

**SWIFT COUNTY
BENSON, MINNESOTA**

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2014

**SWIFT COUNTY
BENSON, MINNESOTA
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DECEMBER 31, 2014**

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INTRODUCTORY SECTION

**SWIFT COUNTY
BENSON, MINNESOTA
ORGANIZATION
DECEMBER 31, 2014**

Office	Name	Term Expires
Commissioners		
1st District	Gary Hendrickx**	January 2017
2nd District	Gary Klemm	January 2015
3rd District	Peter Peterson	January 2017
4th District	Joe Fox*	January 2015
5th District	Eric Rudningen	January 2017
Officers		
Elected		
Attorney	Robin Finke	January 2015
County Sheriff	John Holtz	January 2015
Treasurer	Ronald A. Vadnais	January 2015
Appointed		
Assessor	Wayne Knutson	January 2017
Administrator	Mike Pogge-Weaver	Indefinite
Auditor	Kim Saterbak	Indefinite
Medical Examiner	Dr. A. Quinn Strobl-Anoka County***	December 2015
County Recorder	Mary Amundson	Indefinite
Engineer	Andrew Sander	May 2018
Veterans Services Officer	Dave Barrett	January 2016
Welfare Director	Deanna Steckman	Indefinite

* Chair 2014

** Vice-Chair 2014

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Swift County
Benson, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Swift County (the County), as of and for the year ended December 31, 2014, 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. The financial statements include the Swift County Housing and Redevelopment Authority's (HRA) activities as of and for the year ended June 30, 2014. We did not audit the financial statements of the Swift County HRA, which represent 12.72 percent, 6.09 percent, and 6.22 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Swift County HRA, is based solely on the report of the other auditors. 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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Swift County as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and Schedule of Funding Progress on pages 5-13, 66-70, and 72, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Swift 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is 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 July 16, 2015, on our consideration of Swift County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on 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 Swift County's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Brainerd, Minnesota
July 16, 2015

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REQUIRED SUPPLEMENTARY INFORMATION

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

Swift County's (the County) Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the year ended December 31, 2014. Since this information is designed to focus on the current-year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements (beginning on page 14).

FINANCIAL HIGHLIGHTS

Key financial highlights for 2014 include the following:

- Governmental activities' total net position is \$67,694,420, of which \$55,202,863 is net investment in capital assets, and \$3,394,753 is restricted for specific purposes.
- Swift County's net position increased by \$2,946,298 for the year ended December 31, 2014. Net position of the County's discretely presented component units decreased by \$762,405.
- The net cost of governmental activities was \$6,927,008 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$9,873,306.
- Governmental funds' fund balances increased by \$1,080,720.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. Swift County's basic financial statements consist of three parts: Government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section) is required to accompany the basic financial statements and, therefore, is included as required supplementary information.

There are two government-wide statements. The Statement of Net Position and the Statement of Activities (pages 14-16) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on page 17. These statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the County's operation in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside the government.

Government-Wide Financial Statements - The Statement of Net Position and the Statement of Activities

Our analysis of the County as a whole begins on page 14. The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader to determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current-year's revenues and expenses are taken into account regardless of when cash is received or paid.

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

These two financial statements report the County's net position and changes in them. You can think of the County's net position (the difference between the assets and liabilities) as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base and the condition of the County roads, to assess the overall health of the County.

In the Statement of Net Position and the Statement of Activities, the finances of the County are reported in two kinds of activities:

- Governmental Activities – The County's basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.
- Component Units – The County includes two legally separate entities in its report, Swift County Housing and Redevelopment Authority and Swift County-Benson Hospital. These entities are presented in a separate column. Although legally separate, these "component units" are important because the County is financially accountable for them. In addition, these component units have separately issued financial statements.

Fund Financial Statements

Our analysis of the County's major funds begins on page 17. The fund financial statements provide detailed information about the significant funds, not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County has three kinds of funds.

- Governmental Funds—The County's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or difference) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciling statement following each governmental fund financial statement.
- Internal Service Fund—The County uses this fund to manage the self-insurance activities.
- Fiduciary Funds—The County is the trustee, or fiduciary, over assets which can be used only for the trust beneficiaries based on the trust arrangement. All of the County's fiduciary activities are reported in a separate Combining Statement of Change in Assets and Liabilities (pages 74-75). We excluded these activities from the County's other financial statement because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

The County's net position was \$67,694,420 on December 31, 2014 (see Table A-1).

Table A-1
The County's Net Position

	Governmental Activities		%
	2014	2013	
Current and Other Assets	\$ 14,568,326	\$ 13,265,843	9.8 %
Capital and Noncurrent Assets	55,202,863	53,517,087	3.1
Total Assets	<u>69,771,189</u>	<u>66,782,930</u>	4.5
Current Liabilities	1,281,925	1,245,445	2.9
Long-Term Liabilities	794,844	789,363	0.7
Total Liabilities	<u>2,076,769</u>	<u>2,034,808</u>	2.1
Net Position			
Net Investment in Capital			
Assets	55,202,863	53,517,087	3.1
Restricted	3,394,753	2,878,401	17.9
Unrestricted	9,096,804	8,352,634	8.9
Total Net Position	<u>\$ 67,694,420</u>	<u>\$ 64,748,122</u>	4.6

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Position

The County-wide total revenues were \$19,624,872 for the year ended December 31, 2014. Property taxes and intergovernmental revenues accounted for 81 percent of total revenues for the year (see Table A-2).

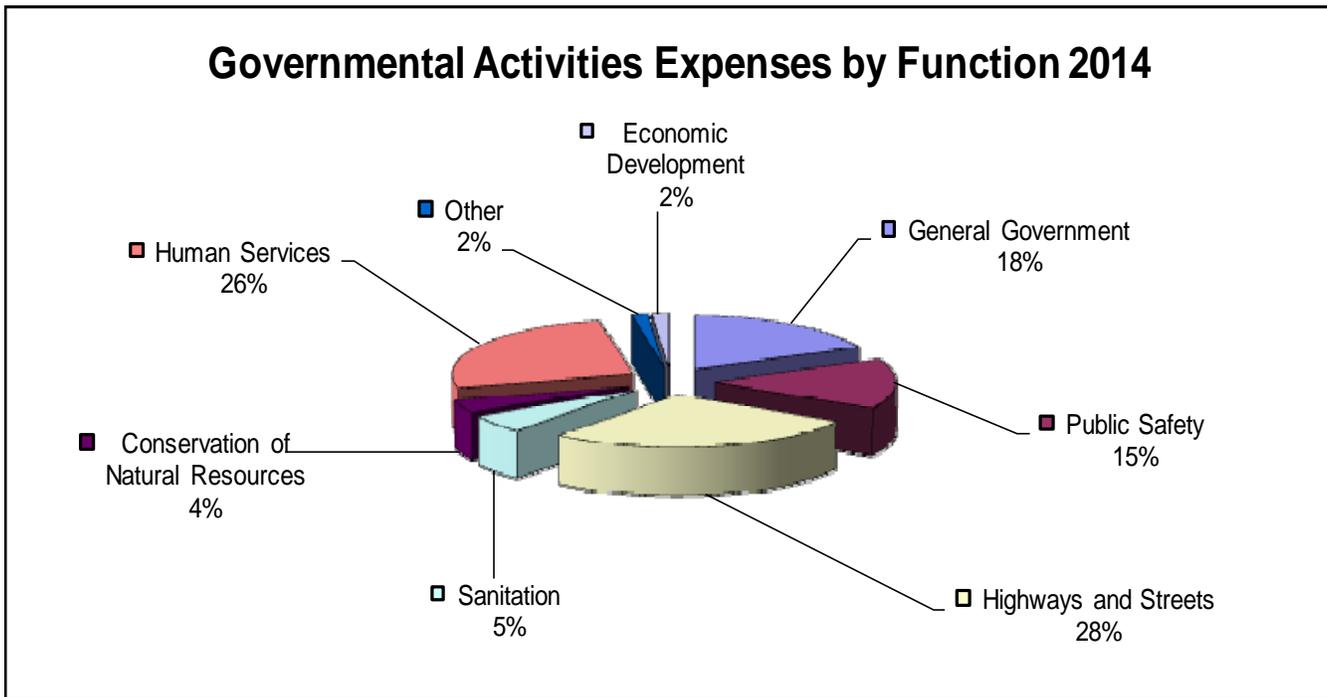
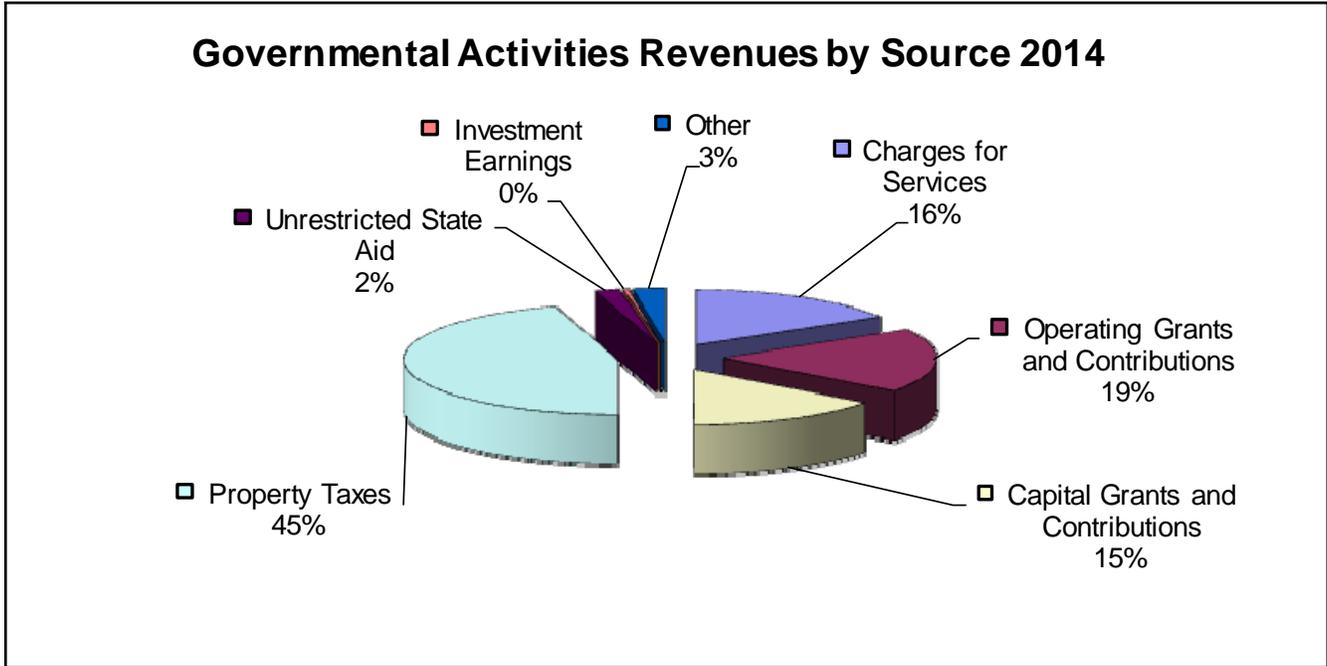
Table A-2
Change in Net Position

	Governmental Activities		Total %
	2014	2013	Change
REVENUES			
<u>Program Revenues</u>			
Fees, Charges, Fines, and Other	\$ 3,210,631	\$ 2,855,857	12.4 %
Operating Grants and Contributions	3,666,461	3,861,260	(5.0)
Capital Grants and Contributions	2,874,474	2,203,432	30.5
<u>General Revenues</u>			
Property Taxes	8,838,573	8,580,332	3.0
Unrestricted State Aid	369,654	488,680	(24.4)
Investment Earnings	69,385	48,170	44.0
Other	595,694	295,333	101.7
Total Revenues	<u>19,624,872</u>	<u>18,333,064</u>	7.0
EXPENSES			
General Government	3,027,990	3,279,307	(7.7)
Public Safety	2,520,396	2,356,069	7.0
Highways and Streets	4,693,877	4,643,714	1.1
Sanitation	898,147	936,092	(4.1)
Human Services	4,366,261	4,434,290	(1.5)
Health	198,394	185,111	7.2
Culture and Recreation	38,504	44,102	(12.7)
Conservation of Natural Resources	684,101	768,171	(10.9)
Economic Development	247,507	241,835	2.3
Interest	3,397	4,173	(18.6)
Total Expenses	<u>16,678,574</u>	<u>16,892,864</u>	(1.3)
CHANGE IN NET POSITION	2,946,298	1,440,200	104.6
Net Position - Beginning of Year	<u>64,748,122</u>	<u>63,307,922</u>	2.3
NET POSITION - END OF YEAR	<u>\$ 67,694,420</u>	<u>\$ 64,748,122</u>	4.6

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)



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**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

The County-wide cost of all governmental activities this year was \$16,678,574.

- Some of the cost was paid by the users of the County's Programs (\$3,210,631).
- The federal and state governments subsidized certain programs with grants and contributions (\$6,540,935).
- The remainder of the County's costs, (\$6,927,008), however, was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with the \$8,838,573 property taxes, \$369,654 of state aid, and with investment earnings and other general revenues.

