

**SWIFT COUNTY
BENSON, MINNESOTA**

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2006

SWIFT COUNTY
BENSON, MINNESOTA
TABLE OF CONTENTS
DECEMBER 31, 2006

INTRODUCTORY SECTION	
ORGANIZATION	1
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	2
REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE STATEMENTS	
STATEMENT OF NET ASSETS	13
STATEMENT OF ACTIVITIES	14
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	15
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS – GOVERNMENTAL ACTIVITIES	17
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES	20
STATEMENT OF FIDUCIARY NET ASSETS – AGENCY FUNDS	21
STATEMENT OF NET ASSETS – DISCRETELY PRESENTED COMPONENT UNITS	22
STATEMENT OF ACTIVITIES – DISCRETELY PRESENTED COMPONENT UNITS	23
NOTES TO THE FINANCIAL STATEMENTS	24
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A	
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	54
BUDGETARY COMPARISON SCHEDULE – ROAD AND BRIDGE SPECIAL REVENUE FUND	56
BUDGETARY COMPARISON SCHEDULE – WELFARE SPECIAL REVENUE FUND	57
BUDGETARY COMPARISON SCHEDULE – SOLID WASTE SPECIAL REVENUE FUND	58
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	59

SWIFT COUNTY
BENSON, MINNESOTA
TABLE OF CONTENTS (CONTINUED)
DECEMBER 31, 2006

FINANCIAL SECTION (CONTINUED)

SUPPLEMENTARY INFORMATION

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – ALL AGENCY FUNDS	60
SCHEDULE OF INTERGOVERNMENTAL REVENUE	62
SCHEDULE OF DEPOSITS AND INVESTMENTS	63
SCHEDULE OF LOANS RECEIVABLE	65

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	66
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	68
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	70
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	79
REPORT ON MINNESOTA LEGAL COMPLIANCE	81

INTRODUCTORY SECTION

**SWIFT COUNTY
BENSON, MINNESOTA
ORGANIZATION
DECEMBER 31, 2006**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
1st District	Gary Hendrickx	January 2009
2nd District	Richard Hanson	January 2007
3rd District	Peter Peterson	January 2009
4th District	John Baker*	January 2007
5th District	Douglas Anderson**	January 2009
Officers		
Elected		
Attorney	Robin Finke	January 2007
Auditor	Byron L. Giese	January 2007
County Recorder	Donna Lilleberg	January 2007
County Sheriff	Scott Mattison	January 2007
Treasurer	Ronald A. Vadnais	January 2007
Appointed		
Assessor	Edward Pederson	December 2006
Coroner	Roger Bauer, M.D.	December 2006
Engineer	Andy Sander	Indefinite
Veterans Services Officer	Gary Bjornjeld	December 2007
Welfare Director	Deanna Steckman	Indefinite

* Chair 2005-2006

** Vice-Chair 2005-2006

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Swift County
Benson, Minnesota

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, 2006, 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, 2006. We did not audit the financial statements of the Swift County Housing and Redevelopment Authority, which represents 28.4 percent and 9.6 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Swift County Housing and Redevelopment Authority, is based solely on the report of the other auditors.

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

In our opinion, based upon our audit, and the report of the 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, Minnesota, as of December 31, 2006, including the Swift County HRA as of June 30, 2006, 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.

Board of County Commissioners
Swift County

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2007, on our consideration of Swift County's internal control over financial reporting and 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, which was audited by other auditors.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consist primarily 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise Swift County's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and is not a required part of the basic financial statements. The supplementary information and the schedule of expenditures of federal awards have been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



LarsonAllen LLP

Brainerd, Minnesota
May 15, 2007

REQUIRED SUPPLEMENTARY INFORMATION

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006**

Swift County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the year ended December 31, 2006. 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

Key financial highlights for 2006 include the following:

- Governmental activities' total net assets are \$47,980,694, of which \$42,798,511 is invested in capital assets, net of related debt, and \$335,505 is restricted for specific purposes.
- Swift County's net assets increased by \$486,607 for the year ended December 31, 2006. The net assets of the County's discretely presented component units increased by \$1,396,047.
- The net cost of governmental activities was \$7,129,973 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$7,616,580.
- Governmental funds' fund balances decreased by \$267,764.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

There are two government-wide statements. The Statement of Net Assets and the Statement of Activities (pages 13-14) provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements start on page 15. These statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the County's operation in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside the government.

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Our analysis of the County as a whole begins on page 13. The Statement of Net Assets and the Statement of Activities report information about whether the County as a whole and about its activities in a way that helps the reader to determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two financial statements report the County's net assets and changes in them. You can think of the County's net assets—the difference between the assets and liabilities—as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net 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 the County roads, to assess the overall health of the County.

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

- **Governmental Activities**—The County's basic services are reported here, including general government, 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. In addition, these component units have separately issued financial statements.

Fund Financial Statements

Our analysis of the County's major funds begins on page 15. 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 difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation in a statement following each governmental fund financial statement.

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

- **Fiduciary Funds**—The County is the trustee, or fiduciary, over assets which can be used only for the trust beneficiaries based on the trust arrangement. All of the County's fiduciary activities are reported in a separate Combining Statement of Change in Assets and Liabilities (pages 60-61). We excluded these activities from the County's other financial statement because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Assets

The County's net assets were \$47,980,694 on December 31, 2006 (see Table A-1).

Table A-1
The County's Net Assets

	Governmental Activities		% Change
	2006	2005	
Current and Other Assets	\$ 7,419,164	\$ 7,547,176	(1.7)%
Capital and Noncurrent Assets	42,798,511	41,820,010	2.3
Total Assets	50,217,675	49,367,186	1.7
Current Liabilities	1,113,939	743,601	49.8
Long-Term Liabilities	1,123,042	1,129,498	(0.6)
Total Liabilities	2,236,981	1,873,099	19.4
Net Assets			
Invested in Capital Assets			
Net of Related Debt	42,798,511	41,820,010	2.3
Restricted	335,505	223,423	50.2
Unrestricted	4,846,678	5,450,654	(11.1)
Total Net Assets	<u>\$ 47,980,694</u>	<u>\$ 47,494,087</u>	1.0

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Assets

The County-wide total revenues were \$13,807,130 for the year ended December 31, 2006. Property taxes and intergovernmental revenues accounted for 78 percent of total revenues for the year (see Table A-2).

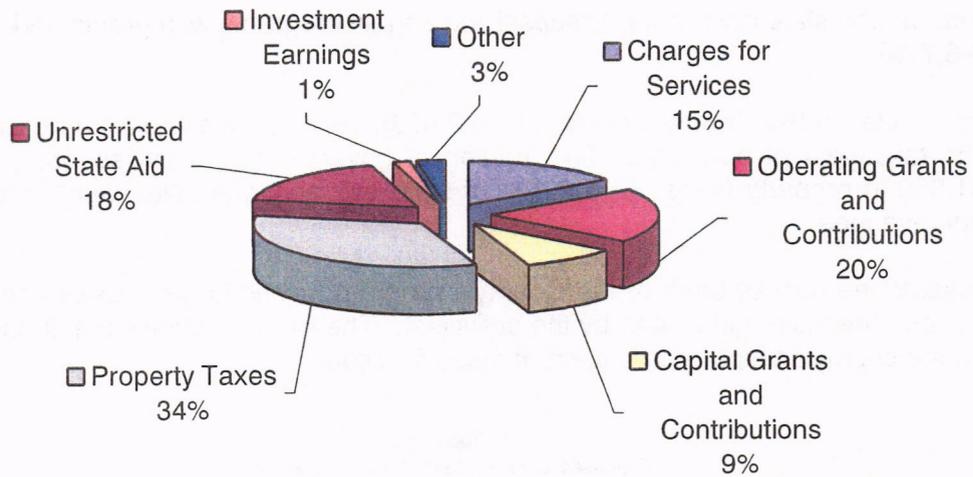
Table A-2
Change in Net Assets

	Governmental Activities		Total % Change
	2006	2005	
REVENUES			
<u>Program Revenues</u>			
Fees, Charges, Fines, and Other	\$ 2,096,771	\$ 1,479,490	41.7 %
Operating Grants and Contributions	2,814,644	3,478,334	(19.1)
Capital Grants and Contributions	1,279,135	1,532,313	(16.5)
<u>General Revenues</u>			
Property Taxes	4,601,080	4,179,816	10.1
Unrestricted State Aid	2,419,436	1,494,085	61.9
Investment Earnings	204,533	235,493	(13.1)
Other	391,531	318,138	23.1
Total Revenues	<u>13,807,130</u>	<u>12,717,669</u>	8.6
EXPENSES			
General Government	2,684,602	2,435,721	10.2
Public Safety	1,555,914	1,437,175	8.3
Highways and Streets	3,216,784	5,387,306	(40.3)
Sanitation	911,267	742,233	22.8
Human Services	4,013,183	3,385,330	18.5
Health	157,021	126,083	24.5
Culture and Recreation	293,055	12,851	2180.4
Conservation of Natural Resources	313,175	441,135	(29.0)
Economic Development	62,846	228	27464.0
Interest	112,676	20,212	457.5
Total Expenses	<u>13,320,523</u>	<u>13,988,274</u>	(4.8)
CHANGE IN NET ASSETS	486,607	(1,270,605)	(138.3)
Net Assets - Beginning of Year	47,494,087	48,764,692	(2.6)
NET ASSETS - END OF YEAR	<u>\$ 47,980,694</u>	<u>\$ 47,494,087</u>	1.0

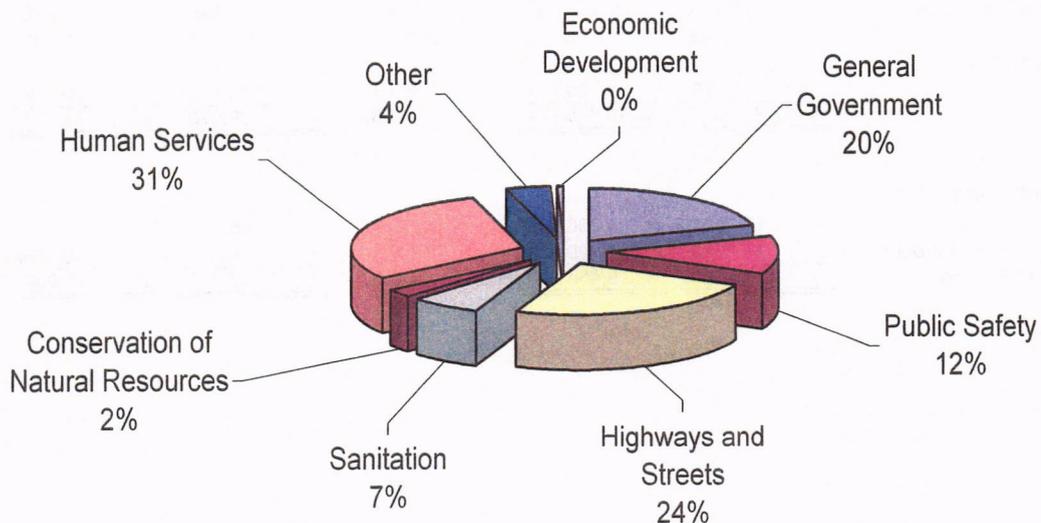
**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Governmental Activities Revenues by Source 2006



Governmental Activities Expenses by Type 2006



**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

The county-wide cost of all governmental activities this year was \$13,320,523.

