

**SWIFT COUNTY
BENSON, MINNESOTA**

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2013

**SWIFT COUNTY
BENSON, MINNESOTA
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BENSON, MINNESOTA
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INTRODUCTORY SECTION

**SWIFT COUNTY
BENSON, MINNESOTA
ORGANIZATION
DECEMBER 31, 2013**

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	December 2014
Administrator	Mike Pogge-Weaver	Indefinite
Auditor	Kim Saterbak	Indefinite
Coroner	Roger Bauer, M.D.	December 2013
County Recorder	Mary Amundson	Indefinite
Engineer	Andy Sander	May 2014
Veterans Services Officer	Dave Barrett	December 2015
Welfare Director	Deanna Steckman	Indefinite

* Chair 2013

** Vice-Chair 2013

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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, 2013, 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, 2013. We did not audit the financial statements of the Swift County HRA, which represent 12.23 percent, 4.72 percent, and 5.51 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, 2013, 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.

Emphasis of a Matter

As discussed in Note 7B to the basic financial statements, discretely presented component unit beginning net position, relating to the Swift County-Benson Hospital, was restated to properly reflect the effects of the implementation of GASB 65. The auditors' opinion was not modified with regards to the restatement.

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.

Other Matters (Continued)

Other Information (Continued)

The supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information 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 23, 2014, 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 23, 2014

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REQUIRED SUPPLEMENTARY INFORMATION

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

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, 2013. 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 2013 include the following:

- Governmental activities' total net position is \$64,748,122, of which \$53,517,087 is invested in capital assets, net of related debt, and \$3,792,732 is restricted for specific purposes.
- Swift County's net position increased by \$1,440,200 for the year ended December 31, 2013. Net position of the County's discretely presented component units increased by \$715,169.
- The net cost of governmental activities was \$7,972,315 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$9,412,515.
- Governmental funds' fund balances increased by \$949,176 (prior to adjustments for change in inventories).

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, 2013**

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 Funds**—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, 2013**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

The County's net position was \$64,748,122 on December 31, 2013 (see Table A-1).

Table A-1
The County's Net Position

	Governmental Activities		%
	2013	2012	
Current and Other Assets	\$ 13,265,843	\$ 12,050,914	10.1 %
Capital and Noncurrent Assets	<u>53,517,087</u>	<u>53,161,433</u>	0.7
Total Assets	<u>66,782,930</u>	<u>65,212,347</u>	2.4
Current Liabilities	1,245,445	1,098,188	13.4
Long-Term Liabilities	<u>789,363</u>	<u>806,237</u>	(2.1)
Total Liabilities	<u>2,034,808</u>	<u>1,904,425</u>	6.8
Net Position			
Net Investment in Capital			
Assets	53,517,087	53,158,994	0.7
Restricted	2,878,401	4,033,050	(28.6)
Unrestricted	<u>8,352,634</u>	<u>6,115,878</u>	36.6
Total Net Position	<u>\$ 64,748,122</u>	<u>\$ 63,307,922</u>	2.3

Changes in Net Position

The County-wide total revenues were \$18,333,064 for the year ended December 31, 2013. Property taxes and intergovernmental revenues accounted for 84 percent of total revenues for the year (see Table A-2).

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

Table A-2
Change in Net Position

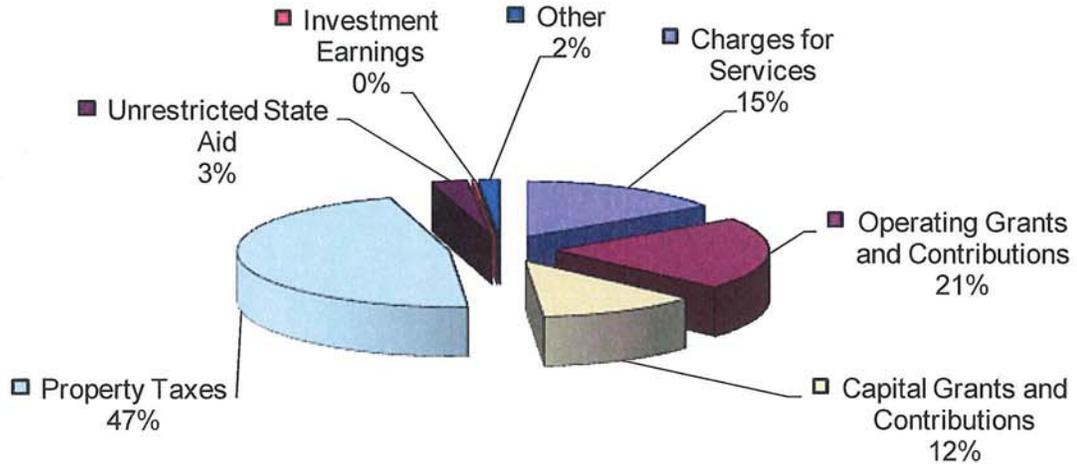
	Governmental Activities		Total % Change
	2013	2012	
REVENUES			
<u>Program Revenues</u>			
Fees, Charges, Fines, and Other	\$ 2,855,857	\$ 3,502,206	(18.5)%
Operating Grants and Contributions	3,861,260	4,048,702	(4.6)
Capital Grants and Contributions	2,203,432	3,488,389	(36.8)
<u>General Revenues</u>			
Property Taxes	8,580,332	8,066,499	6.4
Unrestricted State Aid	488,680	718,943	(32.0)
Investment Earnings	48,170	36,518	31.9
Other	295,333	488,923	(39.6)
Total Revenues	<u>18,333,064</u>	<u>20,350,180</u>	(9.9)
EXPENSES			
General Government	3,279,307	3,079,983	6.5
Public Safety	2,356,069	2,778,355	(15.2)
Highways and Streets	4,643,714	4,837,237	(4.0)
Sanitation	936,092	867,015	8.0
Human Services	4,434,290	4,561,211	(2.8)
Health	185,111	179,017	3.4
Culture and Recreation	44,102	32,232	36.8
Conservation of Natural Resources	768,171	719,246	6.8
Economic Development	241,835	451,374	(46.4)
Interest	4,173	7,200	(42.0)
Total Expenses	<u>16,892,864</u>	<u>17,512,870</u>	(3.5)
CHANGE IN NET POSITION	1,440,200	2,837,310	(49.2)
Net Position - Beginning of Year	<u>63,307,922</u>	<u>60,470,612</u>	4.7
NET POSTION - END OF YEAR	<u>\$ 64,748,122</u>	<u>\$ 63,307,922</u>	2.3

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

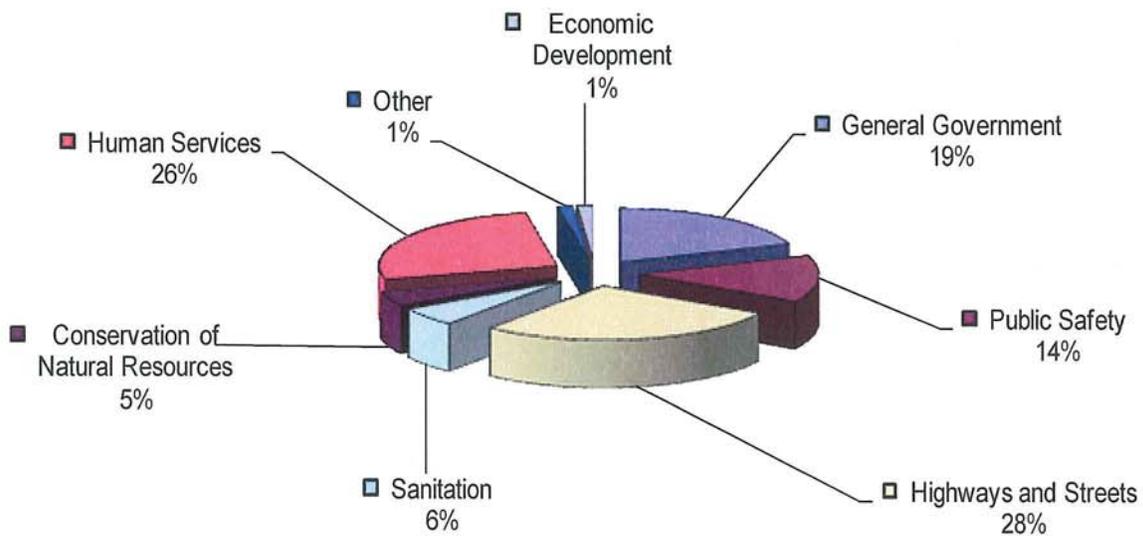
FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

Governmental Activities Revenues by Source 2013



Governmental Activities Expenses by Function 2013



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**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

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 \$16,892,864.

