

**SWIFT COUNTY  
BENSON, MINNESOTA**

**BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED DECEMBER 31, 2017**

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BENSON, MINNESOTA  
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## **INTRODUCTORY SECTION**

**SWIFT COUNTY  
BENSON, MINNESOTA  
ORGANIZATION  
DECEMBER 31, 2017**

Office	Name	Term Expires
<b>Commissioners</b>		
1 <sup>st</sup> District	Gary Hendrickx	January 2021
2 <sup>nd</sup> District	Edward Pederson**	January 2019
3 <sup>rd</sup> District	Peter Peterson	January 2021
4 <sup>th</sup> District	Joe Fox	January 2019
5 <sup>th</sup> District	Eric Rudningen*	January 2021
<b>Officers</b>		
<b>Elected</b>		
Attorney	Danielle Olson	January 2019
County Sheriff	John Holtz	January 2019
Treasurer	Ronald A. Vadnais	January 2019
<b>Appointed</b>		
Administrator	Kelsey Baker	Indefinite
Assessor	Wayne Knutson	Indefinite
Auditor	Kim Saterbak	Indefinite
County Recorder	Mary Amundson	Indefinite
Engineer	Andrew Sander	May 2018
Medical Examiner	Dr. A. Quinn Strobl-Anoka County	December 2017
Veterans Services Officer	Dave Barrett	January 2019
Welfare Director	Catie Lee	Indefinite

\* Chair 2017

\*\* Vice-Chair 2017

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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, 2017, 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, 2017. We did not audit the financial statements of the Swift County HRA, which represent 13.31%, 20.73%, and 4.93% of the assets, net position, and revenues of the aggregate discretely presented component units, respectively. We also did not audit the financial statements of the Swift County-Benson Hospital, which represent 86.69%, 79.27%, and 95.07% of the assets, net position, and revenues of the aggregate discretely presented component units, respectively. 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, 2017, 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.

***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 and other auditors 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.

*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.

**Other Matters (Continued)**

*Supplementary Information (continued)*

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 27, 2018, 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 solely 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 the effectiveness of Swift County's 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 27, 2018

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## **REQUIRED SUPPLEMENTARY INFORMATION**

**SWIFT COUNTY  
BENSON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

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, 2017. 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 2017 include the following:

- Governmental activities' total net position is \$72,959,333, of which \$59,725,856 is net investment in capital assets, and \$4,227,130 is restricted for specific purposes.
- Swift County's net position increased by \$4,820,520 for the year ended December 31, 2017. Net position of the County's discretely presented component units decreased by \$2,252,934 from 2017 activity.
- The net cost of governmental activities was \$6,301,110 for the current fiscal year. The net cost was funded by general revenues and other items totaling \$11,121,630.
- Governmental funds' fund balances increased by \$4,495,423.

**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 15-18) 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 15. 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, 2017**

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

In the statement of net 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.

**SWIFT COUNTY  
BENSON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

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

**Fund Financial Statements (Continued)**

- **Fiduciary Funds**—The County is the trustee, or fiduciary, over assets which can be used only for the trust beneficiaries based on the trust arrangement. All of the County's fiduciary activities are reported in a separate combining statement of change in assets and liabilities (pages 89-90). We excluded these activities from the County's other financial statement because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

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

**Net Position**

The County's net position was \$72,959,333 on December 31, 2017 (see Table A-1).

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

	Governmental Activities		%
	2017	2016	
Current and Other Assets	\$ 32,379,266	\$ 27,153,063	19.2 %
Capital and Noncurrent Assets	63,101,592	56,829,038	11.0
Total Assets	<u>95,480,858</u>	<u>83,982,101</u>	13.7
Deferred Outflows of Resources	2,773,159	4,918,094	(43.6)
Current Liabilities	3,000,367	2,048,322	46.5
Long-Term Liabilities	19,819,694	17,763,121	11.6
Total Liabilities	<u>22,820,061</u>	<u>19,811,443</u>	15.2
Deferred Inflows of Resources	2,474,623	949,939	160.5
Net Position:			
Net Investment in Capital Assets	59,725,856	56,229,038	6.2
Restricted	4,227,130	4,010,155	5.4
Unrestricted	9,006,347	7,899,620	14.0
Total Net Position	<u>\$ 72,959,333</u>	<u>\$ 68,138,813</u>	7.1

**SWIFT COUNTY  
BENSON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

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

**Changes in Net Position**

The County-wide total revenues were \$23,745,119 for the year ended December 31, 2017. Property taxes and intergovernmental revenues accounted for 83% of total revenues for the year (see Table A-2).

