

# STATE OF MINNESOTA

## Office of the State Auditor



**Patricia Anderson**  
**State Auditor**

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**SWIFT COUNTY**  
**BENSON, MINNESOTA**

YEAR ENDED DECEMBER 31, 2004

## **Description of the Office of the State Auditor**

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits for local governments;

**Government Information** - collects and analyzes financial information for cities, towns, counties, and special districts;

**Legal/Special Investigations** - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

**Pension** - monitors investment, financial, and actuarial reporting for over 700 public pension funds; and

**Tax Increment Financing, Investment and Finance** - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

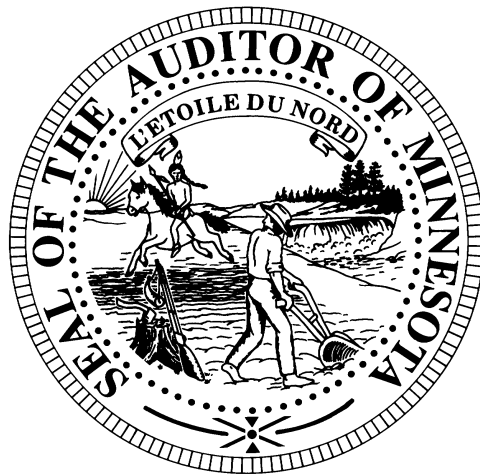
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**SWIFT COUNTY  
BENSON, MINNESOTA**

**Year Ended December 31, 2004**



**Audit Practice Division  
Office of the State Auditor  
State of Minnesota**

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**SWIFT COUNTY  
BENSON, MINNESOTA**

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**SWIFT COUNTY  
BENSON, MINNESOTA**

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**SWIFT COUNTY  
BENSON, MINNESOTA**

ORGANIZATION  
2004

Office	Name	Term Expires
<b>Commissioners</b>		
1st District	Gary Hendrickx*	January 2005
2nd District	Richard Hanson**	January 2007
3rd District	Luverne Norby	January 2005
4th District	John Baker	January 2007
5th District	Douglas Anderson	January 2005
<b>Officers</b>		
<b>Elected</b>		
Attorney	Robin Finke	January 2007
Auditor	Byron L. Giese	January 2007
Recorder	Donna Lilleberg	January 2007
Sheriff	Scott Mattison	January 2007
Treasurer	Ronald A. Vadnais	January 2007
<b>Appointed</b>		
Administrator	John Chattin	Indefinite
Assessor	Edward Pederson	December 2005
Coroner	Roger Bauer, M.D.	December 2004
Engineer	John Johnson	Indefinite
Probation Officer	Brad Rosenbrook	Indefinite
Veterans Service Officer	Gary Bjorngjeld	December 2007
Welfare Director	Noel (Chuck) Koenigs	Indefinite

\*Chair

\*\*Vice Chair

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# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON  
STATE AUDITOR

### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Swift County

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, Minnesota, as of and for the year ended December 31, 2004, which collectively comprise Swift County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Swift County's management. 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, 2004. We did not audit the financial statements of the Swift County HRA or the Swift County-Benson Hospital (Hospital) discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely upon the reports of 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 of material misstatement. The financial statements of the Swift County-Benson Hospital were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports 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, 2004, including the Swift County HRA as of June 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made 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 of Swift County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2005, 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. It does not include the Swift County HRA and the Hospital, which were audited by other auditors.

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: October 3, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**SWIFT COUNTY  
BENSON, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2004

(Unaudited)

Swift County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2004. 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 13).

**FINANCIAL HIGHLIGHTS**

- Governmental activities' total net assets are \$48,764,692, of which \$40,452,421 is invested in capital assets, net of related debt, and \$209,190 is restricted to specific purposes.
- Swift County's net assets increased by \$2,050,657 for the year ended December 31, 2004. The net assets of the County's discretely presented components units decreased by \$277,895.
- The net cost of governmental activities was \$3,511,163 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$5,561,820.
- Governmental funds' fund balances decreased by \$102,159.

**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 financial statements. The Statement of Net Assets and the Statement of Activities (Exhibits 1 and 2) 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 with Exhibit 3. 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 operations 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 of the government.

## **Government-Wide Financial Statements--The Statement of Net Assets and the Statement of Activities**

Our analysis of the County as a whole begins on Exhibit 1. The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader 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.

These two statements report the County's net assets and changes in them. You can think of the County's net assets--the difference between 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 assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the County's property tax base and the condition of County roads, to assess the overall health of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two kinds of activities:

- Governmental activities--The County's basic services are reported here, including general government, public safety, highways and streets, human services, health, environmental services, culture and recreation, and conservation of natural resources. Property taxes and state and federal grants finance most of these activities.
- Component units--The County includes two legally separate entities in its report, the Swift County Housing and Redevelopment Authority and the 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.

## **Fund Financial Statements**

Our analysis of the County's major funds begins with Exhibit 3. 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's two kinds of funds--governmental and fiduciary--use different accounting methods.

- 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 differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation in a statement following each governmental fund financial statement.

- 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 Statement of Fiduciary Net Assets on Exhibit 7. We exclude these activities from the County's other financial statements 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.

## FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

### Net Assets

The County's net assets were \$48,764,692 on December 31, 2004. (See Table A-1.)

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

	Governmental Activities		Percent Change (%)
	2004	2003	
<b>Assets</b>			
Current and other assets	\$ 9,968,617	\$ 9,696,494	2.81
Capital assets	40,884,421	39,351,950	3.89
<b>Total Assets</b>	<b>\$ 50,853,038</b>	<b>\$ 49,048,444</b>	<b>3.68</b>
<b>Liabilities</b>			
Current liabilities	\$ 573,069	\$ 442,021	29.65
Long-term liabilities	1,515,277	2,106,388	(28.06)
<b>Total Liabilities</b>	<b>\$ 2,088,346</b>	<b>\$ 2,548,409</b>	<b>(18.05)</b>
<b>Net Assets</b>			
Invested in capital assets - net of related debt	\$ 40,452,421	\$ 37,796,950	7.03
Restricted assets	209,190	854,109	(75.51)
Unrestricted	8,103,081	7,848,976	3.24
<b>Total Net Assets</b>	<b>\$ 48,764,692</b>	<b>\$ 46,500,035</b>	<b>4.87</b>

## Changes in Net Assets

The County-wide total revenues were \$14,386,209 for the year ended December 31, 2004. Property taxes and intergovernmental revenues accounted for 72 percent of total revenues for the year. (See Figures A-3 and A-4.)

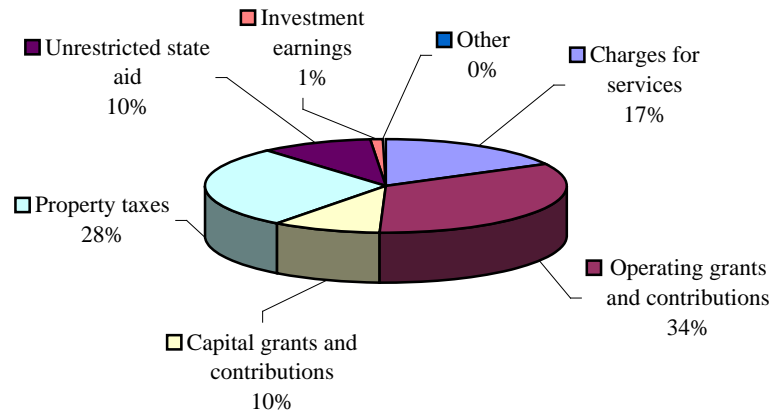
**Table A-2**  
**Changes in Net Assets**

	Governmental Activities (For the Year Ended December 31)		Percent Change (%)
	2004	2003 (Restated)	
Revenues			
Program revenues			
Charges for services	\$ 2,417,520	\$ 2,358,557	2.50
Operating grants and contributions	4,945,226	4,569,196	8.23
Capital grants and contributions	1,461,643	1,331,203	9.80
General revenues			
Property taxes	4,063,353	3,888,866	4.49
Unrestricted state aid	1,373,972	1,394,464	(1.47)
Investment earnings	80,364	134,172	(40.10)
Other	44,131	47,251	(6.60)
Total Revenues	\$ 14,386,209	\$ 13,723,709	4.83
Expenses			
General government	\$ 1,887,321	\$ 1,725,786	9.36
Public safety	1,249,379	1,221,852	2.25
Highways and streets	3,482,264	2,380,136	46.31
Sanitation	785,141	698,947	12.33
Human services	3,222,665	3,197,081	0.80
Health	214,827	266,541	(19.40)
Culture and recreation	168,425	264,832	(36.40)
Conservation of natural resources	524,077	793,801	(33.98)
Economic development	227,500	41,400	449.52
Housing and redevelopment	446,010	116,000	284.49
Benson Hospital	100,000	-	100.00
Insurance	-	17,590	(100.00)
Interest and fiscal charges on long-term liabilities	27,943	81,738	(65.81)
Total Expenses	\$ 12,335,552	\$ 10,805,704	14.16
Increase (Decrease) in Net Assets Before Extraordinary Item	\$ 2,050,657	\$ 2,918,005	(29.72)
Extraordinary item	-	(459,761)	(100.00)
Increase (Decrease) in Net Assets	\$ 2,050,657	\$ 2,458,244	(16.58)
Beginning Net Assets, restated	46,714,035	44,255,791	5.55
Ending Net Assets	\$ 48,764,692	\$ 46,714,035	4.39

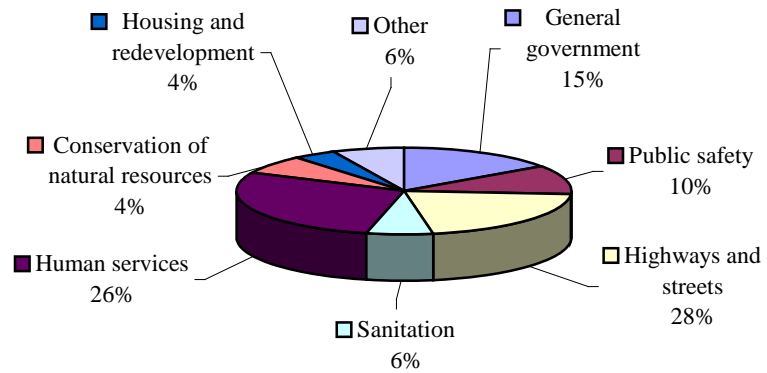
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**Figure A-3**  
Sources of County Revenues for Fiscal Year 2004



**Figure A-4**  
Sources of County Expenses During Fiscal Year 2004



Total revenues surpassed expenses, increasing net assets \$2,050,657 over last year.

The County-wide cost of all governmental activities this year was \$12,335,552.

- Some of the cost was paid by the users of the County’s programs (\$2,417,520).
- The federal and state governments subsidized certain programs with grants and contributions (\$6,406,869).
- Some of the County’s costs (\$3,511,163), however, were paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with \$4,063,353 in property taxes, \$1,373,972 of state aid, and with investment earnings and other general revenues.

Table A-5 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-5  
Governmental Activities**

	Total Cost of Services		Percent Change (%)	Net Cost of Services		Percent Change (%)
	2004	2003		2004	2003	
General government	\$ 1,887,321	\$ 1,725,786	9.36	\$ 933,549	\$ 1,065,008	(12.34)
Public safety	1,249,379	1,221,852	2.25	1,060,860	977,052	8.58
Highways and streets	3,482,264	2,380,136	46.31	(1,048,880)	(1,435,138)	26.91
Sanitation	785,141	698,947	12.33	101,070	43,618	131.72
Human services	3,222,665	3,197,081	0.80	1,403,291	1,316,514	6.59
Health	214,827	266,541	(19.40)	205,999	243,516	(15.41)
Culture and recreation	168,425	264,832	(36.40)	98,323	175,231	(43.89)
Conservation of natural resources	524,077	793,801	(33.98)	263,847	(95,781)	375.47
Economic development	227,500	41,400	449.52	7,377	41,400	(82.18)
Housing and redevelopment	446,010	116,000	284.49	357,784	116,000	208.43
Benson Hospital	100,000	-	100.00	100,000	-	100.00
Insurance	-	17,590	(100.00)	-	17,590	(100.00)
Interest and fiscal charges on long-term liabilities	27,943	81,738	(65.81)	27,943	81,738	(65.81)
<b>Total</b>	<b>\$ 12,335,552</b>	<b>\$ 10,805,704</b>	<b>14.16</b>	<b>\$ 3,511,163</b>	<b>\$ 2,546,748</b>	<b>37.87</b>

## 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 \$6,767,791.

Revenues for the County’s governmental funds were \$14,071,098, while total expenditures were \$13,774,726. During 2004, the County also made payments and transfers to a component unit, received a payment from a component unit, sold capital assets, and had proceeds from loans, which are included in other financing sources and uses.

## GENERAL FUND

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

Table A-6 presents a summary of General Fund revenues.

**Table A-6  
General Fund Revenues**

Revenues	Year Ended December 31		Change	
	2004	2003	Increase (Decrease)	Percent Change (%)
Taxes	\$ 1,918,179	\$ 1,904,260	\$ 13,919	0.73
Intergovernmental	982,782	1,066,597	(83,815)	(7.86)
Charges for services	398,653	415,304	(16,651)	(4.01)
Investment earnings	35,940	94,502	(58,562)	(61.97)
Miscellaneous and other	600,955	1,093,083	(492,128)	(45.02)
Total General Fund Revenues	<u>\$ 3,936,509</u>	<u>\$ 4,573,746</u>	<u>\$ (637,237)</u>	(13.93)

Table A-7 presents a summary of General Fund expenditures.

