

**BENTON COUNTY  
FOLEY, MINNESOTA**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2017**

**BENTON COUNTY  
FOLEY, MINNESOTA  
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## **INTRODUCTORY SECTION**



**BENTON COUNTY  
FOLEY, MINNESOTA  
ORGANIZATION  
DECEMBER 31, 2017**

Office	Name	Term	
		From	To
<b>Commissioners</b>			
1 <sup>st</sup> District	Warren Peschl*	January 2017	January 2021
2 <sup>nd</sup> District	Ed Popp	January 2015	January 2019
3 <sup>rd</sup> District	Jim McMahon	January 2015	January 2019
4 <sup>th</sup> District	Spencer Buerkle	January 2017	January 2021
5 <sup>th</sup> District	Allen (Jake) Bauerly	January 2017	January 2021
<b>Officers</b>			
<b><u>Elected</u></b>			
Attorney	Philip Miller	January 2015	January 2019
Auditor-Treasurer	Karri Thorsten	January 2015	September 2017
Interim Auditor-Treasurer	Nadean Inman	September 2017	January 2019
Interim County Recorder	Cheryl Kantor	January 2017	October 2017
Sheriff	Troy Heck	January 2015	January 2019
<b><u>Appointed</u></b>			
Administrator	Montgomery Headley	Indefinite	
Assessor	Brian Koester	January 2017	January 2021
Interim County Recorder	Montgomery Headley	October 2017	December 2017
Courts Administrator	Cheri Woehler	Indefinite	
Highway Engineer	Christopher Byrd, P.E.	June 2016	May 2020
Human Services Director	Robert Cornelius	Indefinite	
Veterans Service Officer	George Fiedler	June 2016	May 2020
<b><u>Human Services Board</u></b>			
Member	Warren Peschl	January 2017	January 2021
Chair	Ed Popp	January 2015	January 2019
Member	Spencer Buerkle	January 2017	January 2021
Member	Allen (Jake) Bauerly	January 2017	January 2021
Vice-Chair	Jim McMahon	January 2015	January 2019

\* Chair

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

Board of County Commissioners  
Benton County  
Foley, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County (the County), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

For the year ended December 31, 2017, the County restated fund balance in the Human Services Fund and the Miscellaneous Fund, to correct errors in the previously issued financial statements (see Note 1.E). Our auditors' opinion was not modified with respect to the restatements.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary Information*

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

**Other Matters (Continued)**

*Supplementary Information (Continued)*

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2018, on our consideration of Benton County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Benton County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Benton County's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
September 4, 2018

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## **REQUIRED SUPPLEMENTARY INFORMATION**





**BENTON COUNTY  
FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

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, 2017. The management's discussion and analysis (MD&A) is required supplementary information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34. Certain comparative information between the current year, 2017, and the prior year, 2016, is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the 2016-2017 fiscal years include the following:

- ◆ Government-wide net position increased 1.0% from the prior year; this is primarily due to the increase in current and other assets.
- ◆ Overall fund-level revenues totaled \$39,210,710 and were \$1,597,537 less than expenditures.
- ◆ The General Fund's fund balance increased \$417,246 from the prior year, due to additional charges for services and investment earning revenues collected by the County.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial section of the annual report consists of four parts – independent auditor's report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and required supplementary information other than MD&A. The basic financial statements include two kinds of statements that present different views of the County:

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

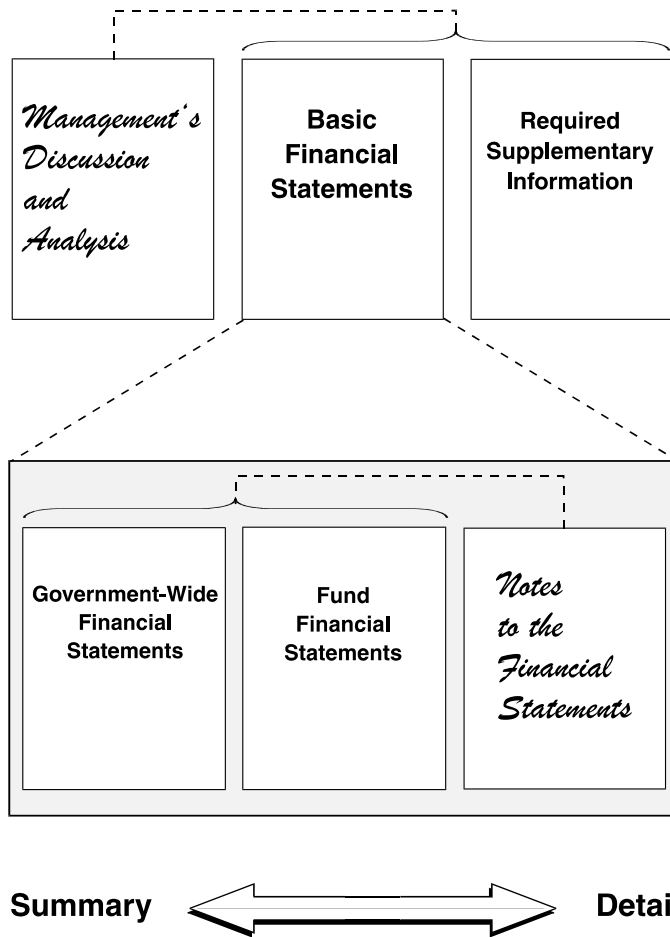
**BENTON COUNTY  
FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

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

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

**Figure A-1  
Annual Report Format**



**BENTON COUNTY  
FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

**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.

<b>Figure A-2. Major Features of the County's Government-Wide and Fund Financial Statements</b>			
<b>Type of statements</b>	<b>Government-Wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	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.
<b>Required financial statements</b>	Statement of net position.	Balance sheet.	Statement of fiduciary net position.
	Statement of activities.	Statement of revenues, expenditures, and changes in fund balances.	Statement of changes in fiduciary net position.
<b>Accounting basis and measurement focus</b>	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
<b>Type of asset/liability information</b>	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term.	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter, no capital assets included.	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short-term and long-term; agency funds do not currently contain capital assets, although they can.
<b>Type of inflow/outflow information</b>	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.

**Government-Wide Statements**

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

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

**BENTON COUNTY  
FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Government-Wide Statements (Continued)**

- ◆ Over time, increases or decreases in the County's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- ◆ To assess the overall health of the County, you need to consider additional nonfinancial factors such as changes in the County's property tax base and the condition of County buildings and other facilities.
- ◆ Governmental activities – the County's basic services are included here. Property taxes and state aids finance most of these activities.

**Fund Financial Statements**

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

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

**The County has 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 government-wide statements, we provide a reconciliation that explains 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 position. These activities are excluded from the government-wide financial statements because the County cannot use these assets to finance its operations.

**BENTON COUNTY  
FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

**Net Position**

The County's net position was \$98,513,029 on December 31, 2017. (See Table A-1).

The increase in total net position was primarily due to the increase in current and other assets and a decrease in the net pension liability.

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

	Governmental Activities		Percent Change
	2017	2016	
Current and Other Assets	\$ 41,734,475	\$ 38,657,915	8.0 %
Capital Assets	87,842,219	87,485,938	0.4
Total Assets	<u>129,576,694</u>	<u>126,143,853</u>	2.7
Deferred Outflows of Resources	7,308,890	13,410,340	(45.5)
Current Liabilities	5,618,981	3,730,200	50.6
Long-Term Liabilities	25,518,225	35,605,360	(28.3)
Total Liabilities	<u>31,137,206</u>	<u>39,335,560</u>	(20.8)
Deferred Inflows of Resources	7,235,349	2,362,801	206.2
Net Position:			
Net investment in Capital Assets	77,193,879	78,654,627	(1.9)
Restricted	14,175,420	11,984,198	18.3
Unrestricted	7,143,730	7,217,007	(1.0)
Total Net Position	<u>\$ 98,513,029</u>	<u>\$ 97,855,832</u>	0.7

**BENTON COUNTY  
FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)**

**Changes in Net Position**

The government-wide total revenues were \$39,857,007 for the year ended December 31, 2017. Property taxes, wheelage taxes, and intergovernmental revenues accounted for 89% of total revenue for the year. Total revenues for 2017 decreased 9.9% from 2016, as charges for services, operating grants and contributions, capital grants and contributions revenue decreased from the prior year. Total expenses decreased by 2.2% due to overall decreased in expenses in all functions except highways and streets, conservation of natural resources, and interest (see Table A-2).

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

	Governmental Activities		Total % Change
	2017	2016	
<b>REVENUES</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 3,555,411	\$ 5,214,732	(31.8)%
Operating Grants and Contributions	12,329,057	13,374,198	(7.8)
Capital Grants and Contributions	1,025,268	3,017,947	(66.0)
<u>General Revenues</u>			
Property and Wheelage Taxes	19,459,008	19,265,784	1.0
Unrestricted State Aid	2,633,263	2,651,652	(0.7)
Investment Earnings	251,388	171,096	46.9
Other	603,612	561,572	7.5
Total Revenues	<u>39,857,007</u>	<u>44,256,981</u>	(9.9)
<b>EXPENSES</b>			
General Government	6,703,151	6,869,449	(2.4)
Public Safety	9,637,358	10,102,855	(4.6)
Highways and Streets	7,984,701	7,163,673	11.5
Human Services	11,715,488	12,240,763	(4.3)
Health	1,137,004	1,047,620	8.5
Culture and Recreation	579,344	580,957	(0.3)
Conservation of Natural Resources	942,096	826,507	14.0
Economic Development	459,553	887,038	(48.2)
Interest and Fiscal Charges on Long-Term Liabilities	356,008	323,806	9.9
Total Expenses	<u>39,514,703</u>	<u>40,042,668</u>	(1.3)
<b>INCREASE IN NET POSITION</b>	342,304	4,214,313	(91.9)
Net Position - Beginning of Year	97,855,832	93,641,519	4.5
Prior Period Adjustment	314,893	-	100.0
Net Position - Beginning of Year (as Restated)	<u>98,170,725</u>	<u>93,641,519</u>	4.8
<b>NET POSITION - END OF YEAR</b>	<u>\$ 98,513,029</u>	<u>\$ 97,855,832</u>	0.7

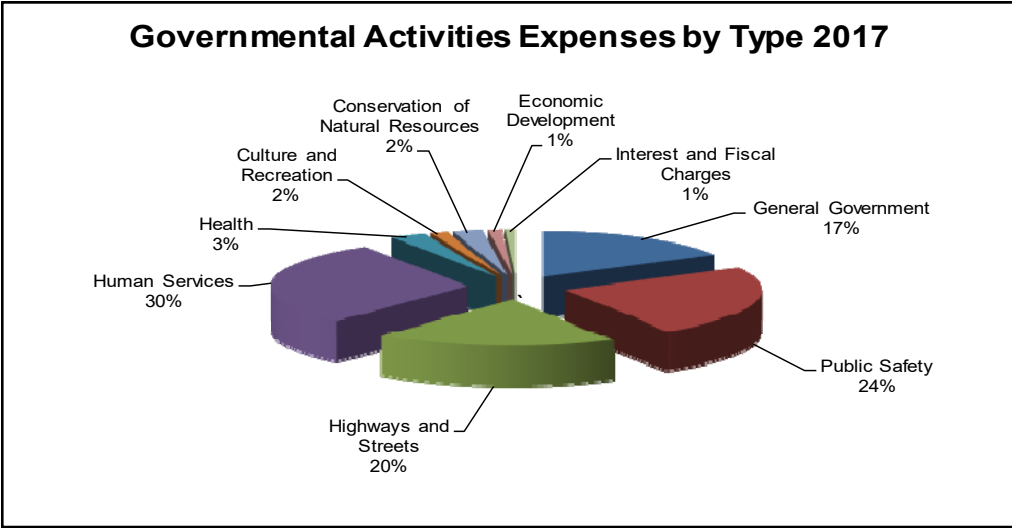
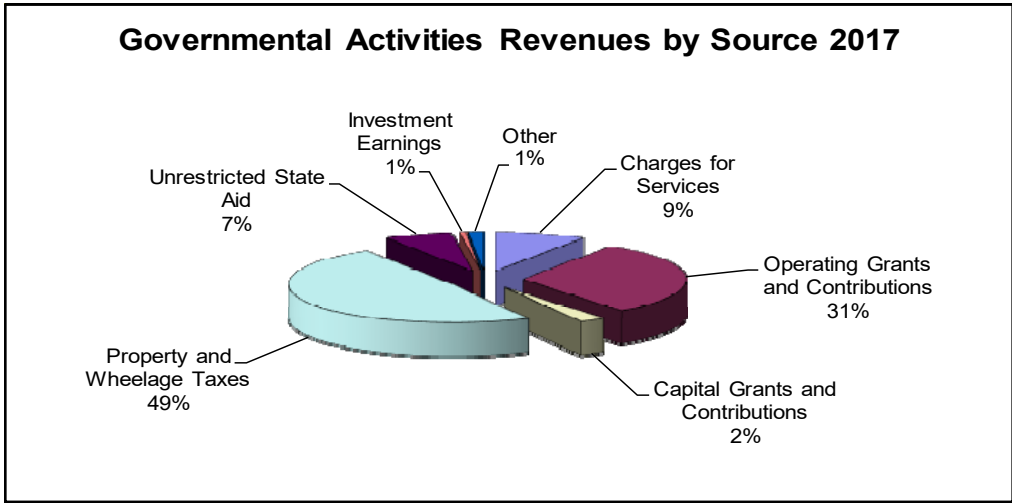
**BENTON COUNTY  
FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)**

**Changes in Net Position (Continued)**

The government-wide cost of all governmental activities this year was \$39,514,703.