- Some of the cost was paid by the users of the County's Programs (\$2,096,771).
- The federal and state governments subsidized certain programs with grants and contributions (\$4,093,779).
- The remainder of the County's costs, (\$7,129,973), however, was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with the \$4,601,080 in property taxes, \$2,419,436 of state aid, and with investment earnings and other general revenues.

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

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

	Total Cost of Services		Percentage Change	Net Revenue (Cost) of Services		Percentage Change
	2006	2005		2006	2005	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 2,684,602	\$ 2,435,721	10.2 %	\$ (1,554,326)	\$ (1,772,190)	(12.3)%
Public Safety	1,555,914	1,437,175	8.3	(1,347,411)	(1,221,244)	10.3
Highways and Streets	3,216,784	5,387,306	(40.3)	(1,010,930)	(2,531,894)	(60.1)
Sanitation	911,267	742,233	22.8	(65,783)	(240,279)	(72.6)
Human Services	4,013,183	3,385,330	18.5	(2,872,703)	(1,696,857)	69.3
Health	157,021	126,083	24.5	(155,739)	(84,958)	83.3
Culture and Recreation	293,055	12,851	2180.4	(35,047)	61,492	(157.0)
Conservation of Natural Resources	313,175	441,135	(29.0)	42,090	2,822	1391.5
Economic Development	62,846	228	27464.0	(17,448)	5,183	(436.6)
Interest and Fiscal Charges on Long-Term Liabilities	112,676	20,212	457.5	(112,676)	(20,212)	457.5
Total	\$ 13,320,523	\$ 13,988,274	(4.8)	\$ (7,129,973)	\$ (7,498,137)	(4.9)
DISCRETE COMPONENT UNITS						
Benson Hospital	\$ 9,174,801	\$ 8,306,838	10.4 %	\$ 1,295,859	\$ 634,585	104.2 %
Housing and Redevelopment Authority	1,157,785	1,129,332	2.5	(48,620)	(85,685)	(43.3)
Total Discrete Component Unit	\$ 10,332,586	\$ 9,436,170	9.5	\$ 1,247,239	\$ 548,900	127.2

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006**

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 \$5,455,106. Revenues for the County's governmental funds were \$13,806,620, while total expenditures were \$14,294,185. During 2006, the County also sold capital assets and had proceeds from loans, which are included in other financing sources and uses.

The General Fund includes the primary operations of the County in providing services to citizens and some capital outlay projects. Fund balance increased by approximately \$226,561 during 2006. This increase was primarily due to increasing tax revenues.

The Road and Bridge Fund has a total fund balance of \$752,513, 75% of which is designated for cash flows.

The Welfare Fund's fund balance decreased by \$259,124, this is primarily due to a decrease in tax collections for this fund.

The Revolving Loan Fund's fund balance increased by \$38,535, this is primarily due to the County not issuing any new loans during 2006.

The Solid Waste Fund's fund balance increased by \$59,377, this is primarily due to the County receiving additional loan proceeds for the Chippewa River Watershed Project.

The Ditch Fund's fund balance decreased by \$50,936, this is primarily due to several projects that were completed on the County's ditch system.

GENERAL FUND

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

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

Table A-4
General Fund Revenues

Fund	Year Ended		Change	
	December 31, 2006	December 31, 2005	Increase (Decrease)	Percent
Taxes	\$ 2,367,882	\$ 1,693,188	\$ 674,694	39.8 %
Licenses and Permits	4,010	5,070	(1,060)	(20.9)
Intergovernmental	1,667,051	1,495,390	171,661	11.5
Charges for Services	546,047	483,596	62,451	12.9
Investment Earnings	130,869	150,259	(19,390)	(12.9)
Miscellaneous and Other	557,277	438,208	119,069	27.2
Total General Fund Revenues	<u>\$ 5,273,136</u>	<u>\$ 4,265,711</u>	<u>\$ 1,007,425</u>	23.6

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change	
	December 31, 2006	December 31, 2005	Increase (Decrease)	Percent
General Government	\$ 2,842,192	\$ 2,470,712	\$ 371,480	15.0 %
Public Safety	1,553,576	1,433,481	120,095	8.4
Health	157,021	126,083	30,938	24.5
Culture and Recreation	23,023	11,818	11,205	94.8
Conservation of Natural Resources	585,836	215,666	370,170	171.6
Total Expenditures	<u>\$ 5,161,648</u>	<u>\$ 4,257,760</u>	<u>\$ 903,888</u>	21.2

For the year ended December 31, 2006, the County allocated all expenditures.

General Fund Budgetary Highlights

- Actual revenues were \$225,982 more than expected, due primarily to increased charges for services.
- The actual expenditures were \$85,111 less than budget. This is due primarily to cost savings in the parks and drainage departments and Sheriff's Office.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

By the end of 2006, the County had invested over \$58,300,000 in a broad range of capital assets, including land, buildings, machinery, vehicles, furniture, equipment, and infrastructure (see Table A-6). (More detailed information about capital assets can be found in Note 3.A.2 to the financial statements.) Total depreciation expense for the year was \$1,190,385.

Table A-6
The County's Capital Assets

	Governmental Activities		Percent Change
	2006	2005	
Land	\$ 1,165,892	\$ 995,195	17.2 %
Buildings	7,819,238	7,693,763	1.6
Machinery, Equipment, and Vehicles	4,405,908	4,066,916	8.3
Infrastructure	44,919,940	43,663,016	2.9
Less: Accumulated Depreciation	<u>(15,512,467)</u>	<u>(14,598,880)</u>	6.3
Total	<u>\$ 42,798,511</u>	<u>\$ 41,820,010</u>	2.3

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

DEBT ADMINISTRATION

At year-end, the County had outstanding special assessment bonds of \$610,000 versus \$735,000 last year, a decrease of 17 percent as shown in Table A-7. This decrease is due to the repayment of long-term debt.

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

	2006	2005	Percent Change
GOVERNMENTAL ACTIVITIES			
General Obligation Special Assessment Bonds	\$ 610,000	\$ 735,000	(17.0)%
Chippewa River Watershed Loans	107,679	59,377	81.3
Total	<u>\$ 717,679</u>	<u>\$ 794,377</u>	(9.7)
DISCRETE COMPONENT UNIT			
Housing and Redevelopment Authority	\$ 3,057,758	\$ 2,304,963	32.7
Benson Hospital	1,446,210	1,499,307	(3.5)
Total	<u>\$ 4,503,968</u>	<u>\$ 3,804,270</u>	18.4

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor, Byron Giese, Swift County Courthouse, 310 14th Street North, Benson, Minnesota 56215 or (320) 843-4069.

BASIC FINANCIAL STATEMENTS

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2006**

	Primary Government	Discretely Presented Component Units	Total Reporting Entity
ASSETS			
Cash and Investments - Pooled	\$ 5,755,797	\$ 2,641,681	\$ 8,397,478
Petty Cash and Change Funds	1,775	-	1,775
Taxes Receivable - Delinquent	64,146	-	64,146
Special Assessments Receivable - Delinquent	8,947	-	8,947
Special Assessments Receivable - Deferred	871,072	-	871,072
Accounts Receivable - Net	58,694	1,923,645	1,982,339
Loans Receivable	221,133	-	221,133
Accrued Interest Receivable	35,699	-	35,699
Due from Other Governments	333,033	-	333,033
Prepaid Items	-	95,893	95,893
Inventories	68,868	192,244	261,112
Restricted Assets			
Cash and Pooled Investments	-	1,448,149	1,448,149
Investment in Joint Venture	-	477,959	477,959
Capital Assets - Non-Depreciable			
Land	1,165,892	249,744	1,415,636
Construction in Progress	-	254,041	254,041
Depreciable Capital Assets - Net of Depreciation			
Building	5,150,964	5,351,699	10,502,663
Improvements Other than Buildings	-	84,153	84,153
Machinery, Vehicles, Furniture and Equipment	1,558,115	895,653	2,453,768
Infrastructure	34,923,540	-	34,923,540
Total Assets	50,217,675	13,614,861	63,832,536
LIABILITIES			
Accounts Payable	437,844	782,590	1,220,434
Salaries Payable	205,167	-	205,167
Accrued Payroll Taxes	24,455	-	24,455
Contracts Payable	53,851	-	53,851
Due to Other Governments	52,903	-	52,903
Accrued Interest Payable	10,414	-	10,414
Deferred Revenue - Unearned	24,540	-	24,540
Customer Deposits - Current	-	8,784	8,784
Other Current Liabilities	-	340,857	340,857
Compensated Absences Payable - Due Within One Year	177,532	7,950	185,482
General Obligation Bonds Payable - Due Within One Year	125,000	82,246	207,246
Loans Payable - Due Within One Year	2,233	26,286	28,519
Compensated Absences Payable - Due in More Than One Year	532,596	-	532,596
General Obligation Bonds Payable - Due in More Than One Year	485,000	4,386,952	4,871,952
Loans Payable - Due in More Than One Year	105,446	-	105,446
Capital Leases Payable - Due in More than One Year	-	8,484	8,484
Total Liabilities	2,236,981	5,644,149	7,881,130
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	42,798,511	2,331,322	45,129,833
Restricted for			
General Government	223,568	-	223,568
Public Safety	111,937	-	111,937
Unrestricted	4,846,678	5,639,390	10,486,068
Total Net Assets	\$ 47,980,694	\$ 7,970,712	\$ 55,951,406

See accompanying Notes to the Financial Statements.

