

**SWIFT COUNTY
BENSON, MINNESOTA**

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2015

**SWIFT COUNTY
BENSON, MINNESOTA
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INTRODUCTORY SECTION

**SWIFT COUNTY
BENSON, MINNESOTA
ORGANIZATION
DECEMBER 31, 2015**

Office	Name	Term Expires
Commissioners		
1 st District	Gary Hendrickx	January 2017
2 nd District	Edward Pederson	January 2019
3 rd District	Peter Peterson*	January 2017
4 th District	Joe Fox	January 2019
5 th District	Eric Rudningen**	January 2017
Officers		
Elected		
Attorney	Danielle Olson	January 2019
County Sheriff	John Holtz	January 2019
Treasurer	Ronald A. Vadnais	January 2019
Appointed		
Assessor	Wayne Knutson	January 2017
Administrator	Mike Pogge-Weaver	Indefinite
Auditor	Kim Saterbak	Indefinite
Medical Examiner	Dr. A. Quinn Strobl-Anoka County	December 2015
County Recorder	Mary Amundson	Indefinite
Engineer	Andrew Sander	May 2018
Veterans Services Officer	Dave Barrett	January 2016
Welfare Director	Deanna Steckman	Indefinite

* Chair 2015

** Vice-Chair 2015

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FINANCIAL SECTION



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INDEPENDENT AUDITORS' REPORT

Board of County Commissioners
Swift County
Benson, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Swift County (the County), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. The financial statements include the Swift County Housing and Redevelopment Authority's (HRA) activities as of and for the year ended June 30, 2015. We did not audit the financial statements of the Swift County HRA, which represent 13.32 percent, 12.42 percent, and 8.00 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of the Swift County-Benson Hospital, which represent 86.68, 87.58 percent, and 92.00 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Both sets of financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Swift County HRA and Swift County-Benson Hospital, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion.

Auditors' Responsibility (Continued)

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Swift County as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the year ended December 31, 2015, the County adopted the provisions of Governmental Accounting Standards Board statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the County reported a restatement for the change in accounting principle (see Note 11). Our auditor's opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress – other postemployment health care benefits, schedule of the proportionate share of the net pension liability, schedule of contributions, and notes to the required supplementary information, 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 considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters (Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Swift County's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2016, on our consideration of Swift County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Swift County's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Brainerd, Minnesota
August 9, 2016

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REQUIRED SUPPLEMENTARY INFORMATION

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

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, 2015. Since this information is designed to focus on the current-year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements (beginning on page 14).

FINANCIAL HIGHLIGHTS

Key financial highlights for 2015 include the following:

- Governmental activities' total net position is \$66,827,180, of which \$57,256,320 is net investment in capital assets, and \$3,543,442 is restricted for specific purposes.
- Swift County's net position decreased by \$867,240 for the year ended December 31, 2015. Net position of the County's discretely presented component units decreased by \$4,397,462. The large decreases are due to implementation of a new accounting standard relating to pensions.
- The net cost of governmental activities was \$6,990,571 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$10,204,726.
- Governmental funds' fund balances increased by \$1,304,164.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

There are two government-wide statements. The statement of net position and the statement of activities (pages 14-17) 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 18. These statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the County's operation in more detail than the government-wide statements by providing information about the County's most significant funds. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside the government.

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

Our analysis of the County as a whole begins on page 14. The statement of net position and the statement of activities report information about the County as a whole and about its activities in a way that helps the reader to determine whether the County's financial condition has improved or declined as a result of the year's activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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, 2015**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

These two financial statements report the County's net position and changes in them. You can think of the County's net position (the difference between the assets, deferred outflows of resources, liabilities, and deferred inflows of resources) as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base and the condition of the County roads, to assess the overall health of the County.

In the statement of net position and the statement of activities, the finances of the County are reported in two kinds of activities:

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

Fund Financial Statements

Our analysis of the County's major funds begins on page 18. The fund financial statements provide detailed information about the significant funds, not the County as a whole. Some funds are required to be established by state law and by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County has three kinds of funds.

- Governmental Funds—The County's basic services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or difference) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciling statement following each governmental fund financial statement.
- Internal Service Fund—The County uses this fund to manage the self-insurance activities.
- Fiduciary Funds—The County is the trustee, or fiduciary, over assets which can be used only for the trust beneficiaries based on the trust arrangement. All of the County's fiduciary activities are reported in a separate combining statement of change in assets and liabilities (pages 83-84). 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, 2015**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

The County's net position was \$66,827,180 on December 31, 2015 (see Table A-1).

Table A-1
The County's Net Position

	Governmental Activities		% Change
	2015	2014	
Current and Other Assets	\$ 16,035,592	\$ 14,568,326	10.1 %
Capital and Noncurrent Assets	<u>57,256,320</u>	<u>55,202,863</u>	3.7
Total Assets	<u>73,291,912</u>	<u>69,771,189</u>	5.0
Deferred Outflows of Resources	719,303	-	100.0
Current Liabilities	1,420,091	1,281,925	10.8
Long-Term Liabilities	5,184,684	794,844	552.3
Total Liabilities	<u>6,604,775</u>	<u>2,076,769</u>	218.0
Deferred Inflows of Resources	579,260	-	100.0
Net Position			
Net Investment in Capital Assets	57,256,320	55,202,863	3.7
Restricted	3,543,442	3,394,753	4.4
Unrestricted	6,027,418	9,096,804	(33.7)
Total Net Position	<u>\$ 66,827,180</u>	<u>\$ 67,694,420</u>	(1.3)

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Position

The County-wide total revenues were \$20,593,878 for the year ended December 31, 2015. Property taxes and intergovernmental revenues accounted for 84 percent of total revenues for the year (see Table A-2).

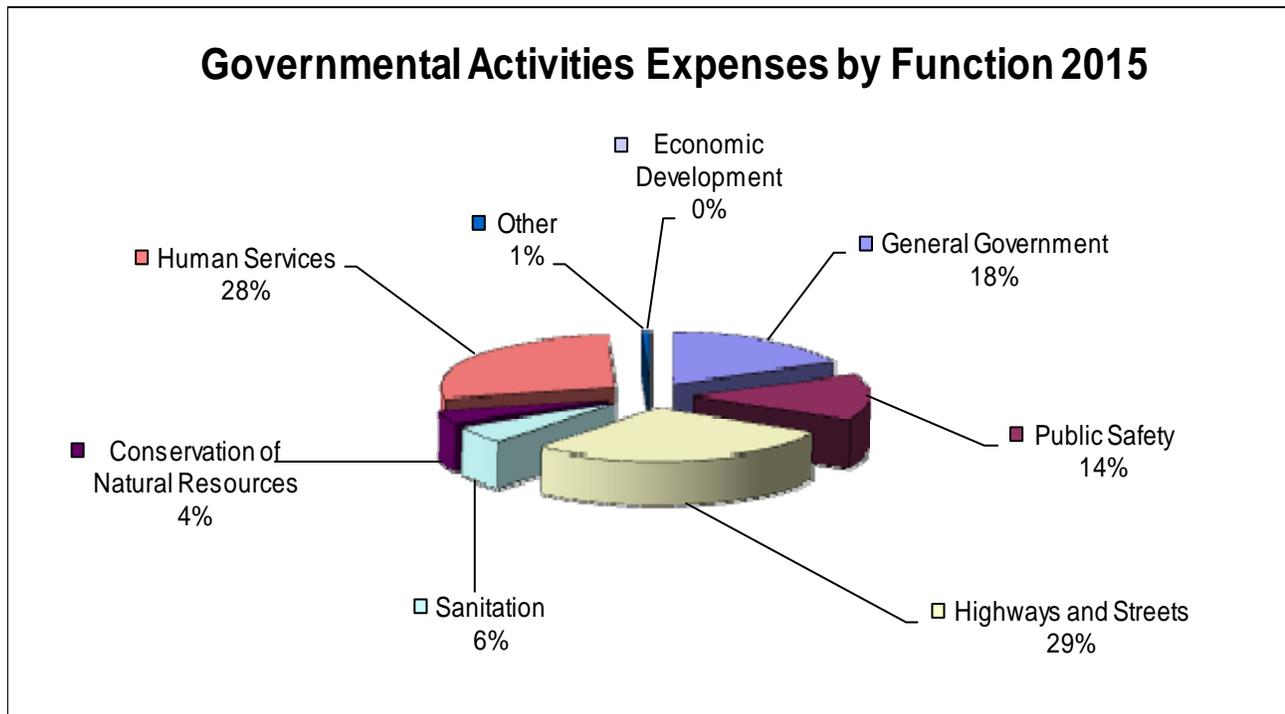
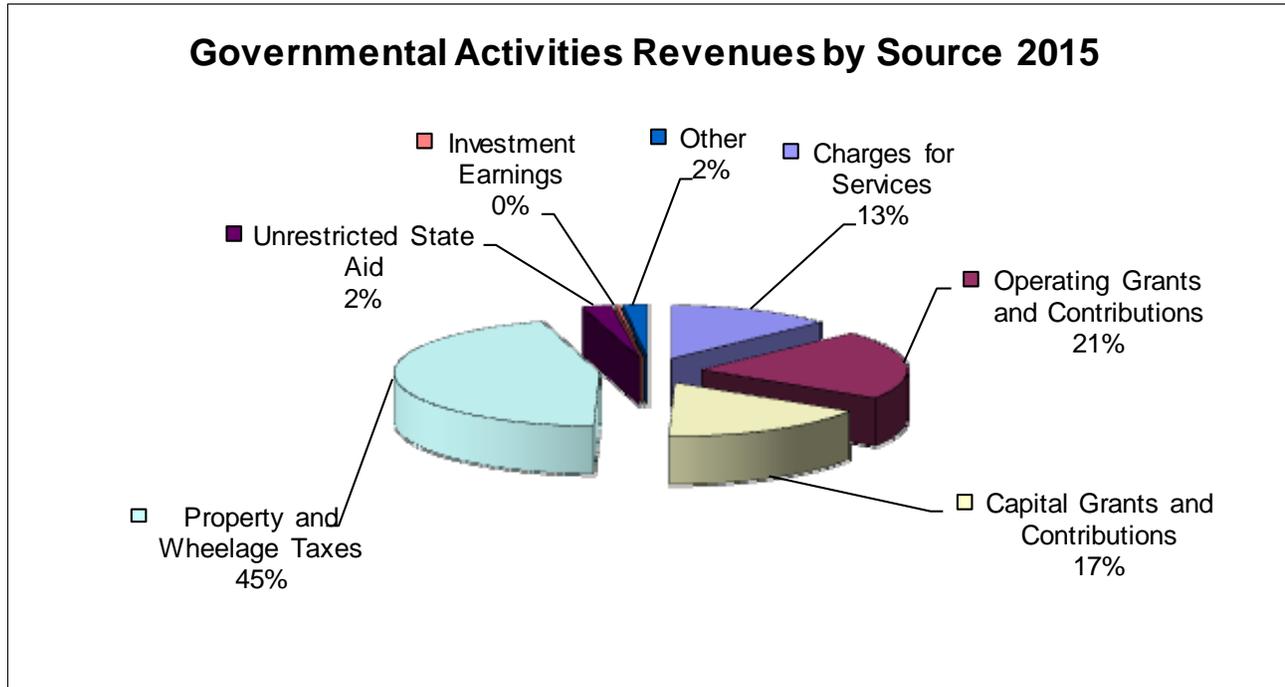
Table A-2
Change in Net Position

	Governmental Activities		Total % Change
	2015	2014	
REVENUES			
<u>Program Revenues</u>			
Fees, Charges, Fines, and Other	\$ 2,672,622	\$ 3,210,631	(16.8)%
Operating Grants and Contributions	4,316,040	3,666,461	17.7
Capital Grants and Contributions	3,400,490	2,874,474	18.3
<u>General Revenues</u>			
Property Taxes	9,154,695	8,838,573	3.6
Unrestricted State Aid	472,587	369,654	27.8
Investment Earnings	66,082	69,385	(4.8)
Other	511,362	595,694	(14.2)
Total Revenues	<u>20,593,878</u>	<u>19,624,872</u>	4.9
EXPENSES			
General Government	3,196,449	3,027,990	5.6
Public Safety	2,505,578	2,520,396	(0.6)
Highways and Streets	5,020,821	4,693,877	7.0
Sanitation	969,893	898,147	8.0
Human Services	4,844,693	4,366,261	11.0
Health	91,524	198,394	(53.9)
Culture and Recreation	24,525	38,504	(36.3)
Conservation of Natural Resources	723,460	684,101	5.8
Economic Development	-	247,507	(100.0)
Interest	2,780	3,397	(18.2)
Total Expenses	<u>17,379,723</u>	<u>16,678,574</u>	4.2
CHANGE IN NET POSITION	3,214,155	2,946,298	9.1
Net Position - Beginning of Year	67,694,420	64,748,122	4.6
Change in Accounting Principle	(4,081,395)	-	(100.0)
Net Position - Beginning of Year, As Restated	<u>63,613,025</u>	<u>64,748,122</u>	
NET POSTION - END OF YEAR	<u>\$ 66,827,180</u>	<u>\$ 67,694,420</u>	(1.3)

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)



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**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

The County-wide cost of all governmental activities this year was \$17,379,723.