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

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

	Total Cost of Services		Percentage Change	Net Revenue (Cost) of Services		Percentage Change
	2014	2013		2014	2013	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 3,027,990	\$ 3,279,307	(7.7)%	\$ (2,380,850)	\$ (2,435,593)	2.2 %
Public Safety	2,520,396	2,356,069	7.0	(2,138,848)	(2,000,206)	(6.9)
Highways and Streets	4,693,877	4,643,714	1.1	(129,376)	(722,402)	82.1
Sanitation	898,147	936,092	(4.1)	89,147	(124,906)	171.4
Human Services	4,366,261	4,434,290	(1.5)	(2,116,098)	(2,157,991)	1.9
Health	198,394	185,111	7.2	(198,255)	(184,782)	(7.3)
Culture and Recreation	38,504	44,102	(12.7)	17,465	56,929	(69.3)
Conservation of Natural Resources	684,101	768,171	(10.9)	(170,366)	(377,388)	54.9
Economic Development	247,507	241,835	2.3	103,570	(21,803)	575.0
Interest and Fiscal Charges on						
Long-Term Liabilities	3,397	4,173	(18.6)	(3,397)	(4,173)	18.6
Total	<u>\$ 16,678,574</u>	<u>\$ 16,892,864</u>	(1.3)	<u>\$ (6,927,008)</u>	<u>\$ (7,972,315)</u>	13.1

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

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 \$10,129,712. Revenues for the County's governmental funds were \$19,533,224, while total expenditures were \$18,548,711. During 2014, the County also sold capital assets and made interfund transfers, which are included in other financing sources and uses.

The General Fund includes the primary operations of the County in providing services to citizens and some capital outlay projects. Fund balance increased by \$575,017 during 2014. This increase was primarily due to a transfer in from the Revolving Loan fund.

The Road and Bridge Fund had a total fund balance of \$4,066,025, 96 percent of which is committed for road and bridge projects. This fund balance total is a \$164,048 increase from the prior year.

The Welfare Fund's fund balance increased by \$186,421, primarily due to increased revenues for 2014.

The Revolving Loan Fund's fund balance increased by \$30,956 due to increased revenues for 2014.

The Solid Waste Fund's fund balance increased by \$64,763, as a result of 2014 revenues in excess of expenditures.

The Ditch Fund's fund balance increased by \$59,515, due to special assessment revenues collected exceeding ditch repair expenditures.

GENERAL FUND

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

Table A-4 presents a summary of General Fund revenues.

Table A-4
General Fund Revenues

	Year Ended		Change	
	December 31, 2014	December 31, 2013	Increase (Decrease)	Percent
Taxes	\$ 4,813,850	\$ 4,458,367	\$ 355,483	8.0 %
Licenses and Permits	2,790	4,670	(1,880)	(40.3)
Intergovernmental	797,479	740,697	56,782	7.7
Charges for Services	316,055	414,268	(98,213)	(23.7)
Investment Earnings	60,236	40,708	19,528	48.0
Miscellaneous and Other	655,486	762,397	(106,911)	(14.0)
Total General Fund Revenues	<u>\$ 6,645,896</u>	<u>\$ 6,421,107</u>	<u>\$ 224,789</u>	3.5

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change	
	December 31, 2014	December 31, 2013	Increase (Decrease)	Percent
General Government	\$ 3,071,235	\$ 3,242,039	\$ (170,804)	(5.3)%
Public Safety	2,727,601	2,370,953	356,648	15.0
Health	201,350	186,468	14,882	8.0
Culture and Recreation	20,748	98,468	(77,720)	(78.9)
Conservation of Natural Resources	371,234	323,200	48,034	14.9
Total Expenditures	<u>\$ 6,392,168</u>	<u>\$ 6,221,128</u>	<u>\$ 171,040</u>	2.7

General Fund Budgetary Highlights

- Actual revenues were approximately \$114,000 less than expected, due to less intergovernmental revenue than expected.
- The actual expenditures were \$723,469 less than budget. This is due primarily to parks and public safety expenditures that were budgeted for but not spent.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

By the end of 2014, the County had invested over \$80,000,000 in a broad range of capital assets, including land, buildings, machinery, vehicles, furniture, equipment, and infrastructure (see Table A-6). The majority of current-year capital asset activity was a result of road projects. (More detailed information about capital assets can be found in Note 3.A.2 to the financial statements.) Total depreciation expense for the year was \$1,788,991.

Table A-6
The County's Capital Assets

	Governmental Activities		Percent Change
	2014	2013	
Land	\$ 2,195,686	\$ 2,195,686	-
Construction-in-Progress	2,722,905	1,661,796	63.9
Buildings	7,972,307	7,928,447	0.6
Machinery, Equipment, and Vehicles	7,157,841	6,422,630	11.4
Infrastructure	60,798,164	59,586,032	2.0
Less: Accumulated Depreciation	<u>(25,644,040)</u>	<u>(24,277,504)</u>	5.6
Total	<u>\$ 55,202,863</u>	<u>\$ 53,517,087</u>	3.1

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2014**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

DEBT ADMINISTRATION

At year-end, the County's only outstanding debt was the Chippewa River Watershed Loans, which had a decrease of 17.1 percent as shown in Table A-7. This decrease is due to the repayment of long-term debt. The hospital's decrease in debt is a result of the repayment of long-term debt.

	2014	2013	Percent Change
GOVERNMENTAL ACTIVITIES			
Chippewa River Watershed Loans	\$ 148,166	\$ 178,808	(17.1)%
 DISCRETE COMPONENT UNITS			
Swift County Housing and Redevelopment Authority	2,535,000	2,535,000	-
Swift County-Benson Hospital	11,030,065	9,310,000	18.5
Total	\$ 13,565,065	\$ 11,845,000	14.5

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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 the County Auditor, Swift County Courthouse, 301 14th Street North, Benson, Minnesota 56215 or (320) 843-4069. Separate financial statements of the Swift County HRA can be obtained at P.O. Box 286, Benson, Minnesota 56215 and separate financial statements of the Swift County-Benson Hospital can be obtained at 1815 Wisconsin Avenue, Benson, Minnesota 56215.

BASIC FINANCIAL STATEMENTS

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	Primary Government	Discretely Presented Component Units	Total Reporting Entity
ASSETS			
Cash and Pooled Investments	\$ 8,739,068	\$ 4,941,208	\$ 13,680,276
Petty Cash and Change Funds	1,675	-	1,675
Taxes Receivable - Delinquent	84,139	-	84,139
Special Assessments Receivable - Delinquent	16,947	-	16,947
Special Assessments Receivable - Noncurrent	469,579	-	469,579
Accounts Receivable - Net	227,000	1,947,336	2,174,336
Loans Receivable	1,371,374	-	1,371,374
Due from Component Unit	1,834,015	-	1,834,015
Accrued Interest Receivable	6,166	-	6,166
Due from Other Governments	1,585,240	-	1,585,240
Advances to Other Governments	12,000	-	12,000
Prepaid Items	31,958	229,368	261,326
Inventories	189,165	225,157	414,322
Restricted Assets			
Cash and Pooled Investments	-	3,388,438	3,388,438
Investment in Joint Venture	-	360,776	360,776
Loss on Refunding	-	80,136	80,136
Other Noncurrent Assets	-	106,927	106,927
Capital Assets - Non-Depreciable			
Land	2,195,686	564,394	2,760,080
Construction-in-Progress	2,722,905	28,969	2,751,874
Depreciable Capital Assets - Net of Depreciation			
Buildings	4,608,350	12,670,757	17,279,107
Improvements Other than Buildings	-	82,167	82,167
Machinery, Vehicles, Furniture and Equipment	2,805,054	1,269,859	4,074,913
Infrastructure	42,870,868	-	42,870,868
Total Assets	69,771,189	25,895,492	95,666,681
LIABILITIES			
Bank Overdraft	-	57,578	57,578
Accounts Payable	512,552	539,157	1,051,709
Salaries Payable	250,997	-	250,997
Accrued Payroll Taxes	36,619	-	36,619
Contracts Payable	142,196	-	142,196
Due to Other Governments	27,841	-	27,841
Accrued Interest Payable	130	225,437	225,567
Unearned Revenue	66,451	-	66,451
Customer Deposits - Current	-	24,145	24,145
Estimated Third-Party Payer Settlements	-	139,521	139,521
Other Current Liabilities	-	428,879	428,879
Compensated Absences Payable - Due Within One Year	213,881	11,831	225,712
Capital Notes Payable- Due Within One Year	-	115,000	115,000
General Obligation Bonds Payable - Due Within One Year	-	350,000	350,000
Due to Primary Government - Due Within One Year	-	85,512	85,512
Loans Payable - Due Within One Year	31,258	-	31,258
Compensated Absences Payable - Due in More Than One Year	641,643	-	641,643
Capital Notes Payable- Due in More Than One Year	-	2,420,000	2,420,000
Due to Primary Government - Due in More Than One Year	-	1,748,503	1,748,503
General Obligation Bonds Payable - Due in More Than One Year	-	8,846,050	8,846,050
Loans Payable - Due in More Than One Year	116,908	-	116,908
Other Postemployment Benefits Payable - Due in More Than One Year	36,293	-	36,293
Total Liabilities	2,076,769	14,991,613	17,068,382
NET POSITION			
Net Investment in Capital Assets	55,202,863	1,051,081	56,253,944
Restricted for			
Recorder Equipment	115,704	-	115,704
E-911 Program	368,345	-	368,345
Transportation	1,068,647	-	1,068,647
Economic Development Loans	1,167,341	-	1,167,341
Ditches	674,716	-	674,716
Hospice	-	700,376	700,376
Unrestricted	9,096,804	9,152,422	18,249,226
Total Net Position	\$ 67,694,420	\$ 10,903,879	\$ 78,598,299

See accompanying Notes to the Financial Statements.

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014**

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General Government	\$ 3,027,990	\$ 483,564	\$ 163,576	\$ -
Public Safety	2,520,396	129,382	252,166	-
Highways and Streets	4,693,877	192,660	1,901,773	2,470,068
Sanitation	898,147	895,516	91,778	-
Human Services	4,366,261	992,995	1,257,168	-
Health	198,394	139	-	-
Culture and Recreation	38,504	15,912	-	40,057
Conservation of Natural Resources	684,101	149,386	-	364,349
Economic Development	247,507	351,077	-	-
Interest	3,397	-	-	-
Total Governmental Activities	16,678,574	3,210,631	3,666,461	2,874,474
DISCRETE COMPONENT UNITS				
Swift County - Housing and Redevelopment Authority	724,924	595,881	240,394	-
Swift County-Benson Hospital	13,524,734	12,477,032	-	119,214
Total Discretely Presented Component Units	14,249,658	13,072,913	240,394	119,214
Total Reporting Entity	\$ 30,928,232	\$ 16,283,544	\$ 3,906,855	\$ 2,993,688

GENERAL REVENUES

Property Taxes
Wheelage Tax
Mortgage and Registry Deed Taxes
Payments in Lieu of Tax
Rent
Grants and Contributions not Restricted for a Particular Purpose
Investment Earnings
Miscellaneous
Gain on Sale of Capital Assets
Total General Revenues

CHANGE IN NET POSITION

Net Position - Beginning of Year

NET POSITION - END OF YEAR

See accompanying Notes to Financial Statements.

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Discretely Presented Component Units	Total
\$ (2,380,850)	\$ -	\$ (2,380,850)
(2,138,848)	-	(2,138,848)
(129,376)	-	(129,376)
89,147	-	89,147
(2,116,098)	-	(2,116,098)
(198,255)	-	(198,255)
17,465	-	17,465
(170,366)	-	(170,366)
103,570	-	103,570
(3,397)	-	(3,397)
(6,927,008)	-	(6,927,008)
-	111,351	111,351
-	(928,488)	(928,488)
-	(817,137)	(817,137)
(6,927,008)	(817,137)	(7,744,145)
8,838,573	-	8,838,573
110,278	-	110,278
6,817	-	6,817
165,362	-	165,362
94,166	-	94,166
369,654	-	369,654
69,385	53,722	123,107
106,503	1,010	107,513
112,568	-	112,568
9,873,306	54,732	9,928,038
2,946,298	(762,405)	2,183,893
64,748,122	11,666,284	76,414,406
\$ 67,694,420	\$ 10,903,879	\$ 78,598,299

**SWIFT COUNTY
BENSON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Road and Bridge	Welfare
ASSETS			
Cash and Pooled Investments	\$ 1,458,309	\$ 3,955,291	\$ 1,209,776
Petty Cash and Change Funds	1,600	-	25
Taxes Receivable - Delinquent	44,414	18,083	21,285
Special Assessments Receivable			
Delinquent	-	-	-
Noncurrent	-	-	-
Accounts Receivable	6,992	8,213	135,526
Accrued Interest Receivable	3,508	961	1,697
Loans Receivable	-	-	-
Due from Component Unit	1,834,015	-	-
Due from Other Funds	25,791	17,236	-
Due from Other Governments	27,391	1,242,095	315,754
Advances to Other Governments	12,000	-	-
Prepaid Items	20,006	-	11,952
Inventories	-	189,165	-
Total Assets	<u>\$ 3,434,026</u>	<u>\$ 5,431,044</u>	<u>\$ 1,696,015</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 63,426	\$ 59,639	\$ 172,197
Salaries Payable	121,995	46,214	71,358
Accrued Payroll Taxes	17,246	6,955	10,707
Contracts Payable	-	142,196	-
Due to Other Funds	17,236	-	791
Due to Other Governments	440	-	31,091
Unearned Revenue	66,451	-	-
Total Liabilities	<u>286,794</u>	<u>255,004</u>	<u>286,144</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Taxes	44,414	18,083	21,285
Unavailable Special Assessments	-	-	-
Unavailable Grants	-	1,091,932	3,766
Unavailable Loans Receivable	-	-	-
Total Deferred Inflows of Resources	<u>44,414</u>	<u>1,110,015</u>	<u>25,051</u>
FUND BALANCES			
Nonspendable			
Prepays	20,006	-	11,952
Inventories	-	189,165	-
Advances to Other Governments	12,000	-	-
Loans Receivable	1,834,015	-	-
Restricted			
Recorder Equipment	115,704	-	-
E-911	368,345	-	-
Future Loans	-	-	-
Ditches	-	-	-
Committed			
Health Care	1,000,000	-	-
Workers' Compensation	100,000	-	-
Soil Survey Update	200,000	-	-
Severance Pay	100,000	50,000	50,000
Road and Bridge	-	3,826,860	-
Welfare Programs	-	-	1,322,868
Solid Waste	-	-	-
Unassigned	(647,252)	-	-
Total Fund Balances	<u>3,102,818</u>	<u>4,066,025</u>	<u>1,384,820</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,434,026</u>	<u>\$ 5,431,044</u>	<u>\$ 1,696,015</u>

See accompanying Notes to Financial Statements.