**SWIFT COUNTY
BENSON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	General	Road and Bridge	Welfare
ASSETS			
Cash and Pooled Investments	\$ -	\$ 461,031	\$ 707,707
Petty Cash and Change Funds	1,600	100	25
Investments	4,430,530	315,888	846,797
Taxes Receivable - Delinquent	31,287	13,022	19,218
Special Assessments Receivable			
Delinquent	-	-	-
Noncurrent	-	-	-
Accounts Receivable	31,417	5,312	21,965
Accrued Interest Receivable	22,547	-	13,152
Loans Receivable	-	-	-
Due from Other Funds	965	-	-
Due from Other Governments	191,711	21,979	113,805
Inventories	-	68,868	-
Total Assets	<u>\$ 4,710,057</u>	<u>\$ 886,200</u>	<u>\$ 1,722,669</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Cash Overdraft	\$ 2,632,187	\$ -	\$ -
Accounts Payable	210,021	27,218	164,976
Salaries Payable	87,563	34,880	74,473
Accrued Payroll Taxes	11,562	4,716	7,067
Contracts Payable	-	53,851	-
Due to Other Funds	-	-	965
Due to Other Governments	3,392	-	42,954
Deferred Revenue - Unavailable	31,287	13,022	19,218
Deferred Revenue - Unearned	-	-	-
Total Liabilities	<u>2,976,012</u>	<u>133,687</u>	<u>309,653</u>
FUND BALANCES			
Reserved for			
Inventories	-	68,868	-
Future Loans	-	-	-
Missing Heirs	223,568	-	-
E-911	111,937	-	-
Unreserved, Designated			
Cash Flows	148,540	569,000	835,525
Debt Service	-	-	-
Health Care	1,000,000	-	-
Workers' Compensation	100,000	-	-
Soil Survey Update	100,000	-	-
Severance Pay	50,000	50,000	50,000
Unreserved, Undesignated	-	64,645	527,491
Total Fund Balances	<u>1,734,045</u>	<u>752,513</u>	<u>1,413,016</u>
Total Liabilities and Fund Balances	<u>\$ 4,710,057</u>	<u>\$ 886,200</u>	<u>\$ 1,722,669</u>

See accompanying Notes to Financial Statements.

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2006**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Discretely Presented Component Units	
PRIMARY GOVERNMENT							
GOVERNMENTAL ACTIVITIES							
General Government	\$ 2,684,602	\$ 774,036	\$ 356,240	\$ -	\$ (1,554,326)	\$ -	\$ (1,554,326)
Public Safety	1,555,914	112,053	96,450	-	(1,347,411)	-	(1,347,411)
Highways and Streets	3,216,784	180,382	1,156,319	869,153	(1,010,930)	-	(1,010,930)
Sanitation	911,267	736,462	109,022	-	(65,783)	-	(65,783)
Human Services	4,013,183	233,256	907,224	-	(2,872,703)	-	(2,872,703)
Health	157,021	1,282	-	-	(155,739)	-	(155,739)
Culture and Recreation	293,055	22,214	179,239	56,555	(35,047)	-	(35,047)
Conservation of Natural Resources	313,175	1,838	-	353,427	42,090	-	42,090
Economic Development	62,846	35,248	10,150	-	(17,448)	-	(17,448)
Interest	112,676	-	-	-	(112,676)	-	(112,676)
Total Governmental Activities	13,320,523	2,096,771	2,814,644	1,279,135	(7,129,973)	-	(7,129,973)
DISCRETE COMPONENT UNITS							
Swift County - Housing and Redevelopment Authority	1,157,785	850,262	258,903	-	-	(48,620)	(48,620)
Swift County - Benson Hospital	9,174,801	10,438,660	-	32,000	-	1,295,859	1,295,859
Total Discretely Presented Component Units	10,332,586	11,288,922	258,903	32,000	-	1,247,239	1,247,239
Total Reporting Entity	<u>\$ 23,653,109</u>	<u>\$ 13,385,693</u>	<u>\$ 3,073,547</u>	<u>\$ 1,311,135</u>	(7,129,973)	1,247,239	(5,882,734)
GENERAL REVENUES							
Property Taxes					4,601,080	-	4,601,080
Mortgage and Registry Deed Taxes					6,205	-	6,205
Payments in Lieu of Tax					98,205	-	98,205
Rent					88,267	-	88,267
Grants and Contributions not Restricted for a Particular Purpose					2,419,436	-	2,419,436
Investment Earnings					204,533	147,016	351,549
Miscellaneous					64,931	1,792	66,723
Gain on Sale of Capital Assets					133,923	-	133,923
Total General Revenues					<u>7,616,580</u>	<u>148,808</u>	<u>7,765,388</u>
CHANGE IN NET ASSETS							
Net Assets - Beginning of Year					<u>47,494,087</u>	<u>6,574,665</u>	<u>54,068,752</u>
NET ASSETS - END OF YEAR					<u>\$ 47,980,694</u>	<u>\$ 7,970,712</u>	<u>\$ 55,951,406</u>

See accompanying Notes to Financial Statements.

Revolving Loan	Solid Waste	Ditch	Total Governmental Funds
\$ 291,517	\$ 813,532	\$ 520,982	\$ 2,794,769
-	50	-	1,775
-	-	-	5,593,215
-	619	-	64,146
-	6,817	2,130	8,947
-	47,993	823,079	871,072
-	-	-	58,694
-	-	-	35,699
221,133	-	-	221,133
-	-	-	965
-	5,538	-	333,033
-	-	-	68,868
<u>\$ 512,650</u>	<u>\$ 874,549</u>	<u>\$ 1,346,191</u>	<u>\$ 10,052,316</u>

\$ -	\$ -	\$ -	\$ 2,632,187
-	35,629	-	437,844
-	8,251	-	205,167
-	1,110	-	24,455
-	-	-	53,851
-	-	-	965
1,019	5,538	-	52,903
221,133	55,429	825,209	1,165,298
-	24,540	-	24,540
<u>222,152</u>	<u>130,497</u>	<u>825,209</u>	<u>4,597,210</u>

-	-	-	68,868
290,498	-	-	290,498
-	-	-	223,568
-	-	-	111,937
-	25,000	-	1,578,065
-	-	22,849	22,849
-	-	-	1,000,000
-	-	-	100,000
-	-	-	100,000
-	-	-	150,000
-	719,052	498,133	1,809,321
<u>290,498</u>	<u>744,052</u>	<u>520,982</u>	<u>5,455,106</u>
<u>\$ 512,650</u>	<u>\$ 874,549</u>	<u>\$ 1,346,191</u>	<u>\$ 10,052,316</u>

SWIFT COUNTY
BENSON, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2006

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 5,455,106
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		42,798,511
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Property Taxes	\$ 64,146	
Special Assessments	880,019	
Loans Receivable	221,133	1,165,298
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General Obligation Special Assessment Bonds	(610,000)	
Loans Payable	(107,679)	
Compensated Absences	(710,128)	
Accrued Interest Payable	(10,414)	(1,438,221)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$ 47,980,694

See accompanying Notes to Financial Statements.

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2006**

	General	Road and Bridge	Welfare
REVENUES			
Taxes	\$ 2,367,882	\$ 864,872	\$ 1,270,208
Special Assessments	-	-	-
Licenses and Permits	4,010	-	-
Intergovernmental	1,667,051	2,467,198	2,149,478
Charges for Services	546,047	73,822	226,138
Interest on Investments	130,869	22,927	48,243
Miscellaneous	557,277	107,089	9,374
Total Revenues	5,273,136	3,535,908	3,703,441
EXPENDITURES			
CURRENT			
General Government	2,842,192	-	-
Public Safety	1,553,576	-	-
Highways and Streets	-	3,874,511	-
Sanitation	-	-	-
Human Services	-	-	3,962,565
Health	157,021	-	-
Culture and Recreation	23,023	-	-
Conservation of Natural Resources	585,836	-	-
DEBT SERVICE			
Principal	-	-	-
Interest	-	-	-
Administrative (Fiscal) Charges	-	-	-
Total Expenditures	5,161,648	3,874,511	3,962,565
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	111,488	(338,603)	(259,124)
OTHER FINANCING SOURCES (USES)			
Loan Proceeds	-	-	-
Proceeds from Sale of Assets	115,073	39,385	-
Total Other Financing Sources (Uses)	115,073	39,385	-
NET CHANGE IN FUND BALANCES	226,561	(299,218)	(259,124)
Fund Balance - Beginning of Year	1,507,484	1,034,690	1,672,140
INCREASE IN RESERVED FOR INVENTORIES	-	17,041	-
FUND BALANCE - END OF YEAR	\$ 1,734,045	\$ 752,513	\$ 1,413,016

See accompanying Notes to Financial Statements.

Revolving Loan	Solid Waste	Ditch	Total Governmental Funds
\$ -	\$ 38,111	\$ -	\$ 4,541,073
-	132,583	341,246	473,829
-	-	-	4,010
-	120,937	-	6,404,664
-	489,567	-	1,335,574
2,494	-	-	204,533
36,041	117,602	15,554	842,937
<u>38,535</u>	<u>898,800</u>	<u>356,800</u>	<u>13,806,620</u>
-	-	-	2,842,192
-	-	-	1,553,576
-	-	-	3,874,511
-	887,725	-	887,725
-	-	-	3,962,565
-	-	-	157,021
-	-	-	23,023
-	-	255,172	841,008
-	-	125,000	125,000
-	-	27,171	27,171
-	-	393	393
<u>-</u>	<u>887,725</u>	<u>407,736</u>	<u>14,294,185</u>
38,535	11,075	(50,936)	(487,565)
-	48,302	-	48,302
-	-	-	154,458
<u>-</u>	<u>48,302</u>	<u>-</u>	<u>202,760</u>
38,535	59,377	(50,936)	(284,805)
251,963	684,675	571,918	5,722,870
-	-	-	17,041
<u>\$ 290,498</u>	<u>\$ 744,052</u>	<u>\$ 520,982</u>	<u>\$ 5,455,106</u>

**SWIFT COUNTY
BENSON, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO
THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2006**

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ (284,805)
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivable not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustments to revenue between the fund statements and the statement of activities is the increase (decrease) in revenues deferred as unavailable.		
	(196,885)	
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.	626	
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 reports; 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	\$ 2,189,421	
Net Book Value of Assets Disposed of	(20,535)	
Current Year Depreciation	<u>(1,190,385)</u>	978,501
Loan proceeds provide current financial resources to government funds, but issuing debt increases long-term liabilities in the statement of net assets.		(48,302)
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 Special Assessment Bonds		125,000
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	(7,935)	
Change in Compensated Absences	(96,634)	
Change in Inventories	<u>17,041</u>	<u>(87,528)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$ <u>486,607</u>

See accompanying Notes to Financial Statements.

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2006**

ASSETS

Cash and Pooled Investments	<u>\$ 103,091</u>
-----------------------------	-------------------

LIABILITIES

Accounts Payable	\$ 4,247
Due to Other Governments	<u>98,844</u>
Total Liabilities	<u>\$ 103,091</u>

See accompanying Notes to Financial Statements.