- ◆ Some of the cost was paid by the users of the County's programs (\$3,555,411).
- ◆ The federal and state governments contributed to certain programs with grants and contributions (\$13,354,325).
- ◆ A significant portion of the County's costs (\$22,947,271) were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$19,459,008 in property and other taxes, \$2,633,263 of state aid, and \$855,000 from investment earnings and other general revenues.



**BENTON COUNTY  
FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)**

**Changes in Net Position (Continued)**

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

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

	Total Cost of Services		Percentag Change	Net (Revenue) Cost of Services		Percentag Change
	2017	2016		2017	2016	
<b>GOVERNMENTAL ACTIVITIES</b>						
General Government	\$ 6,703,151	\$ 6,869,449	(2.4)%	\$ 4,967,605	\$ 5,149,663	(3.5)%
Public Safety	9,637,358	10,102,855	(4.6)	8,206,505	8,651,946	(5.1)
Highways and Streets	7,984,701	7,163,673	11.5	3,216,881	(2,358,183)	236.4
Human Services	11,715,488	12,240,763	(4.3)	4,354,284	5,140,300	(15.3)
Health	1,137,004	1,047,620	8.5	284,559	264,411	7.6
Culture and Recreation	579,344	580,957	(0.3)	425,004	431,210	(1.4)
Conservation of Natural Resources	942,096	826,507	14.0	353,616	363,554	(2.7)
Economic Development	459,553	887,038	(48.2)	440,505	469,084	(6.1)
Interest and Fiscal Charges on Long-Term Liabilities	356,008	323,806	9.9	356,008	323,806	9.9
Total	<u>\$ 39,514,703</u>	<u>\$ 40,042,668</u>	(1.3)	<u>\$ 22,604,967</u>	<u>\$ 18,435,791</u>	22.6

**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 \$33,698,603.

Revenues for the County's governmental funds were \$39,210,710, while total expenditures were \$40,808,247. The associated shortage \$1,597,537 resulted primarily from an increase in debt service principal payments.

**General Fund**

The General Fund includes the primary operations of the County in providing services to citizens. The year-ending fund balance in the General Fund increased by \$417,246 from 2016, due primarily to an increase in taxes, charges for service and investment earnings revenues.

**Road and Bridge Fund**

The Road and Bridge Fund accounts for financial activity related to the construction and maintenance of the County road system, including County state-aid highways and County roads. The fund balance in the Road and Bridge Fund decreased by \$1,089,756 (excluding the adjustment for change in inventory) from 2016, due primarily to additional intergovernmental revenue received during 2016 for road projects completed.



**BENTON COUNTY  
FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

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

**Human Services Fund**

The Human Services Fund accounts for financial activity related to the provision of social services, medical and financial assistance, and public health. The fund balance in the Human Services Fund decreased by \$127,021 from 2016, as restated. This decrease can be attributed primarily to less than expected intergovernmental revenues and more expenditures than budgeted.

**Miscellaneous Special Revenue Fund**

The Miscellaneous Special Revenue Fund accounts for the financial activity related to a number of smaller activities, including solid waste management, E-911 surcharge funds, natural resources block grants, and park dedication fees. The fund balance in the Miscellaneous Fund increased by \$375,043 from 2016, as restated. This increase can be attributed primarily to additional intergovernmental revenue received during 2017.

**Debt Service Fund**

The Debt Service Fund accounts for principal, interest, and fiscal agent fees associated with the County's outstanding debt, including general obligation debt. The fund balance in the Debt Service Fund increased by \$1,431,800 in 2017 from 2016. This increase is attributed to the issuance of bonds during 2017.

**Capital Projects Fund**

The Capital Projects Fund accounts for the financing of multi-year capital projects, including those funded with Capital Improvement Plan bonds. The fund balance increase of \$1,328,898 was due to less projects completed related to highways and streets.

The following schedule presents a summary of General Fund revenues:

**Table A-4  
General Fund Revenues**

	Year Ended		Change	
	December 31, 2017	December 31, 2016	Increase (Decrease)	Percent
Taxes	\$ 11,847,681	\$ 11,517,747	\$ 329,934	2.9 %
Intergovernmental	1,966,113	1,970,553	(4,440)	(0.2)
Charges for Services	1,830,515	1,781,091	49,424	2.8
Investment Earnings	242,334	169,625	72,709	42.9
Miscellaneous and Other	549,617	555,360	(5,743)	(1.0)
Total General Fund Revenues	<u>\$ 16,436,260</u>	<u>\$ 15,994,376</u>	<u>\$ 441,884</u>	2.8

Total General Fund revenue increased by \$441,884, or 2.8%, from 2016. This increase was due to increased taxes, charges for services, and investment earnings revenue.

**BENTON COUNTY  
FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

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

The following schedule presents a summary of General Fund expenditures:

**Table A-5  
General Fund Expenditures**

	Year Ended		Change	
	December 31, 2017	December 31, 2016	Increase (Decrease)	Percent
General Government	\$ 6,013,902	\$ 5,934,351	\$ 79,551	1.3 %
Public Safety	7,842,851	7,673,194	169,657	2.2
Health	86,701	87,152	(451)	(0.5)
Culture and Recreation	559,421	556,953	2,468	0.4
Conservation of Natural Resources	414,123	394,373	19,750	5.0
Economic Development	373,533	389,766	(16,233)	(4.2)
Capital Outlay	27,263	30,075	(2,812)	(9.3)
Total Expenditures	<u>\$ 15,317,794</u>	<u>\$ 15,065,864</u>	<u>\$ 251,930</u>	1.7

Total General Fund expenditures increased by \$251,930, or 1.8%, from 2016 due to increased general government and public safety expenditures.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

- ◆ Actual revenues were \$533,573 more than budgeted. This favorable variance is due primarily to higher than expected charges for services collections, intergovernmental grants received, and investment earnings.
- ◆ Actual expenditures were \$585,872 less than budgeted due to general government and economic development unspent budgets.

**CONSTRUCTION PROJECTS AND DEBT SERVICE**

The Capital Projects Fund accounts for the use of bond proceeds, State County Program Aid, and other resources to finance the purchase or improvement of capital assets. Activity during 2017 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.

**BENTON COUNTY  
FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

**CAPITAL ASSETS**

By the end of 2017, the County had invested over \$166 million (before depreciation) in a broad range of capital assets, including buildings, computers, equipment, and infrastructure (see Table A-6). (More detailed information about capital assets can be found in Note 3.A to the financial statements.) Total depreciation expense for the year was \$4,820,258.

**Table A-6  
Capital Assets**

	Governmental Activities		Percent Change
	2017	2016	
Land	\$ 2,346,666	\$ 2,346,666	-
Right-of-Way	15,595,191	15,574,283	0.1
Construction-in-Progress	601,683	7,052,751	(91.5)
Infrastructure	117,266,142	106,976,517	9.6
Land Improvements	364,356	364,356	-
Buildings	18,796,056	18,796,056	-
Machinery, Vehicles, Furniture, and Equipment	11,314,536	10,399,463	8.8
Less: Accumulated Depreciation	(78,442,411)	(74,024,154)	6.0
Total	<u>\$ 87,842,219</u>	<u>\$ 87,485,938</u>	0.4

**LONG-TERM LIABILITIES**

At year-end, the County had \$28,869,561 in long-term liabilities outstanding.

- ◆ The County's total long-term liabilities decreased \$8,343,040, due to changes in assumptions for the net pension liability.

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

	2017	2016	Percent Change
<b>GOVERNMENTAL ACTIVITIES</b>			
General Obligation Bonds	\$ 10,191,780	\$ 9,923,386	2.7 %
Capital Lease	-	6,545	(100.0)
Compensated Absences	2,828,528	2,615,728	8.1
Net Pension Liability	14,913,294	23,798,698	(37.3)
Other Postemployment Health Care Benefits	936,049	868,334	7.8
Total	<u>\$ 28,869,651</u>	<u>\$ 37,212,691</u>	(22.4)

**BENTON COUNTY  
FOLEY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

**FACTORS BEARING ON THE COUNTY'S FUTURE**

The County's financial path will be influenced by both external and internal factors. One of the most significant external factors is population growth. According to the Minnesota State Demographer, Benton County has been the 13<sup>th</sup> fastest growing county among the 87 counties. Seven of those 13 are large metropolitan area counties. Of outstate counties, only five are projected to have higher population growth rates. A growing population can place increasing service demands on virtually all areas of county government. Most immediately affected can be social services and public health. These functions can be staffing-intensive, placing pressures on the County to add employees to manage growing caseloads.

Another significant external factor is state legislative mandates. Many of the most costly mandates occur in social services, and can take the form of mandated cost shares for client out-of-home placements, or performance mandates that require increased staffing. Counties attempt to influence the legislature to moderate or repeal such mandates through their associations, but historically those efforts have been largely unsuccessful. Should state finances worsen, the prospects for additional mandates and cost-shifts appear likely.

Internally, the County's most significant cost pressures continue to be employee wages and benefits. Combined, wages and benefits make up 45% of the County budget. Employee wage demands most likely will grow as the economy has improved and neighboring counties increase their wage offers. Benton County is part of the competitive St. Cloud labor market but lacks the tax capacity of the other counties that comprise the St. Cloud metropolitan area.

Funding employee health insurance will continue to be one the County's greatest challenges. Between 2007 and 2017, the County cost of employee health insurance increased from \$1.6 million annually to \$2.8 million, an 81% increase. These increases far outpaced inflation or the growth in the County's tax base. Over the past decade, the County has implemented various measures to help contain the growth of health insurance costs, such as offering high deductible plans with health savings accounts, plan design changes, and competitive bidding from carriers. However, the County's small plan size and claims experience continue to produce large annual increases. To provide some administrative cost relief, the County plans to transition to self-funded insurance in 2018.

While these external and internal forces exert pressure to increase spending, the County must still face the reality of an already high tax rate. The County's taxes are among the fifteen highest county taxes in the state. While County spending per capita is among the lowest fifteen counties, its per capita tax capacity ranks in the bottom five. The County's governing board is committed to reducing the tax burden on property owners and still provides the best possible service to residents. To help grow the tax base, the County is investing new resources in economic development and helped to create a new countywide economic development organization. Such efforts hold a good prospect for relief, but tangible results could be years away.

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

## **BASIC FINANCIAL STATEMENTS**



**BENTON COUNTY  
FOLEY, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2017**

<b>ASSETS</b>	<u>Governmental Activities</u>
Cash and Pooled Investments	\$ 33,134,985
Restricted Cash	1,682,526
Petty Cash and Change Funds	3,200
Taxes Receivable:	
Delinquent	399,028
Special Assessments Receivable:	
Delinquent	8,859
Noncurrent	362,671
Accounts Receivable	133,733
Accrued Interest Receivable	26,278
Loans Receivable, Net of Allowance	449,492
Due from Other Governments	5,226,897
Inventories	185,180
Prepaid Items	121,626
Nondepreciable Capital Assets:	
Land	2,346,666
Right-of-Way	15,595,191
Construction-in-Progress	601,683
Depreciable Capital Assets:	
Building (Net)	10,148,469
Machinery, Vehicles, Furniture, and Equipment (Net)	4,990,123
Land Improvements (Net)	216,548
Infrastructure (Net)	<u>53,943,539</u>
Total Assets	129,576,694
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Related	7,308,890

See accompanying Notes to Financial Statements.

**BENTON COUNTY  
FOLEY, MINNESOTA  
STATEMENT OF NET POSITION (CONTINUED)  
DECEMBER 31, 2017**

<b>LIABILITIES</b>	<u>Governmental Activities</u>
Accounts Payable	\$ 872,150
Salaries Payable	433,175
Contracts Payable	292,523
Due to Other Governments	481,348
Accrued Interest Payable	129,904
Unearned Revenue	58,455
Compensated Absences Payable - Due in Less than One Year	141,426
General Obligation Bonds Payable - Due in Less than One Year	3,210,000
Compensated Absences Payable - Due in More than One Year	2,687,102
Net Other Postemployment Benefits Payable - Due in More than One Year	936,049
General Obligation Bonds Payable - Due in More than One Year	6,981,780
Net Pension Liability - Due in More than One Year	14,913,294
Total Liabilities	<u>31,137,206</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Related	6,705,352
Property Taxes Levied for Subsequent Year	529,997
Total Deferred Inflows of Resources	<u>7,235,349</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	77,193,879
Restricted for:	
General Government	253,811
Public Safety	346,753
Highways and Streets	4,063,965
Culture and Recreation	75,028
Conservation of Natural Resources	4,095,778
Economic Development	336,937
Debt Service	5,003,148
Unrestricted	<u>7,143,730</u>
Total Net Position	<u>\$ 98,513,029</u>

See accompanying Notes to Financial Statements.



**BENTON COUNTY  
FOLEY, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2017**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Fees, Charges Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
<b>GOVERNMENTAL ACTIVITIES</b>					
General Government	\$ 6,703,151	\$ 1,563,766	\$ 171,780	\$ -	\$ (4,967,605)
Public Safety	9,637,358	899,547	531,306	-	(8,206,505)
Highways and Streets	7,984,701	402,512	3,707,308	658,000	(3,216,881)
Human Services	11,715,488	570,336	6,790,868	-	(4,354,284)
Health	1,137,004	37,717	814,728	-	(284,559)
Culture and Recreation	579,344	51,284	103,056	-	(425,004)
Conservation of Natural Resources	942,096	11,201	210,011	367,268	(353,616)
Economic Development	459,553	19,048	-	-	(440,505)
Interest	356,008	-	-	-	(356,008)
<b>Total Governmental Activities</b>	<b>\$ 39,514,703</b>	<b>\$ 3,555,411</b>	<b>\$ 12,329,057</b>	<b>\$ 1,025,268</b>	<b>(22,604,967)</b>
<b>GENERAL REVENUES</b>					
Property Taxes					19,068,363
Wheelage Taxes					390,645
Gravel Taxes					56,371
Mortgage Registry and Deed Tax					38,432
Payments in Lieu of Taxes					29,602
Tax Abatement Payments Received					217,600
Grants and Contributions Not Restricted to Specific Programs					2,633,263
Unrestricted Investment Earnings					251,388
Miscellaneous					261,607
<b>Total General Revenues</b>					<b>22,947,271</b>
<b>CHANGE IN NET POSITION</b>					
					342,304
Net Position - Beginning of Year					97,855,832
Prior Period Adjustment, See Note 1.E					314,893
Net Position - Beginning of Year					<u>98,170,725</u>
<b>NET POSITION - END OF YEAR</b>					<b>\$ 98,513,029</b>

See accompanying Notes to Financial Statements.