- Some of the cost was paid by the users of the County's Programs (\$2,672,622).
- The federal and state governments subsidized certain programs with grants and contributions (\$7,716,530).
- The remainder of the County's costs, (\$6,990,571), however, was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with the \$9,154,695 property taxes, \$472,587 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
	2015	2014		2015	2014	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 3,196,449	\$ 3,027,990	5.6 %	\$ (2,533,676)	\$ (2,380,850)	(6.4)%
Public Safety	2,505,578	2,520,396	(0.6)	(2,177,176)	(2,138,848)	(1.8)
Highways and Streets	5,020,821	4,693,877	7.0	409,900	(129,376)	416.8
Sanitation	969,893	898,147	8.0	(65,365)	89,147	(173.3)
Human Services	4,844,693	4,366,261	11.0	(2,336,926)	(2,116,098)	(10.4)
Health	91,524	198,394	(53.9)	(91,524)	(198,255)	53.8
Culture and Recreation	24,525	38,504	(36.3)	7,688	17,465	(56.0)
Conservation of Natural Resources	723,460	684,101	5.8	(225,275)	(170,366)	(32.2)
Economic Development	-	247,507	(100.0)	24,563	103,570	(76.3)
Interest and Fiscal Charges on Long-Term Liabilities	2,780	3,397	(18.2)	(2,780)	(3,397)	18.2
Total	<u>\$ 17,379,723</u>	<u>\$ 16,678,574</u>	4.2	<u>\$ (6,990,571)</u>	<u>\$ (6,927,008)</u>	(0.9)

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

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 \$11,433,876. Revenues for the County's governmental funds were \$20,829,187, while total expenditures were \$19,630,639. During 2015, the County also sold capital assets and made interfund transfers, which are included in other financing sources and uses.

The General Fund includes the primary operations of the County in providing services to citizens and some capital outlay projects. Fund balance increased by \$1,092,207 during 2015. This increase was primarily due to increased property tax revenue received in the current year as well as savings in the public safety and health expenditure functions.

The Road and Bridge Fund had a total fund balance of \$4,233,297. This fund balance total is a \$167,272 increase from the prior year.

The Welfare Fund's fund balance decreased by \$7,679, primarily due to an increase program expenditures for 2015.

The Revolving Loan Fund's fund balance increased by \$128,562 due to receipt of loan repayments but no new loans issued in the current year.

The Solid Waste Fund's fund balance decreased by \$140,393, as a result of less county sale of recyclables due to prices being in a declining trend.

The Ditch Fund's fund balance increased by \$64,195, due to special assessment collections received for previous ditch expenditures.

GENERAL FUND

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

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

Table A-4
General Fund Revenues

	Year Ended		Change	
	December 31, 2015	December 31, 2014	Increase (Decrease)	Percent
Taxes	\$ 5,082,819	\$ 4,813,850	\$ 268,969	5.6 %
Licenses and Permits	5,970	2,790	3,180	114.0
Intergovernmental	877,435	797,479	79,956	10.0
Charges for Services	328,037	316,055	11,982	3.8
Investment Earnings	57,723	60,236	(2,513)	(4.2)
Miscellaneous and Other	590,250	655,486	(65,236)	(10.0)
Total General Fund Revenues	<u>\$ 6,942,234</u>	<u>\$ 6,645,896</u>	<u>\$ 296,338</u>	4.5

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change	
	December 31, 2015	December 31, 2014	Increase (Decrease)	Percent
General Government	\$ 3,281,957	\$ 3,071,235	\$ 210,722	6.9 %
Public Safety	2,444,346	2,727,601	(283,255)	(10.4)
Health	91,524	201,350	(109,826)	(54.5)
Culture and Recreation	18,841	20,748	(1,907)	(9.2)
Conservation of Natural Resources	343,869	371,234	(27,365)	(7.4)
Total Expenditures	<u>\$ 6,180,537</u>	<u>\$ 6,392,168</u>	<u>\$ (211,631)</u>	(3.3)

General Fund Budgetary Highlights

- Actual revenues were approximately \$430,000 more than expected, due to some intergovernmental revenue that is not budgeted for.
- The actual expenditures were \$336,854 less than budget. This is due primarily to general government and public safety expenditures that were budgeted for but not spent.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

By the end of 2015, the County had invested over \$84,000,000 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.3 to the financial statements.) Total depreciation expense for the year was \$1,874,595.

Table A-6
The County's Capital Assets

	Governmental Activities		Percent Change
	2015	2014	
Land	\$ 2,199,886	\$ 2,195,686	0.2 %
Construction-in-Progress	-	2,722,905	(100.0)
Buildings	8,072,165	7,972,307	1.3
Machinery, Equipment, and Vehicles	7,432,277	7,157,841	3.8
Infrastructure	66,782,100	60,798,164	9.8
Less: Accumulated Depreciation	<u>(27,230,108)</u>	<u>(25,644,040)</u>	6.2
Total	<u>\$ 57,256,320</u>	<u>\$ 55,202,863</u>	3.7

**SWIFT COUNTY
BENSON, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

DEBT ADMINISTRATION

At year-end, the County's only outstanding debt was the Chippewa River Watershed Loans, which had a decrease of 21.1 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 repayment of long-term debt.

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

	<u>2015</u>	<u>2014</u>	<u>Percent Change</u>
GOVERNMENTAL ACTIVITIES			
Chippewa River Watershed Loans	\$ 116,908	\$ 148,166	(21.1)%
DISCRETE COMPONENT UNITS			
Swift County Housing and Redevelopment Authority	2,420,000	2,535,000	(4.5)
Swift County-Benson Hospital	10,589,804	11,030,065	(4.0)
Total	<u>\$ 13,009,804</u>	<u>\$ 13,565,065</u>	(4.1)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor, Swift County Courthouse, 301 14th Street North, Benson, Minnesota 56215 or (320) 843-4069. Separate financial statements of the Swift County HRA can be obtained at P.O. Box 286, Benson, Minnesota 56215 and separate financial statements of the Swift County-Benson Hospital can be obtained at 1815 Wisconsin Avenue, Benson, Minnesota 56215.

BASIC FINANCIAL STATEMENTS

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Primary Government	Discretely Presented Component Units	Total Reporting Entity
ASSETS			
Cash and Pooled Investments	\$ 10,278,396	\$ 4,993,464	\$ 15,271,860
Petty Cash and Change Funds	1,675	-	1,675
Taxes Receivable - Delinquent	84,337	-	84,337
Special Assessments Receivable - Delinquent	17,746	-	17,746
Special Assessments Receivable - Noncurrent	352,247	-	352,247
Accounts Receivable - Net	160,476	2,314,340	2,474,816
Loans Receivable	955,670	-	955,670
Due from Component Unit	1,748,504	-	1,748,504
Accrued Interest Receivable	8,766	-	8,766
Due from Other Governments	2,234,847	-	2,234,847
Advances to Other Governments	12,000	-	12,000
Prepaid Items	11,952	249,555	261,507
Inventories	168,976	227,299	396,275
Restricted Assets			
Cash and Pooled Investments	-	3,426,891	3,426,891
Investment in Joint Venture	-	196,899	196,899
Other Noncurrent Assets	-	11,757	11,757
Capital Assets - Non-Depreciable			
Land	2,199,886	564,394	2,764,280
Construction-in-Progress	-	37,767	37,767
Depreciable Capital Assets - Net of Depreciation			
Buildings	4,615,356	11,826,553	16,441,909
Improvements Other than Buildings	-	66,677	66,677
Machinery, Vehicles, Furniture and Equipment	2,746,963	973,081	3,720,044
Infrastructure	47,694,115	-	47,694,115
Total Assets	73,291,912	24,888,677	98,180,589
DEFERRED OUTFLOWS OF RESOURCES			
Pension Related	719,303	824,064	1,543,367
Loss on Refunding	-	74,653	74,653
Total Deferred Outflows of Resources	719,303	898,717	1,618,020

See accompanying Notes to Financial Statements.

	Primary Government	Discretely Presented Component Units	Total Reporting Entity
LIABILITIES			
Bank Overdraft	\$ -	\$ 47,463	\$ 47,463
Accounts Payable	394,990	597,794	992,784
Salaries Payable	289,656	-	289,656
Accrued Payroll Taxes	42,114	-	42,114
Contracts Payable	324,854	-	324,854
Due to Other Governments	35,307	-	35,307
Accrued Interest Payable	102	130,227	130,329
Unearned Revenue	64,094	-	64,094
Customer Deposits - Current	-	20,526	20,526
Other Current Liabilities	-	481,047	481,047
Compensated Absences Payable - Due Within One Year	237,088	13,250	250,338
Capital Notes Payable- Due Within One Year	-	115,000	115,000
General Obligation Bonds Payable - Due Within One Year	-	395,000	395,000
Due to Primary Government - Due Within One Year	-	87,239	87,239
Loans Payable - Due Within One Year	31,886	-	31,886
Compensated Absences Payable - Due in More Than One Year	711,378	-	711,378
Capital Notes Payable- Due in More Than One Year	-	2,305,000	2,305,000
Due to Primary Government - Due in More Than One Year	-	1,661,265	1,661,265
General Obligation Bonds Payable - Due in More Than One Year	-	8,446,300	8,446,300
Loans Payable - Due in More Than One Year	85,022	-	85,022
Other Postemployment Benefits Payable - Due in More Than One Year	60,861	-	60,861
Net Pension Liability - Due in More Than One Year	4,327,423	3,767,691	8,095,114
Total Liabilities	<u>6,604,775</u>	<u>18,067,802</u>	<u>24,672,577</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Related	579,260	1,213,175	1,792,435
NET POSITION			
Net Investment in Capital Assets	57,256,320	533,321	57,789,641
Restricted for			
Recorder Equipment	113,100	-	113,100
E-911 Program	392,406	-	392,406
Transportation	1,207,833	-	1,207,833
Economic Development Loans	1,185,380	-	1,185,380
Ditches	644,723	-	644,723
Hospice	-	881,120	881,120
Unrestricted	6,027,418	5,091,976	11,119,394
Total Net Position	<u>\$ 66,827,180</u>	<u>\$ 6,506,417</u>	<u>\$ 73,333,597</u>

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues		
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General Government	\$ 3,196,449	\$ 456,066	\$ 206,707	\$ -
Public Safety	2,505,578	149,338	179,064	-
Highways and Streets	5,020,821	198,618	2,193,295	3,038,808
Sanitation	969,893	834,836	69,692	-
Human Services	4,844,693	852,603	1,655,164	-
Health	91,524	-	-	-
Culture and Recreation	24,525	17,438	-	14,775
Conservation of Natural Resources	723,460	139,160	12,118	346,907
Economic Development	-	24,563	-	-
Interest	2,780	-	-	-
Total Governmental Activities	17,379,723	2,672,622	4,316,040	3,400,490
DISCRETE COMPONENT UNITS				
Swift County - Housing and Redevelopment Authority	999,377	645,316	495,762	-
Swift County-Benson Hospital	13,502,790	12,683,281	-	162,224
Total Discretely Presented Component Units	14,502,167	13,328,597	495,762	162,224
Total Reporting Entity	\$ 31,881,890	\$ 16,001,219	\$ 4,811,802	\$ 3,562,714

GENERAL REVENUES

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

CHANGE IN NET POSITION

Net Position - Beginning of Year
 Change in Accounting Principle - See Note 11
 Net Position - Beginning of Year, As Restated

NET POSITION - END OF YEAR

See accompanying Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Discretely Presented Component Units	Total
\$ (2,533,676)	\$ -	\$ (2,533,676)
(2,177,176)	-	(2,177,176)
409,900	-	409,900
(65,365)	-	(65,365)
(2,336,926)	-	(2,336,926)
(91,524)	-	(91,524)
7,688	-	7,688
(225,275)	-	(225,275)
24,563	-	24,563
(2,780)	-	(2,780)
(6,990,571)	-	(6,990,571)
-	141,701	141,701
-	(657,285)	(657,285)
-	(515,584)	(515,584)
(6,990,571)	(515,584)	(7,506,155)
9,154,695	-	9,154,695
117,362	-	117,362
11,125	-	11,125
166,638	-	166,638
82,044	-	82,044
472,587	-	472,587
66,082	44,439	110,521
71,381	249,360	320,741
62,812	1,180	63,992
10,204,726	294,979	10,499,705
3,214,155	(220,605)	2,993,550
67,694,420	10,903,879	78,598,299
(4,081,395)	(4,176,857)	(8,258,252)
63,613,025	6,727,022	70,340,047
\$ 66,827,180	\$ 6,506,417	\$ 73,333,597