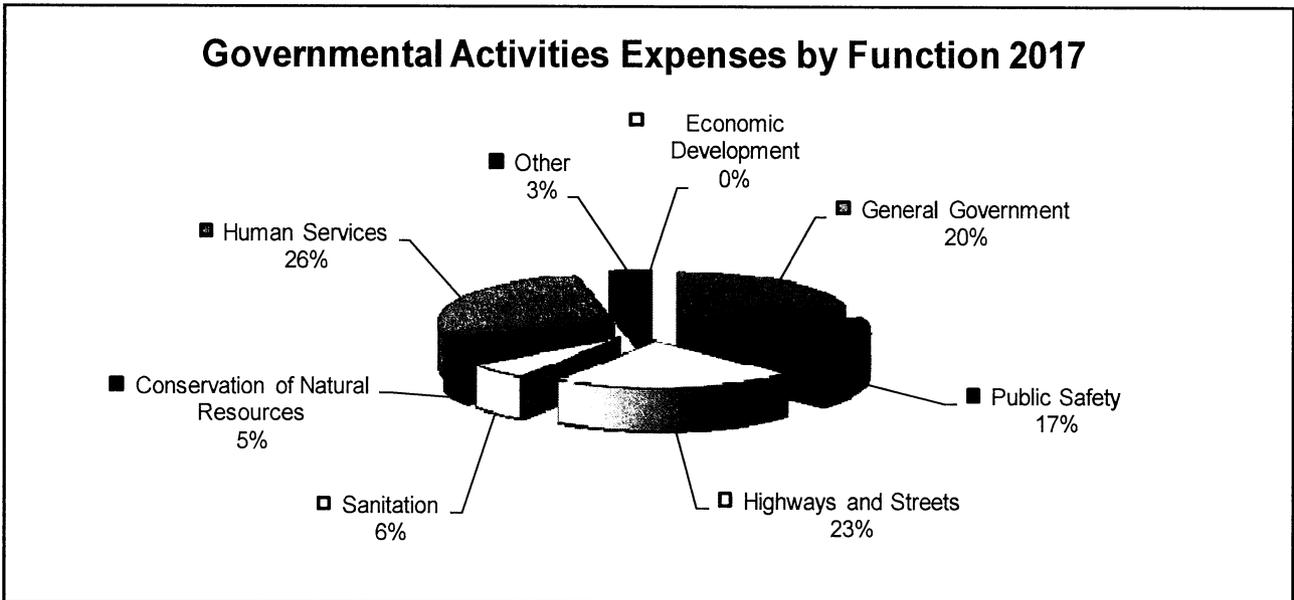
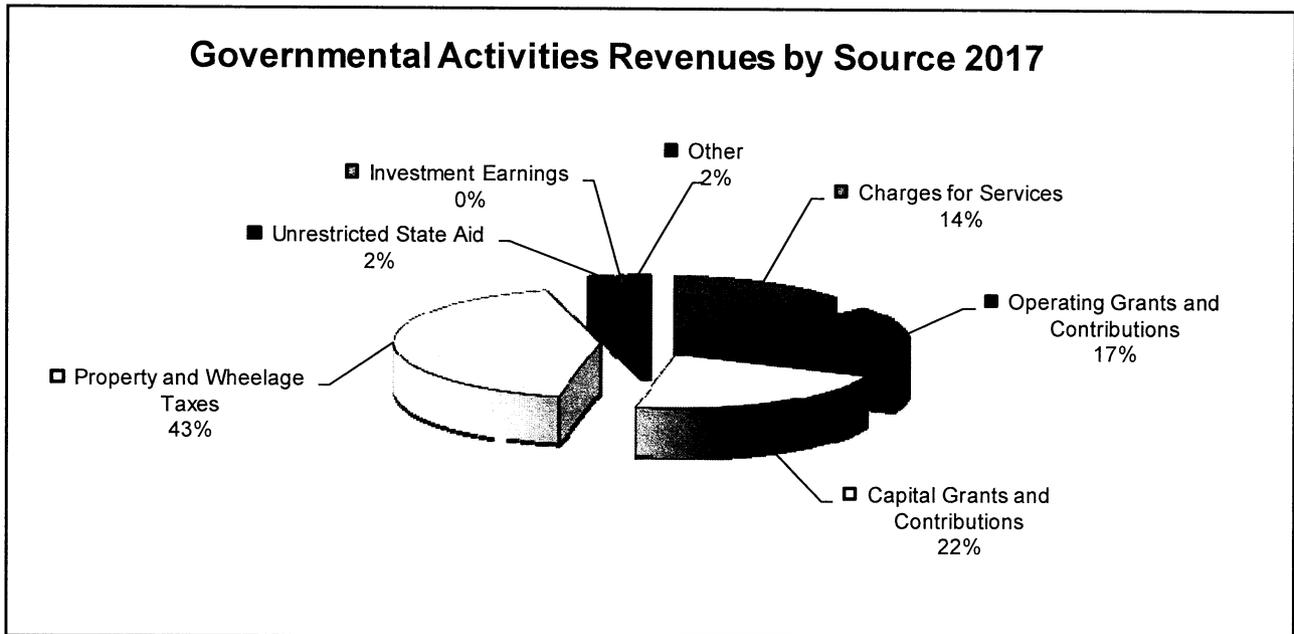
**Table A-2  
Change in Net Position**