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2006**

ASSETS	Swift County Housing and Redevelopment Authority	Swift County-Benson Hospital	Total
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 571,655	\$ 2,053,145	\$ 2,624,800
Investments	16,881	-	16,881
Accounts Receivable - Net	3,680	1,919,965	1,923,645
Prepaid Items	-	95,893	95,893
Inventories	-	192,244	192,244
Total Current Assets	592,216	4,261,247	4,853,463
RESTRICTED ASSETS			
Cash and Pooled Investments	-	1,448,149	1,448,149
NONCURRENT ASSETS			
Investment in Joint Venture	-	477,959	477,959
Capital Assets			
Land	25,000	224,744	249,744
Construction in Progress	-	254,041	254,041
Buildings	3,240,490	2,111,209	5,351,699
Machinery, Vehicles, Furniture and Equipment	10,965	884,688	895,653
Land Improvements	-	84,153	84,153
Total Noncurrent Assets	3,276,455	4,036,794	7,313,249
Total Assets	3,868,671	9,746,190	13,614,861
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	30,130	752,460	782,590
Accrued Expenses	-	340,857	340,857
Compensated Absences Payable - Current	7,950	-	7,950
Capital Notes Payable - Current	53,117	29,129	82,246
Capital Leases Payable - Current	-	26,286	26,286
Customer Deposits	8,784	-	8,784
Total Current Liabilities	99,981	1,148,732	1,248,713
NONCURRENT LIABILITIES			
Capital Notes Payable - Long-Term	3,004,641	1,382,311	4,386,952
Capital Leases Payable - Long-Term	-	8,484	8,484
Total Noncurrent Liabilities	3,004,641	1,390,795	4,395,436
Total Liabilities	3,104,622	2,539,527	5,644,149
NET ASSETS			
Invested in Capital Assets - Net of Related Debt	218,697	2,112,625	2,331,322
Unrestricted Net Assets	545,352	5,094,038	5,639,390
Total Net Assets	\$ 764,049	\$ 7,206,663	\$ 7,970,712

See accompanying Notes to Financial Statements.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 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, 2006. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Swift County 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 a 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. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial statement accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization; or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County.

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

Discretely Presented Component Units

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

Swift County Housing and Redevelopment Authority (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

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

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 6 for significant accounting policies and other disclosures. Separate financial statements of the Swift County-Benson Hospital can be obtained at 1815 Wisconsin Avenue, Benson, Minnesota 56215.

Other Organizations

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

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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 program.

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

The Solid Waste Special Revenue Fund is used 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.

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 agency capacity.

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting

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

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

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 Fund Balance

1. Cash and Cash Equivalents

The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The County maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the combined balance sheet as "Cash and Investments - Pooled." In accordance with *Minnesota Statutes*, the County maintains deposits at financial institutions which are authorized by the County Board. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent maturities of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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. Loans Receivable

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

4. 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.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the 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 if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

SWIFT COUNTY
 BENSON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Capital Assets (Continued)

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

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

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

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

6. Compensated Absences

The liability for compensated absences reported in 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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

9. Fund Balance

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

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The following funds had expenditures in excess of budget at the fund level for the year ended December 31, 2006: Welfare Special Revenue Fund had expenditures of \$3,962,561 which exceeded the final budget of \$3,821,821 by \$140,744. Also, the Solid Waste Special Revenue Fund had expenditures of \$887,725 and a final budget \$739,877 resulting in an excess of expenditures over final budget of \$147,848. The excess expenditures were funded with existing fund balance and greater than anticipated revenues.

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2006, 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 2006 were \$204,533.

Custodial Credit Risk - Deposits

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

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

The County's deposits in banks at December 31, 2006 were entirely covered by federal depository insurance or by pledged collateral held by the bank's agent in the County's name in amounts equal to at least 110% of the amount in excess of the federal depository insurance, as required by *Minnesota Statutes*.

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

- (a) Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118a.04, Subd. 6;
- (b) Mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

- (c) General obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (d) Bankers' acceptances of United States banks;
- (e) Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (f) With certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

As of December 31, 2006, the County had the following investments:

<u>Investment Type</u>	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years
Mutual Funds	\$ 140,577	\$ -	\$ -	\$ 140,577
U.S. Agency Securities	676,343	517,801	155,179	3,363
Negotiable CDs	2,196,674	1,178,848	570,130	447,696
Total	<u>\$ 3,013,594</u>	<u>\$ 1,696,649</u>	<u>\$ 725,309</u>	<u>\$ 591,636</u>

Interest Rate Risk

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

Credit Risk

Minnesota Statutes restrict the types of investments that the County may invest in. The County's investment policy does not further limit its investment choices. As of December 31, 2006, the County's investment in U.S. agency securities were rated AAA by Moody's and Standard and Poor's. The mutual funds through Delaware Investments and Franklin Templeton Investments were rated AA and AAA, respectively, through inquiry of customer service representatives. The negotiable certificates of deposit were not rated.

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Concentration Credit Risk

The County's investment policy places no limit on the amount the County may invest in any one issuer. More than five percent of the County's investments are held with the following issuers:

U.S. Agency Securities	22.4%
Negotiable Certificates of Deposit	72.9%

Concentration of Credit Risk - Specific Fund Investments

General Fund	
Mutual Funds	10.1%
Road and Bridge Fund	
U.S. Agency Securities	15.8%
Welfare Fund	
U.S. Agency Securities	5.9%
Negotiable Certificates of Deposit	11.4%

Custodial Credit Risk – Investments

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

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

Government-Type Activities – Primary Government

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land and Right of Way	\$ 995,195	\$ 182,220	\$ 11,523	\$ 1,165,892
Capital Assets, Being Depreciated				
Buildings	7,693,763	125,475	-	7,819,238
Machinery, Furniture, and Equipment	4,066,916	624,802	285,810	4,405,908
Infrastructure	43,663,016	1,256,924	-	44,919,940
Total Capital Assets, Being Depreciated	55,423,695	2,007,201	285,810	57,145,086
Less Accumulated Depreciation for				
Buildings	2,591,440	76,834	-	2,668,274
Machinery, Furniture, and Equipment	2,821,147	303,444	276,798	2,847,793
Infrastructure	9,186,293	810,107	-	9,996,400
Total Accumulated Depreciation	14,598,880	1,190,385	276,798	15,512,467
Total Capital Assets, Being Depreciated, Net	40,824,815	816,816	9,012	41,632,619
Governmental Activities Capital Assets, Net	<u>\$ 41,820,010</u>	<u>\$ 999,036</u>	<u>\$ 20,535</u>	<u>\$ 42,798,511</u>

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

Government-Type Activities

General Government	\$ 45,630
Public Safety	24,615
Highways and Streets, Including Depreciation of Infrastructure Assets	1,073,620
Human Services	9,102
Sanitation	25,249
Conservation of Natural Resources	1,951
Culture and Recreation	10,218
Total Depreciation Expense - Governmental Activities	<u>\$ 1,190,385</u>

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities

1. Long-Term Debt

Governmental Activities

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issued Amount	Outstanding Balance December 31, 2006
General Obligation Bonds					
Assessment Bonds					
1997 Drainage Bonds	2013	\$35,000 - \$40,000	4.00 - 5.00	\$ 580,000	\$ 280,000
2002 Refunding Bonds	2010	\$80,000 - \$90,000	2.75 - 3.75	505,000	\$ 330,000
Total General Obligation					
Special Assessment Bonds				\$ 1,085,000	\$ 610,000
Loans Payable					
Chippewa River Watershed/ Continuation Clean Water Project					
	2015	\$3,070 - \$7,023	2.00	\$ 107,679	\$ 107,679

2. Debt Service Requirements

Debt service requirements at December 31, 2006, were as follows:

Year Ending December 31	General Obligation Special Assessment		Loans Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 125,000	\$ 22,848	\$ 2,233	\$ 492	\$ 127,233	\$ 23,340
2008	125,000	18,271	4,975	1,014	129,975	19,285
2009	120,000	13,530	7,738	1,494	127,738	15,024
2010	120,000	8,630	10,131	1,804	130,131	10,434
2011	40,000	5,100	10,334	1,601	50,334	6,701
2012-2016	80,000	4,080	54,922	4,804	134,922	8,884
2017-2021	-	-	17,346	455	17,346	455
Total	\$ 610,000	\$ 72,459	\$ 107,679	\$ 11,664	\$ 717,679	\$ 84,123

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Liabilities (Continued)

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Special Assessment Bonds	\$ 735,000	\$ -	\$ 125,000	\$ 610,000	\$ 125,000
Loans Payable	59,377	48,302	-	107,679	2,233
Compensated Absences	<u>613,494</u>	<u>403,185</u>	<u>306,551</u>	<u>710,128</u>	<u>177,532</u>
Governmental Activity Long-Term Liabilities	<u>\$ 1,407,871</u>	<u>\$ 451,487</u>	<u>\$ 431,551</u>	<u>\$ 1,427,807</u>	<u>\$ 304,765</u>

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Plan Description

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

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

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

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for PECF members. For all PEPFF members, PECF members, and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

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

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 5.50%, respectively, of their annual covered salary in 2006. Contribution rates in the Coordinated Plan will increase in 2007 to 5.75%. PEPFF members were required to contribute 7.0% of their annual covered salary in 2006. That rate will increase to 7.8% in 2007. PECF members are required to contribute 5.83% of their annual covered salary. Swift County is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.0% for Coordinated Plan PERF members, 10.5% for PEPFF members, and 8.75% for PECF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.25% and 11.7%, respectively, effective January 1, 2007.

Defined Contribution Plan

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

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

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

B. Funding Policy (Continued)

The County's contributions to the Public Employees Retirement Fund, Public Employees Police and Fire Fund, Public Employees Correctional Fund, and Defined Contribution Plan for the years ending December 31, 2006, 2005, and 2004 were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund	Public Employees Defined Contribution Plan
2006	\$ 205,747	\$ 30,637	\$ 33,462	\$ 4,350
2005	172,930	22,616	31,872	4,245
2004	167,192	28,134	29,981	-

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

NOTE 5 RISK MANAGEMENT

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$390,000 per claim in 2006. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

SWIFT COUNTY
 BENSON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2006

NOTE 6 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

NOTE 7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNITS

A. Swift County Housing and Redevelopment Authority (HRA)

Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed by the Swift County HRA. The HRA's fiscal year ended on June 30, 2006.

Basis of Accounting

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

Deposits

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

At June 30, 2006, the HRA had cash deposits in regular checking accounts and savings accounts in the amount of \$571,655.