- Some of the cost was paid by the users of the County's Programs (\$2,855,857).
- The federal and state governments subsidized certain programs with grants and contributions (\$6,064,692).
- The remainder of the County's costs, (\$7,972,315), however, was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with the \$8,580,332 property taxes, \$488,680 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
	2013	2012		2013	2012	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 3,279,307	\$ 3,079,983	6.5 %	\$ (2,435,593)	\$ (2,171,586)	(12.2)%
Public Safety	2,356,069	2,778,355	(15.2)	(2,000,206)	(2,192,032)	8.8
Highways and Streets	4,643,714	4,837,237	(4.0)	(722,402)	48,681	(1584.0)
Sanitation	936,092	867,015	8.0	(124,906)	(77,061)	(62.1)
Human Services	4,434,290	4,561,211	(2.8)	(2,157,991)	(2,254,476)	4.3
Health	185,111	179,017	3.4	(184,782)	(178,654)	(3.4)
Culture and Recreation	44,102	32,232	36.8	56,929	389	14534.7
Conservation of Natural Resources	768,171	719,246	6.8	(377,388)	16,025	(2455.0)
Economic Development	241,835	451,374	(46.4)	(21,803)	342,341	(106.4)
Interest and Fiscal Charges on Long-Term Liabilities	4,173	7,200	(42.0)	(4,173)	(7,200)	42.0
Total	\$ 16,892,864	\$ 17,512,870	(3.5)	\$ (7,972,315)	\$ (6,473,573)	(23.2)

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

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 \$9,048,992. Revenues for the County's governmental funds were \$18,427,540, while total expenditures were \$17,484,897. During 2013, 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 \$515,249 during 2013. 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 \$3,901,977, 93 percent of which is committed for road and bridge projects. This fund balance total is a \$396,699 increase (before impact of change in inventory) from the prior year.

The Welfare Fund's fund balance decreased by \$36,692, primarily due to decreased revenues for 2013.

The Revolving Loan Fund's fund balance decreased by \$137,300, due to a transfer to the General fund.

The Solid Waste Fund's fund balance increased by \$69,651, as a result of 2013 revenues in excess of expenditures.

The Ditch Fund's fund balance increased by \$141,569, 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, 2013	December 31, 2012	Increase (Decrease)	Percent
Taxes	\$ 4,458,367	\$ 4,049,192	\$ 409,175	10.1 %
Licenses and Permits	4,670	4,395	275	6.3
Intergovernmental	740,697	870,159	(129,462)	(14.9)
Charges for Services	414,268	663,668	(249,400)	(37.6)
Investment Earnings	40,708	24,522	16,186	66.0
Miscellaneous and Other	762,397	891,706	(129,309)	(14.5)
Total General Fund Revenues	<u>\$ 6,421,107</u>	<u>\$ 6,503,642</u>	<u>\$ (82,535)</u>	<u>(1.3)</u>

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change	
	December 31, 2013	December 31, 2012	Increase (Decrease)	Percent
General Government	\$ 3,242,039	\$ 3,151,527	\$ 90,512	2.9 %
Public Safety	2,370,953	2,935,610	(564,657)	(19.2)
Health	186,468	179,017	7,451	4.2
Culture and Recreation	98,834	17,735	81,099	457.3
Conservation of Natural Resources	323,200	304,482	18,718	6.1
Total Expenditures	<u>\$ 6,221,494</u>	<u>\$ 6,588,371</u>	<u>\$ (366,877)</u>	(5.6)

General Fund Budgetary Highlights

- Actual revenues were \$8,529 less than expected, due to less intergovernmental revenue than expected.
- The actual expenditures were \$408,582 less than budget. This is due primarily to parks expenditures that were budgeted for but not spent.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

By the end of 2013, the County had invested over \$77,700,000 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 \$1,733,919.

Table A-6
The County's Capital Assets

	Governmental Activities		Percent Change
	2013	2012	
Land	\$ 2,195,686	\$ 2,011,191	9.2 %
Construction-in-Progress	1,661,796	-	100.0
Buildings	7,928,447	7,896,424	0.4
Machinery, Equipment, and Vehicles	6,422,630	6,355,376	1.1
Infrastructure	59,586,032	59,586,032	-
Less: Accumulated Depreciation	<u>(24,277,504)</u>	<u>(22,690,029)</u>	7.0
Total	<u>\$ 53,517,087</u>	<u>\$ 53,158,994</u>	0.7

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

DEBT ADMINISTRATION

At year-end, the County had no outstanding special assessment bonds versus \$40,000 last year, a decrease of 100.0 percent as shown in Table A-7. This decrease is due to the repayment of long-term debt. The hospital's increase in debt is a result of 2013 revenue bonds being issued.

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

	2013	2012	Percent Change
GOVERNMENTAL ACTIVITIES			
General Obligation Special Assessment Bonds	\$ -	\$ 40,000	(100.0)%
Chippewa River Watershed Loans	178,808	208,846	(14.4)
Total	<u>\$ 178,808</u>	<u>\$ 248,846</u>	(28.1)
DISCRETE COMPONENT UNITS			
Swift County Housing and Redevelopment Authority	\$ 2,535,000	\$ 2,515,145	0.8
Swift County-Benson Hospital	9,310,000	6,595,000	41.2
Total	<u>\$ 11,845,000</u>	<u>\$ 9,110,145</u>	30.0

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, 2013**

	Primary Government	Discretely Presented Component Units	Total Reporting Entity
ASSETS			
Cash and Pooled Investments	\$ 7,307,765	\$ 5,377,843	\$ 12,685,608
Petty Cash and Change Funds	1,675	-	1,675
Taxes Receivable - Delinquent	85,769	-	85,769
Special Assessments Receivable - Delinquent	15,310	-	15,310
Special Assessments Receivable - Noncurrent	498,013	-	498,013
Accounts Receivable - Net	161,168	2,574,715	2,735,883
Loans Receivable	1,609,154	-	1,609,154
Due from Component Unit	1,976,338	-	1,976,338
Accrued Interest Receivable	6,283	-	6,283
Due from Other Governments	1,288,302	-	1,288,302
Advances to Other Governments	16,000	-	16,000
Prepaid Items	78,621	260,680	339,301
Inventories	221,445	202,921	424,366
Restricted Assets			
Cash and Pooled Investments	-	3,344,443	3,344,443
Investment in Joint Venture	-	402,269	402,269
Other Noncurrent Assets	-	61,101	61,101
Capital Assets - Non-Depreciable			
Land	2,195,686	564,394	2,760,080
Construction-in-Progress	1,661,796	93,300	1,755,096
Depreciable Capital Assets - Net of Depreciation			
Buildings	4,653,340	13,552,421	18,205,761
Improvements Other than Buildings	-	97,657	97,657
Machinery, Vehicles, Furniture and Equipment	2,219,035	1,193,149	3,412,184
Infrastructure	42,787,230	-	42,787,230
Total Assets	66,782,930	27,724,893	94,507,823
LIABILITIES			
Bank Overdraft	-	100,692	100,692
Accounts Payable	269,481	672,984	942,465
Salaries Payable	229,970	-	229,970
Accrued Payroll Taxes	34,122	-	34,122
Contracts Payable	378,951	-	378,951
Due to Other Governments	26,348	-	26,348
Accrued Interest Payable	156	168,026	168,182
Unearned Revenue	62,175	-	62,175
Customer Deposits - Current	-	20,526	20,526
Estimated Third-Party Payer Settlements	-	700,000	700,000
Other Current Liabilities	-	384,875	384,875
Compensated Absences Payable - Due Within One Year	213,600	11,101	224,701
Capital Notes Payable- Due Within One Year	-	115,000	115,000
General Obligation Bonds Payable - Due Within One Year	-	340,000	340,000
Due to Primary Government - Due Within One Year	-	142,321	142,321
Loans Payable - Due Within One Year	30,642	64,067	94,709
Compensated Absences Payable - Due in More Than One Year	640,802	-	640,802
Capital Notes Payable- Due in More Than One Year	-	2,535,000	2,535,000
Due to Primary Government - Due in More Than One Year	-	1,834,017	1,834,017
General Obligation Bonds Payable - Due in More Than One Year	-	8,970,000	8,970,000
Loans Payable - Due in More Than One Year	148,166	-	148,166
Other Postemployment Benefits Payable - Due in More Than One Year	395	-	395
Total Liabilities	2,034,808	16,058,609	18,093,417
NET POSITION			
Net Investment in Capital Assets	53,517,087	1,500,517	55,017,604
Restricted for			
Recorder Equipment	125,359	-	125,359
E-911 Program	318,993	-	318,993
Transportation	714,996	-	714,996
Economic Development Loans	1,074,237	-	1,074,237
Ditches	644,816	-	644,816
Hospice	-	621,807	621,807
Unrestricted	8,352,634	9,543,960	17,896,594
Total Net Position	\$ 64,748,122	\$ 11,666,284	\$ 76,414,406

See accompanying Notes to the Financial Statements.