	Governmental Activities		Total % Change
	2017	2016	
<b>REVENUES</b>			
<u>Program Revenues</u>			
Fees, Charges, Fines, and Other	\$ 3,380,041	\$ 3,170,430	6.6 %
Operating Grants and Contributions	4,047,575	4,660,120	(13.1)
Capital Grants and Contributions	5,195,873	2,366,446	119.6
<u>General Revenues</u>			
Property Taxes	10,001,302	9,510,437	5.2
Unrestricted State Aid	472,481	490,702	(3.7)
Investment Earnings	126,557	68,108	85.8
Other	521,290	496,882	4.9
Total Revenues	<u>23,745,119</u>	<u>20,763,125</u>	14.4
<b>EXPENSES</b>			
General Government	3,808,582	3,718,313	2.4
Public Safety	3,153,088	3,315,410	(4.9)
Highways and Streets	4,297,044	5,391,911	(20.3)
Sanitation	1,113,281	1,053,823	5.6
Human Services	5,034,313	4,797,052	4.9
Health	179,645	137,825	30.3
Culture and Recreation	85,891	100,230	(14.3)
Conservation of Natural Resources	877,185	776,929	12.9
Interest	375,570	159,999	134.7
Total Expenses	<u>18,924,599</u>	<u>19,451,492</u>	(2.7)
<b>CHANGE IN NET POSITION</b>	4,820,520	1,311,633	267.5
Net Position - Beginning of Year	<u>68,138,813</u>	<u>66,827,180</u>	2.0
<b>NET POSITION - END OF YEAR</b>	<u>\$ 72,959,333</u>	<u>\$ 68,138,813</u>	7.1

**SWIFT COUNTY  
BENSON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

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

**Changes in Net Position (Continued)**



**SWIFT COUNTY  
BENSON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

**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 \$18,924,599.

- Some of the cost was paid by the users of the County's Programs (\$3,380,041).
- The federal and state governments subsidized certain programs with grants and contributions (\$9,243,448).
- The remainder of the County's costs, (\$6,301,110), however, was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was paid for with the \$10,119,560 taxes, \$472,481 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
	2017	2016		2017	2016	
<b>GOVERNMENTAL ACTIVITIES</b>						
General Government	\$ 3,808,582	\$ 3,718,313	2.4 %	\$ (2,356,737)	\$ (2,717,722)	13.3 %
Public Safety	3,153,088	3,315,410	(4.9)	(2,875,486)	(2,996,290)	4.0
Highways and Streets	4,297,044	5,391,911	(20.3)	2,443,521	(614,726)	497.5
Sanitation	1,113,281	1,053,823	5.6	(100,628)	(122,169)	17.6
Human Services	5,034,313	4,797,052	4.9	(2,448,903)	(2,120,548)	(15.5)
Health	179,645	137,825	30.3	(179,645)	(137,825)	(30.3)
Culture and Recreation	85,891	100,230	(14.3)	34,309	(60,615)	156.6
Conservation of Natural Resources	877,185	776,929	12.9	(441,971)	(341,566)	(29.4)
Economic Development	-	-	-	-	16,964	(100.0)
Interest and Fiscal Charges on Long-Term Liabilities	375,570	159,999	134.7	(375,570)	(159,999)	(134.7)
<b>Total</b>	<b>\$ 18,924,599</b>	<b>\$ 19,451,492</b>	<b>(2.7)</b>	<b>\$ (6,301,110)</b>	<b>\$ (9,254,496)</b>	<b>31.9</b>

**SWIFT COUNTY  
BENSON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

**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 \$26,505,246. Revenues for the County's governmental funds were \$23,339,566, while total expenditures were \$24,190,494. During 2017, the County also sold capital assets, and issued bonds, 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 \$882,156 during 2017. This increase was majority due to increased property tax revenue received in the current year.

