

**SWIFT COUNTY
BENSON, MINNESOTA**

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2008

SWIFT COUNTY
BENSON, MINNESOTA
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INTRODUCTORY SECTION

**SWIFT COUNTY
BENSON, MINNESOTA
ORGANIZATION
DECEMBER 31, 2008**

Office	Name	Term Expires
Commissioners		
1st District	Gary Hendrickx	January 2009
2nd District	Richard Hanson**	January 2011
3rd District	Peter Peterson	January 2009
4th District	Joe Fox	January 2011
5th District	Douglas Anderson*	January 2009
Officers		
Elected		
Attorney	Robin Finke	January 2011
Auditor	Byron L. Giese	January 2011
County Recorder	Donna Lilleberg	January 2011
County Sheriff	Scott Mattison	January 2011
Treasurer	Ronald A. Vadnais	January 2011
Appointed		
Assessor	Edward Pederson	December 2008
Coroner	Roger Bauer, M.D.	December 2008
Engineer	Andy Sander	Indefinite
Veterans Services Officer	Dave Barrett	January 2009
Welfare Director	Deanna Steckman	Indefinite

* Chair 2007-2008

** Vice-Chair 2007-2008

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, 2008, 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, 2008. We did not audit the financial statements of the Swift County Housing and Redevelopment Authority, which represents 17.78%, 12.51%, and 10.97%, respectively, of the assets, revenues, and net assets 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 (HRA), is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2008, including the Swift County HRA as of June 30, 2008, 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 June 10, 2009, 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, budgetary comparison information, and schedule of funding progress, 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
June 10, 2009

REQUIRED SUPPLEMENTARY INFORMATION

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

Swift County's (the County) Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the year ended December 31, 2008. 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 2008 include the following:

- Governmental activities' total net assets are \$54,577,749, of which \$47,005,973 is invested in capital assets, net of related debt, and \$709,867 is restricted for specific purposes.
- Swift County's net assets increased by \$1,885,495 for the year ended December 31, 2008. The net assets of the County's discretely presented component units increased by \$940,646.
- The net cost of governmental activities was \$6,208,691 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$8,094,186.
- Governmental funds' fund balances increased by \$1,001,530.

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 13-15) 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 16. 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, 2008**

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 non-financial factors, however, such as changes in the County's property tax base and the condition of the County roads, to assess the overall health of the County.

In the Statement of Net 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, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.
- **Component Units**—The County includes two legally separate entities in its report, 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 16. 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.

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements (Continued)

- **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.
- **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 66-67). 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 \$54,577,749 on December 31, 2008 (see Table A-1).

Table A-1
The County's Net Assets

	Governmental Activities		%
	2008	2007	
Current and Other Assets	\$ 9,436,688	\$ 9,466,334	(0.3)%
Capital and Noncurrent Assets	47,005,973	45,351,979	3.6
Total Assets	56,442,661	54,818,313	3.0
Current Liabilities	914,651	1,087,668	(15.9)
Long-Term Liabilities	950,261	1,038,391	(8.5)
Total Liabilities	1,864,912	2,126,059	(12.3)
Net Assets			
Invested in Capital Assets			
Net of Related Debt	47,005,973	45,351,979	3.6
Restricted	709,867	498,152	42.5
Unrestricted	6,861,909	6,842,123	0.3
Total Net Assets	<u>\$ 54,577,749</u>	<u>\$ 52,692,254</u>	3.6

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Assets

The County-wide total revenues were \$16,835,825 for the year ended December 31, 2008. Property taxes and intergovernmental revenues accounted for 81% of total revenues for the year (see Table A-2).

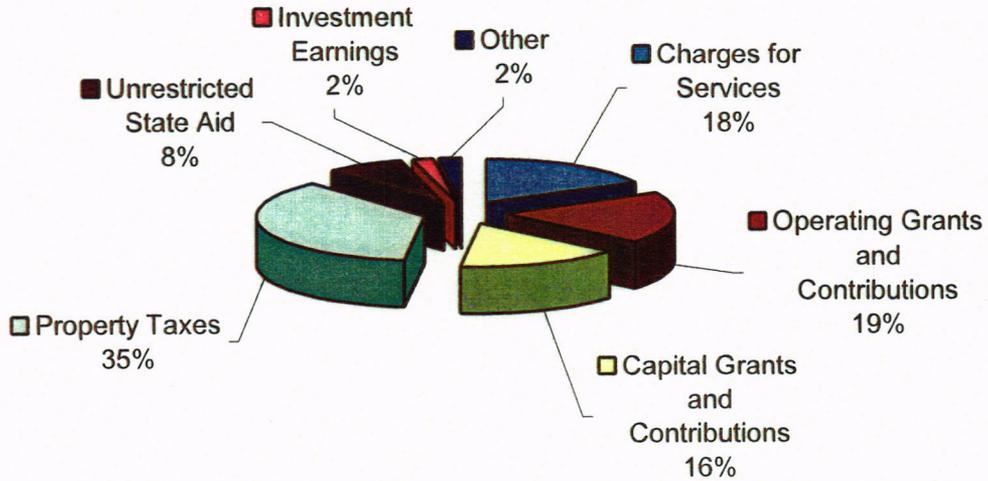
Table A-2
Change in Net Assets

	Governmental Activities		Total % Change
	2008	2007	
REVENUES			
<u>Program Revenues</u>			
Fees, Charges, Fines, and Other	\$ 2,962,788	\$ 2,927,524	1.2 %
Operating Grants and Contributions	3,117,691	3,051,913	2.2
Capital Grants and Contributions	2,661,160	4,445,840	(40.1)
<u>General Revenues</u>			
Property Taxes	6,122,825	5,328,875	14.9
Unrestricted State Aid	1,291,082	1,969,970	(34.5)
Investment Earnings	287,404	306,461	(6.2)
Other	392,875	445,984	(11.9)
Total Revenues	<u>16,835,825</u>	<u>18,476,567</u>	(8.9)
EXPENSES			
General Government	3,122,965	3,363,580	(7.2)
Public Safety	2,014,708	1,654,975	21.7
Highways and Streets	3,841,780	2,826,577	35.9
Sanitation	957,390	807,102	18.6
Human Services	4,046,070	3,913,166	3.4
Health	160,762	232,878	(31.0)
Culture and Recreation	59,995	351,124	(82.9)
Conservation of Natural Resources	574,056	308,347	86.2
Economic Development	154,656	210,526	(26.5)
Interest	17,948	96,732	(81.4)
Total Expenses	<u>14,950,330</u>	<u>13,765,007</u>	8.6
CHANGE IN NET ASSETS	1,885,495	4,711,560	(60.0)
Net Assets - Beginning of Year	<u>52,692,254</u>	<u>47,980,694</u>	9.8
NET ASSETS - END OF YEAR	<u>\$ 54,577,749</u>	<u>\$ 52,692,254</u>	3.6

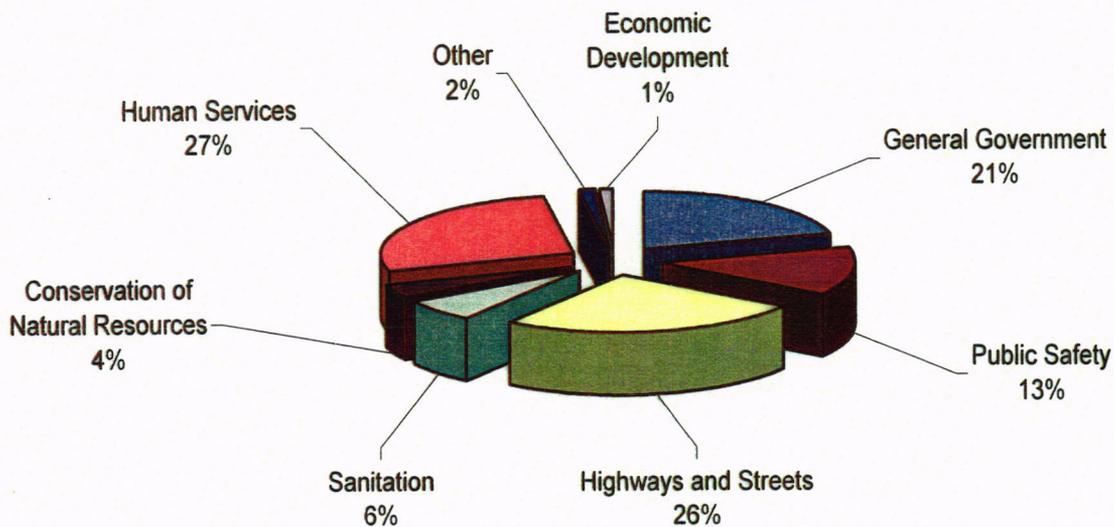
**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Governmental Activities Revenues by Source 2008



Governmental Activities Expenses by Type 2008



**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

The county-wide cost of all governmental activities this year was \$14,950,330.