**Table A-7  
General Fund Expenditures**

Expenditures	Year Ended December 31		Change	
	2004	2003	Increase (Decrease)	Percent Change (%)
General government	\$ 1,837,171	\$ 1,733,366	\$ 103,805	5.99
Public safety	1,263,188	1,205,076	58,112	4.82
Health	194,962	246,676	(51,714)	(20.96)
Culture and recreation	168,425	264,832	(96,407)	(36.40)
Conservation of natural resources	291,592	236,223	55,369	23.44
Economic development	6,500	38,400	(31,900)	(83.07)
Intergovernmental	19,865	22,865	(3,000)	(13.12)
Insurance	10,397	17,590	(7,193)	(40.89)
Total Expenditures	<u>\$ 3,792,100</u>	<u>\$ 3,765,028</u>	<u>\$ 27,072</u>	0.72

For the year ended December 31, 2004, the County allocated all expenditures.

## General Fund Budgetary Highlights

- Actual revenues were \$585,475 more than expected.
- Actual expenditures were \$294,080 less than budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

By the end of 2004, the County had invested over \$50,000,000 (excluding land) in a broad range of capital assets, including buildings, machinery, vehicles, furniture, equipment, and infrastructure. (See Table A-8.) (More detailed information about capital assets can be found in Note 3 to the financial statements.) Total depreciation expense for the year was \$1,074,679.

**Table A-8  
County's Capital Assets**

	2004	2003 (Restated)	Percent Change (%)
Land	\$ 858,925	\$ 837,868	2.51
Buildings	6,323,246	6,323,246	-
Machinery, vehicles, furniture, and equipment	4,011,205	3,903,596	2.76
Infrastructure	40,840,615	40,358,940	1.19
Construction in progress	2,661,608	964,837	175.86
Less: accumulated depreciation	(13,811,178)	(12,822,537)	5.94
Total	<u>\$ 40,884,421</u>	<u>\$ 39,565,950</u>	3.33

### Debt

At year-end, the County had outstanding debt of \$860,000 versus \$1,555,000 last year, a decrease of 44.69 percent as shown in Table A-9.

**Table A-9  
County's Outstanding Debt**

	2004	2003	Percent Change (%)
Revenue bonds	\$ -	\$ 95,000	(100.00)
General obligation special assessment bonds	<u>860,000</u>	<u>1,460,000</u>	(41.10)
Total Outstanding Debt	<u>\$ 860,000</u>	<u>\$ 1,555,000</u>	(44.69)



## **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 State Legislature may decrease revenues again.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County's Administrator, John Chattin, Swift County Courthouse, 301 - 14th Street North, Benson, Minnesota 56215.

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**SWIFT COUNTY  
BENSON, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2004**

	<b>Primary Governmental Activities</b>	<b>Discretely Presented Component Units</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 2,502,620	\$ 1,627,106
Investments	3,423,691	224,597
Petty cash and change funds	2,925	-
Taxes receivable		
Prior - net	62,747	-
Special assessments receivable		
Prior - net	7,872	-
Noncurrent - net	819,599	-
Accounts receivable - net	17,987	1,356,856
Accrued interest receivable	10,402	-
Loans receivable - net	338,710	-
Due from other governments	2,725,113	-
Prepaid items	-	161,224
Inventories	56,951	133,277
Restricted assets		
Cash and pooled investments	-	731,646
Capital assets		
Non-depreciable	3,520,533	41,744
Depreciable - net of accumulated depreciation	37,363,888	5,853,114
	<b>\$ 50,853,038</b>	<b>\$ 10,129,564</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 202,364	\$ 436,464
Salaries payable	170,382	-
Accrued payroll taxes	21,860	-
Contracts payable	97,948	-
Due to other governments	42,077	-
Accrued interest payable	13,898	-
Unearned revenue	24,540	-
Long-term liabilities		
Due within one year	268,295	407,748
Due in more than one year	1,246,982	3,807,285
	<b>\$ 2,088,346</b>	<b>\$ 4,651,497</b>
<b><u>Net Assets</u></b>		
Invested in capital assets - net of related debt	\$ 40,452,421	\$ 2,112,536
Restricted for		
Public safety	76,250	-
Economic development	125,265	-
Debt service	7,675	-
Unrestricted	8,103,081	3,365,531
	<b>\$ 48,764,692</b>	<b>\$ 5,478,067</b>

**SWIFT COUNTY  
BENSON, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Expenses	Fees, Charges, Fines, and Other
<b>Functions/Programs</b>		
<b>Primary government</b>		
<b>Governmental activities</b>		
General government	\$ 1,887,321	\$ 899,234
Public safety	1,249,379	96,771
Highways and streets	3,482,264	162,318
Sanitation	785,141	684,071
Human services	3,222,665	106,005
Health	214,827	-
Culture and recreation	168,425	-
Conservation of natural resources	524,077	160,772
Economic development	227,500	220,123
Housing and redevelopment	446,010	88,226
Benson Hospital	100,000	-
Interest and fiscal charges	27,943	-
	<b>\$ 12,335,552</b>	<b>\$ 2,417,520</b>
<b>Total primary government</b>		
<b>Component units</b>		
Swift County Housing and Redevelopment Authority	\$ 2,599,114	\$ 1,546,927
Swift County-Benson Hospital	7,715,469	7,724,525
	<b>\$ 10,314,583</b>	<b>\$ 9,271,452</b>
	<b>Total component units</b>	

**General Revenues**

Property taxes, levied for general purposes  
 Grants and contributions not restricted to specific programs  
 Payments in lieu of tax  
 Investment earnings  
 Miscellaneous

**Total general revenues**

**Change in net assets**

**Net Assets - Beginning, as restated (Note 1.E.)**

**Net Assets - Ending**



**EXHIBIT 2**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>	
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Government Governmental Activities</b>	<b>Discretely Presented Component Units</b>
\$ 46,338	\$ 8,200	\$ (933,549)	
77,705	14,043	(1,060,860)	
2,935,153	1,433,673	1,048,880	
-	-	(101,070)	
1,713,369	-	(1,403,291)	
8,828	-	(205,999)	
64,375	5,727	(98,323)	
99,458	-	(263,847)	
-	-	(7,377)	
-	-	(357,784)	
-	-	(100,000)	
-	-	(27,943)	
<b>\$ 4,945,226</b>	<b>\$ 1,461,643</b>	<b>\$ (3,511,163)</b>	
\$ 576,501	\$ -		\$ (475,686)
-	155,754		164,810
<b>\$ 576,501</b>	<b>\$ 155,754</b>		<b>\$ (310,876)</b>
		\$ 4,063,353	\$ -
		1,373,972	-
		44,131	-
		80,364	30,943
		-	2,038
		<b>\$ 5,561,820</b>	<b>\$ 32,981</b>
		<b>\$ 2,050,657</b>	<b>\$ (277,895)</b>
		<b>46,714,035</b>	<b>5,755,962</b>
		<b>\$ 48,764,692</b>	<b>\$ 5,478,067</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**SWIFT COUNTY  
BENSON, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	<b>General</b>	<b>Road and Bridge</b>
<u>Assets</u>		
Cash and pooled investments	\$ -	\$ 635,939
Investments	1,806,345	557,762
Petty cash and change funds	1,800	100
Taxes receivable		
Prior	29,463	13,187
Special assessments receivable		
Prior	-	-
Noncurrent	-	-
Accounts receivable	5,837	9,649
Accrued interest receivable	6,680	465
Loans receivable - net	-	-
Due from other funds	566	-
Due from other governments	32,657	2,454,401
Inventories	-	56,951
	<u>1,883,348</u>	<u>3,728,454</u>
<b>Total Assets</b>	<b>\$ 1,883,348</b>	<b>\$ 3,728,454</b>

**EXHIBIT 3**

<u>Welfare</u>	<u>Solid Waste</u>	<u>Ditch</u>	<u>Revolving Loan</u>	<u>Total</u>
\$ 586,270	\$ 642,177	\$ 714,571	\$ 125,831	\$ 2,704,788
1,059,584	-	-	-	3,423,691
25	1,000	-	-	2,925
19,469	1,262	-	-	63,381
-	7,266	686	-	7,952
-	-	819,599	-	819,599
2,501	-	-	-	17,987
3,257	-	-	-	10,402
-	-	-	338,710	338,710
-	-	-	-	566
208,806	3,385	25,864	-	2,725,113
-	-	-	-	56,951
<u>\$ 1,879,912</u>	<u>\$ 655,090</u>	<u>\$ 1,560,720</u>	<u>\$ 464,541</u>	<u>\$ 10,172,065</u>

**SWIFT COUNTY  
BENSON, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Cash overdraft	\$ 202,168	\$ -
Accounts payable	58,625	26,839
Salaries payable	71,026	41,497
Accrued payroll taxes	9,243	5,291
Contracts payable	-	97,948
Due to other funds	-	-
Due to other governments	18,260	4,016
Deferred revenue - unavailable	19,423	1,421,271
Deferred revenue - unearned	-	-
	<b>\$ 378,745</b>	<b>\$ 1,596,862</b>
<b>Fund Balances</b>		
Reserved for		
Inventories	\$ -	\$ 56,951
Future loans	-	-
Construction	-	7,675
Missing heirs	132,702	-
Enhanced 911	76,250	-
Unreserved		
Designated for debt service	-	-
Designated for cash flows	-	553,175
Designated for insurance contingencies	45,651	-
Designated for workers' compensation	100,000	-
Designated for health care	1,000,000	-
Designated for soil survey update	100,000	-
Designated for severance pay	50,000	50,000
Undesignated	-	1,463,791
	<b>\$ 1,504,603</b>	<b>\$ 2,131,592</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,883,348</b>	<b>\$ 3,728,454</b>



**EXHIBIT 3**  
**(Continued)**

<u>Welfare</u>	<u>Solid Waste</u>	<u>Ditch</u>	<u>Revolving Loan</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 202,168
95,326	21,493	81	-	202,364
48,814	9,045	-	-	170,382
6,173	1,153	-	-	21,860
-	-	-	-	97,948
-	-	-	566	566
18,009	1,792	-	-	42,077
12,976	7,235	842,754	338,710	2,642,369
-	24,540	-	-	24,540
<b>\$ 181,298</b>	<b>\$ 65,258</b>	<b>\$ 842,835</b>	<b>\$ 339,276</b>	<b>\$ 3,404,274</b>
\$ -	\$ -	\$ -	\$ -	\$ 56,951
-	-	-	125,265	125,265
-	-	-	-	7,675
-	-	-	-	132,702
-	-	-	-	76,250
-	-	31,312	-	31,312
831,920	50,000	-	-	1,435,095
-	-	-	-	45,651
-	-	-	-	100,000
-	-	-	-	1,000,000
-	-	-	-	100,000
50,000	-	-	-	150,000
816,694	539,832	686,573	-	3,506,890
<b>\$ 1,698,614</b>	<b>\$ 589,832</b>	<b>\$ 717,885</b>	<b>\$ 125,265</b>	<b>\$ 6,767,791</b>
<b>\$ 1,879,912</b>	<b>\$ 655,090</b>	<b>\$ 1,560,720</b>	<b>\$ 464,541</b>	<b>\$ 10,172,065</b>

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**SWIFT COUNTY  
BENSON, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2004**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>6,767,791</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
An allowance for estimated uncollectible taxes and special assessments receivable has been set up in the statement of net assets.		(714)
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		40,884,421
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,642,369
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Special assessment bonds	\$ (860,000)	
Loans payable	(53,877)	
Compensated absences	(601,400)	
Accrued interest payable	(13,898)	
		(1,529,175)
<b>Net assets of governmental activities (Exhibit 1)</b>	<b>\$</b>	<b><u>48,764,692</u></b>

**SWIFT COUNTY  
BENSON, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 1,918,179	\$ 845,402
Special assessments	-	-
Licenses and permits	4,678	-
Intergovernmental	982,782	4,443,501
Charges for services	398,653	130,859
Fines and forfeits	450	-
Investment earnings	35,940	12,806
Miscellaneous	595,827	31,459
	<b>\$ 3,936,509</b>	<b>\$ 5,464,027</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 1,837,171	\$ -
Public safety	1,263,188	-
Highways and streets	-	4,593,746
Sanitation	-	-
Human services	-	-
Health	194,962	-
Culture and recreation	168,425	-
Conservation of natural resources	291,592	-
Economic development	6,500	-
Unallocated - insurance	10,397	-
<b>Intergovernmental</b>		
Highways and streets	-	276,822
Health	19,865	-
<b>Debt service</b>		
Principal retirement	-	-
Interest	-	-
	<b>\$ 3,792,100</b>	<b>\$ 4,870,568</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 144,409</b>	<b>\$ 593,459</b>
<b>Other Financing Sources (Uses)</b>		
Payment from component unit	\$ 88,226	\$ -
Payment to component unit	(446,010)	-
Transfers to component unit	(100,000)	-
Proceeds from loans	-	-
Proceeds from sale of capital assets	5,376	-
	<b>\$ (452,408)</b>	<b>\$ -</b>
<b>Net Change in Fund Balances</b>	<b>\$ (307,999)</b>	<b>\$ 593,459</b>
<b>Fund Balances - January 1</b>	<b>1,812,602</b>	<b>1,537,378</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>755</b>
<b>Fund Balances - December 31</b>	<b>\$ 1,504,603</b>	<b>\$ 2,131,592</b>