**SWIFT COUNTY
BENSON, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	Road and Bridge	Welfare
ASSETS			
Cash and Pooled Investments	\$ 2,645,294	\$ 3,974,066	\$ 1,207,776
Petty Cash and Change Funds	1,600	-	25
Taxes Receivable - Delinquent	45,741	17,229	21,208
Special Assessments Receivable			
Delinquent	-	-	-
Noncurrent	-	-	-
Accounts Receivable	30,989	5,098	41,751
Accrued Interest Receivable	4,791	1,652	2,323
Loans Receivable	-	-	-
Due from Component Unit	1,748,504	-	-
Due from Other Funds	26,987	-	-
Due from Other Governments	16,108	1,783,267	435,472
Advances to Other Governments	12,000	-	-
Prepaid Items	-	-	11,952
Inventories	-	168,976	-
Total Assets	\$ 4,532,014	\$ 5,950,288	\$ 1,720,507
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 60,927	\$ 17,323	\$ 162,151
Salaries Payable	127,362	53,808	94,221
Accrued Payroll Taxes	18,660	7,732	13,669
Contracts Payable	-	324,854	-
Due to Other Funds	-	-	1,987
Due to Other Governments	20,205	-	15,102
Unearned Revenue	64,094	-	-
Total Liabilities	291,248	403,717	287,130
DEFERRED INFLOWS OF RESOURCES			
Unavailable Taxes	45,741	17,229	21,208
Unavailable Special Assessments	-	-	-
Unavailable Grants	-	1,296,045	35,028
Unavailable Loans Receivable	-	-	-
Total Deferred Inflows of Resources	45,741	1,313,274	56,236
FUND BALANCES			
Nonspendable			
Prepays	-	-	11,952
Inventories	-	168,976	-
Advances to Other Governments	12,000	-	-
Loans Receivable	1,748,504	-	-
Restricted			
Recorder Equipment	113,100	-	-
E-911	392,406	-	-
Future Loans	-	-	-
Ditches	-	-	-
Committed			
Land Records	63,500	-	-
Road and Bridge	-	4,064,321	-
Welfare Programs	-	-	1,365,189
Solid Waste	-	-	-
Unassigned	1,865,515	-	-
Total Fund Balances	4,195,025	4,233,297	1,377,141
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,532,014	\$ 5,950,288	\$ 1,720,507

See accompanying Notes to Financial Statements.

Revolving Loan	Solid Waste	Ditch	Total Governmental Funds
\$ 538,932	\$ 725,762	\$ 371,233	\$ 9,463,063
-	50	-	1,675
-	159	-	84,337
-	15,742	2,004	17,746
-	54,147	298,100	352,247
-	61,026	-	138,864
-	-	-	8,766
955,670	-	-	955,670
-	-	-	1,748,504
-	-	-	26,987
-	-	-	2,234,847
-	-	-	12,000
-	-	-	11,952
-	-	-	168,976
<u>\$ 1,494,602</u>	<u>\$ 856,886</u>	<u>\$ 671,337</u>	<u>\$ 15,225,634</u>
\$ -	\$ 25,760	\$ 1,512	\$ 267,673
-	14,265	-	289,656
-	2,053	-	42,114
-	-	-	324,854
-	-	25,000	26,987
-	-	-	35,307
-	-	-	64,094
-	42,078	26,512	1,050,685
-	-	-	84,178
-	70,048	300,104	370,152
-	-	-	1,331,073
955,670	-	-	955,670
955,670	70,048	300,104	2,741,073
-	-	-	11,952
-	-	-	168,976
-	-	-	12,000
-	-	-	1,748,504
-	-	-	113,100
-	-	-	392,406
538,932	-	-	538,932
-	-	344,721	344,721
-	-	-	63,500
-	-	-	4,064,321
-	-	-	1,365,189
-	744,760	-	744,760
-	-	-	1,865,515
<u>538,932</u>	<u>744,760</u>	<u>344,721</u>	<u>11,433,876</u>
<u>\$ 1,494,602</u>	<u>\$ 856,886</u>	<u>\$ 671,337</u>	<u>\$ 15,225,634</u>

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**SWIFT COUNTY
 BENSON, MINNESOTA
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 GOVERNMENT-WIDE STATEMENT OF NET POSITION
 GOVERNMENTAL ACTIVITIES
 DECEMBER 31, 2015**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 11,433,876

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 57,256,320

The County's net pension liability and related deferred inflows and outflows are recorded only on the statement of net position. Balances at year-end are:

Net Pension Liability	\$ (4,327,423)	
Deferred Inflows of Resources - Pension Related	(579,260)	
Deferred Outflows of Resources - Pension Related	<u>719,303</u>	(4,187,380)

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

Property Taxes	84,178	
Special Assessments	370,152	
Loans Receivable	955,670	
Grant Related	<u>1,331,073</u>	2,741,073

Internal service funds are used by management to account for the management of self-insurance to individual funds. The assets and liabilities that are included in governmental activities in the statement of net position are: 709,628

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Loans Payable	(116,908)	
Compensated Absences	(948,466)	
Other Postemployment Benefits	(60,861)	
Accrued Interest Payable	<u>(102)</u>	<u>(1,126,337)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 66,827,180**

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015**

	General	Road and Bridge	Welfare
REVENUES			
Taxes	\$ 5,082,819	\$ 1,927,405	\$ 2,272,610
Special Assessments	-	-	-
Licenses and Permits	5,970	-	-
Intergovernmental	877,435	5,083,584	2,319,647
Charges for Services	328,037	54,307	272,140
Fines and Forfeits	375	-	-
Interest on Investments	57,723	6,267	2,092
Miscellaneous	589,875	127,493	8,800
Total Revenues	6,942,234	7,199,056	4,875,289
EXPENDITURES			
CURRENT			
General Government	3,281,957	-	-
Public Safety	2,444,346	-	-
Highways and Streets	-	7,078,595	-
Sanitation	-	-	-
Human Services	-	-	4,882,968
Health	91,524	-	-
Culture and Recreation	18,841	-	-
Conservation of Natural Resources	343,869	-	-
DEBT SERVICE			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	6,180,537	7,078,595	4,882,968
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	761,697	120,461	(7,679)
OTHER FINANCING SOURCES (USES)			
Transfers In	311,705	-	-
Transfers Out	-	-	-
Proceeds from Sale of Assets	18,805	67,000	-
Total Other Financing Sources (Uses)	330,510	67,000	-
NET CHANGE IN FUND BALANCES	1,092,207	187,461	(7,679)
Fund Balance - Beginning of Year	3,102,818	4,066,025	1,384,820
DECREASE IN INVENTORIES	-	(20,189)	-
FUND BALANCE - END OF YEAR	<u>\$ 4,195,025</u>	<u>\$ 4,233,297</u>	<u>\$ 1,377,141</u>

See accompanying Notes to Financial Statements.

Revolving Loan	Solid Waste	Ditch	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 9,282,834
-	312,117	419,387	731,504
-	-	-	5,970
-	69,692	-	8,350,358
-	468,681	-	1,123,165
-	-	-	375
24,566	-	-	90,648
415,701	80,728	21,736	1,244,333
440,267	931,218	441,123	20,829,187
-	-	-	3,281,957
-	-	-	2,444,346
-	-	-	7,078,595
-	1,077,545	-	1,077,545
-	-	-	4,882,968
-	-	-	91,524
-	-	-	18,841
-	-	376,928	720,797
-	31,258	-	31,258
-	2,808	-	2,808
-	1,111,611	376,928	19,630,639
440,267	(180,393)	64,195	1,198,548
-	-	-	311,705
(311,705)	-	-	(311,705)
-	40,000	-	125,805
(311,705)	40,000	-	125,805
128,562	(140,393)	64,195	1,324,353
410,370	885,153	280,526	10,129,712
-	-	-	(20,189)
<u>\$ 538,932</u>	<u>\$ 744,760</u>	<u>\$ 344,721</u>	<u>\$ 11,433,876</u>

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**SWIFT COUNTY
BENSON, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO
THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	1,324,353
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(298,121)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets.		
Expenditures for General Capital Assets and Infrastructure	\$ 3,991,045	
Net Book Value of Assets Disposed of	(62,993)	
Current Year Depreciation	<u>(1,874,595)</u>	2,053,457
Pension expenditures on the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources.		(105,985)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal Payment on Loans Payable		31,258
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of certain activities of the internal service funds is reported with governmental activities.		346,864
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	28	
Change in Compensated Absences	(92,942)	
Change in Other Postemployment Benefits	(24,568)	
Change in Inventories	<u>(20,189)</u>	<u>(137,671)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>3,214,155</u></u>

See accompanying Notes to Financial Statements.

**SWIFT COUNTY
 BENSON, MINNESOTA
 STATEMENT OF NET POSITION
 INTERNAL SERVICE FUND
 DECEMBER 31, 2015**

	<u>Self-Insurance</u>
ASSETS	
Cash and Pooled Investments	\$ 815,333
Accounts Receivable	<u>21,612</u>
Total Assets	836,945
LIABILITIES	
Accounts Payable	<u>127,317</u>
NET POSITION	
Unrestricted	<u><u>\$ 709,628</u></u>

See accompanying Notes to Financial Statements.

**SWIFT COUNTY
 BENSON, MINNESOTA
 STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN FUND NET POSITION
 INTERNAL SERVICE FUND
 YEAR ENDED DECEMBER 31, 2015**

	<u>Self-Insurance</u>
OPERATING REVENUES	
Premiums	\$ 1,554,197
OPERATING EXPENSES	
Administrative and Fiscal Services	477,617
Other Services and Charges	729,716
Total Operating Expenses	1,207,333
OPERATING INCOME	346,864
Net Position - Beginning of Year	362,764
NET POSITION - END OF YEAR	\$ 709,628

See accompanying Notes to Financial Statements.

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND
YEAR ENDED DECEMBER 31, 2015**

	<u>Self-Insurance</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Internal Services Provided	\$ 1,579,489
Payments to Suppliers	(542,242)
Payments for Claims	<u>(729,716)</u>
Net Cash Provided by Operating Activities	307,531
Cash and Cash Equivalents - Beginning of the Year	<u>507,802</u>
Cash and Cash Equivalents - End of the Year	<u><u>\$ 815,333</u></u>
 RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 346,864
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
(Increase) Decrease in Accounts Receivable	25,292
Increase (Decrease) in Accounts Payable	<u>(64,625)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 307,531</u></u>

See accompanying Notes to Financial Statements.

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2015**

ASSETS

Cash and Pooled Investments	<u>\$ 447,451</u>
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LIABILITIES

Funds Held in Trust	\$ 28,470
Due to Other Governments	<u>418,981</u>
 Total Liabilities	 <u>\$ 447,451</u>

See accompanying Notes to Financial Statements.

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**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2015**

ASSETS	Swift County Housing and Redevelopment Authority	Swift County-Benson Hospital	Total
CURRENT ASSETS			
Cash and Cash Equivalents	\$ 912,051	\$ 4,081,413	\$ 4,993,464
Accounts Receivable - Net	3,680	2,310,660	2,314,340
Prepaid Items	-	249,555	249,555
Inventories	-	227,299	227,299
Total Current Assets	915,731	6,868,927	7,784,658
RESTRICTED ASSETS			
Cash and Pooled Investments	2,319	3,424,572	3,426,891
NONCURRENT ASSETS			
Investment in Joint Venture	-	196,899	196,899
Capital Assets			
Land	25,000	539,394	564,394
Construction-in-Progress	-	37,767	37,767
Buildings	2,360,964	9,465,589	11,826,553
Machinery, Vehicles, Furniture and Equipment	11,194	961,887	973,081
Land Improvements	-	66,677	66,677
Other Noncurrent Assets	-	11,757	11,757
Total Noncurrent Assets	2,397,158	11,279,970	13,677,128
Total Assets	3,315,208	21,573,469	24,888,677
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Refunding	-	74,653	74,653
Pension Related	-	824,064	824,064
Total Deferred Outflows of Resources	-	898,717	898,717
LIABILITIES			
CURRENT LIABILITIES			
Bank Overdraft	47,463	-	47,463
Accounts Payable	6,020	591,774	597,794
Accrued Expenses	-	481,047	481,047
Accrued Interest	-	130,227	130,227
Compensated Absences Payable - Current	13,250	-	13,250
Capital Notes Payable - Current	115,000	-	115,000
Revenue Bonds Payable - Current	-	395,000	395,000
Due To Primary Government - Current	-	87,239	87,239
Customer Deposits	20,526	-	20,526
Total Current Liabilities	202,259	1,685,287	1,887,546
NONCURRENT LIABILITIES			
Net Pension Liability	-	3,767,691	3,767,691
Capital Notes Payable - Long-Term	2,305,000	-	2,305,000
Revenue Bonds Payable - Long-Term	-	8,446,300	8,446,300
Due To Primary Government - Long-Term	-	1,661,265	1,661,265
Total Noncurrent Liabilities	2,305,000	13,875,256	16,180,256
Total Liabilities	2,507,259	15,560,543	18,067,802
DEFERRED INFLOWS OF RESOURCES			
Pension Related	-	1,213,175	1,213,175
NET POSITION			
Net Investment in Capital Assets	(22,842)	556,163	533,321
Restricted	2,319	878,801	881,120
Unrestricted	828,472	4,263,504	5,091,976
Total Net Position	\$ 807,949	\$ 5,698,468	\$ 6,506,417

See accompanying Notes to Financial Statements.

