

**SWIFT COUNTY  
BENSON, MINNESOTA**

**BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2011**

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BENSON, MINNESOTA  
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DECEMBER 31, 2011**

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BENSON, MINNESOTA  
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## INTRODUCTORY SECTION

**SWIFT COUNTY  
BENSON, MINNESOTA  
ORGANIZATION  
DECEMBER 31, 2011**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
<b>Commissioners</b>		
1st District	Gary Hendrickx*	January 2013
2nd District	Gary Klemm	January 2015
3rd District	Peter Peterson**	January 2013
4th District	Joe Fox	January 2015
5th District	Douglas Anderson	January 2013
<b>Officers</b>		
<b>Elected</b>		
Attorney	Robin Finke	January 2012
Auditor	Byron L. Giese	January 2012
County Recorder	Donna Lilleberg	January 2012
County Sheriff	John Holtz	January 2012
Treasurer	Ronald A. Vadnais	January 2012
<b>Appointed</b>		
Assessor	Edward Pederson	December 2012
Coroner	Roger Bauer, M.D.	December 2012
Engineer	Andy Sander	Indefinite
Veterans Services Officer	Dave Barrett	January 2014
Welfare Director	Deanna Steckman	Indefinite

\* Chair 2011

\*\* Vice-Chair 2011

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www.cliftonlarsonallen.com

**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, 2011, 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, 2011. We did not audit the financial statements of the Swift County Housing and Redevelopment Authority, which represents 15.86 percent, 8.38 percent, and 6.35 percent, 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, 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, provides 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, 2011, including the Swift County HRA as of June 30, 2011, 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.

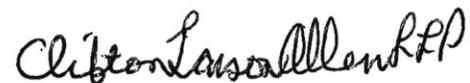
As discussed in the notes to the financial statements, the County adopted the provisions of Government Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of and for the year ended December 31, 2011. Adoption of this statement results in significant changes to the classification of the components of fund balances in its governmental fund types.

Board of County Commissioners  
Swift County

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2012, on our consideration of Swift County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. Our report does not include the results of the audit of the Swift County HRA, which was audited by other auditors.

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

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 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



CliftonLarsonAllen LLP

Brainerd, Minnesota  
May 15, 2012

**REQUIRED SUPPLEMENTARY INFORMATION**

**SWIFT COUNTY  
BENSON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

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, 2011. 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 2011 include the following:

- Governmental activities' total net assets are \$60,470,612, of which \$51,205,990 is invested in capital assets, net of related debt, and \$1,129,106 is restricted for specific purposes.
- Swift County's net assets increased by \$2,270,790 for the year ended December 31, 2011. Net assets of the County's discretely presented component units increased by \$83,040.
- The net cost of governmental activities was \$6,989,065 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$9,259,855.
- Governmental funds' fund balances decreased by \$1,018,136 (prior to adjustments for change in inventories).

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

There are two government-wide statements. The Statement of Net 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.

**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.

**SWIFT COUNTY  
BENSON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

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, the finances of the County are reported in two kinds of activities:

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

**Fund Financial Statements**

Our analysis of the County's major funds begins on page 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.

- **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 a reconciling 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 68-69). We excluded these activities from the County's other financial statement because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**SWIFT COUNTY  
BENSON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

**Net Assets**

The County's net assets were \$60,470,612 on December 31, 2011 (see Table A-1).

Table A-1  
The County's Net Assets

	Governmental Activities		% Change
	2011	2010	
Current and Other Assets	\$ 11,195,297	\$ 10,861,960	3.1 %
Capital and Noncurrent Assets	51,205,990	49,103,167	4.3
Total Assets	<u>62,401,287</u>	<u>59,965,127</u>	4.1
Current Liabilities	1,049,694	886,505	18.4
Long-Term Liabilities	880,981	878,800	0.2
Total Liabilities	<u>1,930,675</u>	<u>1,765,305</u>	9.4
<b>Net Assets</b>			
Invested in Capital Assets			
Net of Related Debt	51,205,990	49,103,166	4.3
Restricted	1,129,106	800,426	41.1
Unrestricted	8,135,516	8,296,230	(1.9)
Total Net Assets	<u>\$ 60,470,612</u>	<u>\$ 58,199,822</u>	3.9

**Changes in Net Assets**

The County-wide total revenues were \$20,012,770 for the year ended December 31, 2011. Property taxes and intergovernmental revenues accounted for 74 percent of total revenues for the year (see Table A-2).

**SWIFT COUNTY  
BENSON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)**

**Changes in Net Assets (Continued)**

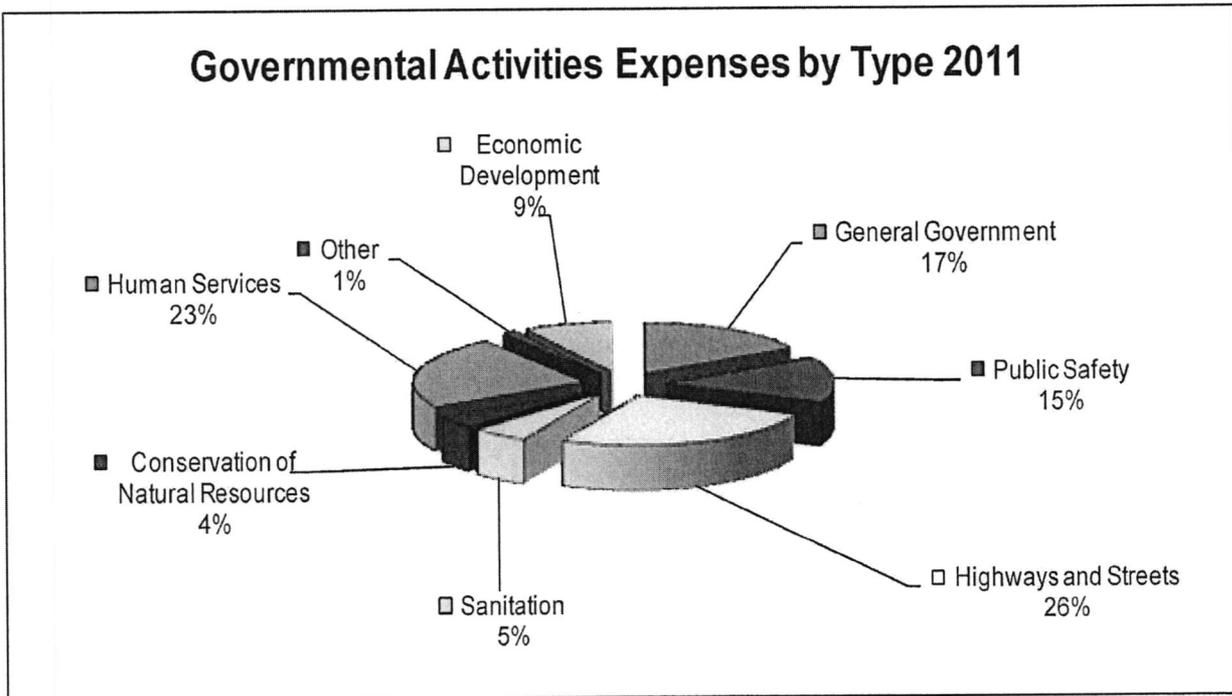
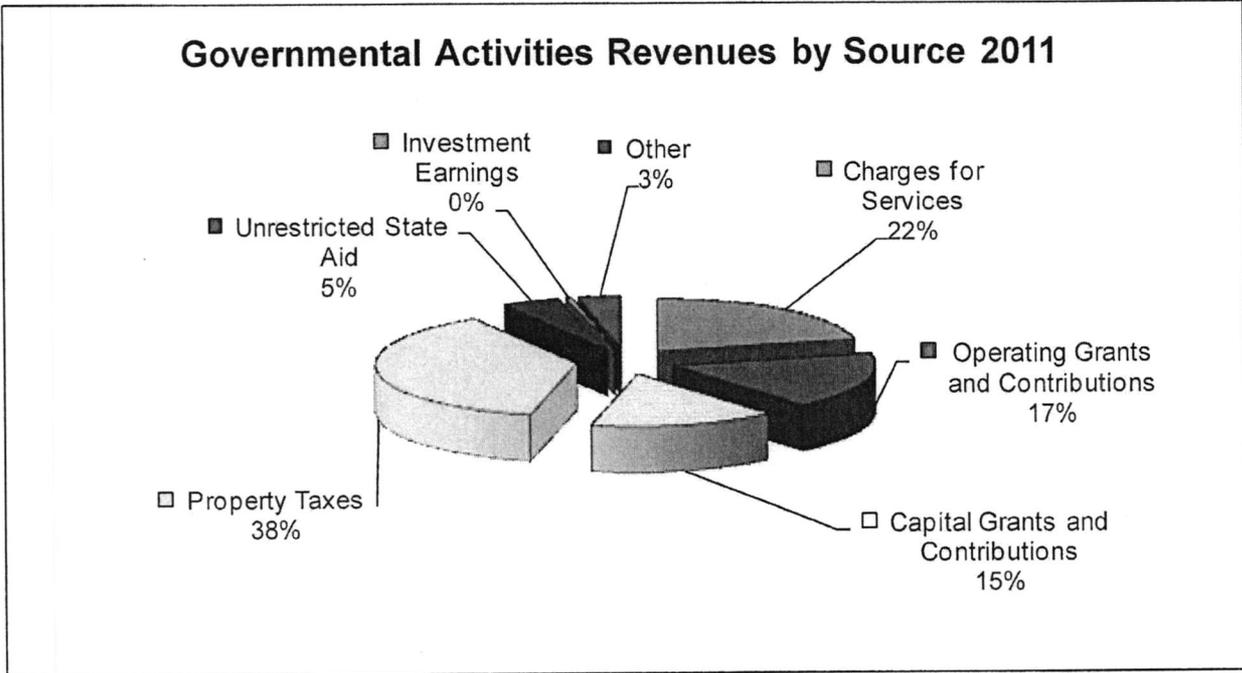
Table A-2  
Change in Net Assets