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General Government	\$ 3,279,307	\$ 666,947	\$ 176,767	\$ -
Public Safety	2,356,069	99,273	256,590	-
Highways and Streets	4,643,714	204,498	1,992,513	1,724,301
Sanitation	936,092	783,211	27,975	-
Human Services	4,434,290	868,884	1,407,415	-
Health	185,111	329	-	-
Culture and Recreation	44,102	11,261	-	89,770
Conservation of Natural Resources	768,171	1,422	-	389,361
Economic Development	241,835	220,032	-	-
Interest	4,173	-	-	-
Total Governmental Activities	16,892,864	2,855,857	3,861,260	2,203,432
DISCRETE COMPONENT UNITS				
Swift County - Housing and Redevelopment Authority	931,079	499,851	259,711	-
Swift County-Benson Hospital	12,754,503	13,445,714	-	145,075
Total Discretely Presented Component Units	13,685,582	13,945,565	259,711	145,075
Total Reporting Entity	\$ 30,578,446	\$ 16,801,422	\$ 4,120,971	\$ 2,348,507

GENERAL REVENUES

Property Taxes
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, as Originally Stated

Prior Period Adjustment - See Note 7.B.

Net Assets - Beginning of Year, As Restated

NET POSITION - END OF YEAR

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Discretely Presented Component Units	Total
\$ (2,435,593)	\$ -	\$ (2,435,593)
(2,000,206)	-	(2,000,206)
(722,402)	-	(722,402)
(124,906)	-	(124,906)
(2,157,991)	-	(2,157,991)
(184,782)	-	(184,782)
56,929	-	56,929
(377,388)	-	(377,388)
(21,803)	-	(21,803)
(4,173)	-	(4,173)
(7,972,315)	-	(7,972,315)
-	(171,517)	(171,517)
-	836,286	836,286
-	664,769	664,769
(7,972,315)	664,769	(7,307,546)
8,580,332	-	8,580,332
7,973	-	7,973
14,631	-	14,631
88,602	-	88,602
488,680	-	488,680
48,170	50,050	98,220
172,879	350	173,229
11,248	-	11,248
9,412,515	50,400	9,462,915
1,440,200	715,169	2,155,369
63,307,922	11,071,825	74,379,747
-	(120,710)	(120,710)
63,307,922	10,951,115	74,259,037
\$ 64,748,122	\$ 11,666,284	\$ 76,414,406

**SWIFT COUNTY
BENSON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	General	Road and Bridge	Welfare
ASSETS			
Cash and Pooled Investments	\$ 775,554	\$ 3,964,607	\$ 1,074,052
Petty Cash and Change Funds	1,600	-	25
Taxes Receivable - Delinquent	43,682	19,053	21,684
Special Assessments Receivable			
Delinquent	-	-	-
Noncurrent	-	-	-
Accounts Receivable	13,247	27,185	29,701
Accrued Interest Receivable	4,037	1,387	859
Loans Receivable	-	-	-
Due from Component Unit	1,976,338	-	-
Due from Other Funds	142	-	-
Due from Other Governments	27,027	927,202	334,073
Advances to Other Governments	16,000	-	-
Prepaid Items	71,381	-	7,240
Inventories	-	221,445	-
Total Assets	<u>\$ 2,929,008</u>	<u>\$ 5,160,879</u>	<u>\$ 1,467,634</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 170,121	\$ 31,632	\$ 46,362
Salaries Payable	103,713	44,433	70,828
Accrued Payroll Taxes	15,655	6,552	10,310
Contracts Payable	-	378,951	-
Due to Other Funds	-	-	142
Due to Other Governments	-	-	26,348
Unearned Revenue	62,175	-	-
Total Liabilities	351,664	461,568	153,990
DEFERRED INFLOWS OF RESOURCES			
Unavailable Taxes	43,682	19,053	21,684
Unavailable Special Assessments	-	-	-
Unavailable Grants	5,861	738,281	93,561
Unavailable Loans Receivable	-	-	-
Unavailable Charges for Services	-	40,000	-
Total Deferred Inflows of Resources	49,543	797,334	115,245
FUND BALANCES			
Nonspendable			
Prepays	71,381	-	7,240
Inventories	-	221,445	-
Advances to Other Governments	16,000	-	-
Loans Receivable	1,917,838	-	-
Restricted			
Recorder Equipment	125,359	-	-
E-911	318,993	-	-
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	-	3,630,532	-
Welfare Programs	-	-	1,141,159
Solid Waste	-	-	-
Unassigned	(1,321,770)	-	-
Total Fund Balances	<u>2,527,801</u>	<u>3,901,977</u>	<u>1,198,399</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,929,008</u>	<u>\$ 5,160,879</u>	<u>\$ 1,467,634</u>

See accompanying Notes to Financial Statements.

Revolving Loan	Solid Waste	Ditch	Total Governmental Funds
\$ 379,414	\$ 763,164	\$ 221,119	\$ 7,177,910
-	50	-	1,675
-	1,350	-	85,769
-	13,283	2,027	15,310
-	76,079	421,934	498,013
-	91,035	-	161,168
-	-	-	6,283
1,609,154	-	-	1,609,154
-	-	-	1,976,338
-	-	-	142
-	-	-	1,288,302
-	-	-	16,000
-	-	-	78,621
-	-	-	221,445
<u>\$ 1,988,568</u>	<u>\$ 944,961</u>	<u>\$ 645,080</u>	<u>\$ 13,136,130</u>

\$ -	\$ 21,258	\$ 108	\$ 269,481
-	10,996	-	229,970
-	1,605	-	34,122
-	-	-	378,951
-	-	-	142
-	-	-	26,348
-	-	-	62,175
-	33,859	108	1,001,189
-	1,350	-	85,769
-	89,362	423,961	513,323
-	-	-	837,703
1,609,154	-	-	1,609,154
-	-	-	40,000
1,609,154	90,712	423,961	3,085,949
-	-	-	78,621
-	-	-	221,445
-	-	-	16,000
-	-	-	1,917,838
-	-	-	125,359
-	-	-	318,993
379,414	-	-	379,414
-	-	221,011	221,011
-	-	-	1,000,000
-	-	-	100,000
-	-	-	200,000
-	-	-	200,000
-	-	-	3,630,532
-	-	-	1,141,159
-	820,390	-	820,390
-	-	-	(1,321,770)
<u>379,414</u>	<u>820,390</u>	<u>221,011</u>	<u>9,048,992</u>
<u>\$ 1,988,568</u>	<u>\$ 944,961</u>	<u>\$ 645,080</u>	<u>\$ 13,136,130</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, 2013**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 9,048,992

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. 53,517,087

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	\$	85,769	
Special Assessments		513,323	
Loans Receivable		1,609,154	
Charges for Services		40,000	
Grant Related		<u>837,703</u>	3,085,949

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: 129,855

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		(178,808)	
Compensated Absences		(854,402)	
Other Postemployment Benefits		(395)	
Accrued Interest Payable		<u>(156)</u>	<u>(1,033,761)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 64,748,122

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013**

	General	Road and Bridge	Welfare
REVENUES			
Taxes	\$ 4,458,367	\$ 1,848,033	\$ 2,127,482
Special Assessments	-	-	-
Licenses and Permits	4,670	-	-
Intergovernmental	740,697	3,550,486	1,902,899
Charges for Services	414,268	28,268	345,980
Interest on Investments	40,708	5,775	1,687
Miscellaneous	762,397	137,082	15,622
Total Revenues	6,421,107	5,569,644	4,393,670
EXPENDITURES			
CURRENT			
General Government	3,242,039	-	-
Public Safety	2,370,953	-	-
Highways and Streets	-	5,172,945	-
Sanitation	-	-	-
Human Services	-	-	4,430,362
Health	186,468	-	-
Culture and Recreation	98,834	-	-
Conservation of Natural Resources	323,200	-	-
Economic Development	-	-	-
DEBT SERVICE			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	6,221,494	5,172,945	4,430,362
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	199,613	396,699	(36,692)
OTHER FINANCING SOURCES (USES)			
Transfers In	309,103	-	-
Transfers Out	-	-	-
Proceeds from Sale of Assets	6,533	-	-
Total Other Financing Sources (Uses)	315,636	-	-
NET CHANGE IN FUND BALANCES	515,249	396,699	(36,692)
Fund Balance - Beginning of Year	2,012,552	3,446,726	1,235,091
INCREASE IN INVENTORIES	-	58,552	-
FUND BALANCE - END OF YEAR	<u>\$ 2,527,801</u>	<u>\$ 3,901,977</u>	<u>\$ 1,198,399</u>

See accompanying Notes to Financial Statements.