**SWIFT COUNTY
BENSON, MINNESOTA
STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
YEAR ENDED DECEMBER 31, 2015**

	Expenses	Program Revenues		
		Fees, Charges Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
COMPONENT UNITS				
Housing and Redevelopment Authority	\$ 999,377	\$ 645,316	\$ 495,762	\$ -
Swift County-Benson Hospital	13,502,790	12,683,281	-	162,224
Total Component Units	<u>\$ 14,502,167</u>	<u>\$ 13,328,597</u>	<u>\$ 495,762</u>	<u>\$ 162,224</u>

GENERAL REVENUES

Investment Earnings
Miscellaneous
Gain/ (Loss) on Disposal of Capital Assets
Total General Revenues

CHANGE IN NET POSITION

Net Position - Beginning of Year, as Originally Stated
Change in Accounting Principle - See Note 11
Net Position - Beginning of Year

NET POSITION - END OF YEAR

See accompanying Notes to Financial Statements.

Net Expense (Revenue) and
Changes in Net Position

Housing and Redevelopment Authority	Swift County-Benson Hospital	Total
\$ 141,701	\$ -	\$ 141,701
-	(657,285)	(657,285)
141,701	(657,285)	(515,584)
1,837	42,602	44,439
-	249,360	249,360
-	1,180	1,180
1,837	293,142	294,979
143,538	(364,143)	(220,605)
664,411	10,239,468	10,903,879
-	(4,176,857)	(4,176,857)
664,411	6,062,611	6,727,022
<u>\$ 807,949</u>	<u>\$ 5,698,468</u>	<u>\$ 6,506,417</u>

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**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015. 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 § 373. Swift County is governed by a five-member Board of Commissioners elected from districts within the County and administrative officers elected on a County-wide basis. The Board is organized with a chair and a vice-chair elected at the annual meeting in January of each year. The County Administrator, who is appointed by the Board, serves as the Clerk of the Board of Commissioners but does not vote in its decisions.

For financial reporting purposes, Swift County has included all funds, organizations, agencies, boards, commissions, and authorities and has considered all potential component units for which the County is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause Swift County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial statement accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the County to impose its will on that organization; or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County.

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

Discretely Presented Component Units

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

Swift County Housing and Redevelopment Authority

Swift County Housing and Redevelopment Authority (HRA) was created to administer the public housing programs authorized by the United States Housing Act of 1937, as amended, and to carry out other housing assistance programs. The HRA is currently governed by a seven-member Board of Directors appointed by the Swift County Board of Commissioners.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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 10.A. Jointly-governed organizations are identified in Note 10.B, and a related organization is identified in Note 10.C.

B. Basic Financial Statements

1. Government-Wide Statements

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

In the government-wide statement of net position, the governmental activities column: (a) is presented on a consolidated basis; and (b) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

1. Government-Wide Statements (Continued)

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

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

2. Fund Financial Statements

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

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

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

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.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

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

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

The County reports the following internal service fund:

The Self-Insurance Internal Service Fund is used to account for the County's self-insured insurance program. Financing is provided by charges to other County funds and individuals' insurance payments. This fund was new in 2013, as the County's self-insurance program started in January 2014.

Additionally, the County reports the following fiduciary fund type:

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

C. Measurement Focus and Basis of Accounting

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

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.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2015, based on market prices. Pursuant to Minnesota Statutes §385.07, investment earnings on cash and pooled investments are credited to the general fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

3. Receivables and Payables

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

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

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

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance (Continued)

4. Loans Receivable

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

5. Inventories

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

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the County government-wide financial statements. In the case of initial capitalization of infrastructure, the County retroactively implemented the reporting of this item when GASB No. 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

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance (Continued)

7. Compensated Absences

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

8. Deferred Outflows of Resources

The County reports decreases in net position or fund balance, that relate to future periods as deferred outflows of resources in a separate section of its government-wide and proprietary funds statement of net position or governmental fund balance sheet. The County will not recognize the related outflow until a future event occurs. More detailed information about pension related deferred outflows of resources can be found in Note 4 to the financial statements.

9. Deferred Inflows of Resources

The County's governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund balance that applies to a future period. The County will not recognize the related revenue until a future event occurs. The County has two types of items which occur relating to revenue recognition. The first type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the County's year) under the modified accrual basis of accounting. The second type relates to pension liabilities.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net pension of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance (Continued)

11. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities on the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year of bond issuance.

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

12. Fund Balance and Net Position

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

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

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance (Continued)

13. 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, 2015:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Special Revenue Funds			
Road and Bridge	\$ 7,078,595	\$ 5,169,791	\$ 1,908,804
Welfare	4,882,968	4,632,525	250,443
Solid Waste	1,111,611	1,036,270	75,341

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

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2015, 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.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

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

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

- (a) Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minnesota Statutes §118a.04, Subd. 6;
- (b) Mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (c) General obligations of the state of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (d) Bankers’ acceptances of United States banks;
- (e) Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (f) With certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

As of December 31, 2015, the County had the following investments:

Investment Type	Fair Value	Less Than 1 Year	1-5 Years	6-10 Years
Mutual Funds	\$ 422,126	\$ -	\$ -	\$ 422,126
Government Money Market Fund	2,842,356	2,842,356	-	-
Negotiable CDs	1,885,727	1,387,758	497,969	-
Total	<u>\$ 5,150,209</u>	<u>\$ 4,230,114</u>	<u>\$ 497,969</u>	<u>\$ 422,126</u>

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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, 2015, the County's mutual funds through Franklin Templeton Investments were rated AAA, through inquiry of customer service representatives. The government money market fund held with Wells Fargo was rated AAA by S&P. The negotiable certificates of deposit were not rated.

Concentration Credit Risk

The County's investment policy places no limit on the amount the County may invest in any one issuer. As of December 31, 2015, the County had 54.9% of total investments in the Wells Fargo government money market fund and 8.5% in the Franklin Templeton mutual fund.

Statement of Net Position	\$ 10,278,396
Agency Funds	447,451
Total Cash and Investments	<u>\$ 10,725,847</u>

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.

The County's deposits in banks at December 31, 2015 were entirely covered by federal depository insurance or by pledged collateral held by the bank's agent in Swift County's name in amounts equal to at least 110 percent of the amount in excess of the federal depository insurance, as required by Minnesota Statutes.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables

Receivables at December 31, 2015, for the County governmental activities, are as follows:

	Total Receivables
Taxes	\$ 84,337
Special Assessments	369,993
Accounts	160,476
Loans	955,670
Interest	8,766
Due from Other Governments	2,234,847
	3,814,089

3. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

Government-Type Activities – Primary Government

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated				
Land and Right-of-Way	\$ 2,195,686	\$ 4,200	\$ -	\$ 2,199,886
Construction-in-Progress	2,722,905	3,261,031	5,983,936	-
Total Capital Assets, Not Being Depreciated:	4,918,591	3,265,231	5,983,936	2,199,886
Capital Assets, Being Depreciated				
Buildings	7,972,307	99,858	-	8,072,165
Machinery, Furniture, and Equipment	7,157,841	625,956	351,520	7,432,277
Infrastructure	60,798,164	5,983,936	-	66,782,100
Total Capital Assets, Being Depreciated	75,928,312	6,709,750	351,520	82,286,542
Less Accumulated Depreciation for				
Buildings	3,363,957	92,852	-	3,456,809
Machinery, Furniture, and Equipment	4,352,787	621,054	288,527	4,685,314
Infrastructure	17,927,296	1,160,689	-	19,087,985
Total Accumulated Depreciation	25,644,040	1,874,595	288,527	27,230,108
Total Capital Assets, Being Depreciated, Net	50,284,272	4,835,155	62,993	55,056,434
Governmental Activities Capital Assets, Net	\$ 55,202,863	\$ 8,100,386	\$ 6,046,929	\$ 57,256,320

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

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

Government-Type Activities

General Government	\$	55,202
Public Safety		133,388
Highways and Streets, Including Depreciation of Infrastructure Assets		1,599,369
Human Services		17,702
Sanitation		44,549
Conservation of Natural Resources		1,255
Culture and Recreation		<u>23,130</u>
Total Depreciation Expense - Governmental Activities	\$	<u>1,874,595</u>

B. Interfund Receivables and Payables

The composition of Due To/From Other Funds balances as of December 31, 2015, is as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Welfare Fund	\$ 1,987	Reimbursements
	Ditch Fund	<u>25,000</u>	Ditch Expenses
	Total	<u>\$ 26,987</u>	

The Due From Component Unit/Due To Primary Government as of December 31, 2015 is between Swift County and the Swift County Benson Hospital is \$1,748,504. The County Board approved a twenty year loan for \$2,000,000 with a 2 percent interest rate with repayment to begin in January 2013. Principal repayments in 2015 were \$85,511. The amount due in more than one year is \$1,661,265.

The composition of Transfers In/Out as of December 31, 2015, is as follows:

Transfer In	Transfer Out	Amount	Purpose
General Fund	Revolving Loan	\$ 311,705	Current Year CNH Payments

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

1. Long-Term Debt

Governmental Activities

<u>Types of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issued Amount</u>	<u>Outstanding Balance December 31, 2015</u>
Loans Payable					
Continuation Clean Water Project	2021	\$16,259 - \$31,886	2.00	<u>\$ 304,374</u>	<u>\$ 116,908</u>

2. Debt Service Requirements

Debt service requirements at December 31, 2015, were as follows:

<u>Year Ending December 31</u>	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 31,886	\$ 2,180
2017	25,002	1,576
2018	25,504	1,074
2019	18,257	561
2020	10,786	272
2021	5,473	55
Total	<u>\$ 116,908</u>	<u>\$ 5,718</u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Loans Payable	\$ 148,166	\$ -	\$ 31,258	\$ 116,908	\$ 31,886
Compensated Absences	855,524	567,878	474,936	948,466	237,088
Other Postemployment Benefits	36,293	40,042	15,474	60,861	-
Governmental Activity Long-Term Liabilities	<u>\$ 1,039,983</u>	<u>\$ 607,920</u>	<u>\$ 521,668</u>	<u>\$ 1,126,235</u>	<u>\$ 268,974</u>

The loans payable are liquidated by the Solid Waste Fund and compensated absences are liquidated by the General Fund.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 PENSION PLANS

A. Pension Description

The County and the Swift County-Benson Hospital participate in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

1. General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the county are covered by the General Employees Retirement Fund (GERF). 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Fund (PEPFF)

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

3. Public Employees Correctional Fund (PECF)

The Local Government Correctional Fund, referred to as the Public Employees Correctional Fund (PECF), was established for correctional officers serving in county and regional corrections facilities. Eligible participants must be responsible for the security, custody, and control of the facilities and their inmates.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

The benefit provisions stated in the following 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.

1. GERF Benefits

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% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

2. PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

3. PECF Benefits

Benefits for PECF members first hired after June 30, 2010, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. The annuity accrual rate is 1.9% of average salary for each year of service in that plan. For PECF members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 PENSION PLANS (CONTINUED)

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The County and the Swift County-Benson Hospital were required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The County and Swift County-Benson Hospital contributions to the GERF for the year ended December 31, 2015, were \$327,835 and \$340,750, respectively. The County and Swift County-Benson Hospital contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The County's was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The County's contributions to the PEPFF for the year ended December 31, 2015, were \$86,093. The County's contributions were equal to the required contributions as set by state statute.