The Road and Bridge Fund had a total fund balance of \$6,490,275. This fund balance total is a \$639,920 increase from the prior year.

The Welfare Fund's fund balance increased by \$430,959, primarily due to a decrease program expenditures for 2017.

The Revolving Loan Fund's fund balance increased by \$49,281 due to receipt of loan repayments exceeding new loans issued in the current year.

The Solid Waste Fund's fund balance decreased by \$63,761, as a result of less County sale of recyclables due to prices being in a declining trend.

The Ditch Fund's fund balance decreased by \$297,338, due to ditch repairs exceeding special assessment revenue collected for the year.

The Debt Service Fund's fund balance increased by \$129,957 due to receipt of loan repayments from Federated Telephone for principal payments on the bond.

The Capital Projects Fund had a total fund balance of \$2,724,249. This is a new fund for 2017 and reflects the financial resources used for capital acquisition, construction, or improvement of capital facilities.

**GENERAL FUND**

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

**SWIFT COUNTY  
BENSON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

**GENERAL FUND (CONTINUED)**

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

**Table A-4  
General Fund Revenues**

	Year Ended		Change	
	December 31, 2017	December 31, 2016	Increase (Decrease)	Percent
Taxes	\$ 5,508,866	\$ 5,091,985	\$ 416,881	8.2 %
Licenses and Permits	4,370	4,330	40	0.9
Intergovernmental	1,095,782	841,576	254,206	30.2
Charges for Services	678,375	686,108	(7,733)	(1.1)
Investment Earnings	59,652	58,626	1,026	1.8
Miscellaneous and Other	458,307	514,097	(55,790)	(10.9)
Total General Fund Revenues	<u>\$ 7,805,352</u>	<u>\$ 7,196,722</u>	<u>\$ 608,630</u>	8.5

The following schedule presents a summary of General Fund Expenditures:

**Table A-5  
General Fund Expenditures**

	Year Ended		Change	
	December 31, 2017	December 31, 2016	Increase (Decrease)	Percent
General Government	\$ 3,591,507	\$ 3,538,100	\$ 53,407	1.5 %
Public Safety	2,750,296	2,854,099	(103,803)	(3.6)
Health	179,645	137,825	41,820	30.3
Culture and Recreation	69,459	92,135	(22,676)	(24.6)
Conservation of Natural Resources	348,690	354,111	(5,421)	(1.5)
Total Expenditures	<u>\$ 6,939,597</u>	<u>\$ 6,976,270</u>	<u>\$ (36,673)</u>	(0.5)

**General Fund Budgetary Highlights**

- Actual revenues were approximately \$682,000 more than expected, due to some grants received that were not budgeted for.
- The actual expenditures were approximately \$117,000 less than budget. This is due primarily to public safety expenditures that were budgeted for but not spent.

**SWIFT COUNTY  
BENSON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

By the end of 2017, the County had invested approximately \$93,000,000 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.4 to the financial statements.) Total depreciation expense for the year was \$2,086,948.

**Table A-6  
The County's Capital Assets**

	Governmental Activities		Percent Change
	2017	2016	
Land	\$ 2,199,886	\$ 2,199,886	-
Construction-in-Progress	2,101,752	-	100.0
Buildings	8,545,498	8,087,730	5.7
Machinery, Equipment, and Vehicles	7,995,266	7,793,320	2.6
Infrastructure	72,124,846	67,210,047	7.3
Less: Accumulated Depreciation	<u>(30,770,656)</u>	<u>(29,061,945)</u>	5.9
Total	<u>\$ 62,196,592</u>	<u>\$ 56,229,038</u>	10.6

**DEBT ADMINISTRATION**

At year-end, the County's outstanding debt was \$12,945,019, which had an increase of \$5,079,998 as shown in Table A-7. This increase is due to the issuance of G.O. Capital Improvement Plan Bonds in the current year. The hospital and HRA decreases in debt are a result of the repayment of long-term debt.