Revolving Loan	Solid Waste	Ditch	Total Governmental Funds
\$ 410,370	\$ 891,994	\$ 305,526	\$ 8,231,266
-	50	-	1,675
-	357	-	84,139
-	16,127	820	16,947
-	76,079	393,500	469,579
-	29,365	-	180,096
-	-	-	6,166
1,371,374	-	-	1,371,374
-	-	-	1,834,015
-	-	-	43,027
-	-	-	1,585,240
-	-	-	12,000
-	-	-	31,958
-	-	-	189,165
<u>\$ 1,781,744</u>	<u>\$ 1,013,972</u>	<u>\$ 699,846</u>	<u>\$ 14,056,647</u>

\$ -	\$ 21,658	\$ -	\$ 316,920
-	11,430	-	250,997
-	1,711	-	36,619
-	-	-	142,196
-	-	25,000	43,027
-	-	-	31,531
-	-	-	66,451
-	34,799	25,000	887,741
-	357	-	84,139
-	93,663	394,320	487,983
-	-	-	1,095,698
1,371,374	-	-	1,371,374
1,371,374	94,020	394,320	3,039,194
-	-	-	31,958
-	-	-	189,165
-	-	-	12,000
-	-	-	1,834,015
-	-	-	115,704
-	-	-	368,345
410,370	-	-	410,370
-	-	280,526	280,526
-	-	-	1,000,000
-	-	-	100,000
-	-	-	200,000
-	-	-	200,000
-	-	-	3,826,860
-	-	-	1,322,868
-	885,153	-	885,153
-	-	-	(647,252)
<u>410,370</u>	<u>885,153</u>	<u>280,526</u>	<u>10,129,712</u>
<u>\$ 1,781,744</u>	<u>\$ 1,013,972</u>	<u>\$ 699,846</u>	<u>\$ 14,056,647</u>

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**SWIFT COUNTY
BENSON, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 10,129,712

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 55,202,863

Other long-term assets (deferred inflows of resources) are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

Property Taxes	\$	84,139	
Special Assessments		487,983	
Loans Receivable		1,371,374	
Grant Related		<u>1,095,698</u>	3,039,194

Internal service funds are used by management to account for the management of self-insurance to individual funds. The assets and liabilities that are included in governmental activities in the statement of net position are: 362,764

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Loans Payable		(148,166)	
Compensated Absences		(855,524)	
Other Postemployment Benefits		(36,293)	
Accrued Interest Payable		<u>(130)</u>	<u>(1,040,113)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 67,694,420

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2014**

	General	Road and Bridge	Welfare
REVENUES			
Taxes	\$ 4,813,850	\$ 1,946,072	\$ 2,197,526
Special Assessments	-	-	-
Licenses and Permits	2,790	-	-
Intergovernmental	797,479	4,088,963	2,019,372
Charges for Services	316,055	66,870	396,646
Gifts and Contributions	50	-	-
Interest on Investments	60,236	6,393	2,756
Miscellaneous	655,436	183,570	8,852
Total Revenues	6,645,896	6,291,868	4,625,152
EXPENDITURES			
CURRENT			
General Government	3,071,235	-	-
Public Safety	2,727,601	-	-
Highways and Streets	-	6,208,132	-
Sanitation	-	-	-
Human Services	-	-	4,438,731
Health	201,350	-	-
Culture and Recreation	20,748	-	-
Conservation of Natural Resources	371,234	-	-
Economic Development	-	-	-
DEBT SERVICE			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	6,392,168	6,208,132	4,438,731
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	253,728	83,736	186,421
OTHER FINANCING SOURCES (USES)			
Transfers In	310,394	-	-
Transfers Out	-	-	-
Proceeds from Sale of Assets	10,895	112,592	-
Total Other Financing Sources (Uses)	321,289	112,592	-
NET CHANGE IN FUND BALANCES	575,017	196,328	186,421
Fund Balance - Beginning of Year	2,527,801	3,901,977	1,198,399
DECREASE IN INVENTORIES	-	(32,280)	-
FUND BALANCE - END OF YEAR	<u>\$ 3,102,818</u>	<u>\$ 4,066,025</u>	<u>\$ 1,384,820</u>

See accompanying Notes to Financial Statements.

Revolving Loan	Solid Waste	Ditch	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 8,957,448
-	311,623	373,690	685,313
-	-	-	2,790
-	93,679	-	6,999,493
-	459,071	-	1,238,642
-	-	-	50
28,450	-	-	97,835
560,407	123,088	20,300	1,551,653
588,857	987,461	393,990	19,533,224
-	-	-	3,071,235
-	-	-	2,727,601
-	-	-	6,208,132
-	893,633	-	893,633
-	-	-	4,438,731
-	-	-	201,350
-	-	-	20,748
-	-	334,475	705,709
247,507	-	-	247,507
-	30,642	-	30,642
-	3,423	-	3,423
247,507	927,698	334,475	18,548,711
341,350	59,763	59,515	984,513
-	-	-	310,394
(310,394)	-	-	(310,394)
-	5,000	-	128,487
(310,394)	5,000	-	128,487
30,956	64,763	59,515	1,113,000
379,414	820,390	221,011	9,048,992
-	-	-	(32,280)
\$ 410,370	\$ 885,153	\$ 280,526	\$ 10,129,712

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**SWIFT COUNTY
 BENSON, MINNESOTA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO
 THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 GOVERNMENTAL ACTIVITIES
 YEAR ENDED DECEMBER 31, 2014**

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 1,113,000
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(46,755)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets.		
Expenditures for General Capital Assets and Infrastructure	\$ 3,490,926	
Net Book Value of Assets Disposed of	(16,159)	
Current Year Depreciation	<u>(1,788,991)</u>	1,685,776
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 Payment on Loans Payable		30,642
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of the internal service funds is reported with governmental activities.		
		232,909
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	26	
Change in Compensated Absences	(1,122)	
Change in Other Postemployment Benefits	(35,898)	
Change in Inventories	<u>(32,280)</u>	<u>(69,274)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		\$ <u>2,946,298</u>

See accompanying Notes to Financial Statements.

**SWIFT COUNTY
 BENSON, MINNESOTA
 STATEMENT OF NET POSITION
 INTERNAL SERVICE FUND
 DECEMBER 31, 2014**

	<u>Self-Insurance</u>
ASSETS	
Cash and Pooled Investments	\$ 507,802
Accounts Receivable	<u>46,904</u>
Total Assets	554,706
LIABILITIES	
Accounts Payable	<u>191,942</u>
NET POSITION	
Unrestricted	<u><u>\$ 362,764</u></u>

See accompanying Notes to Financial Statements.

**SWIFT COUNTY
 BENSON, MINNESOTA
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
 INTERNAL SERVICE FUND
 YEAR ENDED DECEMBER 31, 2014**

	<u>Self-Insurance</u>
OPERATING REVENUES	
Premiums	\$ 1,420,782
OPERATING EXPENSES	
Administrative and Fiscal Services	388,454
Other Services and Charges	799,419
Total Operating Expenses	1,187,873
OPERATING INCOME (LOSS)	232,909
Net Position - Beginning of Year	129,855
NET POSITION - END OF YEAR	\$ 362,764

See accompanying Notes to Financial Statements.

**SWIFT COUNTY
 BENSON, MINNESOTA
 STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUND
 YEAR ENDED DECEMBER 31, 2014**

	<u>Self-Insurance</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Internal Services Provided	\$ 1,373,878
Payments to Suppliers	(196,512)
Payments for Claims	<u>(799,419)</u>
Net Cash Provided by Operating Activities	377,947
Cash and Cash Equivalents - Beginning of the Year	<u>129,855</u>
Cash and Cash Equivalents - End of the Year	<u><u>\$ 507,802</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ 232,909
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities	
(Increase) Decrease in Accounts Receivable	(46,904)
(Increase) Decrease in Accounts Payable	<u>191,942</u>
Net Cash Provided by (Used) Operating Activities	<u><u>\$ 377,947</u></u>

See accompanying Notes to Financial Statements.

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2014**

ASSETS

Cash and Pooled Investments	<u><u>\$ 427,214</u></u>
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LIABILITIES

Funds Held in Trust	\$ 13,893
Due to Other Governments	<u>413,321</u>

Total Liabilities	<u><u>\$ 427,214</u></u>
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See accompanying Notes to Financial Statements.

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**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2014**

	Swift County Housing and Redevelopment Authority	Swift County-Benson Hospital	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 787,308	\$ 4,153,900	\$ 4,941,208
Accounts Receivable - Net	3,908	1,943,428	1,947,336
Prepaid Items	-	229,368	229,368
Inventories	-	225,157	225,157
Total Current Assets	791,216	6,551,853	7,343,069
RESTRICTED ASSETS			
Cash and Pooled Investments	-	3,388,438	3,388,438
NONCURRENT ASSETS			
Investment in Joint Venture	-	360,776	360,776
Loss on Refunding	-	80,136	80,136
Capital Assets			
Land	25,000	539,394	564,394
Construction-in-Progress	-	28,969	28,969
Buildings	2,465,131	10,205,626	12,670,757
Machinery, Vehicles, Furniture and Equipment	11,777	1,258,082	1,269,859
Land Improvements	-	82,167	82,167
Other Noncurrent Assets	-	106,927	106,927
Total Noncurrent Assets	2,501,908	12,662,077	15,163,985
Total Assets	3,293,124	22,602,368	25,895,492
LIABILITIES			
CURRENT LIABILITIES			
Bank Overdraft	57,578	-	57,578
Accounts Payable	159	538,998	539,157
Accrued Expenses	-	428,879	428,879
Accrued Interest	-	225,437	225,437
Compensated Absences Payable - Current	11,831	-	11,831
Capital Notes Payable - Current	115,000	-	115,000
Revenue Bonds Payable - Current	-	350,000	350,000
Due To Primary Government - Current	-	85,512	85,512
Estimated Third-Party Payer Settlements	-	139,521	139,521
Customer Deposits	24,145	-	24,145
Total Current Liabilities	208,713	1,768,347	1,977,060
NONCURRENT LIABILITIES			
Capital Notes Payable - Long-Term	2,420,000	-	2,420,000
Revenue Bonds Payable - Long-Term	-	8,846,050	8,846,050
Due To Primary Government - Long-Term	-	1,748,503	1,748,503
Total Noncurrent Liabilities	2,420,000	10,594,553	13,014,553
Total Liabilities	2,628,713	12,362,900	14,991,613
NET POSITION			
Net Investment in Capital Assets	(33,092)	1,084,173	1,051,081
Restricted	4,801	695,575	700,376
Unrestricted	692,702	8,459,720	9,152,422
Total Net Position	\$ 664,411	\$ 10,239,468	\$ 10,903,879

See accompanying Notes to Financial Statements.

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2014**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Charges Fines, and Other</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
COMPONENT UNITS				
Housing and Redevelopment Authority	\$ 724,924	\$ 595,881	\$ 240,394	\$ -
Swift County-Benson Hospital	13,524,734	12,477,032	-	119,214
Total Component Units	<u>\$ 14,249,658</u>	<u>\$ 13,072,913</u>	<u>\$ 240,394</u>	<u>\$ 119,214</u>

GENERAL REVENUES

Investment Earnings
Miscellaneous

Total General Revenues

CHANGE IN NET POSITION

Net Position - Beginning of Year

NET POSITION - END OF YEAR

See accompanying Notes to Financial Statements.

