Property Management	856,957	856,035	922
	Veterans Service Officer	96,692	96,659	33
	Public Safety			
	Emergency Management	121,499	70,630	50,869
	Economic Development			
	Economic Development	104,804	103,035	1,769
Special Revenue Funds				
Road and Bridge	Highways and Streets	5,491,745	4,925,880	565,865

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

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

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

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

Government-Wide Statement of Net Assets	
Governmental Activities	
Cash and Pooled Investments	$ 29,641,985
Petty Cash and Change Funds	3,300
Statement of Fiduciary Net Assets	
Cash and Pooled Investments	1,443,684
Total Cash and Investments	$ 31,088,969

a. Deposits

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

a. Deposits (Continued)

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2011, all of the County's deposits were insured and collateralized.

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;

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

(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.

Custodial Credit Risk – Investments

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

Concentration Risk

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

b. Investments (Continued)

The following table presents the County's investment balances at December 31, 2011, and information relating to potential investment risks:

	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	(Fair) Value
U.S. Treasury Certificates					
Series EE Bonds	N/R	N/A	<5.0%	N/A	$ 5,000
U.S. Government agency securities					
Federal Home Loan Mortgage	AA+	S&P	5.7%	8/25/2016	400,068
Federal Home Loan Mortgage	AA+	S&P	<5.0%	10/5/2018	200,056
Federal Home Loan Mortgage	AA+	S&P	<5.0%	9/30/2021	250,533
Total Federal Home Loan Mortgage					850,657
Federal Home Loan Bank	AA+	S&P	5.2%	7/27/2018	365,026
Federal Home Loan Bank	AA+	S&P	<5.0%	11/23/2021	300,042
Federal Home Loan Bank	AA+	S&P	6.1%	12/1/2021	425,411
Total Federal Home Loan Mortgage					1,090,479
Investment Pools/Mutual Funds					
MAGIC Fund	N/R	N/A		N/A	5,074,744
Total Investments					7,020,880
Deposits					24,064,789
Petty Cash					3,300
Total Deposits and Investments					$ 31,088,969

N/A - Not Applicable
N/R - Not Rated
<5.0% - Concentration is Less than 5% of Investments

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	$ 2,346,666	$ -	$ -	$ 2,346,666
Infrastructure, Right-of-Way	8,885,167	266,466	-	9,151,633
Construction-in-Progress	1,291,476	3,363,031	4,400,881	253,626
Total Capital Assets, not being Depreciated	12,523,309	3,629,497	4,400,881	11,751,925
Capital Assets being Depreciated:				
Buildings	18,823,056	-	-	18,823,056
Land Improvements	347,356	17,000	-	364,356
Machinery, Furniture, and Equipment	8,431,721	348,509	233,160	8,547,070
Infrastructure	77,240,283	4,400,881	-	81,641,164
Total Capital Assets being Depreciated	104,842,416	4,766,390	233,160	109,375,646
Less Accumulated Depreciation for:				
Buildings	5,897,619	394,535	-	6,292,154
Land Improvements	44,757	14,317	-	59,074
Machinery, Furniture, and Equipment	4,109,173	521,539	193,667	4,437,045
Infrastructure	41,682,436	2,653,730	-	44,336,166
Total Accumulated Depreciation	51,733,985	3,584,121	193,667	55,124,439
Total Capital Assets, Depreciated, Net	53,108,431	1,182,269	39,493	54,251,207
Governmental Activities Capital Assets, Net	$ 65,631,740	$ 4,811,766	$ 4,440,374	$ 66,003,132

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Capital Assets (Continued)

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

Governmental Activities	
General Government	$ 164,847
Public Safety	396,752
Highway and Streets	2,949,552
Human Services	62,663
Culture and Recreation	10,307
Total	$ 3,584,121

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2011, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Human Services Fund	$ 26,381
	Road and Bridge	375
Total Due to General Fund		26,756
Road and Bridge Fund	General Fund	7,977
	Total	$ 34,733

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

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2011, consisted of the following:

Interfund Transfer	Amount	Description
Transfer to General Fund from		
Miscellaneous Fund	$ 6,727	Transfer to cover Assessor's Web Costs
	650	Excess in Sheriff Drug, Alcohol and Contingencies
	16,605	Transfer for Administration and Expenses for Permit to Carry
Capital Projects Fund	75	Close-Out Metafile Balance
	24,057	
Transfer to Road and Bridge Fund from		
General Fund	50,382	Provide Funds for GIS Salary and Expenses
Transfer to Miscellaneous Fund from		
General Fund	1,626	Restore Attorney Contingency
	7,185	Restore Sheriff's Contingency
	30,000	Transfer for Rail-Served Industrial Park Study
Road and Bridge Fund	500	Pictometry Contract
	39,311	
Transfer to Capital Projects Fund from		
General Fund	21	Close-Out Balance Due for 800 MHz Radios
Total	$ 113,771	

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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

3. Advances From/To Other Funds

Advances from/to other funds as of December 31, 2011, were as follows:

Receivable Fund	Payable Fund	Amount
General	Ditch	$ 8,890
Miscellaneous	Capital Projects	125,385
Miscellaneous	Debt Service	796,118
Total		$ 930,393

The advances above relate to a loan from the General Fund for ditch deficits, a loan from the Miscellaneous Fund (solid waste contingency) to the Capital Projects Fund for the jail master control panel project, and a loan from the Miscellaneous Fund (solid waste contingency) to the Debt Service Fund for the early pay-off of the Courts Facility lease-purchase arrangement.