- Some of the cost was paid by the users of the County's Programs (\$2,962,788).
- The federal and state governments subsidized certain programs with grants and contributions (\$5,778,851).
- The remainder of the County's costs, (\$6,208,691), however, was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with the \$6,122,825 in property taxes, \$1,291,082 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
	2008	2007		2008	2007	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 3,122,965	\$ 3,363,580	(7.2)%	\$ (1,894,575)	\$ (2,470,104)	(23.3)%
Public Safety	2,014,708	1,654,975	21.7	(1,709,882)	(1,398,745)	22.2
Highways and Streets	3,841,780	2,826,577	35.9	(299,919)	3,149,336	(109.5)
Sanitation	957,390	807,102	18.6	(52,520)	73,332	(171.6)
Human Services	4,046,070	3,913,166	3.4	(1,864,246)	(2,277,018)	(18.1)
Health	160,762	232,878	(31.0)	(159,666)	(232,070)	(31.2)
Culture and Recreation	59,995	351,124	(82.9)	(6,784)	29,952	(122.6)
Conservation of Natural Resources	574,056	308,347	86.2	(60,974)	(58,005)	5.1
Economic Development	154,656	210,526	(26.5)	(142,177)	(59,676)	138.2
Interest and Fiscal Charges on Long-Term Liabilities	17,948	96,732	(81.4)	(17,948)	(96,732)	(81.4)
Total	<u>\$ 14,950,330</u>	<u>\$ 13,765,007</u>	8.6	<u>\$ (6,208,691)</u>	<u>\$ (3,339,730)</u>	85.9
DISCRETE COMPONENT UNITS						
Swift County-Benson Hospital	\$ 11,325,201	\$ 9,469,979	19.6 %	\$ 538,405	\$ 620,720	(13.3)%
Swift County Housing and Redevelopment Authority	1,514,605	1,248,284	21.3	184,781	5,449	3291.1
Total Discrete Component Unit	<u>\$ 12,839,806</u>	<u>\$ 10,718,263</u>	19.8	<u>\$ 723,186</u>	<u>\$ 626,169</u>	15.5

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL

The financial performance of the County as a whole is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of \$6,717,521. Revenues for the County's governmental funds were \$17,633,368, while total expenditures were \$16,736,013. During 2008, 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 \$555,630 during 2008. This increase was primarily due to increasing tax revenues and investment earnings.

The Road and Bridge Fund had a total fund balance of \$1,094,353, 88% of which is designated for cash flows.

The Welfare Fund's fund balance increased by \$47,176, this is primarily due to increased tax revenues for 2008.

The Revolving Loan Fund's fund balance increased by \$162,299, this is due to decreased expenditures.

The Solid Waste Fund's fund balance increased by \$61,962, this is primarily due to the County receiving additional loan proceeds for the Chippewa River Watershed Project and increased special assessment revenues.

The Ditch Fund's fund balance increased by \$17,239, this is due to a combination of increased special assessment revenues and a decrease in ditch maintenance projects.

GENERAL FUND

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

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

Table A-4
General Fund Revenues

	Year Ended		Change	
	December 31, 2008	December 31, 2007	Increase (Decrease)	Percent
Taxes	\$ 3,200,385	\$ 2,998,259	\$ 202,126	6.7 %
Licenses and Permits	5,055	5,440	(385)	(7.1)
Intergovernmental	1,197,247	1,379,329	(182,082)	(13.2)
Charges for Services	563,384	496,044	67,340	13.6
Investment Earnings	253,891	224,705	29,186	13.0
Miscellaneous and Other	931,811	879,394	52,417	6.0
Total General Fund Revenues	<u>\$ 6,151,773</u>	<u>\$ 5,983,171</u>	<u>\$ 168,602</u>	2.8

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change	
	December 31, 2008	December 31, 2007	Increase (Decrease)	Percent
General Government	\$ 3,096,837	\$ 3,296,638	\$ (199,801)	(6.1)%
Public Safety	1,982,932	1,643,621	339,311	20.6
Health	160,762	232,878	(72,116)	(31.0)
Culture and Recreation	34,830	178,071	(143,241)	(80.4)
Conservation of Natural Resources	313,294	272,098	41,196	15.1
Debt Service	7,488	7,488	-	-
Total Expenditures	<u>\$ 5,596,143</u>	<u>\$ 5,630,794</u>	<u>\$ (34,651)</u>	(0.6)

For the year ended December 31, 2008, the County allocated all expenditures.

General Fund Budgetary Highlights

- Actual revenues were \$1,012,191 more than expected, due primarily to the County receiving county program aid from the State of Minnesota that was not budgeted for.
- The actual expenditures were \$501,593 more than budget. This is due primarily to expenditures relating to E-911, law library, repayment of loans, and other unbudgeted expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

By the end of 2008, the County had invested over \$64,700,000 in a broad range of capital assets, including land, buildings, machinery, vehicles, furniture, equipment, and infrastructure (see Table A-6). The majority of current year capital asset activity was a result of road projects. (More detailed information about capital assets can be found in Note 3.A.2 to the financial statements.) Total depreciation expense for the year was \$1,334,197.

Table A-6
The County's Capital Assets

	Governmental Activities		Percent Change
	2008	2007	
Land	\$ 1,165,892	\$ 1,165,892	-
Buildings	7,839,238	7,839,238	-
Machinery, Equipment, and Vehicles	4,877,945	4,567,974	6.8
Infrastructure	50,845,509	46,261,006	9.9
Construction in progress	-	2,070,047	(100.0)
Less: Accumulated Depreciation	<u>(17,722,611)</u>	<u>(16,552,178)</u>	7.1
Total	<u>\$ 47,005,973</u>	<u>\$ 45,351,979</u>	3.6

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

DEBT ADMINISTRATION

At year-end, the County had outstanding special assessment bonds of \$360,000 versus \$485,000 last year, a decrease of 25.8% as shown in Table A-7. This decrease is due to the repayment of long-term debt. The hospital increase in debt is a result of new Minnesota Department of Health loans issued during 2008.

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

	2008	2007	Percent Change
GOVERNMENTAL ACTIVITIES			
General Obligation Special Assessment Bonds	\$ 360,000	\$ 485,000	(25.8)%
Chippewa River Watershed Loans	178,719	135,702	31.7
Total	<u>\$ 538,719</u>	<u>\$ 620,702</u>	(13.2)
DISCRETE COMPONENT UNIT			
Swift County Housing and Redevelopment Authority	\$ 2,852,378	\$ 2,931,869	(2.7)
Swift County Benson Hospital	8,115,894	7,508,412	8.1
Total	<u>\$ 10,968,272</u>	<u>\$ 10,440,281</u>	5.1

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. Separate financial statements of the Swift County HRA can be obtained at P.O. Box 286, Benson, Minnesota 56215 and separate financial statements of the Swift County-Benson Hospital can be obtained at 1815 Wisconsin Avenue, Benson, Minnesota, 56215.

BASIC FINANCIAL STATEMENTS

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2008**

	Primary Government	Discretely Presented Component Units	Total Reporting Entity
ASSETS			
Cash and Investments - Pooled	\$ 6,866,763	\$ 3,109,260	\$ 9,976,023
Petty Cash and Change Funds	1,775	-	1,775
Taxes Receivable - Delinquent	87,893	-	87,893
Special Assessments Receivable - Delinquent	14,925	-	14,925
Special Assessments Receivable - Deferred	790,407	-	790,407
Accounts Receivable - Net	47,851	3,180,002	3,227,853
Loans Receivable	99,099	-	99,099
Accrued Interest Receivable	43,550	-	43,550
Due from Other Governments	1,407,129	-	1,407,129
Prepaid Items	-	126,604	126,604
Inventories	77,296	231,442	308,738
Restricted Assets			
Cash and Pooled Investments	-	2,108,534	2,108,534
Investment in Joint Venture	-	540,049	540,049
Capital Assets - Non-Depreciable			
Land	1,372,226	249,744	1,621,970
Construction in Progress	-	616,108	616,108
Depreciable Capital Assets - Net of Depreciation			
Building	4,998,626	10,416,991	15,415,617
Improvements Other than Buildings	-	175,099	175,099
Machinery, Vehicles, Furniture and Equipment Infrastructure	1,695,002	2,044,483	3,739,485
	38,940,119	-	38,940,119
Total Assets	56,442,661	22,798,316	79,240,977
LIABILITIES			
Accounts Payable	200,789	1,263,866	1,464,655
Salaries Payable	218,424	-	218,424
Accrued Payroll Taxes	29,518	-	29,518
Contracts Payable	119,806	-	119,806
Due to Other Governments	5,159	-	5,159
Accrued Interest Payable	6,695	122,909	129,604
Deferred Revenue - Unearned	27,500	-	27,500
Customer Deposits - Current	-	21,546	21,546
Other Current Liabilities	-	562,500	562,500
Compensated Absences Payable - Due Within One Year	178,917	-	178,917
General Obligation Bonds Payable - Due Within One Year	120,000	220,084	340,084
Loans Payable - Due Within One Year	7,843	-	7,843
Compensated Absences Payable - Due in More Than One Year	536,750	-	536,750
General Obligation Bonds Payable - Due in More Than One Year	240,000	10,748,188	10,988,188
Loans Payable - Due in More Than One Year	170,876	-	170,876
Other Post Employment Benefits Payable - Due in More Than One Year	2,635	-	2,635
Capital Leases Payable - Due in More than One Year	-	6,549	6,549
Total Liabilities	1,864,912	12,945,642	14,810,554
NET ASSETS			
Invested in Capital Assets, Net of Related Debt Restricted for	47,005,973	2,534,153	49,540,126
Economic Development	349,017	-	349,017
General Government	152,345	-	152,345
Public Safety	208,505	-	208,505
Unrestricted	6,861,909	7,318,521	14,180,430
Total Net Assets	\$ 54,577,749	\$ 9,852,674	\$ 64,430,423

See accompanying Notes to the Financial Statements.