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

Following is a summary of deposits covered by insurance or collateral at June 30, 2006:

	<u>Bank Balance</u>
Insured or Collateralized with Securities Held by the HRA or Its Agent in the HRA's Name	\$ 571,655
Collateralized with Securities Held by the Pledging Financial Institution's Trust Department or Agent in the HRA's Name	-
Total Deposits	\$ 571,655

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
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

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

A. Swift County Housing and Redevelopment Authority (Continued)

Capital Assets

Capital asset activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, not being Depreciated				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Capital Assets being Depreciated				
Buildings	2,869,833	735,881	-	3,605,714
Machinery, Furniture, and Equipment	12,858	1,245	-	14,103
Total Capital Assets being Depreciated	2,882,691	737,126	-	3,619,817
Less: Accumulated Depreciation for				
Buildings	262,439	102,785	-	365,224
Machinery, Furniture, and Equipment	2,930	208	-	3,138
Total Accumulated Depreciation	265,369	102,993	-	368,362
Total Capital Assets, Depreciated, Net	2,617,322	634,133	-	3,251,455
Governmental Activities Capital Assets, Net	\$ 2,642,322	\$ 634,133	\$ -	\$ 3,276,455

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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

A. Swift County Housing and Redevelopment Authority (Continued)

Long-Term Debt

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

	<u>Maturity</u>	<u>Interest Rate</u>	<u>June 30, 2006</u>
Essential Function Housing Redevelopment Revenues Bonds	2033	5.00%	\$ 2,261,076
Essential Function Housing Revenue Bond Series 2005	2025	4.25%	<u>796,682</u>
Total Outstanding Bonds			<u>\$ 3,057,758</u>

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 54,976	\$ 145,115	\$ 200,091
2008	57,682	142,409	200,091
2009	60,522	139,569	200,091
2010	63,503	136,589	200,092
2011	66,630	133,461	200,091
2012-2016	385,763	614,695	1,000,458
2017-2021	490,749	509,709	1,000,458
2022-2026	1,000,896	359,291	1,360,187
2027-2031	621,171	143,155	764,326
2032-2036	<u>255,866</u>	<u>10,814</u>	<u>266,680</u>
Total	<u>\$ 3,057,758</u>	<u>\$ 2,334,807</u>	<u>\$ 4,361,559</u>

Compensated Absences Payable

Changes in compensated absences payable for the period ended June 30, 2006 is summarized below:

Balance - June 30, 2005	\$ 7,950
Net Changes	<u>-</u>
Balance - June 30, 2006	<u>\$ 7,950</u>

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

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

A. Swift County Housing and Redevelopment Authority (Continued)

Economic Dependency

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

Risk Management

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

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 on these bonds was defeased in 2004.

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.

Total Wages	\$	56,566
Total Eligible Wages		39,100
Employer Contribution		2,346
Employee Contribution		1,566

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

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

B. Swift County-Benson Hospital

Summary of significant Accounting Policies

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

Basis of Accounting

The Hospital component unit is accounted for using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when incurred. In accordance with Governmental Accounting Standards Board (GASB) Statement 20, the Hospital has elected not to apply the Financial Accounting Standards Board statements are interpretations issued after November 30, 1989.

Cash and Cash Equivalents

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

Accounts Receivable

Accounts Receivable for the Hospital are shown net of an allowance of \$193,778 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.

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 of 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 non-capital 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 capital assets, net of related debt or restricted net assets.

SWIFT COUNTY
 BENSON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2006

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

B. Swift County-Benson Hospital (Continued)

Net Patient Services Revenues

Net patient services 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 settlement are determined.

A summary of gross and net patient service revenues for the year ended December 31, 2006 is as follows:

Gross Patient Service Revenues	\$ 1,998,308
Less: Provisions for Revenue Adjustments Under Third-Party Reimbursement Program	<u>(193,778)</u>
Net Patient Service Revenues	<u>\$ 1,804,530</u>

Contributions

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

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

Charity Care

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

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. The amount of such charges foregone based on established rates was \$60,069 in 2006.

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

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

B. Swift County-Benson Hospital (Continued)

Deposits and Investments

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

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

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

As of December 31, 2006, 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 \$280,323. At December 31, 2006, the Hospital had bank balances as follows:

Insured (FDIC) or Collateralized by Securities held by the Pledging Financial Institution in the Hospital's Name	\$ 3,269,363
Uninsured, Uncollateralized	<u>280,323</u>
Total	<u>\$ 3,549,686</u>

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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

B. Swift County-Benson Hospital (Continued)

Capital Assets

A summary of capital assets at December 31, 2006, follows:

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Capital Assets, not being				
Depreciated				
Land	\$ 16,744	\$ 208,000	\$ -	\$ 224,744
Construction in Progress	7,500	246,541	-	254,041
Total Capital Assets Not Being				
Depreciated	24,244	454,541	-	478,785
Capital Assets Depreciated				
Buildings and Fixed Equipment	4,377,988	26,065	-	4,404,053
Movable Equipment and				
Ambulances	2,382,587	212,328	49,762	2,545,153
Land Improvements	137,262	-	-	137,262
Total Capital Assets being				
Depreciated	6,897,837	238,393	49,762	7,086,468
Less: Accumulated				
Depreciation for				
Buildings and Fixed Equipment	2,078,706	214,138	-	2,292,844
Movable Equipment and				
Ambulances	1,437,741	249,715	26,991	1,660,465
Land Improvements	42,474	10,635	-	53,109
Total Accumulated Depreciation	<u>3,558,921</u>	<u>474,488</u>	<u>26,991</u>	<u>4,006,418</u>
Total Capital Assets, Depreciated, Net	<u>\$ 3,338,916</u>	<u>\$ (236,095)</u>	<u>\$ 22,771</u>	<u>\$ 3,080,050</u>
Governmental Activities Capital Assets, Net	<u>\$ 3,363,160</u>	<u>\$ 218,446</u>	<u>\$ 22,771</u>	<u>\$ 3,558,835</u>

Investment in Joint Venture

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

CMDI provides the equipment for current year scans for Hospital patients. The Hospital billed and collected the revenues for these services to patients and reimbursed CMDI \$264,000 for the use for the equipment for the year ended December 31, 2006. Accounts payable to CMDI for these services at December 31, 2006 amounted to \$25,500. Earnings of \$151,760 are included in other operating revenues.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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

B. Swift County-Benson Hospital (Continued)

Lease Obligations and Notes Payable

The following is a summary of transactions related to lease obligations and notes payable for the year ended December 31, 2006:

	Balance January 1, 2006	Additions	Payments	Balance December 31, 2006	Amounts Due Within One Year
USDA Hospital Refunding Revenue Note, Series 2003	\$ 1,439,338	\$ -	\$ 27,898	\$ 1,411,440	\$ 29,129
Capital Lease Obligation	59,969	-	25,199	34,770	26,286
Total Noncurrent Liabilities	\$ 1,499,307	\$ -	\$ 53,097	\$ 1,446,210	\$ 55,415

The terms and due dates of the Hospital's long-term debt, including lease obligations, at December 31, 2006, are as follows:

- USDA Hospital Refunding Revenue Note, Series 2003, due in monthly installments of \$7,380, 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, 2006:

Equipment	\$ 121,600
Less: Accumulated Depreciation	<u>(97,280)</u>
Net Equipment Under Capital Lease	<u>\$ 24,320</u>

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

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

B. Swift County-Benson Hospital (Continued)

Lease Obligations and Notes Payable (Continued)

Schedule 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
2007	\$ 29,129	\$ 60,630	\$ 26,286	\$ 1,126
2008	30,392	59,420	8,484	91
2009	31,709	58,157	-	-
2010	33,083	56,840	-	-
2011	34,517	55,466	-	-
2012-2016	196,362	254,541	-	-
2017-2021	242,762	210,067	-	-
2022-2026	300,128	155,085	-	-
2027-2031	371,048	87,110	-	-
2032-2036	142,310	13,263	-	-
Total	<u>\$ 1,411,440</u>	<u>\$ 1,010,579</u>	<u>\$ 34,770</u>	<u>\$ 1,217</u>

Pensions

The Hospital's contributions to the Public Employees Retirement Fund for the years ending December 31, 2006, 2005, and 2004, were \$208,646, \$159,667, and \$148,086, respectively, equal to the contractual required contributions for each year as set by state statute.

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, 2006, the Hospital paid approximately \$72,271 for management services provided under the purchase agreement and approximately \$799,001 for services and equipment purchased through Rice Memorial Hospital. The Hospital had accounts payable of approximately \$76,930 at December 31, 2006.

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

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

B. Swift County-Benson Hospital (Continued)

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 not reported subsequent thereto, will be uninsured.

NOTE 8 OTHER ORGANIZATIONS

Joint Ventures

Countryside Public Health Service

Swift County entered into a joint powers agreement with Big Stone, Chippewa, Lac qui Parle, and Yellow Medicine Counties creating and operating the Countryside Public Health Service pursuant to Minn. Stat. § 471.59. The Public 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 2006 was \$81,686. Complete financial statements of Countryside Public Health Service can be obtained at 201-13th Street South, Benson, Minnesota 56215.

Region 6W Community Corrections

Swift County participates with Chippewa, Lac qui Parle, and Yellow Medicine Counties to provide community corrections services. Region 6W Community Corrections develops and implements humane and effective methods of prevention, control, and rehabilitation of offenders. 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, 2006, was \$82,793. Complete financial statements of Region 6W Community Corrections can be obtained at 1215 Black Oak Avenue, P.O. Box 551, Montevideo, Minnesota 56265.

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.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 8 OTHER ORGANIZATIONS (CONTINUED)

Joint Ventures (Continued)

Minnesota River Board (Continued)

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 2006, Swift County did not contribute any funds to the Board. Complete financial statements of the Minnesota River Board can be obtained from its administrative office at 184 Trafton Science Center South, Minnesota State University - Mankato, Mankato, Minnesota, 56001.

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

Swift County entered into a joint powers agreement to create and operate the Kandiyohi-Region 6W Community Corrections Agencies Detention Center (commonly referred to as the Prairie Lakes Youth Programs) pursuant to 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. The Prairie Lakes Youth Programs is located at the Willmar Regional Treatment Center in space rented from the State of Minnesota.

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

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006**

NOTE 8 OTHER ORGANIZATIONS (CONTINUED)

Joint Ventures (Continued)

Southwest Minnesota Adult Mental Health Consortium Board

In November 1997, the County entered into a joint powers agreement with Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Pipestone, Redwood, Renville, Rock, and Yellow Medicine Counties; and Lincoln, Lyon, and Murray Counties, represented by the Lincoln, Lyon & Murray Human Services Board, creating and operating the Southwestern Minnesota Adult Mental Health Consortium Board under the authority of 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.

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 for the CEE VI Task Force. The Task Force was established to receive and expend federal, state, and local grants and other related funds for the purpose of investigation of burglary, theft, narcotics, stolen property, and crimes of violence. Swift County has no operational or financial control over the CEE VI Task Force. During the year, Swift County paid \$29,890 to the Task Force.

Western Plains Regional Library

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

The financial activities of the Western Plains Library System are reported as part of the Pioneerland Regional Library System. During the year, Swift County paid \$87,979 to the Library System. Financial information for the Western Plains Library System is not available.

Related Organization

Swift County Rural Development Finance Authority

The Board members of the Swift County Rural Development Finance Authority (RDFA) are appointed by the Swift County Board of Commissioners. During the year, Swift County approved a levy for the RDFA in the amount of \$70,000.