**BENTON COUNTY  
FOLEY, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

<b>ASSETS</b>	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Miscellaneous</u>
Cash and Pooled Investments	\$ 10,591,664	\$ 2,320,648	\$ 5,347,309	\$ 5,133,468
Petty Cash and Change Funds	3,200	-	-	-
Restricted Cash	-	-	-	-
Undistributed Cash in Agency Funds	525,425	79,841	177,821	2,660
Taxes Receivable:				
Delinquent	238,364	44,654	89,373	-
Special Assessments Receivable:				
Delinquent	-	-	-	8,112
Noncurrent	-	-	-	360,540
Accounts Receivable	48,241	1,191	75,973	8,328
Accrued Interest Receivable	26,278	-	-	-
Due from Other Funds	47,788	6,181	-	-
Due from Other Governments	224,835	3,372,624	1,578,822	13,013
Inventories	-	185,180	-	-
Prepaid Items	77,544	250	29,426	14,406
Loans Receivable, Net of Allowance	-	-	-	-
<b>Total Assets</b>	<b>\$ 11,783,339</b>	<b>\$ 6,010,569</b>	<b>\$ 7,298,724</b>	<b>\$ 5,540,527</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 169,932	\$ 169,683	\$ 312,904	\$ 28,891
Salaries Payable	225,851	25,103	158,647	23,570
Contracts Payable	-	292,523	-	-
Due to Other Funds	6,175	-	30,230	6
Due to Other Governments	204,317	1,546	180,692	94,793
Unearned Revenue	-	-	-	58,455
<b>Total Liabilities</b>	<b>606,275</b>	<b>488,855</b>	<b>682,473</b>	<b>205,715</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	297,433	3,359,536	925,482	368,652
Property Taxes Levied for Subsequent Year	320,769	55,617	126,716	-
<b>Total Deferred Inflows of Resources</b>	<b>618,202</b>	<b>3,415,153</b>	<b>1,052,198</b>	<b>368,652</b>
 <b>FUND BALANCES</b>				
Nonspendable	77,544	185,430	29,426	14,406
Restricted	-	-	163,579	4,410,953
Committed	-	-	-	540,801
Assigned	-	1,921,131	5,371,048	-
Unassigned	10,481,318	-	-	-
<b>Total Fund Balances</b>	<b>10,558,862</b>	<b>2,106,561</b>	<b>5,564,053</b>	<b>4,966,160</b>
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 <b>\$ 11,783,339</b>	 <b>\$ 6,010,569</b>	 <b>\$ 7,298,724</b>	 <b>\$ 5,540,527</b>

See accompanying Notes to Financial Statements.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,397,602	\$ 5,088,701	\$ 430,028	\$ 32,309,420
-	-	-	3,200
1,682,526	-	-	1,682,526
36,969	2,849	-	825,565
25,755	882	-	399,028
-	-	747	8,859
-	-	2,131	362,671
-	-	-	133,733
-	-	-	26,278
-	-	-	53,969
-	37,603	-	5,226,897
-	-	-	185,180
-	-	-	121,626
-	-	449,492	449,492
<u>\$ 5,142,852</u>	<u>\$ 5,130,035</u>	<u>\$ 882,398</u>	<u>\$ 41,788,444</u>

\$ 9,800	\$ 12,323	\$ 168,621	\$ 872,154
-	-	-	433,171
-	-	-	292,523
-	-	17,558	53,969
-	-	-	481,348
-	-	-	58,455
<u>9,800</u>	<u>12,323</u>	<u>186,179</u>	<u>2,191,620</u>

25,755	882	390,484	5,368,224
<u>25,083</u>	<u>1,812</u>	<u>-</u>	<u>529,997</u>
50,838	2,694	390,484	5,898,221

-	-	-	306,806
5,082,214	749,083	518,320	10,924,149
-	4,365,935	-	4,906,736
-	-	-	7,292,179
-	-	(212,585)	10,268,733
<u>5,082,214</u>	<u>5,115,018</u>	<u>305,735</u>	<u>33,698,603</u>

<u>\$ 5,142,852</u>	<u>\$ 5,130,035</u>	<u>\$ 882,398</u>	<u>\$ 41,788,444</u>
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**BENTON COUNTY  
FOLEY, MINNESOTA  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENT OF NET POSITION  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2017**

**TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS** \$ 33,698,603

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 87,842,219

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

Net Pension Liability	\$ (14,913,294)	
Deferred Inflows of Resources - Pension Related	(6,705,352)	
Deferred Outflows of Resources - Pension Related	<u>7,308,890</u>	(14,309,756)

Other long-term assets, such as delinquent taxes, delinquent and noncurrent special assessments, and certain state-aid highway allotments, are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds. 5,368,224

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	10,191,780	
Compensated Absences	2,828,528	
Net Other Postemployment Benefits	936,049	
Accrued Interest Payable	<u>129,904</u>	<u>(14,086,261)</u>

**TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 98,513,029

**BENTON COUNTY  
FOLEY, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2017**

	General	Road and Bridge	Human Services	Miscellaneous
<b>REVENUES</b>				
Taxes	\$ 11,847,681	\$ 2,079,735	\$ 4,351,556	\$ -
Special Assessments	-	-	-	366,173
Licenses and Permits	299,320	20,450	-	45,550
Intergovernmental	1,966,113	3,698,836	7,628,987	400,602
Charges for Services	1,830,515	671,409	485,215	175,105
Fines and Forfeits	15,991	-	-	38,545
Gifts and Contributions	1,200	-	1,550	7,454
Investment Earnings	242,334	-	489	46
Miscellaneous	233,106	50,195	129,906	82,131
<b>Total Revenues</b>	<b>16,436,260</b>	<b>6,520,625</b>	<b>12,597,703</b>	<b>1,115,606</b>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
General Government	6,013,902	-	-	278,633
Public Safety	7,842,851	-	-	254,451
Highways and Streets	-	7,574,828	-	-
Human Services	-	-	11,384,118	-
Health	86,701	-	1,072,229	-
Culture and Recreation	559,421	-	-	-
Conservation of Natural Resources	414,123	-	-	317,967
Economic Development	373,533	-	-	-
<b>INTERGOVERNMENTAL</b>	-	172,470	-	-
<b>CAPITAL OUTLAY</b>				
General Government	27,263	-	-	-
Public Safety	-	-	-	-
Highways and Streets	-	-	-	-
<b>DEBT SERVICE</b>				
Principal	-	-	-	-
Interest	-	-	-	-
Bond Issuance Costs	-	-	-	-
Fiscal Charges	-	-	-	-
<b>Total Expenditures</b>	<b>15,317,794</b>	<b>7,747,298</b>	<b>12,456,347</b>	<b>851,051</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,118,466</b>	<b>(1,226,673)</b>	<b>141,356</b>	<b>264,555</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	34,433	117,364	-	271,921
Transfers Out	(738,551)	(432)	(268,377)	(161,433)
General Obligation Bonds Issued	-	-	-	-
Premium on Bonds Issued	-	-	-	-
Proceeds from Sale of Assets	2,898	19,985	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(701,220)</b>	<b>136,917</b>	<b>(268,377)</b>	<b>110,488</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>417,246</b>	<b>(1,089,756)</b>	<b>(127,021)</b>	<b>375,043</b>
Fund Balances - Beginning of Year	10,141,616	3,269,973	5,549,081	4,418,217
Prior Period Adjustment, See Note 1.E	-	-	141,993	172,900
Fund Balances - Beginning of Year, as Restated	10,141,616	3,269,973	5,691,074	4,591,117
<b>INCREASE (DECREASE) IN INVENTORIES</b>	<b>-</b>	<b>(73,656)</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 10,558,862</b>	<b>\$ 2,106,561</b>	<b>\$ 5,564,053</b>	<b>\$ 4,966,160</b>

See accompanying Notes to Financial Statements.

Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 944,597	\$ 477,287	\$ -	\$ 19,700,856
-	-	845	367,018
-	-	-	365,320
570,587	481,385	-	14,746,510
-	-	-	3,162,244
-	-	-	54,536
-	2,000	-	12,204
32	8,976	-	251,877
4,766	17,626	32,415	550,145
1,519,982	987,274	33,260	39,210,710
-	111,760	-	6,404,295
-	38,193	-	8,135,495
-	116,355	-	7,691,183
-	-	-	11,384,118
-	-	-	1,158,930
-	-	-	559,421
-	-	176,639	908,729
-	-	-	373,533
-	-	-	172,470
-	-	-	27,263
-	123,068	-	123,068
-	14,075	-	14,075
3,470,000	-	-	3,470,000
298,660	-	-	298,660
70,108	-	-	70,108
16,899	-	-	16,899
3,855,667	403,451	176,639	40,808,247
(2,335,685)	583,823	(143,379)	(1,597,537)
-	883,336	-	1,307,054
-	(138,261)	-	(1,307,054)
3,590,000	-	-	3,590,000
177,485	-	-	177,485
-	-	-	22,883
3,767,485	745,075	-	3,790,368
1,431,800	1,328,898	(143,379)	2,192,831
3,650,414	3,786,120	449,114	31,264,535
-	-	-	314,893
3,650,414	3,786,120	449,114	31,579,428
-	-	-	(73,656)
\$ 5,082,214	\$ 5,115,018	\$ 305,735	\$ 33,698,603

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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, 2017**

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>		<b>\$ 2,192,831</b>
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	\$ 5,176,539	
Current Year Depreciation	<u>(4,820,258)</u>	356,281
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Deferred Inflows of Resources - December 31	5,368,224	
Deferred Inflows of Resources - January 1	<u>(5,400,983)</u>	(32,759)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		
Proceeds for Debt Issuance	(3,590,000)	
Premium for the New Debt Issuance	<u>(177,485)</u>	(3,767,485)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal Repayments:		
General Obligation Bonds		3,470,000
Some capital asset additions are financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability. Repayment of capital lease principal is an expenditure in the governmental funds, but repayment reduces the lease obligation in the statement of net position.		
Principal Payments for Capital Leases		6,545
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	568	
Amortization of Discounts/Premiums	29,091	
Change in Compensated Absences	(212,800)	
Change in Net Other Postemployment Benefits	(67,715)	
Change in Inventories	(73,656)	
Change in Deferred Outflows of Resources	(6,101,450)	
Change in Net Pension Liability	8,885,404	
Change in Deferred Inflows of Resources	<u>(4,342,551)</u>	<u>(1,883,109)</u>
<b>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</b>		<b>\$ <u>342,304</u></b>

See accompanying Notes to Financial Statements.

**BENTON COUNTY  
FOLEY, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
DECEMBER 31, 2017**

**ASSETS**

Cash and Pooled Investments	\$ 1,643,851
Due from Other Governments	<u>130,420</u>
Total Assets	<u><u>\$ 1,774,271</u></u>

**LIABILITIES**

Due to Other Governments	\$ 1,664,381
Accounts Payable	15,946
Funds Held in Trust	<u>93,944</u>
Total Liabilities	<u><u>\$ 1,774,271</u></u>

*See accompanying Notes to Financial Statements.*

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Benton County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for the year ended December 31, 2017. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

**A. Financial Reporting Entity**

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

Blended Component Units

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

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

Jointly Governed Organizations

The County participates in several jointly governed organizations which are described in Note 9.

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basic Financial Statements**

1. Government-Wide Statements

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

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

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

2. Fund Financial Statements

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

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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 accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways. Property taxes and intergovernmental revenues are the primary funds committed for these projects.

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

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

The Debt Service Fund is used to account for the accumulation of resources for, and the payments of, principal, interest, and related costs of the County's long-term bonds, which are financed by property tax revenue restricted through bond documents.

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

Additionally, the County reports the following fund type:

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

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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. Issuances of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position 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, 2017, based on market prices. Investment earnings are allocated to the Miscellaneous Special Revenue Fund based on cash balances set aside for specific purposes within that fund. Pursuant to Minnesota Statutes §385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2017 were \$251,877.

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

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

2. Receivables and Payables

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

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

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

Loans receivable in the Economic Development Fund consist of operating loans to businesses and are offset by an allowance for doubtful accounts of \$9,173. The County develops an estimate of this allowance based on specific identification.

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

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

Special assessments receivable consist of delinquent special assessments payable in the years 2012 through 2017, and noncurrent special assessments payable in 2017, 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 nonspendable fund balance to indicate they do not constitute available spendable resources.

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

4. Prepaid Items

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

5. Capital Assets

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

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

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

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

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



**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

6. Compensated Absences

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

7. Deferred Outflows of Resources

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

8. Deferred Inflows of Resources

The County's financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund balance that applies to a future period. The County will not recognize the related revenue until a future event occurs. The County has three types of items. The first type of deferred inflows of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the County's year) under the modified accrual basis of accounting. The second type relates to pension liabilities as described in Note 5 to the financial statements. These inflows arise only under the full accrual basis of accounting and consist of difference between expected and actual pension plan economic experience and also pension plan changes on proportionate share and, accordingly, are reported only in the statement of net position. The final type occurs because the County collected property taxes prior to the year were levied for and, therefore, the County will report deferred inflows for these items.