3. PECF Contributions

In calendar year 2015 plan members were required to contribute 5.83% of their annual covered salary. The County was required to contribute 8.75% of pay for PECF members in calendar year 2015. The County's contributions to the PECF for the year ended December 31, 2015, were \$40,809. The County's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. GERF Pension Costs

At December 31, 2015, the County reported a liability of \$3,607,033 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all PERA's participating employers. At June 30, 2015, the County's portion was 0.0696%.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. GERP Pension Costs (Continued)

At December 31, 2015, Swift County-Benson Hospital reported a liability of \$3,767,691 for its proportionate share of the GERP's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Swift County-Benson Hospital's proportion of the net pension liability was based on their contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all PERA's participating employers. At June 30, 2015, Swift County-Benson Hospital's portion was 0.0727%.

For the year ended December 31, 2015, the County recognized pension expense of \$415,041 for its proportionate share of GERP's pension expense. Swift County-Benson Hospital recognized pension expense of \$320,693 for its proportionate share of the GERP's pension expense.

At December 31, 2015, the proportionate share of GERP's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources is as follows:

Description	Swift County		Swift County-Benson Hospital	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 181,856	\$ 356,670	\$ 762,508
Changes in Actuarial Assumptions	-	-	258,522	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	341,461	-	38,497	189,956
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	-	236,049	-	260,711
County Contributions Subsequent to the Measurement Date	160,001	-	170,375	-
Total	<u>\$ 501,462</u>	<u>\$ 417,905</u>	<u>\$ 824,064</u>	<u>\$ 1,213,175</u>

\$330,376 is reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	County Pension Expenses Amount	Hospital Pension Expenses Amount
2016	\$ (53,936)	\$ (166,715)
2017	(53,936)	(166,715)
2018	(53,936)	(315,244)
2019	85,364	89,188

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. PEPFF Pension Costs

At December 31, 2015, the County reported a liability of \$681,740 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.060%.

For the year ended December 31, 2015, the County recognized pension expense of \$104,642 for its proportionate share of the PEPFF's pension expense. The County also recognized \$5,400 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2015, the County reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 110,556
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	118,782	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	-	36,001
County Contributions Subsequent to the Measurement Date	46,317	-
Total	<u>\$ 165,099</u>	<u>\$ 146,557</u>

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. PEPFF Pension Costs (Continued)

\$46,317 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expenses Amount
2016	\$ 384
2017	384
2018	384
2019	384
2020	(29,311)

3. PECF Pension Costs

At December 31, 2015, the County reported a liability of \$38,650 for its proportionate share of the PECF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.250%.

For the year ended December 31, 2015, the County recognized pension expense of \$41,041 for its proportionate share of the PECF's pension expense.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. PECF Pension Costs (Continued)

At December 31, 2015, the County reported its proportionate share of the PECF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 14,798
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	32,218	-
County Contributions Subsequent to the Measurement Date	20,524	-
Total	<u>\$ 52,742</u>	<u>\$ 14,798</u>

\$20,524 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expenses Amount
2016	\$ 3,122
2017	3,122
2018	3,122
2019	8,054

E. Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per Year
Salary Increases	3.50% per Year
Investment Rate of Return	7.90% per Year

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1st through 2026 and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2015: the discount rate was changed from 8.0% through June 30, 2017 and 8.5% thereafter to 8.0% for all years, the inflation assumption was changed from 3.0% to 2.75%, the payroll growth assumption was changed from 3.75% to 3.5%, assumed increases in member salaries were decreased by 0.25% at all ages and the assumed postretirement benefit increase rate was changed from 1.0% per year through 2026 and 2.5% thereafter to 1.0% per year through 2034 and 2.5% per year thereafter.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	45 %	5.50 %
International Equity	15	6.00
Bonds	18	1.45
Alternative Assets	20	6.40
Cash	2	0.50
Totals	<u>100 %</u>	

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 PENSION PLANS (CONTINUED)

F. Discount Rate

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Description	1% Decrease In Discount Rate (6.90%)	Current Discount Rate (7.90%)	1% Increase in Discount Rate (8.90%)
County's Proportionate Share of the GERF Net Pension Liability	\$ 5,671,538	\$ 3,607,033	\$ 1,902,069
Hospital's Proportionate Share of the GERF Net Pension Liability	5,924,150	3,767,691	1,986,788
County's Proportionate Share of the PEPFF Net Pension Liability	1,328,719	681,740	147,223
County's Proportionate Share of the PECF Net Pension Liability	269,165	38,650	(145,855)

H. Pension Plan Fiduciary Net Position

Detailed information about GERF's fiduciary net position is available in a separately-issued PERA financial report. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

**SWIFT COUNTY
 BENSON, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015**

NOTE 5 DEFINED CONTRIBUTION PLAN

The Commissioners of the County are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by 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 plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually.

Total contributions made by the County during fiscal year 2015 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$9,693	\$9,693	5%	5%	5%

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS

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, 2014, there were nine retirees receiving health benefits from the County's health plan.

A. 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 2015, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC)	\$ 39,831
Interest on Net OPEB Obligation	1,452
Adjustment to ARC	<u>(1,241)</u>
Annual OPEB Cost	40,042
Contributions During the Year	<u>(15,474)</u>
Increase in Net OPEB Obligation	24,568
Net OPEB - Beginning of Year	<u>36,293</u>
Net OPEB - End of Year	<u><u>\$ 60,861</u></u>

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

A. 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 2015, 2014 and 2013 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2015	\$ 40,042	\$ 15,474	38.6 %	\$ 60,861
December 31, 2014	39,826	3,928	9.9	36,293
December 31, 2013	3,645	811	22.2	395

B. 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)
1/1/2014	\$ -	\$ 252,278	\$ 252,278	- %	\$ 5,411,699	4.7 %

C. Actuarial Methods and Assumptions

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

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

In the January 1, 2014 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.00 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 2.50 percent. The annual healthcare cost trend rate is 7.50 percent initially, reduced incrementally to an ultimate rate of 5.00 percent after ten years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open thirty-year period.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 7 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 \$490,000 per claim in 2015. 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.

The County entered into a program to self-insure medical and pharmacy benefits for its employees. Currently, the County contracts with Preferred One to administer employee and dependent group health coverage. Claims are paid by Preferred One and reimbursed by the County on a weekly basis.

Premiums are paid into the Internal Service Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. The County has retained risk up to a \$50,000 specific excess coverage per contract claim per year (\$1,099,707 aggregate) for the health plan. Liabilities of the fund are reported when it is probable that the loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount, as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are re-evaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 7 RISK MANAGEMENT (CONTINUED)

Changes in the balance of claims liabilities during the past two years are as follows:

	<u>Year Ended December 31</u>	
	<u>2015</u>	<u>2014</u>
Unpaid Claims, Beginning of Year	\$ 191,942	\$ -
Incurred Claims (including IBNR)	704,822	1,011,211
Claims Payments	<u>(769,447)</u>	<u>(819,269)</u>
Unpaid Claims, End of Year	<u>\$ 127,317</u>	<u>\$ 191,942</u>

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

Contingent Liabilities

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

NOTE 9 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, 2015.

Basis of Accounting

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

Deposits

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

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

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 9 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, 2015:

	<u>Bank Balance</u>
Insured or Collateralized with Securities Held by the HRA or Its Agent in the HRA's Name	\$ 866,907

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, 2015, 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	17,033	-	-	17,033
Total Capital Assets being Depreciated	3,643,572	-	-	3,643,572
Less: Accumulated Depreciation for				
Buildings	1,161,408	104,167	-	1,265,575
Machinery, Furniture, and Equipment	5,256	583	-	5,839
Total Accumulated Depreciation	1,166,664	104,750	-	1,271,414
Total Capital Assets, Depreciated, Net	2,476,908	(104,750)	-	2,372,158
Governmental Activities Capital Assets, Net	\$ 2,501,908	\$ (104,750)	\$ -	\$ 2,397,158

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 9 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, 2015</u>
Limited Tax Housing and Redevelopment Refunding Bonds, Series 2013	2033	0.5-3.2%	<u>\$ 2,420,000</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>
2016	\$ 115,000	\$ 54,169	\$ 169,169
2017	115,000	53,163	168,163
2018	115,000	51,869	166,869
2019	120,000	50,400	170,400
2020	120,000	48,600	168,600
2021-2025	640,000	207,000	847,000
2026-2030	715,000	126,363	841,363
2031-2033	480,000	23,205	503,205
Total	<u>\$ 2,420,000</u>	<u>\$ 614,769</u>	<u>\$ 3,034,769</u>

Compensated Absences Payable

Changes in compensated absences payable for the period ended June 30, 2015 is summarized below:

Balance - June 30, 2014	\$ 11,831
Net Changes	<u>1,419</u>
Balance - June 30, 2015	<u>\$ 13,250</u>

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 9 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>2015</u>
Total Wages	\$ 75,020
Total Eligible Wages	63,126
Employer Contribution	3,787
Employee Contribution	3,786

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 9 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNITS (CONTINUED)

B. Swift County-Benson Hospital

Summary of Significant Accounting Policies

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

Basis of Accounting

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

Cash and Cash Equivalents

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

Accounts Receivable

Accounts Receivable for the Hospital are shown net of an allowance of \$299,000, for uncollectible accounts.

Inventories

Inventories are stated at lower of cost or market using latest invoice cost, which approximates the first-in, first-out method.

Noncurrent Cash and Investments

Noncurrent cash and investments include assets set aside by the board of directors for future capital improvements over which the Board retains control and may, at its discretion, subsequently use for other purposes. Noncurrent cash and investments also include amounts that are restricted by donor for the hospice program.

Capital Assets

Capital assets are reported at cost, if purchased; or at fair market value on the date received, if donated. Depreciation is provided on a straight-line basis over the estimated useful lives of the property. It is the Hospital's policy to include amortization expense on assets acquired under capital leases with depreciation on owned assets. Capital expenditures, greater than \$5,000, are capitalized and depreciated over the useful life of the asset. Capital expenditures of less than \$5,000 are expensed when incurred.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 9 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNITS (CONTINUED)

B. Swift County-Benson Hospital (Continued)

Net Position

Net position of the Hospital is classified in three components. Net investment in capital assets, consists of capital assets, net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted expendable net position is non-capital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Net Patient Services Revenues

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

A summary of gross and net patient service revenues for the year ended December 31, 2015 is as follows:

Gross Patient Service Revenues	\$ 17,094,495
Less: Provisions for Revenue Adjustments Under Third-Party Reimbursement Program	<u>(4,612,049)</u>
Net Patient Service Revenues	<u>\$ 12,482,446</u>

Contributions

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

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

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 9 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 estimated cost of providing these services was \$13,000 for the year ended December 31, 2015, calculated by multiplying the ratio of cost to gross charges for the Hospital by the gross uncompensated charges associated with providing charity care to its patients.

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, 2015, the Hospital's bank balances were covered by federal depository insurance or by collateral held by the pledging bank's agent in the Hospital's name.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 9 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, 2015, follows:

	Balance	Additions	Deletions	Balance
Capital Assets, not being Depreciated				
Land	\$ 539,394	\$ -	\$ -	\$ 539,394
Construction-in-Progress	28,969	8,798	-	37,767
Total Capital Assets Not Being Depreciated	568,363	8,798	-	577,161
Capital Assets Depreciated				
Buildings and Fixed Equipment	16,639,128	29,998	1,810	16,667,316
Movable Equipment and Ambulances	5,369,840	75,527	390,620	5,054,747
Land Improvements	281,330	-	-	281,330
Total Capital Assets being Depreciated	22,290,298	105,525	392,430	22,003,393
Less: Accumulated Depreciation for				
Buildings and Fixed Equipment	6,433,502	770,035	1,810	7,201,727
Movable Equipment and Ambulances	4,111,758	368,368	387,266	4,092,860
Land Improvements	199,163	15,490	-	214,653
Total Accumulated Depreciation	10,744,423	1,153,893	389,076	11,509,240
Total Capital Assets, Depreciated, Net	11,545,875	(1,048,368)	3,354	10,494,153
Governmental Activities Capital Assets, Net	<u>\$ 12,114,238</u>	<u>\$ (1,039,570)</u>	<u>\$ 3,354</u>	<u>\$ 11,071,314</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 .50 percent as of December 31, 2015.