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2008**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
FUNCTIONS/PROGRAMS				
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General Government	\$ 3,122,965	\$ 976,521	\$ 251,869	\$ -
Public Safety	2,014,708	155,931	144,691	4,204
Highways and Streets	3,841,780	159,610	1,121,319	2,260,932
Sanitation	957,390	849,870	55,000	-
Human Services	4,046,070	661,209	1,520,615	-
Health	160,762	1,096	-	-
Culture and Recreation	59,995	30,514	22,697	-
Conservation of Natural Resources	574,056	115,558	1,500	396,024
Economic Development	154,656	12,479	-	-
Interest	17,948	-	-	-
Total Governmental Activities	<u>14,950,330</u>	<u>2,962,788</u>	<u>3,117,691</u>	<u>2,661,160</u>
DISCRETE COMPONENT UNITS				
Swift County - Housing and Redevelopment Authority	1,514,605	1,401,453	297,933	-
Swift County - Benson Hospital	<u>11,325,201</u>	<u>11,426,014</u>	<u>-</u>	<u>437,592</u>
Total Discretely Presented Component Units	<u>12,839,806</u>	<u>12,827,467</u>	<u>297,933</u>	<u>437,592</u>
Total Reporting Entity	<u>\$ 27,790,136</u>	<u>\$ 15,790,255</u>	<u>\$ 3,415,624</u>	<u>\$ 3,098,752</u>

GENERAL REVENUES

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

CHANGE IN NET ASSETS

Net Assets - Beginning of Year
NET ASSETS - END OF YEAR

See accompanying Notes to Financial Statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Discretely Presented Component Units	Total
\$ (1,894,575)	\$ -	\$ (1,894,575)
(1,709,882)	-	(1,709,882)
(299,919)	-	(299,919)
(52,520)	-	(52,520)
(1,864,246)	-	(1,864,246)
(159,666)	-	(159,666)
(6,784)	-	(6,784)
(60,974)	-	(60,974)
(142,177)	-	(142,177)
(17,948)	-	(17,948)
(6,208,691)	-	(6,208,691)
-	184,781	184,781
-	538,405	538,405
-	723,186	723,186
(6,208,691)	723,186	(5,485,505)
6,122,825	-	6,122,825
8,266	-	8,266
109,310	-	109,310
29,870	-	29,870
1,291,082	-	1,291,082
287,404	217,060	504,464
191,429	-	191,429
54,000	400	54,400
8,094,186	217,460	8,311,646
1,885,495	940,646	2,826,141
52,692,254	8,912,028	61,604,282
\$ 54,577,749	\$ 9,852,674	\$ 64,430,423

**SWIFT COUNTY
BENSON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	General	Road and Bridge	Welfare
ASSETS			
Cash and Pooled Investments	\$ 2,710,629	\$ 1,152,623	\$ 1,276,640
Petty Cash and Change Funds	1,600	100	25
Taxes Receivable - Delinquent	45,270	18,185	23,751
Special Assessments Receivable			
Delinquent	-	-	-
Noncurrent	-	-	-
Accounts Receivable	1,136	1,087	18,126
Accrued Interest Receivable	38,500	702	4,348
Loans Receivable	-	-	-
Due from Other Funds	3,703	-	-
Due from Other Governments	21,314	1,148,560	237,255
Inventories	-	77,296	-
Total Assets	<u>\$ 2,822,152</u>	<u>\$ 2,398,553</u>	<u>\$ 1,560,145</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 19,981	\$ 15,985	\$ 129,293
Salaries Payable	98,360	46,864	63,200
Accrued Payroll Taxes	12,989	6,570	8,581
Contracts Payable	-	119,806	-
Due to Other Funds	-	-	3,703
Due to Other Governments	-	-	5,159
Deferred Revenue - Unavailable	45,270	1,114,975	52,608
Deferred Revenue - Unearned	-	-	-
Total Liabilities	176,600	1,304,200	262,544
FUND BALANCES			
Reserved for			
Inventories	-	77,296	-
Future Loans	-	-	-
Missing Heirs	152,345	-	-
E-911	208,505	-	-
Unreserved, Designated			
Cash Flows	1,034,702	967,057	757,504
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	-	-	490,097
Total Fund Balances	<u>2,645,552</u>	<u>1,094,353</u>	<u>1,297,601</u>
Total Liabilities and Fund Balances	<u>\$ 2,822,152</u>	<u>\$ 2,398,553</u>	<u>\$ 1,560,145</u>

See accompanying Notes to Financial Statements.

<u>Revolving Loan</u>	<u>Solid Waste</u>	<u>Ditch</u>	<u>Total Governmental Funds</u>
\$ 349,017	\$ 876,375	\$ 501,479	\$ 6,866,763
-	50	-	1,775
-	687	-	87,893
-	13,210	1,715	14,925
-	104,877	685,530	790,407
-	27,502	-	47,851
-	-	-	43,550
99,099	-	-	99,099
-	-	-	3,703
-	-	-	1,407,129
-	-	-	77,296
<u>\$ 448,116</u>	<u>\$ 1,022,701</u>	<u>\$ 1,188,724</u>	<u>\$ 9,440,391</u>
\$ -	\$ 35,530	\$ -	\$ 200,789
-	10,000	-	218,424
-	1,378	-	29,518
-	-	-	119,806
-	-	-	3,703
-	-	-	5,159
99,099	118,774	687,245	2,117,971
-	27,500	-	27,500
<u>99,099</u>	<u>193,182</u>	<u>687,245</u>	<u>2,722,870</u>
-	-	-	77,296
349,017	-	-	349,017
-	-	-	152,345
-	-	-	208,505
-	28,000	-	2,787,263
-	-	13,530	13,530
-	-	-	1,000,000
-	-	-	100,000
-	-	-	100,000
-	-	-	150,000
-	801,519	487,949	1,779,565
<u>349,017</u>	<u>829,519</u>	<u>501,479</u>	<u>6,717,521</u>
<u>\$ 448,116</u>	<u>\$ 1,022,701</u>	<u>\$ 1,188,724</u>	<u>\$ 9,440,391</u>

SWIFT COUNTY
BENSON, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 6,717,521

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. 47,005,973

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

Property Taxes	\$	87,893	
Special Assessments		805,332	
Loans Receivable		99,099	
Grant Related		<u>1,125,647</u>	2,117,971

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		(360,000)	
Loans Payable		(178,719)	
Compensated Absences		(715,667)	
Other Post Employment Benefits		(2,635)	
Accrued Interest Payable		<u>(6,695)</u>	<u>(1,263,716)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 54,577,749**

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008**

	General	Road and Bridge	Welfare
REVENUES			
Taxes	\$ 3,200,385	\$ 1,223,685	\$ 1,582,920
Special Assessments	-	-	-
Licenses and Permits	5,055	-	-
Intergovernmental	1,197,247	4,297,883	2,300,686
Charges for Services	563,384	50,445	176,559
Gifts and Contributions	-	-	834
Interest on Investments	253,891	16,097	17,416
Miscellaneous	931,811	121,686	29,655
Total Revenues	6,151,773	5,709,796	4,108,070
EXPENDITURES			
CURRENT			
General Government	3,096,837	-	-
Public Safety	1,982,932	-	-
Highways and Streets	-	5,607,439	-
Sanitation	-	-	-
Human Services	-	-	4,060,894
Health	160,762	-	-
Culture and Recreation	34,830	-	-
Conservation of Natural Resources	313,294	-	-
Economic Development	-	-	-
DEBT SERVICE			
Principal	6,291	-	-
Interest	1,197	-	-
Administrative (Fiscal) Charges	-	-	-
Total Expenditures	5,596,143	5,607,439	4,060,894
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	555,630	102,357	47,176
OTHER FINANCING SOURCES (USES)			
Loan Proceeds	-	-	-
Proceeds from Sale of Assets	-	54,000	-
Total Other Financing Sources (Uses)	-	54,000	-
NET CHANGE IN FUND BALANCES	555,630	156,357	47,176
Fund Balance - Beginning of Year	2,089,922	937,129	1,250,425
INCREASE IN RESERVED FOR INVENTORIES	-	867	-
FUND BALANCE - END OF YEAR	<u>\$ 2,645,552</u>	<u>\$ 1,094,353</u>	<u>\$ 1,297,601</u>

See accompanying Notes to Financial Statements.

Revolving Loan	Solid Waste	Ditch	Total Governmental Funds
\$ 64,084	\$ 45,284	\$ -	\$ 6,116,358
-	179,601	399,165	578,766
-	-	-	5,055
-	64,603	-	7,860,419
-	476,772	-	1,267,160
-	-	-	834
12,479	-	-	299,883
225,988	173,249	22,504	1,504,893
302,551	939,509	421,669	17,633,368
-	-	-	3,096,837
-	-	-	1,982,932
-	-	-	5,607,439
-	926,855	-	926,855
-	-	-	4,060,894
-	-	-	160,762
-	-	-	34,830
-	-	260,766	574,060
140,252	-	-	140,252
-	-	125,000	131,291
-	-	18,271	19,468
-	-	393	393
140,252	926,855	404,430	16,736,013
162,299	12,654	17,239	897,355
-	49,308	-	49,308
-	-	-	54,000
-	49,308	-	103,308
162,299	61,962	17,239	1,000,663
186,718	767,557	484,240	5,715,991
-	-	-	867
<u>\$ 349,017</u>	<u>\$ 829,519</u>	<u>\$ 501,479</u>	<u>\$ 6,717,521</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, 2008

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,000,663

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. (865,947)

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	\$ 2,988,191	
Current Year Depreciation	<u>(1,334,197)</u>	1,653,994

Loan proceeds provide current financial resources to government funds, but issuing debt increases long-term liabilities in the statement of net assets. (49,308)

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 Loans Payable	6,291	
Principal Payment on Special Assessment Bonds	<u>125,000</u>	131,291

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	1,913	
Change in Compensated Absences	14,657	
Change in Other Post Employment Benefits	(2,635)	
Change in Inventories	<u>867</u>	<u>14,802</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,885,495

SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2008

ASSETS

Cash and Pooled Investments	\$ 29,916
Due from Other Governments	<u>102,031</u>
Total Assets	<u><u>\$ 131,947</u></u>

LIABILITIES

Accounts Payable	\$ 10,524
Due to Other Governments	<u>121,423</u>
Total Liabilities	<u><u>\$ 131,947</u></u>

See accompanying Notes to Financial Statements.