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

9. Unearned Revenue

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

10. Long-Term Obligations

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

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

11. Pension

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

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

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

12. Classification of Net Position

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

13. Fund Equity

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

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

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

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

14. Use of Estimates

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

**E. Prior Period Adjustment**

Beginning fund balances for Governmental Activities and the Human Services Fund and the Miscellaneous Fund were restated for amounts that should have been recognized as revenue in the previous year.

	Governmental Activities	
Net Position as Previously Stated	\$ 97,855,832	
Period Period Adjustment	314,893	
Net Position as Restated	\$ 98,170,725	
	Human Services Fund	Miscellaneous Fund
Fund Balances - January 1, as Previously Reported	\$ 5,549,081	\$ 4,418,217
Restatement	141,993	172,900
Fund Balances - January 1, as Restated	\$ 5,691,074	\$ 4,591,117

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Deficit Fund Balance**

The Ditch Special Revenue Fund had a deficit fund balance of \$186,148 as of December 31, 2017. The Ditch Fund's deficit will be eliminated with future special assessment revenue. The following is a summary of the individual ditch systems:

Two Ditches with Positive Fund Balances	\$ 26,437	
Two Ditches with Negative Fund Balances	(212,585)	
	(212,585)	
Total	\$ (186,148)	

**B. Excess of Expenditures over Budget**

The following funds had expenditures in excess of budget at the departmental level for the year ended December 31, 2017:

Fund	Function	Expenditures	Budget	Excess
General	Current:			
	General Government:			
	Attorney	1,208,980	1,183,574	25,406
	Economic Development:			
	Economic Development	85,132	85,125	7

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

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. Assets**

1. Deposits and Investments

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

Government-Wide Statement of Net Position	
Governmental Activities:	
Cash and Pooled Investments	\$ 33,134,985
Petty Cash and Change Funds	3,200
Restricted Cash	1,682,526
Statement of Fiduciary Net Position	
Cash and Pooled Investments	1,643,851
Total Cash and Investments	\$ 36,464,562

a. Deposits

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

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

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. It is the County's policy to obtain collateral or bonds for all uninsured amounts on deposit, and to obtain necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2017, none of the County's deposits were exposed to custodial credit risk.

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

1. Deposits and Investments (Continued)

b. Investments

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

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

Interest Rate Risk

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

Credit Risk

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

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

1. Deposits and Investments (Continued)

b. Investments (Continued)

Custodial Credit Risk – Investments

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

Concentration of Credit Risk

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

The following table presents the County's deposit and investment balances at December 31, 2017, and information relating to potential investment risks:

	Credit Risk		Concentration	Interest	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Rate Risk Maturity Date	
Negotiable Certificates of Deposit	N/R	N/A	31.3%*	N/A	\$ 4,697,535
U.S. Government Agency Securities:					
Federal National Mortgage Association	AA+	S&P	<5.0%	1/13/2022	539,479
Federal Home Loan Mortgage Corporation	AA+	S&P	<5.0%	10/28/2021	493,240
Investment Pools/Mutual Funds:					
MAGIC Fund	N/R	N/A	61.9%	N/A	9,291,182
Total Investments					15,021,436
Deposits					19,757,400
Restricted Cash					1,682,526
Petty Cash					3,200
Total Deposits and Investments					<u>\$ 36,464,562</u>

N/A - Not Applicable

N/R - Not Rated

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

\* No individual issuer in excess of 5%



**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

1. Deposits and Investments (Continued)

c. Fair Value Measure

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

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

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

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

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

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

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

1. Deposits and Investments (Continued)

c. Fair Value Measure (Continued)

Assets measured at fair value on a recurring basis:

Type	Level 1	Level 2	Level 3	Total
Investments by Fair Market Value:				
Federal Home Loan Mortgage Corporation	\$ -	\$ 493,240	\$ -	\$ 493,240
Federal National Mortgage Association	-	539,479	-	539,479
Negotiable Certificates of Deposit	-	4,697,535	-	4,697,535
Total Investments at Fair Market Value	<u>\$ -</u>	<u>\$ 5,730,254</u>	<u>\$ -</u>	<u>5,730,254</u>
Investments Measured at Amortized Cost:				
MAGIC Fund:				9,291,182
	Deposits			19,757,400
	Restricted Cash			1,682,526
	Petty Cash			3,200
	Total Deposits and Investments			<u>\$ 36,464,562</u>

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

2. Loans Receivable

Loans receivable is reported at \$449,492; of this amount, \$380,349 is expected to be collected in more than one year.

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**3. Capital Assets**

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, not being Depreciated:				
Land	\$ 2,346,666	\$ -	\$ -	\$ 2,346,666
Infrastructure, Right-of-Way	15,574,283	20,908	-	15,595,191
Construction-in-Progress	7,052,751	3,838,557	10,289,625	601,683
Total Capital Assets, not being Depreciated	24,973,700	3,859,465	10,289,625	18,543,540
Capital Assets being Depreciated:				
Buildings	18,796,056	-	-	18,796,056
Land Improvements	364,356	-	-	364,356
Machinery, Vehicles, Furniture and Equipment	10,399,463	1,317,074	402,001	11,314,536
Infrastructure	106,976,517	10,289,625	-	117,266,142
Total Capital Assets being Depreciated	136,536,392	11,606,699	402,001	147,741,090
Less Accumulated Depreciation for:				
Buildings	8,253,929	393,658	-	8,647,587
Land Improvements	133,019	14,789	-	147,808
Machinery, Vehicles, Furniture and Equipment	6,053,048	673,366	402,001	6,324,413
Infrastructure	59,584,158	3,738,445	-	63,322,603
Total Accumulated Depreciation	74,024,154	4,820,258	402,001	78,442,411
Total Capital Assets, Depreciated, Net	62,512,238	6,786,441	-	69,298,679
Governmental Activities Capital Assets, Net	<u>\$ 87,485,938</u>	<u>\$ 10,645,906</u>	<u>\$ 10,289,625</u>	<u>\$ 87,842,219</u>

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

3. Capital Assets (Continued)

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

Governmental Activities:

General Government	\$ 146,735
Public Safety	516,009
Highway and Streets	4,067,243
Human Services	81,954
Culture and Recreation	8,317
Total	<u>\$ 4,820,258</u>

**B. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of December 31, 2017 is as follows:

1. Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Human Services Fund	\$ 30,230
	Ditch	17,558
Total Due to General Fund		<u>47,788</u>
Road and Bridge Fund	General Fund	6,175
	Miscellaneous Fund	6
Total Due to Road and Bridge Fund		<u>6,181</u>
Total		<u>\$ 53,969</u>

The due from other funds above relate to: (1) payment of various legal fees, office maintenance, postage, and welfare fraud investigation for the Human Services Fund; (2) payment for gravel taxes for the Gravel Pit Restoration Fund; and (3) payment for fuel for the Road and Bridge Fund.

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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, 2017 consisted of the following:

Interfund Transfer	Amount	Description
Transfer to General Fund from:		
Miscellaneous Fund	\$ 4,350	To cover Assessor's web costs.
Miscellaneous Fund	461	To transfer year-end excess funding from the Sheriff Department drug, alcohol, and DWI investigations to General Fund.
Miscellaneous Fund	29,622	From permit to carry account to cover administration expenses.
	<u>34,433</u>	
Transfer to Road and Bridge Fund from:		
Capital Projects Fund	117,364	For 2017 spending on local road projects.
	<u>117,364</u>	
Transfer to Miscellaneous Fund from:		
General Fund	25,000	To cover Elections Costs.
General Fund	7,500	To restore the Sheriff contingency account to the required year-end balance.
General Fund	160	To restore the county attorney major trial expense account to the required balance of \$21,000 per board resolution 2002-35.
General Fund	52,158	To restore balance in the county's suspense account to \$75,000.
General Fund	100,000	For budgeted comprehensive land use plan expenditures.
General Fund	47,397	To use unexpended balances from accounts 6201 and 6202 to purchase a new telephone system.
Human Services Fund	18,376	To use unexpended balances from accounts 6201 and 6202 to purchase a new telephone system.
Road and Bridge Fund	432	To use unexpended balances from accounts 6201 and 6202 to purchase a new telephone system.
Capital Projects	20,898	Payment of Loan for Jail Master Control Panel.
	<u>271,921</u>	
Transfer to Capital Projects Fund from:		
General Fund	116,336	To cover balance due to MNDOT for Rice Interchange project.
General Fund	140,000	Budgeted for 2017 capital projects.
General Fund	250,000	Budgeted for 2017 capital projects.
Human Services Fund	250,000	Budgeted for 2017 capital projects.
Miscellaneous Fund	112,000	Budgeted for 2018 implementation of new telephone system.
Miscellaneous Fund	5,000	To transfer \$5,000 to match the State Security grant.
Miscellaneous Fund	10,000	Budgeted for 2017 capital projects.
	<u>883,336</u>	
Total	<u>\$ 1,307,054</u>	

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Deferred Inflows of Resources**

Deferred inflows of resources in the governmental funds consist of special assessments, taxes, grant, and loan receivables that are not collected soon enough after year-end to pay liabilities of the current year. Deferred inflows at December 31, 2017 are summarized below by fund:

	Special Assessments	Delinquent Taxes	Prepaid Taxes	Grants	Loans	Total
Major Governmental Funds:						
General	\$ -	\$ 238,364	\$ 320,769	\$ 59,069	\$ -	\$ 618,202
Road and Bridge	-	44,654	55,617	3,314,882	-	3,415,153
Human Services	-	89,373	126,716	836,109	-	1,052,198
Miscellaneous	368,652	-	-	-	-	368,652
Debt Service Fund	-	25,755	25,083	-	-	50,838
Capital Projects Fund	-	882	1,812	-	-	2,694
Total Major Governmental Funds	368,652	399,028	529,997	4,210,060	-	5,507,737
Other Governmental Funds	2,878	-	-	-	387,606	390,484
Deferred Inflows of Resources	<u>\$ 371,530</u>	<u>\$ 399,028</u>	<u>\$ 529,997</u>	<u>\$ 4,210,060</u>	<u>\$ 387,606</u>	<u>\$ 5,898,221</u>

**D. Liabilities**

1. Long-Term Debt

Governmental Activities

Types of Indebtedness	Maturity Date	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2017
2008A G. O. Reconstruction Bonds	2023	\$160,000- \$255,000	3.75-4.50	\$ 3,000,000	\$ 1,375,000
2008A G.O. Capital Improvement Bonds	2023	\$70,000- \$110,000	3.75-4.50	1,280,000	590,000
2010A G.O. CIP Refunding Bonds	2018	\$145,000- \$170,000	1.00-2.40	1,100,000	170,000
2011A G.O. CIP Refunding Bonds	2018	\$265,000- \$315,000	0.50-1.40	1,710,000	315,000
2014A G.O. Tax Abatement Bonds	2030	\$190,000- \$390,000	2.50-3.50	4,500,000	3,835,000
2017A G.O. Refunding Bonds	2023	\$350,000- \$745,000	3.00	3,590,000	3,590,000
Total General Obligation Bonds				<u>\$ 15,180,000</u>	9,875,000
Add: Unamortized Bond Premium					318,984
Less: Unamortized Bond Discount					(2,204)
Total General Obligation Bonds, Net					<u>\$ 10,191,780</u>

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Liabilities (Continued)**

2. Debt Service Requirements

Debt service requirements at December 31, 2017 were as follows:

Governmental Activities

Year Ending December 31,	General Obligation Bonds	
	Principal	Interest
2018	\$ 3,210,000	\$ 457,662
2019	1,075,000	186,712
2020	895,000	157,162
2021	930,000	129,787
2022	965,000	101,363
2023-2027	1,715,000	299,475
2028-2030	1,085,000	58,469
Total	<u>\$ 9,875,000</u>	<u>\$ 1,390,630</u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017 was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
General Obligation Bonds	\$ 9,755,000	\$ 3,590,000	\$ 3,470,000	\$ 9,875,000	\$ 3,210,000
Bond Premium	183,552	177,485	42,053	318,984	-
Bond Discount	(15,166)	-	(12,962)	(2,204)	-
Total Bonds Payable	<u>9,923,386</u>	<u>3,767,485</u>	<u>3,499,091</u>	<u>10,191,780</u>	<u>3,210,000</u>
Capital Lease	6,545	-	6,545	-	-
Compensated Absences	2,615,728	2,943,642	2,730,842	2,828,528	141,426
Net Other Postemployment Benefits	<u>868,334</u>	<u>102,123</u>	<u>34,408</u>	<u>936,049</u>	<u>-</u>
Governmental Activity Long-Term Liabilities	<u>\$ 13,413,993</u>	<u>\$ 6,813,250</u>	<u>\$ 6,270,886</u>	<u>\$ 13,956,357</u>	<u>\$ 3,351,426</u>

Compensated absences and Net 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. Bonds payable is liquidated in the Debt Service Fund. The capital lease is liquidated in the General Fund.