CMDI provides the equipment for CT scans for Hospital patients. The Hospital billed and collected the revenues for these services to patients and reimbursed CMDI approximately \$160,000 for the use for the equipment for the year ended December 31, 2015. Earnings of \$447 are included in other operating revenues.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 9 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 \$69,397. The Hospital provides management services, leases space and pays expenses on behalf of BMS and has a receivable from BMS for \$15,228. Earnings of \$26,215 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, 2015:

	Balance January 1, 2015	Additions	Payments	Balance December 31, 2015	Amounts Due Within One Year
USDA Hospital Refunding					
2007 Revenue Bonds	\$ 205,000	\$ -	\$ 205,000	\$ -	\$ -
2013 Revenue Bonds	2,755,000	-	145,000	2,610,000	145,000
2014 Revenue Bonds	6,145,000	-	-	6,145,000	250,000
Loan from Swift County	1,834,015	-	85,511	1,748,504	87,239
Bond Premium	91,050	-	4,750	86,300	-
Total Noncurrent Liabilities	<u>\$ 11,030,065</u>	<u>\$ -</u>	<u>\$ 440,261</u>	<u>\$ 10,589,804</u>	<u>\$ 482,239</u>

The terms and due dates of the Hospital's long-term debt, including lease obligations, at December 31, 2015, are as follows:

- 2013 Revenue Bonds, principal payments of \$145,000 are due annually on February 1st; interest payments are due semi-annually on February 1st and August 1st, through February 2033. The initial interest rate ranges from 4.25 percent to 5.0 percent. The interest rate adjusts on February 1, 2018, and every five years afterward through February 1, 2028 to the five-year Treasury Rate, plus 300 basis points. The rate adjustment is subject to a minimum rate of 4.25 percent and a maximum rate of 15 percent.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 9 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNITS (CONTINUED)

B. Swift County-Benson Hospital (Continued)

Long-Term Debt (Continued)

- The 2014 Revenue Bonds were issued, in conjunction with the County, to advance refund the outstanding series 2007 revenue bonds. The County backed the bonds as a General Obligation of the County in the event the hospital is unable to generate the revenue to cover the bond payments. The net proceeds were used to provide the future debt service on the refunding portion of the 2007 series bonds. The outstanding principal of the bonds not defeased as a part of the refunding is \$205,000 which was due and payable February 1, 2015; the advance refunding reduced total debt service payments over the next 19 years by \$488,548. This results in an economic gain of \$367,833.
- Loan from Swift County (Due To Primary Government), principal and interest payments of \$10,118 due monthly and began January 1, 2013 through November 2033. The interest rate is initially set at 2% for a period of five years; the rate is then variable and adjusts at each five year interval based on various conditions including prevailing interest rates in the community at the time.

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

Year Ending <u>December 31</u>	<u>Long-Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$ 482,239	\$ 333,676
2017	499,000	319,666
2018	500,795	618,923
2019	507,629	291,186
2020	514,498	276,765
2021-2025	2,716,884	1,147,557
2026-2030	3,012,621	681,698
2031-2034	2,269,838	157,572
Total	<u>\$ 10,503,504</u>	<u>\$ 3,827,043</u>

Pensions

The Hospital contributes to the General Employment Retirement Fund (GERF), a cost-sharing multiple-employer defined benefit pension plan administered by PERA. See Note 4 for more information on the Hospital's Pension Plan.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 9 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR DISCRETE COMPONENT UNITS (CONTINUED)

B. Swift County-Benson Hospital (Continued)

Management Agreement

The Hospital entered into a management agreement with Rice Memorial Hospital effective November 1, 1999. Under the agreement, Rice Memorial Hospital provides an administrator, management consultant, and other services to the Hospital. The agreement does not alter the authority or responsibility of the board of directors of the Hospital. For the year ended December 31, 2015, the Hospital paid \$96,000 for management services provided under the purchase agreement and approximately \$472,000 for services and equipment purchased through Rice Memorial Hospital. The Hospital had accounts payable of \$21,289 at December 31, 2015.

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 10 OTHER ORGANIZATIONS

A. Joint Ventures

Countryside Public Health Service

Swift County entered into a joint powers agreement with Big Stone, Chippewa, Lac qui Parle, and Yellow Medicine Counties creating and operating the Countryside Public Health Service pursuant to Minnesota Statutes §471.59. The Public Health Service is headquartered in Benson, Minnesota, and has offices at the county seats of the member counties.

There is no accumulation of resources or fiscal stress related to this entity.

Financing is provided by state grants, appropriations from member counties, and charges for services. Swift County's contribution for 2015 was \$91,425. Complete financial statements of Countryside Public Health Service can be obtained at 201- 13th Street South, Benson, Minnesota 56215.

Region 6W Community Corrections

Swift County participates with Chippewa, Lac qui Parle, and Yellow Medicine Counties to provide community corrections services. Region 6W Community Corrections develops and implements humane and effective methods of prevention, control, and rehabilitation of offenders and also offers a Sentencing to Serve service pursuant to Minnesota Statutes §471.59. The County Boards of the participating counties have direct authority over and responsibility for Region 6W Community Corrections' activities.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 10 OTHER ORGANIZATIONS

A. Joint Ventures (Continued)

Region 6W Community Corrections (Continued)

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

The County has no ongoing financial interest in this entity. The objective of the entity is to coordinate self-funded efforts of its member organizations. There is no accumulation of resources or fiscal stress related to this entity.

For the year ended December 31, 2015, Swift County contributed \$210,404 to Region 6W Community Corrections. 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.

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 2015, 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.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 10 OTHER ORGANIZATIONS (CONTINUED)

A. Joint Ventures (Continued)

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.

The County has no ongoing financial interest in this entity. The objective of the entity is to coordinate self-funded efforts of its member organizations. There is no accumulation of resources or fiscal stress related to this entity.

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

Southwest Minnesota Adult Mental Health Consortium Board

In November 1997, the County entered into a joint powers agreement with Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Pipestone, Redwood, Renville, Rock, and Yellow Medicine Counties; and Lincoln, Lyon, and Murray Counties, represented by the Lincoln, Lyon & Murray Human Services Board, creating and operating the Southwestern Minnesota Adult Mental Health Consortium Board under the authority of Minnesota Statutes §471.59. The board is headquartered in Windom, Minnesota, where Cottonwood County acts as fiscal host. The board shall take actions and enter into such agreements as may be necessary to plan and develop within the board's geographic jurisdiction a system of care that will serve the needs of adults with serious and persistent mental illness. The governing board is composed of one board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care. The County has no ongoing financial interest in this entity. There is no accumulation of resources or fiscal stress related to this entity.

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained at the Cottonwood County Family Services Agency, Windom, Minnesota, 56101.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 10 OTHER ORGANIZATIONS (CONTINUED)

A. Joint Ventures (Continued)

Western Minnesota Prairie Waters Regional Tourism Board

Swift County entered into a joint powers agreement with other counties to promote the area as a great place to visit, work, and live. Five counties and ten cities are part of this coalition that began in the early 1980's. The County has no ongoing financial interest in this entity. The objective of the entity is to coordinate self-funded efforts of its member organizations. There is no accumulation of resources or fiscal stress related to this entity.

Swift County had no contribution to Prairie Waters for the year ended December 31, 2015. Separate financial information can be obtained at Western Minnesota Prairie Waters Convention and Visitors Bureau at 323 Schlieman Avenue, Appleton, Minnesota 56208.

B. Jointly Governed Organizations

Southwest Minnesota Chief Elected Officials Board

Swift County entered into a joint powers agreement with 13 other counties to establish a joint community to carry out the purpose of the Workforce Investment Act (WIA), which includes programming to prepare youth and adults facing serious barriers to employment for participation in the labor force and by providing job training and other such services that will result in increased employment and earnings, increased educational and occupational skills, and decreased welfare dependency.

The joint powers board is comprised of one elected official appointed by each member of the County Board. Each representative of the joint powers board shall be appointed for one-year terms. Annually, the joint powers board reviews the financial contribution made by each county. The contribution level is determined by the percent of WIA eligible individuals in each county. In 2015, Swift County contributed \$2,500 to the board. Financial information can be obtained from the Southwestern Minnesota Private Industry Council, Inc. office, 607 West Main Street, Marshall, MN 56258.

Coordinated Enforcement Effort (CEE) VI Task Force

Swift County, in conjunction with other local governments, appoints one member to the Board of Directors for the CEE VI Task Force. The Task Force was established to receive and expend federal, state, and local grants and other related funds for the purpose of investigation of burglary, theft, narcotics, stolen property, and crimes of violence. Swift County has no operational or financial control over the CEE VI Task Force. During the year, Swift County paid \$43,912 to the Task Force. Separate financial information for the CEE VI Task Force is not available.

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 10 OTHER ORGANIZATIONS (CONTINUED)

B. Jointly Governed Organizations (Continued)

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 \$120,473 to the Library System. Separate financial information for the Western Plains Library System is not available.

C. 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 \$87,000. Financial information can be obtained from the Swift County RDFA, 1228 Atlantic Avenue, Benson, Minnesota 56215.

NOTE 11 RESTATEMENT FOR A CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2015, the County and Swift County-Benson Hospital adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. These pronouncements require the restatement of the December 31, 2014 net position of the governmental activities as follows:

	Governmental Activities	Swift County- Benson Hospital
Net Position, December 31, 2014, as Previously Reported	\$ 67,694,420	\$ 10,239,468
Cumulative Affect of Application of GASB 68, Net Pension Liability	(4,294,278)	(4,779,374)
Cumulative Affect of Application of GASB 71, Deferred Outflows of Resources for Contributions Made to the Plan During the Fiscal Year Ending June 30, 2015	212,883	602,517
Net Position, December 31, 2014, as Restated	<u>\$ 63,613,025</u>	<u>\$ 6,062,611</u>

NOTE 12 SUBSEQUENT EVENT

On June 1, 2016, the County issued \$7,780,000 Taxable G.O. Tax Abatement Bonds, Series 2016A for the Federated Broadband Project to help support public improvements that benefit the County to improve telecommunication services including access, cable television and telephone.

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

**SWIFT COUNTY
BENSON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 5,047,972	\$ 5,047,972	\$ 5,082,819	\$ 34,847
Licenses and Permits	4,150	4,150	5,970	1,820
Intergovernmental	586,527	586,527	877,435	290,908
Charges for Services	267,327	267,327	328,037	60,710
Fines and Forfeits	-	-	375	375
Investment Earnings	24,000	24,000	57,723	33,723
Miscellaneous	582,115	582,115	589,875	7,760
Total Revenues	6,512,091	6,512,091	6,942,234	430,143
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	241,220	241,220	229,392	11,828
Law Library	23,475	23,475	18,259	5,216
County Administration	214,615	214,615	212,764	1,851
County Auditor	246,090	246,090	239,307	6,783
County Treasurer	202,830	202,830	194,028	8,802
County Assessor	276,770	276,770	245,959	30,811
Elections	7,700	7,700	9,088	(1,388)
Data Processing	93,800	93,800	76,241	17,559
Attorney	415,840	415,840	394,507	21,333
Recorder	475,470	456,220	286,881	169,339
Planning and Zoning	87,750	87,750	68,160	19,590
Buildings and Plant	339,290	339,290	300,859	38,431
Technology	204,320	204,320	198,185	6,135
Veterans Service Officer	154,795	154,795	146,938	7,857
Appropriations - General Government	442,419	442,419	487,935	(45,516)
Other General Government	1,347	1,347	173,454	(172,107)
Total General Government	3,427,731	3,408,481	3,281,957	126,524

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

**SWIFT COUNTY
BENSON, MINNESOTA
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
PUBLIC SAFETY				
Sheriff	\$ 1,259,407	\$ 1,259,407	\$ 1,225,606	\$ 33,801
Coroner	14,000	14,000	16,975	(2,975)
E-911 System	81,060	81,060	59,082	21,978
Restorative Justice Coordinator	56,695	56,695	56,711	(16)
Emergency Management	74,070	74,070	73,329	741
County Jail	909,800	909,800	802,239	107,561
Community Corrections	210,405	210,405	210,404	1
Total Public Safety	2,605,437	2,605,437	2,444,346	161,091
HEALTH				
Countryside Health Service	91,425	91,425	91,425	-
Youth Programs	30,300	30,300	99	30,201
Total Health	121,725	121,725	91,524	30,201
CULTURE AND RECREATION				
Parks	21,500	21,500	18,841	2,659
CONSERVATION OF NATURAL RESOURCES				
County Extension	140,310	140,310	120,787	19,523
Parks and Drainage	198,438	198,438	195,662	2,776
Agricultural Inspection	13,500	13,500	13,500	-
Predator Control	8,000	8,000	13,920	(5,920)
Total Conservation of Natural Resources	360,248	360,248	343,869	16,379
Total Expenditures	6,536,641	6,517,391	6,180,537	336,854
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	(24,550)	(5,300)	761,697	766,997
OTHER FINANCING SOURCES				
Transfers In	-	-	311,705	311,705
Proceeds from Sale of Assets	-	-	18,805	18,805
Total Other Financing Sources	-	-	330,510	330,510
NET CHANGE IN FUND BALANCE	\$ (24,550)	\$ (5,300)	1,092,207	\$ 1,097,507
Fund Balance - Beginning of Year			3,102,818	
FUND BALANCE - END OF YEAR			\$ 4,195,025	