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2008**

	Swift County Housing and Redevelopment Authority	Swift County-Benson Hospital	Total
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 963,051	\$ 2,146,209	\$ 3,109,260
Accounts Receivable - Net	2,819	3,177,183	3,180,002
Prepaid Items	-	126,604	126,604
Inventories	-	231,442	231,442
Total Current Assets	965,870	5,681,438	6,647,308
RESTRICTED ASSETS			
Cash and Pooled Investments	-	2,108,534	2,108,534
NONCURRENT ASSETS			
Investment in Joint Venture	-	540,049	540,049
Capital Assets			
Land	25,000	224,744	249,744
Construction-in-Progress	-	616,108	616,108
Buildings	3,048,877	7,368,114	10,416,991
Machinery, Vehicles, Furniture and Equipment	14,310	2,030,173	2,044,483
Land Improvements	-	175,099	175,099
Total Noncurrent Assets	3,088,187	10,954,287	14,042,474
Total Assets	4,054,057	18,744,259	22,798,316
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	92,489	1,171,377	1,263,866
Accrued Expenses	-	562,500	562,500
Accrued Interest	-	122,909	122,909
Capital Notes Payable - Current	60,084	160,000	220,084
Customer Deposits	21,546	-	21,546
Total Current Liabilities	174,119	2,016,786	2,190,905
NONCURRENT LIABILITIES			
Capital Notes Payable - Long-Term	2,792,294	7,955,894	10,748,188
Compensated Absences - Long-Term	6,549	-	6,549
Total Noncurrent Liabilities	2,798,843	7,955,894	10,754,737
Total Liabilities	2,972,962	9,972,680	12,945,642
NET ASSETS			
Invested in Capital Assets - Net of Related Debt	235,809	2,298,344	2,534,153
Unrestricted Net Assets	845,286	6,473,235	7,318,521
Total Net Assets	\$ 1,081,095	\$ 8,771,579	\$ 9,852,674

See accompanying Notes to Financial Statements.

SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2008

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Charges Fines, and Other</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
COMPONENT UNITS				
Housing and Redevelopment Authority	\$ 1,514,605	\$ 1,401,453	\$ 297,933	\$ -
Swift County-Benson Hospital	11,325,201	11,426,014	-	437,592
Total Component Units	<u>\$ 12,839,806</u>	<u>\$ 12,827,467</u>	<u>\$ 297,933</u>	<u>\$ 437,592</u>

GENERAL REVENUES

Investment Earnings
 Miscellaneous
 Gain on Disposal of Capital Assets
 Total General Revenues

CHANGE IN NET ASSETS

Net Assets - Beginning of Year

NET ASSETS - END OF YEAR

Net Expense (Revenue) and
Changes in Net Assets

Housing and Redevelopment Authority	Swift County-Benson Hospital	Total
\$ 184,781	\$ -	\$ 184,781
<u>-</u>	<u>538,405</u>	<u>538,405</u>
184,781	538,405	723,186
25,174	191,886	217,060
-	-	-
<u>-</u>	<u>400</u>	<u>400</u>
25,174	192,286	217,460
209,955	730,691	940,646
<u>871,140</u>	<u>8,040,888</u>	<u>8,912,028</u>
<u>\$ 1,081,095</u>	<u>\$ 8,771,579</u>	<u>\$ 9,852,674</u>

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Swift County's (the County) financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2008. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Swift County, Minnesota was established February 15, 1870, and has the powers, duties, and privileges granted counties by *Minnesota Statute* 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, 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 Commissioners.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Financial Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

Although it is legally separate from the County, the activity of the HRA is included in the Swift County reporting entity, because the County Board appoints a voting majority of the HRA's Board of Directors, and the County is liable in the event that tax increments collected by the HRA are not sufficient to make the required debt service payments related to the General Obligation Tax Increment Bonds of 1995. See Note 7 for significant accounting policies and other disclosures. Separate financial statements of the Swift County HRA can be obtained at P.O. Box 286, Benson, Minnesota 56215.

Swift County-Benson Hospital

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

Other Organizations

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

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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, 2008

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, 2008

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.

D. Assets, Liabilities, and Net Assets or Fund Balance

1. Cash

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 cash 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, 2008

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, 2008

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, 2008**

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, 2008: General Fund had expenditures of \$5,596,143 which exceeded the final budget of \$5,094,550 by \$501,593, Road and Bridge Special Revenue Fund had expenditures of \$5,607,439 which exceeded the final budget of \$4,629,127 by \$978,312, and the Solid Waste Special Revenue Fund had expenditures of \$926,855 and a final budget \$867,642 resulting in an excess of expenditures over final budget of \$59,213. The excess expenditures were funded with existing fund balance and greater than anticipated revenues.

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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, 2008, based on market prices. Pursuant to *Minnesota Statute* §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.

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, 2008 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*.

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

- (a) Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by *Minnesota Statute* §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, 2008

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, 2008, the County had the following investments:

<u>Investment Type</u>	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years
Mutual Funds	\$ 623,803	\$ 479,150	\$ -	\$ 144,653
U.S. Agency Securities	93,025	91,426	-	1,599
Negotiable CDs	2,299,551	1,148,113	1,151,438	-
Total	<u>\$ 3,016,379</u>	<u>\$ 1,718,689</u>	<u>\$ 1,151,438</u>	<u>\$ 146,252</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, 2008, 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, 2008**

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. As of December 31, 2008, the County did not have investments in any one issuer that exceeded five percent of the County's investments.

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.

2. Capital Assets

Capital asset activity for the year ended December 31, 2008, was as follows:

Government-Type Activities – Primary Government

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land and Right of Way	\$ 1,165,892	\$ -	\$ -	\$ 1,165,892
Construction in Progress	2,070,047	2,514,456	4,584,503	-
Total Capital Assets, Not Being Depreciated:	3,235,939	2,514,456	4,584,503	1,165,892
Capital Assets, Being Depreciated				
Buildings	7,839,238	-	-	7,839,238
Machinery, Furniture, and Equipment	4,567,974	473,735	163,764	4,877,945
Infrastructure	46,261,006	4,584,503	-	50,845,509
Total Capital Assets, Being Depreciated	58,668,218	5,058,238	163,764	63,562,692
Less Accumulated Depreciation for				
Buildings	2,754,443	86,169	-	2,840,612
Machinery, Furniture, and Equipment	2,965,949	380,758	163,764	3,182,943
Infrastructure	10,831,786	867,270	-	11,699,056
Total Accumulated Depreciation	16,552,178	1,334,197	163,764	17,722,611
Total Capital Assets, Being Depreciated, Net	42,116,040	3,724,041	-	45,840,081
Governmental Activities Capital Assets, Net	<u>\$ 45,351,979</u>	<u>\$ 6,238,497</u>	<u>\$ 4,584,503</u>	<u>\$ 47,005,973</u>

SWIFT COUNTY
 BENSON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2008

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Capital Assets (Continued)

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

Government-Type Activities

General Government	\$	59,690
Public Safety		27,941
Highways and Streets, Including Depreciation of Infrastructure Assets		1,175,159
Human Services		9,738
Sanitation		28,726
Conservation of Natural Resources		7,778
Culture and Recreation		<u>25,165</u>
 Total Depreciation Expense - Governmental Activities	 \$	 <u>1,334,197</u>

B. Interfund Receivables and Payables

The composition of Due To/From Other Fund balances as of December 31, 2008, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Welfare Fund	<u>\$ 3,703</u>	Utilities, Legal Services, and Computer Services

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

1. Long-Term Debt

Governmental Activities

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issued Amount	Outstanding Balance December 31, 2008
General Obligation Bonds					
Assessment Bonds					
1997 Drainage Bonds	2013	\$35,000 - \$40,000	4.00 - 5.10	\$ 580,000	\$ 200,000
2002 Refunding Bonds	2010	\$80,000 - \$90,000	2.75 - 3.75	505,000	160,000
Total General Obligation				<u>\$ 1,085,000</u>	<u>\$ 360,000</u>
Special Assessment Bonds					
Loans Payable					
Chippewa River Watershed/ Continuation Clean Water Project	2021	\$2,265 - \$18,791	2.00	<u>\$ 182,936</u>	<u>\$ 178,719</u>

2. Debt Service Requirements

Debt service requirements at December 31, 2008, were as follows:

Year Ending December 31	General Obligation Special Assessment		Loans Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 120,000	\$ 13,530	\$ 7,843	\$ 1,389	\$ 127,843	\$ 14,919
2010	120,000	8,630	11,791	2,039	131,791	10,669
2011	40,000	5,100	15,837	2,621	55,837	7,721
2012	40,000	3,060	18,417	2,774	58,417	5,834
2013	40,000	1,020	18,787	2,403	58,787	3,423
2014-2018	-	-	84,570	6,512	84,570	6,512
2019-2021	-	-	21,474	539	21,474	539
Total	<u>\$ 360,000</u>	<u>\$ 31,340</u>	<u>\$ 178,719</u>	<u>\$ 18,277</u>	<u>\$ 538,719</u>	<u>\$ 49,617</u>

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Special Assessment Bonds	\$ 485,000	\$ -	\$ 125,000	\$ 360,000	\$ 120,000
Loans Payable	135,702	49,308	6,291	178,719	7,843
Compensated Absences	730,325	455,690	470,348	715,667	178,917
Other Post Employment Benefits	-	7,510	4,875	2,635	-
Governmental Activity Long-Term Liabilities	<u>\$ 1,351,027</u>	<u>\$ 512,508</u>	<u>\$ 606,514</u>	<u>\$ 1,257,021</u>	<u>\$ 306,760</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, 2008

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% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0% for each year of service. The annuity accrual rate is 1.9% 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, 2008

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 6.00%, respectively, of their annual covered salary in 2008. PEPFF members were required to contribute 8.60% of their annual covered salary in 2008. That rate will increase to 9.40% in 2009. 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, 6.50% for Coordinated Plan PERF members, 12.90% for PEPFF members, and 8.75% for PECF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.75% and 14.10%, respectively, effective January 1, 2009.

Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. 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, 2008

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, 2008, 2007, and 2006 were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund	Public Employees Defined Contribution Plan
2008	\$ 229,744	\$ 48,059	\$ 34,814	\$ 5,773
2007	215,298	37,559	34,665	5,479
2006	205,747	30,637	33,462	4,350

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

C. OPEB Disclosure

In 2008, the County implemented the requirements of a new accounting statement GASB No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions*.

The County provides health insurance benefits for certain retired employees under a single-employer fully-insured plan. The County provides benefits for retirees as required by *Minnesota Statute* §471.61 subdivision 2b. Active employees who retire from the County when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Pursuant to the provisions of the plan, retirees are required to pay varying percentages of the total premium cost. As of January 1, 2008, there was 1 retiree receiving health benefits from the County's health plan.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

C. OPEB Disclosure (Continued)

1. Annual OPEB Cost and Net OPEB Obligation

The County's annual other post employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 45. The ARC represents a level of fund that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost of 2008, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC)	\$ 7,510
Interest on Net OPEB Obligation	-
Adjustment to ARC	-
Annual OPEB Cost	<u>7,510</u>
Contributions During the Year	<u>(4,875)</u>
Increase in Net OPEB Obligation	2,635
Net OPEB - Beginning of Year	<u>-</u>
Net OPEB - End of Year	<u><u>2,635</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2008 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2008	\$ 7,510	\$ 4,875	65%	\$ 2,635

2. Funding Status

The County currently has no assets that have been irrevocable deposits in the trust for future health benefits. Therefore, the actuarial value of assets is zero.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$ 71,556	\$ 71,556	0%	\$ 4,635,160	2%

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

C. OPEB Disclosure (Continued)

3. Actuarial Methods and Assumptions

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

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

In the January 1, 2008 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.00% discount rate, which is based on the estimated long-term investment yield on the general assets of the County using an underlying long-term inflation assumption of 3.50%. The annual healthcare cost trend rate is 9.00% initially, reduced incrementally to an ultimate rate of 5.00% after twenty years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open thirty year period.

NOTE 5 RISK MANAGEMENT

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$410,000 per claim in 2008. Should the MCIT Workers' Compensation 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, 2008

NOTE 5 RISK MANAGEMENT (CONTINUED)

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.

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, 2008.

Basis of Accounting

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

Deposits

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

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

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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

A. Swift County Housing and Redevelopment Authority (Continued)

Following is a summary of deposits covered by insurance or collateral at June 30, 2008:

	<u>Bank Balance</u>
Insured or Collateralized with Securities Held by the HRA or Its Agent in the HRA's Name	\$ 874,047
Collateralized with Securities Held by the Pledging Financial Institution's Trust Department or Agent in the HRA's Name	-
Total Deposits	\$ 874,047

Land, Structures, and Equipment

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

Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Ending Balance</u>
Capital Assets, not being Depreciated				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Capital Assets being Depreciated				
Buildings	3,588,493	-	-	3,588,493
Machinery, Furniture, and Equipment	18,278	-	-	18,278
Total Capital Assets being Depreciated	3,606,771	-	-	3,606,771
Less: Accumulated Depreciation for				
Buildings	437,663	104,750	2,797	539,616
Machinery, Furniture, and Equipment	3,553	415	-	3,968
Total Accumulated Depreciation	441,216	105,165	2,797	543,584
Total Capital Assets, Depreciated, Net	3,165,555	(105,165)	(2,797)	3,063,187
Governmental Activities Capital Assets, Net	\$ 3,190,555	\$ (105,165)	\$ (2,797)	\$ 3,088,187

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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, 2008</u>
Essential Function Housing Redevelopment Revenues Bonds	2033	5.00%	\$ 2,128,057
Essential Function Housing Revenue Bond Series 2005	2025	4.25%	<u>724,321</u>
Total Outstanding Bonds			<u>\$ 2,852,378</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>
2009	\$ 60,084	\$ 140,050	\$ 200,134
2010	62,487	137,647	200,134
2011	64,987	135,147	200,134
2012	67,586	132,548	200,134
2013	70,290	129,844	200,134
2014-2018	424,740	575,928	1,000,668
2019-2023	540,387	460,281	1,000,668
2024-2028	954,552	266,885	1,221,437
2029-2033	<u>607,265</u>	<u>1,150,714</u>	<u>1,757,979</u>
Total	<u>\$ 2,852,378</u>	<u>\$ 3,129,044</u>	<u>\$ 5,981,422</u>

Compensated Absences Payable

Changes in compensated absences payable for the period ended June 30, 2008 is summarized below:

Balance - June 30, 2007	\$ 6,587
Net Changes	<u>(38)</u>
Balance - June 30, 2008	<u>\$ 6,549</u>

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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

A. Swift County Housing and Redevelopment Authority (Continued)

Economic Dependency

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

Risk Management

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

Retirement Plan

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

	2008
Total Wages	\$ 46,498
Total Eligible Wages	46,498
Employer Contribution	2,790
Employee Contribution	1,860

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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, unexpended construction funds and saving accounts.

Accounts Receivable

Accounts Receivable for the Hospital are shown net of an allowance of \$208,754 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 amounts that are restricted by donor for the hospice program. Unexpended bond proceeds restricted by trustee are also included in noncurrent cash and investments.

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 included amortization expense on assets acquired under capital leases with depreciation on owned assets. Capital expenditures, greater that \$5,000, are capitalized and depreciated over the useful life of the asset. Capital expenditures of less that \$5,000 are expensed when incurred.

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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

B. Swift County-Benson Hospital (Continued)

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.

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, 2008 is as follows:

Gross Patient Service Revenues	\$ 15,903,253
Less: Provisions for Revenue Adjustments Under Third-Party Reimbursement Program	<u>(4,860,442)</u>
Net Patient Service Revenues	<u>\$ 11,042,811</u>

Contributions

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

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

SWIFT COUNTY
 BENSON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2008

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

B. Swift County-Benson Hospital (Continued)

Charity Care

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

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy. The amount of such charges foregone based on established rates was \$44,043 in 2008.

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% 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, 2008, 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 \$6,431. At December 31, 2008, the Hospital had bank balances as follows:

Insured (FDIC) or Collateralized by Securities held by the Pledging Financial Institution in the Hospital's Name	\$ 2,725,736
Uninsured, Uncollateralized	<u>6,431</u>
Total	<u><u>\$ 2,732,167</u></u>

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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, 2008, follows:

	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Capital Assets, not being Depreciated				
Land	\$ 224,744	\$ -	\$ -	\$ 224,744
Construction-in-Progress	3,614,874	3,445,591	6,444,357	616,108
Total Capital Assets Not Being Depreciated	3,839,618	3,445,591	6,444,357	840,852
Capital Assets Depreciated				
Buildings and Fixed Equipment	4,421,269	5,835,412	-	10,256,681
Movable Equipment and Ambulances	2,577,103	1,594,449	48,855	4,122,697
Land Improvements	263,255	-	-	263,255
Total Capital Assets being Depreciated	7,261,627	7,429,861	48,855	14,642,633
Less: Accumulated Depreciation for				
Buildings and Fixed Equipment	2,508,903	379,664	-	2,888,567
Movable Equipment and Ambulances	1,857,424	283,956	48,856	2,092,524
Land Improvements	67,142	21,014	-	88,156
Total Accumulated Depreciation	4,433,469	684,634	48,856	5,069,247
Total Capital Assets, Depreciated, Net	<u>\$ 2,828,158</u>	<u>\$ 6,745,227</u>	<u>\$ (1)</u>	<u>\$ 9,573,386</u>
Governmental Activities Capital Assets, Net	<u>\$ 6,667,776</u>	<u>\$ 10,190,818</u>	<u>\$ 6,444,356</u>	<u>\$ 10,414,238</u>

Investment in Joint Venture

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

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 \$250,500 for the use for the equipment for the year ended December 31, 2008. Accounts payable to CMDI for these services at December 31, 2008 amounted to \$20,400. Earnings of \$143,252 are included in other operating revenues.

Benson Medical Services, LLC (BMS), was organized to provide certain agreed upon radiology services to the Hospital.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

B. Swift County-Benson Hospital (Continued)

Investment in Joint Venture (Continued)

BMS provides the equipment and technicians for Ultrasound and Echocardiogram services for Hospital patients. The Hospital billed and collected revenues for these services and has a liability to BMS for \$229,764. The Hospital provides management services, leases space and pays expenses on behalf of BMS and has a receivable from BMS for \$33,372. Earnings of \$45,687 are included in other operating revenue

Long-Term Debt

The following is a summary of transactions related to lease obligations, revenue bonds, and notes payable for the year ended December 31, 2008:

	Balance January 1, 2008	Additions	Payments	Balance December 31, 2008	Amounts Due Within One Year
USDA Hospital Refunding 2007 Revenue Bonds	\$ 7,500,000	\$ -	\$ 220,000	\$ 7,280,000	\$ 160,000
MN Dept of Health Loan	-	835,894	-	835,894	-
Capital Lease Obligation	8,412	-	8,412	-	-
Total Noncurrent Liabilities	\$ 7,508,412	\$ 835,894	\$ 228,412	\$ 8,115,894	\$ 160,000

The terms and due dates of the Hospital's long-term debt, including lease obligations, at December 31, 2008, are as follows:

- 2007 Revenue Bonds, principal is due annually on February 1, interest payments are due semi-annually on February 1 and August 1, through February 2034. The interest rate ranges from 4.0% to 4.15%.
- Minnesota Department of Health Loan, principal payments start September 1, 2010 and are due quarterly on March 1, June 1, September 1, and December 1, through 2014. The loan is a zero percent interest loan.
- Capital lease obligations at varying rates of imputed interest from 4.8% to 13.0%, collateralized by leased equipment. As of December 31, 2008, the lease was paid off.