C. Liabilities

1. Deferred Revenues

Deferred revenues consist of taxes, special assessments, grant, and other receivables that are not collected soon enough after year-end to pay liabilities of the current year, and state and federal grants received but not yet earned. Deferred revenue at December 31, 2011, is summarized below by fund:

	Special Assessments	Taxes	Grants	Other	Total
Major Governmental Funds					
General	$ -	$ 447,096	$ 139	$ 14,542	$ 461,777
Road and Bridge	-	104,491	-	3,937,601	4,042,092
Human Services	-	165,028	101,558	22,971	289,557
Miscellaneous	376,739	-	-	500	377,239
Debt Service Fund	-	100,424	-	-	100,424
Capital Projects Fund	-	5,329	-	-	5,329
Total Major Governmental Funds	376,739	822,368	101,697	3,975,614	5,276,418
Other Governmental Funds	9,230	-	-	-	9,230
Deferred Revenue Unavailable	$ 385,969	$ 822,368	$ 101,697	$ 3,975,614	$ 5,285,648

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

2. Long-Term Debt

Governmental Activities

Types of Indebtedness	Maturity Date	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2011
2003 G.O. Capital Improvement Bonds	2018	$170,000-$325,000	2.00-3.85	$ 3,500,000	$ 1,905,000
2007A G. O. Reconstruction Bonds	2022	$180,000-$255,000	4.00	3,000,000	2,335,000
2007B G.O. State-Aid Road Bonds	2022	$110,000-$175,000	3.65-4.00	2,055,000	1,610,000
2008A G. O. Reconstruction Bonds	2023	$160,000-$255,000	3.75-4.50	3,000,000	2,480,000
2008A G.O. Capital Improvement Bonds	2023	$70,000-$110,000	3.75-4.50	1,280,000	1,055,000
2009A G.O. Jail Refunding Bonds	2016	$595,000-$690,000	2.00-3.25	3,845,000	3,250,000
2010A G.O. CIP Refunding Bonds	2018	$145,000-$170,000	1.00-2.40	1,100,000	1,100,000
2011A G.O. CIP Refunding Bonds	2018	$265,000-$315,000	0.50-1.40	1,710,000	1,710,000
Total General Obligation Bonds				$ 19,490,000	15,445,000
Less: Unamortized Bond Discount					(48,627)
Add: Unamortized Bond Premium					134,168
Total General Obligation Bonds, Net					$ 15,530,541

Types of Indebtedness	Maturity Date	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2011
Economic Development Loans U.S. Department of Agriculture	2036	$7,525-$34,204	1.00	$ 805,195	$ 586,583

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2011, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest	Economic Development Loans Principal	Economic Development Loans Interest
2012	$ 3,215,000	$ 456,392	$ 31,893	$ 5,866
2013	1,610,000	361,449	32,212	5,547
2014	1,645,000	321,314	32,534	5,225
2015	1,675,000	276,222	32,860	4,899
2016	1,745,000	225,975	33,188	4,571
2017-2021	4,415,000	592,993	170,986	17,809
2022-2026	1,140,000	36,954	152,436	9,089
2027-2031	-	-	49,011	4,055
2032-2036	-	-	51,463	1,551
Total	$ 15,445,000	$ 2,271,299	$ 586,583	$ 58,612

4. Refunding Debt Issued

During 2011, the County issued Capital Improvement Refunding Bonds, Series 2011A in the amount of $1,710,000 with interest rates of 0.500 percent to 1.400 percent, along with $155,000 of County funds to provide for the current refunding of the General Obligation Capital Improvement Bonds Series 2002. The balance of the outstanding maturities to be refunded is $1,865,000 and interest rates of 4.000 percent to 5.000 percent.

As a result of this refunding, the County will decrease its debt service requirements $117,253, resulting in an economic gain (difference between the present value of the debt service payments on the old and new debt service) of $113,239.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
General Obligation Bonds	$ 16,940,000	$ 1,710,000	$ 3,205,000	$ 15,445,000	$ 3,215,000
G.O. Capital Notes	52,000	-	52,000	-	-
Bond Premium	152,276	-	18,108	134,168	-
Bond Discount	(44,864)	(9,149)	(5,386)	(48,627)	-
Total Bonds Payable	17,099,412	1,700,851	3,269,722	15,530,541	3,215,000
Economic Development Loans	618,160	-	31,577	586,583	31,893
Compensated Absences	2,434,782	1,429,033	1,305,135	2,558,680	127,934
Other Postemployment Benefits	378,154	190,937	65,888	503,203	-
Governmental Activity Long-Term Liabilities	$ 20,530,508	$ 3,320,821	$ 4,672,322	$ 19,179,007	$ 3,374,827

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

6. Construction Commitments

The government has active construction projects as of December 31, 2011. The projects include the following:

Project Description	Spent-to-Date	Remaining Commitment
County Road Projects	$3,537,498	$1,007,786