**EXHIBIT 5**

<u>Welfare</u>	<u>Solid Waste</u>	<u>Ditch</u>	<u>Revolving Loan</u>	<u>Total</u>
\$ 1,242,759	\$ 76,625	\$ -	\$ -	\$ 4,082,965
-	131,496	346,726	-	478,222
-	-	-	-	4,678
2,081,027	73,080	-	-	7,580,390
96,436	400,533	-	-	1,026,481
-	-	-	-	450
15,354	-	4,544	11,720	80,364
9,569	153,103	331	27,259	817,548
<b>\$ 3,445,145</b>	<b>\$ 834,837</b>	<b>\$ 351,601</b>	<b>\$ 38,979</b>	<b>\$ 14,071,098</b>
\$ -	\$ -	\$ -	\$ -	\$ 1,837,171
-	-	-	-	1,263,188
-	-	-	-	4,593,746
-	758,265	-	-	758,265
3,167,748	-	-	-	3,167,748
-	-	-	-	194,962
-	-	-	-	168,425
-	-	226,508	-	518,100
-	-	-	221,000	227,500
-	-	-	-	10,397
-	-	-	-	276,822
-	-	-	-	19,865
-	95,000	600,000	-	695,000
-	4,655	38,882	-	43,537
<b>\$ 3,167,748</b>	<b>\$ 857,920</b>	<b>\$ 865,390</b>	<b>\$ 221,000</b>	<b>\$ 13,774,726</b>
<b>\$ 277,397</b>	<b>\$ (23,083)</b>	<b>\$ (513,789)</b>	<b>\$ (182,021)</b>	<b>\$ 296,372</b>
\$ -	\$ -	\$ -	\$ -	\$ 88,226
-	-	-	-	(446,010)
-	-	-	-	(100,000)
-	53,877	-	-	53,877
-	-	-	-	5,376
<b>\$ -</b>	<b>\$ 53,877</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (398,531)</b>
<b>\$ 277,397</b>	<b>\$ 30,794</b>	<b>\$ (513,789)</b>	<b>\$ (182,021)</b>	<b>\$ (102,159)</b>
<b>1,421,217</b>	<b>559,038</b>	<b>1,231,674</b>	<b>307,286</b>	<b>6,869,195</b>
<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>755</b>
<b>\$ 1,698,614</b>	<b>\$ 589,832</b>	<b>\$ 717,885</b>	<b>\$ 125,265</b>	<b>\$ 6,767,791</b>

**SWIFT COUNTY  
BENSON, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ (102,159)**

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

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenues between the fund statements and the statement of activities is the increase (decrease) in revenues deferred as unavailable.

Deferred revenue - December 31	\$ 2,642,369	
Deferred revenue - January 1	<u>(2,415,640)</u>	226,729

Taxes receivable are reported net of an allowance for uncollectible taxes on the statement of net assets. The change in the allowance is an adjustment.

Allowance for uncollectible taxes - January 1	\$ 870	
Allowance for uncollectible taxes - December 31	<u>(714)</u>	156

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 assets differs from the change in fund balance by the net book value of the assets.

Expenditures for general capital assets and infrastructure	\$ 2,401,221	
Net book value of assets disposed of	(8,071)	
Current year depreciation	<u>(1,074,679)</u>	1,318,471

Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. (53,877)

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

Principal payment on revenue bonds	\$ 95,000	
Principal payment on special assessment bonds	<u>600,000</u>	695,000

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	\$ 15,594	
Change in compensated absences	(50,012)	
Change in inventories	<u>755</u>	<u>(33,663)</u>

**Change in net assets of governmental activities (Exhibit 2) \$ 2,050,657**

**FIDUCIARY FUNDS**

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**SWIFT COUNTY  
BENSON, MINNESOTA**

***EXHIBIT 7***

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2004**

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and investments	\$ 574,377
Due from other governments	<u>170,128</u>
<b>Total Assets</b>	<b><u>\$ 744,505</u></b>
<u>Liabilities</u>	
Accounts payable	\$ 170,128
Due to other governments	<u>574,377</u>
<b>Total Liabilities</b>	<b><u>\$ 744,505</u></b>

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**DISCRETELY PRESENTED COMPONENT UNITS**

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**SWIFT COUNTY  
BENSON, MINNESOTA**

**EXHIBIT 8**

**COMBINING STATEMENT OF NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2004,  
AND JUNE 30, 2004, FOR THE HRA COMPONENT UNIT**

	<b>Swift County Housing and Redevelopment Authority</b>	<b>Swift County-Benson Hospital</b>	<b>Total</b>
<b><u>Assets</u></b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 494,345	\$ 1,132,761	\$ 1,627,106
Investments	-	224,597	224,597
Accounts receivable - net	6,678	1,350,178	1,356,856
Prepaid items	-	161,224	161,224
Inventories	-	133,277	133,277
<b>Total current assets</b>	<b>\$ 501,023</b>	<b>\$ 3,002,037</b>	<b>\$ 3,503,060</b>
<b>Restricted assets</b>			
Cash and pooled investments	\$ -	\$ 731,646	\$ 731,646
<b>Noncurrent assets</b>			
<b>Capital assets</b>			
Nondepreciable	\$ 25,000	\$ 16,744	\$ 41,744
Depreciable - net	2,207,214	3,645,900	5,853,114
<b>Total noncurrent assets</b>	<b>\$ 2,232,214</b>	<b>\$ 3,662,644</b>	<b>\$ 5,894,858</b>
<b>Total Assets</b>	<b>\$ 2,733,237</b>	<b>\$ 7,396,327</b>	<b>\$ 10,129,564</b>
<b><u>Liabilities</u></b>			
<b>Current liabilities</b>			
Accounts payable	\$ 1,736	\$ 434,728	\$ 436,464
Accrued expenses	-	318,497	318,497
Compensated absences payable - current	4,806	-	4,806
Capital notes payable - current	-	26,760	26,760
Capital leases payable - current	-	23,878	23,878
Other current liabilities	33,807	-	33,807
<b>Total current liabilities</b>	<b>\$ 40,349</b>	<b>\$ 803,863</b>	<b>\$ 844,212</b>
<b>Noncurrent liabilities</b>			
Capital notes payable - long-term	\$ -	\$ 1,439,308	\$ 1,439,308
Capital leases payable - long-term	-	60,162	60,162
Other noncurrent liabilities	2,307,815	-	2,307,815
<b>Total noncurrent liabilities</b>	<b>\$ 2,307,815</b>	<b>\$ 1,499,470</b>	<b>\$ 3,807,285</b>
<b>Total Liabilities</b>	<b>\$ 2,348,164</b>	<b>\$ 2,303,333</b>	<b>\$ 4,651,497</b>
<b><u>Net Assets</u></b>			
Invested in capital assets - net of related debt	\$ -	\$ 2,112,536	\$ 2,112,536
Unrestricted net assets	385,073	2,980,458	3,365,531
<b>Total Net Assets</b>	<b>\$ 385,073</b>	<b>\$ 5,092,994</b>	<b>\$ 5,478,067</b>

**SWIFT COUNTY  
BENSON, MINNESOTA**

**COMBINING STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
FOR THE YEAR ENDED DECEMBER 31, 2004,  
AND FOR THE YEAR ENDED JUNE 30, 2004, FOR THE HRA COMPONENT UNIT**

	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>
<b>Component units</b>		
Housing and Redevelopment Authority	\$ 2,599,114	\$ 1,546,927
Swift County-Benson Hospital	7,715,469	7,724,525
<b>Total Component Units</b>	<b>\$ 10,314,583</b>	<b>\$ 9,271,452</b>
	<b>General Revenues</b>	
	Investment earnings	
	Miscellaneous	
	<b>Total general revenues</b>	
	<b>Change in net assets</b>	
	<b>Net Assets - Beginning, as restated (Note 6.B.)</b>	
	<b>Net Assets - Ending</b>	

**EXHIBIT 9**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>		
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Housing and Redevelopment Authority</b>	<b>Swift County-Benson Hospital</b>	<b>Total</b>
\$ 576,501	\$ -	\$ (475,686)	\$ -	\$ (475,686)
-	155,754	-	164,810	164,810
<b>\$ 576,501</b>	<b>\$ 155,754</b>	<b>\$ (475,686)</b>	<b>\$ 164,810</b>	<b>\$ (310,876)</b>
		\$ 4,756	\$ 26,187	\$ 30,943
		-	2,038	2,038
		<b>\$ 4,756</b>	<b>\$ 28,225</b>	<b>\$ 32,981</b>
		\$ (470,930)	\$ 193,035	\$ (277,895)
		<b>856,003</b>	<b>4,899,959</b>	<b>5,755,962</b>
		<b>\$ 385,073</b>	<b>\$ 5,092,994</b>	<b>\$ 5,478,067</b>

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**SWIFT COUNTY  
BENSON, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2004. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Swift County was established February 15, 1870, and has the powers, duties, and privileges granted counties by Minn. Stat. 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 vice chair elected at the annual meeting in January of each year. The County Auditor, who is elected on a County-wide basis, 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, account groups, 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. GASB has set forth criteria to be considered in determining financial 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 (the primary government) and its component units for which the County is financially accountable.

**SWIFT COUNTY  
BENSON, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

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

The 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. 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 related to the General Obligation Tax Increment Bonds of 1995. See Note 6 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.

**SWIFT COUNTY  
BENSON, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Other Organizations

The County participates in joint ventures which are described in Note 8. Jointly-governed organizations are identified in Note 9, and a related organization is identified in Note 10.

B. Basic Financial Statements

1. Government-Wide Statements

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

In the government-wide statement of net assets, the governmental activities 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 assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expense of each function of the County's governmental activities is offset by program revenues. Direct expenses are those 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 restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

**SWIFT COUNTY  
BENSON, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

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

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

The Welfare Special Revenue Fund is used to account for economic assistance and community social services programs.

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

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

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

Additionally, the County reports the following fiduciary fund type:

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 agent capacity.

**SWIFT COUNTY  
BENSON, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Swift County considers all revenues to be available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on 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.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2004, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2004 were \$64,375.

**SWIFT COUNTY  
BENSON, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

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

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

2. 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” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

**SWIFT COUNTY  
BENSON, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

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

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.

3. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed.

4. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, applicable laws and regulations limit their use.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, and similar items), are reported in the County government-wide financial statements. 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 or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**SWIFT COUNTY  
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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	100
Public domain infrastructure	50 - 75
Furniture, equipment, and vehicles	4 - 10

6. Compensated Absences

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

7. Deferred Revenue

All County funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period.



**SWIFT COUNTY  
BENSON, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

8. 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 statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as an other financing source. 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.

9. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans subject to change.

10. 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.

**SWIFT COUNTY  
BENSON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

E. Prior Period Adjustment

Governmental Activities

Net assets for governmental activities at January 1, 2004, have been restated. The restatement is as follows:

Net Assets, as previously reported	\$	46,500,035
Correction of an error in the determination of accumulated depreciation		214,000
Net Assets, as restated	\$	46,714,035

Component Units

Net assets for the HRA discretely presented component unit were also restated for corrections to capital assets and depreciation schedules.

	Housing and Redevelopment Authority	Swift County-Benson Hospital	Total Component Units
Net Assets, as previously reported	\$ 663,922	\$ 4,899,959	\$ 5,563,881
Restatement	192,081	-	192,081
Net Assets, restated	\$ 856,003	\$ 4,899,959	\$ 5,755,962

2. Stewardship, Compliance, and Accountability

Deficit Fund Equity

Seventeen of 56 drainage systems of the Ditch Special Revenue Fund have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the unreserved, undesignated fund balance as of December 31, 2004:

Account balances	\$	897,158
Account deficits		(179,273)
Fund Balance	\$	717,885

**SWIFT COUNTY  
BENSON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County's total cash and investments are reported as follows:

Governmental funds		
Cash and pooled investments	\$	2,704,788
Investments		3,423,691
Petty cash and change funds		2,925
Cash overdraft		(202,168)
Fiduciary funds		
Agency funds		
Cash and pooled investments		574,377
Total Cash and Investments	\$	6,503,613

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the County Treasurer. At December 31, 2004, the carrying amount of the County's deposits totaled \$3,329,482. The bank balance deposit amount was \$5,046,163. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

Following is a summary of the deposits covered by insurance or collateral at December 31, 2004.

	Bank Balance
Covered Deposits	
Insured, or collateralized with securities held by the County or its agent in the County's name	\$ 310,011
Collateralized with securities held by the pledging financial institution's agent in the County's name	3,275,864
Total covered deposits	\$ 3,585,875
Uncollateralized	1,460,288
Total	\$ 5,046,163

**SWIFT COUNTY  
BENSON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Three levels of custodial credit risk for securities are defined by generally accepted accounting principles:

- (1) securities that are insured or registered, or for which the securities are held by the County or its agent in the County's name;
- (2) securities that are uninsured and unregistered and are held by the counterparty's trust department or agent in the County's name; and
- (3) securities that are uninsured and unregistered and are held by the counterparty, or by its trust department or agent, but not in the County's name.