	Governmental Activities		Total % Change
	2011	2010	
<b>REVENUES</b>			
<u>Program Revenues</u>			
Fees, Charges, Fines, and Other	\$ 4,329,799	\$ 2,984,409	45.1 %
Operating Grants and Contributions	3,473,705	3,639,986	(4.6)
Capital Grants and Contributions	2,949,411	1,855,820	58.9
<u>General Revenues</u>			
Property Taxes	7,545,002	6,658,935	13.3
Unrestricted State Aid	939,267	985,995	(4.7)
Investment Earnings	98,620	117,901	(16.4)
Other	676,966	447,957	51.1
Total Revenues	<u>20,012,770</u>	<u>16,691,003</u>	19.9
<b>EXPENSES</b>			
General Government	2,956,878	2,991,882	(1.2)
Public Safety	2,639,418	2,401,664	9.9
Highways and Streets	4,589,184	3,447,243	33.1
Sanitation	957,714	863,477	10.9
Human Services	4,138,244	4,087,090	1.3
Health	174,480	164,879	5.8
Culture and Recreation	44,188	17,907	146.8
Conservation of Natural Resources	730,062	715,155	2.1
Economic Development	1,499,911	67,106	2135.1
Interest	11,901	10,471	13.7
Total Expenses	<u>17,741,980</u>	<u>14,766,874</u>	20.1
<b>CHANGE IN NET ASSETS</b>	2,270,790	1,924,129	18.0
Net Assets - Beginning of Year	58,199,822	56,275,693	3.4
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 60,470,612</u>	<u>\$ 58,199,822</u>	3.9

**SWIFT COUNTY  
BENSON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)**

**Changes in Net Assets (Continued)**



**SWIFT COUNTY  
BENSON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

**FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)**

**Changes in Net Assets (Continued)**

The County-wide cost of all governmental activities this year was \$17,741,980.

- Some of the cost was paid by the users of the County's Programs (\$4,329,799).
- The federal and state governments subsidized certain programs with grants and contributions (\$6,423,116).
- The remainder of the County's costs, (\$6,989,065), however, was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with the \$7,545,002 property taxes, \$939,267 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
	2011	2010		2011	2010	
<b>GOVERNMENTAL ACTIVITIES</b>						
General Government	\$ 2,956,878	\$ 2,991,882	(1.2)%	\$ (2,205,190)	\$ (2,130,157)	3.5 %
Public Safety	2,639,418	2,401,664	9.9	(1,982,262)	(1,853,413)	7.0
Highways and Streets	4,589,184	3,447,243	33.1	44,849	471,797	(90.5)
Sanitation	957,714	863,477	10.9	(175,573)	(40,467)	333.9
Human Services	4,138,244	4,087,090	1.3	(2,099,311)	(1,973,677)	6.4
Health	174,480	164,879	5.8	(174,266)	(164,637)	5.8
Culture and Recreation	44,188	17,907	146.8	(12,656)	3,874	(426.7)
Conservation of Natural Resources	730,062	715,155	2.1	(392,480)	(581,635)	(32.5)
Economic Development	1,499,911	67,106	2135.1	19,725	(7,873)	(350.5)
Interest and Fiscal Charges on Long-Term Liabilities	11,901	10,471	13.7	(11,901)	(10,471)	13.7
<b>Total</b>	<b>\$ 17,741,980</b>	<b>\$ 14,766,874</b>	<b>20.1</b>	<b>\$ (6,989,065)</b>	<b>\$ (6,286,659)</b>	<b>11.2</b>

**SWIFT COUNTY  
BENSON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

**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 \$6,718,663. Revenues for the County's governmental funds were \$18,807,448, while total expenditures were \$19,833,596. During 2011, 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 \$566,620 during 2011. This increase was primarily due to an increase in intergovernmental, charges for services and tax revenue.

The Road and Bridge Fund had a total fund balance of \$2,358,475, 89 percent of which is committed for road and bridge projects. This fund balance total is a \$153,453 increase (before impact of change in inventory) from the prior year.

The Welfare Fund's fund balance decreased by \$89,398, this is primarily due to increased expenditures for 2011.

The Revolving Loan Fund's fund balance decreased by \$1,444,543, this is due to the issuance of a new loan in 2011.

The Solid Waste Fund's fund balance decreased by \$46,088, this is primarily due to increased expenditures for 2011.

The Ditch Fund's fund balance decreased by \$158,180, this is due to increased expenditures for 2011.

**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, 2011	December 31, 2010	Increase (Decrease)	Percent
Taxes	\$ 3,925,218	\$ 3,413,159	\$ 512,059	15.0 %
Licenses and Permits	4,775	4,735	40	0.8
Intergovernmental	974,725	1,028,379	(53,654)	(5.2)
Charges for Services	795,734	611,861	183,873	30.1
Investment Earnings	84,049	93,675	(9,626)	(10.3)
Miscellaneous and Other	905,781	774,603	131,178	16.9
Total General Fund Revenues	<u>\$ 6,690,282</u>	<u>\$ 5,926,412</u>	<u>\$ 763,870</u>	12.9

**SWIFT COUNTY  
BENSON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

**GENERAL FUND (CONTINUED)**

The following schedule presents a summary of General Fund Expenditures:

Table A-5  
General Fund Expenditures

	Year Ended		Change	
	December 31, 2011	December 31, 2010	Increase (Decrease)	Percent
General Government	\$ 2,903,220	\$ 2,990,923	\$ (87,703)	(2.9)%
Public Safety	2,720,438	2,461,096	259,342	10.5
Health	174,480	164,879	9,601	5.8
Culture and Recreation	23,521	22,961	560	2.4
Conservation of Natural Resources	302,003	304,839	(2,836)	(0.9)
Total Expenditures	<u>\$ 6,123,662</u>	<u>\$ 5,944,698</u>	<u>\$ 178,964</u>	3.0

**General Fund Budgetary Highlights**

- Actual revenues were \$1,297,508 more than expected, due primarily to unbudgeted charges for services, additional grants received, and other miscellaneous revenue in the general government accounts.
- The actual expenditures were \$593,775 more than budget. This is due primarily to appropriations and other general government expenditures not budgeted for.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

By the end of 2011, the County had invested over \$72,400,000 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 \$1,508,822.

Table A-6  
The County's Capital Assets

	Governmental Activities		Percent Change
	2011	2010	
Land	\$ 1,550,558	\$ 1,398,594	10.9 %
Construction-in-Progress	2,302,377	1,480,294	55.5
Buildings	7,896,424	7,888,545	0.1
Machinery, Equipment, and Vehicles	5,571,446	5,336,619	4.4
Infrastructure	55,005,009	53,009,961	3.8
Less: Accumulated Depreciation	(21,119,824)	(20,010,846)	5.5
Total	<u>\$ 51,205,990</u>	<u>\$ 49,103,167</u>	4.3

**SWIFT COUNTY  
BENSON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2011**

**CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)**

**DEBT ADMINISTRATION**

At year-end, the County had outstanding special assessment bonds of \$80,000 versus \$120,000 last year, a decrease of 33.3 percent as shown in Table A-7. This decrease is due to the repayment of long-term debt. The hospital's decrease in debt is a result of the payments on current debt.

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

	2011	2010	Percent Change
<b>GOVERNMENTAL ACTIVITIES</b>			
General Obligation Special Assessment Bonds	\$ 80,000	\$ 120,000	(33.3)%
Chippewa River Watershed Loans	238,292	252,339	(5.6)
Total	<u>\$ 318,292</u>	<u>\$ 372,339</u>	(14.5)
<b>DISCRETE COMPONENT UNIT</b>			
Swift County Housing and Redevelopment Authority	\$ 2,585,072	\$ 2,723,512	(5.1)
Swift County-Benson Hospital	6,775,000	7,796,888	(13.1)
Total	<u>\$ 9,360,072</u>	<u>\$ 10,520,400</u>	(11.0)

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

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

**CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor, Byron Giese, Swift County Courthouse, 310 14<sup>th</sup> 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.

## FINANCIAL SECTION

## **BASIC FINANCIAL STATEMENTS**

**SWIFT COUNTY  
BENSON, MINNESOTA  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2011**

	Primary Government	Discretely Presented Component Units	Total Reporting Entity
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 6,840,467	\$ 3,390,204	\$ 10,230,671
Petty Cash and Change Funds	1,775	-	1,775
Taxes Receivable - Delinquent	99,370	-	99,370
Special Assessments Receivable - Delinquent	18,520	-	18,520
Special Assessments Receivable - Deferred	523,721	-	523,721
Accounts Receivable - Net	31,740	2,303,299	2,335,039
Loans Receivable	1,803,756	-	1,803,756
Accrued Interest Receivable	18,410	-	18,410
Due from Other Governments	1,656,293	-	1,656,293
Advances to Other Governments	55,000	-	55,000
Prepaid Items	-	186,272	186,272
Inventories	146,245	278,854	425,099
Restricted Assets			
Cash and Pooled Investments	-	3,357,301	3,357,301
Investment in Joint Venture	-	611,794	611,794
Capital Assets - Non-Depreciable			
Land	1,550,558	564,394	2,114,952
Construction-in-Progress	2,302,377	348,332	2,650,709
Depreciable Capital Assets - Net of Depreciation			
Buildings	4,793,297	9,345,402	14,138,699
Improvements Other than Buildings	-	112,653	112,653
Machinery, Vehicles, Furniture and Equipment	2,184,588	1,407,444	3,592,032
Infrastructure	40,375,170	-	40,375,170
Total Assets	62,401,287	21,905,949	84,307,236
<b>LIABILITIES</b>			
Accounts Payable	378,977	895,699	1,274,676
Salaries Payable	210,609	-	210,609
Accrued Payroll Taxes	30,406	-	30,406
Contracts Payable	108,894	-	108,894
Due to Other Governments	38,889	-	38,889
Accrued Interest Payable	1,902	114,492	116,394
Customer Deposits - Current	-	22,473	22,473
Other Current Liabilities	-	397,344	397,344
Compensated Absences Payable - Due Within One Year	210,571	7,436	218,007
Capital Notes Payable- Due Within One Year	-	67,838	67,838
General Obligation Bonds Payable - Due Within One Year	40,000	180,000	220,000
Loans Payable - Due Within One Year	29,446	233,616	263,062
Compensated Absences Payable - Due in More Than One Year	631,714	-	631,714
Capital Notes Payable- Due in More Than One Year	-	2,585,072	2,585,072
General Obligation Bonds Payable - Due in More Than One Year	40,000	6,595,000	6,635,000
Loans Payable - Due in More Than One Year	208,846	-	208,846
Other Postemployment Benefits Payable - Due in More Than One Year	421	-	421
Total Liabilities	1,930,675	11,483,370	13,414,045
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	51,205,990	1,732,299	52,938,289
Restricted for			
Missing Heirs	183,551	-	183,551
Recorder Equipment	138,168	-	138,168
E-911 Program	280,566	-	280,566
State Aid Construction Projects	67,756	-	67,756
Ditches	459,065	-	459,065
Hospice	-	13,217	13,217
Unrestricted	8,135,516	8,677,063	16,812,579
Total Net Assets	\$ 60,470,612	\$ 10,422,579	\$ 70,893,191

See accompanying Notes to the Financial Statements.