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

**SWIFT COUNTY
BENSON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,205,567	\$ 2,205,567	\$ 2,367,882	\$ 162,315
Licenses and Permits	6,000	6,000	4,010	(1,990)
Intergovernmental	1,977,229	1,986,378	1,667,051	(319,327)
Charges for Services	276,374	275,082	546,047	270,965
Investment Earnings	120,000	120,000	130,869	10,869
Miscellaneous	438,745	437,127	557,277	120,150
Total Revenues	5,023,915	5,030,154	5,273,136	242,982
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	200,593	200,593	177,009	23,584
Law Library	-	-	36,772	(36,772)
County Administration	127,150	127,150	115,870	11,280
County Auditor	263,977	263,977	268,004	(4,027)
County Treasurer	143,533	143,533	146,877	(3,344)
County Assessor	207,009	207,009	202,802	4,207
Elections	324,200	324,200	247,827	76,373
Data Processing	64,000	64,000	53,980	10,020
Attorney	246,499	246,499	239,380	7,119
Recorder	203,968	204,578	205,532	(954)
Planning and Zoning	55,100	55,100	54,461	639
Buildings and Plant	222,109	222,109	213,705	8,404
Technology	107,656	138,790	112,761	26,029
Veterans Service Officer	111,196	123,321	144,232	(20,911)
Appropriations - General Government	272,581	272,581	480,694	(208,113)
Other General Government	-	-	142,286	(142,286)
Total General Government	2,549,571	2,593,440	2,842,192	(248,752)

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

**SWIFT COUNTY
BENSON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
PUBLIC SAFETY				
Sheriff	\$ 909,325	\$ 935,943	\$ 864,260	\$ 71,683
Coroner	9,000	9,000	11,599	(2,599)
E-911 System	42,339	42,339	57,596	(15,257)
County Jail	611,217	587,509	537,328	50,181
Community Corrections	82,794	82,794	82,793	1
Total Public Safety	<u>1,654,675</u>	<u>1,657,585</u>	<u>1,553,576</u>	<u>104,009</u>
HEALTH				
Countryside Health Service	81,686	81,686	81,686	-
Youth Programs	69,988	74,740	75,335	(595)
Total Health	<u>151,674</u>	<u>156,426</u>	<u>157,021</u>	<u>(595)</u>
CULTURE AND RECREATION				
Parks	10,000	10,000	23,023	(13,023)
CONSERVATION OF NATURAL RESOURCES				
County Extension	126,485	126,485	114,200	12,285
Parks and Drainage	676,311	679,723	452,607	227,116
Agricultural Inspection	16,100	16,100	13,727	2,373
Predator Control	7,000	7,000	5,302	1,698
Total Conservation of Natural Resources	<u>825,896</u>	<u>829,308</u>	<u>585,836</u>	<u>243,472</u>
Total Expenditures	<u>5,191,816</u>	<u>5,246,759</u>	<u>5,161,648</u>	<u>85,111</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(167,901)	(216,605)	111,488	328,093
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	-	-	115,073	115,073
NET CHANGE IN FUND BALANCE	<u>\$ (167,901)</u>	<u>\$ (216,605)</u>	<u>226,561</u>	<u>\$ 443,166</u>
Fund Balance - Beginning of Year			<u>1,507,484</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,734,045</u>	

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

**SWIFT COUNTY
BENSON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,042,507	\$ 1,042,507	\$ 864,872	\$ (177,635)
Intergovernmental	3,342,499	3,342,499	2,467,198	(875,301)
Charges for Services	66,000	66,000	73,822	7,822
Investment Earnings	15,000	15,000	22,927	7,927
Miscellaneous	<u>45,427</u>	<u>45,427</u>	<u>107,089</u>	<u>61,662</u>
Total Revenues	4,511,433	4,511,433	3,535,908	(975,525)
EXPENDITURES				
CURRENT				
HIGHWAYS AND STREETS				
Administration	202,988	202,988	1,108,653	(905,665)
Engineering	122,465	122,465	35,526	86,939
Shared County Engineer	129,107	129,107	103,008	26,099
Maintenance	1,231,547	1,231,547	545,715	685,832
Construction	2,006,746	2,006,746	1,529,534	477,212
Equipment and Maintenance Shops	677,026	677,026	542,558	134,468
Other - Highways and Streets	<u>277,292</u>	<u>277,292</u>	<u>9,517</u>	<u>267,775</u>
Total Expenditures	<u>4,647,171</u>	<u>4,647,171</u>	<u>3,874,511</u>	<u>772,660</u>
EXCESS OF REVENUES UNDER EXPENDITURES	(135,738)	(135,738)	(338,603)	(202,865)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	<u>3,000</u>	<u>3,000</u>	<u>39,385</u>	<u>36,385</u>
NET CHANGE IN FUND BALANCE	<u>\$ (132,738)</u>	<u>\$ (132,738)</u>	(299,218)	<u>\$ (166,480)</u>
Fund Balance - Beginning of Year			1,034,690	
Increase in Reserved for Inventory			<u>17,041</u>	
FUND BALANCE - END OF YEAR			<u>\$ 752,513</u>	

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

SWIFT COUNTY
 BENSON, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 WELFARE SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,530,817	\$ 1,530,817	\$ 1,270,208	\$ (260,609)
Intergovernmental	2,114,483	2,114,483	2,149,478	34,995
Charges for Services	115,200	115,200	226,138	110,938
Investment Earnings	56,000	56,000	48,243	(7,757)
Miscellaneous	-	-	9,374	9,374
Total Revenues	3,816,500	3,816,500	3,703,441	(113,059)
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	888,130	888,130	924,784	(36,654)
Social Services	2,933,691	2,933,691	3,037,781	(104,090)
Total Human Services	3,821,821	3,821,821	3,962,565	(140,744)
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	<u>\$ (5,321)</u>	<u>\$ (5,321)</u>	(259,124)	<u>\$ (253,803)</u>
Fund Balance - Beginning of Year			1,672,140	
FUND BALANCE - END OF YEAR			<u>\$ 1,413,016</u>	

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

SWIFT COUNTY
BENSON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 45,800	\$ 45,800	\$ 38,111	\$ (7,689)
Special Assessments	127,571	127,571	132,583	5,012
Intergovernmental	53,700	53,700	120,937	67,237
Charges for Services	412,000	412,000	489,567	77,567
Miscellaneous	99,000	99,000	117,602	18,602
Total Revenues	738,071	738,071	898,800	160,729
EXPENDITURES				
CURRENT				
SANITATION				
Solid Waste	739,877	739,877	887,725	(147,848)
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	(1,806)	(1,806)	11,075	12,881
OTHER FINANCING SOURCES				
Proceeds from loan	-	-	48,302	48,302
NET CHANGE IN FUND BALANCE	<u>\$ (1,806)</u>	<u>\$ (1,806)</u>	59,377	<u>\$ 61,183</u>
Fund Balance - Beginning of Year			684,675	
FUND BALANCE - END OF YEAR			<u>\$ 744,052</u>	

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

SWIFT COUNTY
 BENSON, MINNESOTA
 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
 DECEMBER 31, 2006

I. Budgetary Information

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

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 re-budgeted the following year.

II. Excess of Expenditures over Appropriations

The following funds had expenditures in excess of budget at the fund level for the year ended December 31, 2006:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Special Revenue Funds			
Welfare	\$ 3,962,565	\$ 3,821,821	\$ 140,744
Solid Waste	887,725	739,877	147,848
Total Special Revenue Funds	<u>\$ 4,850,290</u>	<u>\$ 4,561,698</u>	<u>\$ 288,592</u>

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

SUPPLEMENTARY INFORMATION

**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 to the State of Minnesota.

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

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

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

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

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

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

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

**SWIFT COUNTY
BENSON, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE DEED</u>				
ASSETS				
Cash and Pooled Investments	\$ 27,494	\$ 1,287,086	\$ 1,299,060	\$ 15,520
LIABILITIES				
Due to Other Governments	\$ 27,494	\$ 1,287,086	\$ 1,299,060	\$ 15,520
<u>TAXES AND PENALTIES</u>				
ASSETS				
Cash and Investments	\$ -	\$ 11,076,113	\$ 10,993,583	\$ 82,530
Due from Other Governments	12,158	-	12,158	-
Total Assets	\$ 12,158	\$ 11,076,113	\$ 11,005,741	\$ 82,530
LIABILITIES				
Due to Other Governments	\$ 12,158	\$ 11,076,113	\$ 11,005,741	\$ 82,530
<u>REGION 6W</u>				
ASSETS				
Cash and Pooled Investments	\$ 592	\$ 48,594	\$ 49,186	\$ -
LIABILITIES				
Due to Other Governments	\$ 592	\$ 48,594	\$ 49,186	\$ -
<u>SCHOOL DISTRICTS</u>				
ASSETS				
Cash and Pooled Investments	\$ 20,636	\$ 1,819,653	\$ 1,840,289	\$ -
LIABILITIES				
Due to Other Governments	\$ 20,636	\$ 1,819,653	\$ 1,840,289	\$ -
<u>TOWNS AND CITIES</u>				
ASSETS				
Cash and Pooled Investments	\$ 28,383	\$ 2,716,988	\$ 2,745,371	\$ -
LIABILITIES				
Due to Other Governments	\$ 28,383	\$ 2,716,988	\$ 2,745,371	\$ -

**SWIFT COUNTY
BENSON, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<u>MINNESOTA RIVER WATERSHED</u>				
ASSETS				
Cash and Pooled Investments	\$ 219	\$ 8,094	\$ 8,313	\$ -
LIABILITIES				
Due to Other Governments	\$ 219	\$ 8,094	\$ 8,313	\$ -
<u>RURAL DEVELOPMENT AUTHORITY</u>				
ASSETS				
Cash and Pooled Investments	\$ 794	\$ -	\$ -	\$ 794
LIABILITIES				
Due to Other Governments	\$ 794	\$ -	\$ -	\$ 794
<u>SOCIAL WELFARE FUND</u>				
ASSETS				
Cash and Pooled Investments	\$ 3,690	\$ 94,627	\$ 94,070	\$ 4,247
LIABILITIES				
Accounts Payable	\$ 3,690	\$ 94,627	\$ 94,070	\$ 4,247
<u>TOTAL ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Pooled Investments	\$ 81,808	\$ 17,051,155	\$ 17,029,872	\$ 103,091
Due from Other Governments	12,158	-	12,158	-
Total Assets	<u>\$ 93,966</u>	<u>\$ 17,051,155</u>	<u>\$ 17,042,030</u>	<u>\$ 103,091</u>
LIABILITIES				
Accounts Payable	\$ 3,690	\$ 94,627	\$ 94,070	\$ 4,247
Due to Other Governments	90,276	16,956,528	16,947,960	98,844
Total Liabilities	<u>\$ 93,966</u>	<u>\$ 17,051,155</u>	<u>\$ 17,042,030</u>	<u>\$ 103,091</u>