Following is a summary of the fair values of the County's investments, categorized into the aforementioned levels of risk, at December 31, 2004:

	Category			Fair Value
	1	2	3	
U.S. government securities	\$ -	\$ -	\$ 1,702,431	\$ 1,702,431
Negotiable certificates of deposit	-	-	193,770	193,770
Total Investments	\$ -	\$ -	\$ 1,896,201	\$ 1,896,201
Add				
Savings accounts				3,197,797
Mutual funds				1,275,005
Certificate of deposit				100,000
Checking accounts				31,685
Petty cash and change funds				2,925
Total Cash and Investments				\$ 6,503,613

**SWIFT COUNTY  
BENSON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2004, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental funds		
Receivables		
Taxes	\$ 63,381	\$ -
Special assessments	827,551	356,804
Accounts	17,987	-
Interest	10,402	-
Loans	357,699	324,130
Due from other governments	2,725,113	-
Total gross receivables	\$ 4,002,133	\$ 680,934
Less: allowance for uncollectibles	(19,703)	(19,703)
Total Net Receivables	\$ 3,982,430	\$ 661,231

3. Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

	Beginning Balance (as Restated)	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 837,868	\$ 21,057	\$ -	\$ 858,925
Construction in progress	964,837	1,733,900	37,129	2,661,608
Total capital assets not depreciated	\$ 1,802,705	\$ 1,754,957	\$ 37,129	\$ 3,520,533
Capital assets depreciated				
Buildings	\$ 6,323,246	\$ -	\$ -	\$ 6,323,246
Machinery, vehicles, furniture, and equipment	3,903,596	201,718	94,109	4,011,205
Infrastructure	40,358,940	481,675	-	40,840,615
Total capital assets depreciated	\$ 50,585,782	\$ 683,393	\$ 94,109	\$ 51,175,066

**SWIFT COUNTY  
BENSON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance (as Restated)	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 2,501,050	\$ 37,718	\$ -	\$ 2,538,768
Machinery, vehicles, furniture, and equipment	2,644,301	280,891	86,038	2,839,154
Infrastructure	7,677,186	756,070	-	8,433,256
Total accumulated depreciation	\$ 12,822,537	\$ 1,074,679	\$ 86,038	\$ 13,811,178
Total capital assets depreciated, net	\$ 37,763,245	\$ (391,286)	\$ 8,071	\$ 37,363,888
Governmental Activities Capital Assets, Net	\$ 39,565,950	\$ 1,363,671	\$ 45,200	\$ 40,884,421

As previously discussed in Note 1.E., there was a restatement of prior year accumulated depreciation. Excessive depreciation, in the amount of \$214,000, had been taken on buildings, and a prior period adjustment was recorded to restore the balance of accumulated depreciation to the proper amount.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 33,107
Public safety	30,244
Highways and streets, including depreciation of infrastructure assets	970,666
Sanitation	26,876
Human services	7,809
Conservation of natural resources	5,977
Total Depreciation Expense - Governmental Activities	\$ 1,074,679

**SWIFT COUNTY  
BENSON, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2004, is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Revolving Loan Fund	<u>\$ 566</u>

C. Liabilities

1. Payables

Payables at December 31, 2004, were as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>
Accounts	\$ 202,364	\$ 170,128
Salaries	170,382	-
Accrued payroll taxes	21,860	-
Contracts	97,948	-
Due to other governments	<u>42,077</u>	<u>574,377</u>
Total Payables	<u>\$ 534,631</u>	<u>\$ 744,505</u>

2. Long-Term Debt

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2004</u>
General Obligation Special Assessment Bonds					
1997 Drainage Bonds	2013	\$35,000 - \$40,000	4.00 - 5.10	\$ 580,000	\$ 355,000
2002 Refunding Bonds	2010	\$80,000 - \$90,000	2.75 - 3.75	<u>505,000</u>	<u>505,000</u>
Total General Obligation Special Assessment Bonds				<u>\$ 1,085,000</u>	<u>\$ 860,000</u>

**SWIFT COUNTY  
BENSON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2004
Loans Payable Chippewa River Watershed Continuation Clean Water Project	2015	\$3,070 - \$7,023	2.00	\$ 53,877	\$ 53,877

The special assessment bonds are paid from the Ditch Special Revenue Fund. The loan will be paid from the Solid Waste Special Revenue Fund.

3. Debt Service Requirements

Debt service requirements at December 31, 2004, were as follows:

Year Ending December 31	General Obligation Special Assessment Bonds		Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 125,000	\$ 31,312	\$ -	\$ -	\$ 125,000	\$ 31,312
2006	125,000	27,171	-	-	125,000	27,171
2007	125,000	22,848	3,070	676	128,070	23,524
2008	125,000	18,271	6,233	1,259	131,233	19,530
2009	120,000	13,530	6,358	1,134	126,358	14,664
2010 - 2014	240,000	17,810	33,758	3,703	273,758	21,513
2015	-	-	4,458	182	4,458	182
Total	\$ 860,000	\$ 130,942	\$ 53,877	\$ 6,954	\$ 913,877	\$ 137,896



**SWIFT COUNTY  
BENSON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
Revenue bonds	\$ 95,000	\$ -	\$ 95,000	\$ -	\$ -
General obligation special assessment bonds	<u>1,460,000</u>	<u>-</u>	<u>600,000</u>	<u>860,000</u>	<u>125,000</u>
Total bonds payable	\$ 1,555,000	\$ -	\$ 695,000	\$ 860,000	\$ 125,000
Loans payable	-	53,877	-	53,877	-
Compensated absences	<u>551,388</u>	<u>334,362</u>	<u>284,350</u>	<u>601,400</u>	<u>143,295</u>
Governmental Activity Long-Term Liabilities	<u>\$ 2,106,388</u>	<u>\$ 388,239</u>	<u>\$ 979,350</u>	<u>\$ 1,515,277</u>	<u>\$ 268,295</u>

4. Employee Retirement Systems and Pension Plans

A. Plan Description

All full-time and certain part-time employees of Swift County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution and have direct contact with inmates are covered by the Public Employees Correctional Fund.

**SWIFT COUNTY  
BENSON, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

The 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 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 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 year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each successive 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 Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all PERA members whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equals 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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 yet receiving them are bound by the provisions in effect at the time they last terminated public service.

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the web at [mnpera.org](http://mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

**SWIFT COUNTY  
BENSON, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans (Continued)

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from investment of fund assets. Minn. Stat. ch. 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. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 6.20 percent of their annual covered salary. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll:

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	5.53
Public Employees Police and Fire Fund	9.30
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2004, 2003, and 2002, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2004	\$ 167,192	\$ 28,134	\$ 29,981
2003	163,858	27,328	31,582
2002	160,126	29,773	29,484

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

**SWIFT COUNTY  
BENSON, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

A. 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 the 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. The MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$720,000 per claim in 2004 and \$760,000 per claim in 2005. Should the MCIT Workers' Compensation Division liabilities exceed assets, the MCIT may assess the County in a method and amount to be determined by the MCIT.

The Property and Casualty Division of the 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, the MCIT may assess the County in a method and amount to be determined by the MCIT.

B. Contingent Liabilities

Amounts received or receivable from grantor 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.

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

**SWIFT COUNTY  
BENSON, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items (Continued)

C. Bond Issue

In the event that tax increments collected by the Swift County Housing and Redevelopment Authority (HRA) were not sufficient to make the required debt service payments related to the General Obligation Tax Increment Bonds of 1995, the County was liable for the remaining obligation. As of December 31, 2004, the bonds have been fully defeased.

During 2004, the County paid \$446,010 to the HRA, allowing the bonds to be retired early. Future HRA tax increment collections will be submitted to the County to partially reimburse the County.

6. Swift County Housing and Redevelopment Authority

A. 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, 2004.

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.

B. Prior Period Adjustment

Net assets at July 1, 2003, have been restated. The restatement is as follows:

Net Assets, as previously reported	\$ 663,922
Corrections to capital asset and accumulated depreciation schedules	<u>192,081</u>
Net Assets, as restated	<u>\$ 856,003</u>

C. Deposits and Investments

1. 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

**SWIFT COUNTY  
BENSON, MINNESOTA**

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6. Swift County Housing and Redevelopment Authority

C. Deposits and Investments

1. Deposits (Continued)

and credit of the United States, obligations of government agencies, securities of government-sponsored agencies, demand and savings deposits, time deposits, and repurchase agreements.

At June 30, 2004, the HRA had cash deposits in regular checking accounts and savings accounts in the amount of \$542,957.

Minnesota statutes and HUD regulations require that all deposits with financial institutions be covered by insurance or collateral.

Following is a summary of the deposits covered by insurance or collateral at June 30, 2004:

Insured or collateralized with securities held by the HRA or its agent in the HRA's name	\$ 542,957
Collateralized with securities held by the pledging financial institution's trust department or agent in the HRA's name	<u>-</u>
Total Deposits	<u>\$ 542,957</u>

2. Investments

At June 30, 2004, there were no investments.

D. 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.

**SWIFT COUNTY  
BENSON, MINNESOTA**

6. Swift County Housing and Redevelopment Authority (Continued)

E. Capital Assets

Capital asset activity for the year ended June 30, 2004, was as follows:

	Prior	Additions	Adjustments/ Deletions	Ending
Capital assets not depreciated				
Land	\$ -	\$ 25,000	\$ -	\$ 25,000
Construction in progress	2,246,708	-	(2,246,708)	-
Total capital assets not depreciated	\$ 2,246,708	\$ 25,000	\$ (2,246,708)	\$ 25,000
Capital assets depreciated				
Buildings	\$ -	\$ 2,373,000	\$ -	\$ 2,373,000
Equipment and other	2,930	-	-	2,930
Total capital assets depreciated	\$ 2,930	\$ 2,373,000	\$ -	\$ 2,375,930
Less: accumulated depreciation for				
Buildings	\$ -	\$ 79,099	\$ (86,687)	\$ 165,716
Equipment and other	2,930	-	-	2,930
Total accumulated depreciation	\$ 2,930	\$ 79,099	\$ (86,687)	\$ 168,716
Total capital assets depreciated, net	\$ -	\$ 2,293,901	\$ (86,687)	\$ 2,207,214
Capital Assets, Net	\$ 2,246,708	\$ 2,318,901	\$ (2,333,395)	\$ 2,232,214

F. Long-Term Debt

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

Bonds	Maturity	Interest Rate	June 30, 2004
Essential Function Housing Redevelopment Revenue Bonds	2033	5.0%	\$ 2,341,622

**SWIFT COUNTY  
BENSON, MINNESOTA**

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6. Swift County Housing and Redevelopment Authority

F. Long-Term Debt (Continued)

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

<u>Year Ended December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 36,659	\$ 116,249	\$ 152,908
2006	38,535	114,373	152,908
2007	40,506	112,402	152,908
2008	42,579	110,329	152,908
2009	44,747	108,161	152,908
2010 - 2014	260,578	503,962	764,540
2015 - 2019	334,402	430,138	764,540
2020 - 2024	429,157	335,383	764,540
2025 - 2029	550,763	213,777	764,540
2030 - 2033	563,696	60,670	624,366
Total	<u>\$ 2,341,622</u>	<u>\$ 2,105,444</u>	<u>\$ 4,447,066</u>

G. Compensated Absences Payable

Changes in compensated absences payable for the period ended June 30, 2004, is summarized below:

Balance - June 30, 2003	\$ 4,013
Net changes	<u>793</u>
Balance - June 30, 2004	<u>\$ 4,806</u>

H. 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.



**SWIFT COUNTY  
BENSON, MINNESOTA**

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6. Swift County Housing and Redevelopment Authority (Continued)

I. 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.

J. Tax Increment Districts

The HRA administers the tax increment activities of Swift County. Those transactions are recorded in the HRA's "Housing Fund." The General Obligation Tax Increment Bonds of 1995 were an obligation of the County in the event that tax increments collected by the HRA were not sufficient to make the required debt service payments related to the bonds. The remaining balance of these bonds was defeased in 2004.

K. Retirement Plan

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

	<u>2004</u>
Total wages	\$ 40,910
Total eligible wages	31,200
Employer contribution	1,872
Employee contribution	1,248

**SWIFT COUNTY  
BENSON, MINNESOTA**

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7. Swift County-Benson Hospital

A. 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. In accordance with Governmental Accounting Standards Board (GASB) Statement 20, the Hospital has elected not to apply the Financial Accounting Standards Board statements and interpretations issued after November 30, 1989.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposit accounts, and savings accounts.

Accounts Receivable

Accounts receivable for the Hospital are shown net of an allowance of \$128,650 for uncollectible accounts and contractual adjustments.

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 assets held by the bank for use in an ongoing construction project.

**SWIFT COUNTY  
BENSON, MINNESOTA**

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7. Swift County-Benson Hospital

A. Summary of Significant Accounting Policies (Continued)

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 \$2,000 are capitalized and depreciated over the life of the asset. Capital expenditures less than \$2,000 are expensed when incurred.

Net Assets

Net assets of the Hospital are classified in three components. Net assets invested in capital assets, net of related debt, consist 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 assets are noncapital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. Unrestricted net assets are the remaining net assets that do not meet the definition of invested in capital assets, net of related debt or restricted net assets.

Net Patient Service Revenues

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

A summary of gross and net patient service revenues for the year ended December 31, 2004, is as follows:

Gross patient service revenues	\$ 11,874,957
Less: provisions for revenue adjustments under third-party reimbursement programs	<u>(4,625,065)</u>
Net Patient Service Revenues	<u>\$ 7,249,892</u>

**SWIFT COUNTY  
BENSON, MINNESOTA**

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7. Swift County-Benson Hospital

A. Summary of Significant Accounting Policies (Continued)

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.

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 collection 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 \$22,281 in 2004.

B. 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 pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described in Note 1.D.1. as well as certain first mortgage notes and certain other state or local government obligations. 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.