The following is the leased equipment by major class at December 31, 2008:

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

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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

B. Swift County-Benson Hospital (Continued)

Revenue Bonds 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		MN Dept of Health Loan	
	Principal	Interest	Principal	Interest
2009	\$ 160,000	\$ 291,781	\$ -	\$ -
2010	170,000	285,181	104,487	-
2011	175,000	278,281	208,974	-
2012	180,000	271,181	208,974	-
2013	185,000	1,239,706	208,974	-
2014-2018	1,065,000	1,012,806	104,487	-
2019-2023	1,310,000	733,106	-	-
2024-2028	1,615,000	382,692	-	-
2029-2033	1,995,000	382,692	-	-
2034	425,000	35,483	-	-
Total	<u>\$ 7,280,000</u>	<u>\$ 4,912,909</u>	<u>\$ 835,896</u>	<u>\$ -</u>

Pensions

The Hospital's contributions to the Public Employees Retirement Fund for the years ending December 31, 2008, 2007, and 2006, were \$265,078, \$209,256, and \$208,646, 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, 2008, the Hospital paid approximately \$81,250 for management services provided under the purchase agreement and approximately \$816,257 for services and equipment purchased through Rice Memorial Hospital. The Hospital had accounts payable of approximately \$166,839 at December 31, 2008.

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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 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 *Minnesota Statute* §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 2008 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, 2008, was \$140,694. 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 *Minnesota Statutes* §§103B.311 and 103B.315.

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

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 2008, Swift County did not contribute any funds to the Board. Complete financial statements of the Minnesota River Board can be obtained from its administrative office at 184 Trafton Science Center South, Minnesota State University - Mankato, Mankato, Minnesota, 56001.

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

Swift County entered into a joint powers agreement to create and operate the Kandiyohi-Region 6W Community Corrections Agencies Detention Center (commonly referred to as the Prairie Lakes Youth Programs) pursuant to *Minnesota Statute* §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, 2008

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 *Minnesota Statute* §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.

Western Minnesota Prairie Waters Regional Tourism Board

Swift County entered into a joint powers agreement with other counties to promote the area as a great place to visit, work, and live. Five counties and ten cities are part of this coalition that began in the early 1980's.

Swift County's contribution to Prairie Waters for the year ended December 31, 2008, was \$13,967. Separate financial information can be obtained at Western Minnesota Prairie Waters Convention and Visitors Bureau at 323 Schlieman Avenue, Appleton, MN 56208.

Sentencing to Serve Program

Swift County entered into a joint powers agreement with Big Stone County to establish joint community service projects utilizing Sentencing to Serve personnel pursuant to *Minnesota Statute* §471.59.

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

Financing is provided by a contribution from each member county. The amount of the contribution varies based on the number of cities who agree to participate. Swift County's contribution for the year ended December 31, 2008, was \$23,632. Current financial statements are not available.

SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 8 OTHER ORGANIZATIONS (CONTINUED)

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 \$36,285 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 \$101,942 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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,141,956	\$ 3,141,956	\$ 3,200,385	\$ 58,429
Licenses and Permits	3,500	3,500	5,055	1,555
Intergovernmental	1,038,366	1,038,366	1,197,247	158,881
Charges for Services	301,548	301,548	563,384	261,836
Investment Earnings	170,000	170,000	253,891	83,891
Miscellaneous	484,212	484,212	931,811	447,599
Total Revenues	5,139,582	5,139,582	6,151,773	1,012,191
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	228,284	228,284	202,187	26,097
Law Library	-	-	27,346	(27,346)
County Administration	14,850	14,850	13,800	1,050
County Auditor	282,296	282,296	280,098	2,198
County Treasurer	131,498	131,498	155,756	(24,258)
County Assessor	225,141	225,141	234,475	(9,334)
Elections	26,500	26,500	38,302	(11,802)
Data Processing	70,000	70,000	55,319	14,681
Attorney	269,320	269,320	270,137	(817)
Recorder	246,677	246,677	220,966	25,711
Planning and Zoning	112,925	112,925	44,607	68,318
Buildings and Plant	258,909	258,909	280,220	(21,311)
Technology	153,600	153,600	164,115	(10,515)
Veterans Service Officer	158,503	158,503	154,540	3,963
Appropriations - General Government	528,863	528,863	634,713	(105,850)
Other General Government	-	-	320,256	(320,256)
Total General Government	2,707,366	2,707,366	3,096,837	(389,471)

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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
PUBLIC SAFETY				
Sheriff	\$ 998,791	\$ 998,791	\$ 1,099,069	\$ (100,278)
Coroner	11,000	11,000	20,060	(9,060)
E-911 System	-	-	37,859	(37,859)
Restorative Justice Coordinator	30,000	30,000	25,987	4,013
Emergency Management	-	-	17,734	(17,734)
County Jail	627,755	627,755	641,529	(13,774)
Community Corrections	140,694	140,694	140,694	-
Total Public Safety	1,808,240	1,808,240	1,982,932	(174,692)
HEALTH				
Countryside Health Service	81,686	81,686	81,686	-
Youth Programs	87,471	87,471	79,076	8,395
Total Health	169,157	169,157	160,762	8,395
CULTURE AND RECREATION				
Parks	88,000	88,000	34,830	53,170
CONSERVATION OF NATURAL RESOURCES				
County Extension	123,805	123,805	124,939	(1,134)
Parks and Drainage	176,482	176,482	167,249	9,233
Agricultural Inspection	13,500	13,500	13,500	-
Predator Control	8,000	8,000	7,606	394
Total Conservation of Natural Resources	321,787	321,787	313,294	8,493
DEBT SERVICE				
Principal	-	-	6,291	(6,291)
Interest	-	-	1,197	(1,197)
Total Debt Service	-	-	7,488	(7,488)
Total Expenditures	5,094,550	5,094,550	5,596,143	(501,593)
NET CHANGE IN FUND BALANCE	<u>\$ 45,032</u>	<u>\$ 45,032</u>	555,630	<u>\$ 510,598</u>
Fund Balance - Beginning of Year			2,089,922	
FUND BALANCE - END OF YEAR			<u>\$ 2,645,552</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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,253,673	\$ 1,253,673	\$ 1,223,685	\$ (29,988)
Intergovernmental	3,194,134	3,194,134	4,297,883	1,103,749
Charges for Services	-	-	50,445	50,445
Investment Earnings	17,000	17,000	16,097	(903)
Miscellaneous	132,694	132,694	121,686	(11,008)
Total Revenues	4,597,501	4,597,501	5,709,796	1,112,295
EXPENDITURES				
CURRENT				
HIGHWAYS AND STREETS				
Administration	203,915	203,915	198,583	5,332
Engineering	105,776	105,776	103,559	2,217
Shared County Engineer	144,671	144,671	131,921	12,750
Maintenance	1,263,483	1,263,483	1,434,590	(171,107)
Construction	2,276,161	2,276,161	3,102,974	(826,813)
Equipment and Maintenance Shops	635,121	635,121	624,195	10,926
Other - Highways and Streets	-	-	11,617	(11,617)
Total Expenditures	4,629,127	4,629,127	5,607,439	(978,312)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(31,626)	(31,626)	102,357	133,983
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	18,000	18,000	54,000	36,000
NET CHANGE IN FUND BALANCE	\$ (13,626)	\$ (13,626)	156,357	\$ 169,983
Fund Balance - Beginning of Year			937,129	
Increase in Reserved for Inventory			867	
FUND BALANCE - END OF YEAR			\$ 1,094,353	

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, 2008**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,621,140	\$ 1,621,140	\$ 1,582,920	\$ (38,220)
Intergovernmental	2,183,286	2,183,286	2,300,686	117,400
Charges for Services	268,000	268,000	176,559	(91,441)
Gifts and Contributions	-	-	834	834
Investment Earnings	50,000	50,000	17,416	(32,584)
Miscellaneous	6,500	6,500	29,655	23,155
Total Revenues	<u>4,128,926</u>	<u>4,128,926</u>	4,108,070	(20,856)
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	929,980	929,980	988,501	(58,521)
Social Services	<u>3,181,245</u>	<u>3,181,245</u>	<u>3,072,393</u>	<u>108,852</u>
Total Human Services	<u>4,111,225</u>	<u>4,111,225</u>	4,060,894	50,331
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	17,701	17,701	47,176	29,475
OTHER FINANCING SOURCES				
Proceeds from sale of assets	<u>3,000</u>	<u>3,000</u>	-	<u>(3,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 20,701</u>	<u>\$ 20,701</u>	47,176	<u>\$ 26,475</u>
Fund Balance - Beginning of Year			<u>1,250,425</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,297,601</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, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 46,340	\$ 46,340	\$ 45,284	\$ (1,056)
Special Assessments	197,180	197,180	179,601	(17,579)
Intergovernmental	64,660	64,660	64,603	(57)
Charges for Services	424,000	424,000	476,772	52,772
Miscellaneous	129,500	129,500	173,249	43,749
 Total Revenues	 861,680	 861,680	 939,509	 77,829
EXPENDITURES				
CURRENT				
SANITATION				
Solid Waste	867,642	867,642	926,855	(59,213)
 EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	(5,962)	(5,962)	12,654	18,616
 OTHER FINANCING SOURCES				
Loan Proceeds	-	-	49,308	49,308
 NET CHANGE IN FUND BALANCE	 <u>\$ (5,962)</u>	 <u>\$ (5,962)</u>	 61,962	 <u>\$ 67,924</u>
 Fund Balance - Beginning of Year			 <u>767,557</u>	
 FUND BALANCE - END OF YEAR			 <u>\$ 829,519</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, 2008

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, 2008:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 5,596,143	\$ 5,094,550	\$ 501,593
Special Revenue Fund			
Road and Bridge	5,607,439	4,629,127	978,312
Solid Waste	926,855	867,642	59,213
Total Special Revenue Funds	<u>\$ 6,534,294</u>	<u>\$ 5,496,769</u>	<u>\$ 1,037,525</u>

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

SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FUNDING PROGRESS
OTHER POST EMPLOYMENT HEALTH CARE BENEFITS
YEAR ENDED DECEMBER 31, 2008

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$ 71,556	\$ 71,556	0%	\$ 4,635,160	2%

SUPPLEMENTARY INFORMATION

SWIFT COUNTY
BENSON, MINNESOTA
DECEMBER 31, 2008

AGENCY FUNDS

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

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

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

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

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

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

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

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.