Net Expense (Revenue) and
Changes in Net Position

Housing and Redevelopment Authority	Swift County-Benson Hospital	Total
\$ 111,351	\$ -	\$ 111,351
-	(928,488)	(928,488)
111,351	(928,488)	(817,137)
2,162	51,560	53,722
-	1,010	1,010
2,162	52,570	54,732
113,513	(875,918)	(762,405)
550,898	11,115,386	11,666,284
<u>\$ 664,411</u>	<u>\$ 10,239,468</u>	<u>\$ 10,903,879</u>

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**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Swift County's (the County) financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2014. 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

Swift County, Minnesota was established February 15, 1870, and has the powers, duties, and privileges granted counties by *Minnesota Statutes* ch. 373. Swift County is governed by a five-member Board of Commissioners elected from districts within the County and administrative officers elected on a County-wide basis. The Board is organized with a chair and a vice-chair elected at the annual meeting in January of each year. The County Administrator, who is appointed by the Board, serves as the Clerk of the Board of Commissioners but does not vote in its decisions.

For financial reporting purposes, Swift County has included all funds, organizations, agencies, boards, commissions, and authorities and has considered all potential component units for which the County is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause Swift County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial statement accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization; or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County.

As required by accounting principles generally accepted in the United States of America, these financial statements present Swift County (primary government) and its component units for which the County is financially accountable.

Discretely Presented Component Units

While part of the reporting entity, discretely presented component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County. The following component units of Swift County are discretely presented:

Swift County Housing and Redevelopment Authority

Swift County Housing and Redevelopment Authority (HRA) was created to administer the public housing programs authorized by the United States Housing Act of 1937, as amended, and to carry out other housing assistance programs. The HRA is currently governed by a seven-member Board of Directors appointed by the Swift County Board of Commissioners.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Although it is legally separate from the County, the activity of the HRA is included in the Swift County reporting entity, because the County Board appoints a voting majority of the HRA's Board of Directors, and the County is liable in the event that tax increments collected by the HRA are not sufficient to make the required debt service payments. See Note 7 for significant accounting policies and other disclosures. Separate financial statements of the Swift County HRA can be obtained at P.O. Box 286, Benson, Minnesota 56215.

Swift County-Benson Hospital

The Swift County-Benson Hospital was created for the purpose of providing or causing to be provided health and related medical services in the region covered by the district. The Hospital is currently governed by a nine-member Board of Directors, six of whom are appointed by the Swift County Board; the three remaining members are appointed by the Benson City Council. Although it is legally separate from the County, the activity of the Hospital is included in the Swift County reporting entity because the County Board appoints a voting majority of the Hospital's Board of Directors, and the Hospital is financially accountable to the County. See Note 7 for significant accounting policies and other disclosures. Separate financial statements of the Swift County-Benson Hospital can be obtained at 1815 Wisconsin Avenue, Benson, Minnesota 56215.

Other Organizations

The County participates in joint ventures which are described in Note 8. Jointly-governed organizations are identified in Note 8, and a related organization is identified in Note 8.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (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 column: (a) is presented on a consolidated basis; and (b) is 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 County first utilizes restricted resources to finance qualifying activities.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

1. Government-Wide Statements (Continued)

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.

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

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

2. Fund Financial Statements

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

The Road and Bridge Special Revenue Fund- The Road and Bridge 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 Welfare Special Revenue Fund- The Welfare Special Revenue Fund is used to account for economic assistance and community social services programs. These programs are funded primarily by property taxes, committed through the Board approved levy, and intergovernmental revenues.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

The Revolving Loan Special Revenue Fund- The Revolving Loan Special Revenue Fund is used to account for the activities of the revolving loan program. Intergovernmental revenues were received for this program and are restricted for future loans.

The Solid Waste Special Revenue Fund- The Solid Waste Special Revenue Fund is used to account for funds used in solid waste management. Financing is provided by special assessments, committed through Board action, against all parcels of property in the County.

The Ditch Special Revenue Fund- 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 through Board approval.

The County reports the following internal service fund:

The Self-Insurance Internal Service Fund is used to account for the County's self-insured insurance program. Financing is provided by charges to other County funds and individuals' insurance payments. This fund was new in 2013, as the County's self-insurance program started in January 2014.

Additionally, the County reports the following fiduciary fund type:

Agency Funds- The Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds in an agency capacity.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary, 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.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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. Swift 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 long-term debt and acquisitions under capital leases are reported as other financing sources or uses.

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

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2014, based on market prices. 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.

3. Receivables and Payables

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

All receivables, including those of the discretely reported component units, are shown net of an allowance for uncollectible accounts.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Receivables and Payables (Continued)

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.

4. Loans Receivable

Loans receivable represents the unpaid principal portions of loans made by the County through its revolving loan fund and its general fund. Principal and interest received by the County on these loans are recognized, at the fund level, in the period in which they are collected; accordingly, the unpaid principal portions are also reflected in deferred inflows of resources.

5. 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.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the County government-wide financial statements. In the case of initial capitalization of infrastructure, the County retroactively implemented the reporting of this item when GASB No. 34 was implemented. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

6. Capital Assets (Continued)

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

Assets	Years
Buildings	40-100
Infrastructure	40-75
Machinery, Vehicles, Furniture, and Equipment	5-20

7. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual 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.

8. Deferred Outflows of Resources

The County reports decreases in net position or fund balance, that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statement of net position or governmental fund balance sheet. The County will not recognize the related outflow until a future event occurs.

9. Deferred Inflows of Resources

The County's governmental fund 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 one type of item which occurs relating to revenue recognition: The deferred inflow 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 County does not have deferred inflows of resources to report in its governmental activities in the current year.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities on the statement of net position. Bond premiums and discounts 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. Fund Balance and Net Position

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. 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 County Board. The County Board did not delegate authority 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.

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

Net position represents the difference between assets and liabilities in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire capital assets. Net position is reported restricted in government-wide financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Use of Estimates

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

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The following funds had expenditures in excess of budget at the fund level for the year ended December 31, 2014:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Special Revenue Funds			
Road and Bridge	\$ 6,208,132	\$ 5,414,649	\$ 793,483
Solid Waste	927,698	884,570	43,128

The excess expenditures were funded with existing fund balance and greater than anticipated revenues.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2014, based on market prices. 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.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Custodial Credit Risk - Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk and follows *Minnesota Statutes* for deposits.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledge must equal 110 percent of the deposits not covered by insurance or corporate surety bonds. Authorized collateral includes: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letters of credit issue by a Federal Home Loan Bank; and time deposits insured by a federal agency. *Minnesota Statutes* require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

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

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

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets (Continued)

1. Deposits and Investments (Continued)

As of December 31, 2014, the County had the following investments:

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years
Mutual Funds	\$ 452,570	\$ -	\$ -	\$ 452,570
Government Money Market Fund	788,876	788,876	-	-
Negotiable CDs	1,296,505	599,468	697,037	-
Total	<u>\$2,537,951</u>	<u>\$1,388,344</u>	<u>\$ 697,037</u>	<u>\$ 452,570</u>

Interest Rate Risk

The County's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The table above shows the maturities of the County's various fixed rate securities.

Credit Risk

Minnesota Statutes restrict the types of investments that the County may invest in. The County's investment policy does not further limit its investment choices. As of December 31, 2014, the County's mutual funds through Franklin Templeton Investments were rated AAA, through inquiry of customer service representatives. The government money market fund held with Wells Fargo was rated AAAm by S&P. The negotiable certificates of deposit were not rated.

Concentration Credit Risk

The County's investment policy places no limit on the amount the County may invest in any one issuer. As of December 31, 2014, the County had 31.1% of total investments in the Wells Fargo government money market fund and 17.8% in the Franklin Templeton mutual fund.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of failure by the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's investment policy further limits its investments by limiting the amount of investments with any one broker to the amount SPIC and excess SPIC coverage available.

The County's deposits in banks at December 31, 2014 were not entirely covered by federal depository insurance or by pledged collateral held by the bank's agent in Swift County's name in amounts equal to at least 110 percent of the amount in excess of the federal depository insurance, as required by *Minnesota Statutes*. As of December 31, 2014, Swift County's deposits were undercollateralized by \$583,269.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

Government-Type Activities – Primary Government

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land and Right-of-Way	\$ 2,195,686	\$ -	\$ -	\$ 2,195,686
Construction-in-Progress	1,661,796	1,553,583	492,474	2,722,905
Total Capital Assets, Not Being Depreciated:	3,857,482	1,553,583	492,474	4,918,591
Capital Assets, Being Depreciated				
Buildings	7,928,447	43,860	-	7,972,307
Machinery, Furniture, and Equipment	6,422,630	1,173,825	438,614	7,157,841
Infrastructure	59,586,032	1,212,132	-	60,798,164
Total Capital Assets, Being Depreciated	73,937,109	2,429,817	438,614	75,928,312
Less Accumulated Depreciation for				
Buildings	3,275,107	88,850	-	3,363,957
Machinery, Furniture, and Equipment	4,203,595	571,647	422,455	4,352,787
Infrastructure	16,798,802	1,128,494	-	17,927,296
Total Accumulated Depreciation	24,277,504	1,788,991	422,455	25,644,040
Total Capital Assets, Being Depreciated, Net	49,659,605	640,826	16,159	50,284,272
Governmental Activities Capital Assets, Net	<u>\$ 53,517,087</u>	<u>\$ 2,194,409</u>	<u>\$ 508,633</u>	<u>\$ 55,202,863</u>

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Capital Assets (Continued)

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

Government-Type Activities

General Government	\$	60,674
Public Safety		122,412
Highways and Streets, Including Depreciation of Infrastructure Assets		1,516,624
Human Services		24,694
Sanitation		42,620
Conservation of Natural Resources		1,255
Culture and Recreation		<u>20,712</u>
Total Depreciation Expense - Governmental Activities	\$	<u><u>1,788,991</u></u>

B. Interfund Receivables and Payables

The composition of Due To/From Other Funds balances as of December 31, 2014, is as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Welfare Fund	\$ 791	Reimbursements
	Ditch Fund	<u>25,000</u>	Ditch Expenses
Total Due to General Fund		<u>25,791</u>	
Road and Bridge Fund	General Fund	<u>17,236</u>	FEMA/Insurance Reimbursements
	Total	<u><u>\$ 43,027</u></u>	

The Due From Component Unit/Due To Primary Government as of December 31, 2014 is between Swift County and the Swift County Benson Hospital is \$1,834,015. The County Board approved a twenty year loan for \$2,000,000 with a 2 percent interest rate with repayment to begin in January 2013. Principal repayments in 2014 were \$83,823. The amount due in more than one year is \$1,748,503.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables and Payables (Continued)

The composition of Transfers In/Out as of December 31, 2014, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Revolving Loan	\$ 310,394	Current Year CNH Payments

C. Liabilities

1. Long-Term Debt

Governmental Activities

<u>Types of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issued Amount</u>	<u>Outstanding Balance December 31, 2014</u>
Loans Payable					
Chippewa River Watershed/ Continuation Clean Water Project	2021	\$16,259 - \$31,886	2.00	<u>\$ 304,374</u>	<u>\$ 148,166</u>

2. Debt Service Requirements

Debt service requirements at December 31, 2014, were as follows:

<u>Year Ending December 31</u>	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 31,258	\$ 2,808
2016	31,886	2,180
2017	25,002	1,576
2018	25,504	1,074
2019	18,257	561
2020-2021	16,259	327
Total	<u>\$ 148,166</u>	<u>\$ 8,526</u>

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Special					
Loans Payable	\$ 178,808	\$ -	\$ 30,642	\$ 148,166	\$ 31,258
Compensated Absences	854,402	540,700	539,578	855,524	213,881
Other Postemployment Benefits	395	39,826	3,928	36,293	-
Governmental Activity Long-Term Liabilities	<u>\$ 1,033,605</u>	<u>\$ 580,526</u>	<u>\$ 574,148</u>	<u>\$ 1,039,983</u>	<u>\$ 245,139</u>

The loans payable are liquidated by the solid waste fund and compensated absences are liquidated by the general fund.

4. Operating Leases

The County has a lease agreement for a copier in Human Services for 60 months. The expenditures in 2014 under this lease agreement totaled \$7,595 including maintenance and supplies. Minimum lease payments over the remaining term of this lease are as follows:

<u>Year</u>	<u>Amount</u>
2015	\$ 5,274

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Plan Description

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

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

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

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for PECF members. For all PEPFF members, PECF members, and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

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

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

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

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2014. PEPFF members were required to contribute 10.20 percent of their annual covered salary in 2014. PECF members are required to contribute 5.83 percent of their annual covered salary.