**SWIFT COUNTY  
BENSON, MINNESOTA**

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7. Swift County-Benson Hospital

B. Deposits and Investments (Continued)

As of December 31, 2004, 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, except for deposits totaling \$39,911. At December 31, 2004, the Hospital had bank balances as follows:

Insured (FDIC) or collateralized by securities held by the pledging financial institution in the Hospital's name	\$ 1,841,145
Uninsured, uncollateralized	<u>39,911</u>
Total	<u>\$ 1,881,056</u>

The carrying amounts of deposits are included in the Hospital's balance sheet as follows:

Cash and cash equivalents	\$ 1,132,761
Noncurrent cash and investments Internally designated for capital improvements	<u>731,646</u>
Total Deposits and Investments	<u>\$ 1,864,407</u>

C. Capital Assets

A summary of the property and equipment at December 31, 2004, follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 16,744	\$ -	\$ -	\$ 16,744
Capital assets depreciated				
Buildings and fixed equipment	\$ 4,184,839	\$ 194,826	\$ 23,207	\$ 4,356,458
Movable equipment and ambulances	2,136,603	202,687	98,089	2,241,201
Land improvements	<u>99,151</u>	<u>38,111</u>	<u>-</u>	<u>137,262</u>
Total capital assets depreciated	<u>\$ 6,420,593</u>	<u>\$ 435,624</u>	<u>\$ 121,296</u>	<u>\$ 6,734,921</u>

**SWIFT COUNTY  
BENSON, MINNESOTA**

7. Swift County-Benson Hospital

C. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings and fixed equipment	\$ 1,681,315	\$ 204,565	\$ 20,491	\$ 1,865,389
Movable equipment and ambulances	1,027,168	257,976	93,343	1,191,801
Land improvements	24,363	7,468	-	31,831
Total accumulated depreciation	\$ 2,732,846	\$ 470,009	\$ 113,834	\$ 3,089,021
Total capital assets depreciated, net	\$ 3,687,747	\$ (34,385)	\$ 7,462	\$ 3,645,900
Capital Assets, Net	\$ 3,704,491	\$ (34,385)	\$ 7,462	\$ 3,662,644

D. Investment in Joint Venture

Central Minnesota Diagnostic, Inc. (CMDI), a non-profit corporation, was organized to provide certain agreed-upon shared services to those hospitals which are members of the corporation.

CMDI provides the equipment for CT scans for Hospital patients. The Hospital billed and collected the revenue for these services to patients and reimbursed CMDI \$210,000 for the use of the equipment for the year ended December 31, 2004. Accounts payable to CMDI for these services at December 31, 2004, amounted to \$18,600. Earnings of \$131,785 are included in other operating revenues.

E. Lease Obligations and Notes Payable

The following is a summary of transactions relating to lease obligations and notes payable for the year ended December 31, 2004.

	Balance January 1, 2004	Additions	Payments	Balance December 31, 2004	Amounts Due Within One Year
USDA Hospital Refunding Revenue Note, Series 2003	\$ 1,491,696	\$ -	\$ 25,628	\$ 1,466,068	\$ 26,760
Capital lease obligation	107,075	-	23,035	84,040	23,878
Total Noncurrent Liabilities	\$ 1,598,771	\$ -	\$ 48,663	\$ 1,550,108	\$ 50,638

**SWIFT COUNTY  
BENSON, MINNESOTA**

7. Swift County-Benson Hospital

E. Lease Obligations and Notes Payable (Continued)

The terms and due dates of the Hospital's long-term debt, including lease obligations, at December 31, 2004, are as follows:

- USDA Hospital Refunding Revenue Note, Series 2003, due in monthly installments of \$7,379, including principal and interest at 4.25 percent, through August 2033. The note is collateralized by property and equipment of the Hospital.
- Capital lease obligations at varying rates of imputed interest from 4.8 percent to 13.0 percent, collateralized by leased equipment.

The following is the leased equipment by major class at December 31, 2004:

Equipment	\$	121,600
Less: accumulated depreciation		(48,640)
Net Equipment Under Capital Lease	\$	72,960

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

Year Ending December 31	Long-Term Debt		Capital Lease Obligation	
	Principal	Interest	Principal	Interest
2005	\$ 26,760	\$ 61,789	\$ 23,878	\$ 3,533
2006	27,919	60,630	25,054	2,358
2007	29,129	59,420	26,286	1,126
2008	30,392	58,157	8,822	91
2009	31,709	56,840	-	-
2010 - 2014	180,388	262,358	-	-
2015 - 2019	223,014	219,732	-	-
2020 - 2024	275,712	167,034	-	-
2025 - 2029	340,894	101,882	-	-
2030 - 2033	300,151	24,525	-	-
Total	\$ 1,466,068	\$ 1,072,367	\$ 84,040	\$ 7,108

**SWIFT COUNTY  
BENSON, MINNESOTA**

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7. Swift County-Benson Hospital (Continued)

F. Pensions

The Hospital's contributions to the Public Employees Retirement Fund for the years ending December 31, 2004, 2003, and 2002, were \$148,086, \$120,708, and \$109,643, respectively, equal to the contractually required contributions for each year as set by state statute.

G. Swift County Contribution

During the fiscal year ended December 31, 2004, the Hospital received contributions from Swift County totaling \$100,000. The contribution was made by the County to support the Hospital in the provision of care of residents in the City of Benson and Swift County and the surrounding area.

H. Management Agreement

The Hospital has an agreement with Rice Memorial Hospital in Willmar, Minnesota. The purpose of the agreement is to make certain resources of Rice Memorial Hospital available to the Hospital's staff and patients. The Hospital's Board of Directors retains all authority as granted under existing law; however, the Administrator is provided by, and is an employee of, Rice Memorial Hospital. For the year ended December 31, 2004, the Hospital paid approximately \$63,600 for management services provided under the agreement and approximately \$1,119,800 for services and equipment purchased through Rice Memorial Hospital. The Hospital had accounts payable of approximately \$79,500 at December 31, 2004.

I. Risk Management

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant reduction in insurance coverage from the previous year in any of the Hospital's policies. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

J. Medical Malpractice Insurance

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



**SWIFT COUNTY  
BENSON, MINNESOTA**

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7. Swift County-Benson Hospital (Continued)

K. Subsequent Event

Subsequent to year-end, effective February 1, 2005, the Hospital received approval to operate a Critical Access Hospital (CAH) in accordance with Medicare rules and regulations. As a CAH, the Hospital will begin receiving reimbursement for inpatient and outpatient services provided to Medicare beneficiaries based on the actual costs incurred.

8. 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 Minn. Stat. § 471.59. The Health Service is headquartered in Benson, Minnesota, and has offices at the county seats of the member counties.

Financing is provided by state grants, appropriations from member counties, and charges for services. Swift County's contribution for 2004 was \$81,686. Complete financial statements of the 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. The County Boards of the participating counties have direct authority over and responsibility for Region 6W Community Corrections' activities.

Swift County's contribution to Region 6W Community Corrections for the year ended December 31, 2004, was \$56,566. 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**

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8. 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 Minn. Stat. §§ 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 2004, Swift County did not contribute any funds to the Board. Complete financial statements of the Minnesota River Board can be obtained from its administrative offices at 184 Trafton Science Center South, Minnesota State University, 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 Prairie Lakes Youth Programs) pursuant to Minn. Stat. § 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. Prairie Lakes Youth Programs is located at the Willmar Regional Treatment Center in space rented from the State of Minnesota.

**SWIFT COUNTY  
BENSON, MINNESOTA**

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8. Joint Ventures

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

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

Southwestern 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 Minn. Stat. § 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.

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.

9. Jointly-Governed Organizations

Coordinated Enforcement Effort (CEE) VI Task Force

Swift County, in conjunction with other local governments, appoints one member to the Board of Directors of 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 \$23,912 to the Task Force.

**SWIFT COUNTY  
BENSON, MINNESOTA**

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9. Jointly-Governed Organizations (Continued)

Regional Library

Swift County, along with several cities and other counties, participates 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. Financial information for the Western Plains Library System is not available.

10. 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 \$70,000.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**SWIFT COUNTY  
BENSON, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,821,776	\$ 1,821,776	\$ 1,918,179	\$ 96,403
Licenses and permits	2,400	2,400	4,678	2,278
Intergovernmental	669,037	714,206	982,782	268,576
Charges for services	369,394	423,694	398,653	(25,041)
Fines and forfeits	1,000	1,000	450	(550)
Investment earnings	85,000	85,000	35,940	(49,060)
Miscellaneous	171,058	302,958	595,827	292,869
<b>Total Revenues</b>	<b>\$ 3,119,665</b>	<b>\$ 3,351,034</b>	<b>\$ 3,936,509</b>	<b>\$ 585,475</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 233,382	\$ 233,382	\$ 246,123	\$ (12,741)
Law library	-	-	23,095	(23,095)
County administration	118,688	118,688	118,426	262
County auditor	220,320	220,320	279,435	(59,115)
County treasurer	127,799	127,799	125,475	2,324
County assessor	184,106	184,106	183,969	137
Elections	12,000	12,000	9,984	2,016
Data processing	68,400	68,400	56,634	11,766
Attorney	139,298	139,298	211,370	(72,072)
Recorder	143,688	143,688	153,095	(9,407)
Planning and zoning	76,747	76,747	31,254	45,493
Buildings and plant	187,599	187,599	210,762	(23,163)
Technology	25,689	25,689	76,752	(51,063)
Veterans service officer	118,409	118,409	110,797	7,612
<b>Total general government</b>	<b>\$ 1,656,125</b>	<b>\$ 1,656,125</b>	<b>\$ 1,837,171</b>	<b>\$ (181,046)</b>
<b>Public safety</b>				
Sheriff	\$ 1,182,030	\$ 1,182,030	\$ 1,142,624	\$ 39,406
Coroner	8,000	8,000	2,406	5,594
E-911 system	-	-	29,092	(29,092)
Probation and parole	87,866	87,866	89,066	(1,200)
<b>Total public safety</b>	<b>\$ 1,277,896</b>	<b>\$ 1,277,896</b>	<b>\$ 1,263,188</b>	<b>\$ 14,708</b>
<b>Health</b>				
Aging program	\$ 39,191	\$ 39,191	\$ 39,572	\$ (381)
Family nutrition program	57,088	57,088	5,721	51,367
Countryside Public Health Service	81,686	81,686	81,686	-
Hospital	62,500	62,500	62,500	-
Ambulance	22,050	22,050	5,483	16,567
<b>Total health</b>	<b>\$ 262,515</b>	<b>\$ 262,515</b>	<b>\$ 194,962</b>	<b>\$ 67,553</b>

**SWIFT COUNTY  
BENSON, MINNESOTA**

**Schedule 1**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Culture and recreation</b>				
Historical society	\$ 25,000	\$ 25,000	\$ 26,830	\$ (1,830)
Parks	15,000	15,000	30,328	(15,328)
Regional library	76,748	76,748	76,748	-
Other	-	-	34,519	(34,519)
<b>Total culture and recreation</b>	<b>\$ 116,748</b>	<b>\$ 116,748</b>	<b>\$ 168,425</b>	<b>\$ (51,677)</b>
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 60,250	\$ 60,250	\$ 99,718	\$ (39,468)
Parks and drainage	45,504	45,504	120,281	(74,777)
Soil and water conservation	25,000	25,000	25,000	-
Agricultural inspections	14,482	14,482	12,659	1,823
Agricultural society	25,000	25,000	26,830	(1,830)
Predator control	5,000	5,000	7,104	(2,104)
<b>Total conservation of natural resources</b>	<b>\$ 175,236</b>	<b>\$ 175,236</b>	<b>\$ 291,592</b>	<b>\$ (116,356)</b>
<b>Economic development</b>				
Other	\$ 6,500	\$ 6,500	\$ 6,500	\$ -
<b>Unallocated</b>				
Insurance	\$ -	\$ -	\$ 10,397	\$ (10,397)
<b>Intergovernmental</b>				
Health	\$ -	\$ -	\$ 19,865	\$ (19,865)
Economic development	3,000	3,000	-	3,000
<b>Total intergovernmental</b>	<b>\$ 3,000</b>	<b>\$ 3,000</b>	<b>\$ 19,865</b>	<b>\$ (16,865)</b>
<b>Total Expenditures</b>	<b>\$ 3,498,020</b>	<b>\$ 3,498,020</b>	<b>\$ 3,792,100</b>	<b>\$ (294,080)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (378,355)</b>	<b>\$ (146,986)</b>	<b>\$ 144,409</b>	<b>\$ 291,395</b>



**SWIFT COUNTY  
BENSON, MINNESOTA**

**Schedule 1**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Other Financing Sources (Uses)</b>				
Payment to component unit	\$ -	\$ -	\$ (446,010)	\$ (446,010)
Payment from component unit	-	-	88,226	88,226
Transfers to component unit	(95,199)	(95,199)	(100,000)	(4,801)
Proceeds from sale of assets	-	-	5,376	5,376
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (95,199)</b>	<b>\$ (95,199)</b>	<b>\$ (452,408)</b>	<b>\$ (357,209)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (473,554)</b>	<b>\$ (242,185)</b>	<b>\$ (307,999)</b>	<b>\$ (65,814)</b>
<b>Fund Balance - January 1</b>	<b>1,812,602</b>	<b>1,812,602</b>	<b>1,812,602</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,339,048</b>	<b>\$ 1,570,417</b>	<b>\$ 1,504,603</b>	<b>\$ (65,814)</b>