**SWIFT COUNTY  
BENSON, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2011**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
<b>GOVERNMENTAL ACTIVITIES</b>				
General Government	\$ 2,956,878	\$ 631,919	\$ 119,769	\$ -
Public Safety	2,639,418	447,258	209,898	-
Highways and Streets	4,589,184	171,221	1,836,644	2,626,168
Sanitation	957,714	726,191	55,950	-
Human Services	4,138,244	818,590	1,220,343	-
Health	174,480	214	-	-
Culture and Recreation	44,188	12,346	19,186	-
Conservation of Natural Resources	730,062	2,424	11,915	323,243
Economic Development	1,499,911	1,519,636	-	-
Interest	11,901	-	-	-
Total Governmental Activities	17,741,980	4,329,799	3,473,705	2,949,411
<b>DISCRETE COMPONENT UNITS</b>				
Swift County - Housing and Redevelopment Authority	1,297,284	843,241	296,764	-
Swift County-Benson Hospital	12,599,987	12,647,744	-	68,659
Total Discretely Presented Component Units	13,897,271	13,490,985	296,764	68,659
Total Reporting Entity	\$ 31,639,251	\$ 17,820,784	\$ 3,770,469	\$ 3,018,070

**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
\$ (2,205,190)	\$ -	\$ (2,205,190)
(1,982,262)	-	(1,982,262)
44,849	-	44,849
(175,573)	-	(175,573)
(2,099,311)	-	(2,099,311)
(174,266)	-	(174,266)
(12,656)	-	(12,656)
(392,480)	-	(392,480)
19,725	-	19,725
(11,901)	-	(11,901)
(6,989,065)	-	(6,989,065)
-	(157,279)	(157,279)
-	116,416	116,416
-	(40,863)	(40,863)
(6,989,065)	(40,863)	(7,029,928)
7,545,002	-	7,545,002
5,612	-	5,612
164,445	-	164,445
81,933	-	81,933
939,267	-	939,267
98,620	107,709	206,329
424,264	16,194	440,458
712	-	712
9,259,855	123,903	9,383,758
2,270,790	83,040	2,353,830
58,199,822	10,339,539	68,539,361
<u>\$ 60,470,612</u>	<u>\$ 10,422,579</u>	<u>\$ 70,893,191</u>

**SWIFT COUNTY  
BENSON, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	General	Road and Bridge	Welfare
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 2,265,764	\$ 2,409,792	\$ 1,271,646
Petty Cash and Change Funds	1,600	100	25
Taxes Receivable - Delinquent	50,504	22,296	25,805
Special Assessments Receivable			
Delinquent	-	-	-
Noncurrent	-	-	-
Accounts Receivable	2,970	13,492	15,278
Accrued Interest Receivable	17,357	434	619
Loans Receivable	-	-	-
Due from Other Funds	43,681	-	-
Due from Other Governments	29,869	1,279,485	346,939
Advances to Other Funds	1,257,519	-	-
Advances to Other Governments	55,000	-	-
Inventories	-	146,245	-
Total Assets	<u>\$ 3,724,264</u>	<u>\$ 3,871,844</u>	<u>\$ 1,660,312</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 36,691	\$ 193,069	\$ 131,463
Salaries Payable	94,433	41,887	62,994
Accrued Payroll Taxes	14,459	5,872	8,526
Contracts Payable	-	108,894	-
Due to Other Funds	-	-	43,681
Due to Other Governments	-	-	37,984
Advances from Other Funds	-	-	-
Deferred Revenue - Unavailable	50,504	1,163,647	147,946
Total Liabilities	196,087	1,513,369	432,594
<b>FUND BALANCES</b>			
Nonspendable			
Inventories	-	146,245	-
Advances to Other Funds	1,257,519	-	-
Advances to Other Governments	55,000	-	-
Restricted			
Missing Heirs	183,551	-	-
Recorder Equipment	138,168	-	-
E-911	280,566	-	-
State Aid Construction Projects	-	67,756	-
Ditches	-	-	-
Committed			
Health Care	1,000,000	-	-
Workers' Compensation	100,000	-	-
Soil Survey Update	200,000	-	-
Severance Pay	100,000	50,000	50,000
Road and Bridge	-	2,094,474	-
Welfare Programs	-	-	1,177,718
Solid Waste	-	-	-
Unassigned	213,373	-	-
Total Fund Balances	<u>3,528,177</u>	<u>2,358,475</u>	<u>1,227,718</u>
Total Liabilities and Fund Balances	<u>\$ 3,724,264</u>	<u>\$ 3,871,844</u>	<u>\$ 1,660,312</u>

See accompanying Notes to Financial Statements.

Revolving Loan	Solid Waste	Ditch	Total Governmental Funds
\$ -	\$ 806,810	\$ 86,455	\$ 6,840,467
-	50	-	1,775
-	765	-	99,370
-	16,432	2,088	18,520
-	151,505	372,216	523,721
-	-	-	31,740
-	-	-	18,410
1,803,756	-	-	1,803,756
-	-	-	43,681
-	-	-	1,656,293
-	-	-	1,257,519
-	-	-	55,000
-	-	-	146,245
<u>\$ 1,803,756</u>	<u>\$ 975,562</u>	<u>\$ 460,759</u>	<u>\$ 12,496,497</u>

\$ -	\$ 18,659	\$ -	\$ 379,882
-	11,295	-	210,609
-	1,549	-	30,406
-	-	-	108,894
-	-	-	43,681
-	-	-	37,984
1,257,519	-	-	1,257,519
<u>1,803,756</u>	<u>168,702</u>	<u>374,304</u>	<u>3,708,859</u>
3,061,275	200,205	374,304	5,777,834
-	-	-	146,245
-	-	-	1,257,519
-	-	-	55,000
-	-	-	183,551
-	-	-	138,168
-	-	-	280,566
-	-	-	67,756
-	-	86,455	86,455
-	-	-	1,000,000
-	-	-	100,000
-	-	-	200,000
-	-	-	200,000
-	-	-	2,094,474
-	-	-	1,177,718
-	775,357	-	775,357
(1,257,519)	-	-	(1,044,146)
<u>(1,257,519)</u>	<u>775,357</u>	<u>86,455</u>	<u>6,718,663</u>
<u>\$ 1,803,756</u>	<u>\$ 975,562</u>	<u>\$ 460,759</u>	<u>\$ 12,496,497</u>

**SWIFT COUNTY  
 BENSON, MINNESOTA  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
 GOVERNMENTAL ACTIVITIES  
 DECEMBER 31, 2011**

**FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 6,718,663

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. 51,205,990

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

Property Taxes	\$ 99,370	
Special Assessments	542,241	
Loans Receivable	1,803,756	
Grant Related	<u>1,263,492</u>	3,708,859

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	(80,000)	
Loans Payable	(238,292)	
Compensated Absences	(842,285)	
Other Postemployment Benefits	(421)	
Accrued Interest Payable	<u>(1,902)</u>	<u>(1,162,900)</u>

**NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 60,470,612

**SWIFT COUNTY  
BENSON, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2011**

	General	Road and Bridge	Welfare
<b>REVENUES</b>			
Taxes	\$ 3,925,218	\$ 1,663,845	\$ 1,877,870
Special Assessments	-	-	-
Licenses and Permits	4,775	-	-
Intergovernmental	974,725	4,962,048	1,846,870
Charges for Services	795,734	26,514	301,835
Interest on Investments	84,049	8,422	6,149
Miscellaneous	905,781	144,707	10,571
Total Revenues	<u>6,690,282</u>	<u>6,805,536</u>	<u>4,043,295</u>
<b>EXPENDITURES</b>			
<b>CURRENT</b>			
General Government	2,903,220	-	-
Public Safety	2,720,438	-	-
Highways and Streets	-	6,652,083	-
Sanitation	-	-	-
Human Services	-	-	4,133,405
Health	174,480	-	-
Culture and Recreation	23,521	-	-
Conservation of Natural Resources	302,003	-	-
Economic Development	-	-	-
<b>DEBT SERVICE</b>			
Principal	-	-	-
Interest	-	-	-
Administrative (Fiscal) Charges	-	-	-
Total Expenditures	<u>6,123,662</u>	<u>6,652,083</u>	<u>4,133,405</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	566,620	153,453	(90,110)
<b>OTHER FINANCING SOURCES (USES)</b>			
Loan Proceeds	-	-	-
Proceeds from Sale of Assets	-	-	712
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>712</u>
<b>NET CHANGE IN FUND BALANCES</b>	566,620	153,453	(89,398)
Fund Balance - Beginning of Year	2,961,557	2,188,018	1,317,116
<b>INCREASE IN RESERVED FOR INVENTORIES</b>	-	17,004	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 3,528,177</u>	<u>\$ 2,358,475</u>	<u>\$ 1,227,718</u>

See accompanying Notes to Financial Statements.