The Notes to 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, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,929,029	\$ 1,929,029	\$ 1,927,405	\$ (1,624)
Intergovernmental	3,224,141	3,224,141	5,083,584	1,859,443
Charges for Services	12,000	12,000	54,307	42,307
Investment Earnings	6,000	6,000	6,267	267
Miscellaneous	117,709	117,709	127,493	9,784
Total Revenues	5,288,879	5,288,879	7,199,056	1,910,177
EXPENDITURES				
CURRENT				
HIGHWAYS AND STREETS				
Administration	208,014	208,014	180,566	27,448
Engineering	122,765	122,765	94,818	27,947
Shared County Engineer	180,058	180,058	169,054	11,004
Maintenance	1,836,394	1,836,394	1,588,868	247,526
Construction	1,711,729	1,711,729	4,029,673	(2,317,944)
Equipment and Maintenance Shops	720,311	720,311	607,028	113,283
Other - Highways and Streets	390,520	390,520	408,588	(18,068)
Total Expenditures	5,169,791	5,169,791	7,078,595	(1,908,804)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	119,088	119,088	120,461	1,373
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Assets	-	-	67,000	67,000
NET CHANGE IN FUND BALANCE	\$ 119,088	\$ 119,088	187,461	\$ 68,373
Fund Balance - Beginning of Year			4,066,025	
Decrease in Inventory			(20,189)	
FUND BALANCE - END OF YEAR			\$ 4,233,297	

The Notes to 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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 2,279,824	\$ 2,279,824	\$ 2,272,610	\$ (7,214)
Intergovernmental	1,905,551	1,905,551	2,319,647	414,096
Charges for Services	415,400	415,400	272,140	(143,260)
Investment Earnings	2,000	2,000	2,092	92
Miscellaneous	10,500	10,500	8,800	(1,700)
Total Revenues	<u>4,613,275</u>	<u>4,613,275</u>	<u>4,875,289</u>	<u>262,014</u>
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	1,208,815	1,208,815	1,130,172	78,643
Social Services	3,404,460	3,423,710	3,752,796	(329,086)
Total Expenditures	<u>4,613,275</u>	<u>4,632,525</u>	<u>4,882,968</u>	<u>(250,443)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (19,250)</u>	(7,679)	<u>\$ 11,571</u>
Fund Balance - Beginning of Year			<u>1,384,820</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,377,141</u>	

The Notes to 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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Special Assessments	\$ 281,600	\$ 281,600	\$ 312,117	\$ 30,517
Intergovernmental	55,950	55,950	69,692	13,742
Charges for Services	358,000	358,000	468,681	110,681
Miscellaneous	123,200	123,200	80,728	(42,472)
Total Revenues	818,750	818,750	931,218	112,468
EXPENDITURES				
CURRENT				
SANITATION				
Solid Waste	1,002,204	1,002,204	1,077,545	(75,341)
DEBT SERVICE				
Principal	31,258	31,258	31,258	-
Interest	2,808	2,808	2,808	-
Total Debt Service	34,066	34,066	34,066	-
Total Expenditures	1,036,270	1,036,270	1,111,611	(75,341)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(217,520)	(217,520)	(180,393)	37,127
OTHER FINANCING SOURCES				
Proceeds from Sale of Assets	-	-	40,000	40,000
NET CHANGE IN FUND BALANCE	\$ (217,520)	\$ (217,520)	(140,393)	\$ 77,127
Fund Balance - Beginning of Year			885,153	
FUND BALANCE - END OF YEAR			\$ 744,760	

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

**SWIFT COUNTY
BENSON, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015**

I. Budgetary Information

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

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

II. Excess of Expenditures over Appropriations

The following funds had expenditures in excess of budget at the fund level for the year ended December 31, 2015:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Special Revenue Funds			
Road and Bridge	\$ 7,078,595	\$ 5,169,791	\$ 1,908,804
Welfare	4,882,968	4,632,525	250,443
Solid Waste	1,111,611	1,036,270	75,341

**SWIFT COUNTY
 BENSON, MINNESOTA
 SCHEDULE OF FUNDING PROGRESS
 OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS
 YEAR ENDED DECEMBER 31, 2015**

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)
1/1/2014	\$ -	\$ 252,278	\$ 252,278	-	\$ 5,411,699	4.7 %
1/1/2011	-	41,198	41,198	-	5,054,070	0.8
1/1/2008	-	71,556	71,556	-	4,635,160	1.5

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2015**

	Measurement Date June 30, 2015
County - GERP	
County's Proportion of the Net Pension Liability	0.070%
County's Proportionate Share of the Net Pension Liability	\$ 3,607,033
County's Covered-Employee Payroll	\$ 4,173,648
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	86.42%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	78.20%
 Swift County-Benson Hospital - GERP	
Hospital's Proportion of the Net Pension Liability	0.073%
Hospital's Proportionate Share of the Net Pension Liability	\$ 3,767,691
Hospital's Covered-Employee Payroll	\$ 4,567,486
Hospital's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	82.49%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	86.60%
 PEPFF	
County's Proportion of the Net Pension Liability	0.060%
County's Proportionate Share of the Net Pension Liability	\$ 681,740
County's Covered-Employee Payroll	\$ 590,331
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	115.48%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	86.60%
 PECF	
County's Proportion of the Net Pension Liability	0.250%
County's Proportionate Share of the Net Pension Liability	\$ 38,650
County's Covered-Employee Payroll	\$ 444,680
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	8.69%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	96.90%

Additional information will be added as it becomes available.

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	2015	2014
County - GERF		
Contractually Required Contribution	\$ 313,896	\$ 281,024
Contributions in Relation to the Contractually Required	(313,896)	(281,024)
Contribution Deficiency (Excess)	\$ -	\$ -
 County's Covered-Employee Payroll	 \$ 4,185,281	 \$ 3,876,191
 Contributions as a Percentage of Covered Employee Payroll	 7.50%	 7.25%
Swift County-Benson Hospital - GERF		
Contractually Required Contribution	\$ 340,750	\$ 313,976
Contributions in Relation to the Contractually Required	(340,750)	(313,976)
Contribution Deficiency (Excess)	\$ -	\$ -
 Hospital's Covered-Employee Payroll	 \$ 4,543,333	 \$ 4,330,703
 Contributions as a Percentage of Covered Employee Payroll	 7.50%	 7.25%
PEPFF		
Contractually Required Contribution	\$ 86,093	\$ 86,970
Contributions in Relation to the Contractually Required	(86,093)	(86,970)
Contribution Deficiency (Excess)	\$ -	\$ -
 County's Covered-Employee Payroll	 \$ 531,442	 \$ 568,431
 Contributions as a Percentage of Covered Employee Payroll	 16.20%	 15.30%
PECF		
Contractually Required Contribution	\$ 40,809	\$ 34,503
Contributions in Relation to the Contractually Required	(40,809)	(34,503)
Contribution Deficiency (Excess)	\$ -	\$ -
 County's Covered-Employee Payroll	 \$ 466,383	 \$ 394,318
 Contributions as a Percentage of Covered Employee Payroll	 8.75%	 8.75%

Additional information will be added as it becomes available.

SUPPLEMENTARY INFORMATION

**SWIFT COUNTY
BENSON, MINNESOTA
DESCRIPTION OF FUNDS
DECEMBER 31, 2015**

AGENCY FUNDS

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

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

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

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

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

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

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

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

**SWIFT COUNTY
BENSON, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2015**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>STATE DEED</u>				
ASSETS				
Cash and Pooled Investments	\$ 20,287	\$ 2,134,731	\$ 2,102,776	\$ 52,242
LIABILITIES				
Due to Other Governments	\$ 20,287	\$ 2,134,731	\$ 2,102,776	\$ 52,242
<u>TAXES AND PENALTIES</u>				
ASSETS				
Cash and Investments	\$ 352,302	\$ 20,149,782	\$ 20,169,308	\$ 332,776
LIABILITIES				
Due to Other Governments	\$ 352,302	\$ 20,149,782	\$ 20,169,308	\$ 332,776
<u>REGION 6W</u>				
ASSETS				
Cash and Pooled Investments	\$ 875	\$ 64,120	\$ 64,418	\$ 577
LIABILITIES				
Due to Other Governments	\$ 875	\$ 64,120	\$ 64,418	\$ 577
<u>SCHOOL DISTRICTS</u>				
ASSETS				
Cash and Pooled Investments	\$ 39,829	\$ 2,918,163	\$ 2,924,780	\$ 33,212
LIABILITIES				
Due to Other Governments	\$ 39,829	\$ 2,918,163	\$ 2,924,780	\$ 33,212
<u>TOWNS AND CITIES</u>				
ASSETS				
Cash and Pooled Investments	\$ -	\$ 5,270,245	\$ 5,270,245	\$ -
LIABILITIES				
Due to Other Governments	\$ -	\$ 5,270,245	\$ 5,270,245	\$ -

**SWIFT COUNTY
 BENSON, MINNESOTA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
 ALL AGENCY FUNDS
 YEAR ENDED DECEMBER 31, 2015**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>MINNESOTA RIVER WATERSHED</u>				
ASSETS				
Cash and Pooled Investments	\$ 28	\$ 14,255	\$ 14,109	\$ 174
LIABILITIES				
Due to Other Governments	\$ 28	\$ 14,255	\$ 14,109	\$ 174
<u>SOCIAL WELFARE FUND</u>				
ASSETS				
Cash and Pooled Investments	\$ 13,893	\$ 277,807	\$ 263,230	\$ 28,470
LIABILITIES				
Funds Held in Trust	\$ 13,893	\$ 277,807	\$ 263,230	\$ 28,470
<u>TOTAL ALL AGENCY FUNDS</u>				
ASSETS				
Cash and Pooled Investments	\$ 427,214	\$ 30,829,103	\$ 30,808,866	\$ 447,451
LIABILITIES				
Funds Held in Trust	\$ 13,893	\$ 277,807	\$ 263,230	\$ 28,470
Due to Other Governments	413,321	30,551,296	30,545,636	418,981
Total Liabilities	\$ 427,214	\$ 30,829,103	\$ 30,808,866	\$ 447,451

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**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2015**

	Special Revenue Funds				Total All Funds
	General Fund	Road and Bridge	Welfare Fund	Solid Waste Fund	
SHARED REVENUES					
INTERGOVERNMENTAL					
STATE					
Disparity Reduction Aid	\$ 12,792	\$ 4,624	\$ 5,809	\$ -	\$ 23,225
Highway Users Tax	-	3,881,377	-	-	3,881,377
County Program Aid	107,968	39,028	55,277	-	202,273
Market Value Credits	141,006	50,970	57,774	-	249,750
PERA Rate Increase Aid	36,367	-	-	-	36,367
State Police Aid	63,805	-	-	-	63,805
Aquatic Invasive Species Enhanced 911	35,465	-	-	-	35,465
	80,921	-	-	-	80,921
Total Shared Revenues	<u>478,324</u>	<u>3,975,999</u>	<u>118,860</u>	<u>-</u>	<u>4,573,183</u>
REIMBURSEMENT FOR SERVICES					
STATE					
Minnesota Department of Human Services	-	-	649,225	-	649,225
STATE GRANTS					
MINNESOTA DEPARTMENT OF					
Human Services	-	-	519,549	-	519,549
Natural Resources	61,287	-	-	-	61,287
Public Safety	6,119	-	-	-	6,119
Pollution Control Agency	-	-	-	69,692	69,692
Veteran's Affairs	7,500	-	-	-	7,500
Water and Soil Resources	80,643	-	-	-	80,643
Total State Grants	<u>155,549</u>	<u>-</u>	<u>519,549</u>	<u>69,692</u>	<u>744,790</u>
FEDERAL GRANTS					
FEDERAL DEPARTMENT OF					
Agriculture	9,479	-	95,536	-	105,015
Interior	14,478	-	-	-	14,478
Justice	2,000	-	-	-	2,000
Transportation	5,868	1,107,585	-	-	1,113,453
Health and Human Services	42,575	-	936,477	-	979,052
Homeland Security	17,002	-	-	-	17,002
Total Federal Grants	<u>91,402</u>	<u>1,107,585</u>	<u>1,032,013</u>	<u>-</u>	<u>2,231,000</u>
Total State and Federal Grants	246,951	1,107,585	1,551,562	69,692	2,975,790
PAYMENTS IN LIEU OF TAXES					
	152,160	-	-	-	152,160
Total Intergovernmental Revenues	<u>\$ 877,435</u>	<u>\$ 5,083,584</u>	<u>\$ 2,319,647</u>	<u>\$ 69,692</u>	<u>\$ 8,350,358</u>