Southwest Minnesota Mental Health Consortium Fund – to account for local program reimbursements and payments related to the consortium, of which the County is a member.

**SWIFT COUNTY
BENSON, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2008**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE DEED</u>				
ASSETS				
Cash and Pooled Investments	\$ 20,079	\$ 1,547,331	\$ 1,531,278	\$ 36,132
LIABILITIES				
Due to Other Governments	\$ 20,079	\$ 1,547,331	\$ 1,531,278	\$ 36,132
<u>TAXES AND PENALTIES</u>				
ASSETS				
Cash and Investments	\$ 69,697	\$ 13,277,780	\$ 13,449,508	\$ (102,031)
Due from Other Governments	-	102,031	-	102,031
Total Assets	\$ 69,697	\$ 13,379,811	\$ 13,449,508	\$ -
LIABILITIES				
Due to Other Governments	\$ 69,697	\$ 13,379,811	\$ 13,449,508	\$ -
<u>REGION 6W</u>				
ASSETS				
Cash and Pooled Investments	\$ -	\$ 52,905	\$ 51,989	\$ 916
LIABILITIES				
Due to Other Governments	\$ -	\$ 52,905	\$ 51,989	\$ 916
<u>SCHOOL DISTRICTS</u>				
ASSETS				
Cash and Pooled Investments	\$ -	\$ 2,172,256	\$ 2,131,320	\$ 40,936
LIABILITIES				
Due to Other Governments	\$ -	\$ 2,172,256	\$ 2,131,320	\$ 40,936
<u>TOWNS AND CITIES</u>				
ASSETS				
Cash and Pooled Investments	\$ -	\$ 3,266,064	\$ 3,222,625	\$ 43,439
LIABILITIES				
Due to Other Governments	\$ -	\$ 3,266,064	\$ 3,222,625	\$ 43,439

**SWIFT COUNTY
BENSON, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2008**

	Balance January 1	Additions	Deductions	Balance December 31
<u>MINNESOTA RIVER WATERSHED</u>				
ASSETS				
Cash and Pooled Investments	\$ -	\$ 8,960	\$ 8,960	\$ -
LIABILITIES				
Due to Other Governments	\$ -	\$ 8,960	\$ 8,960	\$ -
<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	\$ 7,379	\$ 97,587	\$ 98,371	\$ 6,595
LIABILITIES				
Accounts Payable	\$ 7,379	\$ 97,587	\$ 98,371	\$ 6,595
<u>SW MN ADULT MENTAL HEALTH CONSORTIUM</u>				
ASSETS				
Cash and Pooled Investments	\$ 3,064	\$ 14,634	\$ 13,769	\$ 3,929
LIABILITIES				
Accounts Payable	\$ 3,064	\$ 14,634	\$ 13,769	\$ 3,929
<u>TOTAL ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Pooled Investments	\$ 101,013	\$ 20,437,517	\$ 20,508,614	\$ 29,916
Due from Other Governments	-	102,031	-	102,031
Total Assets	\$ 101,013	\$ 20,539,548	\$ 20,508,614	\$ 131,947
LIABILITIES				
Accounts Payable	\$ 10,443	\$ 112,221	\$ 112,140	\$ 10,524
Due to Other Governments	90,570	20,427,327	20,396,474	121,423
Total Liabilities	\$ 101,013	\$ 20,539,548	\$ 20,508,614	\$ 131,947

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2008**

	General Fund	Special Revenue Funds	
		Road and Bridge	Welfare Fund
SHARED REVENUES			
STATE			
Disparity Reduction Aid	\$ 17,210	\$ 6,906	\$ 8,931
Highway Users Tax	-	3,353,018	-
County Program Aid	349,926	140,391	181,599
Market Value Credits	281,301	112,863	145,985
PERA Rate Increase Aid	36,367	-	-
State Police Aid	37,559	-	-
Enhanced 911	84,924	-	-
Total Shared Revenues	<u>807,287</u>	<u>3,613,178</u>	<u>336,515</u>
STATE GRANTS			
MINNESOTA DEPARTMENT OF			
Human Services	-	-	899,944
Natural Resources	54,734	-	-
Pollution Control Agency	-	-	-
Transportation	1,500	-	-
Veteran's Affairs	10,400	-	-
Public Safety	25,097	-	-
Water and Soil Resources	128,101	-	-
Total State Grants	<u>219,832</u>	<u>-</u>	<u>899,944</u>
FEDERAL GRANTS			
FEDERAL DEPARTMENT OF			
Agriculture	5,576	-	78,685
Transportation	-	684,705	-
Health and Human Services	37,935	-	985,542
Homeland Security	17,307	-	-
Total Federal Grants	<u>60,818</u>	<u>684,705</u>	<u>1,064,227</u>
Total Local, State, and Federal Grants	280,650	684,705	1,964,171
PAYMENTS IN LIEU OF TAXES	<u>109,310</u>	<u>-</u>	<u>-</u>
Total Intergovernmental Revenues	<u>\$ 1,197,247</u>	<u>\$ 4,297,883</u>	<u>\$ 2,300,686</u>

Solid Waste Fund	Total All Funds
\$ 253	\$ 33,300
-	3,353,018
5,186	677,102
4,164	544,313
-	36,367
-	37,559
-	84,924
9,603	4,766,583
-	899,944
-	54,734
55,000	55,000
-	1,500
-	10,400
-	25,097
-	128,101
55,000	1,174,776
-	84,261
-	684,705
-	1,023,477
-	17,307
-	1,809,750
55,000	2,984,526
-	109,310
\$ 64,603	\$ 7,860,419

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2008**

	Interest Rate (%)	Maturity Date	Amount
Pooled Deposits and Investments			
Checking accounts			
First Security - Benson	-	-	\$ 3,929
Bank of the West	-	-	6,595
First Federal Savings	-	-	25,000
Total Checking Accounts			35,524
Savings Accounts			
First American State Bank - Benson	4.70%	-	621,362
Money Market Savings			
First State Bank - Murdock	0.30%	-	43,913
Prairie Sun Bank - Appleton	2.81%	-	24,415
Wells Fargo	N/A	-	1,888,105
Financial Security	4.50%	-	33,738
Farmers and Merchants State Bank - Appleton	2.25%	-	4,348
Total Money Market Savings			1,994,519
Mutual Funds			
Voyageur Fund	Variable Rate	-	144,653
Negotiable Certificates of Deposit			
Wells Fargo	5.00%	January 20, 2009	93,968
Wells Fargo	5.15%	February 23, 2009	94,619
Wells Fargo	3.60%	March 27, 2009	94,683
Wells Fargo	3.25%	April 13, 2009	95,242
Wells Fargo	5.05%	May 26, 2009	96,417
Wells Fargo	5.25%	June 22, 2009	96,930
Wells Fargo	5.30%	July 20, 2009	94,901
Wells Fargo	5.10%	August 24, 2009	95,545
Wells Fargo	5.10%	September 17, 2009	95,954
Wells Fargo	4.80%	October 15, 2009	96,195
Wells Fargo	4.60%	November 23, 2009	96,697
Wells Fargo	4.55%	December 14, 2009	96,962
Wells Fargo	4.50%	January 15, 2010	95,309
Wells Fargo	3.25%	February 16, 2010	95,422
Wells Fargo	3.70%	March 5, 2010	95,876
Wells Fargo	4.05%	April 22, 2010	96,134
Wells Fargo	3.70%	May 21, 2010	97,565
Wells Fargo	4.25%	June 30, 2010	96,671
Wells Fargo	4.25%	July 16, 2010	94,807
Wells Fargo	4.30%	August 16, 2010	95,220
Wells Fargo	4.25%	September 22, 2010	95,570
Wells Fargo	4.25%	October 15, 2010	95,847
Wells Fargo	4.20%	November 26, 2010	96,293
Wells Fargo	3.75%	December 17, 2010	96,724
Total Negotiable Certificates of Deposit			2,299,551

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF DEPOSITS AND INVESTMENTS (CONTINUED)
DECEMBER 31, 2008**

	Interest Rate (%)	Maturity Date	Amount
U.S. Government Securities			
Wells Fargo	3.50%	March 1, 2009	\$ 91,426
Wells Fargo	6.00%	August 1, 2013	1,599
Total U.S. Government Securities			<u>93,025</u>
Total Pooled Deposits and Investments			5,188,634
Fund Investments			
General Fund			
Departmental Checking Accounts			
First Security State-Benson	-	-	2,883
Mutual Fund			
Franklin U.S. Government Securities Fund	N/A	-	479,150
Certificate of Deposit			
Riverwood Bank	3.60%	February 28, 2009	<u>100,000</u>
Total General Fund			582,033
Special Revenue Funds			
Road and Bridge Fund			
Certificate of Deposit			
Riverwood Bank	3.60%	February 28, 2009	50,000
Money Market Savings			
First Security State - Benson	3.65%	-	<u>414,943</u>
Total Road and Bridge Fund			464,943
Welfare Fund			
Certificates of Deposit			
Riverwood Bank	2.96%	January 13, 2009	200,000
Riverwood Bank	3.60%	February 28, 2009	50,000
First Security Bank Benson	2.55%	March 17, 2009	100,000
Riverwood Bank	2.92%	April 20, 2009	<u>100,000</u>
Total Certificates of Deposit			450,000
Money Market Savings			
First Security State - Benson	1.85%	-	<u>200,135</u>
Total Welfare Fund			<u>650,135</u>
Solid Waste Fund			
Departmental Checking Accounts			
First Security State-Benson	0.50%	-	<u>10,934</u>
Total Special Revenue Funds			<u>1,126,012</u>
Total Fund Investments			<u>1,708,045</u>
Total Deposits and Investments			<u>\$ 6,896,679</u>

SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF LOANS RECEIVABLE
YEAR ENDED DECEMBER 31, 2008

Loan Recipient	Date of Loan	Loan Issue Amount	Principal Balance	Repayment Terms
Revolving Loan Special Revenue Fund				
Huston & Sons	December 1999	\$ 31,919	\$ 7,471	Principal Payments Monthly, 5% Interest, Ten-Year Term.
Chuck and Jean Rustad	November 2001	25,000	13,193	Principal Payments Monthly, No Interest, Fifteen-Year Term.
Appleton Building Center	March 31, 2004	40,000	25,265	Principal Payments Monthly, 5.5% Interest, Ten-Year Term.
McDonald Heavy Industries, Inc.	July 20, 2004	24,000	14,854	Principal Payments Monthly, No Interest, Fifteen-Year Term.
Custom Roto Mold	June 1, 2007	<u>50,000</u>	<u>38,316</u>	Principal Payments Monthly, 6.0% Interest, Seven-Year Term.
Total Loans Receivable		<u>\$ 170,919</u>	<u>\$ 99,099</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, 2008, which collectively comprise Swift County's basic financial statements and have issued our report thereon dated June 10, 2009. We did not audit the financial statements of Swift County Housing and Redevelopment Authority (HRA), a discrete component unit, for the year ended June 30, 2008. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the HRA, 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 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 from the HRA.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Swift County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements 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.

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 2006-01 to 2006-03, 2006-05 and 2008-01, 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 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, we consider the deficiencies 2006-01 to 2006-03, described in the accompanying schedule of findings and questioned costs, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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



LarsonAllen LLP

Brainerd, Minnesota
June 10, 2009

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 (the 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, 2008. The County's major federal programs are 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 programs are 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 \$297,933 in federal awards during the year ended June 30, 2008. 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 programs for the year ended December 31, 2008.

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 the major federal programs 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.

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

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 by the County's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-02 to be a significant deficiency.

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 a major federal program will not be prevented or detected by the County's internal control. We do not consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Swift County's written corrective action plan response to the finding identified in our audit is included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses, and, accordingly we express no opinion on them.

This report is intended solely for the information and use of management, the Board of County Commissioners, 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
June 10, 2009

SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2008

SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Swift County, Minnesota.
2. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the basic financial statements of Swift County and they are reported in the "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*." Significant deficiencies 2006-01 to 2006-03 are considered material weaknesses.
3. No instances of noncompliance material to the financial statements of Swift County were disclosed during the audit.
4. A matter involving internal control over compliance relating to the audit of the major federal award program is 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." It is not considered a material weakness.
5. The auditors' report on compliance for the major federal award program for Swift County expresses an unqualified opinion.
6. A finding relative to the major federal award programs for the County is disclosed during the audit and is required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major were:

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

SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2008

MATERIAL WEAKNESSES (FINANCIAL REPORTING):

SEGREGATION OF DUTIES (2006-01)

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

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

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

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

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

AUDIT ADJUSTMENTS (2006-02)

Criteria: County management is responsible for establishing and maintaining internal controls for the proper recording of all the 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 County's ability to detect or prevent a misappropriation of assets or fraudulent activity.

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

SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2008

MATERIAL WEAKNESSES (CONTINUED):

FINANCIAL REPORTING PROCESS (2006-03)

Criteria: County management is responsible for establishing and maintaining internal controls, including the monitoring and 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 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.

SIGNIFICANT DEFICIENCIES:

TIMELY DEPOSITS OF CASH (2006-05)

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

Condition: Collections in various departments/offices throughout the County are not deposited 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 deposits be made on a daily basis or develop a formal policy relating to timeliness of deposits in order to minimize the risk of fraud and theft.

SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2008

SIGNIFICANT DEFICIENCIES (CONTINUED):

REVIEW OF BUDGET ENTRY IN THE GENERAL LEDGER (2008-01)

Criteria: The budget amounts entered into the County's general ledger system should agree with the County approved budget amounts in order for reports to provide accurate information to management.

Condition: During the audit, we noted that the budget amounts in the IFS system did not tie to the board approved budget for the general and road and bridge funds.

Cause: Unknown.

Effect: Budget to actual reports generated out of the general ledger may not provide accurate information to management and the board.

Recommendation: We recommend the County implement policies and procedures to ensure the budget entered into the County's general ledger matches the board approved budget amounts.

CONTROL DEFICIENCIES:

UNAUTHORIZED CHECK SIGNER (2007-04)

Criteria: Standard internal control procedures require that all signers on County bank accounts be employees of the County.

Condition: As of December 31, 2008, two County employees that are no longer employed in the Solid Waste and Sheriff's Office are authorized signers on the departmental checking accounts.

Cause: Unknown.

Effect: Unauthorized transactions could be initiated in the County's deposit accounts.

Recommendation: We recommend the County review authorized signers on all County bank accounts and ensure that only current employees of the applicable department have account authority.

PREVIOUSLY REPORTED ITEMS RESOLVED

JOURNAL ENTRIES (2006-09)

During the prior year audit, we were not presented with documentation that all journal entries entered were reviewed.

RESOLUTION

No similar instances were noted in the current year.

SAFEGUARDING OF CASH COLLECTIONS – SHERIFF'S OFFICE (2007-01)

Daily collections for the Sheriff's Office were not kept in a secure location.

RESOLUTION

The Sheriff's Office installed a lockbox to increase the safeguarding of cash collections.

SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2008

PREVIOUSLY REPORTED ITEMS RESOLVED (CONTINUED)

REVIEW OF BANK RECONCILIATIONS (2007-03)

During the 2007 audit, we were not provided with support that bank reconciliations for the civil process account in the Sheriff's Office and the social welfare account in the Human Services Department were being reviewed.

RESOLUTION

Monthly bank reconciliations are required to be reviewed by someone other than the preparer and review is required to be documented.

SUPPORTING DOCUMENTATION FOR SOCIAL WELFARE FUND DISBURSEMENTS (2007-02)

During the 2007 audit, nine out of ten disbursements tested were not accompanied by adequate written documentation.

RESOLUTION

No similar instances were noted in the current year.

OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE

BROKER CERTIFICATION FORMS (2006-14)

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

Condition: For the year ended December 31, 2008, 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 certification forms.

CREDIT CARD APPROVAL (2006-15)

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

Condition: For the year ended December 31, 2008, 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, if they are deemed necessary, in order to ensure compliance with state statutes.

SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2008

OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE (CONTINUED)

DITCH SPECIAL REVENUE FUND – CASH DEFICITS (2006-17)

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

Condition: The County reported 23 of the 37 active ditch systems as having deficit cash balances as of December 31, 2008, totaling \$552,742.

Cause: Past practice.

Effect: The County is not in compliance with *Minnesota 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 ITEMS RESOLVED

OUT OF STATE TRAVEL POLICY (2007-05)

The County did not have a formal Out-of State travel policy that was approved by the Board of County Commissioners.

RESOLUTION

Per review of the County board minutes, an Out-of-State travel policy was approved April 1, 2008.

MAJOR PROGRAM SIGNIFICANT DEFICIENCY:

MEDICAL ASSISTANCE GRANT (CFDA #93.778) (2008-02)

Criteria: Standard internal control procedures recommend that reports filed be reviewed and approved by supervisory personnel.

Condition: During our testing of controls over Medical Assistance reports filed with the state, we noted that there is no procedure for review or approval of reports.

Cause: Past practice.

Effect: If reports are not properly reviewed and authorized, an unallowable cost could be reported for reimbursement from the state.

Recommendation: We recommend the County implement procedures to review and authorize reports by someone other than the preparer.

CORRECTIVE ACTION PLAN:

Contact Person: Deanna Steckman, Human Services Director

Corrective Action Planned: The Human Services department will implement procedures to ensure all reports are reviewed prior to submission.

Anticipated Completion Date: December 31, 2009

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2008**

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	\$ 84,261
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction	20.205	684,705
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services		
Temporary Assistance for Needy Families	93.558	73,686
Title IV-D Child Support	93.563	204,209
Refugee and Energy Assistance Grant	93.566	209
Child Care and Development Block Grant (Part of Child Care Cluster)	93.575	31,347
Child Care Mandatory & Matching Funds of Child Care and Development Fund (Part of Child Care Cluster)	93.596	19,340
Child Welfare Services State Grants	93.645	4,980
Foster Care Title IV-E	93.658	30,202
Social Services Block Grant Title XX	93.667	82,980
Chafee Foster Care independent Living	93.674	5,254
State Children's Insurance Program	93.767	230
Medical Assistance (grant cluster)	93.778	569,170
Block Grants for Community Mental Health Services	93.958	<u>1,870</u>
Total Department of Health and Human Services		1,023,477

SWIFT COUNTY
 BENSON, MINNESOTA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
 YEAR ENDED DECEMBER 31, 2008

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources Boat and Water Safety	97.012	\$ 14,856
Passed Through Minnesota Department of Public Safety Homeland Security Grant Program	97.067	<u>2,451</u>
Total Department of Homeland Security		<u>17,307</u>
Total Cash Type Federal Awards		<u>\$ 1,809,750</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 \$297,933 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 2008, Swift County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.

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, 2008, and have issued our report thereon dated June 10, 2009. 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, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except we did not test for tax increment financing because the County does 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, Board of County Commissioners, others within the County, federal awarding agencies, pass-through entities, 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
June 10, 2009