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2006**

	Special Revenue Funds				Total All Funds
	General Fund	Road and Bridge	Welfare Fund	Solid Waste Fund	
SHARED REVENUES					
STATE					
Disparity Reduction Aid	\$ 18,711	\$ 6,993	\$ 10,267	\$ 308	\$ 36,279
Highway Users Tax	-	2,196,751	-	-	2,196,751
County Program Aid	449,422	167,961	246,605	7,407	871,395
Market Value Credits	254,553	95,493	140,233	4,200	494,479
PERA Rate Increase Aid	36,367	-	-	-	36,367
State Police Aid	22,616	-	-	-	22,616
Enhanced 911	91,914	-	-	-	91,914
Total Shared Revenues	<u>873,583</u>	<u>2,467,198</u>	<u>397,105</u>	<u>11,915</u>	<u>3,749,801</u>
REIMBURSEMENT FOR SERVICES					
STATE					
Minnesota Department of Human Services	-	-	849,415	-	849,415
STATE GRANTS					
MINNESOTA DEPARTMENT OF					
Human Services	114,450	-	633,442	-	747,892
Natural Resources	185,685	-	-	-	185,685
Pollution Control Agency	-	-	-	59,943	59,943
Water and Soil Resources	54,140	-	-	49,079	103,219
Total State Grants	<u>354,275</u>	<u>-</u>	<u>633,442</u>	<u>109,022</u>	<u>1,096,739</u>
FEDERAL GRANTS					
FEDERAL DEPARTMENT OF					
Agriculture	-	-	2,189	-	2,189
Housing and Development	10,150	-	-	-	10,150
Justice	450	-	-	-	450
Transportation	55,355	-	-	-	55,355
Election Assistance Commission	218,841	-	-	-	218,841
Health and Human Services	-	-	267,327	-	267,327
Homeland Security	56,692	-	-	-	56,692
Total Federal Grants	<u>341,488</u>	<u>-</u>	<u>269,516</u>	<u>-</u>	<u>611,004</u>
Total State and Federal Grants	695,763	-	902,958	109,022	1,707,743
PAYMENTS IN LIEU OF TAXES					
	97,705	-	-	-	97,705
Total Intergovernmental Revenues	<u>\$ 1,667,051</u>	<u>\$ 2,467,198</u>	<u>\$ 2,149,478</u>	<u>\$ 120,937</u>	<u>\$ 6,404,664</u>

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2006**

	Interest Rate (%)	Maturity Date	Amount
Pooled Deposits and Investments			
Checking accounts			
First Security - Benson	-	-	\$ 2,035
First Security - Benson	-	-	2,486
Bank of the West	-	-	4,247
First American State Bank - Benson	-	-	25,000
Total Checking Accounts			<u>33,768</u>
Savings Accounts			
First American State Bank - Benson	5.07%	-	231,958
Money Market Savings			
First State Bank - Murdock	0.50%	-	32,784
Prairie Sun Bank - Appleton	3.64%	-	20,894
Wells Fargo	4.82%	-	1,524,801
State Bank of Kerkhoven	0.50%	-	31,821
Farmers and Merchants State Bank - Appleton	2.25%	-	3,380
Total Money Market Savings			<u>1,613,680</u>
Mutual Funds			
Voyageur Fund	Variable Rate	-	140,577
Negotiable Certificates of Deposit			
Wells Fargo	4.70%	December 28, 2007	89,589
Wells Fargo	4.65%	November 23, 2007	89,570
Wells Fargo	4.45%	October 26, 2007	89,448
Wells Fargo	4.30%	August 20, 2007	89,463
Wells Fargo	4.10%	July 20, 2007	89,428
Wells Fargo	4.60%	June 28, 2007	89,706
Wells Fargo	4.60%	May 23, 2007	89,752
Wells Fargo	4.25%	April 25, 2007	89,677
Wells Fargo	4.00%	March 21, 2007	89,731
Wells Fargo	4.20%	February 26, 2007	89,839
Wells Fargo	3.95%	January 22, 2007	89,939
Wells Fargo	5.45%	July 28, 2008	96,389
Wells Fargo	5.35%	June 30, 2008	96,234
Wells Fargo	5.30%	May 27, 2008	96,132
Wells Fargo	5.05%	April 25, 2008	95,797
Wells Fargo	5.20%	February 28, 2008	96,054
Wells Fargo	4.65%	January 25, 2008	89,524
Wells Fargo	4.90%	January 29, 2007	95,963
Total Negotiable Certificates of Deposit			<u>1,652,235</u>

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF DEPOSITS AND INVESTMENTS (CONTINUED)
DECEMBER 31, 2006**

	Interest Rate (%)	Maturity Date	Amount
U.S. Government Securities			
Wells Fargo	6.00%	August 1, 2013	\$ 3,363
Wells Fargo	3.50%	March 1, 2009	155,179
Wells Fargo	4.00%	December 10, 2007	98,870
Wells Fargo	3.25%	March 29, 2007	219,011
Total U.S. Government Securities			<u>476,423</u>
Total Pooled Deposits and Investments			4,148,641
Fund Investments			
General Fund			
U.S. Government Securities			
Wells Fargo	5.00%	March 2, 2007	99,920
Mutual fund			
Franklin U.S. Government Securities Fund	4.86%	-	<u>447,696</u>
Total General Fund			547,616
Special Revenue Funds			
Road and Bridge Fund			
U.S. Government Securities			
Wells Fargo	5.00%	March 2, 2007	50,000
Money Market Savings			
First Security State - Benson	4.05%	-	<u>265,888</u>
Total Road and Bridge Fund			315,888
Welfare Fund			
U.S. Government Securities			
Wells Fargo	5.00%	March 2, 2007	50,000
Certificates of Deposit			
First Federal Savings Bank	4.40%	April 1, 2007	200,000
First American State Bank-Benson	4.30%	January 19, 2007	200,000
Bremer Bank-Willmar	5.16%	February 21, 2007	100,000
Bremer Bank-Willmar	5.07%	May 24, 2007	100,000
Bremer Bank-Willmar	5.04%	January 4, 2007	100,000
Total Certificates of Deposit			<u>700,000</u>
Negotiable Certificates of Deposit			
Wells Fargo	3.30%	September 4, 2007	<u>96,743</u>
Total Welfare Fund			<u>846,743</u>
Total Special Revenue Funds			<u>1,162,631</u>
Total Fund Investments			<u>1,710,247</u>
Total Deposits and Investments			<u><u>\$ 5,858,888</u></u>

SWIFT COUNTY
 BENSON, MINNESOTA
 SCHEDULE OF LOANS RECEIVABLE
 YEAR ENDED DECEMBER 31, 2006

Loan Recipient	Date of Loan	Loan Issue Amount	Principal Balance	Repayment Terms
Revolving Loan Special Revenue Fund				
Huston & Sons	December, 1999	\$ 31,919	\$ 15,270	Principal Payments Monthly, 5% Interest, Ten-Year Term.
Pheasant Run	November, 2000	23,000	16,940	Principal Payments Monthly, 5% Interest, Ten-Year Term.
Chuck and Jean Rustad	November, 2001	25,000	16,527	Principal Payments Monthly, No Interest, Fifteen-Year Term.
ECONAR	January 30, 2004	125,000	107,358	Principal Payments Monthly, 4.5% Interest, Fifteen-Year Term.
Appleton Building Center	March 31, 2004	40,000	32,226	Principal Payments Monthly, 5.5% Interest, Ten-Year Term.
Ellingson Landscape & Construction	March 31, 2004	32,000	13,566	Principal Payments Monthly, 5% Interest, Five-Year Term.
McDonald Heavy Industries, Inc.	July 20, 2004	<u>24,000</u>	<u>19,246</u>	Principal Payments Monthly, No Interest, Fifteen-Year Term.
Total Loans Receivable		<u><u>\$ 300,919</u></u>	<u><u>\$ 221,133</u></u>	

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

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

Board of County Commissioners
Swift County
Benson, Minnesota

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, Minnesota, as of and for the year ended December 31, 2006, which collectively comprise Swift County's basic financial statements and have issued our report thereon dated May 15, 2007. We did not audit the financial statements of the Swift County Housing and Redevelopment Authority (HRA), a discrete component unit, for the year ended June 30, 2006. Those financial statements were audited by other auditors, whose report thereon has been furnished to us. We conducted our audit in accordance with U.S. generally accepted auditing standards 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 but not for the purpose of expressing an opinion on the effectiveness of Swift County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Swift County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies 06-1 to 06-4, described in the accompanying schedule of findings and questioned costs, to be significant deficiencies in internal control over financial reporting.

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 06-1 to 06-4 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 test disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations.

We also noted other internal control matters we reported to the management of Swift County in the attached Schedule of Findings and Recommendations.

This report is intended solely for the information and use of management, the Board of Commissioners, and state 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.



LarsonAllen LLP

Brainerd, Minnesota
May 15, 2007

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
Benson, Minnesota

Compliance

We have audited the compliance of Swift County, Minnesota with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2006. The County's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program 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 \$258,903 in federal awards during the year ended June 30, 2006. 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 U.S. generally accepted auditing standards; 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 Nonprofit 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 the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the 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, 2006.

Internal Control Over Compliance

The management of the 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 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Swift County's internal control over Compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likely that noncompliance with a type of compliance requirement of a major program that is more than inconsequential will not be prevented or detected.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of major program will not be prevented or detected.

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

This report is intended solely for the information and use of management, audit committee, County Board, others within the organization, 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.



LarsonAllen LLP

Brainerd, Minnesota
May 15, 2007

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2006**

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Swift County, Minnesota.
2. Control deficiencies in internal control were disclosed during the audit of the basic 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*." Control deficiencies 06-1 to 06-4 are considered to be material weaknesses.
3. No instances of noncompliance material to the financial statements of Swift County were disclosed during the audit.
4. 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."
5. The auditors' report on compliance for the major federal award program for Swift County expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for the County were disclosed during the audit that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The major program is:

Help America Vote Act CFDA #90.401
8. The threshold for distinguishing between Types A and B programs was \$300,000.
9. The County was determined to be a low-risk auditee.

SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2006

MATERIAL WEAKNESSES (FINANCIAL REPORTING):

06-1 Segregation of Duties

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

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

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

Effect: The lack of adequate segregation of duties can result in incorrect financial information, failure to detect misstatements or misappropriations, and the County's procedures not being adhered to.

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

06-2 Audit Adjustments

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

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

Cause: The County has a limited number of personnel.

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

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

SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2006

MATERIAL WEAKNESSES (CONTINUED):

06-3 Financial Reporting Process

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

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

Cause: The County has a limited number of personnel.

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

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

06-4 Open Charge Accounts

Criteria: Standard internal control procedures recommend that County management appropriately monitor all lines of credit.