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**D. Liabilities (Continued)**

4. Construction Commitments

The County has active construction projects as of December 31, 2017. The projects include the following:

<u>Project Description</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
County Road Projects	<u>\$ 8,003,090</u>	<u>\$ 303,646</u>

5. Operating Lease

The County leases office equipment under a noncancelable operating lease. Total costs for the lease were \$27,792 for the year ended December 31, 2017. The future minimum lease payments for the lease are as follows:

<u>Year Ended December 31,</u>	<u>Amount</u>
2018	<u>\$ 2,316</u>



**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 4 FUND BALANCES**

At December 31, 2017, portions of the County's fund balance are not available for appropriation due to legal restrictions (Restricted), County Board action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General Fund	Road and Bridge Fund	Human Services Fund	Miscellaneous Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Funds
<b>Nonspendable:</b>								
Advances to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Prepaid Items	77,544	250	29,426	14,406	-	-	-	121,626
Inventories	-	185,180	-	-	-	-	-	185,180
Total Nonspendable	77,544	185,430	29,426	14,406	-	-	-	306,806
<b>Restricted:</b>								
Law Library	-	-	-	8,954	-	-	-	8,954
E-911	-	-	-	309,981	-	-	-	309,981
SCORE Grant	-	-	-	360,099	-	-	-	360,099
Outreach Grant	-	-	-	6,754	-	-	-	6,754
Aquatic Invasive Species Grant	-	-	-	117,792	-	-	-	117,792
Recorders' Equipment	-	-	-	244,857	-	-	-	244,857
Solid Waste Contingency	-	-	-	3,150,716	-	-	-	3,150,716
Forfeitures	-	-	-	22,179	-	-	-	22,179
Future Park Expenditures	-	-	-	75,028	-	-	-	75,028
Permit to Carry Guns	-	-	-	2,235	-	-	-	2,235
Electronic Home Monitoring Grant	-	-	-	12,358	-	-	-	12,358
Comprehensive Plan Update	-	-	-	100,000	-	-	-	100,000
Child Protection Grant	-	-	163,579	-	-	-	-	163,579
Gravel Pit Closure Costs	-	-	-	-	-	-	154,946	154,946
Economic Development Loan Program	-	-	-	-	-	-	336,937	336,937
Debt Service	-	-	-	-	5,082,214	-	-	5,082,214
Bonded Construction Projects	-	-	-	-	-	749,083	-	749,083
Ditch Repairs	-	-	-	-	-	-	26,437	26,437
Total Restricted	-	-	163,579	4,410,953	5,082,214	749,083	518,320	10,924,149
<b>Committed:</b>								
Motor Pool	-	-	-	36,300	-	-	-	36,300
Jail Inmate Capital Expenditures	-	-	-	51,422	-	-	-	51,422
Juvenile Diversion Program	-	-	-	21,262	-	-	-	21,262
County Board Contingency	-	-	-	71,489	-	-	-	71,489
Elections Equipment	-	-	-	21,931	-	-	-	21,931
Telephone System Upgrade	-	-	-	62,246	-	-	-	62,246
Technology	-	-	-	216,770	-	-	-	216,770
Other Items	-	-	-	59,381	-	-	-	59,381
Future Construction Projects	-	-	-	-	-	4,365,935	-	4,365,935
Total Committed	-	-	-	540,801	-	4,365,935	-	4,906,736
<b>Assigned:</b>								
Road and Bridge Operations	-	1,921,131	-	-	-	-	-	1,921,131
Health and Human Services Programs	-	-	5,371,048	-	-	-	-	5,371,048
Total Assigned	-	1,921,131	5,371,048	-	-	-	-	7,292,179
<b>Unassigned</b>								
	10,481,318	-	-	-	-	-	(212,585)	10,268,733
Total Fund Balances	\$ 10,558,862	\$ 2,106,561	\$ 5,564,053	\$ 4,966,160	\$ 5,082,214	\$ 5,115,018	\$ 305,735	\$ 33,698,603

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

**A. Plan Description**

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

1. **General Employees Retirement Plan** (General Employees Plan (accounted for in the General Employees Fund))

All full-time and certain part-time employees of the County are covered by the General Employees Plan, except those covered by the Police and Fire Plan or Correctional Plan. General Employees Plan 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. **Public Employees Police and Fire Plan** (Police and Fire Plan (accounted for in the Police and Fire Fund))

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

3. **Local Government Correctional Plan** (Correctional Plan (accounted for in the Correctional Fund))

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

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)**

**B. Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given one percent increases.

The benefit provisions stated in the following 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.

**1. General Employees Plan Benefits**

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated 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% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

**2. Police and Fire Plan Benefits**

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

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)**

**B. Benefits Provided (Continued)**

3. Correctional Plan Benefits

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

**C. Contributions**

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

1. General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in calendar year 2017. The County was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2017. The County's contributions to the General Employees Fund for the year ended December 31, 2017 were \$773,036. The County's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2017. The County was required to contribute 16.20% of pay for members in calendar year 2017. The County's contributions to the Police and Fire Fund for the year ended December 31, 2017 were \$267,654. The County's contributions were equal to the required contributions as set by state statute.

3. Correctional Fund Contributions

In calendar year 2017 plan members were required to contribute 5.83% of their annual covered salary. The County was required to contribute 8.75% of pay for plan members in calendar year 2017. The County's contributions to the Correctional Fund for the year ended December 31, 2017 were \$166,864. The County's contributions were equal to the required contributions as set by state statute.

**BENTON COUNTY  
FOLEY, MINNESOTA  
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**NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)**

**D. Pension Costs**

1. General Employees Fund Pension Costs

At December 31, 2017, the County reported a liability of \$9,978,089 for its proportionate share of the General Employees Retirement Plan's net pension liability. The County's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$6 million to the fund in 2017. The state of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the County totaled \$125,502. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017 the County's proportionate share as 0.156% which was a decrease of 0.006% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the County recognized pension expense of \$1,272,404 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional \$3,625 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2017, the County reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources to pension from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 328,848	\$ 641,915
Changes in Actuarial Assumptions	1,656,578	1,000,304
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	64,445	-
Changes in Proportion and Differences Between Agency Contributions and Proportionate Share of Contributions	44,579	440,180
Agency Contributions Subsequent to the Measurement Date	389,396	-
Total	<u>\$ 2,483,846</u>	<u>\$ 2,082,399</u>

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

1. General Employees Fund Pension Costs (Continued)

The \$389,396 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense Amount</u>
2018	\$ 190,744
2019	517,124
2020	(272,267)
2021	(423,550)

2. Police and Fire Pension Costs

At December 31, 2017, the County reported a liability of \$2,227,696 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.1650% which was a decrease of 0.007% from its proportion measured as of June 30, 2016. The County also recognized \$14,580 for the year ended December 31, 2017 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2017, the County recognized pension expense of \$516,097 for its proportionate share of the Police and Fire Plan's pension expense.

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

2. Police and Fire Fund Pension Costs (Continued)

At December 31, 2017, the County reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 51,277	\$ 595,550
Changes in Actuarial Assumptions	2,915,385	3,162,776
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	30,595	-
Changes in Proportion and Differences Between Agency Contributions and Proportionate Share of Contributions	14,967	155,798
Agency Contributions Subsequent to the Measurement Date	134,195	-
Total	<u>\$ 3,146,419</u>	<u>\$ 3,914,124</u>

The \$134,195 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	Pension Expense Amount
2018	\$ 3,445
2019	3,445
2020	(78,217)
2021	(188,995)
2022	(641,578)

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

3. Correctional Plan Pension Costs

At December 31, 2017, the County reported a liability of \$2,707,509 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.95% which was a decrease of 0.07% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the County recognized pension expense of \$1,021,996 for its proportionate share of the Correctional Plan's pension expense.

At December 31, 2017, the County reported its proportionate share of the Correctional Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 1,948	45,176
Changes in Actuarial Assumptions	1,582,693	471,297
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	4,299	-
Changes in Proportion and Differences Between Agency Contributions and Proportionate Share of Contributions	849	192,356
Agency Contributions Subsequent to the Measurement Date	88,836	-
Total	<u>\$ 1,678,625</u>	<u>\$ 708,829</u>



**BENTON COUNTY  
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**NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

3. Correctional Plan Pension Costs (Continued)

The \$88,836 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense Amount</u>
2018	\$ 580,185
2019	600,876
2020	(224,732)
2021	(75,369)

4. Pension Expense

Governmental activities recognized pension expense of \$2,803,964 for the year ended December 31, 2017.

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2017, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50% per Year
Active Member Payroll Growth	3.25% per Year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for all plans for males and females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1.0% per year for the General Employees Plan through 2044 and Police and Fire Plan through 2064 and then 2.5% thereafter for both plans, and 2.5% for all years for the Correctional Plan.

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)**

**E. Actuarial Assumptions (Continued)**

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The most recent five-year experience study for Police and Fire Plan was completed in 2016. Experience studies have not been prepared for the Correctional Plan, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2017:

1. General Employees Fund

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2 044 and 2.5% per year thereafter.

2. Police and Fire Fund

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested deferred members. The CSA has been changed to 33% for vested members and 2.0% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)**

**E. Actuarial Assumptions (Continued)**

2. Police and Fire Fund (Continued)

- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.

3. Correctional Fund

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

**BENTON COUNTY  
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**NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)**

**E. Actuarial Assumptions (Continued)**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	39 %	5.10 %
International Equity	19	5.30 %
Bonds	20	0.75 %
Alternative Assets	20	5.90 %
Cash	2	- %
Totals	<u>100 %</u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Correctional Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2061. Beginning in fiscal year ended June 30, 2062, when projected benefit payments exceed the fund's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 3.56% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.96% for the Correctional Fund was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 3.56% after.

**BENTON COUNTY  
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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 5 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)**

**G. Pension Liability Sensitivity**

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

	Proportionate Share of the Net Pension Liability					
	General Employees Retirement Plan		Police and Fire Retirement Plan		Correctional Retirement Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50 %	\$ 15,476,757	6.50 %	\$ 4,195,402	4.96 %	\$ 4,461,637
Current	7.50	9,978,089	7.50	2,227,696	5.96	2,707,509
1% Increase	8.50	5,476,430	8.50	603,247	6.96	1,338,389

**H. Pension Plan Fiduciary Net Position**

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

**NOTE 6 DEFINED CONTRIBUTION PLAN**

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

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

	Contribution Amount		Percentage of Covered Payroll		Required Rates
	Employee	Employer	Employee	Employer	
2017	\$ 6,508	\$ 6,508	5.0 %	5.0 %	5.0 %

**BENTON COUNTY  
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**NOTE 7 OPEB DISCLOSURE**

The County provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. The County provides benefits for retirees as required by Minnesota Statutes §471.61 subdivision 2b. Active employees who retire from the County when eligible to receive a retirement benefit from PERA (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Pursuant to the provisions of the plan, retirees are required to pay 100% of the total premium cost. As of December 31, 2017, there were 21 retirees receiving health benefits from the County's health plan.

**A. Annual OPEB Cost and Net OPEB Obligation**

The County's annual other postemployment 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 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 2017, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC)	\$	118,138
Interest on Net OPEB Obligation		30,392
Adjustment to ARC		(46,407)
Annual OPEB Cost		<u>102,123</u>
Contributions During the Year		<u>(34,408)</u>
Increase in Net OPEB Obligation		67,715
Net OPEB - Beginning of the Year		868,334
Net OPEB - End of the Year	\$	<u><u>936,049</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2017 and the preceding two years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2017	\$ 102,123	\$ 34,408	33.7	\$ 936,049
12/31/2016	103,671	19,707	19.0	868,334
12/31/2015	104,883	44,762	42.7	784,370

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 7 OPEB DISCLOSURE (CONTINUED)**

**B. Funded 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)
January 1, 2016	\$ -	\$ 808,279	\$ 808,279	- %	\$ 12,768,160	6.3 %

**C. Actuarial Methods and Assumptions**

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

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

In the January 1, 2016 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.50% discount rate, which is based on the estimated long-term investment yield on the general assets of the County using an underlying long-term inflation assumption of 2.50%. The annual healthcare cost trend rate is 6.75% initially, reduced incrementally to an ultimate rate of 5.00% after seven years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open thirty-year period.

**BENTON COUNTY  
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**NOTE 8 RISK MANAGEMENT**

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2017. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

On September 19, 2017, Benton County entered into a joint powers agreement with four counties (Lyon, Murray, Redwood, and Swift) and Southwest Health and Human Services to form the Minnesota Public Sector Collaborative to self-insure health insurance as of January 1, 2018. Premiums will be withheld from employees and transferred into an internal service fund. Claims will be managed and paid by a third party, and the County will be billed weekly, in aggregate, for claims incurred.



**BENTON COUNTY  
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**NOTE 9 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS**

**A. Jointly Governed Organizations**

Career Solutions

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

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

Complete financial information can be obtained from:

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

Tri-County Solid Waste Commission

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

Each county's proportionate share of the net operating costs is based on the usage of the household hazardous waste facility and the solid waste picked up in each county. The County contributed \$28,232 during 2017.

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

**A. Jointly Governed Organizations (Continued)**

Tri-County Solid Waste Commission (Continued)

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

Separate financial information can be obtained from:

Tri-County Solid Waste Commission  
3601 5th Street South  
Waite Park, MN 56387

Central Minnesota Violent Offender Task Force

Benton, Morrison, Todd, Sherburne, and Stearns Counties and the Cities of Sartell, Sauk Rapids, Waite Park, St. Joseph, St. Cloud, and Little Falls have entered into a joint powers agreement to investigate, identify, and disrupt illegal drug and gang activity through multi-jurisdictional investigations in Central Minnesota. The Stearns County Sheriff's Office is the fiscal agent for the Central Minnesota Violent Offender Task Force. Members provide officers to the Task Force in lieu of appropriations. Benton County provided no funding to this organization in 2017.

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

Separate financial information can be obtained from:

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

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

**A. Jointly Governed Organizations (Continued)**

Great River Regional Library

The Great River Regional Library operates under a joint powers agreement and according to the authority granted by Minnesota Statutes. The specific operating framework is set forth in a service agreement which has been entered into by each of the seven members. The membership consists of Benton, Morrison, Stearns, Wright, Sherburne, and Todd Counties. The board of directors consists of 15 people. The Benton County Board of Commissioners has one representative on the Library board. The County's 2017 contribution to the Great River Regional Library of \$547,352 is included in the expenditures of the General Fund.