**SWIFT COUNTY  
BENSON, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 842,705	\$ 842,705	\$ 845,402	\$ 2,697
Intergovernmental	4,318,451	4,318,451	4,443,501	125,050
Charges for services	55,000	55,000	130,859	75,859
Investment earnings	5,000	5,000	12,806	7,806
Miscellaneous	-	-	31,459	31,459
<b>Total Revenues</b>	<b>\$ 5,221,156</b>	<b>\$ 5,221,156</b>	<b>\$ 5,464,027</b>	<b>\$ 242,871</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 345,988	\$ 345,988	\$ 309,228	\$ 36,760
Maintenance	981,960	981,960	1,009,008	(27,048)
Construction	3,257,670	3,257,670	2,756,807	500,863
Equipment maintenance and shops	543,937	543,937	489,347	54,590
Other	-	-	29,356	(29,356)
<b>Total highways and streets</b>	<b>\$ 5,129,555</b>	<b>\$ 5,129,555</b>	<b>\$ 4,593,746</b>	<b>\$ 535,809</b>
<b>Intergovernmental</b>				
Highways and streets	-	-	276,822	(276,822)
<b>Total Expenditures</b>	<b>\$ 5,129,555</b>	<b>\$ 5,129,555</b>	<b>\$ 4,870,568</b>	<b>\$ 258,987</b>
<b>Net Change in Fund Balance</b>	<b>\$ 91,601</b>	<b>\$ 91,601</b>	<b>\$ 593,459</b>	<b>\$ 501,858</b>
<b>Fund Balance - January 1</b>	<b>1,537,378</b>	<b>1,537,378</b>	<b>1,537,378</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>755</b>	<b>755</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,628,979</b>	<b>\$ 1,628,979</b>	<b>\$ 2,131,592</b>	<b>\$ 502,613</b>

**SWIFT COUNTY  
BENSON, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
WELFARE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,238,897	\$ 1,238,897	\$ 1,242,759	\$ 3,862
Intergovernmental	2,172,068	2,126,068	2,081,027	(45,041)
Charges for services	159,200	125,200	96,436	(28,764)
Investment earnings	-	-	15,354	15,354
Miscellaneous	-	-	9,569	9,569
<b>Total Revenues</b>	<b>\$ 3,570,165</b>	<b>\$ 3,490,165</b>	<b>\$ 3,445,145</b>	<b>\$ (45,020)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 787,530	\$ 787,530	\$ 802,024	\$ (14,494)
Social services	2,782,635	2,453,635	2,365,724	87,911
<b>Total Expenditures</b>	<b>\$ 3,570,165</b>	<b>\$ 3,241,165</b>	<b>\$ 3,167,748</b>	<b>\$ 73,417</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 249,000</b>	<b>\$ 277,397</b>	<b>\$ 28,397</b>
<b>Fund Balance - January 1</b>	<b>1,421,217</b>	<b>1,421,217</b>	<b>1,421,217</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,421,217</b>	<b>\$ 1,670,217</b>	<b>\$ 1,698,614</b>	<b>\$ 28,397</b>

**SWIFT COUNTY  
BENSON, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
SOLID WASTE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 75,857	\$ 75,857	\$ 76,625	\$ 768
Special assessments	127,571	127,571	131,496	3,925
Intergovernmental	73,643	73,643	73,080	(563)
Charges for services	385,000	385,000	400,533	15,533
Miscellaneous	106,500	106,500	153,103	46,603
<b>Total Revenues</b>	<b>\$ 768,571</b>	<b>\$ 768,571</b>	<b>\$ 834,837</b>	<b>\$ 66,266</b>
<b>Expenditures</b>				
<b>Current</b>				
Sanitation	\$ 682,068	\$ 682,068	\$ 758,265	\$ (76,197)
<b>Debt service</b>				
Principal retirement	95,000	95,000	95,000	-
Interest	4,655	4,655	4,655	-
<b>Total Expenditures</b>	<b>\$ 781,723</b>	<b>\$ 781,723</b>	<b>\$ 857,920</b>	<b>\$ (76,197)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (13,152)</b>	<b>\$ (13,152)</b>	<b>\$ (23,083)</b>	<b>\$ (9,931)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from loan	-	-	53,877	53,877
<b>Net Change in Fund Balance</b>	<b>\$ (13,152)</b>	<b>\$ (13,152)</b>	<b>\$ 30,794</b>	<b>\$ 43,946</b>
<b>Fund Balance - January 1</b>	<b>559,038</b>	<b>559,038</b>	<b>559,038</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 545,886</b>	<b>\$ 545,886</b>	<b>\$ 589,832</b>	<b>\$ 43,946</b>

**SWIFT COUNTY  
BENSON, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004**

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1. 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. Swift 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.

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

2. Excess of Expenditures Over Final Budget

The following major funds had expenditures in excess of budget for the year ended December 31, 2004:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 3,792,100	\$ 3,498,020	\$ 294,080
Solid Waste Special Revenue Fund	857,920	781,723	76,197

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**SUPPLEMENTARY INFORMATION**

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**SWIFT COUNTY  
BENSON, MINNESOTA**

AGENCY FUNDS

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

State Fund - to account for the collection and payment of funds due 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 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.

Soil and Water Conservation District Fund - to account for the financial and payroll affairs of the Swift County Soil and Water Conservation District under an agreement between the County and the District.

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

Rural Development Authority - to account for collection of tax levy and the distribution to the Rural Development Authority.

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**SWIFT COUNTY  
BENSON, MINNESOTA**

*Statement 1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>STATE</u></b>				
<b><u>Assets</u></b>				
Cash and investments	\$ 25,459	\$ 1,795,876	\$ 1,300,513	\$ 520,822
<b><u>Liabilities</u></b>				
Due to other governments	\$ 25,459	\$ 1,795,876	\$ 1,300,513	\$ 520,822
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and investments	\$ -	\$ 9,623,004	\$ 9,623,004	\$ -
Due from other governments	212,660	-	42,532	170,128
<b>Total Assets</b>	<b>\$ 212,660</b>	<b>\$ 9,623,004</b>	<b>\$ 9,665,536</b>	<b>\$ 170,128</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 212,660	-	42,532	\$ 170,128
Due to other governments	-	9,623,004	9,623,004	-
<b>Total Liabilities</b>	<b>\$ 212,660</b>	<b>\$ 9,623,004</b>	<b>\$ 9,665,536</b>	<b>\$ 170,128</b>
 <b><u>REGION 6W</u></b>				
<b><u>Assets</u></b>				
Cash and investments	\$ 610	\$ 44,752	\$ 44,714	\$ 648
<b><u>Liabilities</u></b>				
Due to other governments	\$ 610	\$ 44,752	\$ 44,714	\$ 648

**SWIFT COUNTY  
BENSON, MINNESOTA**

*Statement 1  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>SCHOOL DISTRICTS</u></b>				
<b><u>Assets</u></b>				
Cash and investments	\$ 24,780	\$ 1,324,800	\$ 1,326,712	\$ 22,868
<b><u>Liabilities</u></b>				
Due to other governments	\$ 24,780	\$ 1,324,800	\$ 1,326,712	\$ 22,868
 <b><u>TOWNS AND CITIES</u></b>				
<b><u>Assets</u></b>				
Cash and investments	\$ 30,744	\$ 2,555,943	\$ 2,557,683	\$ 29,004
<b><u>Liabilities</u></b>				
Due to other governments	\$ 30,744	\$ 2,555,943	\$ 2,557,683	\$ 29,004
 <b><u>SOIL AND WATER CONSERVATION DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and investments	\$ 169,810	\$ -	\$ 169,810	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ 169,810	\$ -	\$ 169,810	\$ -

**SWIFT COUNTY  
BENSON, MINNESOTA**

*Statement 1  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>MINNESOTA RIVER WATERSHED</u></b>				
<b><u>Assets</u></b>				
Cash and investments	\$ 51	\$ 6,875	\$ 6,792	\$ 134
<b><u>Liabilities</u></b>				
Due to other governments	\$ 51	\$ 6,875	\$ 6,792	\$ 134
 <b><u>RURAL DEVELOPMENT AUTHORITY</u></b>				
<b><u>Assets</u></b>				
Cash and investments	\$ -	\$ 62,003	\$ 61,102	\$ 901
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 62,003	\$ 61,102	\$ 901
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and investments	\$ 251,454	\$ 15,413,253	\$ 15,090,330	\$ 574,377
Due from other governments	212,660	-	42,532	170,128
<b>Total Assets</b>	<b>\$ 464,114</b>	<b>\$ 15,413,253</b>	<b>\$ 15,132,862</b>	<b>\$ 744,505</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 212,660	\$ -	\$ 42,532	\$ 170,128
Due to other governments	251,454	15,413,253	15,090,330	574,377
<b>Total Liabilities</b>	<b>\$ 464,114</b>	<b>\$ 15,413,253</b>	<b>\$ 15,132,862</b>	<b>\$ 744,505</b>

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## **OTHER SCHEDULES**

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**SWIFT COUNTY  
BENSON, MINNESOTA**

*Schedule 5*

**TAX CAPACITY, TAX CAPACITY RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS**

	2003		2004		2005	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
<b>Tax Capacity</b>						
Real property	\$ 6,443,959		\$ 6,963,176		\$ 7,896,281	
Personal property	614,568		689,120		749,813	
Less: tax increment	(202,635)		(263,578)		(273,116)	
<b>Net Tax Capacity</b>	<b><u>\$ 6,855,892</u></b>		<b><u>\$ 7,388,718</u></b>		<b><u>\$ 8,372,978</u></b>	
<b>Taxes Levied for County Purposes</b>						
General*	\$ 2,458,856	29.830	\$ 2,500,684	29.500	\$ 2,719,110	21.611
Road and Bridge	1,106,350	13.256	1,106,350	12.900	1,106,350	13.214
Welfare	1,625,994	19.482	1,625,988	19.000	1,663,840	19.872
Solid Waste	100,000	1.198	100,000	1.170	50,000	0.598
<b>Total Levy for County Purposes</b>	<b><u>\$ 5,291,200</u></b>	<b><u>63.766</u></b>	<b><u>\$ 5,333,022</u></b>	<b><u>62.570</u></b>	<b><u>\$ 5,539,300</u></b>	<b><u>55.295</u></b>
<b>Less Credits Payable by State</b>	<b><u>944,866</u></b>		<b><u>725,908</u></b>		<b><u>933,229</u></b>	
<b>Net Levy for County Purposes</b>	<b><u>\$ 4,346,334</u></b>		<b><u>\$ 4,607,114</u></b>		<b><u>\$ 4,606,071</u></b>	
<b>Tax Capacity - Light and Power</b>						
Assessed at 43%	\$ 19,808		\$ 18,730		\$ 27,584	
Assessed at 5%	9,454		12,910		4,754	
<b>Total Tax Capacity - Light and Power</b>	<b><u>\$ 29,262</u></b>		<b><u>\$ 31,640</u></b>		<b><u>\$ 32,338</u></b>	
<b>Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.42, as amended)</b>						
Assessed at 43%	\$ 34,929	1.11821	\$ 31,856	1.09891	\$ 43,382	1.00610
Assessed at 5%	16,194	1.11821	21,958	1.09891	7,478	1.00610
<b>Total Light and Power Tax Levies</b>	<b><u>\$ 51,123</u></b>		<b><u>\$ 53,814</u></b>		<b><u>\$ 50,860</u></b>	
<b>Special Assessments</b>						
Ditch liens and assessments	<b><u>\$ 533,697</u></b>		<b><u>\$ 539,034</u></b>		<b><u>\$ 470,747</u></b>	
<b>Percentage of Tax Collections for All Purposes</b>	<b>99.06%</b>		<b>99.75%</b>			

\*Includes a levy for the Pioneerland Regional Library System, which is applicable to selected areas only.

**SWIFT COUNTY  
BENSON, MINNESOTA**

*Schedule 6*

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2004**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Amount</u>
<b>Pooled Deposits and Investments</b>			
<b>Checking accounts</b>			
First American State Bank - Benson	-	-	\$ 25,000
First Security State - Benson	Variable Rate	-	4,185
Prairie Sun Bank - Appleton	Variable Rate	-	<u>2,500</u>
<b>Total checking accounts</b>			<b>\$ 31,685</b>
<b>Savings accounts</b>			
Farmers and Merchants State Bank - Appleton	0.75	-	\$ 2,500
First American State Bank - Benson	0.91	-	429,976
State Bank of Kerkhoven	0.25	-	<u>2,500</u>
<b>Total savings accounts</b>			<b>\$ 434,976</b>
<b>Money market savings</b>			
First State Bank of Murdock	0.25	-	<b>\$ 2,500</b>
<b>Mutual funds</b>			
Voyageur Fund	Variable Rate	-	\$ 130,981
Wells Fargo	Variable Rate	-	<u>680,314</u>
<b>Total mutual funds</b>			<b>\$ 811,295</b>
<b>Certificate of deposit</b>			
Bank of the West	2.10	September 1, 2005	<b>\$ 100,000</b>
<b>Negotiable certificates of deposit</b>			
Wells Fargo	2.80	September 4, 2007	\$ 96,682
Wells Fargo	3.30	September 8, 2006	<u>97,088</u>
<b>Total negotiable certificates of deposit</b>			<b>\$ 193,770</b>
<b>U.S. government securities</b>			
Wells Fargo	6.00	August 1, 2013	\$ 6,642
Wells Fargo	3.50	March 1, 2009	228,177
Wells Fargo	2.16	January 27, 2006	198,180
Wells Fargo	3.25	March 29, 2007	219,692
Wells Fargo	1.50	October 19, 2005	197,840
Wells Fargo	4.00	December 10, 2007	100,420
Wells Fargo	-	February 25, 2005	298,980
Wells Fargo	-	September 20, 2005	<u>252,840</u>
<b>Total U.S. government securities</b>			<b>\$ 1,502,771</b>
<b>Total Pooled Deposits and Investments</b>			<b>\$ 3,076,997</b>