NOTE 4 FUND BALANCES

At December 31, 2011, 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 Project Funds	Other Governmental Funds	Total Funds
Nonspendable:								
Advances to Other Funds	$ 8,890	$ -	$ -	$ 921,503	$ -	$ -	$ -	$ 930,393
Prepaids	21,863	11,064	-	-	-	-	-	32,927
Inventories	-	320,698	-	-	-	-	-	320,698
Total Nonspendable	30,753	331,762	-	921,503	-	-	-	1,284,018
Restricted:								
Law Library	-	-	-	15,349	-	-	-	15,349
E911	-	-	-	347,975	-	-	-	347,975
SCORE Grant	-	-	-	184,329	-	-	-	184,329
Recorders' Equipment	-	-	-	311,749	-	-	-	311,749
Natural Resource Block Grant	-	-	-	73,277	-	-	-	73,277
Solid Waste Contingency	-	-	-	1,150,647	-	-	-	1,150,647
Forfeitures	-	-	-	34,376	-	-	-	34,376
Law Enforcement Programs	-	-	-	2,470	-	-	-	2,470
Future Park Expenditures	-	-	-	94,518	-	-	-	94,518
Broadband Grant	-	-	-	15,869	-	-	-	15,869
Emergency Firewise Grant	-	-	-	3,911	-	-	-	3,911
Economic TIF Expenditures	-	-	-	1,000	-	-	-	1,000
Permit to Carry Guns	-	-	-	1,000	-	-	-	1,000
Gravel Pit Closure Costs	-	-	-	-	-	-	54,172	54,172
Economic Development Loan Progran	-	-	-	-	-	-	1,302,819	1,302,819
Debt Service	-	-	-	-	3,614,579	-	-	3,614,579
Bonded Construction Projects	-	-	-	-	-	2,350,622	-	2,350,622
Total Restricted	-	-	-	2,236,470	3,614,579	2,350,622	1,356,991	9,558,662
Committed:								
Motor Pool	-	-	-	23,036	-	-	-	23,036
Jail Inmate Capital Expenditures	-	-	-	129,402	-	-	-	129,402
Rail-Served Industrial Park	-	-	-	30,000	-	-	-	30,000
Contingency Funds	-	-	-	13,500	-	-	-	13,500
Juvenile Diversion Program	-	-	-	11,054	-	-	-	11,054
Other Items	-	-	-	21,904	-	-	-	21,904
Rice Interchange Project	-	-	-	-	-	2,000,000	-	2,000,000
Future Construction Projects	-	-	-	-	-	2,149,439	-	2,149,439
Ditch Repairs	-	-	-	-	-	-	30,071	30,071
Total Committed	-	-	-	228,896	-	4,149,439	30,071	4,408,406
Assigned:								
Road and Bridge Operations	-	897,527	-	-	-	-	-	897,527
Health and Human Services Programs	-	-	5,552,010	-	-	-	-	5,552,010
Total Assigned	-	897,527	5,552,010	-	-	-	-	6,449,537
Unassigned	8,580,318	-	-	-	-	-	-	8,580,318
Total Fund Balances	$8,611,071	$1,229,289	$5,552,010	$ 3,386,869	$3,614,579	$6,500,061	$ 1,387,062	$30,280,941

NOTE 5 DEFINED BENEFIT PENSION PLANS

A. Plan Description

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

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

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

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

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for PECF members.

For all PEPFF members, PECF members, and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

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

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2011. PEPFF members were required to contribute 9.60 percent of their annual covered salary in 2011. PECF members are required to contribute 5.83 percent of their annual covered salary. Benton County is required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan PERF members, 7.25 percent for Coordinated Plan PERF members, 14.40 percent for PEPFF members, and 8.75 percent for PECF members.

The County's contributions to the General Employees Retirement Fund for the years ending December 31, 2011, 2010, and 2009 were $672,937, $664,554, and $650,993, respectively. The County's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2011, 2010, and 2009 were $243,249, $237,033, and $226,506, respectively. The County's contributions to the PECF for the years ending December 31, 2011, 2010, and 2009 were $147,401, $140,109, and $144,641, respectively.

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

C. Defined Contribution Plan

Three county commissioners of Benton County are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

NOTE 5 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes* Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

Total contributions made by Benton County during fiscal years 2011, 2010 and 2009 were:

	Contribution Amount		Percentage of Covered Payroll		Required
	Employee	Employer	Employee	Employer	Rates
2011	$ 4,913	$ 4,834	5.0 %	5.0 %	5.0 %
2010	4,834	4,834	5.0	5.0	5.0
2009	4,722	4,722	5.0	5.0	5.0

NOTE 6 OPEB DISCLOSURE

The County provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. The County provides benefits for retirees as required by *Minnesota Statutes* §471.61 subdivision 2b. Active employees who retire from the County when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Pursuant to the provisions of the plan, retirees are required to pay varying percentages of the total premium cost. As of December 31, 2011, there were 34 retirees receiving health benefits from the County's health plan.

A. Annual OPEB Cost and Net OPEB Obligation

The County's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost of 2011, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC):	$ 194,433
Interest on Net OPEB Obligation	10,100
Adjustment to ARC	(13,596)
Annual OPEB Cost	190,937
Contributions during the year	(65,888)
Increase in Net OPEB Obligation	125,049
Net OPEB - Beginning of the Year	378,154
Net OPEB - End of the Year	$ 503,203

NOTE 6 OPEB DISCLOSURE (CONTINUED)

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

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2009, 2010, and 2011 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
12/31/2011	$ 190,937	$ 65,887	34.5 %	$ 503,204
12/31/2010	193,479	39,760	20.6	378,154
12/31/2009	147,806	42,585	28.8	224,435

B. Funding Status

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

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

C. Actuarial Methods and Assumptions

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

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

NOTE 6 OPEB DISCLOSURE (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

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

NOTE 7 RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $450,000 per claim in 2011, respectively. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

A. Jointly Governed Organizations

Stearns-Benton Employment and Training Council

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

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

Complete financial information can be obtained from:

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

Tri-County Solid Waste Commission

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

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

A. Joint Governed Organizations (Continued)

Tri-County Solid Waste Commission (Continued)

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

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

Separate financial information can be obtained from:

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

Central Minnesota Drug and Gang Task Force

Benton, Morrison, Todd, and Stearns Counties and the Cities of Sartell, Sauk Rapids, Waite Park, St. Joseph, 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 County contributed $8,334 during 2011.

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

Great River Regional Library

The Great River Regional Library operates under a joint powers agreement and according to the authority granted by *Minnesota Statutes.* The specific operating framework is set forth in a service agreement which has been entered into by each of the seven members. The membership consists of six counties including Benton County and the City of St. Cloud. The Board of Directors consists of 15 people. The Benton County Board of Commissioners has one representative on the Library Board. The County's 2011 contribution to the Great River Regional Library of $528,008 is included in the expenditures of the General Fund.