Revolving Loan	Solid Waste	Ditch	Total Governmental Funds
\$ -	\$ 159,321	\$ -	\$ 8,593,203
-	216,376	583,460	799,836
-	-	-	4,670
-	33,942	-	6,228,024
-	464,222	-	1,252,738
28,981	-	-	77,151
384,657	129,529	42,631	1,471,918
<u>413,638</u>	<u>1,003,390</u>	<u>626,091</u>	<u>18,427,540</u>
-	-	-	3,242,039
-	-	-	2,370,953
-	-	-	5,172,945
-	899,674	-	899,674
-	-	-	4,430,362
-	-	-	186,468
-	-	-	98,834
-	-	443,502	766,702
241,835	-	-	241,835
-	30,038	40,000	70,038
-	4,027	1,020	5,047
<u>241,835</u>	<u>933,739</u>	<u>484,522</u>	<u>17,484,897</u>
171,803	69,651	141,569	942,643
-	-	-	309,103
(309,103)	-	-	(309,103)
-	-	-	6,533
<u>(309,103)</u>	<u>-</u>	<u>-</u>	<u>6,533</u>
(137,300)	69,651	141,569	949,176
516,714	750,739	79,442	8,041,264
-	-	-	58,552
<u>\$ 379,414</u>	<u>\$ 820,390</u>	<u>\$ 221,011</u>	<u>\$ 9,048,992</u>

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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, 2013**

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	949,176
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.		(105,724)
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	\$ 2,102,447	
Net Book Value of Assets Disposed of	(10,435)	
Current Year Depreciation	<u>(1,733,919)</u>	358,093
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	30,038	
Principal Payment on Special Assessment Bonds	<u>40,000</u>	70,038
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.		
		129,855
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	874	
Change in Compensated Absences	(17,830)	
Change in Other Postemployment Benefits	(2,834)	
Change in Inventories	<u>58,552</u>	38,762
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>1,440,200</u>

See accompanying Notes to Financial Statements.

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND
DECEMBER 31, 2013**

	<u>Self-Insurance</u>
ASSETS	
Cash and Pooled Investments	<u>\$ 129,855</u>
NET POSITION	
Unrestricted	<u>\$ 129,855</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, 2013**

	<u>Self-Insurance</u>
OPERATING REVENUES	
Premiums	\$ 130,953
OPERATING EXPENSES	
Administrative and Fiscal Services	1,098
OPERATING INCOME (LOSS)	129,855
Net Position - Beginning of Year	-
NET POSITION - END OF YEAR	\$ 129,855

See accompanying Notes to Financial Statements.

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
YEAR ENDED DECEMBER 31, 2013**

	<u>Self-Insurance</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Internal Services Provided	\$ 130,953
Payments to Suppliers	(1,098)
Net Cash Provided by (Used) Operating Activities	129,855
Cash and Cash Equivalents - Beginning of the Year	-
Cash and Cash Equivalents - End of the Year	\$ 129,855
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ 129,855

See accompanying Notes to Financial Statements.

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2013**

ASSETS

Cash and Pooled Investments	<u>\$ 336,741</u>
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LIABILITIES

Funds Held in Trust	\$ 14,694
Due to Other Governments	<u>322,047</u>
Total Liabilities	<u>\$ 336,741</u>

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**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2013**

	Swift County Housing and Redevelopment Authority	Swift County-Benson Hospital	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 781,192	\$ 4,596,651	\$ 5,377,843
Accounts Receivable - Net	4,026	2,570,689	2,574,715
Prepaid Items	-	260,680	260,680
Inventories	-	202,921	202,921
Total Current Assets	785,218	7,630,941	8,416,159
RESTRICTED ASSETS			
Cash and Pooled Investments	-	3,344,443	3,344,443
NONCURRENT ASSETS			
Investment in Joint Venture	-	402,269	402,269
Capital Assets			
Land	25,000	539,394	564,394
Construction-in-Progress	-	93,300	93,300
Buildings	2,569,298	10,983,123	13,552,421
Machinery, Vehicles, Furniture and Equipment	12,360	1,180,789	1,193,149
Land Improvements	-	97,657	97,657
Other Noncurrent Assets	-	61,101	61,101
Total Noncurrent Assets	2,606,658	13,357,633	15,964,291
Total Assets	3,391,876	24,333,017	27,724,893
LIABILITIES			
CURRENT LIABILITIES			
Bank Overdraft	100,692	-	100,692
Accounts Payable	159	672,825	672,984
Accrued Expenses	-	384,875	384,875
Accrued Interest	-	168,026	168,026
Compensated Absences Payable - Current	11,101	-	11,101
Capital Notes Payable - Current	115,000	-	115,000
Revenue Bonds Payable - Current	-	340,000	340,000
Due To Primary Government - Current	58,500	83,821	142,321
Loans Payable - Current	-	64,067	64,067
Estimated Third-Party Payer Settlements	-	700,000	700,000
Customer Deposits	20,526	-	20,526
Total Current Liabilities	305,978	2,413,614	2,719,592
NONCURRENT LIABILITIES			
Capital Notes Payable - Long-Term	2,535,000	-	2,535,000
Revenue Bonds Payable - Long-Term	-	8,970,000	8,970,000
Due To Primary Government - Long-Term	-	1,834,017	1,834,017
Total Noncurrent Liabilities	2,535,000	10,804,017	13,339,017
Total Liabilities	2,840,978	13,217,631	16,058,609
NET POSITION			
Net Investment in Capital Assets	(101,842)	1,602,359	1,500,517
Restricted	11,833	609,974	621,807
Unrestricted	640,907	8,903,053	9,543,960
Total Net Position	\$ 550,898	\$ 11,115,386	\$ 11,666,284

See accompanying Notes to Financial Statements.

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2013**

	Expenses	Program Revenues		
		Fees, Charges Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
COMPONENT UNITS				
Housing and Redevelopment Authority	\$ 931,079	\$ 499,851	\$ 259,711	\$ -
Swift County-Benson Hospital	12,754,503	13,445,714	-	145,075
Total Component Units	<u>\$ 13,685,582</u>	<u>\$ 13,945,565</u>	<u>\$ 259,711</u>	<u>\$ 145,075</u>

GENERAL REVENUES

Investment Earnings

Miscellaneous

Total General Revenues

CHANGE IN NET POSITION

Net Assets - Beginning of Year, as Originally Stated

Prior Period Adjustment - See Note 7.B.

Net Position - Beginning of Year, As Restated

NET POSITION - END OF YEAR

Net Expense (Revenue) and
Changes in Net Position

Housing and Redevelopment Authority	Swift County-Benson Hospital	Total
\$ (171,517)	\$ -	\$ (171,517)
-	836,286	836,286
(171,517)	836,286	664,769
34,605	15,445	50,050
-	350	350
34,605	15,795	50,400
(136,912)	852,081	715,169
687,810	10,384,015	11,071,825
-	(120,710)	(120,710)
687,810	10,263,305	10,951,115
<u>\$ 550,898</u>	<u>\$ 11,115,386</u>	<u>\$ 11,666,284</u>

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**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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, 2013. 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, 2013**

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, 2013**

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, 2013**

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 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 for 2013, as the County's self-insurance program starts 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, 2013**

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, 2013, 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, 2013**

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 #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, 2013**

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, 2013**

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, 2013**

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, 2013:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Special Revenue Fund			
Solid Waste	\$ 933,739	\$ 933,413	\$ 326

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, 2013, 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, 2013**

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, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets (Continued)

1. Deposits and Investments (Continued)

As of December 31, 2013, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
Mutual Funds	\$ 447,683	\$ -	\$ -	\$ 447,683
Government Money Market Fund	1,379,231	1,379,231	-	-
Negotiable CDs	399,955	299,467	100,488	-
Total	<u>\$2,226,869</u>	<u>\$1,678,698</u>	<u>\$ 100,488</u>	<u>\$ 447,683</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, 2013, 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, 2013, the County had 61.9% of total investments in the Wells Fargo government money market fund and 20.1% 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.