Condition: As part of the audit, we noted that several departments had open charge accounts with local businesses.

Cause: Not known.

Effect: The County's failure to properly monitor open charge accounts increases the risk that fraud could occur and not be detected in a timely manner.

Recommendation: We recommend the County management develop a policy for charge accounts at local businesses. This policy should include authorized users and charges and a process for reviewing said charges prior to payment.

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2006**

CONTROL DEFICIENCIES:

06-5 Timely Deposits of Cash

Criteria: Standard internal control procedures recommend that deposits should be made on a daily basis.

Condition: Various departments in the County do not deposit on a daily basis.

Cause: Past practice.

Effect: The County's failure to make daily deposits increases the risk that fraud could occur and not be detected in a timely manner.

Recommendation: We recommend the departments deposit their collections with the County Treasurer on a daily basis in order to minimize the risk of misappropriation of assets.

06-6 Check Cashing

Criteria: Standard internal control procedures recommend that entities not cash checks presented by employees.

Condition: As part of the audit, we noted that the Treasurer's Office cash employee checks up to \$100.

Cause: Past practice.

Effect: The County is at risk of cashing non sufficient funds checks.

Recommendation: We recommend that County management review this policy and determine if it is a viable risk that the County is willing to take for cashing checks.

06-7 Approval of Disbursements

Criteria: Standard internal control procedures recommend that disbursements be approved by authorized personnel.

Condition: During our testing of controls over disbursements, we noted one disbursement out of 40 tested that did not have the required authorized approval. This disbursement was made from the Human Services Department.

Cause: Not known.

Effect: If disbursements are not properly reviewed or authorized, a fraudulent or unallowable disbursement may be paid from County funds.

Recommendation: We recommend that the supervisors from each department review and approve all disbursements prior to payment.

SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2006

CONTROL DEFICIENCIES (CONTINUED):

06-8 Credit Card Limits

Criteria: Standard internal control procedures recommend that authorized spending limits be established on credit cards to deter unauthorized spending.

Condition: As of December 31, 2006, we noted that the County had several credit cards with spending limits in excess of that necessary for continuing operations.

Cause: Not known.

Effect: High spending limits on credit cards increase the County's risk of loss due to unauthorized spending.

Recommendation: We recommend County Management review its open credit cards and decrease the credit lines were necessary.

06-9 Journal Entries

Criteria: All journal entries should be prepared by one person and reviewed by another with each person documenting their steps performed.

Condition: We were not presented with documentation that the journal entries were reviewed. The review may have been occurring but no initials or other documentation of the reviewer was identified.

Cause: Past practice.

Effect: It is difficult to determine if the journal entries prepared are adequately reviewed.

Recommendation: We recommend the person reviewing the journal entries also initial the supporting documentation.

PREVIOUSLY REPORTED ITEMS RESOLVED

RECORDER'S OFFICE – USE OF PETTY CASH

The County Recorder maintained a petty cash account that was used for unauthorized purposes.

RESOLUTION

The Recorder's Office closed the petty cash fund during 2006.

PARKS DEPARTMENT – INTERNAL CONTROLS

Various internal control weaknesses existed in the parks department.

RESOLUTION

All items were resolved during 2006.

SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2006

PREVIOUSLY REPORTED ITEMS RESOLVED (CONTINUED)

TIMELY DEPOSITS – SHERIFF’S OFFICES

The Sheriff’s Office did not make deposits on a timely basis.

RESOLUTION

The Sheriff’s Office now makes daily deposits.

TREASURER’S OFFICE – SIGNATURE CARDS

A former employee of the Treasurer’s Office was still an authorized signer on account.

RESOLUTION

The former employee was removed from the account as an authorized signer.

ISSUING RECEIPTS

The Solid Waste Department did not issue receipts for all transactions.

RESOLUTION

As of December 31, 2006, the Solid Waste Department now issues receipts for all transactions.

OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE

06-10 Late Payment of Tax Settlements to Taxing Districts

Criteria: According to Minnesota State Statute § 276.111, counties are required to, on or before January 25, pay each of the taxing districts the balance of the tax amounts collected on behalf of each taxing district.

Condition: In 2006, the County made payments on January 31, therefore violating state statute.

Cause: Not known.

Effect: The County is not in compliance with *Minnesota Statutes*.

Recommendation: We recommend County management implement procedures to ensure compliance with applicable state statutes.

SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2006

OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE (CONTINUED)

06-11 Donations

Criteria: According to Minnesota State Statutes § 15.17 and 138.17, counties are to refrain from donating money to people, nonprofit organizations, and charities not allowed by specific authority.

Condition: The County donated money to two organizations in 2006. The Board agreed to the donations.

Cause: Not known.

Effect: The County is not in compliance with *Minnesota Statutes*.

Recommendation: We recommend County management be aware of applicable state statutes and implement procedures to ensure compliance with applicable state statutes.

06-12 Approval of Petty Cash and Change Funds

Criteria: *Minnesota Statutes* require that all county change funds, petty cash funds, and checking accounts be approved by the County board.

Condition: The County was not able to present to us a record of the County Board approving petty cash and change funds in certain departments in the County.

Cause: Not known.

Effect: The County is not in compliance with *Minnesota Statutes*.

Recommendation: We recommend that the County re-approve all of the petty cash and change funds used in the County if they are deemed necessary, so they have an updated listing of all of these funds.

06-13 Collateral

Criteria: *Minnesota Statute* §118A.03 requires that, to the extent that deposited funds exceed federal deposit insurance, the County must obtain an assignment of pledged collateral in an amount equal to 110 percent of the amount on deposit plus accrued interest.

Condition: At December 31, 2006 the County did not have sufficient pledged collateral to cover 110 percent of uninsured deposits.

Cause: Not known.

Effect: Without proper collateralization the County allows itself to be susceptible to financial loss if the bank was to fail and not be able honor all of the County's deposits.

Recommendation: We recommend that management be aware of collateral levels throughout the year and implement procedures to ensure the banks pledge securities to cover deposit accounts as necessary.

SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2006

OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE (CONTINUED)

06-14 Broker Certification

Criteria: *Minnesota Statute* §118A.04 requires counties to have a broker certification signed each year for all brokers.

Condition: For the year ended December 31, 2006, we noted certifications from two brokers were not obtained.

Cause: Not known.

Effect: Without the certification, the County is at risk that the broker may invest County funds in investments that are not allowed by state statute.

Recommendation: We recommend that the County annually send, and have the brokers sign and return, the broker certifications.

06-15 Credit Card Approval

Criteria: *Minnesota Statute* §375.171 requires board approval of all credit cards.

Condition: For the year ended December 31, 2006, we noted that several departments had credit cards and gas credit cards for which the County was not able to provide evidence of Board approval.

Cause: Not known.

Effect: The County is at risk that credit cards may be used that the Board did not approve. The County is also not in compliance with *Minnesota Statutes*.

Recommendation: We recommend that the County take an inventory of all open credit and gas cards and have them approved or re-approved by the County Board in order to ensure compliance with state statutes.

06-16 Publishing of Actual Vendors

Criteria: *Minnesota Statute* §375.17 requires that, when disbursements are published, actual vendors providing goods be identified and not just the credit card company.

Condition: As part of the audit, for its annual public disclosure, the County disclosed amounts paid to credit card companies, not the actual underlying vendors the payments were made to.

Cause: Not known.

Effect: County is not in compliance with *Minnesota Statutes*.

Recommendation: We recommend that the County maintain records of vendors paid via credit card and publish this information in its annual public disclosure to ensure compliance with state statutes.

SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2006

OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE (CONTINUED)

06-17 Ditch Special Revenue Fund – Cash Deficits

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

Condition: The County reported twenty-four of the 56 active ditch systems as having deficit cash balances as of December 31, 2006, totaling \$569,029.

Cause: Past practice.

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

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

PREVIOUSLY REPORTED ITEM RESOLVED

PERFECTED SECURITY INTEREST IN COLLATERAL

The County's interest in pledged collateral was not perfected.

RESOLUTION

The County obtained a perfected interest in pledged collateral during 2006.

SWIFT COUNTY
 BENSON, MINNESOTA
 SCHEDULE OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2006

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture Passed Through Minnesota Department of Human Services State Administrative Matching Grants for Food Stamp Program	10.561	\$ 2,189
U.S. Department of Housing and Urban Development Passed Through Minnesota Department of Employment and Economic Development Lead Hazard Reduction Demonstration Grant Program	14.905	10,150
U.S. Department of Justice Passed Through Minnesota Department of Public Safety Enforcing Underage Drinking Laws Program	16.727	450
U.S. Department of Transportation Passed Through Minnesota Department of Transportation Recreational Trails Program	20.219	55,355
U.S. Election Assistance Commission Passed Through Minnesota Secretary of State Help America Vote Act	90.401	218,841
U.S. Department of Health and Human Services Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	7,519
Temporary Assistance for Needy Families	93.558	59,336
Child Care and Development Block Grant	93.575	89,501
Child Welfare Services State Grants	93.645	5,077
Foster Care Title IV-E	93.658	19,724
Social Services Block Grant Title XX	93.667	83,729
Block Grants for Community Mental Health Services	93.958	2,441
Total Department of Health and Human Services		<u>267,327</u>

SWIFT COUNTY
 BENSON, MINNESOTA
 SCHEDULE OF FEDERAL AWARDS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2006

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
State Domestic Preparedness Equipment Support Program	97.004	\$ 45,521
Emergency Management Performance Grants	97.042	9,149
Homeland Security Grant Program	97.067	<u>2,022</u>
Total Department of Homeland Security		<u>56,692</u>
Total Cash Type Federal Awards		<u>\$ 611,004</u>

Notes:

1. The Schedule of Expenditures of Federal Awards presents the federal award programs expended by Swift County. The County's reporting entity is defined in Note 1 to the financial statements. The schedule does not include \$258,903 in federal awards expended by the Swift County Housing and Redevelopment Authority, which had a separate audit performed by other auditors.
2. The expenditures on this schedule are on the basis of accounting used by the individual funds of the County as described in Section 205 of OMB Circular A-133. Governmental funds use the modified accrual basis of accounting.
3. During 2006, Swift County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.

THIS PAGE LEFT BLANK INTENTIONALLY.

REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners
Swift County
Benson, Minnesota

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, 2006, and have issued our report thereon dated May 15, 2007. We did not audit the basic financial statements of the Swift County Housing and Redevelopment Authority. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Swift County Housing and Redevelopment Authority, is based solely on the report of the other auditors.

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

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

The results of our tests indicate that for the items tested, the County complied with the material terms and conditions of applicable legal provisions except for the items described in detail in the attached Schedule of Findings and Questioned Costs.

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

LarsonAllen LLP

LarsonAllen LLP

Brainerd, Minnesota
May 15, 2007