Separate financial information can be obtained from:

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

Central Minnesota Emergency Medical Services

The Central Minnesota Emergency Medical Services Region was established in 2001, under Minnesota Statutes §471.59, to improve access, delivery, and effectiveness of the emergency medical services system; promote systematic and cost-effective delivery of services; and identify and address system needs within the member counties. The member counties are Benton, Cass, Chisago, Crow Wing, Kanabec, Mille Lacs, Morrison, Pine, Sherburne, Stearns, Todd, Wadena, and Wright. The Region established a board comprising one commissioner from each county. The Region's board has financial responsibility, and Stearns County is the fiscal agent. The County had no contributions during 2017.

Complete financial information can be obtained from:

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

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

**A. Jointly Governed Organizations (Continued)**

St. Cloud Area Planning Organization

The St. Cloud Area Planning Organization was created to keep governmental units and the general public informed and advised on all matters relative to the transportation planning, programming, and funding. The Council is an organized joint venture having the duties, powers, and privileges granted joint powers by Minnesota Statutes §471.59. The joint venture is governed by a Policy board, which is comprised of 11 local government member jurisdictions, as well as representatives from the Central Minnesota Transportation Alliance and St. Cloud Metro Bus. The Policy board is responsible for adopting regional transportation plans, projects, and policies. The Policy board consists of 43 voting members, 36 of which are elected officials from cities, counties, and townships. During 2017, the County contributed \$5,895 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

Elk River Watershed Association

The Elk River Watershed Association was created to coordinate actions related to common activities in Sherburne and Benton Counties comprehensive local water management plans within the Elk River Watershed. The Association is comprised of Benton and Sherburne Counties and Benton and Sherburne Soil and Water Conservation Districts, with each having one representative on the board of directors. During 2017, the County contributed \$7,500 to the Elk River Watershed Association.

Separate financial information can be obtained from:

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

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

**A. Jointly Governed Organizations (Continued)**

Central Minnesota Emergency Services Board

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

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

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

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

The Central Minnesota Emergency Services board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2017, Benton County contributed \$7,605 to the board. Separate financial information can be obtained from:

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

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

**B. Contingent Liabilities**

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

**NOTE 10 TAX ABATEMENTS**

On October 17, 2006, the County Board approved an economic development tax abatement pursuant to Minnesota Statutes §§ 469.1812 – 469.1815 to reimburse a portion of the costs to construct a research facility in the City of Rice by Swine Services Unlimited, Inc. The abatement from the City of Rice along with the County is to be no more than \$65,000 or no longer than 10 years, whichever is less. The approximate amount of taxes requested from the County is \$41,000. Abatement reimbursement began in 2009 and will continue through 2018. For the year ended December 31, 2016, Benton County abated property taxes totaling \$4,100.

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 10 TAX ABATEMENTS (CONTINUED)**

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

Purpose	Name	City	Percentage of Increment Collected to Be Returned	Decertification Date	Excess Tax Increment Paid During 2017
Economic Development	TIF District 20	Sauk Rapids	95 %	12/31/21	\$ 207,246
Economic Development	TIF District 21	Sauk Rapids	96	12/31/22	63,489
Housing District for Low to Moderate Income	TIF District 1-8	Rice	10	12/31/38	26,651
Housing District for Low to Moderate Income	TIF District 1-8	Foley	27	12/31/39	2,442
Redevelopment	TIF District 82	St. Cloud	80	12/31/19	24,989
Redevelopment	TIF District 18	Sauk Rapids	45	12/31/33	5,958
Redevelopment	TIF District 19	Sauk Rapids	75	12/31/36	42,977
Redevelopment	TIF District 23	Sauk Rapids	15	12/31/41	11,542

For the year ended December 31, 2017, the County paid excess tax increment in the amount of \$385,294. No other commitments were made by the County as part of these agreements.

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



**BENTON COUNTY  
FOLEY, MINNESOTA  
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
YEAR ENDED DECEMBER 31, 2017**

**PERA GENERAL EMPLOYEES RETIREMENT PLAN**

Measurement Date	Employer's Portion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with Benton County	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.156 %	\$ 9,978,089	\$ 125,502	\$ 10,103,591	\$ 10,075,256	99.04 %	75.90 %
2016	0.160	13,169,836	171,984	13,341,820	10,791,851	122.04	68.91
2015	0.162	8,312,760	N/A	8,312,760	9,915,678	83.83	78.19

**PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN**

Measurement Date	Employer's Portion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.165 %	\$ 2,227,696	\$ 1,696,213	131.33 %	85.43 %
2016	0.172	6,902,659	1,654,186	417.28	63.80
2015	0.170	1,931,598	1,598,587	120.83	86.61

**PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN**

Measurement Date	Employer's Portion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.950 %	\$ 2,707,509	\$ 1,907,753	141.92 %	67.89 %
2016	1.020	3,726,203	1,922,086	193.86	58.16
2015	1.000	154,600	1,861,093	8.31	96.95

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

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

**BENTON COUNTY  
FOLEY, MINNESOTA  
SCHEDULE OF COUNTY CONTRIBUTIONS  
DECEMBER 31, 2017**

**PERA GENERAL EMPLOYEES RETIREMENT PLAN**

Year Ended	Statutorily Required Contributions	Actual Contributions in Relation to Statutorily Required Contributions	Contribution (Deficiency) Excess	Covered Payroll	Actual Contributions as a Percentage of Covered Payroll
2017	\$ 774,408	\$ 774,408	\$ -	\$ 10,307,154	7.51 %
2016	737,219	737,219	-	9,829,853	7.50
2015	743,589	743,589	-	9,914,920	7.50

**PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN**

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

**PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN**

Year Ended	Statutorily Required Contributions	Actual Contributions in Relation to Statutorily Required Contributions	Contribution (Deficiency) Excess	Covered Payroll	Actual Contributions as a Percentage of Covered Payroll
2017	\$ 166,535	\$ 166,535	\$ -	\$ 1,907,018	8.73 %
2016	166,326	166,326	-	1,900,861	8.75
2015	163,494	163,494	-	1,868,503	8.75

These schedules are intended to show information for ten years. Additional years will be displayed as they become available. The County's year-end is December 31.

**BENTON COUNTY  
FOLEY, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 11,869,306	\$ 11,869,306	\$ 11,847,681	\$ (21,625)
Licenses and Permits	229,760	229,760	299,320	69,560
Intergovernmental	1,830,458	1,830,458	1,966,113	135,655
Charges for Services	1,639,158	1,657,158	1,830,515	173,357
Fines and Forfeits	10,125	10,125	15,991	5,866
Gifts and Contributions	-	-	1,200	1,200
Investment Earnings	70,000	70,000	242,334	172,334
Miscellaneous	235,880	235,880	233,106	(2,774)
Total Revenues	<u>15,884,687</u>	<u>15,902,687</u>	<u>16,436,260</u>	<u>533,573</u>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>GENERAL GOVERNMENT</b>				
Commissioners	299,236	299,236	280,681	18,555
Public Defender	145,000	145,000	140,761	4,239
Administration	586,179	586,179	575,777	10,402
Auditor-Treasurer	603,328	603,328	558,538	44,790
Assessor	566,765	584,765	554,536	30,229
Information Technology	801,489	801,489	779,260	22,229
Attorney	1,183,574	1,183,574	1,208,980	(25,406)
Recorder	223,640	223,640	170,779	52,861
Property Management	801,779	801,779	732,779	69,000
Veterans Service Officer	74,663	74,663	68,532	6,131
Other Outside Agencies	59,924	59,924	57,862	2,062
Other General Government	965,882	965,882	885,417	80,465
Total General Government	<u>6,311,459</u>	<u>6,329,459</u>	<u>6,013,902</u>	<u>315,557</u>
<b>PUBLIC SAFETY</b>				
Sheriff	3,967,862	3,967,862	3,965,451	2,411
Emergency Management	91,901	91,901	91,427	474
Prisoner Custodial	3,282,669	3,282,669	3,254,163	28,506
Probation	607,341	607,341	531,810	75,531
Total Public Safety	<u>7,949,773</u>	<u>7,949,773</u>	<u>7,842,851</u>	<u>106,922</u>
<b>HEALTH</b>				
Groundwater Management	102,489	102,489	86,701	15,788

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

**BENTON COUNTY  
FOLEY, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND (CONTINUED)  
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES</b>				
<b>CURRENT (CONTINUED)</b>				
<b>CULTURE AND RECREATION</b>				
Historical Society	\$ 12,070	\$ 12,070	\$ 12,070	\$ -
Regional Library	547,351	547,351	547,351	-
Total Culture and Recreation	<u>559,421</u>	<u>559,421</u>	<u>559,421</u>	-
<b>CONSERVATION OF NATURAL RESOURCES</b>				
University of Minnesota Extension	219,142	219,142	219,123	19
Soil and Water Conservation	195,000	195,000	195,000	-
Total Conservation of Natural Resources	<u>414,142</u>	<u>414,142</u>	<u>414,123</u>	<u>19</u>
<b>ECONOMIC DEVELOPMENT</b>				
Economic Development	85,125	85,125	85,132	(7)
Department of Development	435,257	435,257	288,401	146,856
Total Economic Development	<u>520,382</u>	<u>520,382</u>	<u>373,533</u>	<u>146,849</u>
<b>CAPITAL OUTLAY</b>				
General Government	28,000	28,000	27,263	737
Total Expenditures	<u>15,885,666</u>	<u>15,903,666</u>	<u>15,317,794</u>	<u>585,872</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	(979)	(979)	1,118,466	1,119,445
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	74,350	74,350	34,433	(39,917)
Transfers Out	(485,000)	(735,000)	(738,551)	(3,551)
Proceeds from Sale of Assets	-	-	2,898	2,898
Total Other Financing Sources (Uses)	<u>(410,650)</u>	<u>(660,650)</u>	<u>(701,220)</u>	<u>(40,570)</u>
<b>NET CHANGE IN FUND BALANCE</b>				
	<u>\$ (411,629)</u>	<u>\$ (661,629)</u>	417,246	<u>\$ 1,078,875</u>
Fund Balance - Beginning of Year			<u>10,141,616</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 10,558,862</u>	

The Notes to 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, 2017**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 2,074,021	\$ 2,074,021	\$ 2,079,735	\$ 5,714
Licenses and Permits	20,000	20,000	20,450	450
Intergovernmental	5,280,537	5,280,537	3,698,836	(1,581,701)
Charges for Services	761,268	761,268	671,409	(89,859)
Miscellaneous	30,000	30,000	50,195	20,195
Total Revenues	<u>8,165,826</u>	<u>8,165,826</u>	<u>6,520,625</u>	<u>(1,645,201)</u>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HIGHWAYS AND STREETS</b>				
Administration	435,068	435,068	427,195	7,873
Maintenance	2,472,657	2,722,657	2,526,802	195,855
Construction	5,688,965	5,688,965	3,804,411	1,884,554
Equipment and Maintenance Shop	878,316	878,316	816,420	61,896
Total Highways and Streets	<u>9,475,006</u>	<u>9,725,006</u>	<u>7,574,828</u>	<u>2,150,178</u>
<b>INTERGOVERNMENTAL</b>	<u>172,727</u>	<u>172,727</u>	<u>172,470</u>	<u>257</u>
Total Expenditures	<u>9,647,733</u>	<u>9,897,733</u>	<u>7,747,298</u>	<u>2,150,435</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(1,481,907)	(1,731,907)	(1,226,673)	505,234
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,455,450	1,705,450	117,364	(1,588,086)
Transfers Out	-	-	(432)	(432)
Proceeds from Sale of Assets	20,000	20,000	19,985	(15)
Total Other Financing Sources (Uses)	<u>1,475,450</u>	<u>1,725,450</u>	<u>136,917</u>	<u>(1,588,533)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (6,457)</u>	<u>\$ (6,457)</u>	(1,089,756)	<u>\$ (1,083,299)</u>
Fund Balance - Beginning of Year			3,269,973	
Decrease in Inventory			<u>(73,656)</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 2,106,561</u>	

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

**BENTON COUNTY  
FOLEY, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES FUND  
YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 4,354,898	\$ 4,354,898	\$ 4,351,556	\$ (3,342)
Intergovernmental	7,643,647	7,643,647	7,628,987	(14,660)
Charges for Services	525,234	525,234	485,215	(40,019)
Gifts and Contributions	-	-	1,550	1,550
Investment Earnings	1,600	1,600	489	(1,111)
Miscellaneous	91,000	91,000	129,906	38,906
Total Revenues	<u>12,616,379</u>	<u>12,616,379</u>	<u>12,597,703</u>	<u>(18,676)</u>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HUMAN SERVICES</b>				
Income Maintenance	3,952,400	3,952,400	3,656,316	296,084
Social Services	<u>7,790,510</u>	<u>7,790,510</u>	<u>7,727,802</u>	<u>62,708</u>
Total Human Services	11,742,910	11,742,910	11,384,118	358,792
<b>HEALTH</b>				
Public Health	<u>1,128,049</u>	<u>1,128,049</u>	<u>1,072,229</u>	<u>55,820</u>
Total Expenditures	<u>12,870,959</u>	<u>12,870,959</u>	<u>12,456,347</u>	<u>414,612</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(254,580)	(254,580)	141,356	395,936
<b>OTHER FINANCING USES</b>				
Transfers Out	<u>(250,000)</u>	<u>(250,000)</u>	<u>(268,377)</u>	<u>(18,377)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (504,580)</u>	<u>\$ (504,580)</u>	<u>(127,021)</u>	<u>\$ 377,559</u>
Fund Balance - Beginning of Year, as Restated (Note 1.E)			<u>5,691,074</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 5,564,053</u>	

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



**BENTON COUNTY  
FOLEY, MINNESOTA  
SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS  
DECEMBER 31, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2012	\$ -	\$ 1,008,948	\$ 1,008,948	-	\$ 12,005,271	8.4 %
January 1, 2014	-	845,658	845,658	-	11,992,953	7.1
January 1, 2016	-	808,279	808,279	-	12,768,160	6.3

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

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2017**

**I. BUDGETARY INFORMATION**

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

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

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

**II. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

The following major funds had expenditures in excess of budget at the department level for the year ended December 31, 2017:

Fund	Function	Expenditures	Budget	Excess
General	Current:			
	General Government:			
	Attorney	1,208,980	1,183,574	25,406
	Economic Development:			
	Economic Development	85,132	85,125	7

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

**III. DEFINED BENEFIT PENSION PLANS – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS**

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30, 2017:

1. General Employees Fund

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2017**

**III. DEFINED BENEFIT PENSION PLANS – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

1. General Employees Fund (Continued)

- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2 044 and 2.5% per year thereafter.