As of December 31, 2013, all County deposits were covered by insurance or collateral. All collateral pledged for the Swift County is held by the pledging financial institutions.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

Government-Type Activities – Primary Government

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land and Right-of-Way	\$ 2,011,191	\$ 184,495	\$ -	\$ 2,195,686
Construction-in-Progress	-	1,661,796	-	1,661,796
Total Capital Assets, Not Being Depreciated:	2,011,191	1,846,291	-	3,857,482
Capital Assets, Being Depreciated				
Buildings	7,896,424	32,023	-	7,928,447
Machinery, Furniture, and Equipment	6,355,376	224,133	156,879	6,422,630
Infrastructure	59,586,032	-	-	59,586,032
Total Capital Assets, Being Depreciated	73,837,832	256,156	156,879	73,937,109
Less Accumulated Depreciation for				
Buildings	3,188,862	86,245	-	3,275,107
Machinery, Furniture, and Equipment	3,828,840	521,199	146,444	4,203,595
Infrastructure	15,672,327	1,126,475	-	16,798,802
Total Accumulated Depreciation	22,690,029	1,733,919	146,444	24,277,504
Total Capital Assets, Being Depreciated, Net	51,147,803	(1,477,763)	10,435	49,659,605
Total Capital Assets, Being Depreciated, Net Governmental Activities Capital Assets, Net	\$ 53,158,994	\$ 368,528	\$ 10,435	\$ 53,517,087

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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	\$	73,566
Public Safety		105,486
Highways and Streets, Including Depreciation of Infrastructure Assets		1,474,295
Human Services		28,085
Sanitation		38,072
Conservation of Natural Resources		1,255
Culture and Recreation		13,160
		13,160
Total Depreciation Expense - Governmental Activities	\$	1,733,919

B. Interfund Receivables and Payables

The composition of Due To/From Other Funds balances as of December 31, 2013, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Welfare Fund	\$ 142	Legal Services

The Due From Component Unit/Due To Primary Government as of December 31, 2013 is comprised of two items. The first item is between Swift County and the Swift County Benson Hospital is \$1,917,838. 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 2013 were \$82,162. The amount due in more than one year is \$1,834,017. There is also \$58,500 due from the Swift County Housing and Redevelopment Authority (HRA). This is expected to be paid back in 2014.

The composition of Transfers In/Out as of December 31, 2013, is as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Revolving Loan	\$ 309,103	Current Year CNH Payments

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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, 2013</u>
Loans Payable					
Chippewa River Watershed/ Continuation Clean Water Project	2021	\$3,743 - \$7,760	2.00	\$ 304,374	\$ 178,808

2. Debt Service Requirements

Debt service requirements at December 31, 2013, were as follows:

<u>Year Ending December 31</u>	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 30,642	\$ 3,424
2015	31,258	2,808
2016	31,886	2,180
2017	25,002	1,576
2018	25,504	1,074
2019-2021	34,516	888
Total	<u>\$ 178,808</u>	<u>\$ 11,950</u>

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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, 2013, 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					
Assessment Bonds	\$ 40,000	\$ -	\$ 40,000	\$ -	\$ -
Loans Payable	208,846	-	30,038	178,808	30,642
Compensated Absences	836,572	540,954	523,124	854,402	213,600
Other Postemployment Benefits	(2,439)	3,645	811	395	-
Governmental Activity Long-Term Liabilities	<u>\$ 1,082,979</u>	<u>\$ 544,599</u>	<u>\$ 593,973</u>	<u>\$ 1,033,605</u>	<u>\$ 244,242</u>

The assessment bonds are liquidated by the ditch fund, 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. 2013 expenditures under this lease agreement totaled \$7,515 including maintenance and supplies. Minimum lease payments over the remaining term of this lease are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 7,032
2015	5,274
Total	<u>\$ 12,306</u>

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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, 2013**

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 GERF, PEPFF, and PECF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

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. PERF 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 2013. PEPFF members were required to contribute 9.60 percent of their annual covered salary in 2013. 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 GERF members, 7.25 percent for Coordinated Plan GERF members, 14.10 percent for PEPFF members, and 8.75 percent for PECF members.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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, 2013, 2012, and 2011 were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund	Public Employees Defined Contribution Plan
2013	\$ 247,503	\$ 81,839	\$ 35,137	\$ 9,100
2012	282,903	75,258	35,315	7,543
2011	277,229	70,550	35,010	7,264

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

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 percent of salary which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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, 2011, there was one retiree 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 2013, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC)	\$ 3,586
Interest on Net OPEB Obligation	(49)
Adjustment to ARC	108
Annual OPEB Cost	<u>3,645</u>
Contributions During the Year	<u>(811)</u>
Increase in Net OPEB Obligation	2,834
Net OPEB - Beginning of Year	<u>(2,439)</u>
Net OPEB - End of Year	<u><u>\$ 395</u></u>

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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 2013, 2012 and 2011 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2013	\$ 3,645	\$ 811	22.2 %	\$ 395
December 31, 2012	3,575	6,435	180.0	(2,439)
December 31, 2011	3,534	11,257	318.5	421

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)
1/1/2011	\$ -	\$ 41,198	\$ 41,198	- %	\$ 5,054,070	0.8 %

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, 2013**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

C. OPEB Disclosure (Continued)

3. Actuarial Methods and Assumptions (Continued)

In the January 1, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 2.00 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 3.50 percent. The annual healthcare cost trend rate is 9.00 percent initially, reduced incrementally to an ultimate rate of 5.00 percent after five 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 \$470,000 per claim in 2013. 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, 2013**

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, 2013. The projects and purchases include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Road Construction	\$ 7,424,538	\$ 2,734,980

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, 2013.

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, 2013**

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, 2013:

	<u>Bank Balance</u>
Insured or Collateralized with Securities Held by the HRA or Its Agent in the HRA's Name	\$ 684,719

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, 2013, 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	-	-	18,278
Total Capital Assets being Depreciated	3,644,817	-	-	3,644,817
Less: Accumulated Depreciation for				
Buildings	953,072	104,169	-	1,057,241
Machinery, Furniture, and Equipment	5,337	581	-	5,918
Total Accumulated Depreciation	958,409	104,750	-	1,063,159
Total Capital Assets, Depreciated, Net	2,686,408	(104,750)	-	2,581,658
Governmental Activities Capital Assets, Net	\$ 2,711,408	\$ (104,750)	\$ -	\$ 2,606,658

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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>Rate</u>	<u>June 30, 2013</u>
Limited Tax Housing and Redevelopment Refunding Bonds, Series 2013	2033	0.5-3.2%	\$ 2,650,000
Swift County Note	2014	2.50%	<u>58,500</u>
Total Outstanding Bonds			<u><u>\$ 2,708,500</u></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>
2014	\$ 173,500	\$ 54,434	\$ 227,934
2015	115,000	55,348	170,348
2016	115,000	54,600	169,600
2017	115,000	53,738	168,738
2018	115,000	52,587	167,587
2019-2023	615,000	236,575	851,575
2024-2028	685,000	170,750	855,750
2029-3033	<u>775,000</u>	<u>72,354</u>	<u>847,354</u>
Total	<u><u>\$ 2,708,500</u></u>	<u><u>\$ 750,386</u></u>	<u><u>\$ 3,458,886</u></u>

COMP ABS:

Compensated Absences Payable

Changes in compensated absences payable for the period ended June 30, 2013 is summarized below:

Balance - June 30, 2012	\$ 7,446
Net Changes	<u>3,655</u>
Balance - June 30, 2013	<u><u>\$ 11,101</u></u>

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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:

	<u>2013</u>
Total Wages	\$ 70,065
Total Eligible Wages	52,250
Employer Contribution	3,697
Employee Contribution	3,329

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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, 2013**

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, 2013 is as follows:

Gross Patient Service Revenues	\$ 17,745,957
Less: Provisions for Revenue Adjustments Under Third-Party Reimbursement Program	(5,104,377)
Net Patient Service Revenues	<u>\$ 12,641,580</u>

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, 2013**

**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 2013.

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, 2013, 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, 2013**

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, 2013, follows:

	Balance	Additions	Deletions	Balance
Capital Assets, not being Depreciated				
Land	\$ 539,394	\$ -	\$ -	\$ 539,394
Construction-in-Progress	2,895,974	-	2,802,674	93,300
Total Capital Assets Not Being Depreciated	3,435,368	-	2,802,674	632,694
Capital Assets Depreciated				
Buildings and Fixed Equipment	11,044,806	5,590,077	-	16,634,883
Movable Equipment and Ambulances	4,548,700	395,969	13,723	4,930,946
Land Improvements	263,255	18,075	-	281,330
Total Capital Assets being Depreciated	15,856,761	6,004,121	13,723	21,847,159
Less: Accumulated Depreciation for				
Buildings and Fixed Equipment	5,025,114	626,646	-	5,651,760
Movable Equipment and Ambulances	3,295,242	468,638	13,723	3,750,157
Land Improvements	169,388	14,285	-	183,673
Total Accumulated Depreciation	8,489,744	1,109,569	13,723	9,585,590
Total Capital Assets, Depreciated, Net	7,367,017	4,894,552	-	12,261,569
Governmental Activities Capital Assets, Net	<u>\$ 10,802,385</u>	<u>\$ 4,894,552</u>	<u>\$ 2,802,674</u>	<u>\$ 12,894,263</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 .75 percent.