**SWIFT COUNTY  
BENSON, MINNESOTA**

*Schedule 6*  
*(Continued)*

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2004**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Amount</u>
<b>Fund Investments</b>			
<b>General Fund</b>			
<b>Money market savings</b>			
First Security State - Benson	2.15	-	\$ 734,958
First Security State - Benson	2.15	-	507,847
<b>Mutual fund</b>			
Franklin U.S. Government Securities Fund	-	-	463,710
<b>U.S. government securities</b>			
Wells Fargo	2.35	May 22, 2005	99,830
<b>Total General Fund</b>			<b>\$ 1,806,345</b>
<b>Special Revenue Funds</b>			
<b>Road and Bridge Fund</b>			
<b>Money market savings</b>			
First Security State - Benson	2.15	-	\$ 507,847
<b>U.S. government securities</b>			
Wells Fargo	2.35	May 22, 2005	49,915
<b>Total Road and Bridge Fund</b>			<b>\$ 557,762</b>
<b>Welfare Fund</b>			
<b>Money market savings</b>			
First Security State - Benson	2.15	-	\$ 1,009,669
<b>U.S. government securities</b>			
Wells Fargo	2.35	May 22, 2005	49,915
<b>Total Road and Bridge Fund</b>			<b>\$ 1,059,584</b>
<b>Total special revenue funds</b>			<b>\$ 1,617,346</b>
<b>Total Fund Investments</b>			<b>\$ 3,423,691</b>
<b>Total Deposits and Investments</b>			<b>\$ 6,500,688</b>

**SWIFT COUNTY  
BENSON, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
(FULL ACCRUAL BASIS)  
DECEMBER 31, 2004**

	Assets				Total
	Cash	Special Assessments Receivable		Due From Other Governments	
		Delinquent	Deferred		
<b>Joint County Ditches</b>					
Repair 2 S&S	\$ 3,315	\$ -	\$ -	\$ 264	\$ 3,579
Repair Imp. "C" 3 C&S	4,731	-	-	603	5,334
Repair 4 S&P	1,379	-	-	8,246	9,625
Repair 6 C&S	1,778	-	-	851	2,629
Repair 8 C&S	2,727	-	-	490	3,217
Repair 9 SS&P	(261,054)	-	284,882	10,672	34,500
Repair 18 SC&K	(9,985)	-	-	3,864	(6,121)
Repair 19	(7,995)	261	-	104	(7,630)
22 C&S	32,055	-	-	250	32,305
<b>County Ditches</b>					
Repair 1	4,648	-	-	-	4,648
Repair 3	(1,004)	-	300	-	(704)
Repair 7	(3,294)	-	-	-	(3,294)
Repair Lateral "A" 7	(1,016)	-	-	-	(1,016)
Repair 8	(594)	12	1,000	-	418
Repair 9	(13)	-	-	-	(13)
Repair 10	31,187	1	71,868	-	103,056
Repair 13	13,353	-	-	-	13,353
Repair 14	14,716	-	-	-	14,716
Repair 15	6	-	-	-	6
Repair 16	980	-	-	-	980
Repair 17	675	-	-	-	675
Repair 18	126	-	-	-	126
Repair 19	139	-	-	-	139
Repair 23	62,328	-	-	-	62,328
Repair 24	(2,496)	-	1,000	-	(1,496)
Repair Imp. and Ext. 52	9,800	-	-	-	9,800
Repair 55	(2,317)	-	1,000	-	(1,317)
Repair 58	(6,950)	-	-	-	(6,950)
Lateral "A" 58	48,118	-	-	-	48,118
Imp. 58	(16,358)	-	-	-	(16,358)
Repair 59	1,477	-	-	-	1,477
Repair 60	(1,442)	-	500	-	(942)
Repair 61	(5,597)	15	3,002	-	(2,580)
Repair 62	(3,055)	40	2,000	-	(1,015)
Lateral "A" 62	1,121	-	-	-	1,121
Repair 63	(662)	-	300	-	(362)
Repair 66	2,168	-	-	-	2,168
Repair 81	103,460	-	-	-	103,460
Repair 83	(157,592)	-	40,004	-	(117,588)

**Schedule 7**

	Liabilities			Fund Balances			Total Liabilities and Fund Balances
				Unreserved		Total	
Payables	Deferred Revenue	Total	Designated for Debt Service	Undesignated	Total		
\$ -	\$ -	\$ -	\$ -	\$ 3,579	\$ 3,579	\$ 3,579	
-	-	-	-	5,334	5,334	5,334	
9	-	9	-	9,616	9,616	9,625	
-	-	-	-	2,629	2,629	2,629	
-	-	-	-	3,217	3,217	3,217	
6	-	6	-	34,494	34,494	34,500	
4	-	4	-	(6,125)	(6,125)	(6,121)	
4	-	4	-	(7,634)	(7,634)	(7,630)	
-	-	-	-	32,305	32,305	32,305	
-	-	-	-	4,648	4,648	4,648	
-	-	-	-	(704)	(704)	(704)	
-	-	-	-	(3,294)	(3,294)	(3,294)	
-	-	-	-	(1,016)	(1,016)	(1,016)	
-	-	-	-	418	418	418	
-	-	-	-	(13)	(13)	(13)	
114,107	-	114,107	-	(11,051)	(11,051)	103,056	
5	-	5	-	13,348	13,348	13,353	
-	-	-	-	14,716	14,716	14,716	
-	-	-	-	6	6	6	
-	-	-	-	980	980	980	
-	-	-	-	675	675	675	
-	-	-	-	126	126	126	
-	-	-	-	139	139	139	
-	-	-	-	62,328	62,328	62,328	
-	-	-	-	(1,496)	(1,496)	(1,496)	
-	-	-	-	9,800	9,800	9,800	
-	-	-	-	(1,317)	(1,317)	(1,317)	
3	-	3	-	(6,953)	(6,953)	(6,950)	
-	-	-	-	48,118	48,118	48,118	
-	-	-	-	(16,358)	(16,358)	(16,358)	
-	-	-	-	1,477	1,477	1,477	
-	-	-	-	(942)	(942)	(942)	
6	-	6	-	(2,586)	(2,586)	(2,580)	
-	-	-	-	(1,015)	(1,015)	(1,015)	
-	-	-	-	1,121	1,121	1,121	
-	-	-	-	(362)	(362)	(362)	
-	-	-	-	2,168	2,168	2,168	
-	-	-	-	103,460	103,460	103,460	
-	-	-	-	(117,588)	(117,588)	(117,588)	

**SWIFT COUNTY  
BENSON, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
(FULL ACCRUAL BASIS)  
DECEMBER 31, 2004**

	Assets				Total
	Cash	Special Assessments Receivable		Due From Other Governments	
		Delinquent	Deferred		
<b>Judicial Ditches</b>					
Repair 2	426	-	-	-	426
Repair 5	75,763	-	-	-	75,763
Repair 7	(1,819)	-	1,000	-	(819)
Repair 8	447,633	357	327,579	-	775,569
Repair Lateral "A" 8	60,406	-	-	-	60,406
Imp. 8	(58,814)	-	84,099	-	25,285
Repair 15	37	-	-	-	37
Repair Lateral "A" 18	986	-	-	-	986
Repair Lateral "B" 18	59,831	-	-	149	59,980
Repair Lateral "D" 18	1,706	-	-	106	1,812
Repair Lateral "A" 19	12,887	-	-	-	12,887
Repair Lateral "B" 19	3,474	-	-	-	3,474
Repair Lateral "B-1" to "B" 19	11,226	-	-	-	11,226
Repair Lateral "C" 19	12,729	-	-	-	12,729
Repair Lateral "D" 19	209,013	-	-	-	209,013
Lateral "E" 19	21,156	-	65	-	21,221
Repair 21	(932)	-	1,000	265	333
<b>Total</b>	<b>\$ 714,571</b>	<b>\$ 686</b>	<b>\$ 819,599</b>	<b>\$ 25,864</b>	<b>\$ 1,560,720</b>
Reconciliation to modified accrual	-	-	-	-	-
<b>Modified Accrual Totals</b>	<b><u>\$ 714,571</u></b>	<b><u>\$ 686</u></b>	<b><u>\$ 819,599</u></b>	<b><u>\$ 25,864</u></b>	<b><u>\$ 1,560,720</u></b>

**Schedule 7**  
**(Continued)**

<u>Payables</u>	<u>Liabilities Deferred Revenue</u>	<u>Total</u>	<u>Fund Balances</u>			<u>Total Liabilities and Fund Balances</u>
			<u>Designated for Debt Service</u>	<u>Unreserved Undesignated</u>	<u>Total</u>	
-	-	-	-	426	426	426
19	-	19	-	75,744	75,744	75,763
-	-	-	-	(819)	(819)	(819)
745,915	-	745,915	31,312	(1,658)	29,654	775,569
-	-	-	-	60,406	60,406	60,406
-	-	-	-	25,285	25,285	25,285
-	-	-	-	37	37	37
-	-	-	-	986	986	986
-	-	-	-	59,980	59,980	59,980
-	-	-	-	1,812	1,812	1,812
-	-	-	-	12,887	12,887	12,887
3	-	3	-	3,471	3,471	3,474
-	-	-	-	11,226	11,226	11,226
-	-	-	-	12,729	12,729	12,729
-	-	-	-	209,013	209,013	209,013
-	-	-	-	21,221	21,221	21,221
-	-	-	-	333	333	333
<b>\$ 860,081</b>	<b>\$ -</b>	<b>\$ 860,081</b>	<b>\$ 31,312</b>	<b>\$ 669,327</b>	<b>\$ 700,639</b>	<b>\$ 1,560,720</b>
(860,000)	842,754	(17,246)	-	17,246	17,246	-
<b>\$ 81</b>	<b>\$ 842,754</b>	<b>\$ 842,835</b>	<b>\$ 31,312</b>	<b>\$ 686,573</b>	<b>\$ 717,885</b>	<b>\$ 1,560,720</b>

**SWIFT COUNTY  
BENSON, MINNESOTA**

**Schedule 8**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**Shared Revenue**

**State**

Highway users tax	\$	2,914,844
County program aid		725,906
Market value credit		478,154
PERA rate reimbursement		36,367
Disparity reduction aid		67,204
Police aid		27,328
Enhanced 911		41,370
		41,370

**Total Shared Revenue** **\$ 4,291,173**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$	891,839
		891,839

**Payments**

**Local**

Other	\$	66,341
Payments in lieu of taxes		44,131
		44,131

**Total Payments** **\$ 110,472**

**Grants**

**State**

Minnesota Department/Board of		
Public Safety		8,527
Natural Resources		50,340
Human Services		640,575
Water and Soil Resources		64,375
Office of Environmental Assistance		49,118
University of Minnesota		8,828
		8,828

**Total State** **\$ 824,563**

**Grants**

**Federal**

Department of		
Agriculture	\$	2,952
Justice		480
Transportation		1,215,127
Health and Human Services		221,541
Homeland Security		22,243
		22,243

**Total Federal** **\$ 1,462,343**

**Total State and Federal Grants** **\$ 2,286,906**

**Total Intergovernmental Revenue** **\$ 7,580,390**



**SWIFT COUNTY  
BENSON, MINNESOTA**

**Schedule 9**

**SCHEDULE OF LOANS RECEIVABLE  
DECEMBER 31, 2004**

<b>Loan Recipient</b>	<b>Date of Loan</b>	<b>Loan Issue Amount</b>	<b>Principal Balance</b>	<b>Repayment Terms</b>
<b>Revolving Loan Special Revenue Fund</b>				
Huston & Sons	December 1999	\$ 31,919	\$ 22,055	Principal payments monthly, 5% interest, ten-year term.
Pheasant Run	November 2000	23,000	18,989	Principal payments monthly, 5% interest, ten-year term.
Custom Roto-Mold	August 16, 2001	125,000	88,949	Principal payments monthly, 4% interest, ten-year term.
Chuck and Jean Rustad	November 2001	25,000	19,861	Principal payments monthly, no interest, fifteen-year term.
ECONAR	January 30, 2004	125,000	120,042	Principal payments monthly, 4.5% interest, fifteen-year term.
Appleton Building Center	March 31, 2004	40,000	38,735	Principal payments monthly, 5.5% interest, ten-year term.
Ellingson Landscape & Construction	March 31, 2004	32,000	25,847	Principal payments monthly, 5% interest, five-year term.
McDonald Heavy Industries, Inc.	July 20, 2004	<u>24,000</u>	<u>23,221</u>	Principal payments monthly, no interest, fifteen-year term.
<b>Total Loans Receivable</b>		<b><u>\$ 425,919</u></b>	<b><u>\$ 357,699</u></b>	
Less: allowance for uncollectible loans			<u>18,989</u>	
<b>Total Loans Receivable (Net)</b>			<b><u>\$ 338,710</u></b>	

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**SWIFT COUNTY  
BENSON, MINNESOTA**

**Schedule 10**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**I. SUMMARY OF AUDITOR'S RESULTS**

- A. Our report expresses an unqualified opinion on the basic financial statements of Swift County.
- B. A reportable condition in internal control was disclosed by the audit of financial statements of Swift County and is reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." It was not a material weakness.
- C. No instances of noncompliance material to the financial statements of Swift County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award program were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award program for Swift County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major program is:
  - Highway Planning and Construction
  - CFDA #20.205
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Swift County was determined to be a low-risk auditee.