Revolving Loan	Solid Waste	Ditch	Total Governmental Funds
\$ -	\$ 88,743	\$ -	\$ 7,555,676
-	185,550	271,334	456,884
-	-	-	4,775
-	61,903	-	7,845,546
-	413,313	-	1,537,396
10,212	-	-	108,832
45,156	150,725	41,399	1,298,339
<u>55,368</u>	<u>900,234</u>	<u>312,733</u>	<u>18,807,448</u>
-	-	-	2,903,220
-	-	-	2,720,438
-	-	-	6,652,083
-	925,085	-	925,085
-	-	-	4,133,405
-	-	-	174,480
-	-	-	23,521
-	-	425,420	727,423
1,499,911	-	-	1,499,911
-	24,380	40,000	64,380
-	4,157	5,100	9,257
-	-	393	393
<u>1,499,911</u>	<u>953,622</u>	<u>470,913</u>	<u>19,833,596</u>
(1,444,543)	(53,388)	(158,180)	(1,026,148)
-	7,300	-	7,300
-	-	-	712
-	<u>7,300</u>	-	<u>8,012</u>
(1,444,543)	(46,088)	(158,180)	(1,018,136)
187,024	821,445	244,635	6,462,276
-	-	-	17,004
<u>\$ (1,257,519)</u>	<u>\$ 775,357</u>	<u>\$ 86,455</u>	<u>\$ 5,461,144</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, 2011**

**CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ (1,018,136)

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

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustments to revenue between the fund statements and the statement of activities is the increase (decrease) in revenues deferred as unavailable. 1,204,610

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets.

Expenditures for General Capital Assets and Infrastructure	\$ 3,645,005	
Net Book Value of Assets Disposed of	(33,360)	
Current Year Depreciation	<u>(1,508,822)</u>	2,102,823

Loan proceeds provide current financial resources to government funds, but issuing debt increases long-term liabilities in the statement of net assets. (10,333)

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	24,380	
Principal Payment on Special Assessment Bonds	<u>40,000</u>	64,380

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	782	
Change in Compensated Absences	(98,063)	
Change in Other Postemployment Benefits	7,723	
Change in Inventories	<u>17,004</u>	<u>(72,554)</u>

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES** \$ 2,270,790

**SWIFT COUNTY  
BENSON, MINNESOTA  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
DECEMBER 31, 2011**

**ASSETS**

Cash and Pooled Investments	<u>\$ 209,955</u>
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**LIABILITIES**

Funds Held in Trust	\$ 12,235
Due to Other Governments	<u>197,720</u>

Total Liabilities	<u>\$ 209,955</u>
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**SWIFT COUNTY  
BENSON, MINNESOTA  
STATEMENT OF NET ASSETS  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2011**

	Swift County Housing and Redevelopment Authority	Swift County-Benson Hospital	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 655,218	\$ 2,734,986	\$ 3,390,204
Accounts Receivable - Net	3,680	2,299,619	2,303,299
Prepaid Items	-	186,272	186,272
Inventories	-	278,854	278,854
Total Current Assets	658,898	5,499,731	6,158,629
<b>RESTRICTED ASSETS</b>			
Cash and Pooled Investments	-	3,357,301	3,357,301
<b>NONCURRENT ASSETS</b>			
Investment in Joint Venture	-	611,794	611,794
Capital Assets			
Land	25,000	539,394	564,394
Construction-in-Progress	-	348,332	348,332
Buildings	2,777,636	6,567,766	9,345,402
Machinery, Vehicles, Furniture and Equipment	13,522	1,393,922	1,407,444
Land Improvements	-	112,653	112,653
Total Noncurrent Assets	2,816,158	9,573,861	12,390,019
Total Assets	3,475,056	18,430,893	21,905,949
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	130,631	765,068	895,699
Accrued Expenses	-	397,344	397,344
Accrued Interest	-	114,492	114,492
Compensated Absences Payable - Current	7,436	-	7,436
Capital Notes Payable - Current	67,838	-	67,838
Revenue Bonds Payable - Current	-	180,000	180,000
Loans Payable - Current	-	233,616	233,616
Customer Deposits	22,473	-	22,473
Total Current Liabilities	228,378	1,690,520	1,918,898
<b>NONCURRENT LIABILITIES</b>			
Capital Notes Payable - Long-Term	2,585,072	-	2,585,072
Revenue Bonds Payable - Long-Term	-	6,595,000	6,595,000
Loans Payable - Long-Term	-	384,400	384,400
Total Noncurrent Liabilities	2,585,072	6,979,400	9,564,472
Total Liabilities	2,813,450	8,669,920	11,483,370
<b>NET ASSETS</b>			
Invested in Capital Assets - Net of Related Debt	163,248	1,569,051	1,732,299
Restricted for Net Assets	13,217	-	13,217
Unrestricted Net Assets	485,141	8,191,922	8,677,063
Total Net Assets	\$ 661,606	\$ 9,760,973	\$ 10,422,579

See accompanying Notes to Financial Statements.

**SWIFT COUNTY  
BENSON, MINNESOTA  
STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
YEAR ENDED DECEMBER 31, 2011**

	Expenses	Program Revenues		
		Fees, Charges Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
<b>COMPONENT UNITS</b>				
Housing and Redevelopment Authority	\$ 1,297,284	\$ 843,241	\$ 296,764	\$ -
Swift County-Benson Hospital	12,599,987	12,647,744	-	68,659
Total Component Units	<u>\$ 13,897,271</u>	<u>\$ 13,490,985</u>	<u>\$ 296,764</u>	<u>\$ 68,659</u>

**GENERAL REVENUES**

Investment Earnings  
Miscellaneous

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

Housing and Redevelopment Authority	Swift County-Benson Hospital	Total
\$ (157,279)	\$ -	\$ (157,279)
-	116,416	116,416
(157,279)	116,416	(40,863)
30,871	76,838	107,709
-	16,194	16,194
30,871	93,032	123,903
(126,408)	209,448	83,040
788,014	9,551,525	10,339,539
<u>\$ 661,606</u>	<u>\$ 9,760,973</u>	<u>\$ 10,422,579</u>

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**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, 2011. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

**A. Financial Reporting Entity**

Swift County, Minnesota was established February 15, 1870, and has the powers, duties, and privileges granted counties by *Minnesota Statutes* ch. 373. Swift County is governed by a five-member Board of Commissioners elected from districts within the County and administrative officers elected on a County-wide basis. The Board is organized with a chair and a vice-chair elected at the annual meeting in January of each year. The County 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, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

A. Financial Reporting Entity (Continued)

Discretely Presented Component Units (Continued)

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

Swift County-Benson Hospital

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

Other Organizations

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

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net 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.

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Basic Financial Statements (Continued)

1. Government-Wide Statements (Continued)

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

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category--governmental 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.

2. Fund Financial Statements

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

The Road and Bridge Special Revenue Fund- The road and bridge fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways. Property taxes and intergovernmental revenues are the primary funds committed for these projects.

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

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

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

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basic Financial Statements (Continued)**

**2. Fund Financial Statements (Continued)**

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

Additionally, the County reports the following fiduciary fund type:

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

**C. Measurement Focus and Basis of Accounting**

The government-wide 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 and Cash Equivalents**

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

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Liabilities, and Net Assets or Fund Balance (Continued)

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2011, based on market prices. Pursuant to *Minnesota Statutes* §385.07, investment earnings on cash and pooled investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

3. Receivables and Payables

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

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due October 15.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

4. Loans Receivable

Loans receivable represents the unpaid principal portions of loans made by the County through its revolving loan fund. 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.

5. Inventories

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

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the County government-wide financial statements. In the case of initial capitalization of infrastructure, the County retroactively implemented the reporting of this item when GASB #34 was implemented. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

7. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

8. 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.

9. 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.

10. Fund Balance and Net Assets

At December 31, 2011, the County adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This standard changed fund balance classifications within the fund level statements.

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned and unassigned fund balances. Nonspendable portions of fund balance relate to prepaids, inventories and long term receivables. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed fund balances are established and modified by a resolution approved by the County Board. The County Board did not delegate authority to assign fund balances and their intended uses. Unassigned fund balance is the residual classification for the County's general fund and includes all spendable amounts not contained in other classifications.

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

10. Fund Balance and Net Assets (Continued)

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

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

11. 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, 2011:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 6,123,662	\$ 5,529,887	\$ 593,775
Solid Waste	953,622	891,550	62,072

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

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**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, 2011, based on market prices. Pursuant to *Minnesota Statutes* §385.07, investment earnings on cash and pooled investments are credited to the general fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

Custodial Credit Risk - Deposits

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

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

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

- (a) Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by *Minnesota Statutes* §118a.04, Subd. 6;

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

1. Deposits and Investments (Continued)

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

As of December 31, 2011, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
Mutual Funds	\$ 649,334	\$ -	\$ -	\$ 649,334
U.S. Agency Securities	385	-	385	-
Negotiable CDs	1,700,175	1,200,505	499,670	-
Total	<u>\$2,349,894</u>	<u>\$1,200,505</u>	<u>\$ 500,055</u>	<u>\$ 649,334</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, 2011, 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, 2011**

**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, 2011, 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.

As of December 31, 2011, all County deposits were covered by insurance or collateral. All collateral pledged for the Swift County is held by the pledging financial institutions.

2. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

Government-Type Activities – Primary Government

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land and Right-of-Way	\$ 1,398,594	\$ 151,964	\$ -	\$ 1,550,558
Construction-in-Progress	1,480,294	2,957,572	2,135,489	2,302,377
Total Capital Assets, Not Being Depreciated:	2,878,888	3,109,536	2,135,489	3,852,935
Capital Assets, Being Depreciated				
Buildings	7,888,545	7,879	-	7,896,424
Machinery, Furniture, and Equipment	5,336,619	668,031	433,204	5,571,446
Infrastructure	53,009,961	1,995,048	-	55,005,009
Total Capital Assets, Being Depreciated	66,235,125	2,670,958	433,204	68,472,879
Less Accumulated Depreciation for				
Buildings	3,014,747	88,380	-	3,103,127
Machinery, Furniture, and Equipment	3,364,539	422,163	399,844	3,386,858
Infrastructure	13,631,560	998,279	-	14,629,839
Total Accumulated Depreciation	20,010,846	1,508,822	399,844	21,119,824
Total Capital Assets, Being Depreciated, Net	46,224,279	1,162,136	33,360	47,353,055
Governmental Activities Capital Assets, Net	\$ 49,103,167	\$ 4,271,672	\$ 2,168,849	\$ 51,205,990

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**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	\$	61,808
Public Safety		35,540
Highways and Streets, Including Depreciation of Infrastructure Assets		1,322,857
Human Services		30,296
Sanitation		28,383
Conservation of Natural Resources		1,255
Culture and Recreation		<u>28,683</u>
 Total Depreciation Expense - Governmental Activities	 \$	 <u>1,508,822</u>

B. Interfund Receivables and Payables

The composition of Due To/From Other Funds balances as of December 31, 2011, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Welfare Fund	\$ 43,681	Utility Service and Legal Services

The composition of Advances To/From Other Funds balances as of December 31, 2011, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Revolving Loan	\$ 1,257,519	To Cover Negative Cash

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**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, 2011
<b>General Obligation Bonds</b>					
Assessment Bonds					
1997 Drainage Bonds	2013	\$35,000 - \$40,000	4.00 - 5.10	<u>\$ 580,000</u>	<u>\$ 80,000</u>
<b>Loans Payable</b>					
Chippewa River Watershed/ Continuation Clean Water Project	2021	\$3,743 - \$7,760	2.00	<u>\$ 304,374</u>	<u>\$ 238,292</u>

2. Debt Service Requirements

Debt service requirements at December 31, 2011, were as follows:

Year Ending December 31	General Obligation Special Assessment		Loans Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 40,000	\$ 3,060	\$ 29,446	\$ 4,619	\$ 69,446	\$ 7,679
2013	40,000	1,020	30,038	4,027	70,038	5,047
2014	-	-	30,642	3,424	30,642	3,424
2015	-	-	31,258	2,808	31,258	2,808
2016	-	-	31,886	2,180	31,886	2,180
2017-2021	-	-	85,023	3,538	85,023	3,538
Total	<u>\$ 80,000</u>	<u>\$ 4,080</u>	<u>\$ 238,292</u>	<u>\$ 20,596</u>	<u>\$ 318,292</u>	<u>\$ 24,676</u>

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**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, 2011, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Special					
Assessment Bonds	\$ 120,000	\$ -	\$ 40,000	\$ 80,000	\$ 40,000
Loans Payable	252,339	10,333	24,380	238,292	29,446
Compensated Absences	744,222	481,203	383,140	842,285	210,571
Governmental Activity Long-Term Liabilities	<u>\$ 1,116,561</u>	<u>\$ 491,536</u>	<u>\$ 447,520</u>	<u>\$ 1,160,577</u>	<u>\$ 280,017</u>

The loans payable additions are \$3,033 more than the loan proceeds presented on page 20 due to a change in the amortization schedule.

The assessment bonds are liquidated by the ditch fund, the loans payable are liquidated by the solid waste fund, and compensated absences are liquidated by the general fund.

4. Operating Leases

The County has a lease agreement for a copier in Human Services for 60 months and a real estate lease agreement for 24 months. The County had a lease agreement for a tractor in 2011. The final payment for this lease was made during 2011. 2011 expenditures (not including maintenance and supplies) under these lease agreements totaled \$22,089 and \$25,370 including maintenance and supplies.

Minimum lease payments over the term of these leases are as follows:

Year	Amount
2012	\$ 35,158
2013	35,158
Total	<u>\$ 70,316</u>

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 4      EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS**

A. Plan Description

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

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

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

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

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4    EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)**

A. Plan Description (Continued)

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

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

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

B. Funding Policy

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2011. PEPFF members were required to contribute 9.60 percent of their annual covered salary in 2011. PECF members are required to contribute 5.83 percent of their annual covered salary.

Swift County is required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERF members, 7.25 percent for Coordinated Plan GERF members, 14.10 percent for PEPFF members, and 8.75 percent for PECF members.

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2011, 2010, and 2009 were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund	Public Employees Defined Contribution Plan
2011	\$ 277,229	\$ 70,550	\$ 35,010	\$ 7,264
2010	262,480	71,586	32,905	5,840
2009	249,759	59,735	3,184	5,842

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

Defined Contribution Plan

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

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

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)**

**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 Postemployment 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 Statutes* §471.61 subdivision 2b. Active employees who retire from the County when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Pursuant to the provisions of the plan, retirees are required to pay varying percentages of the total premium cost. As of January 1, 2011, there was one retiree receiving health benefits from the County's health plan.

**1. Annual OPEB Cost and Net OPEB Obligation**

The County's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 45. The ARC represents a level of fund that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost of 2011, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC)	\$ 3,586
Interest on Net OPEB Obligation	44
Adjustment to ARC	<u>(96)</u>
Annual OPEB Cost	3,534
Contributions During the Year	<u>(11,257)</u>
Increase in Net OPEB Obligation	(7,723)
Net OPEB - Beginning of Year	<u>8,144</u>
Net OPEB - End of Year	<u>\$ 421</u>

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)**

C. OPEB Disclosure (Continued)

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

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2011, 2010 and 2009 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2011	\$ 3,534	\$ 11,257	318.5 %	\$ 421
December 31, 2010	7,670	4,875	63.6	8,144
December 31, 2009	7,589	4,875	64.2	5,349

2. Funding Status

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2011	\$ -	\$ 41,198	\$ 41,198	-	\$ 5,054,070	0.82%

3. Actuarial Methods and Assumptions

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

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

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)**

C. OPEB Disclosure (Continued)

3. Actuarial Methods and Assumptions (Continued)

In the January 1, 2011 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 2.00 percent discount rate, which is based on the estimated long-term investment yield on the general assets of the County using an underlying long-term inflation assumption of 3.50 percent. The annual healthcare cost trend rate is 9.00 percent initially, reduced incrementally to an ultimate rate of 5.00 percent after five years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open thirty-year period.

**NOTE 5 RISK MANAGEMENT**

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$450,000 per claim in 2011. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 6 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS**

Contingent Liabilities

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

Construction Commitments

The County has active construction projects and outstanding contracts for machinery and equipment purchase as of December 31, 2011. The projects and purchases include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Road Construction	\$ 2,549,490	\$ 217,108
Machinery and Equipment	490,928	437,689

**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, 2011.

Basis of Accounting

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

Deposits

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

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

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2011:

	<u>Bank Balance</u>
Insured or Collateralized with Securities Held by the HRA or Its Agent in the HRA's Name	\$ 515,113

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, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Ending Balance</u>
Capital Assets, not being Depreciated				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Capital Assets being Depreciated				
Buildings	3,626,539	-	-	3,626,539
Machinery, Furniture, and Equipment	18,278	-	-	18,278
Total Capital Assets being Depreciated	3,644,817	-	-	3,644,817
Less: Accumulated Depreciation for				
Buildings	744,734	104,169	-	848,903
Machinery, Furniture, and Equipment	4,175	581	-	4,756
Total Accumulated Depreciation	748,909	104,750	-	853,659
Total Capital Assets, Depreciated, Net	2,895,908	(104,750)	-	2,791,158
Governmental Activities Capital Assets, Net	\$ 2,920,908	\$ (104,750)	\$ -	\$ 2,816,158

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2011</u>
Essential Function Housing Redevelopment Revenues Bonds	2033	5.00%	\$ 1,993,652
Essential Function Housing Revenue Bond Series 2005	2025	4.25%	<u>659,258</u>
Total Outstanding Bonds			<u>\$ 2,652,910</u>

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

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 67,838	\$ 132,296	\$ 200,134
2013	70,551	129,583	200,134
2014	73,373	126,761	200,134
2015	76,308	123,826	200,134
2016	79,360	120,774	200,134
2017-2021	390,246	532,994	923,240
2022-2026	957,517	405,598	1,363,115
2027-3031	590,938	173,599	764,537
2032-2033	<u>346,779</u>	<u>656,177</u>	<u>1,002,956</u>
Total	<u>\$ 2,652,910</u>	<u>\$ 2,401,608</u>	<u>\$ 5,054,518</u>

Compensated Absences Payable

Changes in compensated absences payable for the period ended June 30, 2011 is summarized below:

Balance - June 30, 2010	\$ 6,590
Net Changes	<u>846</u>
Balance - June 30, 2011	<u>\$ 7,436</u>

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 7      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT  
UNITS (CONTINUED)**

A. Swift County Housing and Redevelopment Authority (Continued)

Economic Dependency

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

Risk Management

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

Retirement Plan

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

	<u>2011</u>
Total Wages	\$ 64,666
Total Eligible Wages	52,250
Employer Contribution	3,135
Employee Contribution	2,090

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**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, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Hospital has elected not to apply the Financial Accounting Standards Board statements and interpretations issued after November 30, 1989.

Cash and Cash Equivalents

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

Accounts Receivable

Accounts Receivable for the Hospital are shown net of an allowance of \$275,000, 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 than \$5,000, are capitalized and depreciated over the useful life of the asset. Capital expenditures of less than \$5,000 are expensed when incurred.

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

A summary of gross and net patient service revenues for the year ended December 31, 2011 is as follows:

Gross Patient Service Revenues	\$ 16,773,518
Less: Provisions for Revenue Adjustments Under Third-Party Reimbursement Program	<u>(4,445,401)</u>
Net Patient Service Revenues	<u>\$ 12,328,117</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  
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**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 \$68,087 in 2011.

Deposits and Investments

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

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

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

As of December 31, 2011, the Hospital's bank balances were covered by federal depository insurance or by collateral held by the pledging bank's agent in the Hospital's name.

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2011, follows:

	Balance	Additions	Deletions	Balance
Capital Assets, not being Depreciated				
Land	\$ 224,744	\$ 314,650	\$ -	\$ 539,394
Construction-in-Progress	157,824	340,915	150,407	348,332
Total Capital Assets Not Being Depreciated	382,568	655,565	150,407	887,726
Capital Assets Depreciated				
Buildings and Fixed Equipment	11,033,125	33,415	21,734	11,044,806
Movable Equipment and Ambulances	4,125,832	217,587	60,516	4,282,903
Land Improvements	263,255	-	-	263,255
Total Capital Assets being Depreciated	15,422,212	251,002	82,250	15,590,964
Less: Accumulated Depreciation for				
Buildings and Fixed Equipment	3,942,584	555,286	20,830	4,477,040
Movable Equipment and Ambulances	2,436,532	512,965	60,516	2,888,981
Land Improvements	129,787	20,815	-	150,602
Total Accumulated Depreciation	6,508,903	1,089,066	81,346	7,516,623
Total Capital Assets, Depreciated, Net	8,913,309	(838,064)	904	8,074,341
Governmental Activities Capital Assets, Net	<u>\$ 9,295,877</u>	<u>\$ (182,499)</u>	<u>\$ 151,311</u>	<u>\$ 8,962,067</u>

Investment in Joint Venture

Central Minnesota Diagnostic, Inc. (CMDI), a nonprofit corporation, was organized to provide certain agreed-upon shared services to those hospitals which are members of the corporation (all of which are unrelated parties of the Hospital). The Hospital's equity interest in CMDI is .71 percent.