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 \$224,000 for the use for the equipment for the year ended December 31, 2013. Accounts payable to CMDI for these services at December 31, 2013 amounted to \$22,800. Earnings of \$90,163 are included in other operating revenues.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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 \$107,521. The Hospital provides management services, leases space and pays expenses on behalf of BMS and has a receivable from BMS for \$17,467. Earnings of \$40,686 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, 2013:

	Balance January 1, 2013	Additions	Payments	Balance December 31, 2013	Amounts Due Within One Year
USDA Hospital Refunding					
2007 Revenue Bonds	\$ 6,595,000	\$ -	\$ 185,000	\$ 6,410,000	\$ 195,000
2013 Revenue Bonds	-	2,900,000	-	2,900,000	145,000
Loan from Swift County	2,000,000	-	82,163	1,917,837	83,821
MN Dept of Health Loan	320,333	-	256,266	64,067	64,067
Total Noncurrent Liabilities	\$ 8,915,333	\$ 2,900,000	\$ 523,429	\$ 11,291,904	\$ 487,888

The terms and due dates of the Hospital's long-term debt, including lease obligations, at December 31, 2013, are as follows:

- 2007 Revenue Bonds, principal is due annually on February 1, interest payments are due semi-annually on February 1 and August 1, 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 1, interest payments are due semi-annually on February 1 and August 1, 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, 2013**

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

B. Swift County-Benson Hospital (Continued)

Long-Term Debt (Continued)

- Loan from Swift County (Due To Primary Government), principal and interest payments of \$10,118 due monthly starting 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 2014. 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 <u>December 31</u>	<u>Long-Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2014	\$ 487,888	\$ 432,323
2015	435,513	415,531
2016	442,239	398,405
2017	459,000	380,844
2018	465,796	362,848
2019-2023	2,517,221	1,530,096
2024-2028	2,872,892	1,010,007
2029-2033	3,186,355	410,028
2034	425,000	8,819
Total	<u>\$ 11,291,904</u>	<u>\$ 4,948,901</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, 2013, 2012, and 2011, were \$303,999, \$307,140, and \$302,545, 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, 2013**

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, 2013, the Hospital paid \$95,000 for management services provided under the purchase agreement and approximately \$803,404 for services and equipment purchased through Rice Memorial Hospital. The Hospital had accounts payable of approximately \$34,000 at December 31, 2013.

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.

Change in Accounting and Prior Period Adjustment

The financial statements for 2012 have been restated to retrospectively apply the provisions of GASB Statement 65 – *Items Previously Reported as Assets and Liabilities* which was effective for fiscal periods beginning after December 15, 2012 and all periods presented on comparative statements. This statement requires that debt issuance costs be expensed in the period incurred. The impact of this restatement is as follows:

	As Previously Reported	Adjustment	As Restated
Net Position, 1/1/2013	\$ 10,384,015	\$ (120,710)	\$ 10,263,305

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

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 2013 was \$86,177. 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.

Swift County's contribution to Region 6W Community Corrections for the year ended December 31, 2013, was \$161,584. 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, 2013**

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 2013, 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, 2013**

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's contribution to Prairie Waters for the year ended December 31, 2013, was \$12,337. 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, 2013**

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 2013, 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 \$55,474 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 \$113,250 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, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 4,416,947	\$ 4,416,947	\$ 4,458,367	\$ 41,420
Licenses and Permits	3,500	3,500	4,670	1,170
Intergovernmental	945,682	945,682	740,697	(204,985)
Charges for Services	228,375	228,375	414,268	185,893
Investment Earnings	130,000	130,000	40,708	(89,292)
Miscellaneous	705,132	705,132	762,397	57,265
Total Revenues	6,429,636	6,429,636	6,421,107	(8,529)
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	244,475	244,475	234,346	10,129
Law Library	-	-	24,411	(24,411)
County Administration	154,700	154,700	174,234	(19,534)
County Auditor	342,715	342,715	293,615	49,100
County Treasurer	186,936	186,936	176,417	10,519
County Assessor	251,291	251,291	229,306	21,985
Elections	4,000	4,000	7,347	(3,347)
Data Processing	75,500	75,500	65,054	10,446
Attorney	370,141	370,141	390,859	(20,718)
Recorder	245,971	245,971	220,354	25,617
Planning and Zoning	82,790	82,790	64,379	18,411
Buildings and Plant	364,344	364,344	213,379	150,965
Technology	190,340	190,340	190,716	(376)
Veterans Service Officer	145,518	145,518	134,220	11,298
Appropriations - General Government	379,070	379,070	617,350	(238,280)
Other General Government	-	-	206,052	(206,052)
Total General Government	3,037,791	3,037,791	3,242,039	(204,248)

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, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
PUBLIC SAFETY				
Sheriff	\$ 1,308,058	\$ 1,308,058	\$ 1,244,094	\$ 63,964
Coroner	15,000	15,000	12,474	2,526
E-911 System	-	-	15,804	(15,804)
Restorative Justice Coordinator	69,025	86,479	49,660	36,819
Emergency Management	73,611	73,611	69,361	4,250
County Jail	884,750	884,750	817,976	66,774
Community Corrections	161,590	161,590	161,584	6
Total Public Safety	2,512,034	2,529,488	2,370,953	158,535
HEALTH				
Countryside Health Service	86,177	86,177	86,177	-
Youth Programs	103,264	103,264	100,291	2,973
Total Health	189,441	189,441	186,468	2,973
CULTURE AND RECREATION				
Parks	516,000	516,000	98,834	417,166
CONSERVATION OF NATURAL RESOURCES				
County Extension	138,160	138,160	127,496	10,664
Parks and Drainage	197,696	197,696	174,229	23,467
Agricultural Inspection	13,500	13,500	13,500	-
Predator Control	8,000	8,000	7,975	25
Total Conservation of Natural Resources	357,356	357,356	323,200	34,156
Total Expenditures	6,612,622	6,630,076	6,221,494	408,582
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(182,986)	(200,440)	199,613	400,053
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	309,103	309,103
NET CHANGE IN FUND BALANCE	<u>\$ (182,986)</u>	<u>\$ (200,440)</u>	515,249	<u>\$ 715,689</u>
Fund Balance - Beginning of Year			2,012,552	
FUND BALANCE - END OF YEAR			<u>\$ 2,527,801</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, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,839,353	\$ 1,839,353	\$ 1,848,033	\$ 8,680
Intergovernmental	4,804,398	4,804,398	3,550,486	(1,253,912)
Charges for Services	4,000	4,000	28,268	24,268
Investment Earnings	6,000	6,000	5,775	(225)
Miscellaneous	113,405	113,405	137,082	23,677
Total Revenues	6,767,156	6,767,156	5,569,644	(1,197,512)
EXPENDITURES				
CURRENT				
HIGHWAYS AND STREETS				
Administration	190,250	190,250	167,909	22,341
Engineering	79,722	79,722	66,598	13,124
Shared County Engineer	162,809	162,809	152,652	10,157
Maintenance	1,876,195	1,876,195	1,365,546	510,649
Construction	3,423,944	3,423,944	2,232,461	1,191,483
Equipment and Maintenance Shops	735,496	735,496	803,262	(67,766)
Other - Highways and Streets	364,142	364,142	384,517	(20,375)
Total Expenditures	6,832,558	6,832,558	5,172,945	1,659,613
NET CHANGE IN FUND BALANCE	\$ (65,402)	\$ (65,402)	396,699	\$ 462,101
Fund Balance - Beginning of Year			3,446,726	
Increase in Inventory			58,552	
FUND BALANCE - END OF YEAR			\$ 3,901,977	

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, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,132,901	\$ 2,132,901	\$ 2,127,482	\$ (5,419)
Intergovernmental	1,845,668	1,845,668	1,902,899	57,231
Charges for Services	389,800	389,800	345,980	(43,820)
Investment Earnings	14,000	14,000	1,687	(12,313)
Miscellaneous	10,000	10,000	15,622	5,622
Total Revenues	4,392,369	4,392,369	4,393,670	1,301
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	1,155,290	1,155,290	1,135,899	19,391
Social Services	3,278,755	3,278,755	3,294,463	(15,708)
Total Expenditures	4,434,045	4,434,045	4,430,362	3,683
NET CHANGE IN FUND BALANCE	<u>\$ (41,676)</u>	<u>\$ (41,676)</u>	(36,692)	<u>\$ 4,984</u>
Fund Balance - Beginning of Year			<u>1,235,091</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,198,399</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, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 160,272	\$ 160,272	\$ 159,321	\$ (951)
Special Assessments	202,710	202,710	216,376	13,666
Intergovernmental	55,950	55,950	33,942	(22,008)
Charges for Services	359,000	359,000	464,222	105,222
Miscellaneous	135,000	135,000	129,529	(5,471)
Total Revenues	912,932	912,932	1,003,390	90,458
EXPENDITURES				
CURRENT				
SANITATION				
Solid Waste	899,348	899,348	899,674	(326)
DEBT SERVICE				
Principal	30,038	30,038	30,038	-
Interest	4,027	4,027	4,027	-
Total Debt Service	34,065	34,065	34,065	-
Total Expenditures	933,413	933,413	933,739	(326)
NET CHANGE IN FUND BALANCE	\$ (20,481)	\$ (20,481)	69,651	\$ 90,132
Fund Balance - Beginning of Year			750,739	
FUND BALANCE - END OF YEAR			\$ 820,390	