2. Police and Fire Fund

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested deferred members. The CSA has been changed to 33% for vested members and 2.0% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.

**BENTON COUNTY  
FOLEY, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2017**

**III. DEFINED BENEFIT PENSION PLANS – CHANGES IN SIGNIFICANT PLAN PROVISIONS,  
ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)**

3. Correctional Fund

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

## **SUPPLEMENTARY INFORMATION**



**BENTON COUNTY  
FOLEY, MINNESOTA  
YEAR ENDED DECEMBER 31, 2017**

**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 5% 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, 2017**

	Nonmajor Special Revenue Funds			Total Nonmajor Funds
	Ditch	Economic Development	Gravel Pit Restoration	
<b>ASSETS</b>				
Cash and Pooled Investments	\$ -	\$ 275,082	\$ 154,946	\$ 430,028
Special Assessments Receivable:				
Delinquent	747	-	-	747
Noncurrent	2,131	-	-	2,131
Loans Receivable, Net of Allowance	-	449,492	-	449,492
	<u>-</u>	<u>449,492</u>	<u>-</u>	<u>449,492</u>
Total Assets	<u>\$ 2,878</u>	<u>\$ 724,574</u>	<u>\$ 154,946</u>	<u>\$ 882,398</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 168,590	\$ 31	\$ -	\$ 168,621
Due to Other Funds	17,558	-	-	17,558
Total Liabilities	<u>186,148</u>	<u>31</u>	<u>-</u>	<u>186,179</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue	2,878	387,606	-	390,484
<b>FUND BALANCES</b>				
Restricted	26,437	336,937	154,946	518,320
Unassigned	(212,585)	-	-	(212,585)
Total Fund Balances	<u>(186,148)</u>	<u>336,937</u>	<u>154,946</u>	<u>305,735</u>
	<u>\$ 2,878</u>	<u>\$ 724,574</u>	<u>\$ 154,946</u>	<u>\$ 882,398</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,878</u>	<u>\$ 724,574</u>	<u>\$ 154,946</u>	<u>\$ 882,398</u>



**BENTON COUNTY  
FOLEY, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2017**

	Nonmajor Special Revenue Funds			Total Nonmajor Funds
	Ditch	Economic Development	Gravel Pit Restoration	
<b>REVENUES</b>				
Special Assessments	\$ 845	\$ -	\$ -	\$ 845
Miscellaneous	-	12,519	19,896	32,415
Total Revenues	<u>845</u>	<u>12,519</u>	<u>19,896</u>	<u>33,260</u>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
Conservation of Natural Resources	<u>176,639</u>	-	-	<u>176,639</u>
<b>NET CHANGE IN FUND BALANCES</b>	(175,794)	12,519	19,896	(143,379)
Fund Balances - Beginning of Year	<u>(10,354)</u>	<u>324,418</u>	<u>135,050</u>	<u>449,114</u>
<b>FUND BALANCES - END OF YEAR</b>	<u><u>\$ (186,148)</u></u>	<u><u>\$ 336,937</u></u>	<u><u>\$ 154,946</u></u>	<u><u>\$ 305,735</u></u>

**BENTON COUNTY  
FOLEY, MINNESOTA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
YEAR ENDED DECEMBER 31, 2017**

	Balance January 1	Additions	Deductions	Balance December 31
<b>HOUSING AND REDEVELOPMENT AUTHORITY</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ -	\$ 462,269	\$ 462,269	\$ -
<b>LIABILITIES</b>				
Due to Other Governments	\$ -	\$ 462,269	\$ 462,269	\$ -
<b>METROPOLITAN TRANSIT</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ -	\$ 424,521	\$ 424,521	\$ -
<b>LIABILITIES</b>				
Due to Other Governments	\$ -	\$ 424,521	\$ 424,521	\$ -
<b>SCHOOL DISTRICTS</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 43,664	\$ 14,937,037	\$ 14,980,701	\$ -
Due from Other Governments	-	46,055	-	46,055
Total Assets	<u>\$ 43,664</u>	<u>\$ 14,983,092</u>	<u>\$ 14,980,701</u>	<u>\$ 46,055</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 43,664	\$ 14,967,146	\$ 14,980,701	\$ 30,109
Accounts Payable	-	15,946	-	15,946
Total Liabilities	<u>\$ 43,664</u>	<u>\$ 14,983,092</u>	<u>\$ 14,980,701</u>	<u>\$ 46,055</u>
<b>STATE FUNDS</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 92,469	\$ 4,852,481	\$ 4,882,351	\$ 62,599
<b>LIABILITIES</b>				
Due to Other Governments	\$ 92,469	\$ 4,852,481	\$ 4,882,351	\$ 62,599

**BENTON COUNTY  
FOLEY, MINNESOTA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)  
ALL AGENCY FUNDS  
YEAR ENDED DECEMBER 31, 2017**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b>CHM COLLABORATIVE</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 150,784	\$ 143,885	\$ 136,276	\$ 158,393
Due from Other Governments	-	950	-	950
Total Assets	<u>\$ 150,784</u>	<u>\$ 144,835</u>	<u>\$ 136,276</u>	<u>\$ 159,343</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 150,784</u>	<u>\$ 144,835</u>	<u>\$ 136,276</u>	<u>\$ 159,343</u>
<b>TAXES AND PENALTIES</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 307,870	\$ 51,812,449	\$ 51,264,688	\$ 855,631
Due from Other Governments	3,690	120	-	3,810
Total Assets	<u>\$ 311,560</u>	<u>\$ 51,812,569</u>	<u>\$ 51,264,688</u>	<u>\$ 859,441</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 311,560</u>	<u>\$ 51,812,569</u>	<u>\$ 51,264,688</u>	<u>\$ 859,441</u>
<b>TOWNS AND CITIES</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	<u>\$ 379</u>	<u>\$ 10,741,412</u>	<u>\$ 10,741,336</u>	<u>\$ 455</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 379</u>	<u>\$ 10,741,412</u>	<u>\$ 10,741,336</u>	<u>\$ 455</u>
<b>MENTAL HEALTH INITIATIVE COMMUNITY PROJECT</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 71,448	\$ 2,068,379	\$ 1,792,462	\$ 347,365
Due from Other Governments	-	79,605	-	79,605
Total Assets	<u>\$ 71,448</u>	<u>\$ 2,147,984</u>	<u>\$ 1,792,462</u>	<u>\$ 426,970</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 71,448</u>	<u>\$ 2,147,984</u>	<u>\$ 1,792,462</u>	<u>\$ 426,970</u>

**BENTON COUNTY  
FOLEY, MINNESOTA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)  
ALL AGENCY FUNDS  
YEAR ENDED DECEMBER 31, 2017**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b>SOCIAL WELFARE</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 56,822	\$ 770,826	\$ 747,281	\$ 80,367
<b>LIABILITIES</b>				
Funds Held in Trust	\$ 56,822	\$ 770,826	\$ 747,281	\$ 80,367
<b>JAIL INMATE</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 5,059	\$ 276,366	\$ 278,782	\$ 2,643
<b>LIABILITIES</b>				
Funds Held in Trust	\$ 5,059	\$ 276,366	\$ 278,782	\$ 2,643
<b>MISSING HEIRS</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 10,928	\$ 6	\$ -	\$ 10,934
<b>LIABILITIES</b>				
Funds Held in Trust	\$ 10,928	\$ 6	\$ -	\$ 10,934
<b>HENKEMEYER LANDFILL TRUST</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 115,594	\$ -	\$ -	\$ 115,594
<b>LIABILITIES</b>				
Due to Other Governments	\$ 115,594	\$ -	\$ -	\$ 115,594
<b>BUILDING OFFICIAL</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 2,315	\$ 131,712	\$ 130,977	\$ 3,050
<b>LIABILITIES</b>				
Due to Other Governments	\$ 2,315	\$ 131,712	\$ 130,977	\$ 3,050

**BENTON COUNTY  
FOLEY, MINNESOTA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)  
ALL AGENCY FUNDS  
YEAR ENDED DECEMBER 31, 2017**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b>HUMAN SERVICES AGENCY FUND</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 1,287	\$ 2,443	\$ 2,061	\$ 1,669
<b>LIABILITIES</b>				
Due to Other Governments	\$ 1,287	\$ 2,443	\$ 2,061	\$ 1,669
<b>SHERIFF INVESTIGATIONS FUND</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ -	\$ 5,151	\$ -	\$ 5,151
<b>LIABILITIES</b>				
Due to Other Governments	\$ -	\$ 5,151	\$ -	\$ 5,151
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 858,619	\$ 86,628,937	\$ 85,843,705	\$ 1,643,851
Due from Other Governments	3,690	126,730	-	130,420
Total Assets	<u>\$ 862,309</u>	<u>\$ 86,755,667</u>	<u>\$ 85,843,705</u>	<u>\$ 1,774,271</u>
<b>LIABILITIES</b>				
Due to Other Governments	\$ 789,500	\$ 85,692,523	\$ 84,817,642	\$ 1,664,381
Accounts Payable	-	15,946	-	15,946
Funds Held in Trust	72,809	1,047,198	1,026,063	93,944
Total Liabilities	<u>\$ 862,309</u>	<u>\$ 86,755,667</u>	<u>\$ 85,843,705</u>	<u>\$ 1,774,271</u>

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## **OTHER SUPPLEMENTARY INFORMATION**

**BENTON COUNTY  
FOLEY, MINNESOTA  
SCHEDULE OF INTERGOVERNMENTAL REVENUE  
YEAR ENDED DECEMBER 31, 2017**

	Special Revenue Funds			
	General	Road and Bridge	Human Services	Miscellaneous
<b>SHARED REVENUE AND APPROPRIATIONS</b>				
State:				
County Program Aid	\$ 1,156,321	\$ 201,334	\$ 433,127	\$ -
PERA Rate Reimbursement	45,359	7,819	24,584	-
Disparity Reduction Aid	7,441	-	-	-
Police Aid	198,036	-	-	-
Highway Users Tax	-	3,448,887	-	-
Market Value Credit	172,326	30,004	64,548	-
Aquatic Invasive Species Aid	-	-	-	35,228
Enhanced 911	-	-	-	117,850
Riparian Aid	59,208	-	-	-
SCORE	-	8,438	-	115,575
Total Shared Revenue and Appropriations	<u>1,638,691</u>	<u>3,696,482</u>	<u>522,259</u>	<u>268,653</u>
<b>REIMBURSEMENT FOR SERVICES</b>				
State:				
Minnesota Department of:				
Human Services	-	-	2,120,422	-
<b>LOCAL</b>				
Payments in Lieu of Tax	20,977	2,354	5,063	-
Local Contributions	-	-	-	-
Total Local	<u>20,977</u>	<u>2,354</u>	<u>5,063</u>	<u>-</u>
<b>GRANTS</b>				
State:				
Minnesota Department/Board of:				
Corrections	84,903	-	-	-
Public Safety	56,452	-	-	31,664
Health	-	-	333,609	-
Natural Resources	5,101	-	-	-
Human Services	-	-	1,275,095	-
Water and Soil Resources	13,271	-	-	87,785
Veterans Affairs	-	-	-	12,500
Supreme Court	-	-	-	-
Peace Officer's Board	8,902	-	-	-
Total State Grants	<u>168,629</u>	<u>-</u>	<u>1,608,704</u>	<u>131,949</u>
Federal:				
Department of:				
Agriculture	28,449	-	438,903	-
Justice	18,358	-	-	-
Transportation	12,652	-	-	-
Education	-	-	2,416	-
Health and Human Services	78,357	-	2,931,220	-
Total Federal Grants	<u>137,816</u>	<u>-</u>	<u>3,372,539</u>	<u>-</u>
Total State and Federal Grants	<u>306,445</u>	<u>-</u>	<u>4,981,243</u>	<u>131,949</u>
Total Intergovernmental Revenue	<u>\$ 1,966,113</u>	<u>\$ 3,698,836</u>	<u>\$ 7,628,987</u>	<u>\$ 400,602</u>



Debt Service	Capital Projects	Total All Funds
\$ -	\$ 475,000	\$ 2,265,782
-	-	77,762
-	-	7,441
-	-	198,036
337,764	-	3,786,651
14,116	1,284	282,278
-	-	35,228
-	-	117,850
-	-	59,208
-	-	124,013
<u>351,880</u>	<u>476,284</u>	<u>6,954,249</u>
-	-	2,120,422
1,107	101	29,602
<u>217,600</u>	<u>-</u>	<u>217,600</u>
<u>218,707</u>	<u>101</u>	<u>247,202</u>
-	-	84,903
-	-	88,116
-	-	333,609
-	-	5,101
-	-	1,275,095
-	-	101,056
-	-	12,500
-	5,000	5,000
-	-	8,902
<u>-</u>	<u>5,000</u>	<u>1,914,282</u>
-	-	467,352
-	-	18,358
-	-	12,652
-	-	2,416
<u>-</u>	<u>-</u>	<u>3,009,577</u>
<u>-</u>	<u>-</u>	<u>3,510,355</u>
<u>-</u>	<u>5,000</u>	<u>5,424,637</u>
<u>\$ 570,587</u>	<u>\$ 481,385</u>	<u>\$ 14,746,510</u>

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

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

Board of County Commissioners  
Benton County  
Foley, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Benton County, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Benton County's basic financial statements, and have issued our report thereon dated September 4, 2018.