**II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-4 Segregation of Duties

Due to the limited number of office personnel within some County offices, segregation of accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Swift County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting control point of view.

Control procedures which the County should consider include management's determination that:

- employees are submitting financial reports currently,
- financial records are maintained currently, and
- financial reports to the County Auditor and other governmental units are being reviewed for reasonableness and that they agree with cash.

We recommend that Swift County's management be aware of the lack of segregation of the accounting functions and implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff.

PREVIOUSLY REPORTED ITEMS RESOLVED

**Sheriff's Petty Cash Fund (03-1)**

The policy regarding returning to the Sheriff's petty cash fund's custodian cash advanced, or submitting receipts to the fund's custodian for cash paid out, was not being followed consistently. Thus, the petty cash fund was being depleted, and proper documentation was not available to replenish the fund.

**Resolution**

The policies are now followed, and the petty cash fund is maintained at an adequate level. As noted in our previous Report on Minnesota Legal Compliance, we issued a separate letter to the Swift County Attorney that included detailed findings pertaining to this matter. Swift County elected not to pursue this issue further.

**Inventory of Assets Below Capitalization Threshold (03-2)**

We noted discrepancies for the Sheriff's Department weapons, between the records of inventory location or individual assigned certain weapons and the actual location or individual possessing them. Individual departmental records to track capital assets costing less than \$5,000 need to be properly maintained.

**Resolution**

Departments maintained listings of capital asset items costing less than \$5,000. All items on the listing are located and accounted for at least once during the year.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

**INTERNAL CONTROL**

**PREVIOUSLY REPORTED ITEMS NOT RESOLVED**

03-3 **Eligibility - Residency - Child Care Mandatory and Matching Funds (CFDA #93.596)**

In our review of case files, we continued to find files that did not document verification of residence, identity of adults, and age as required by Minnesota Rules, part 3400.0040, subpart 3, item A, (and Minn. Stat. § 119B.025, which was enacted in 2003). Verification should be documented by obtaining documentation such as driver's licenses, birth certificates, baptismal certificates, and a bill that states address or another similar form of residence verification.

We recommend Swift County include the appropriate documentation as required by Minn. Stat. § 119B.025 in the recipient's case files.

Corrective Action Plan:

Contact Person Responsible for Corrective Action Plan:

*Julie Arnold*

Action Planned:

*Child care worker had all current files reviewed by self and co-worker as of January 26, 2006, regarding documentation of residency, identity, and age of families on child care assistance. Files that did not have this documentation will be completed by April 30, 2006.*

Estimated Completion Date:

*April 30, 2006*

03-4 Eligibility - Income - Child Care Mandatory and Matching Funds (CFDA #93.596)

During our review of case files, we continued to find files that did not document the performance of an income redetermination at least every six months. Minn. Stat. § 119B.09, subd. 4, requires a redetermination of income be performed whenever the family income changes, and no less than every six months, and that the income must be verified with documentary evidence.

We recommend Swift County include the appropriate documentation as required by Minn. Stat. § 119B.09, subd. 4, in the recipient's case files.

Corrective Action Plan:

Contact Person Responsible for Corrective Action Plan:

*Julie Arnold*

Action Planned:

*The performance of income redetermination will be done every six months or per Minn. Stat. § 119B.09, subd. 4, whenever family income changes. Income will be verified with appropriate verification to be included in the recipient's case file.*

Estimated Completion Date:

*July 1, 2006*



**IV. OTHER FINDINGS AND RECOMMENDATIONS**

**A. MINNESOTA LEGAL COMPLIANCE**

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-1 Ditch Special Revenue Fund - Cash Deficits

Twenty of the 56 active ditch systems had deficit cash balances as of December 31, 2004, totaling \$542,989. In cases where a ditch account has insufficient funds to pay project costs, Minn. Stat. § 103E.655, subd. 2, allows loans to be made from a ditch system with surplus funds or from the General Fund to a ditch system with insufficient cash to pay expenditures. This statute also specifies that such loans must be repaid with interest. Allowing a ditch system to maintain a deficit cash balance, in effect, constitutes an interest-free loan from the other ditch systems in violation of Minnesota law.

We recommend the County continue its efforts to eliminate the individual ditch system cash balance deficits by borrowing from an eligible ditch system or fund with a surplus cash balance.

96-3 Payment of Claims

Warrants for claims approved by County Commissioners at the Board meetings are normally issued the next day. Minn. Stat. § 373.09 states that, when a claim against a County is allowed by the County Board, no order shall be issued to pay it, or any part of it, until three days after the date of the decision.

We recommend the County delay the issuance of warrants until the third day after the claims have been approved by the Board of County Commissioners.

99-2 Compliance With Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA)

The County did not have documentation for all of its designated depositories demonstrating that it had a perfected security interest in pledged collateral in compliance with FIRREA, 12 U.S.C. § 1823(e). A 1992 U.S. Court of Appeals decision stated that, if a municipality fails to perfect a security interest under federal law, its right to such collateral in the event of default is not enforceable. To obtain an enforceable security interest in the collateral, FIRREA requires the pledging institution's security agreement or pledge of collateral to meet certain requirements.

We recommend that, when the County receives the written collateral assignment, it also review the assignment to determine that:

- the assignment is approved by the depository's Board of Directors or loan committee; and
- the assignment of collateral is continuously, from the time of its execution, an official record of the depository.

We also recommend the County require its depository institutions to comply with FIRREA and to provide proof of compliance in the form of a copy of the resolution from the depository's Board of Directors or loan committee. The agreement or pledge should include a list of particular securities pledged at the time of the resolution.

ITEM ARISING THIS YEAR

04-1

Deposits in Excess of Coverage

At December 31, 2004, the County's deposits with a financial institution exceeded the amount of insurance and collateral pledged. Minn. Stat. § 118A.03, subd. 3, requires that to the extent funds on deposit exceed available federal deposit insurance, ". . . the collateral computed at its market value shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day. . . ." Unsecured deposits expose the County to a loss if the financial institution develops difficulties. The County's deposits with financial institutions should be closely monitored to ensure that the required amount of collateral is pledged.

We recommend Swift County obtain adequate levels of collateral from its designated depositories as required by statute and all pledged security safekeeping receipts be kept on file. The County should monitor the collateral on a regular basis and maintain complete records of the types and amounts of collateral pledged. The collateral should be compared to the balances held at the financial institutions.

PREVIOUSLY REPORTED ITEM RESOLVED

**Solicitation of Bids (03-5)**

In 2003, the County entered into a contract to purchase a used paver for \$65,000 without soliciting bids prior to the purchase.

**Resolution**

During our review of contracts for 2004, bids were solicited in accordance with Minn. Stat. § 471.345, subd. 3, which requires obtaining sealed bids when a contract is estimated to exceed \$50,000.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-8 Ditch Special Revenue Fund - Equity Balance Deficits

Seventeen of the 56 active ditch systems had deficit fund balances as of December 31, 2004, totaling \$179,273, with the largest deficit being \$117,588. Minn. Stat. § 103E.735, subd. 1, provides that a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$40,000, whichever is larger.

We recommend the County eliminate these deficits in individual ditch systems by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus balance to provide for the repair and maintenance costs of a ditch system.

02-2 Annual Financial Report

Swift County has a responsibility to prepare financial statements and publish them for its citizens and others. The County Board has oversight responsibility to ensure that the annual financial report is prepared in a timely manor. This year, as in previous years, the Office of the State Auditor has helped the County to prepare its annual financial report.

Generally, the County Board should provide the necessary directives to County staff for the preparation and timely completion of the annual financial report. This includes providing sufficient guidance as to the detail to be prepared, staff training in preparing the annual report, and staff time needed to prepare the annual report. The annual financial report consists of the Management's Discussion and Analysis (MD&A), entity-wide statements, fund level statements, notes to the

financial statements, required supplementary information, detailed fund data as needed, and other data as deemed necessary. This data should be prepared in accordance with generally accepted accounting principles for government. As part of the fund financial statements, summary schedules/worksheets should be prepared by County staff to demonstrate how the accounts in the financial records are classified/summarized for the financial report. Preparation means more than balancing the County's general ledger transaction detail.

County management needs to prepare the MD&A, financial statements, notes to the financial statements, and other schedules. The independent auditor is responsible only for attesting to the fairness of the information presented in the financial statements to be included in the County's annual financial report. To facilitate timely reporting, the draft financial report/data should be completed in a timely manner and be available for audit on a date mutually agreed upon with the independent auditor.

We recommend that the County Board provide the necessary directives to County staff to prepare the annual financial statements. In order to accomplish this, the County Board should ensure that County staff assigned to prepare this information have a good understanding of generally accepted accounting principles for government and the time necessary to prepare the draft financial report by the agreed-upon dates.

**PREVIOUSLY REPORTED ITEM RESOLVED**

**Consolidated General Ledger (00-3)**

Financial transactions for the Road and Bridge Department are recorded by the County Auditor; however, the majority of receipts were coded to a line item entitled "local participating highway," and disbursements, except for payroll-related disbursements, were coded to a line item entitled "current accounts." The Road and Bridge accountant prepares a breakdown of receipts and disbursements as part of the County's Annual Highway Report. We asserted that accounting and reporting controls are more efficient and effective when all detailed financial transactions are recorded in a consolidated general ledger.

**Resolution**

The Road and Bridge Department accountant now records all details of the financial transaction in the general ledger.

**Application of GASB Statement 34 (03-6)**

Swift County's financial statements for the year ended December 31, 2003, included two discretely presented component units. The financial statements of the Swift County Housing and Redevelopment Authority (HRA) for the year ended June 30, 2003, one of the component units, did not reflect the application of Governmental Accounting Standards Board (GASB) Statement 34, as was required.

**Resolution**

The HRA applied GASB Statement 34 when preparing its financial statements for the year ended June 30, 2004.

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## **OTHER REQUIRED REPORTS**

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**STATE OF MINNESOTA**  
**OFFICE OF THE STATE AUDITOR**

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PATRICIA ANDERSON  
STATE AUDITOR

**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

We have audited 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, 2004, and have issued our report thereon dated October 3, 2005. The aggregate discretely presented component units include the activities of the Swift County Housing and Redevelopment Authority (HRA) for the year ended June 30, 2004, and the Swift County-Benson Hospital (Hospital) for the year ended December 31, 2004. We did not audit the financial statements of the Swift County HRA or the Swift County-Benson Hospital. Those financial statements were audited by 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. A separate report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards* issued by other auditors is available for the HRA. The financial statements of the Hospital were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Swift County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over

financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 96-4.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition indicated above is a material weakness.

#### Compliance and Other Matters

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

#### Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, Swift County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 96-1, 96-3, 99-2, and 04-1.

Other auditors have also issued a report dated March 17, 2005, on the Swift County-Benson Hospital's compliance with the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*.

This report is intended solely for the information and use of the Board of County Commissioners and management and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Pat Anderson*

*/s/Greg Hierlinger*

PATRICIA ANDERSON  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: October 3, 2005

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PATRICIA ANDERSON  
STATE AUDITOR

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners  
Swift County

Compliance

We have audited the compliance of Swift County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2004. Swift County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Swift County's financial statements include the activities of the Swift County Housing and Redevelopment Authority (HRA), a component unit, which expended \$261,663 in federal awards during the year ended June 30, 2004. 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.

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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Swift County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2004.

#### Internal Control Over Compliance

The management of Swift County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation related to the current audit year's major federal program that we consider to be material weaknesses.

The accompanying Schedule of Findings and Questioned Costs describes reportable conditions unresolved from a prior audit year as items 03-3 and 03-4. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Swift County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. These reportable conditions are not considered to be material weaknesses.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of Swift County as of and for the year ended December 31, 2004, and have issued our report thereon dated October 3, 2005. Those financial statements also include the activities of the Swift County HRA discretely presented component

unit for the year ended June 30, 2004, and the Swift County-Benson Hospital discretely presented component unit for the year ended December 31, 2004. We did not audit the financial statements of the Swift County HRA or the Swift County-Benson Hospital. Those financial statements were audited by other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Swift County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: October 3, 2005

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**SWIFT COUNTY  
BENSON, MINNESOTA**

*Schedule 11*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Human Services Matching Grants for Food Stamp Program	10.561	\$ <u>2,952</u>
<b>U.S. Department of Justice</b>		
Passed Through Minnesota Department of Public Safety Enforcing Underage Drinking Laws Program	16.727	\$ <u>480</u>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 1,209,400
Recreational Trails Program	20.219	<u>5,727</u>
<b>Total U.S. Department of Transportation</b>		<b>\$ <u>1,215,127</u></b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	\$ 1,382
Temporary Assistance for Needy Families	93.558	37,181
Child Care Mandatory and Matching Funds	93.596	67,935
Foster Care Title IV-E	93.658	16,341
Social Services Block Grant Title XX	93.667	91,902
Chafee Foster Care Independent Living	93.674	4,245
Community Mental Health Block Grant	93.958	<u>2,555</u>
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ <u>221,541</u></b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety State Domestic Preparedness Equipment Support Program	97.004	\$ 14,043
Emergency Management Performance Grants	97.042	<u>8,200</u>
<b>Total U.S. Department of Homeland Security</b>		<b>\$ <u>22,243</u></b>
<b>Total Federal Awards</b>		<b>\$ <u>1,462,343</u></b>

**SWIFT COUNTY  
BENSON, MINNESOTA**

***Schedule 11  
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

Notes to Schedule of Expenditures of Federal Awards

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 \$261,663 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 modified accrual basis of accounting.
3. During 2004, Swift County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.