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

A. Joint Governed Organizations (Continued)

Great River Regional Library (Continued)

Separate financial information can be obtained from:

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

A. Joint Governed Organizations (Continued)

Central Minnesota Emergency Medical Services

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

Complete financial information can be obtained from:

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

St. Cloud Area Planning Organization

The St. Cloud Area Planning Organization was created to keep governmental units and the general public informed and advised on all matters relative to the transportation planning, programming, and funding. The council is an organized joint venture having the duties, powers, and privileges granted joint powers by *Minnesota Statutes* §471.59. During 2011, the County contributed $8,861 to the St. Cloud Area Planning Organization. Complete financial statements can be obtained from: St. Cloud Area Planning Organization, 1040 County Road #4, St. Cloud, MN 56303.

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

A. Joint Governed Organizations (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 between Benton and Sherburne Counties and Benton and Sherburne Soil and Water Conservation Districts, with each having one representative on the board of directors.

Separate financial information can be obtained from:

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

Central Minnesota Regional Radio Board

Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Mille Lacs, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright Counties and the City of St. Cloud have entered into the Central Minnesota Regional Radio Board joint powers agreement. The Board is comprised of one City Council member from each city party and one County Commissioner from each county party to the agreement. The purpose of this agreement is to provide regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

Separate financial information can be obtained from:

City of St. Cloud
400 Second Street South
St. Cloud, MN 56301

NOTE 9 PRIOR PERIOD ADJUSTMENT

The County's fund balance at January 1, 2011 was restated to reflect a $389,183 understatement of fund balance due to previously unrecorded taxes receivable relating to the January settlement. This restatement also affected the net assets in the government-wide financial statements as of January 1, 2011.

		As Previously Reported	Adjustment	As Restated
General Fund	Fund Balance, 1/1/11	$ 7,839,901	$ 215,550	$ 8,055,451
Road and Bridge Fund	Fund Balance, 1/1/11	1,853,452	48,537	1,901,989
Human Services Fund	Fund Balance, 1/1/11	4,893,307	71,331	4,964,638
Miscellaneous Fund	Fund Balance, 1/1/11	3,290,574	6,374	3,296,948
Debt Service Fund	Fund Balance, 1/1/11	3,174,482	44,164	3,218,646
Capital Projects Fund	Fund Balance, 1/1/11	7,384,761	3,227	7,387,988
Governmental Activities	Net Assets, 1/1/11	78,484,187	389,183	78,873,370

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

BENTON COUNTY
FOLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$10,797,492	$ 10,797,492	$ 10,617,999	$ (179,493)
Licenses and Permits	164,555	164,555	183,121	18,566
Intergovernmental	1,291,524	1,291,524	1,650,305	358,781
Charges for Services	1,650,931	1,650,931	1,608,015	(42,916)
Fines and Forfeits	16,025	16,025	16,279	254
Gifts and Contributions	75	75	1,741	1,666
Investment Earnings	232,104	232,104	61,628	(170,476)
Miscellaneous	226,750	226,750	441,950	215,200
Total Revenues	14,379,456	14,379,456	14,581,038	201,582
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	377,488	377,488	268,936	108,552
Public Defender	110,000	110,000	67,000	43,000
Administration	664,237	664,237	660,803	3,434
Auditor/Treasurer	571,497	571,497	545,420	26,077
Assessor	431,905	447,364	442,757	4,607
Information Technology	685,342	685,342	675,725	9,617
Attorney	973,525	973,525	962,953	10,572
Recorder	203,510	203,510	218,520	(15,010)
Property Management	706,035	856,035	856,957	(922)
Veterans Service Officer	96,659	96,659	96,692	(33)
Other General Government	1,117,994	952,535	794,094	158,441
Total General Government	5,938,192	5,938,192	5,589,857	348,335
PUBLIC SAFETY				
Sheriff	3,676,574	3,676,574	3,658,753	17,821
Emergency Management	70,630	70,630	121,499	(50,869)
Prisoner Custodial	3,027,249	3,027,249	2,956,018	71,231
Probation	407,913	407,913	358,600	49,313
Total Public Safety	7,182,366	7,182,366	7,094,870	87,496
HEALTH				
Groundwater Management	25,310	25,310	1,830	23,480

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

BENTON COUNTY
FOLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (CONTINUED)
YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
EXPENDITURES				
CURRENT (CONTINUED)				
CULTURE AND RECREATION				
Historical Society	$ 12,070	$ 12,070	$ 12,070	$ -
Regional Library	528,008	528,008	528,008	-
Total Culture and Recreation	540,078	540,078	540,078	-
CONSERVATION OF NATURAL RESOURCES				
University of Minnesota Extension	209,376	209,376	205,099	4,277
Soil and Water Conservation	142,500	142,500	142,500	-
Agricultural Society/County Fair	10,000	10,000	10,000	-
Total Conservation of Natural Resources	361,876	361,876	357,599	4,277
ECONOMIC DEVELOPMENT				
Economic Development	103,035	103,035	104,804	(1,769)
Department of Development	293,266	293,266	271,223	22,043
Total Economic Development	396,301	396,301	376,027	20,274
Total Expenditures	14,444,123	14,444,123	13,960,261	483,862
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(64,667)	(64,667)	620,777	685,444
OTHER FINANCING SOURCES (USES)				
Transfers In	7,200	7,200	24,057	16,857
Transfers Out	(67,406)	(832,406)	(89,214)	743,192
Total Other Financing Sources (Uses)	(60,206)	(825,206)	(65,157)	760,049
NET CHANGE IN FUND BALANCE	$ (124,873)	$ (889,873)	555,620	$ 1,445,493
Fund Balance - Beginning of Year			7,839,901	
Prior Period Adjustment			215,550	
Restated Fund Balances - Beginning of Year			8,055,451	
FUND BALANCE - END OF YEAR			$ 8,611,071	