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

	2017	2016	Percent Change
<b>GOVERNMENTAL ACTIVITIES</b>			
General Obligation Abatement Bonds	\$ 7,780,000	\$ 7,780,000	-
General Obligation Capital Improvement Plan Bonds	5,105,000	-	100.0
Chippewa River Watershed Loans	60,019	85,021	(29.4)
Total	<u>\$ 12,945,019</u>	<u>\$ 7,865,021</u>	64.6
<b>DISCRETE COMPONENT UNITS</b>			
Swift County Housing and Redevelopment Authority	\$ 2,190,000	\$ 2,305,000	(5.0)
Swift County-Benson Hospital	9,599,065	10,102,815	(5.0)
Total	<u>\$ 11,789,065</u>	<u>\$ 12,407,815</u>	(5.0)

**SWIFT COUNTY  
BENSON, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2017**

**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, P.O. Box 207, 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, 2017**

	Primary Government	Discretely Presented Component Units	Total Reporting Entity
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 18,573,875	\$ 1,670,818	\$ 20,244,693
Petty Cash and Change Funds	1,675	-	1,675
Taxes Receivable - Delinquent	65,233	-	65,233
Special Assessments Receivable - Delinquent	24,325	-	24,325
Special Assessments Receivable - Noncurrent	310,764	-	310,764
Accounts Receivable - Net	240,365	2,345,317	2,585,682
Loans Receivable	8,112,056	-	8,112,056
Due from Component Unit	1,572,267	-	1,572,267
Accrued Interest Receivable	29,191	-	29,191
Due from Other Governments	3,094,206	-	3,094,206
Advances to Other Governments	8,000	-	8,000
Prepaid Items	105,584	300,950	406,534
Inventories	241,725	287,841	529,566
Restricted Assets:			
Cash and Investments	905,000	612,763	1,517,763
Internally Designated Cash and Investments	-	3,381,185	3,381,185
Investment in Joint Venture	-	236,112	236,112
Other Noncurrent Assets	-	2,931	2,931
Capital Assets - Nondepreciable:			
Land	2,199,886	599,394	2,799,280
Construction-in-Progress	2,101,752	1,467,628	3,569,380
Depreciable Capital Assets - Net of Depreciation:			
Buildings	4,913,121	10,923,399	15,836,520
Improvements Other than Buildings	-	35,828	35,828
Machinery, Vehicles, Furniture, and Equipment	2,503,226	468,104	2,971,330
Infrastructure	50,478,607	-	50,478,607
Total Assets	95,480,858	22,332,270	117,813,128
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension Related	2,773,159	2,052,196	4,825,355
Loss on Refunding	-	63,686	63,686
Total Deferred Outflows of Resources	2,773,159	2,115,882	4,889,041

See accompanying Notes to Financial Statements.

**SWIFT COUNTY  
BENSON, MINNESOTA  
STATEMENT OF NET POSITION (CONTINUED)  
DECEMBER 31, 2017**

	Primary Government	Discretely Presented Component Units	Total Reporting Entity
<b>LIABILITIES</b>			
Accounts Payable	\$ 519,812	\$ 1,338,210	\$ 1,858,022
Salaries Payable	394,517	-	394,517
Accrued Payroll Taxes	59,272	-	59,272
Due to Other Governments	41,212	-	41,212
Accrued Interest Payable	158,495	121,934	280,429
Unearned Revenue	64,725	-	64,725
Customer Deposits - Current	-	26,267	26,267
Custodial Deposits	600,000	-	600,000
Other Current Liabilities	-	688,153	688,153
Compensated Absences Payable - Due Within One Year	263,430	14,253	277,683
General Obligation Bonds Payable - Due Within One Year	305,000	525,000	830,000
Due to Primary Government - Due Within One Year	-	90,796	90,796
Loans Payable - Due Within One Year	25,504	-	25,504
Compensated Absences Payable - Due in More Than One Year	790,289	-	790,289
Due to Primary Government - Due in More Than One Year	-	1,481,471	1,481,471
General Obligation Bonds Payable - Due in More Than One Year	12,727,605	9,691,798	22,419,403
Loans Payable - Due in More Than One Year	34,515	-	34,515
Other Postemployment Benefits Payable - Due in More Than One Year	112,175	-	112,175
Net Pension Liability - Due in More Than One Year	6,155,110	5,579,559	11,734,669
Total Liabilities	22,820,061	19,557,441	42,377,502
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	2,342,681	1,321,132	3,663,813
Property Taxes Levied for Subsequent Year	131,942	-	131,942
Total Deferred Inflows of Resources	2,474,623	1,321,132	3,795,755
<b>NET POSITION</b>			
Net Investment in Capital Assets	59,725,856	1,768,974	61,494,830
Restricted for:			
Debt Service	156,176	-	156,176
Recorder Equipment	48,308	-	48,308
E-911 Program	330,676	-	330,676
Transportation	2,345,520	-	2,345,520
Economic Development Loans	1,093,616	-	1,093,616
Ditches	252,834	-	252,834
Hospice	-	655,830	655,830
Unrestricted	9,006,347	1,144,775	10,151,122
Total Net Position	\$ 72,959,333	\$ 3,569,579	\$ 76,528,912