Swift County is required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERS members, 7.25 percent for Coordinated Plan GERS members, 15.30 percent for PEPFF members, and 8.75 percent for PECF members.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

B. Funding Policy (Continued)

The County's contributions to the Public Employees Retirement Fund, Public Employees Police and Fire Fund, Public Employees Correctional Fund, and Defined Contribution Plan for the years ending December 31, 2014, 2013, and 2012 were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund	Public Employees Defined Contribution Plan
2014	\$ 242,263	\$ 86,970	\$ 34,503	\$ 9,273
2013	247,503	81,839	35,137	9,100
2012	282,903	75,258	35,315	7,543

These contribution amounts are equal to the contractually required contributions for each year as set by state statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.25 percent for members and 7.50 percent for employers) and the Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

Defined Contribution Plan

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

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

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

C. OPEB Disclosure

The County provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. The County provides benefits for retirees as required by *Minnesota Statutes* §471.61 subdivision 2b. Active employees who retire from the County when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Pursuant to the provisions of the plan, retirees are required to pay varying percentages of the total premium cost. As of January 1, 2014, there were nine retirees receiving health benefits from the County's health plan.

1. 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 Governmental Accounting Standards Board (GASB) Statement No. 45. The ARC represents a level of fund 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 2014, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC)	\$ 39,831
Interest on Net OPEB Obligation	16
Adjustment to ARC	<u>(3,949)</u>
Annual OPEB Cost	35,898
Contributions During the Year	<u>-</u>
Increase in Net OPEB Obligation	35,898
Net OPEB - Beginning of Year	395
Net OPEB - End of Year	<u><u>\$ 36,293</u></u>

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

C. OPEB Disclosure (Continued)

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

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2014, 2013 and 2012 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2014	\$ 39,826	\$ 3,928	9.9 %	\$ 36,293
December 31, 2013	3,645	811	22.2	395
December 31, 2012	3,575	6,435	180.0	(2,439)

2. Funding Status

The County's OPEB plan is financed on a pay-as-you-go basis and currently has no assets that have been deposited into an irrevocable trust for future health benefits. Therefore, the actuarial value of assets is zero. No separate stand-alone financial statements are issued for the plan.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2014	\$ -	252,278	\$ 252,278	- %	5,411,699	4.7 %

3. 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.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

C. OPEB Disclosure (Continued)

3. Actuarial Methods and Assumptions (Continued)

In the January 1, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.00 percent discount rate, which is based on the estimated long-term investment yield on the general assets of the County using an underlying long-term inflation assumption of 2.50 percent. The annual healthcare cost trend rate is 7.50 percent initially, reduced incrementally to an ultimate rate of 5.00 percent after ten years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open thirty-year period.

NOTE 5 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 for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$480,000 per claim in 2014. 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.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 6 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

Contingent Liabilities

Amounts received or receivable from grant 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.

Construction Commitments

The County has active construction projects and outstanding contracts for machinery and equipment purchase as of December 31, 2014. The projects and purchases include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Road Construction	\$ 4,394,264	\$ 1,358,861

NOTE 7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNITS

A. Swift County Housing and Redevelopment Authority (HRA)

Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed by the Swift County HRA. The HRA's fiscal year ended on June 30, 2014.

Basis of Accounting

The HRA component unit is accounted for using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when incurred.

Deposits

Swift County HRA's Department of Housing and Urban Development (HUD) program deposits can be invested only in the following HUD-approved investments: direct obligations of the federal government backed by the full faith and credit of the United States, obligations of governmental agencies, securities of government-sponsored agencies, demand and savings deposits, time deposits, and repurchase agreements.

Minnesota Statutes and HUD regulations require that all deposits with financial institutions be covered by insurance, surety bond, or collateral.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCRETE COMPONENT UNITS (CONTINUED)

A. Swift County Housing and Redevelopment Authority (Continued)

Following is a summary of deposits covered by insurance or collateral at June 30, 2014:

	<u>Bank Balance</u>
Insured or Collateralized with Securities Held by the HRA or Its Agent in the HRA's Name	\$ 734,254

Land, Structures, and Equipment

Buildings and equipment are recorded at cost or at fair market value on the date received, if donated. Repairs and maintenance are reported as expenses. Depreciation is provided on a straight-line basis over the estimated useful lives of the property, which range from 3 to 40 years.

Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Ending Balance</u>
Capital Assets, not being Depreciated				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Capital Assets being Depreciated				
Buildings	3,626,539	-	-	3,626,539
Machinery, Furniture, and Equipment	18,278	-	1,245	17,033
Total Capital Assets being Depreciated	3,644,817	-	1,245	3,643,572
Less: Accumulated Depreciation for				
Buildings	1,057,241	104,167	-	1,161,408
Machinery, Furniture, and Equipment	5,918	583	1,245	5,256
Total Accumulated Depreciation	1,063,159	104,750	1,245	1,166,664
Total Capital Assets, Depreciated, Net	2,581,658	(104,750)	-	2,476,908
Governmental Activities Capital Assets, Net	\$ 2,606,658	\$ (104,750)	\$ -	\$ 2,501,908

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNITS (CONTINUED)

A. Swift County Housing and Redevelopment Authority (Continued)

Long-Term Debt

The long-term debt obligations outstanding at year-end are summarized as follows:

	<u>Maturity</u>	<u>Interest Rate</u>	<u>June 30, 2014</u>
Limited Tax Housing and Redevelopment Refunding Bonds, Series 2013	2033	0.5-3.2%	<u>\$ 2,535,000</u>

Annual debt service requirements to maturity, including interest payments, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 115,000	\$ 55,347	\$ 170,347
2016	115,000	54,600	169,600
2017	115,000	53,738	168,738
2018	115,000	52,588	167,588
2019	120,000	51,150	171,150
2020-2024	625,000	244,506	869,506
2025-2029	700,000	144,981	844,981
2030-2033	<u>630,000</u>	<u>40,504</u>	<u>670,504</u>
Total	<u>\$ 2,535,000</u>	<u>\$ 697,415</u>	<u>\$ 3,232,415</u>

Compensated Absences Payable

Changes in compensated absences payable for the period ended June 30, 2014 is summarized below:

Balance - June 30, 2013	\$ 11,101
Net Changes	<u>730</u>
Balance - June 30, 2014	<u>\$ 11,831</u>

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNITS (CONTINUED)

A. Swift County Housing and Redevelopment Authority (Continued)

Economic Dependency

The programs of the HRA are economically dependent on annual contributions and grants from HUD. Without those contributions and grants, the programs would operate at a loss.

Risk Management

The HRA is exposed to various risks of loss to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; workers' compensation claims; and natural disasters. Property, casualty, and workers' compensation liabilities are insured. The HRA retains risk for the deductible portions of the insurance.

Retirement Plan

The HRA has established a defined contribution pension plan through the Principal Mutual Insurance Company. The plan is funded by employer and employee contributions of 6.00 percent and 4.00 percent, respectively. Current amounts are as follows:

	2014
Total Wages	\$ 75,020
Total Eligible Wages	63,126
Employer Contribution	3,787
Employee Contribution	3,786

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNITS (CONTINUED)

B. Swift County-Benson Hospital

Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed by the Swift County-Benson Hospital (Hospital):

Basis of Accounting

The Hospital component unit is accounted for using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when incurred.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposit accounts, unexpended construction funds and saving accounts.

Accounts Receivable

Accounts Receivable for the Hospital are shown net of an allowance of \$306,000, for uncollectible accounts.

Inventories

Inventories are stated at lower of cost or market using latest invoice cost, which approximates the first-in, first-out method.

Noncurrent Cash and Investments

Noncurrent cash and investments include assets set aside by the board of directors for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes. Noncurrent cash and investments also include amounts that are restricted by donor for the hospice program.

Capital Assets

Capital assets are reported at cost, if purchased; or at fair market value on the date received, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the property. It is the Hospital's policy to include amortization expense on assets acquired under capital leases with depreciation on owned assets. Capital expenditures, greater than \$5,000, are capitalized and depreciated over the useful life of the asset. Capital expenditures of less than \$5,000 are expensed when incurred.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNITS (CONTINUED)

B. Swift County-Benson Hospital (Continued)

Net Position

Net position of the Hospital is classified in three components. Net investment in capital assets, consists of capital assets, net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is non-capital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Services Revenues

Net patient service revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and are adjusted in future periods as final settlement are determined.

A summary of gross and net patient service revenues for the year ended December 31, 2014 is as follows:

Gross Patient Service Revenues	\$ 17,372,322
Less: Provisions for Revenue Adjustments	
Under Third-Party Reimbursement Program	(5,285,400)
Net Patient Service Revenues	\$ 12,086,922

Contributions

From time to time, the Hospital receives contributions from individuals and private organizations. Revenue contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met.

Contributions may be restricted for either specific operating purposes or for capital purposes. Amounts unrestricted or restricted to a specific operating purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after nonoperating revenues and expenses.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNITS (CONTINUED)

B. Swift County-Benson Hospital (Continued)

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collections of amounts determined to qualify as charity care, they are not reported as revenue.

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. The amount of such charges foregone based on established rates was \$82,228 in 2014.

Deposits and Investments

In accordance with *Minnesota Statutes*, the Hospital maintains deposits at depository banks, which are authorized by the board of directors.

Minnesota Statutes require that all Hospital deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledge must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes: U.S. government treasury bills, notes, and or bonds; issued of the U.S. government agency; general obligation of local government related "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letters of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. *Minnesota Statutes* require that securities pledged as collateral be held in safekeeping by the Hospital or in a financial institution other than that furnishing the collateral.

As of December 31, 2014, the Hospital's bank balances were covered by federal depository insurance or by collateral held by the pledging bank's agent in the Hospital's name.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNITS (CONTINUED)

B. Swift County-Benson Hospital (Continued)

Capital Assets

A summary of capital assets at December 31, 2014, follows:

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Capital Assets, not being Depreciated				
Land	\$ 539,394	\$ -	\$ -	\$ 539,394
Construction-in-Progress	93,300	76,379	140,710	28,969
Total Capital Assets Not Being Depreciated	632,694	76,379	140,710	568,363
Capital Assets Depreciated				
Buildings and Fixed Equipment	16,634,883	4,245	-	16,639,128
Movable Equipment and Ambulances	4,930,946	447,783	8,889	5,369,840
Land Improvements	281,330	-	-	281,330
Total Capital Assets being Depreciated	21,847,159	452,028	8,889	22,290,298
Less: Accumulated Depreciation for				
Buildings and Fixed Equipment	5,651,760	781,742	-	6,433,502
Movable Equipment and Ambulances	3,750,157	370,490	8,889	4,111,758
Land Improvements	183,673	15,490	-	199,163
Total Accumulated Depreciation	9,585,590	1,167,722	8,889	10,744,423
Total Capital Assets, Depreciated, Net	12,261,569	(715,694)	-	11,545,875
Governmental Activities Capital Assets, Net	<u>\$ 12,894,263</u>	<u>\$ (639,315)</u>	<u>\$ 140,710</u>	<u>\$ 12,114,238</u>

Investment in Joint Venture

Central Minnesota Diagnostic, Inc. (CMDI), a nonprofit corporation, was organized to provide certain agreed-upon shared services to those hospitals which are members of the corporation (all of which are unrelated parties of the Hospital). The Hospital's equity interest in CMDI is .80 percent as of December 31, 2014.

CMDI provides the equipment and technicians for Ultrasound and Echocardiogram services for Hospital patients. The Hospital billed and collected the revenues for these services to patients and reimbursed CMDI approximately \$258,000 for the use for the equipment for the year ended December 31, 2014. Earnings of \$95,775 are included in other operating revenues.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNITS (CONTINUED)

B. Swift County-Benson Hospital (Continued)

Investment in Joint Venture (Continued)

Benson Medical Services, LLC (BMS), was organized to provide certain agreed upon radiology services to the Hospital. The Hospital and a local clinic (which is unrelated party of the Hospital) each have a 50 percent interest in this joint venture.

BMS provides the equipment and technicians for Ultrasound and Echocardiogram services for Hospital patients. The Hospital billed and collected revenues for these services and has a liability to BMS for \$98,949. The Hospital provides management services, leases space and pays expenses on behalf of BMS and has a receivable from BMS for \$17,267. Earnings of \$47,552 are included in other operating revenue.

Long-Term Debt

The following is a summary of transactions related to lease obligations, revenue bonds, and notes payable for the year ended December 31, 2014:

	Balance January 1, 2014	Additions	Payments	Balance December 31, 2014	Amounts Due Within One Year
USDA Hospital Refunding					
2007 Revenue Bonds	\$ 6,410,000	\$ -	\$ 6,205,000	\$ 205,000	\$ 205,000
2013 Revenue Bonds	2,900,000	-	145,000	2,755,000	145,000
2014 Revenue Bonds	-	6,145,000	-	6,145,000	-
Loan from Swift County	1,917,837	-	83,822	1,834,015	85,512
MN Dept of Health Loan	64,067	-	64,067	-	-
Bond Premium	-	92,633	1,583	91,050	-
Total Noncurrent Liabilities	\$ 11,291,904	\$ 6,237,633	\$ 6,499,472	\$ 11,030,065	\$ 435,512

The terms and due dates of the Hospital's long-term debt, including lease obligations, at December 31, 2014, are as follows:

- 2007 Revenue Bonds, principal is due annually on February 1st; interest payments are due semi-annually on February 1st and August 1st, through February 2034. The interest rate ranges from 4.0 percent to 4.15 percent.
- 2013 Revenue Bonds, principal payments of \$145,000 are due annually on February 1st; interest payments are due semi-annually on February 1st and August 1st, through February 2033. The initial interest rate ranges from 4.25 percent to 5.0 percent. The interest rate adjusts on February 1, 2018, and every five years afterward through February 1, 2028 to the five-year Treasury Rate, plus 300 basis points. The rate adjustment is subject to a minimum rate of 4.25 percent and a maximum rate of 15 percent.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNITS (CONTINUED)

B. Swift County-Benson Hospital (Continued)

Long-Term Debt (Continued)

- The 2014 Revenue Bonds were issued, in conjunction with the County, to advance refund the outstanding series 2007 revenue bonds. The County backed the bonds as a General Obligation of the County in the event the hospital is unable to generate the revenue to cover the bond payments. The net proceeds were used to provide the future debt service on the refunding portion of the 2007 series bonds. The outstanding principal of the bonds not defeased as a part of the refunding is \$205,000 which was due and payable February 1, 2015; the advance refunding reduced total debt service payments over the next 19 years by \$488,548. This results in an economic gain of \$367,833.
- Loan from Swift County (Due To Primary Government), principal and interest payments of \$10,118 due monthly and began January 1, 2013 through November 2033. The interest rate is initially set at 2% for a period of five years; the rate is then variable and adjusts at each five year interval based on various conditions including prevailing interest rates in the community at the time.
- Minnesota Department of Health Loan, principal payments started July 1, 2010 and are due quarterly on January 1, April 1, July 1, and October 1, through April 2015. The loan is a zero percent interest loan.