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

BENTON COUNTY
FOLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE FUND
YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$ 2,373,217	$ 2,373,217	$ 2,345,799	$ (27,418)
Licenses and Permits	9,000	9,000	5,650	(3,350)
Intergovernmental	2,250,144	2,250,144	2,169,684	(80,460)
Charges for Services	94,500	94,500	149,467	54,967
Miscellaneous	30,000	30,000	46,282	16,282
Total Revenues	4,756,861	4,756,861	4,716,882	(39,979)
EXPENDITURES				
CURRENT				
HIGHWAY AND STREETS				
Administration	459,457	459,457	448,322	11,135
Maintenance	2,217,991	2,217,991	2,139,689	78,302
Construction	994,740	994,740	1,642,667	(647,927)
GIS	67,118	67,118	50,303	16,815
Equipment and Maintenance Shop	909,740	1,003,353	1,004,127	(774)
Total Highways and Streets	4,649,046	4,742,659	5,285,108	(542,449)
INTERGOVERNMENTAL	130,103	130,103	153,519	(23,416)
DEBT SERVICE				
Principal Retirement	52,000	52,000	52,000	-
Interest	1,118	1,118	1,118	-
Total Debt Service	53,118	53,118	53,118	-
Total Expenditures	4,832,267	4,925,880	5,491,745	(565,865)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(75,406)	(169,019)	(774,863)	(605,844)
OTHER FINANCING SOURCES (USES)				
Transfers In	67,406	67,406	50,382	(17,024)
Transfers Out	-	-	(500)	(500)
Proceeds from Sale of Assets	8,000	8,000	-	(8,000)
Total Other Financing Sources (Uses)	75,406	75,406	49,882	(25,524)
NET CHANGE IN FUND BALANCE	$ -	$ (93,613)	(724,981)	$ (631,368)
Fund Balance - Beginning of Year			1,853,452	
Prior Period Adjustment			48,537	
Restated Fund Balances - Beginning of Year			1,901,989	
Increase in Inventory			52,281	
FUND BALANCE - END OF YEAR			$ 1,229,289	

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

BENTON COUNTY
FOLEY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES FUND
YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$ 3,894,408	$ 3,894,408	$ 3,793,631	$ (100,777)
Intergovernmental	4,976,097	4,976,097	5,892,430	916,333
Charges for Services	936,590	936,590	814,334	(122,256)
Gifts and Contributions	6,700	6,700	13,364	6,664
Interest on Investments	-	-	440	440
Miscellaneous	61,450	61,450	11,225	(50,225)
Total Revenues	9,875,245	9,875,245	10,525,424	650,179
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	2,983,053	2,983,053	3,052,955	(69,902)
Social Services	5,910,499	5,910,499	5,781,972	128,527
Total Human Services	8,893,552	8,893,552	8,834,927	58,625
HEALTH				
Nursing Service	1,064,941	1,064,941	1,103,125	(38,184)
Total Expenditures	9,958,493	9,958,493	9,938,052	20,441
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(83,248)	(83,248)	587,372	670,620
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(935,000)	-	935,000
NET CHANGE IN FUND BALANCE	$ (83,248)	$ (1,018,248)	587,372	$ 1,605,620
Fund Balance - Beginning of Year			4,893,307	
Prior Period Adjustment			71,331	
Restated Fund Balances - Beginning of Year			4,964,638	
FUND BALANCE - END OF YEAR			$ 5,552,010	

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

BENTON COUNTY
FOLEY, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2011

BUDGETARY INFORMATION

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

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

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

The following major funds had expenditures in excess of budget at the department level for the year ended December 31, 2011:

Fund	Function	Expenditures	Budget	Excess
General	Current			
	General Government			
	Recorder	$ 218,520	$ 203,510	$ 15,010
	Property Management	856,957	856,035	922
	Veterans Service Officer	96,692	96,659	33
	Public Safety			
	Emergency Management	121,499	70,630	50,869
	Economic Development			
	Economic Development	104,804	103,035	1,769
Special Revenue Funds				
Road and Bridge	Highways and Streets	5,491,745	4,925,880	565,865

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

BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS
DECEMBER 31, 2011

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

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SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

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

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

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

BENTON COUNTY
FOLEY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	Nonmajor Special Revenue Funds			Total
	Ditch	Economic Development	Gravel Pit Restoration	Nonmajor Funds
ASSETS				
Cash and Pooled Investments	$ 38,961	$ 798,236	$ 51,297	$ 888,494
Special Assessments Receivable				
Delinquent	708	-	-	708
Deferred	8,522	-	-	8,522
Accounts Receivable	-	2,087	2,875	4,962
Accrued Interest Receivable	-	222	-	222
Loans Receivable	-	502,773	-	502,773
Total Assets	$ 48,191	$ 1,303,318	$ 54,172	$ 1,405,681
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ -	$ 175	$ -	$ 175
Salaries Payable	-	324	-	324
Deferred Revenue - Unavailable	9,230	-	-	9,230
Advances from Other Funds	8,890	-	-	8,890
Total Liabilities	18,120	499	-	18,619
FUND BALANCES				
Restricted	-	1,302,819	54,172	1,356,991
Committed	30,071	-	-	30,071
Total Fund Balances	30,071	1,302,819	54,172	1,387,062
Total Liabilities and Fund Balances	$ 48,191	$ 1,303,318	$ 54,172	$ 1,405,681

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BENTON COUNTY
FOLEY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2011