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, 2013**

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, 2013:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Special Revenue Fund			
Solid Waste	\$ 933,739	\$ 933,413	\$ 326

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, 2013**

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

SUPPLEMENTARY INFORMATION

**SWIFT COUNTY
BENSON, MINNESOTA
DESCRIPTION OF FUNDS
DECEMBER 31, 2013**

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, 2013**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE DEED</u>				
ASSETS				
Cash and Pooled Investments	\$ 68,149	\$ 1,967,025	\$ 2,004,570	\$ 30,604
LIABILITIES				
Due to Other Governments	\$ 68,149	\$ 1,967,025	\$ 2,004,570	\$ 30,604
<u>TAXES AND PENALTIES</u>				
ASSETS				
Cash and Investments	\$ 58,038	\$ 18,895,109	\$ 18,720,567	\$ 232,580
LIABILITIES				
Due to Other Governments	\$ 58,038	\$ 18,895,109	\$ 18,720,567	\$ 232,580
<u>REGION 6W</u>				
ASSETS				
Cash and Pooled Investments	\$ 677	\$ 65,445	\$ 65,624	\$ 498
LIABILITIES				
Due to Other Governments	\$ 677	\$ 65,445	\$ 65,624	\$ 498
<u>SCHOOL DISTRICTS</u>				
ASSETS				
Cash and Pooled Investments	\$ 37,051	\$ 2,695,382	\$ 2,711,057	\$ 21,376
LIABILITIES				
Due to Other Governments	\$ 37,051	\$ 2,695,382	\$ 2,711,057	\$ 21,376
<u>TOWNS AND CITIES</u>				
ASSETS				
Cash and Pooled Investments	\$ 66,826	\$ 5,432,012	\$ 5,461,865	\$ 36,973
LIABILITIES				
Due to Other Governments	\$ 66,826	\$ 5,432,012	\$ 5,461,865	\$ 36,973

**SWIFT COUNTY
BENSON, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2013**

	Balance January 1	Additions	Deductions	Balance December 31
<u>MINNESOTA RIVER WATERSHED</u>				
ASSETS				
Cash and Pooled Investments	\$ 150	\$ 12,809	\$ 12,943	\$ 16
LIABILITIES				
Due to Other Governments	\$ 150	\$ 12,809	\$ 12,943	\$ 16
<u>SOCIAL WELFARE FUND</u>				
ASSETS				
Cash and Pooled Investments	\$ 13,202	\$ 213,242	\$ 211,750	\$ 14,694
LIABILITIES				
Funds Held in Trust	\$ 13,202	\$ 213,242	\$ 211,750	\$ 14,694
<u>TOTAL ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Pooled Investments	\$ 244,093	\$ 29,281,024	\$ 29,188,376	\$ 336,741
LIABILITIES				
Funds Held in Trust	\$ 13,202	\$ 213,242	\$ 211,750	\$ 14,694
Due to Other Governments	230,891	29,067,782	28,976,626	322,047
Total Liabilities	\$ 244,093	\$ 29,281,024	\$ 29,188,376	\$ 336,741

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**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2013**

	Special Revenue Funds				Total All Funds
	General Fund	Road and Bridge	Welfare Fund	Solid Waste Fund	
SHARED REVENUES					
INTERGOVERNMENTAL STATE					
Disparity Reduction Aid	\$ 11,981	\$ 5,026	\$ 5,815	\$ 437	\$ 23,259
Highway Users Tax	-	2,851,931	-	-	2,851,931
County Program Aid	82,900	34,771	40,235	3,034	160,940
Market Value Credits	68,149	30,903	30,883	2,496	132,431
PERA Rate Increase Aid	36,367	-	-	-	36,367
State Police Aid	50,669	-	-	-	50,669
Enhanced 911	83,238	-	-	-	83,238
Total Shared Revenues	<u>333,304</u>	<u>2,922,631</u>	<u>76,933</u>	<u>5,967</u>	<u>3,338,835</u>
REIMBURSEMENT FOR SERVICES STATE					
Minnesota Department of Human Services	-	-	678,182	-	678,182
STATE GRANTS					
MINNESOTA DEPARTMENT OF					
Human Services	-	-	377,624	-	377,624
Natural Resources	106,973	-	-	-	106,973
Peace Officers (POST)	3,759	-	-	-	3,759
Public Safety	17,686	-	-	-	17,686
Pollution Control Agency	-	-	-	27,975	27,975
Veteran's Affairs	9,798	-	-	-	9,798
Water and Soil Resources	64,366	-	-	-	64,366
Total State Grants	<u>202,582</u>	<u>-</u>	<u>377,624</u>	<u>27,975</u>	<u>608,181</u>
FEDERAL GRANTS					
FEDERAL DEPARTMENT OF					
Agriculture	7,833	-	82,375	-	90,208
Commerce	57,452	-	-	-	57,452
Interior	532	-	-	-	532
Justice	8,442	-	-	-	8,442
Transportation	30,741	627,855	-	-	658,596
Health and Human Services	41,492	-	687,785	-	729,277
Homeland Security	44,220	-	-	-	44,220
Total Federal Grants	<u>190,712</u>	<u>627,855</u>	<u>770,160</u>	<u>-</u>	<u>1,588,727</u>
Total State and Federal Grants	393,294	627,855	1,147,784	27,975	2,196,908
PAYMENTS IN LIEU OF TAXES					
Total Intergovernmental Revenues	<u>14,099</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,099</u>
Total Intergovernmental Revenues	<u>\$ 740,697</u>	<u>\$ 3,550,486</u>	<u>\$ 1,902,899</u>	<u>\$ 33,942</u>	<u>\$ 6,228,024</u>

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2013**

	Interest Rate (%)	Maturity Date	Amount
Pooled Deposits and Investments			
Checking Accounts			
State Bank of Danvers	0.10 %	-	\$ 506,812
Money Market Savings			
Citizens Alliance Bank - Murdock	0.05	-	25,362
First Security Bank - Benson	0.80	-	1,608,023
Prairie Sun Bank - Appleton	0.05	-	19,149
Financial Security Bank - Kerkhoven	0.25	-	11,900
Wells Fargo	-	-	1,379,231
Total Money Market Savings			<u>3,043,665</u>
Negotiable Certificates of Deposit			
Wells Fargo	0.75	April 21, 2014	99,920
Wells Fargo	0.80	June 9, 2014	99,730
Wells Fargo	0.55	September 17, 2014	99,817
Wells Fargo	1.05	May 26, 2015	100,488
Total Negotiable Certificates of Deposit			<u>399,955</u>
Total Pooled Deposits and Investments			<u>\$ 3,950,432</u>
Fund Investments			
General Fund			
Departmental Checking Accounts			
First Security Bank - Benson	-	-	\$ 2,078
Mutual Fund			
Franklin U.S. Government Securities Fund	-	-	447,683
Certificate of Deposit			
Riverwood Bank	0.75	March 8, 2014	99,920
Total General Fund			<u>549,681</u>

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF DEPOSITS AND INVESTMENTS (CONTINUED)
DECEMBER 31, 2013**

	Interest Rate (%)	Maturity Date	Amount
Special Revenue Funds			
Road and Bridge Fund			
Checking accounts			
Community Development Bank	0.20 %	-	\$ 753,666
Certificate of Deposit			
Riverwood Bank	0.75	March 8, 2014	50,000
Money Market Savings			
First Security Bank Benson	0.80	-	<u>1,916,345</u>
Total Road and Bridge Fund			2,720,011
Welfare Fund			
Departmental Checking Accounts			
Bank of the West	-	-	14,694
Savings			
Co-op Credit Union	0.30	-	205,611
Certificates of Deposit			
Riverwood Bank	0.75	March 8, 2014	50,000
Money market savings			
First Security Bank Benson	0.40	-	<u>127,217</u>
Total Welfare Fund			397,522
Solid Waste Fund			
Departmental Checking Accounts			
First Security State - Benson	0.20	-	<u>26,860</u>
Total Special Revenue Funds			<u>3,144,393</u>
Total Fund Investments			<u>3,694,074</u>
Total Deposits and Investments			<u><u>\$ 7,644,506</u></u>

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF LOANS RECEIVABLE
DECEMBER 31, 2013**