Schedule principal and interest payments on long-term debt and capital lease obligations are as follows:

Year Ending December 31	Long-Term Debt	
	Principal	Interest
2015	\$ 435,512	\$ 473,223
2016	482,238	342,503
2017	499,000	328,527
2018	500,796	314,366
2019	507,629	300,120
2020-2024	2,666,954	1,274,434
2025-2029	2,948,648	828,972
2030-2034	2,898,238	293,353
Total	<u>\$ 10,939,015</u>	<u>\$ 4,155,498</u>

Pensions

The Hospital contributes to the General Employment Retirement Fund (GERF), a cost-sharing multiple-employer defined benefit pension plan administered by PERA. The Hospital's contributions to the General Employees Retirement Fund for the years ending December 31, 2014, 2013, and 2012, were \$313,976, \$303,999, and \$307,140, respectively, equal to the contractual required contributions for each year as set by state statute.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

**NOTE 7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT
UNITS (CONTINUED)**

B. Swift County-Benson Hospital (Continued)

Management Agreement

The Hospital entered into a management agreement with Rice Memorial Hospital effective November 1, 1999. Under the agreement, Rice Memorial Hospital provides an administrator, management consultant, and other services to the Hospital. The agreement does not alter the authority or responsibility of the board of directors of the Hospital. For the year ended December 31, 2014, the Hospital paid \$95,000 for management services provided under the purchase agreement and approximately \$400,000 for services and equipment purchased through Rice Memorial Hospital. The Hospital had accounts payable of \$30,912 at December 31, 2014.

Medical Malpractice Insurance

The Hospital purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. Should this policy lapse and not be replaced with equivalent coverage, claims based upon occurrence during its term, but reported subsequent thereto, will be uninsured.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 8 OTHER ORGANIZATIONS

Joint Ventures

Countryside Public Health Service

Swift County entered into a joint powers agreement with Big Stone, Chippewa, Lac qui Parle, and Yellow Medicine Counties creating and operating the Countryside Public Health Service pursuant to *Minnesota Statutes* §471.59. The Public Health Service is headquartered in Benson, Minnesota, and has offices at the county seats of the member counties.

There is no accumulation of resources or fiscal stress related to this entity.

Financing is provided by state grants, appropriations from member counties, and charges for services. Swift County's contribution for 2014 was \$75,537. Complete financial statements of Countryside Public Health Service can be obtained at 201-13th Street South, Benson, Minnesota 56215.

Region 6W Community Corrections

Swift County participates with Chippewa, Lac qui Parle, and Yellow Medicine Counties to provide community corrections services. Region 6W Community Corrections develops and implements humane and effective methods of prevention, control, and rehabilitation of offenders and also offers a Sentencing to Serve service pursuant to *Minnesota Statutes* §471.59. The County Boards of the participating counties have direct authority over and responsibility for Region 6W Community Corrections' activities.

The Department of Corrections is responsible for recordkeeping and financial accounting responsibilities with respect to contract administration, work performance, and financial participation verification of the parties involved. Swift County has no operational or financial control over the joint venture.

The County has no ongoing financial interest in this entity. The objective of the entity is to coordinate self-funded efforts of its member organizations. There is no accumulation of resources or fiscal stress related to this entity.

For the year ended December 31, 2014, Swift County did not contribute any funds to Region 6W Community Corrections. Complete financial statements of Region 6W Community Corrections can be obtained at 1215 Black Oak Avenue, P.O. Box 551, Montevideo, Minnesota 56265.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 8 OTHER ORGANIZATIONS (CONTINUED)

Joint Ventures (Continued)

Minnesota River Board

Swift County entered into a joint powers agreement with other counties to promote the orderly water quality improvement and management of the Minnesota River watershed through information sharing, education, coordination, and related support to the member counties by assisting in the implementation and goal achievement of comprehensive water plans which counties may develop and implement pursuant to *Minnesota Statutes* §§103B.311 and 103B.315.

The County is responsible for its proportionate share of the administrative budget and for its share of benefits from any special project. In the event of termination of the agreement, all property, real and personal, held by the Board shall be distributed by resolution of the policy committee to best accomplish the continuing purpose of the project.

Control is vested in an executive board of five officers elected from the membership of the board, consisting of one representative and alternate from each County Board of commissioners included in this agreement. According to the latest information available, 37 counties are members under this agreement.

During 2014, Swift County did not contribute any funds to the Board. Complete financial statements of the Minnesota River Board can be obtained from its administrative office at 184 Trafton Science Center South, Minnesota State University - Mankato, Mankato, Minnesota, 56001.

Kandiyohi-Region 6W Community Corrections Agencies Detention Center (Prairie Lakes Youth Programs)

Swift County entered into a joint powers agreement to create and operate the Kandiyohi-Region 6W Community Corrections Agencies Detention Center (commonly referred to as the Prairie Lakes Youth Programs) pursuant to *Minnesota Statutes* §471.59. Prairie Lakes Youth Programs provide corrections, detention, and non-secure alternative programs to juveniles under the jurisdiction of the counties which are parties to the agreement.

Control of the Prairie Lakes Youth Programs is vested in a Joint Board, which is composed of one commissioner from each participating county. An Advisory Board has also been established, which is composed of the directors of the Kandiyohi County Community Corrections Agency and the Region 6W Community Corrections Agency and the directors of the family services or human services departments of the counties participating in the agreement. The Prairie Lakes Youth Programs is located at the Willmar Regional Treatment Center in space rented from the State of Minnesota.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 8 OTHER ORGANIZATIONS (CONTINUED)

Joint Ventures (Continued)

Kandiyohi-Region 6W Community Corrections Agencies Detention Center (Prairie Lakes Youth Programs) (Continued)

The County has no ongoing financial interest in this entity. The objective of the entity is to coordinate self-funded efforts of its member organizations. There is no accumulation of resources or fiscal stress related to this entity.

Complete financial statements of the Prairie Lakes Youth Programs can be obtained at P.O. Box 894, Willmar, Minnesota 56201.

Southwest Minnesota Adult Mental Health Consortium Board

In November 1997, the County entered into a joint powers agreement with Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Pipestone, Redwood, Renville, Rock, and Yellow Medicine Counties; and Lincoln, Lyon, and Murray Counties, represented by the Lincoln, Lyon & Murray Human Services Board, creating and operating the Southwestern Minnesota Adult Mental Health Consortium Board under the authority of *Minnesota Statutes* §471.59. The board is headquartered in Windom, Minnesota, where Cottonwood County acts as fiscal host. The board shall take actions and enter into such agreements as may be necessary to plan and develop within the board's geographic jurisdiction a system of care that will serve the needs of adults with serious and persistent mental illness. The governing board is composed of one board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care. The County has no ongoing financial interest in this entity. There is no accumulation of resources or fiscal stress related to this entity.

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained at the Cottonwood County Family Services Agency, Windom, Minnesota, 56101.

Western Minnesota Prairie Waters Regional Tourism Board

Swift County entered into a joint powers agreement with other counties to promote the area as a great place to visit, work, and live. Five counties and ten cities are part of this coalition that began in the early 1980's. The County has no ongoing financial interest in this entity. The objective of the entity is to coordinate self-funded efforts of its member organizations. There is no accumulation of resources or fiscal stress related to this entity.

Swift County had no contribution to Prairie Waters for the year ended December 31, 2014. Separate financial information can be obtained at Western Minnesota Prairie Waters Convention and Visitors Bureau at 323 Schlieman Avenue, Appleton, Minnesota 56208.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014**

NOTE 8 OTHER ORGANIZATIONS (CONTINUED)

Jointly-Governed Organizations

Southwest Minnesota Chief Elected Officials Board

Swift County entered into a joint powers agreement with 13 other counties to establish a joint community to carry out the purpose of the Workforce Investment Act (WIA), which includes programming to prepare youth and adults facing serious barriers to employment for participation in the labor force and by providing job training and other such services that will result in increased employment and earnings, increased educational and occupational skills, and decreased welfare dependency.

The joint powers board is comprised of one elected official appointed by each member of the County Board. Each representative of the joint powers board shall be appointed for one-year terms. Annually, the joint powers board reviews the financial contribution made by each county. The contribution level is determined by the percent of WIA eligible individuals in each county. In 2014, Swift County did not contribute to the board. Financial information can be obtained from the Southwestern Minnesota Private Industry Council, Inc. office, 607 West Main Street, Marshall, MN 56258.

Coordinated Enforcement Effort (CEE) VI Task Force

Swift County, in conjunction with other local governments, appoints one member to the Board of Directors for the CEE VI Task Force. The Task Force was established to receive and expend federal, state, and local grants and other related funds for the purpose of investigation of burglary, theft, narcotics, stolen property, and crimes of violence. Swift County has no operational or financial control over the CEE VI Task Force. During the year, Swift County paid \$43,534 to the Task Force. Separate financial information for the CEE VI Task Force is not available.

Western Plains Regional Library

Swift County, along with several cities and other counties, participate in the Western Plains Library System in order to provide efficient and improved regional public library service.

The financial activities of the Western Plains Library System are reported as part of the Pioneerland Regional Library System. During the year, Swift County paid \$116,964 to the Library System. Separate financial information for the Western Plains Library System is not available.

Related Organization

Swift County Rural Development Finance Authority

The Board members of the Swift County Rural Development Finance Authority (RDFA) are appointed by the Swift County Board of Commissioners. During the year, Swift County approved a levy for the RDFA in the amount of \$77,000. Financial information can be obtained from the Swift County RDFA, 1228 Atlantic Avenue, Benson, Minnesota 56215.

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

**SWIFT COUNTY
BENSON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 4,745,311	\$ 4,745,311	\$ 4,813,850	\$ 68,539
Licenses and Permits	4,100	4,100	2,790	(1,310)
Intergovernmental	990,299	990,299	797,479	(192,820)
Charges for Services	326,582	326,582	316,055	(10,527)
Gifts and Contributions	-	-	50	50
Investment Earnings	65,000	65,000	60,236	(4,764)
Miscellaneous	629,000	629,000	655,436	26,436
Total Revenues	6,760,292	6,760,292	6,645,896	(114,396)
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	235,225	235,225	209,708	25,517
Law Library	23,475	23,475	25,576	(2,101)
County Administration	207,565	207,565	199,212	8,353
County Auditor	235,700	235,700	225,118	10,582
County Treasurer	197,820	197,820	188,797	9,023
County Assessor	223,405	223,405	210,661	12,744
Elections	57,990	57,990	51,396	6,594
Data Processing	70,000	70,000	64,792	5,208
Attorney	400,750	400,750	411,075	(10,325)
Recorder	284,680	284,680	209,899	74,781
Planning and Zoning	82,375	82,375	62,878	19,497
Buildings and Plant	370,560	379,310	249,324	129,986
Technology	199,950	199,950	175,117	24,833
Veterans Service Officer	141,040	132,290	116,331	15,959
Appropriations - General Government	440,163	440,163	370,909	69,254
Other General Government	-	-	300,442	(300,442)
Total General Government	3,170,698	3,170,698	3,071,235	99,463