CMDI provides the equipment and technicians for Ultrasound and Echocardiogram services for Hospital patients. The Hospital billed and collected the revenues for these services to patients and reimbursed CMDI approximately \$194,000 for the use for the equipment for the year ended December 31, 2011. Accounts payable to CMDI for these services at December 31, 2011 amounted to \$19,800. Earnings of \$123,265 are included in other operating revenues.

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

B. Swift County-Benson Hospital (Continued)

Investment in Joint Venture (Continued)

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

BMS provides the equipment and technicians for Ultrasound and Echocardiogram services for Hospital patients. The Hospital billed and collected revenues for these services and has a liability to BMS for \$93,421. The Hospital provides management services, leases space and pays expenses on behalf of BMS and has a receivable from BMS for \$16,423. Earnings of \$52,204 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, 2011:

	Balance January 1, 2011	Additions	Payments	Balance December 31, 2011	Amounts Due Within One Year
USDA Hospital Refunding 2007 Revenue Bonds	\$ 6,950,000	\$ -	\$ 175,000	\$ 6,775,000	\$ 180,000
MN Dept of Health Loan	724,242	108,625	256,267	576,600	192,200
Swift County RDA Loan	122,646	-	81,230	41,416	41,416
<b>Total Noncurrent Liabilities</b>	<b>\$ 7,796,888</b>	<b>\$ 108,625</b>	<b>\$ 512,497</b>	<b>\$ 7,393,016</b>	<b>\$ 413,616</b>

The terms and due dates of the Hospital's long-term debt, including lease obligations, at December 31, 2011, are as follows:

- 2007 Revenue Bonds, principal is due annually on February 1, interest payments are due semi-annually on February 1 and August 1, through February 2034. The interest rate ranges from 4.0 percent to 4.15 percent.
- Minnesota Department of Health Loan, principal payments started July 1, 2010 and are due quarterly on January 1, April 1, July 1, and October 1, through April 2014. The loan is a zero percent interest loan.
- Swift County RDA Loan, principal payments started July 1, 2009 and are due monthly through July 1, 2012. The loan is a 4 percent interest loan.

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**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		Swift County RDA Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 180,000	\$ 271,181	\$ 192,200	\$ -	\$ 41,416	\$ 490
2013	185,000	263,881	256,267	-	-	-
2014	195,000	256,281	128,133	-	-	-
2015	205,000	248,281	-	-	-	-
2016	210,000	239,981	-	-	-	-
2017-2021	1,205,000	1,062,006	-	-	-	-
2022-2026	1,490,000	793,906	-	-	-	-
2027-2031	1,830,000	459,672	-	-	-	-
2032-2034	1,275,000	79,784	-	-	-	-
Total	<u>\$ 6,775,000</u>	<u>\$ 3,674,973</u>	<u>\$ 576,600</u>	<u>\$ -</u>	<u>\$ 41,416</u>	<u>\$ 490</u>

Pensions

The Hospital contributes to the Public Employment Retirement Fund (PERF), a cost-sharing multiple-employer defined benefit pension plan administered by PERA. The Hospital's contributions to the Public Employees Retirement Fund for the years ending December 31, 2011, 2010, and 2009, were \$302,545, \$296,198, and \$268,296, respectively, equal to the contractual required contributions for each year as set by state statute.

Management Agreement

The Hospital entered into a management agreement with Rice Memorial Hospital effective November 1, 1999. Under the agreement, Rice Memorial Hospital provides an administrator, management consultant, and other services to the Hospital. The agreement does not alter the authority or responsibility of the board of directors of the Hospital. For the year ended December 31, 2011, the Hospital paid \$91,000 for management services provided under the purchase agreement and approximately \$1,184,460 for services and equipment purchased through Rice Memorial Hospital. The Hospital had accounts payable of approximately \$69,000 at December 31, 2011.

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**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 Statutes* §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 2011 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, 2011, was \$141,734. 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, 2011**

**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 2011, Swift County did not contribute any funds to the Board. Complete financial statements of the Minnesota River Board can be obtained from its administrative office at 184 Trafton Science Center South, Minnesota State University - Mankato, Mankato, Minnesota, 56001.

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

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

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

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, 2011**

**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 Statutes* §471.59. The board is headquartered in Windom, Minnesota, where Cottonwood County acts as fiscal host. The board shall take actions and enter into such agreements as may be necessary to plan and develop within the board's geographic jurisdiction a system of care that will serve the needs of adults with serious and persistent mental illness. The governing board is composed of one board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.

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, 2011, was \$13,584. Separate financial information can be obtained at Western Minnesota Prairie Waters Convention and Visitors Bureau at 323 Schlieman Avenue, Appleton, Minnesota 56208.

Sentencing to Serve Program

Swift County entered into a joint powers agreement with 6W Corrections to establish joint community service projects utilizing Sentencing to Serve personnel pursuant to *Minnesota Statutes* §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, 2011, was \$12,538. Current financial statements are not available.

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**NOTE 8 OTHER ORGANIZATIONS (CONTINUED)**

Southwest Minnesota Chief Elected Officials Board

Swift County entered into a joint powers agreement with 13 other counties to establish a joint community to include programming to prepare youth and adults facing serious barriers to employment for participation in the labor force and by providing job training and other such services that will result in increased employment and earnings, increased educational and occupational skills, and decreased welfare dependency.

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 \$43,639 to the Task Force. Separate financial information for the CEE VI Task Force is not available.

Western Plains Regional Library

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

The financial activities of the Western Plains Library System are reported as part of the Pioneerland Regional Library System. During the year, Swift County paid \$107,040 to the Library System. Separate financial information for the Western Plains Library System is not available.

Related Organization

Swift County Rural Development Finance Authority

The Board members of the Swift County Rural Development Finance Authority (RDFA) are appointed by the Swift County Board of Commissioners. During the year, Swift County approved a levy for the RDFA in the amount of \$70,574. Financial information can be obtained from the Swift County RDFA, 310 14th Street North, Benson, Minnesota 56215.

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

**SWIFT COUNTY  
BENSON, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 3,737,538	\$ 3,839,713	\$ 3,925,218	\$ 85,505
Licenses and Permits	3,500	3,000	4,775	1,775
Intergovernmental	744,094	631,906	974,725	342,819
Charges for Services	229,375	229,375	795,734	566,359
Investment Earnings	160,000	160,000	84,049	(75,951)
Miscellaneous	528,780	528,780	905,781	377,001
Total Revenues	5,403,287	5,392,774	6,690,282	1,297,508
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>GENERAL GOVERNMENT</b>				
Commissioners	241,175	241,175	220,322	20,853
Law Library	-	-	23,460	(23,460)
County Administration	14,000	14,000	14,000	-
County Auditor	316,383	316,383	299,750	16,633
County Treasurer	174,793	175,493	168,152	7,341
County Assessor	247,582	247,582	221,657	25,925
Elections	4,500	4,500	7,740	(3,240)
Data Processing	72,500	72,500	72,952	(452)
Attorney	355,103	355,103	363,591	(8,488)
Recorder	256,202	256,202	249,551	6,651
Planning and Zoning	65,961	65,961	41,279	24,682
Buildings and Plant	351,106	357,356	262,565	94,791
Technology	168,012	168,012	176,296	(8,284)
Veterans Service Officer	142,771	142,771	154,551	(11,780)
Appropriations - General Government	351,417	354,017	465,519	(111,502)
Other General Government	-	-	161,835	(161,835)
Total General Government	2,761,505	2,771,055	2,903,220	(132,165)

*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, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES (CONTINUED)</b>				
<b>CURRENT (CONTINUED)</b>				
<b>PUBLIC SAFETY</b>				
Sheriff	\$ 1,115,326	\$ 1,163,326	\$ 1,597,540	\$ (434,214)
Coroner	14,000	14,000	7,645	6,355
E-911 System	42,339	-	116,497	(116,497)
Restorative Justice Coordinator	57,075	56,925	46,751	10,174
Emergency Management	57,555	57,555	78,589	(21,034)
County Jail	763,645	763,645	720,343	43,302
Community Corrections	153,073	153,073	153,073	-
Total Public Safety	2,203,013	2,208,524	2,720,438	(511,914)
<b>HEALTH</b>				
Countryside Health Service	81,686	81,686	81,686	-
Youth Programs	99,105	99,105	92,794	6,311
Total Health	180,791	180,791	174,480	6,311
<b>CULTURE AND RECREATION</b>				
Parks	44,394	31,394	23,521	7,873
<b>CONSERVATION OF NATURAL RESOURCES</b>				
County Extension	133,340	134,340	126,125	8,215
Parks and Drainage	182,283	182,283	159,194	23,089
Agricultural Inspection	13,500	13,500	13,500	-
Predator Control	8,000	8,000	3,184	4,816
Total Conservation of Natural Resources	337,123	338,123	302,003	36,120
Total Expenditures	5,526,826	5,529,887	6,123,662	(593,775)
<b>NET CHANGE IN FUND BALANCE</b>	<b><u>\$ (123,539)</u></b>	<b><u>\$ (137,113)</u></b>	566,620	<b><u>\$ 703,733</u></b>
Fund Balance - Beginning of Year			2,961,557	
<b>FUND BALANCE - END OF YEAR</b>			<b><u>\$ 3,528,177</u></b>	