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	\$ 4,858	Principal Payments Monthly, No Interest, Fifteen-Year Term.
Appleton Building Center	March 31, 2004	40,000	3,256	Principal Payments Monthly, 5.5% Interest, Ten-Year Term.
McDonald Heavy Industries, Inc.	July 20, 2004	24,000	1,755	Principal Payments Monthly, 5.0% Interest, Ten-Year Term.
SpecSys, Inc.	October 31, 2008	50,000	31,764	Principal Payments Monthly, 4.0% Interest, Five-Year Term.
Appleton Meat Center	June 30, 2009	30,000	21,760	Principal Payments Monthly, 4.0% Interest, Five-Year Term.
Appleton Hardware Hank	September 1, 2009	50,000	31,158	Principal Payments Monthly, 4% Interest, Five-Year Term.
Honebrink, LLC	October, 2009	20,000	12,622	Principal Payments Monthly, 4% Interest, Five-Year Term.
H&H Veterinary Clinic	July, 2010	38,649	25,814	Principal Payments Monthly, 4% Interest, Five-Year Term.
Appleton Power Equipment	July, 2010	25,000	17,554	Principal Payments Monthly, 4% Interest, Five-Year Term.
Case Farm Equipment	October 28, 2011	1,500,000	914,331	Principal Payments Monthly, 1.75% Interest, Ten-Year Term.
Clark/McDonald Heavy Industries, Inc.	December 6, 2012	25,000	23,277	Principal Payments Monthly, 4.0% Interest, Ten-Year Term.
K-Bid JAX	December 6, 2012	26,100	24,483	Principal Payments Monthly, 4.0% Interest, Ten-Year Term.
Case Farm Equipment	September 17, 2012	400,000	330,747	Principal Payments Monthly, 1.75% Interest, Seven-Year Term.
Headwaters Media	September 3, 2013	30,000	30,000	Principal Payments Monthly, 3.5% Interest, Ten-Year Term.
R & R Outdoors	September 15, 2013	11,000	10,775	Principal Payments Monthly, 1.75% Interest, Seven-Year Term.
Carlson Manufacturing	December 17, 2013	125,000	125,000	Principal Payments Monthly, 1.75% Interest, Seven-Year Term.
Total Loans Receivable		<u>\$ 2,419,749</u>	<u>\$ 1,609,154</u>	

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



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**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, 2013, 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 23, 2014. 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 and significant deficiencies.

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 2013-001 through 2013-003 described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiencies 2013-004 and 2013-005 described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

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 Response 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 response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 23, 2014

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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, 2013. 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 \$259,711 in federal awards during the year ended June 30, 2013. 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, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2013-006. Our opinion on each major federal program is not modified with respect to these matters.

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, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2013-006 that we consider to be a significant deficiency.

Swift County's Response to Finding

Swift County's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Swift County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Brainerd, Minnesota
July 23, 2014

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**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2013**

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 2013-001, 2013-002, 2013-003 are considered material weaknesses and deficiencies 2013-004 and 2013-005 are considered significant deficiencies.
3. No instances of noncompliance material to the financial statements of Swift County were disclosed during the audit.
4. An instance involving internal control over compliance relating to the audit of the major federal award programs was 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". Finding 2013-006 is considered to be a significant deficiency related to major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Swift County expresses an unmodified opinion.
6. Audit finding 2013-006 relative to the major federal award programs for the County was 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
Recreational Trails Program (Highway Cluster)	CFDA #20.219
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, 2013**

MATERIAL WEAKNESSES - FINANCIAL REPORTING

SEGREGATION OF DUTIES (2013-001)

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.

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 (2013-002)

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.

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, 2013**

MATERIAL WEAKNESSES - FINANCIAL REPORTING (CONTINUED)

FINANCIAL REPORTING PROCESS (2013-003)

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.

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.

SIGNIFICANT DEFICIENCIES – FINANCIAL REPORTING

SIGNER ON BANK ACCOUNT (2013-004)

Criteria: County management is responsible for establishing and maintaining internal controls over authorized signers on all bank accounts.

Condition: During confirmation of bank accounts during the audit, we noted an authorized signer on one County account that was no longer employed at the County.

Cause: Turnover in County personnel.

Effect: The County is at an increased risk for unauthorized bank transactions.

Recommendation: We recommend County management review authorized signers on all bank accounts periodically and remove any employees that are no longer employed by the County in a timely manner.

CLIENT RESPONSE:

All of the County's bank and investment accounts subsequently have been reviewed and updated as of the issuance of this report.

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2013**

SIGNIFICANT DEFICIENCIES – FINANCIAL REPORTING (CONTINUED)

JOURNAL ENTRY APPROVAL (2013-005)

Criteria: Standard internal controls suggest all journal entries performed be reviewed by someone other than the preparer.

Condition: During testing of six journal entries, it was noted that two did not have proper review documented.

Cause: Unknown.

Effect: The design of the controls over the journal entry process would affect the ability of the County to prevent or detect errors, fraud, or misappropriation of assets in a timely manner.

Recommendation: We recommend County management review the controls over the journal entry process and ensure journal entries are being reviewed by someone other than the preparer.

CLIENT RESPONSE:

The County will review the journal entry procedures and ensure they are being properly followed.

SIGNIFICANT DEFICIENCY – FINANCIAL REPORTING PREVIOUSLY REPORTED ITEM RESOLVED:

APPROVAL AND AGREEMENT TO SUPPORTING DOCUMENTATION OF DISBURSEMENTS (2012-01)

Condition: We were not presented with supporting documentation to demonstrate supervisory approval for 1 of 40 disbursements tested and 1 out of 40 disbursements did not agree to the supporting documentation.

Resolution: No similar instances noted in current year testing.

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2013**

MAJOR PROGRAM SIGNIFICANT DEFICIENCY AND COMPLIANCE FINDING

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

Criteria: Compliance requirements and standard internal control procedures require County personnel have a process in place to ensure all necessary citizenship documentation is retained for each eligible client.

Condition and Context: During our testing of compliance over eligibility, one of forty MA case files did not have documentation showing citizenship verification.

Cause: Unknown.

Effect: Benefits could be provided to ineligible clients.

Recommendation: We recommend that citizenship documentation be retained in accordance with federal requirements.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:

Contact Person: Deanna Steckman, Welfare Director

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

Anticipated Completion Date: December 31, 2014

OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE

DITCH SPECIAL REVENUE FUND – CASH DEFICITS (2013-007)

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

Condition: The County reported 15 of the 39 active ditch systems as having deficit cash balances as of December 31, 2013, totaling \$487,930.

Cause: Past practice.

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.

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2013**

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	\$ 90,208
U.S. Department of Commerce Passed Through the City of St. Cloud Public Safety Interoperable Communications Grant Program	11.555	57,452
U.S. Department of Interior Direct Award Payments in Lieu of Taxes	15.226	532
U.S. Department of Justice Direct Award Bulletproof Vest Partnership Program	16.607	799
Passed Through Minnesota Department of Public Safety Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>7,643</u>
Total Department of Justice		8,442
U.S. Department of Transportation Passed Through Minnesota Department of Transportation Highway Planning and Construction (Part of Highway Cluster)	20.205	718,109
Passed Through Minnesota Department of Natural Resources Recreational Trails Program (Part of Highway Cluster)	20.219	26,717
Passed Through Kandiyohi County State and Community Highway Safety	20.600	<u>4,024</u>
Total Department of Transportation		748,850
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 \$65,493)	93.558	36,701
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	4,155
Temporary Assistance for Needy Families (Part of TANF Cluster) (Total Temporary Assistance for Needy Families 93.558 \$65,493)	93.558	28,792
Child Support Enforcement	93.563	194,945
Refugee and Energy Assistance Grant	93.566	241
Child Care and Development Block Grant	93.575	3,032
Child Welfare Services State Grants	93.645	2,077
Foster Care Title IV-E	93.658	70,437
Social Services Block Grant Title XX	93.667	87,853

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2013**

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	\$ 1,190
State Children's Insurance Program	93.767	43
Medical Assistance	93.778	<u>377,912</u>
Total Department of Health and Human Services		807,378
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	<u>28,304</u>
Total Cash Type Federal Awards		<u>\$ 1,741,166</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 \$259,711 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 2013, Swift County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.
5. Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Highway Cluster	\$ 744,826
Temporary Assistance for Needy Families Cluster	65,493

Reconciliation to the Schedule of Intergovernmental Revenue:

Federal Grant Revenue per Schedule of Intergovernmental Revenue	\$ 1,588,727
Expenditures in the Schedule of Federal Expenditures, not included as revenues reported in the Schedule of Intergovernmental Revenue	169,281
Revenues included on the Schedule of Intergovernmental Revenue that are not considered Federal Grant Expenditures	<u>(16,842)</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 1,741,166</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, 2013 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 23, 2014. 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 Minn. Stat. § 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 2013-007. 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 response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

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Brainerd, Minnesota
July 23, 2014



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