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

**SWIFT COUNTY
BENSON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
PUBLIC SAFETY				
Sheriff	\$ 1,517,680	\$ 1,517,680	\$ 1,559,844	\$ (42,164)
Coroner	15,000	15,000	6,311	8,689
E-911 System	197,000	197,000	39,374	157,626
Restorative Justice Coordinator	54,985	54,985	50,139	4,846
Emergency Management	72,420	72,420	70,223	2,197
County Jail	898,145	898,145	820,907	77,238
Community Corrections	180,804	180,804	180,803	1
Total Public Safety	2,936,034	2,936,034	2,727,601	208,433
HEALTH				
Countryside Health Service	88,762	88,762	88,762	-
Youth Programs	104,160	104,160	112,588	(8,428)
Total Health	192,922	192,922	201,350	(8,428)
CULTURE AND RECREATION				
Parks	435,000	435,000	20,748	414,252
CONSERVATION OF NATURAL RESOURCES				
County Extension	136,355	136,355	145,472	(9,117)
Parks and Drainage	223,128	223,128	201,943	21,185
Agricultural Inspection	13,500	13,500	13,500	-
Predator Control	8,000	8,000	10,319	(2,319)
Total Conservation of Natural Resources	380,983	380,983	371,234	9,749
Total Expenditures	7,115,637	7,115,637	6,392,168	723,469
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(355,345)	(355,345)	253,728	609,073
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	310,394	310,394
Proceeds from Sale of Assets	-	-	10,895	10,895
Total Other Financing Sources (Uses)	-	-	321,289	321,289
NET CHANGE IN FUND BALANCE	<u>\$ (355,345)</u>	<u>\$ (355,345)</u>	575,017	<u>\$ 930,362</u>
Fund Balance - Beginning of Year			2,527,801	
FUND BALANCE - END OF YEAR			<u>\$ 3,102,818</u>	

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

**SWIFT COUNTY
BENSON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,949,541	\$ 1,949,541	\$ 1,946,072	\$ (3,469)
Intergovernmental	3,262,408	3,262,408	4,088,963	826,555
Charges for Services	12,000	12,000	66,870	54,870
Investment Earnings	6,000	6,000	6,393	393
Miscellaneous	112,786	112,786	183,570	70,784
Total Revenues	5,342,735	5,342,735	6,291,868	949,133
EXPENDITURES				
CURRENT				
HIGHWAYS AND STREETS				
Administration	200,784	200,784	177,152	23,632
Engineering	72,730	72,730	99,993	(27,263)
Shared County Engineer	166,572	166,572	149,638	16,934
Maintenance	1,756,953	1,960,561	1,944,774	15,787
Construction	1,837,838	1,837,838	2,671,280	(833,442)
Equipment and Maintenance Shops	799,729	799,729	770,719	29,010
Other - Highways and Streets	376,435	376,435	394,576	(18,141)
Total Expenditures	5,211,041	5,414,649	6,208,132	(793,483)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	131,694	(71,914)	83,736	155,650
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	-	-	112,592	112,592
NET CHANGE IN FUND BALANCE	\$ 131,694	\$ (71,914)	196,328	\$ 268,242
Fund Balance - Beginning of Year			3,901,977	
Decrease in Inventory			(32,280)	
FUND BALANCE - END OF YEAR			\$ 4,066,025	

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

**SWIFT COUNTY
BENSON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
WELFARE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,198,852	\$ 2,198,852	\$ 2,197,526	\$ (1,326)
Intergovernmental	1,854,798	1,854,798	2,019,372	164,574
Charges for Services	444,300	444,300	396,646	(47,654)
Investment Earnings	4,000	4,000	2,756	(1,244)
Miscellaneous	9,000	9,000	8,852	(148)
Total Revenues	<u>4,510,950</u>	<u>4,510,950</u>	<u>4,625,152</u>	<u>114,202</u>
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	1,261,040	1,261,040	1,103,607	157,433
Social Services	<u>3,249,910</u>	<u>3,249,910</u>	<u>3,335,124</u>	<u>(85,214)</u>
Total Expenditures	<u>4,510,950</u>	<u>4,510,950</u>	<u>4,438,731</u>	<u>72,219</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	186,421	<u>\$ 186,421</u>
Fund Balance - Beginning of Year			<u>1,198,399</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,384,820</u>	

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

**SWIFT COUNTY
BENSON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Special Assessments	\$ 283,478	\$ 283,478	\$ 311,623	\$ 28,145
Intergovernmental	55,950	55,950	93,679	37,729
Charges for Services	356,000	356,000	459,071	103,071
Miscellaneous	131,000	131,000	123,088	(7,912)
Total Revenues	826,428	826,428	987,461	161,033
EXPENDITURES				
CURRENT				
SANITATION				
Solid Waste	850,505	850,505	893,633	(43,128)
DEBT SERVICE				
Principal	30,642	30,642	30,642	-
Interest	3,423	3,423	3,423	-
Total Debt Service	34,065	34,065	34,065	-
Total Expenditures	884,570	884,570	927,698	(43,128)
NET CHANGE IN FUND BALANCE	\$ (58,142)	\$ (58,142)	64,763	\$ 117,905
Fund Balance - Beginning of Year			820,390	
FUND BALANCE - END OF YEAR			\$ 885,153	

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

**SWIFT COUNTY
 BENSON, MINNESOTA
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 DECEMBER 31, 2014**

I. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except for the Ditch and Revolving Loan Special Revenue Funds. All annual appropriations lapse at fiscal year-end. The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within the department. Transfers of appropriations between departments require approval of the board of commissioners. The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the fund level. The Board of Commissioners made several supplemental budget appropriations at the fund, function, and department level throughout the year. Budgets may be amended during the year with proper approval.

Encumbrance accounting, under which commitments for the expenditure of monies are recorded in order to commit that portion of the applicable appropriation, is used in the governmental funds. Encumbrances outstanding at year-end are reported as committed fund balances since they do not constitute expenditures or liabilities. Encumbrances lapse at year-end and are re-budgeted the following year.

II. Excess of Expenditures over Appropriations

The following funds had expenditures in excess of budget at the fund level for the year ended December 31, 2014:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Special Revenue Funds			
Road and Bridge	\$ 6,208,132	\$ 5,414,649	\$ 793,483
Solid Waste	927,698	884,570	43,128

The excess expenditures were funded with existing fund balance and greater than anticipated revenues.

**SWIFT COUNTY
 BENSON, MINNESOTA
 SCHEDULE OF FUNDING PROGRESS
 OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS
 YEAR ENDED DECEMBER 31, 2014**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2014	\$ -	\$ 252,278	\$ 252,278	- %	\$ 5,411,699	4.7 %
1/1/2011	-	41,198	41,198	-	5,054,070	0.8
1/1/2008	-	71,556	71,556	-	4,635,160	1.5

SUPPLEMENTARY INFORMATION

**SWIFT COUNTY
BENSON, MINNESOTA
DESCRIPTION OF FUNDS
DECEMBER 31, 2014**

AGENCY FUNDS

Agency funds account for assets held in a custodial capacity for others.

State Deed Fund – to account for the collection and payment of funds due to the State of Minnesota.

Taxes and Penalties Fund – to account for the collection of taxes and penalties and their payment to the various taxing districts.

Region 6W Fund – to account for the collection and payment of funds due to the Regional Development Commission.

School Districts Fund – to account for the collection of taxes and penalties and their distribution to the various school districts.

Towns and Cities Fund – to account for the collection of taxes and penalties and their distribution to the various towns and cities.

Minnesota River Watershed Fund – to account for the collection and payment of funds due the Minnesota River Watershed District.

Social Welfare Fund – to account for collection and payment of funds for the County's Social Welfare Fund clients.

**SWIFT COUNTY
BENSON, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE DEED</u>				
ASSETS				
Cash and Pooled Investments	\$ 30,604	\$ 1,907,388	\$ 1,917,705	\$ 20,287
LIABILITIES				
Due to Other Governments	\$ 30,604	\$ 1,907,388	\$ 1,917,705	\$ 20,287
<u>TAXES AND PENALTIES</u>				
ASSETS				
Cash and Investments	\$ 232,580	\$ 19,899,457	\$ 19,779,735	\$ 352,302
LIABILITIES				
Due to Other Governments	\$ 232,580	\$ 19,899,457	\$ 19,779,735	\$ 352,302
<u>REGION 6W</u>				
ASSETS				
Cash and Pooled Investments	\$ 498	\$ 64,861	\$ 64,484	\$ 875
LIABILITIES				
Due to Other Governments	\$ 498	\$ 64,861	\$ 64,484	\$ 875
<u>SCHOOL DISTRICTS</u>				
ASSETS				
Cash and Pooled Investments	\$ 21,376	\$ 3,127,133	\$ 3,108,680	\$ 39,829
LIABILITIES				
Due to Other Governments	\$ 21,376	\$ 3,127,133	\$ 3,108,680	\$ 39,829
<u>TOWNS AND CITIES</u>				
ASSETS				
Cash and Pooled Investments	\$ 36,973	\$ 5,128,291	\$ 5,165,264	\$ -
LIABILITIES				
Due to Other Governments	\$ 36,973	\$ 5,128,291	\$ 5,165,264	\$ -

**SWIFT COUNTY
BENSON, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2014**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>MINNESOTA RIVER WATERSHED</u>				
ASSETS				
Cash and Pooled Investments	\$ 16	\$ 13,386	\$ 13,374	\$ 28
LIABILITIES				
Due to Other Governments	\$ 16	\$ 13,386	\$ 13,374	\$ 28
<u>SOCIAL WELFARE FUND</u>				
ASSETS				
Cash and Pooled Investments	\$ 14,694	\$ 201,953	\$ 202,754	\$ 13,893
LIABILITIES				
Funds Held in Trust	\$ 14,694	\$ 201,953	\$ 202,754	\$ 13,893
<u>TOTAL ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Pooled Investments	\$ 336,741	\$ 30,342,469	\$ 30,251,996	\$ 427,214
LIABILITIES				
Funds Held in Trust	\$ 14,694	\$ 201,953	\$ 202,754	\$ 13,893
Due to Other Governments	322,047	30,140,516	30,049,242	413,321
Total Liabilities	\$ 336,741	\$ 30,342,469	\$ 30,251,996	\$ 427,214

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**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2014**

	Special Revenue Funds				Total All Funds
	General Fund	Road and Bridge	Welfare Fund	Solid Waste Fund	
SHARED REVENUES					
INTERGOVERNMENTAL STATE					
Disparity Reduction Aid	\$ 3,075	\$ 1,287	\$ 1,494	\$ 23	\$ 5,879
Highway Users Tax	-	3,049,601	-	-	3,049,601
County Program Aid	105,657	42,871	50,443	1,878	200,849
Market Value Credits	68,089	26,615	31,855	-	126,559
PERA Rate Increase Aid	36,367	-	-	-	36,367
State Police Aid	60,928	-	-	-	60,928
Aquatic Invasive Species	15,959	-	-	-	15,959
Enhanced 911	80,922	-	-	-	80,922
Total Shared Revenues	<u>370,997</u>	<u>3,120,374</u>	<u>83,792</u>	<u>1,901</u>	<u>3,577,064</u>
REIMBURSEMENT FOR SERVICES STATE					
Minnesota Department of Human Services	-	-	538,746	-	538,746
STATE GRANTS MINNESOTA DEPARTMENT OF					
Human Services	-	-	400,702	-	400,702
Natural Resources	56,597	-	-	-	56,597
Public Safety	48,012	-	-	-	48,012
Pollution Control Agency	-	-	-	91,778	91,778
Veteran's Affairs	7,500	-	-	-	7,500
Water and Soil Resources	62,175	-	-	-	62,175
Total State Grants	<u>174,284</u>	<u>-</u>	<u>400,702</u>	<u>91,778</u>	<u>666,764</u>
FEDERAL GRANTS FEDERAL DEPARTMENT OF					
Agriculture	7,190	-	101,703	-	108,893
Interior	15,293	-	-	-	15,293
Justice	134	-	-	-	134
Transportation	4,181	968,589	-	-	972,770
Health and Human Services	17,342	-	894,429	-	911,771
Homeland Security	57,989	-	-	-	57,989
Total Federal Grants	<u>102,129</u>	<u>968,589</u>	<u>996,132</u>	<u>-</u>	<u>2,066,850</u>
Total State and Federal Grants	276,413	968,589	1,396,834	91,778	2,733,614
PAYMENTS IN LIEU OF TAXES					
	150,069	-	-	-	150,069
Total Intergovernmental Revenues	<u>\$ 797,479</u>	<u>\$ 4,088,963</u>	<u>\$ 2,019,372</u>	<u>\$ 93,679</u>	<u>\$ 6,999,493</u>

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2014**

	Interest Rate (%)	Maturity Date	Amount
Pooled Deposits and Investments			
Checking Accounts			
State Bank of Danvers	0.06 %	-	\$ 1,661,629
Money Market Savings			
Citizens Alliance Bank - Murdock	0.05	-	25,018
First Security Bank - Benson	0.20	-	1,101,512
Prairie Sun Bank - Appleton	0.21	-	19,529
Wells Fargo	-	-	788,862
Total Money Market Savings			<u>1,934,921</u>
Negotiable Certificates of Deposit			
Wells Fargo	0.75	March 18, 2016	99,648
Wells Fargo	1.05	September 19, 2015	99,263
Wells Fargo	1.50	December 4, 2017	98,781
Wells Fargo	0.50	December 28, 2015	99,725
Wells Fargo	1.05	May 26, 2015	100,178
Wells Fargo	0.90	December 27, 2016	99,409
Wells Fargo	0.45	August 14, 2015	99,794
Wells Fargo	0.55	May 2, 2016	99,700
Wells Fargo	0.65	February 25, 2016	99,686
Wells Fargo	0.85	August 22, 2016	99,262
Wells Fargo	0.50	November 16, 2015	99,724
Wells Fargo	0.35	September 4, 2015	99,774
Wells Fargo	0.60	June 24, 2016	99,566
Total Negotiable Certificates of Deposit			<u>1,294,510</u>
Total Pooled Deposits and Investments			<u>\$ 4,891,060</u>
Fund Investments			
General Fund			
Departmental Checking Accounts			
First Security Bank - Benson	-	-	\$ 1,296
Mutual Fund			
Franklin U.S. Government Securities Fund	-	-	451,324
Certificate of Deposit			
Riverwood Bank	1.05	January 10, 2017	99,883
Total General Fund			<u>552,503</u>