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, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 1,703,908	\$ 1,703,908	\$ 1,663,845	\$ (40,063)
Intergovernmental	4,523,354	5,075,128	4,962,048	(113,080)
Charges for Services	80,003	80,002	26,514	(53,488)
Investment Earnings	12,000	12,000	8,422	(3,578)
Miscellaneous	36,500	36,500	144,707	108,207
	<u>6,355,765</u>	<u>6,907,538</u>	<u>6,805,536</u>	<u>(102,002)</u>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HIGHWAYS AND STREETS</b>				
Administration	231,851	223,851	162,139	61,712
Engineering	128,659	128,659	74,231	54,428
Shared County Engineer	150,863	150,863	144,462	6,401
Maintenance	1,564,898	1,564,898	1,596,277	(31,379)
Construction	3,821,639	3,821,639	3,557,334	264,305
Equipment and Maintenance Shops	693,259	693,259	767,333	(74,074)
Other - Highways and Streets	318,694	318,694	350,307	(31,613)
	<u>6,909,863</u>	<u>6,901,863</u>	<u>6,652,083</u>	<u>249,780</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (554,098)</u>	<u>\$ 5,675</u>	153,453	<u>\$ 147,778</u>
Fund Balance - Beginning of Year			2,188,018	
Increase in Reserved for Inventory			<u>17,004</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 2,358,475</u>	

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

**SWIFT COUNTY  
BENSON, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
WELFARE SPECIAL REVENUE FUND  
YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,921,532	\$ 1,921,532	\$ 1,877,870	\$ (43,662)
Intergovernmental	1,990,293	1,990,293	1,846,870	(143,423)
Charges for Services	346,300	346,300	301,835	(44,465)
Investment Earnings	20,000	20,000	6,149	(13,851)
Miscellaneous	8,000	8,000	10,571	2,571
Total Revenues	4,286,125	4,286,125	4,043,295	(242,830)
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HUMAN SERVICES</b>				
Income Maintenance	1,073,150	1,073,150	1,102,129	(28,979)
Social Services	3,212,975	3,212,975	3,031,276	181,699
Total Expenditures	4,286,125	4,286,125	4,133,405	152,720
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(89,398)</b>	<b>\$ (89,398)</b>
Fund Balance - Beginning of Year			1,317,116	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 1,227,718</b>	

*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, 2011**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 57,498	\$ 57,498	\$ 88,743	\$ 31,245
Special Assessments	202,954	202,954	185,550	(17,404)
Intergovernmental	55,000	55,000	61,903	6,903
Charges for Services	385,000	385,000	413,313	28,313
Miscellaneous	119,500	118,500	150,725	32,225
Total Revenues	819,952	818,952	900,234	81,282
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>SANITATION</b>				
Solid Waste	891,550	891,550	925,085	(33,535)
<b>DEBT SERVICE</b>				
Principal	-	-	24,380	(24,380)
Interest	-	-	4,157	(4,157)
Total Debt Service	-	-	28,537	(28,537)
Total Expenditures	891,550	891,550	953,622	(62,072)
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(71,598)	(72,598)	(53,388)	143,354
<b>OTHER FINANCING SOURCES</b>				
Loan Proceeds	-	-	7,300	7,300
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (71,598)</u>	<u>\$ (72,598)</u>	(46,088)	<u>\$ 150,654</u>
Fund Balance - Beginning of Year			821,445	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 775,357</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, 2011**

**I. Budgetary Information**

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

Encumbrance accounting, under which commitments for the expenditure of monies are recorded in order to 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, 2011:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 6,123,662	\$ 5,529,887	\$ 593,775
Solid Waste	953,622	891,550	62,072

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

**SWIFT COUNTY  
 BENSON, MINNESOTA  
 SCHEDULE OF FUNDING PROGRESS  
 OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS  
 YEAR ENDED DECEMBER 31, 2011**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	\$ -	\$ 71,556	\$ 71,556	-	\$ 4,635,160	1.54%
1/1/2011	\$ -	\$ 41,198	\$ 41,198	-	\$ 5,054,070	0.82%

## **SUPPLEMENTARY INFORMATION**

**SWIFT COUNTY  
BENSON, MINNESOTA  
DESCRIPTION OF FUNDS  
DECEMBER 31, 2011**

**AGENCY FUNDS**

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

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

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

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

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

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

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

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

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, 2011**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>STATE DEED</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 38,742	\$ 1,675,386	\$ 1,662,215	\$ 51,913
<b>LIABILITIES</b>				
Due to Other Governments	\$ 38,742	\$ 1,675,386	\$ 1,662,215	\$ 51,913
<b><u>TAXES AND PENALTIES</u></b>				
<b>ASSETS</b>				
Cash and Investments	\$ 36,578	\$ 16,298,024	\$ 16,326,872	\$ 7,730
<b>LIABILITIES</b>				
Due to Other Governments	\$ 36,578	\$ 16,298,024	\$ 16,326,872	\$ 7,730
<b><u>REGION 6W</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 829	\$ 59,564	\$ 59,478	\$ 915
<b>LIABILITIES</b>				
Due to Other Governments	\$ 829	\$ 59,564	\$ 59,478	\$ 915
<b><u>SCHOOL DISTRICTS</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 37,546	\$ 2,488,095	\$ 2,475,857	\$ 49,784
<b>LIABILITIES</b>				
Due to Other Governments	\$ 37,546	\$ 2,488,095	\$ 2,475,857	\$ 49,784
<b><u>TOWNS AND CITIES</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 73,817	\$ 4,070,415	\$ 4,057,117	\$ 87,115
<b>LIABILITIES</b>				
Due to Other Governments	\$ 73,817	\$ 4,070,415	\$ 4,057,117	\$ 87,115

**SWIFT COUNTY  
BENSON, MINNESOTA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)  
ALL AGENCY FUNDS  
YEAR ENDED DECEMBER 31, 2011**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>MINNESOTA RIVER WATERSHED</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 80	\$ 12,287	\$ 12,104	\$ 263
<b>LIABILITIES</b>				
Due to Other Governments	\$ 80	\$ 12,287	\$ 12,104	\$ 263
<b><u>SOCIAL WELFARE FUND</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 10,675	\$ 191,848	\$ 190,288	\$ 12,235
<b>LIABILITIES</b>				
Funds Held in Trust	\$ 10,675	\$ 191,848	\$ 190,288	\$ 12,235
<b><u>SW MN ADULT MENTAL HEALTH CONSORTIUM</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 4,744	\$ -	\$ 4,744	\$ -
<b>LIABILITIES</b>				
Funds Held in Trust	\$ 4,744	\$ -	\$ 4,744	\$ -
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 203,011	\$ 24,795,619	\$ 24,788,675	\$ 209,955
<b>LIABILITIES</b>				
Funds Held in Trust	\$ 15,419	\$ 191,848	\$ 195,032	\$ 12,235
Due to Other Governments	187,592	24,603,771	24,593,643	197,720
Total Liabilities	\$ 203,011	\$ 24,795,619	\$ 24,788,675	\$ 209,955

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF INTERGOVERNMENTAL REVENUE  
YEAR ENDED DECEMBER 31, 2011**

	Special Revenue Funds				Total All Funds
	General Fund	Road and Bridge	Welfare Fund	Solid Waste Fund	
<b>SHARED REVENUES</b>					
<b>INTERGOVERNMENTAL STATE</b>					
Disparity Reduction Aid	\$ 11,816	\$ 5,294	\$ 5,971	\$ 179	\$ 23,260
Highway Users Tax	-	3,876,553	-	-	3,876,553
County Program Aid	195,517	87,598	98,798	2,964	384,877
Market Value Credits	185,370	83,052	93,670	2,810	364,902
PERA Rate Increase Aid	36,367	-	-	-	36,367
State Police Aid	53,217	-	-	-	53,217
Enhanced 911	84,924	-	-	-	84,924
Total Shared Revenues	567,211	4,052,497	198,439	5,953	4,824,100
<b>REIMBURSEMENT FOR SERVICES STATE</b>					
Minnesota Department of Human Services	-	-	257,136	-	257,136
<b>LOCAL</b>					
West Central Emergency Management Services	2,619	-	-	-	2,619
<b>STATE GRANTS</b>					
<b>MINNESOTA DEPARTMENT OF</b>					
Human Services	-	-	559,309	-	559,309
Natural Resources	47,916	-	-	-	47,916
Peace Officers (POST)	3,409	-	-	-	3,409
Public Safety	3,300	-	-	-	3,300
Pollution Control Agency	-	-	-	55,950	55,950
Veteran's Affairs	4,368	-	-	-	4,368
Water and Soil Resources	54,888	-	-	-	54,888
Total State Grants	113,881	-	559,309	55,950	729,140
<b>FEDERAL GRANTS</b>					
<b>FEDERAL DEPARTMENT OF</b>					
Agriculture	6,909	-	89,316	-	96,225
Commerce	30,508	-	-	-	30,508
Justice	20,055	-	-	-	20,055
Transportation	-	909,551	-	-	909,551
Health and Human Services	31,517	-	742,670	-	774,187
Homeland Security	37,580	-	-	-	37,580
Total Federal Grants	126,569	909,551	831,986	-	1,868,106
Total State and Federal Grants	240,450	909,551	1,391,295	55,950	2,597,246
<b>PAYMENTS IN LIEU OF TAXES</b>					
	164,445	-	-	-	164,445
Total Intergovernmental Revenues	\$ 974,725	\$ 4,962,048	\$ 1,846,870	\$ 61,903	\$ 7,845,546