	Nonmajor Special Revenue Funds			Total
	Ditch	Economic Development	Gravel Pit Restoration	Nonmajor Funds
REVENUES				
Taxes	$ -	$ 24,978	$ -	$ 24,978
Special Assessments	1,682	-	-	1,682
Investment Earnings	-	1,555	-	1,555
Miscellaneous	-	24,666	12,069	36,735
Total Revenues	1,682	51,199	12,069	64,950
EXPENDITURES				
CURRENT				
Economic Development	-	39,364	-	39,364
DEBT SERVICE				
Principal	-	31,577	-	31,577
Interest	-	6,508	-	6,508
Total Expenditures	-	77,449	-	77,449
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,682	(26,250)	12,069	(12,499)
Fund Balance - Beginning of Year	28,389	1,329,069	42,103	1,399,561
FUND BALANCE - END OF YEAR	$ 30,071	$ 1,302,819	$ 54,172	$ 1,387,062

BENTON COUNTY
FOLEY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2011

	Balance January 1	Additions	Deductions	Balance December 31
HOUSING AND REDEVELOPMENT AUTHORITY				
ASSETS				
Cash and Pooled Investments	$ -	$ 1,491,726	$ 1,491,726	$ -
LIABILITIES				
Due to Other Governments	$ -	$ 1,491,726	$ 1,491,726	$ -
METROPOLITAN TRANSIT				
ASSETS				
Cash and Pooled Investments	$ -	$ 175,496	$ 175,496	$ -
LIABILITIES				
Due to Other Governments	$ -	$ 175,496	$ 175,496	$ -
MUNICIPAL DEVELOPMENT DISTRICT				
ASSETS				
Cash and Pooled Investments	$ -	$ 6,038	$ 6,038	$ -
LIABILITIES				
Due to Other Governments	$ -	$ 6,038	$ 6,038	$ -
SCHOOL DISTRICTS				
ASSETS				
Cash and Pooled Investments	$ 48,112	$ 11,239,939	$ 11,233,847	$ 54,204
LIABILITIES				
Due to Other Governments	$ 48,112	$ 11,239,939	$ 11,233,847	$ 54,204

BENTON COUNTY
FOLEY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2011

	Balance January 1	Additions	Deductions	Balance December 31
STATE FUNDS				
ASSETS				
Cash and Pooled Investments	$ 123,384	$ 4,685,624	$ 4,736,474	$ 72,534
LIABILITIES				
Due to Other Governments	$ 123,384	$ 4,685,624	$ 4,736,474	$ 72,534
CHM COLLABORATIVE				
ASSETS				
Cash and Pooled Investments	$ 157,152	$ 118,001	$ 112,128	$ 163,025
LIABILITIES				
Due to Other Governments	$ 157,152	$ 118,001	$ 112,128	$ 163,025
TAXES AND PENALTIES				
ASSETS				
Cash and Pooled Investments	$ 864,203	$ 45,909,176	$ 45,993,735	$ 426,715
LIABILITIES				
Due to Other Governments	$ 864,203	$ 45,909,176	$ 45,993,735	$ 426,715
TOWNS AND CITIES				
ASSETS				
Cash and Pooled Investments	$ 65	$ 9,760,888	$ 9,757,613	$ 3,340
LIABILITIES				
Due to Other Governments	$ 65	$ 9,760,888	$ 9,757,613	$ 3,340

BENTON COUNTY
FOLEY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2011

	Balance January 1	Additions	Deductions	Balance December 31
MENTAL HEALTH INITIATIVE COMMUNITY PROJECT				
ASSETS				
Cash and Pooled Investments	$ 463,318	$ 2,807,271	$ 2,727,926	$ 542,663
LIABILITIES				
Due to Other Governments	$ 463,318	$ 2,807,271	$ 2,727,926	$ 542,663
SOCIAL WELFARE				
ASSETS				
Cash and Pooled Investments	$ 50,746	$ 607,991	$ 574,846	$ 83,891
LIABILITIES				
Funds Held in Trust	$ 50,746	$ 607,991	$ 574,846	$ 83,891
JAIL INMATE				
ASSETS				
Cash and Pooled Investments	$ 4,361	$ 174,202	$ 176,926	$ 1,637
LIABILITIES				
Funds Held in Trust	$ 4,361	$ 174,202	$ 176,926	$ 1,637
MISSING HEIRS				
ASSETS				
Cash and Pooled Investments	$ 13,038	$ 115	$ -	$ 13,153
LIABILITIES				
Funds Held in Trust	$ 13,038	$ 115	$ -	13,153
HENKEMEYER LANDFILL TRUST				
ASSETS				
Cash and Pooled Investments	$ 68,584	$ 10,578	$ -	$ 79,162
LIABILITIES				
Due to Other Governments	$ 68,584	$ 10,578	$ -	79,162

BENTON COUNTY
FOLEY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2011

	Balance January 1	Additions	Deductions	Balance December 31
BUILDING OFFICIAL				
ASSETS				
Cash and Pooled Investments	$ -	$ 52,313	$ 52,313	$ -
LIABILITIES				
Due to Other Governments	$ -	$ 52,313	$ 52,313	$ -
HUMAN SERVICES AGENCY FUND				
ASSETS				
Cash and Pooled Investments	$ -	$ 957	$ 444	$ 513
LIABILITIES				
Due to Other Governments	$ -	$ 957	$ 444	$ 513
WORKFORCE CENTER AGENCY FUND				
ASSETS				
Cash and Pooled Investments	$ -	$ 8,440	$ 5,593	$ 2,847
LIABILITIES				
Due to Other Governments	$ -	$ 8,440	$ 5,593	$ 2,847
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Pooled Investments	$ 1,792,963	$ 77,048,755	$ 77,045,105	$ 1,443,684
LIABILITIES				
Due to Other Governments	$ 1,724,818	$ 76,266,447	$ 76,293,333	$ 1,345,003
Funds Held in Trust	68,145	782,308	751,772	98,681
Total Liabilities	$ 1,792,963	$ 77,048,755	$ 77,045,105	$ 1,443,684

BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF INTERGOVENMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2011