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF DEPOSITS AND INVESTMENTS (CONTINUED)
DECEMBER 31, 2014**

	Interest Rate (%)	Maturity Date	Amount
Special Revenue Funds			
Road and Bridge Fund			
Checking accounts			
Community Development Bank	0.20 %	-	\$ 755,175
Certificate of Deposit			
Riverwood Bank	1.05	January 10, 2017	50,000
Money Market Savings			
First Security Bank Benson	0.80	-	<u>1,903,779</u>
Total Road and Bridge Fund			2,708,954
Welfare Fund			
Departmental Checking Accounts			
Bank of the West	-	-	15,198
Savings			
Co-op Credit Union	0.30	-	206,230
Certificates of Deposit			
Riverwood Bank	1.05	January 10, 2017	50,000
Money Market Savings			
First Security Bank Benson	0.20	-	<u>725,600</u>
Total Welfare Fund			997,028
Solid Waste Fund			
Departmental Checking Accounts			
First Security State - Benson	0.20	-	<u>16,737</u>
Total Special Revenue Funds			<u>3,722,719</u>
Total Fund Investments			<u>4,275,222</u>
Total Deposits and Investments			<u><u>\$ 9,166,282</u></u>

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF LOANS RECEIVABLE
DECEMBER 31, 2014**

Loan Recipient	Date of Loan	Loan Issue Amount	Principal Balance	Repayment Terms
Revolving Loan Special Revenue Fund				
Chuck and Jean Rustad	November 2001	\$ 25,000	\$ 3,189	Principal Payments Monthly, No Interest, Fifteen-Year Term.
SpecSys, Inc.	October 31, 2008	50,000	46,711	Principal Payments Monthly, 4.0% Interest, Five-Year Term.
Appleton Meat Center	June 30, 2009	30,000	19,411	Principal Payments Monthly, 4.0% Interest, Five-Year Term.
Appleton Hardware Hank	September 1, 2009	50,000	26,239	Principal Payments Monthly, 4% Interest, Five-Year Term.
Honebrink, LLC	October, 2009	20,000	10,663	Principal Payments Monthly, 4% Interest, Five-Year Term.
H&H Veterinary Clinic	July, 2010	38,649	18,063	Principal Payments Monthly, 4% Interest, Five-Year Term.
Appleton Power Equipment	July, 2010	25,000	15,176	Principal Payments Monthly, 4% Interest, Five-Year Term.
Case Farm Equipment	October 28, 2011	1,500,000	614,400	Principal Payments Monthly, 1.75% Interest, Ten-Year Term.
Clark/McDonald Heavy Industries, Inc.	December 6, 2012	25,000	21,131	Principal Payments Monthly, 4.0% Interest, Ten-Year Term.
K-Bid JAX	December 6, 2012	26,100	22,251	Principal Payments Monthly, 4.0% Interest, Ten-Year Term.
Case Farm Equipment	September 17, 2012	400,000	275,323	Principal Payments Monthly, 1.75% Interest, Seven-Year Term.
Headwaters Media	September 3, 2013	30,000	28,095	Principal Payments Monthly, 3.5% Interest, Ten-Year Term
Ace Ag, Inc.	November 19, 2013	75,000	73,404	Principal Payments Monthly, 3.5% Interest, Fifteen-Year Term.
R & R Outdoors	September 15, 2013	11,000	9,853	Principal Payments Monthly, 4% Interest, Ten-Year Term.
Lamecker General Store	February 28, 2014	32,000	30,862	Principal Payments Monthly, 3.0% Interest, Fifteen-Year Term.
Northern Geo, LLC	May 15, 2014	125,000	117,781	Principal Payments Monthly, 3.0% Interest, Ten-Year Term.
Brink's 104 Club	September 20, 2014	40,000	38,822	Principal Payments Monthly, 4.0% Interest, Five-Year Term.
Total Loans Receivable		\$ 2,542,749	\$ 1,371,374	

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

**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
Swift County
Benson, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Swift County, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise Swift County's basic financial statements, and have issued our report thereon dated July 16, 2015. Our report includes a reference to other auditors who audited the financial statements of Swift County Housing and Redevelopment Authority (HRA), as described in our report on Swift County's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Swift 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 Swift County's internal control. Accordingly, we do not express an opinion on the effectiveness of Swift 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 significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

Internal Control Over Financial Reporting (Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course or performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiencies 2014-001 through 2014-003 described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Swift 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*.

Swift County's Responses to Findings

Swift County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Swift 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 the 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 Swift County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Brainerd, Minnesota
July 16, 2015

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

Board of County Commissioners
Swift County
Benson, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Swift County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Swift County's major federal programs for the year ended December 31, 2014. Swift County's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Swift County's financial statements include the activities of the Swift County Housing and Redevelopment Authority (HRA), a component unit, which expended \$240,394 in federal awards during the year ended June 30, 2014. The federal awards for the HRA are not included in the Schedule of Expenditures of Federal Awards for Swift County. Our audit, described below, did not include these activities because other auditors were engaged to perform a separate audit.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Swift 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Swift 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 Swift County's compliance.

Opinion on Each Major Federal Program

In our opinion, Swift 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, 2014.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

Report on Internal Control Over Compliance

Management of Swift 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 Swift 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Swift County's internal control over compliance.

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

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 result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Clifton Larson Allen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Brainerd, Minnesota
July 16, 2015

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2014**

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unmodified opinion on the basic financial statements of Swift County, Minnesota.
2. Deficiencies in internal control over financial reporting were disclosed by the audit of the basic financial statements of Swift County and they are reported in the "Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." Deficiencies 2014-001, 2014-002, 2014-003 are considered material weaknesses.
3. No instances of noncompliance material to the financial statements of Swift County were disclosed during the audit.
4. There were no instances involving internal control over compliance relating to the audit of the major federal award programs required to be reported in the "Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133".
5. The auditors' report on compliance for the major federal award programs for Swift County expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for the County were disclosed during the audit that is required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major were:

Highway Planning and Construction (Highway Cluster)	CFDA #20.205
Medical Assistance	CFDA #93.778
8. The threshold for distinguishing between Types A and B programs was \$300,000.
9. The County did not qualify, under federal guidelines, as a low-risk auditee.

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2014**

MATERIAL WEAKNESSES - FINANCIAL REPORTING

SEGREGATION OF DUTIES (2014-001)

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

Condition: Adequate segregation of the accounting functions necessary to ensure adequate internal accounting control is not in place in a number of departments/offices in the County.

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

Recommendation: We recommend County 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 County staff.

CLIENT RESPONSE:

The County will review the accounting functions and segregate them if it is deemed cost beneficial.

AUDIT ADJUSTMENTS (2014-002)

Criteria: County management is responsible for establishing and maintaining internal controls for the proper recording of all the County's receipts and disbursements.

Condition: As part of the audit, we proposed account reclassification entries relating to the coding of receipts and disbursements, accruals, capital asset adjustments, and other reclassifications. These entries indicate a lack of controls over the year-end financial reporting process. The absence of this control procedure is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the County's internal control.

Cause: The County has a limited number of personnel.

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

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.

CLIENT RESPONSE:

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

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2014**

MATERIAL WEAKNESSES - FINANCIAL REPORTING (CONTINUED)

FINANCIAL REPORTING PROCESS (2014-003)

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

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

Cause: The County has a limited number of personnel.

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

Recommendation: We recommend County management be aware of the responsibilities regarding financial reporting and continue to evaluate the cost/benefit of outsourcing this function. If management chooses to undertake these financial reporting responsibilities, a number of policies, procedures, and reviews will need to be developed and implemented.

CLIENT RESPONSE:

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

MAJOR PROGRAM SIGNIFICANT DEFICIENCY AND COMPLIANCE FINDING PREVIOUSLY REPORTED ITEM RESOLVED:

LACK OF CONTROLS OVER MEDICAL ASSISTANCE (MA) – CFDA #93.778; GRANT PERIOD – YEAR ENDED DECEMBER 31, 2013 (2013-006)

Condition: We were not presented with supporting documentation during our testing of compliance over eligibility; one of forty MA case files did not have documentation showing citizenship verification.

Resolution: No similar instances noted in current year testing.

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2014**

OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE

DITCH SPECIAL REVENUE FUND – CASH DEFICITS (2014-004)

Criteria: In accordance with state statutes, active ditch systems must maintain sufficient funds to pay for project costs.

Condition: The County reported 14 of the 39 active ditch systems as having deficit cash balances as of December 31, 2014, totaling \$438,131.

Cause: Past practice.

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

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 RESPONSE:

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

SUFFICIENT COLLATERAL (2014-005)

Criteria: *Minnesota Statute* §118A.03 requires Minnesota municipalities to have collateral coverage of 110% of deposit accounts in excess of the FDIC coverage at each depository.

Condition: The County is undercollateralized at First Security Bank as of December 31, 2014.

Cause: Unknown.

Effect: The County is out of compliance with state statutes and is at an increased risk of loss in the case of a bank failure.

Recommendation: We recommend County management review the applicable statutes and contact the bank to ensure future compliance with this statute.

CLIENT RESPONSE:

The County will contact the bank to ensure future compliance.

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2014**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 108,893
U.S. Department of Interior Direct Award Payments in Lieu of Taxes Fish and Wildlife Management Assistance	15.226 15.608	569 <u>14,724</u>
Total Department of Interior		15,293
U.S. Department of Justice Direct Award Bulletproof Vest Partnership Program	16.607	134
U.S. Department of Transportation Passed Through Minnesota Department of Transportation Highway Planning and Construction (Part of Highway Cluster)	20.205	878,335
Passed Through Kandiyohi County State and Community Highway Safety Minimum Penalties for Repeat Offenders for Driving While Intoxicated National Priority Safety Programs	20.600 20.608 20.616	710 1,982 <u>1,489</u>
Total Department of Transportation		882,516
U.S. Department of Health and Human Services Passed Through Chippewa County Temporary Assistance for Needy Families (Part of TANF Cluster) (Total Temporary Assistance for Needy Families 93.558 \$63,177)	93.558	39,674
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families Temporary Assistance for Needy Families (Part of TANF Cluster) (Total Temporary Assistance for Needy Families 93.558 \$63,177)	93.556 93.558	5,176 23,503
Child Support Enforcement	93.563	178,977
Refugee and Energy Assistance Grant	93.566	576
Child Care and Development Block Grant	93.575	2,048
Child Welfare Services State Grants	93.645	3,412
Foster Care Title IV-E	93.658	103,213
Social Services Block Grant Title XX	93.667	78,252

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Human Services (Continued)		
Chafee Foster Care Independent Living	93.674	\$ 380
State Children's Insurance Program	93.767	53
Medical Assistance	93.778	<u>440,157</u>
Total Department of Health and Human Services		875,421
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	22,812
Emergency Management Performance Grants	97.042	<u>35,177</u>
Total Department of Homeland Security		<u>57,989</u>
Total Cash Type Federal Awards		<u><u>\$ 1,940,246</u></u>

Notes:

1. The Schedule of Expenditures of Federal Awards presents the federal award programs expended by Swift County. The County's reporting entity is defined in Note 1 to the financial statements. The schedule does not include \$240,394 in federal awards expended by the Swift County Housing and Redevelopment Authority, which had a separate audit performed by other auditors.
2. The expenditures on this schedule are on the basis of accounting used by the individual funds of the County as described in Section 205 of OMB Circular A-133. Governmental funds use the modified accrual basis of accounting.
3. During 2014, there were no subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.

Reconciliation to the Schedule of Intergovernmental Revenue:

Federal Grant Revenue per Schedule of Intergovernmental Revenue	\$ 2,066,850
Expenditures in the Schedule of Federal Expenditures, not included as revenues reported in the Schedule of Intergovernmental Revenue	(171,894)
Revenues included on the Schedule of Intergovernmental Revenue that are not considered Federal Grant Expenditures	<u>45,290</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 1,940,246</u></u>

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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners
Swift County
Benson, 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 *Governmental Auditing Standards* issued by the Comptroller of the United States, the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Swift County (the County), Minnesota, as of December 31, 2014 and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents and have issued our report thereon dated July 16, 2015. Our report includes a reference to other auditors who audited the financial statements of the Swift County HRA, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of compliance and other matters that are reported on separately by those auditors.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute, § 6.65, contains seven main 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.

In connection with our audit, nothing came to our attention that caused us to believe that Swift County, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* except for the item described in detail in the attached Schedule of Findings and Questioned Costs as finding 2014-004 and 2014-005. 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 Swift County, Minnesota's noncompliance with the above-referenced provisions.

Swift County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Swift County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* 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

Brainerd, Minnesota
July 16, 2015



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