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2011**

	Interest Rate (%)	Maturity Date	Amount
<b>Pooled Deposits and Investments</b>			
<b>Checking Accounts</b>			
State Bank of Danvers	-	-	\$ 650,017
<b>Savings Accounts</b>			
Co-op Credit Union	0.80	-	203,360
<b>Money Market Savings</b>			
First State Bank - Murdock	0.25	-	43,550
First Security Bank Benson	0.80	-	603,299
Prairie Sun Bank - Appleton	0.25	-	17,897
Financial Security Bank - Kerkhoven	0.25	-	14,987
Wells Fargo	-	-	780,384
<b>Total Money Market Savings</b>			<u>1,460,117</u>
<b>Mutual Funds</b>			
Voyageur Fund	Variable Rate	-	167,667
<b>Negotiable Certificates of Deposit</b>			
Wells Fargo	2.00	January 20, 2012	100,006
Wells Fargo	1.25	February 10, 2012	99,611
Wells Fargo	1.15	March 19, 2012	99,851
Wells Fargo	1.30	April 16, 2012	99,979
Wells Fargo	1.25	May 14, 2012	100,141
Wells Fargo	1.15	June 6, 2012	100,277
Wells Fargo	1.00	July 16, 2012	99,915
Wells Fargo	1.00	August 13, 2012	100,010
Wells Fargo	0.90	September 24, 2012	100,130
Wells Fargo	0.80	October 22, 2012	100,145
Wells Fargo	0.80	November 19, 2012	100,182
Wells Fargo	0.80	December 24, 2012	100,258
Wells Fargo	0.75	January 22, 2013	99,931
Wells Fargo	0.85	February 19, 2013	99,863
Wells Fargo	0.95	May 6, 2013	99,998
Wells Fargo	2.50	September 11, 2013	99,932
Wells Fargo	1.10	December 17, 2013	99,946
<b>Total Negotiable Certificates of Deposit</b>			<u>1,700,175</u>
<b>U.S. Government Securities</b>			
Wells Fargo	6.00	August 1, 2013	385
<b>Total Pooled Deposits and Investments</b>			<u>\$ 4,181,721</u>

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF DEPOSITS AND INVESTMENTS (CONTINUED)  
DECEMBER 31, 2011**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Amount</u>
<b>Fund Investments</b>			
<b>General Fund</b>			
<b>Departmental Checking Accounts</b>			
First Security Bank - Benson	-	-	\$ 1,024
<b>Mutual Fund</b>			
Franklin U.S. Government Securities Fund	2.21	-	481,667
<b>Certificate of Deposit</b>			
Riverwood Bank	2.10	March 8, 2012	<u>100,000</u>
<b>Total General Fund</b>			582,691
<b>Special Revenue Funds</b>			
<b>Road and Bridge Fund</b>			
<b>Certificate of Deposit</b>			
Riverwood Bank	0.90	March 8, 2012	50,000
<b>Money Market Savings</b>			
Riverwood Bank	0.80	-	655,480
Community Development Bank	1.00	-	<u>750,876</u>
<b>Total Road and Bridge Fund</b>			1,456,356
<b>Welfare Fund</b>			
<b>Departmental Checking Accounts</b>			
First Security Bank Benson	-	-	250,669
Bank of the West	-	-	<u>12,235</u>
<b>Total Departmental Checking Accounts</b>			262,904
<b>Certificates of Deposit</b>			
Riverwood Bank	0.90	March 8, 2012	50,000
<b>Money market savings</b>			
Community Development Bank	0.20	-	<u>502,715</u>
<b>Total Welfare Fund</b>			815,619
<b>Solid Waste Fund</b>			
<b>Departmental Checking Accounts</b>			
First Security State -Benson	0.20	-	<u>14,035</u>
<b>Total Special Revenue Funds</b>			<u>2,286,010</u>
<b>Total Fund Investments</b>			<u>2,868,701</u>
<b>Total Deposits and Investments</b>			<u><u>\$ 7,050,422</u></u>

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF LOANS RECEIVABLE  
DECEMBER 31, 2011**

<u>Loan Recipient</u>	<u>Date of Loan</u>	<u>Loan Issue Amount</u>	<u>Principal Balance</u>	<u>Repayment Terms</u>
<b>Revolving Loan Special Revenue Fund</b>				
Chuck and Jean Rustad	November 2001	\$ 25,000	\$ 8,192	Principal Payments Monthly, No Interest, Fifteen-Year Term.
Appleton Building Center	March 31, 2004	40,000	12,791	Principal Payments Monthly, 5.5% Interest, Ten-Year Term.
McDonald Heavy Industries, Inc.	July 20, 2004	24,000	7,391	Principal Payments Monthly, No Interest, Fifteen-Year Term.
Custom Roto Mold	June 1, 2007	75,000	30,749	Principal Payments Monthly, 6.0% Interest, Seven-Year Term.
SpecSys, Inc	October 31, 2008	50,000	40,942	Principal Payments Monthly, 4.0% Interest, Five-Year Term.
Swift County Rural Development Authority	May 29, 2009	239,000	85,206	Principal Payments Annually, 3.0% Interest, Until Repaid.
Appleton Meat Center	June 30, 2009	30,000	25,793	Principal Payments Monthly, 4.0% Interest, Five-Year Term.
Appleton Hardware Hank	September 1, 2009	50,000	40,423	Principal Payments Monthly, 4% Interest, Five-Year Term.
Honebrink, LLC	October, 2009	20,000	16,317	Principal Payments Monthly, 4% Interest, Five-Year Term.
H&H Veterinary Clinic	July, 2010	15,000	13,917	Principal Payments Monthly, 4% Interest, Five-Year Term.
Appleton Power Equipment	July, 2010	25,000	22,035	Principal Payments Monthly, 4% Interest, Five-Year Term.
Case Farm Equipment	October 28, 2011	<u>1,500,000</u>	<u>1,500,000</u>	Principal Payments Monthly, 1.75% Interest, Ten-Year Term.
<b>Total Loans Receivable</b>		<u>\$ 2,093,000</u>	<u>\$ 1,803,756</u>	

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



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**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, 2011, which collectively comprise Swift County's basic financial statements and have issued our report thereon dated May 15, 2012. 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, 2011. 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. A separate report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards* issued by other auditors is available from the HRA.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

Board of County Commissioners  
Swift County

Internal Control Over Financial Reporting (Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 Swift County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Swift County's written responses to the findings identified in our audit have been 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 communication is intended solely for the information and use of management, the Board of Commissioners, others within the entity, 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.



CliftonLarsonAllen LLP

Brainerd, Minnesota  
May 15, 2012



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
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 OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each major federal programs for the year ended December 31, 2011. 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 each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

Swift County's financial statements include the activities of the Swift County Housing and Redevelopment Authority (HRA), a component unit, which expended \$296,764 in federal awards during the year ended June 30, 2011. The federal awards for the HRA are not included in the Schedule of Expenditures of Federal Awards for Swift County. Our audit, described below, did not include these activities because other auditors were engaged to perform a separate audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and 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, Swift County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Board of County Commissioners  
Swift County

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the 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 to determine the auditing procedures for the purchase of expressing our opinion on compliance to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Swift County's internal control over compliance.

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

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

This report is intended solely for the information and use of management, the Board of County Commissioners, others within the entity, 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.



**CliftonLarsonAllen LLP**

Brainerd, Minnesota  
May 15, 2012

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2011**

**SUMMARY OF AUDITORS' RESULTS**

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Swift County, Minnesota.
2. Deficiencies in internal control over financial reporting were disclosed by the audit of the basic financial statements of Swift County and they are reported in the "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. No matters involving internal control over compliance relating to the audit of the major federal award program is reported in the "Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect On Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133."
5. The auditors' report on compliance for the major federal award program for Swift County expresses an unqualified opinion.
6. No audit findings relative to the major federal award programs for the County were disclosed during the audit that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major were:

Highway Planning and Construction	CFDA #20.205
Medicaid 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, 2011**

**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 County staff.

**CLIENT RESPONSE:**

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

**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.

**CLIENT RESPONSE:**

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

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2011**

**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.

**CLIENT RESPONSE:**

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

**PREVIOUSLY REPORTED ITEMS RESOLVED**

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

During the prior year 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.

**RESOLUTION**

No similar instances were noted in the current year.

**HUMAN SERVICES INCIDENTAL FUND (2010-01)**

The Human Services Department has a checking account named the Incidental Fund that was used to process clients' disbursements. In the prior year audit, we were not provided with documentation that the County Board approved this account.

**RESOLUTION**

The County closed the Incidental Fund during 2011.

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2011**

**OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE**

**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 27 of the 56 active ditch systems as having deficit cash balances as of December 31, 2011, totaling \$541,583.

**Cause:** Past practice.

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

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

**CLIENT RESPONSE:**

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

**PREVIOUSLY REPORTED ITEMS RESOLVED**

**COLLATERALIZATION OF DEPOSITS (2010-12)**

During the prior year audit, the County was under collateralized at one bank at December 31, 2010 by \$105,079.

**RESOLUTION**

No similar instances were noted in the current year.

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2011**

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	\$ 96,225
U.S. Department of Commerce Passed Through the City of St. Cloud Public Safety Interoperable Communications Grant Program	11.555	30,508
U.S. Department of Justice Passed Through Minnesota Department of Public Safety Edward Byrne Memorial Justice Assistance Grant Program	16.738	20,055
U.S. Department of Transportation Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	909,551
U.S. Department of Health and Human Services Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	15,963
Temporary Assistance for Needy Families (Part of TANF Cluster)	93.558	71,175
Title IV-D Child Support	93.563	193,314
Child Care and Development Block Grant (Part of Child Care Cluster)	93.575	1,227
Child Care Mandatory & Matching Funds of Child Care and Development Fund (Part of Child Care Cluster)	93.596	2,448
Foster Care Title IV-E	93.658	35,178
Social Services Block Grant Title XX	93.667	82,418
Chafee Foster Care Independent Living	93.674	4,750
ARRA- Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program (Part of TANF Cluster)	93.714	2,496
State Children's Insurance Program	93.767	60
Medical Assistance	93.778	361,823
Block Grants for Community Mental Health Services	93.958	<u>3,335</u>
Total Department of Health and Human Services		774,187

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2011**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
Boat and Water Safety	97.012	\$ 2,125
Emergency Management Performance Grants	97.042	6,420
Passed Through West Central Emergency Management Services		
Homeland Security Grant Program	97.067	<u>29,035</u>
Total Department of Homeland Security		<u>37,580</u>
Total Cash Type Federal Awards		<u>\$ 1,868,106</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 \$296,764 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 2011, Swift County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.



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## 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, 2011, and have issued our report thereon dated May 15, 2012. 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 Political Subdivisions*, promulgated by the State Auditor pursuant to *Minnesota Statutes* §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 Political Subdivisions* 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 item 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 Minnesota Office of the State Auditor and is not intended to be and should not be used by anyone other than those specified parties.

CliftonLarsonAllen LLP

Brainerd, Minnesota  
May 15, 2012