**Internal Control Over Financial Reporting**

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as items 2017-001 to 2017-004.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies as items 2017-005 and 2017-006.

**Compliance and Other Matters**


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

**Benton County's Responses to Findings**

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

**Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
September 4, 2018

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

Board of County Commissioners  
Benton County  
Foley, Minnesota

**Report on Compliance for Each Major Federal Program**

We have audited Benton County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Benton County's major federal programs for the year ended December 31, 2017. Benton County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, Benton County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-007. Our opinion on each major federal program is not modified with respect to these matters.

**Benton County's Response to Finding**

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

**Report on Internal Control Over Compliance**

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

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

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-007 that we consider to be a material weakness.



**Benton County's Response to Finding**

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

**Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
September 4, 2018

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**BENTON COUNTY  
FOLEY, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2017**

**SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?                 yes        X   no

***Federal Awards***

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?        X   yes                 no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.558	Temporary Assistance for Needy Families
93.778	Medicaid Cluster

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

Auditee qualified as low-risk auditee?                 yes        X   no

**BENTON COUNTY  
FOLEY, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2017**

**MATERIAL WEAKNESSES (FINANCIAL REPORTING):**

**AUDIT ADJUSTMENTS (2017-001)**

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

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

**Cause:** The County has a limited number of personnel.

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

**Repeat Finding:** Prior year finding identified as Finding 2016-002.

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

**VIEW OF RESPONSIBLE OFFICIAL AND PLANNED CORRECTIVE ACTION:**

**Contact Person:** Jackie Traut, Accounting Supervisor

**Corrective Action Planned:** A corrective action is in place.

**BENTON COUNTY  
FOLEY, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2017**

**MATERIAL WEAKNESSES (FINANCIAL REPORTING) (CONTINUED):**

**FINANCIAL REPORTING PROCESS (2017-002)**

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

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

**Cause:** The County has a limited number of personnel.

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

**Repeat Finding:** Not applicable.

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

**VIEW OF RESPONSIBLE OFFICIAL AND PLANNED CORRECTIVE ACTION:**

**Contact Person:** Jackie Traut, Accounting Supervisor

**Corrective Action Planned:** A corrective action is in place.

**BENTON COUNTY  
FOLEY, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2017**

**MATERIAL WEAKNESSES (FINANCIAL REPORTING) (CONTINUED):**

**CASH RECONCILIATION (2017-003)**

**Criteria:** As part of sound financial controls over cash and investment balances, the County should reconcile its bank and investment accounts to its general ledger at the end of each calendar month.

**Condition and Context:** The County has not been able to completely reconcile the bank balances to the general ledger for December 2017.

**Cause:** Lack of management oversight.

**Possible Effect:** Absence of a complete and accurate reconciliation of the County's cash each month diminishes the ability of the County's management to prevent timely and accurate reporting of financial information.

**Repeat Finding:** Not applicable.

**Recommendation:** We recommend the County reconcile cash on a monthly basis.

**VIEW OF RESPONSIBLE OFFICIAL AND PLANNED CORRECTIVE ACTION:**

**Contact Person:** Nadean Inman, Interim Auditor-Treasurer

**Corrective Action Planned:** A corrective action is in place.

**BENTON COUNTY  
FOLEY, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2017**

**MATERIAL WEAKNESSES (FINANCIAL REPORTING) – (CONTINUED):**

**PRIOR PERIOD ADJUSTMENT (2017-004)**

**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. Management is responsible for accuracy and completeness of all financial records and related information. Their responsibilities include adjusting the financial statements to correct material misstatements and produce accurate financial statements on a timely basis.

**Condition and Context:** Management proposed two material adjustments related to the prior period to restate beginning net position and fund balance related to revenue recorded in the wrong year. This adjustment recorded activity not properly reflected in the prior years

**Cause:** Lack of management oversight.

**Possible Effect:** Errors in the previous year-end balances increases the risk related to financial statement misstatements. The amounts were, in our judgment, material to the financial statements and, therefore, we concluded that a material weakness existed in the County's control policies and procedures related to recording such adjustments, which are required to be reported under professional standards.

**Repeat Finding:** Prior year finding identified as Finding 2016-003.

**Recommendation:** We recommend the County continue to review transactions that will affect the financial statements and verify that they have been reflected accurately on the financial statements.

**VIEW OF RESPONSIBLE OFFICIAL AND PLANNED CORRECTIVE ACTION:**

**Contact Person:** Jackie Traut, Accounting Supervisor

**Corrective Action Planned:** A corrective action is in place.

**BENTON COUNTY  
FOLEY, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2017**

**SIGNIFICANT DEFICIENCIES (FINANCIAL REPORTING):**

**SEGREGATION OF DUTIES (2017-005)**

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

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

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

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

**Repeat Finding:** Prior year finding identified as Finding 2016-001.

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

**VIEW OF RESPONSIBLE OFFICIAL AND PLANNED CORRECTIVE ACTION:**

**Contact Person:** Jackie Traut, Accounting Supervisor

**Corrective Action Planned:** A corrective action is in place.



**BENTON COUNTY  
FOLEY, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2017**

**SIGNIFICANT DEFICIENCIES (FINANCIAL REPORTING) (CONTINUED):**

**TIMESHEET APPROVAL (2017-006)**

**Criteria:** Standard internal control procedures recommend that all disbursements should be approved by supervisory personal prior to payment.

**Condition and Context:** During out testing of 40 payroll disbursements, it was noted that one timesheet was not signed or approved by a supervisor.

**Cause:** Lack of management oversight.

**Possible Effect:** Without proper approval of disbursements, the County is at an increased risk of funds being disbursed that are not in accordance with the County's programs, policies, and goals.

**Repeat Finding:** Not applicable.

**Recommendation:** We recommend that the County management develop and implement a process to ensure all disbursements are properly reviewed and approved by a supervisor or other authorized individual prior to being paid.

**VIEW OF RESPONSIBLE OFFICIAL AND PLANNED CORRECTIVE ACTION:**

**Contact Person:** Jackie Traut, Accounting Supervisor

**Corrective Action Planned:** A corrective action is in place.

**BENTON COUNTY  
FOLEY, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2017**

**MAJOR PROGRAM SIGNIFICANT DEFICIENCY AND COMPLIANCE**

**CASFILE REVIEW (2017-007)**

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

**Federal Program Title:** Temporary Assistance for Needy Families and Medical Assistance Program (Medicaid Cluster)

**CFDA Number:** 93.558 and 93.778

**Pass-Through Agency:** Minnesota Department of Human Services

**Pass-Through Numbers:** 1601MFTANF, 05-1705MN5ADM, 05-1705MN5MAP

**Compliance Requirement Affected:** Eligibility

**Award Period:** Year-Ended December 31, 2017

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

**Criteria:** Standard internal control procedures recommend internal reviews over case file eligibility determinations to ascertain case workers are complying with state and federal requirements.

**Condition and Context:** During inquiry and testing of case files reviews completed during 2017, it was noted that there were no case file reviews performed.

**Questioned Costs:** Not able to be determined.

**Cause:** Unknown.

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

**Repeat Finding:** Not applicable.

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

**VIEW OF RESPONSIBLE OFFICIAL AND PLANNED CORRECTIVE ACTION:**

**Contact Person:** Peggy Koscielniak, Fiscal Services Supervisor

**Corrective Action Planned:** A corrective action is in place.

**BENTON COUNTY  
FOLEY, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2017**

**OTHER ITEM FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE**

**DITCH SPECIAL REVENUE FUND – CASH DEFICIT (2017-008)**

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

**Condition and Context:** The County reported 2 out of 4 active ditch systems as having deficit cash balances as of December 31, 2017, totaling \$212,585.

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

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

**Repeat Finding:** Prior year finding identified as Finding 2016-006.

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

**CLIENT'S RESPONSE:**

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

**BENTON COUNTY  
FOLEY, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2017**

Federal Grantor Pass - Through Agency Grant Program Title (Program or Cluster Title)	Federal CFDA Number	Pass - Through Grant Numbers	Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Agriculture</b>				
Passed Through Minnesota Department of Health:				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	172MN104W5003	\$ 246,805	\$ -
Passed Through Minnesota Department of Human Services:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN101S2514	285,365	-
Total Department of Agriculture			532,170	-
<b>U.S. Department of Justice</b>				
Direct:				
State Criminal Alien Assistance Program	16.606	N/A	12,215	-
Bulletproof Vest Partnership Program	16.607	N/A	6,143	-
Total Department of Justice			18,358	-
<b>U.S. Department of Transportation</b>				
Passed Through City of St. Cloud				
State and Community Highway Safety (Part of Highway Safety Cluster)	20.600	F-ENFRC16-2016-STCLOUDPD-052	2,372	-
National Priority Safety Programs (Part of Highway Safety Cluster) (Total Expenditures for Highway Safety Cluster \$5,171)	20.616	F-ENFRC17-2017-STCLOUDPD-052	2,799	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC17-2017-STCLOUDPD-052	\$ 5,909	-
		F-ENFRC18-2018-STCLOUDPD-052	1,572	-
Total Department of Transportation			7,481	-
			12,652	-
<b>U.S. Department of Education</b>				
Passed Through Minnesota Department of Health:				
Special Education-Grants for Infants and Families	84.181	H181A150029	1,933	-
<b>U.S. Department of Health and Human Services</b>				
Passed Through Minnesota Department of Health:				
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.069	NU90T0921911-01-00	43,725	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	NUR3DD000842-06-00	75	-
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	68583	850	-
Temporary Assistance for Needy Families (Part of TANF Cluster) (Total Temporary Assistance for Needy Families CFDA 93.558 \$477,126)	93.558	1601MFTANF	34,617	-
Maternal and Child Health Services Block Grant to the States	93.994	B04MC30621	37,903	-
Passed Through Minnesota Department of Human Services:				
Promoting Safe and Stable Families	93.556	G-1601MNFPPSS	15,615	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families CFDA 93.558 \$477,126)	93.558	1601MFTANF	442,509	393,128
Child Support Enforcement	93.563	1704MNCSES	820,527	-
Refugee and Entrant Assistance-State Administered Programs	93.566	1701MNRCA	658	-
Child Care and Development Block Grant	93.575	G1701MNCCDF	27,273	-
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFRRPG	9,131	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	6,763	-

*The Notes to the Schedule of Expenditures of Federal Awards are an Integral Part of this Schedule.*

**BENTON COUNTY  
FOLEY, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2017**

Federal Grantor Pass - Through Agency Grant Program Title (Program or Cluster Title)	Federal CFDA Number	Pass - Through Grant Numbers	Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Health and Human Services (Continued)</b>				
Passed Through Minnesota Department of Human Services (Continued):				
Foster Care - Title IV-E	93.658	1701MNFOST	\$ 274,687	\$ -
Social Services Block Grant	93.667	G-1701MNSOSR	232,751	-
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	6,998	-
Children's Health Insurance Program	93.767	1605MN5021	364	-
Medical Assistance Program	93.778	05-1705MN5ADM 05-1705MN5MAP	\$ 1,149,547 15,396	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	T1010027-16	600	-
Total Department of Health and Human Services			3,119,989	393,128
<b>U.S. Department of Homeland Security</b>				
Passed Through Minnesota Department of Public Safety:				
Emergency Management Performance Grants	97.042	F-EMPG-2017- BENTONCO-2527	24,515	-
Total Cash Type Federal Awards			<u>\$ 3,709,617</u>	<u>\$ 393,128</u>

**Notes to the Schedule of Expenditures of Federal Awards**

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Benton County. The County's reporting entity is defined in Note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Benton County, it is not intended to and does not present the financial position or changes in net position of Benton County.

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Benton County has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Reconciliation to the Schedule of Intergovernmental Revenue**

Federal Grant Revenue per Schedule of Intergovernmental Revenue:	\$ 3,510,355
Grants Received More than 60 Days After Year-End, Unavailable in 2017:	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	64,818
Promoting Safe and Stable Families	1,642
Temporary Assistance for Needy Families	149,070
Child Support Enforcement	102,772
Community-Based Child Abuse Prevention Grants	2,205
Stephanie Tubbs Jones Child Welfare Services Program	1,341
Chafee Foster Care Independence Program	3,541
Emergency Management Performance Grants	24,515
Grants Unavailable in 2016, Recognized as Revenue in 2017:	
Special Education-Grants for Infants and Families	(483)
Promoting Safe and Stable Families	(873)
Temporary Assistance for Needy Families	(142,072)
Child Care and Development Block Grant	(1,925)
Community-Based Child Abuse Prevention Grants	(2,937)
Stephanie Tubbs Jones Child Welfare Services Program	(920)
Chafee Foster Care Independence Program	(1,432)
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 3,709,617</u>

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## INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners  
Benton County  
Foley, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Benton County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's financial statements as listed in the table of contents and have issued our report thereon dated September 4, 2018.

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minnesota Statutes §6.65 contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our audit considered all of the listed categories except that we did not test for compliance with tax increment financing as the County has no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Benton County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the schedule of findings and questioned costs as item 2017-008. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Benton County's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

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

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

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
September 4, 2018