See accompanying Notes to Financial Statements.

**SWIFT COUNTY  
BENSON, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2017**

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT</b>				
<b>GOVERNMENTAL ACTIVITIES</b>				
General Government	\$ 3,808,582	\$ 1,090,338	\$ 361,507	\$ -
Public Safety	3,153,088	119,723	157,879	-
Highways and Streets	4,297,044	139,345	1,813,153	4,788,067
Sanitation	1,113,281	943,942	68,711	-
Human Services	5,034,313	951,203	1,634,207	-
Health	179,645	-	-	-
Culture and Recreation	85,891	24,237	-	95,963
Conservation of Natural Resources	877,185	111,253	12,118	311,843
Interest	375,570	-	-	-
Total Governmental Activities	18,924,599	3,380,041	4,047,575	5,195,873
<b>DISCRETE COMPONENT UNITS</b>				
Swift County - Housing and Redevelopment Authority	913,509	365,326	516,894	-
Swift County-Benson Hospital	19,302,090	16,862,948	-	12,909
Total Discretely Presented Component Units	20,215,599	17,228,274	516,894	12,909
Total Reporting Entity	\$ 39,140,198	\$ 20,608,315	\$ 4,564,469	\$ 5,208,782

**GENERAL REVENUES**

Property Taxes  
Wheelage Tax  
Mortgage and Registry Deed Taxes  
Payments in Lieu of Tax  
Rent  
Insurance Dividends  
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  
Prior Period Adjustment - See Note 9  
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
\$ (2,356,737)	\$ -	\$ (2,356,737)
(2,875,486)	-	(2,875,486)
2,443,521	-	2,443,521
(100,628)	-	(100,628)
(2,448,903)	-	(2,448,903)
(179,645)	-	(179,645)
34,309	-	34,309
(441,971)	-	(441,971)
(375,570)	-	(375,570)
(6,301,110)	-	(6,301,110)
-	(31,289)	(31,289)
-	(2,426,233)	(2,426,233)
-	(2,457,522)	(2,457,522)
(6,301,110)	(2,457,522)	(8,758,632)
10,001,302	-	10,001,302
112,499	-	112,499
5,759	-	5,759
190,179	-	190,179
69,893	-	69,893
64,941	-	64,941
472,481	-	472,481
126,557	38,395	164,952
21,506	166,193	187,699
56,513	-	56,513
11,121,630	204,588	11,326,218
4,820,520	(2,252,934)	2,567,586
68,138,813	5,827,768	73,966,581
-	(5,255)	(5,255)
68,138,813	5,822,513	73,961,326
\$ 72,959,333	\$ 3,569,579	\$ 76,528,912