		Special Revenue Funds		
	General	Road and Bridge	Human Services	Miscellaneous
SHARED REVENUE				
State				
County Program Aid	$ 659,775	$ 149,669	$ 241,068	$ -
PERA Rate Reimbursement	19,781	5,043	13,080	-
Disparity Reduction Aid	7,441	-	-	-
Police Aid	179,608	-	-	-
Highway Users Tax	-	1,835,673	-	-
Market Value Credit	444,879	172,549	162,910	-
Enhanced 911	-	-	-	115,852
Total Shared Revenue	1,311,484	2,162,934	417,058	115,852
REIMBURSEMENT FOR SERVICES				
State				
Minnesota Department of Human Services	-	-	1,143,880	-
PAYMENTS				
Local				
Local Contributions	2,500	-	-	-
GRANTS				
State				
Minnesota Department/Board of				
Corrections	78,460	-	-	-
Public Safety	43,969	-	-	-
Health	-	-	353,697	-
Natural Resources	6,776	-	-	-
Human Services	-	-	1,034,127	-
Soil and Water Resources	-	-	-	36,730
Transportation	-	-	-	-
Pollution Control Agency	-	6,750	-	49,449
Peace Officer's Board	11,362	-	-	-
Total State Grants	140,567	6,750	1,387,824	86,179
Federal				
Department of				
Agriculture	27,040	-	413,530	-
Commerce	-	-	-	14,790
Justice	7,613	-	-	-
Health and Human Services	119,085	-	2,530,138	-
Energy	-	-	-	-
Homeland Security	42,016	-	-	-
Total Federal Grants	195,754	-	2,943,668	14,790
Total State and Federal Grants	336,321	6,750	4,331,492	100,969
Total Intergovernmental Revenue	$ 1,650,305	$ 2,169,684	$ 5,892,430	$ 216,821

Debt Service	Capital Projects	Total All Funds
$ -	$ 752,020	$ 1,802,532
-	-	37,904
-	-	7,441
-	-	179,608
-	-	1,835,673
152,248	4,557	937,143
-	-	115,852
152,248	756,577	4,916,153
-	-	1,143,880
-	-	2,500
-	-	78,460
-	-	43,969
-	-	353,697
-	-	6,776
-	-	1,034,127
-	-	36,730
178,399	-	178,399
-	-	56,199
-	-	11,362
178,399	-	1,799,719
-	-	440,570
-	-	14,790
-	-	7,613
-	-	2,649,223
-	6,160	6,160
-	-	42,016
-	6,160	3,160,372
178,399	6,160	4,960,091
$ 330,647	$ 762,737	$ 11,022,624

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

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

Board of County Commissioners
Benton County
Foley, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Benton County (County), Minnesota as of and for the year ended December 31, 2011, which collectively comprise the Benton County's basic financial statements and have issued our report thereon dated August 7, 2012. 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.

<u>Internal Control Over Financial Reporting</u>
In planning and performing our audit, we considered Benton County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Benton County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control over financial reporting that we consider to be a material weaknesses and a deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 1996-04, 2006-01, and 2006-02 to be material weaknesses.

Board of County Commissioners
Benton County

Internal Control Over Financial Reporting (Continued)
A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany Schedule of Findings and Questioned Costs as 2008-01 to be a significant deficiency.

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

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
August 7, 2012

CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Benton County
Foley, Minnesota

Compliance

We have audited the compliance of Benton County (the County), Minnesota, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2011. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Benton County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying Schedule of Findings and Questioned Costs as items 2011-01 and 2011-02.

Board of County Commissioners
Benton County

Internal Control Over Compliance

Management of Benton County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
August 7, 2012

BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2011

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Benton County, Minnesota.

2. Deficiencies in internal controls were disclosed by the audit of the basic financial statements of Benton County and they are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*". Deficiencies 1996-04, 2006-01, and 2006-02 are considered to be material weaknesses.

3. No instances of noncompliance material to the basic financial statements of Benton County were disclosed during the audit.

4. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements That Could Have A Direct and Material Effect on Each Major Program and on Internal Control Over Compliance with OMB Circular A-133".

5. The auditors' report on compliance for the major federal award programs for Benton County expresses an unqualified opinion on all major federal programs.

6. Audit findings 2011-01 and 2011-02 relative to the major federal award programs for the County were disclosed during the audit that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

7. The programs tested as major programs were:

Temporary Assistance for Needy Families (TANF) (cluster)	CFDA No. 93.558, 93.714
Child Support Enforcement	CFDA No. 93.563
Medical Assistance (cluster)	CFDA No. 93.778

8. The threshold for distinguishing Types A and B programs was $300,000.

9. Benton County did not qualify, under federal guidelines, as a low-risk auditee.

MATERIAL WEAKNESSES - FINANCIAL REPORTING:

1996-04 DEPARTMENTAL INTERNAL ACCOUNTING – SEGREGATION OF DUTIES

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

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

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

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

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

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

MATERIAL WEAKNESSES - FINANCIAL REPORTING (CONTINUED):

2006-01 FINANCIAL REPORTING PROCESS

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

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

Cause: Benton County has a limited number of personnel.

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

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

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

2006-02 AUDIT ADJUSTMENTS

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

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

Cause: Benton County has a limited number of personnel.

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

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

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

SIGNIFICANT DEFICIENCY – FINANCIAL REPORTING:

2008-01 CASH HANDLING PROCEDURES – JAIL DEPARTMENT

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

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

Cause: Past practice.

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

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

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

PREVIOUSLY REPORTED ITEM RESOLVED:

2009-2 TIMELY UPDATING OF GENERAL LEDGER INFORMATION
During the previous audits, we noted that interest earned during the year was not entered into the general ledger until after year-end.

RESOLUTION
In 2011, the office changed their process to enter interest into the general ledger on a more timely basis.