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2015**

	Interest Rate (%)	Maturity Date	Amount
Pooled Deposits and Investments			
Checking Accounts			
State Bank of Danvers	0.06 %	-	\$ 934,607
Money Market Savings			
Citizens Alliance Bank - Murdock	0.05	-	53,867
First Security Bank - Benson	0.20	-	1,103,630
Prairie Sun Bank - Appleton	0.21	-	30,863
Wells Fargo	-	-	2,842,356
Total Money Market Savings			<u>4,030,716</u>
Negotiable Certificates of Deposit			
Wells Fargo	0.35	January 15, 2016	244,286
Wells Fargo	0.30	January 27, 2016	244,848
Wells Fargo	0.65	February 25, 2016	99,790
Wells Fargo	0.75	March 18, 2016	99,806
Wells Fargo	0.40	April 4, 2016	99,852
Wells Fargo	0.55	May 2, 2016	99,904
Wells Fargo	0.60	June 24, 2016	99,969
Wells Fargo	0.50	July 8, 2016	99,864
Wells Fargo	0.85	August 22, 2016	99,761
Wells Fargo	1.05	September 19, 2016	99,692
Wells Fargo	0.90	December 27, 2016	99,986
Wells Fargo	0.70	January 9, 2017	99,682
Wells Fargo	0.80	March 29, 2017	99,844
Wells Fargo	1.00	June 12, 2017	99,565
Wells Fargo	1.15	October 2, 2017	99,431
Wells Fargo	1.50	December 4, 2017	99,447
Total Negotiable Certificates of Deposit			<u>1,885,727</u>
Total Pooled Deposits and Investments			6,851,050
Fund Investments			
General Fund			
Departmental Checking Accounts			
First Security Bank - Benson	-	-	824
Mutual Fund			
Franklin U.S. Government Securities Fund	-	-	442,126
Certificate of Deposit			
Riverwood Bank	1.05	January 10, 2017	99,908
Total General Fund			<u>542,858</u>

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF DEPOSITS AND INVESTMENTS (CONTINUED)
DECEMBER 31, 2015**

	Interest Rate (%)	Maturity Date	Amount
Special Revenue Funds			
Road and Bridge Fund			
Checking accounts			
Community Development Bank	0.20 %	-	\$ 756,691
Certificate of Deposit			
Riverwood Bank	1.05	January 10, 2017	50,000
Money Market Savings			
First Security Bank Benson	0.80	-	<u>1,907,590</u>
Total Road and Bridge Fund			<u>2,714,281</u>
Welfare Fund			
Departmental Checking Accounts			
Bank of the West	-	-	28,470
Savings			
Co-op Credit Union	0.30	-	106,666
Certificates of Deposit			
Riverwood Bank	1.05	January 10, 2017	50,000
Money Market Savings			
First Security Bank Benson	0.20	-	<u>426,345</u>
Total Welfare Fund			611,481
Solid Waste Fund			
Departmental Checking Accounts			
First Security State - Benson	0.20	-	<u>6,177</u>
Total Special Revenue Funds			<u>3,331,939</u>
Total Fund Investments			<u>3,874,797</u>
Total Deposits and Investments			<u><u>\$ 10,725,847</u></u>

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF LOANS RECEIVABLE
DECEMBER 31, 2015**

Loan Recipient	Date of Loan	Loan Issue Amount	Principal Balance	Repayment Terms
Revolving Loan Special Revenue Fund				
Chuck and Jean Rustad	November 2001	\$ 25,000	\$ 1,523	Principal Payments Monthly, No Interest, Fifteen-Year Term.
SpecSys, Inc.	October 31, 2008	50,000	40,009	Principal Payments Monthly, 4.0% Interest, Five-Year Term.
Appleton Meat Center	June 30, 2009	30,000	18,689	Principal Payments Monthly, 4.0% Interest, Five-Year Term.
Appleton Hardware Hank	September 1, 2009	50,000	21,121	Principal Payments Monthly, 4% Interest, Five-Year Term.
Honebrink, LLC	October, 2009	20,000	8,622	Principal Payments Monthly, 4% Interest, Five-Year Term.
H&H Veterinary Clinic	July, 2010	38,649	9,999	Principal Payments Monthly, 4% Interest, Five-Year Term.
Appleton Power Equipment	July, 2010	25,000	12,700	Principal Payments Monthly, 4% Interest, Five-Year Term.
Case Farm Equipment	October 28, 2011	1,500,000	309,220	Principal Payments Monthly, 1.75% Interest, Ten-Year Term.
Clark/McDonald Heavy Industries, Inc.	December 6, 2012	25,000	18,897	Principal Payments Monthly, 4.0% Interest, Ten-Year Term.
K-Bid JAX	December 6, 2012	26,100	21,100	Principal Payments Monthly, 4.0% Interest, Ten-Year Term.
Case Farm Equipment	September 17, 2012	400,000	218,929	Principal Payments Monthly, 1.75% Interest, Seven-Year Term.
Headwaters Media	September 3, 2013	30,000	25,477	Principal Payments Monthly, 3.5% Interest, Ten-Year Term
Ace Ag, Inc.	November 19, 2013	75,000	69,475	Principal Payments Monthly, 3.5% Interest, Fifteen-Year Term.
R & R Outdoors	September 15, 2013	11,000	8,893	Principal Payments Monthly, 4% Interest, Ten-Year Term.
Lamecker General Store	February 28, 2014	32,000	29,112	Principal Payments Monthly, 3.0% Interest, Fifteen-Year Term.
Northern Geo, LLC	May 15, 2014	125,000	106,678	Principal Payments Monthly, 3.0% Interest, Ten-Year Term.
Brink's 104 Club	September 20, 2014	40,000	35,226	Principal Payments Monthly, 4.0% Interest, Five-Year Term.
Total Loans Receivable		\$ 2,502,749	\$ 955,670	

**REPORTS RELATED TO *GOVERNMENT AUDITING STANDARDS*
AND SINGLE AUDIT**



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

Board of County Commissioners
Swift County
Benson, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Swift County, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise Swift County's basic financial statements, and have issued our report thereon dated August 9, 2016. Our report includes a reference to other auditors who audited the financial statements of Swift County Housing and Redevelopment Authority (HRA) and the Swift County-Benson Hospital (Hospital), as described in our report on Swift County's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Swift County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Swift County's internal control. Accordingly, we do not express an opinion on the effectiveness of Swift County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

Internal Control Over Financial Reporting (Continued)

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course or performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected on a timely basis. We consider deficiencies 2015-001 through 2015-003 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Swift County's Responses to Findings

Swift County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Swift County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Swift County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Brainerd, Minnesota
August 9, 2016



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of County Commissioners
Swift County
Benson, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Swift County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Swift County's major federal programs for the year ended December 31, 2015. Swift County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Swift County's financial statements include the activities of the Swift County Housing and Redevelopment Authority (HRA), a component unit, which expended \$244,512 in federal awards during the year ended June 30, 2015. 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. Swift County's financial statements also include the activities of the Swift County-Benson Hospital, a component unit, which did not expend any federal awards during the year ended December 31, 2015. Our audit, described below, did not include these activities because other auditors were engaged to perform a separate audit.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Swift County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Swift County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Swift County's compliance.

Opinion on Each Major Federal Program

In our opinion, Swift County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control Over Compliance

Management of Swift County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Swift County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Swift County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



CliftonLarsonAllen LLP

Brainerd, Minnesota
August 9, 2016

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**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2015**

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X no

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? yes X no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes X no

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**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2015**

MATERIAL WEAKNESSES - FINANCIAL REPORTING

SEGREGATION OF DUTIES (2015-001)

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

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

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

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

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

CLIENT RESPONSE:

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

AUDIT ADJUSTMENTS (2015-002)

Criteria: County management is responsible for establishing and maintaining internal controls for the proper recording of all the County's receipts and disbursements.

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

Cause: The County has a limited number of personnel.

Possible 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, 2015**

MATERIAL WEAKNESSES - FINANCIAL REPORTING (CONTINUED)

FINANCIAL REPORTING PROCESS (2015-003)

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

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

Cause: The County has a limited number of personnel.

Possible 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.

INTERNAL CONTROL AND COMPLIANCE RELATED TO UNIFORM GUIDANCE:

NONE

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2015**

OTHER ITEM FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE

DITCH SPECIAL REVENUE FUND – CASH DEFICITS (2015-004)

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

Condition: The County reported 16 of the 39 active ditch systems as having deficit cash balances as of December 31, 2015, totaling \$410,784.

Cause: Past practice.

Possible 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 ITEM RESOLVED

SUFFICIENT COLLATERAL (2014-005)

Previous Condition: The County was undercollateralized at First State Bank as of December 31, 2014.

Resolution: During testing performed, collateral was sufficient as of December 31, 2015.

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2015**

Federal Grantor Pass Through Agency Grant Program Title	Pass-Through Grantor ID	Federal CFDA Number	Expenditures
U.S. Department of Agriculture Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	15152MN10152514	10.561	\$ 105,015
U.S. Department of Interior Direct Award Payments in Lieu of Taxes Fish and Wildlife Management Assistance	N/A N/A	15.226 15.608	563 <u>13,915</u>
Total Department of Interior			14,478
U.S. Department of Justice Passed Through Minnesota Department of Public Safety Law Enforcement Assistance - Narcotics and Dangerous Drugs Training	N/A	16.004	2,000
U.S. Department of Transportation Passed Through Minnesota Department of Transportation Highway Planning and Construction (Part of Highway Cluster)	STPM 7613(225)	20.205	1,107,585
Passed Through Kandiyohi County State and Community Highway Safety Minimum Penalties for Repeat Offenders for Driving While Intoxicated National Priority Safety Programs	A-ENFRC15-2015-KANDISO- A-ENFRC15-2015-KANDISO- A-ENFRC15-2015-KANDISO-	20.600 20.608 20.616	1,443 2,717 <u>1,708</u>
Total Department of Transportation			1,113,453
U.S. Department of Health and Human Services Passed Through Chippewa County Temporary Assistance for Needy Families (Part of TANF Cluster) (Total Temporary Assistance for Needy Families 93.558 \$82,968)	G1501MNCDF	93.558	54,086
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families Temporary Assistance for Needy Families (Part of TANF Cluster) (Total Temporary Assistance for Needy Families 93.558 \$82,968)	1401MNFPS 1502MNTANF	93.556 93.558	3,711 28,882
Child Support Enforcement	1504MN4005	93.563	201,148
Community-Based Child Abuse Prevention Grants	1302MNFRPG	93.566	5,888
Child Care and Development Block Grant	1401MNCWSS	93.575	2,171
Child Welfare Services State Grants	1401MNCWSS	93.645	2,445
Foster Care Title IV-E	1501MNFOST	93.658	135,215
Social Services Block Grant Title XX	1501MNSOSR	93.667	72,617

**SWIFT COUNTY
BENSON, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2015**

Federal Grantor Pass Through Agency Grant Program Title	Pass-Through Grantor ID	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)			
Passed Through Minnesota Department of Human Services (Continued)			
Chafee Foster Care Independent Living	1401MN1420	93.674	\$ 2,028
State Children's Insurance Program	1405MN5021	93.767	48
Medical Assistance (Medicaid Cluster)	1505MN5ADM	93.778	<u>479,939</u>
Total Department of Health and Human Services			988,178
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	F-EMPG-2014-SWIFTCO-0691	97.042	<u>17,002</u>
Total Cash Type Federal Awards			<u>\$ 2,240,126</u>

Notes:

- 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 \$244,512 in federal awards expended by the Swift County Housing and Redevelopment Authority, which had a separate audit performed by other auditors.
- The accompanying schedule of expenditures of federal awards includes the federal grant activity of Swift County under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Swift County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Swift County.
- Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Swift County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.
- During 2015 there were no subrecipients.

Reconciliation to the Schedule of Intergovernmental Revenue:

Federal Grant Revenue per Schedule of Intergovernmental Revenue	\$ 2,231,000
Expenditures in the Schedule of Federal Expenditures, not Included as Revenues Reported in the Schedule of Intergovernmental Revenue	<u>9,126</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 2,240,126</u>

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INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of County Commissioners
Swift County
Benson, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller of the United States, the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Swift County (the County), Minnesota, as of December 31, 2015 and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents and have issued our report thereon dated August 9, 2016. Our report includes references to other auditors who audited the financial statements of the Swift County HRA and the Swift County-Benson Hospital, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of compliance and other matters that are reported on separately by those auditors.

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minnesota Statute, § 6.65, contains seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Swift County, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* except for the item described in detail in the attached schedule of findings and questioned costs as finding 2015-004. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Swift County, Minnesota's noncompliance with the above-referenced provisions.

Swift County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Swift County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Brainerd, Minnesota
August 9, 2016

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