MAJOR PROGRAM COMPLIANCE FINDINGS

DEPARTMENT OF HEALTH AND HUMAN SERVICES, PASSED THROUGH THE MINNESOTA DEPARTMENT OF HUMAN SERVICES

2011-01 MEDICAL ASSISTANCE CLUSTER (MA) (CFDA # 93.778); GRANT PERIOD – YEAR ENDED DECEMBER 31, 2011

Criteria: Federal guidelines for this program allow some costs to be allocated indirectly. The State of Minnesota uses a quarterly Random Moment Study (RMS) to allocate payroll indirectly to each of these income maintenance programs.

Condition: The list of employees submitted for the RMS was incorrect for the quarter tested (fourth quarter). One employee was included on the RMS listing but her time was not coded correctly in the general ledger. Therefore, this person's time was reported on the Income Maintenance quarterly report under the administrative section, instead of the income maintenance section.

Cause: Unknown.

Effect: The County's allocation of indirect costs for federal grants may be incorrect between grants.

Recommendation: We recommend that all employees that work on income maintenance programs have their time allocated to the appropriate general ledger payroll codes to match the Random Moment Study list that is provided quarterly to the Minnesota Department of Human Services.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Tim Martin, Director of Human Services

Corrective Action Planned: The Health and Human Services department will review the listing of income maintenance workers on a quarterly basis before submitting the list to the Minnesota Department of Human Services.

Anticipated Completion Date: December 31, 2012

MAJOR PROGRAM COMPLIANCE FINDINGS (CONTINUED):

DEPARTMENT OF HEALTH AND HUMAN SERVICES, PASSED THROUGH THE MINNESOTA DEPARTMENT OF HUMAN SERVICES (CONTINUED)

2011-02 MEDICAL ASSISTANCE CLUSTER (MA) (CFDA # 93. 778); GRANT PERIOD – YEAR ENDED DECEMBER 31, 2011

Criteria: Per federal requirements, the County needs to retain documentation that citizenship has been verified for each eligible client.

Condition: During our testing of compliance over eligibility, one of twenty-six MA casefiles did not have documentation showing citizenship verification.

Cause: Unknown.

Effect: Benefits could be provided to ineligible clients.

Recommendation: We recommend that citizenship documentation be retained for each eligible casefile.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Tim Martin, Director of Human Services

Corrective Action Planned: The Human Services department will implement new procedures to ensure proper documentation of citizenship is retained in each case file.

Anticipated Completion Date: December 31, 2012

BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2011

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health		
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	$ 171,296
Passed Through Minnesota Department of Human Services		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	269,274
Total Department of Agriculture		440,570
U.S. Department of Commerce		
Passed Through Blandin Foundation		
ARRA - Broadband Technology Opportunities Program	11.557	14,790
U.S. Department of Justice		
Direct		
State Criminal Alien Assistance Program	16.606	4,258
Bulletproof Vest Partnership Program	16.607	3,355
Total Department of Justice		7,613
U.S. Department of Energy		
Passed Through Minnesota Department of Commerce		
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	6,160
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness (PHER)	93.069	129,756
Immunization Grants	93.268	1,250
Temporary Assistance for Needy Families (TANF cluster)	93.558	30,163
Maternal and Child Health Services Block Grant to the States	93.994	37,979
Passed Through Minnesota Department of Human Services		
Temporary Assistance for Needy Families (TANF cluster)	93.558	421,651

BENTON COUNTY
FOLEY, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2011

Federal Grantor / Pass Through Agency / Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services (Continued)		
Child Support Enforcement	93.563	$ 716,384
Child Care and Development Block Grant	93.575	14,501
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (grant cluster)	93.596	12,838
Stephanie Tubbs Jones Child Welfare Services Program	93.645	16,096
Foster Care Title IV-E	93.658	211,589
Social Services Block Grant	93.667	204,481
Chafee Foster Care Independence Program	93.674	2,240
ARRA - Emergency Contingency Fund for Temporary Assistance for Needy Families State Program(TANF cluster)	93.714	20,807
State Children's Insurance Program	93.767	377
Medical Assistance Program(grant cluster)	93.778	819,698
Block Grants for Community Mental Health Services	93.958	3,828
Total Department of Health and Human Services		2,643,638
U.S. Department of Homeland Security		
Pass Through Minnesota Department of Public Safety		
Hazard Mitigation Grant	97.039	608
Homeland Security Grant Program	97.067	15,562
Pass Through West Central Minnesota Emergency Management Services Corporation		
Homeland Security Grant Program	97.067	20,323
Total Department of Homeland Security		36,493
Total Cash Type Federal Awards		$ 3,149,264

1. The Schedule of Expenditures of Federal Awards presents the activity of Federal award programs expended by Benton County. The County's reporting entity is defined in Note 1 to the Financial Statements.
2. The expenditures on this schedule are on the basis of accounting used by the individual funds of the County. Governmental funds use the modified accrual basis of accounting.
3. During 2011, the County did not pass on any Federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.

Reconciliation to the Schedule of Intergovernmental Revenue	
Federal Grant Revenue per Schedule of Intergovernmental Revenue:	$ 3,160,372
Revenues reported in the Schedule of Intergovernmental Revenue, not included as expenditures in the Schedule of Expenditures of Federal Awards	(11,108)
Expenditures per Schedule of Expenditures of Federal Awards	$ 3,149,264

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REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners
Benton County
Foley, Minnesota

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County (County), Minnesota, as of and for the year ended December 31, 2011, and have issued our report thereon dated August 7, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Audit Guide for Political Subdivisions,* promulgated by the State Auditor pursuant to *Minnesota Statutes* §6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Audit Guide for Political Subdivisions* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, tax increment financing districts, and county and city miscellaneous provisions. Our study included all of the listed categories, except tax increment financing districts, because the County does not have any tax increment financing districts.

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
August 7, 2012

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