**SWIFT COUNTY  
BENSON, MINNESOTA  
BALANCE SHEET – GOVERNMENTAL FUNDS  
DECEMBER 31, 2017**

	General	Road and Bridge	Welfare
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 4,281,711	\$ 6,580,466	\$ 2,370,176
Petty Cash and Change Funds	1,600	-	25
Restricted Cash	-	-	-
Taxes Receivable - Delinquent	35,030	12,357	17,829
Special Assessments Receivable:			
Delinquent	1,280	-	-
Noncurrent	-	-	-
Accounts Receivable	31,732	4,915	93,631
Accrued Interest Receivable	14,295	8,647	6,249
Loans Receivable	-	-	38,958
Due from Component Unit	1,572,267	-	-
Due from Other Funds	40,811	-	-
Due from Other Governments	68,250	2,608,307	417,649
Advances to Other Governments	8,000	-	-
Prepaid Items	44,951	16,669	39,426
Inventories	-	241,725	-
Total Assets	\$ 6,099,927	\$ 9,473,086	\$ 2,983,943
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 105,591	\$ 25,343	\$ 139,707
Salaries Payable	179,159	64,915	126,700
Accrued Payroll Taxes	28,185	8,781	19,468
Contracts Payable	-	409,063	-
Due to Other Funds	-	-	3,438
Due to Other Governments	4,615	-	36,597
Custodial Deposits	-	-	-
Unearned Revenue	64,725	-	-
Total Liabilities	382,275	508,102	325,910
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Taxes	36,310	12,357	17,829
Unavailable Special Assessments	-	-	-
Unavailable Grants	-	2,438,144	89,345
Unavailable Loans Receivable	-	-	-
Property Taxes Levied for Subsequent Year	71,970	24,208	35,764
Total Deferred Inflows of Resources	108,280	2,474,709	142,938
<b>FUND BALANCES</b>			
Nonspendable:			
Prepays	44,951	16,669	39,426
Inventories	-	241,725	-
Advances to Other Governments	8,000	-	-
Loans Receivable	1,572,267	-	-
Restricted:			
Recorder Equipment	48,308	-	-
E-911	330,676	-	-
Future Loans	-	-	-
Debt Service	-	-	-
Capital Projects	-	-	-
Committed:			
Road and Bridge	-	6,231,881	-
Welfare Programs	-	-	2,475,669
Solid Waste	-	-	-
Unassigned	3,605,170	-	-
Total Fund Balances	5,609,372	6,490,275	2,515,095
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,099,927	\$ 9,473,086	\$ 2,983,943

See accompanying Notes to Financial Statements.

Revolving Loan	Solid Waste	Ditch	Debt Service	Capital Projects	Total Governmental Funds
\$ 598,690	\$ 597,669	\$ -	\$ 266,687	\$ 2,883,586	\$ 17,578,985
-	50	-	-	-	1,675
-	-	-	905,000	-	905,000
-	17	-	-	-	65,233
-	21,763	1,282	-	-	24,325
-	21,764	289,000	-	-	310,764
-	25,025	-	14,000	-	169,303
-	-	-	-	-	29,191
598,098	-	-	7,475,000	-	8,112,056
-	-	-	-	-	1,572,267
-	-	-	-	-	40,811
-	-	-	-	-	3,094,206
-	-	-	-	-	8,000
-	4,538	-	-	-	105,584
-	-	-	-	-	241,725
<u>\$ 1,196,788</u>	<u>\$ 670,826</u>	<u>\$ 290,282</u>	<u>\$ 8,660,687</u>	<u>\$ 2,883,586</u>	<u>\$ 32,259,125</u>
\$ -	\$ 38,155	\$ -	\$ 18,295	\$ -	\$ 327,091
-	23,743	-	-	-	394,517
-	2,838	-	-	-	59,272
-	-	-	-	159,337	568,400
-	-	37,373	-	-	40,811
-	-	-	-	-	41,212
-	-	-	600,000	-	600,000
-	-	-	-	-	64,725
-	64,736	37,373	618,295	159,337	2,096,028
-	-	-	-	-	66,496
-	43,544	290,282	-	-	333,826
-	-	-	-	-	2,527,489
598,098	-	-	-	-	598,098
-	-	-	-	-	131,942
598,098	43,544	290,282	-	-	3,657,851
-	4,538	-	-	-	105,584
-	-	-	-	-	241,725
-	-	-	-	-	8,000
-	-	-	-	-	1,572,267
-	-	-	-	-	48,308
-	-	-	-	-	330,676
598,690	-	-	-	-	598,690
-	-	-	8,042,392	-	8,042,392
-	-	-	-	2,724,249	2,724,249
-	-	-	-	-	6,231,881
-	-	-	-	-	2,475,669
-	558,008	-	-	-	558,008
-	-	(37,373)	-	-	3,567,797
<u>598,690</u>	<u>562,546</u>	<u>(37,373)</u>	<u>8,042,392</u>	<u>2,724,249</u>	<u>26,505,246</u>
<u>\$ 1,196,788</u>	<u>\$ 670,826</u>	<u>\$ 290,282</u>	<u>\$ 8,660,687</u>	<u>\$ 2,883,586</u>	<u>\$ 32,259,125</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, 2017**

**FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** **\$ 26,505,246**

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. 62,196,592

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	\$ (6,155,110)	
Deferred Inflows of Resources - Pension Related	(2,342,681)	
Deferred Outflows of Resources - Pension Related	<u>2,773,159</u>	(5,724,632)

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	66,496	
Special Assessments	333,826	
Loans Receivable	598,098	
Grant Related	<u>2,527,489</u>	3,525,909

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: 873,231

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

General Obligation Bonds	(12,885,000)	
Premium on General Obligation Bonds	(147,605)	
Loans Payable	(60,019)	
Compensated Absences	(1,053,719)	
Other Postemployment Benefits	(112,175)	
Accrued Interest Payable	<u>(158,495)</u>	<u>(14,417,013)</u>

**NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 72,959,333**

*See accompanying Notes to Financial Statements.*

**SWIFT COUNTY  
BENSON, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2017**

	General	Road and Bridge	Welfare
<b>REVENUES</b>			
Taxes	\$ 5,508,866	\$ 1,935,702	\$ 2,692,025
Special Assessments	-	-	-
Licenses and Permits	4,370	-	-
Intergovernmental	1,095,782	6,324,704	2,306,035
Charges for Services	678,375	105,289	363,266
Gifts and Contributions	11,514	-	-
Interest on Investments	59,652	29,944	15,050
Miscellaneous	446,793	34,150	36,731
Total Revenues	<u>7,805,352</u>	<u>8,429,789</u>	<u>5,413,107</u>
<b>EXPENDITURES</b>			
<b>CURRENT</b>			
General Government	3,591,507	-	-
Public Safety	2,750,296	-	-
Highways and Streets	-	7,878,035	-
Sanitation	-	-	-
Human Services	-	-	4,983,461
Health	179,645	-	-
Culture and Recreation	69,459	-	-
Conservation of Natural Resources	348,690	-	-
<b>DEBT SERVICE</b>			
Principal	-	-	-
Interest	-	-	-
Administrative (Fiscal) Charges	-	-	-
Total Expenditures	<u>6,939,597</u>	<u>7,878,035</u>	<u>4,983,461</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	865,755	551,754	429,646
<b>OTHER FINANCING SOURCES</b>			
Bond Proceeds	-	-	-
Premium on Bonds Issued	-	-	-
Proceeds from Sale of Assets	16,401	45,000	1,313
Total Other Financing Sources	<u>16,401</u>	<u>45,000</u>	<u>1,313</u>
<b>NET CHANGE IN FUND BALANCES</b>	882,156	596,754	430,959
Fund Balance - Beginning of Year	4,727,216	5,850,355	2,084,136
<b>INCREASE IN INVENTORIES</b>	-	43,166	-
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 5,609,372</u>	<u>\$ 6,490,275</u>	<u>\$ 2,515,095</u>

See accompanying Notes to Financial Statements.

Revolving Loan	Solid Waste	Ditch	Debt Service	Capital Projects	Total Governmental Funds
\$ -	\$ 16	\$ -	\$ -	\$ -	\$ 10,136,609
-	299,319	224,755	-	-	524,074
-	-	-	-	-	4,370
-	68,711	-	-	-	9,795,232
-	566,917	-	-	-	1,713,847
-	-	-	-	-	11,514
15,650	-	-	21,911	-	142,207
33,631	92,827	973	366,608	-	1,011,713
<u>49,281</u>	<u>1,027,790</u>	<u>225,728</u>	<u>388,519</u>	-	<u>23,339,566</u>
-	-	-	-	2,427,706	6,019,213
-	-	-	-	-	2,750,296
-	-	-	-	-	7,878,035
-	1,064,973	-	-	-	1,064,973
-	-	-	-	-	4,983,461
-	-	-	-	-	179,645
-	-	-	-	-	69,459
-	-	523,066	-	-	871,756
-	25,002	-	-	-	25,002
-	1,576	-	-	-	1,576
-	-	-	258,562	88,516	347,078
<u>-</u>	<u>1,091,551</u>	<u>523,066</u>	<u>258,562</u>	<u>2,516,222</u>	<u>24,190,494</u>
49,281	(63,761)	(297,338)	129,957	(2,516,222)	(850,928)
-	-	-	-	5,105,000	5,105,000
-	-	-	-	135,471	135,471
-	-	-	-	-	62,714
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,240,471</u>	<u>5,303,185</u>
49,281	(63,761)	(297,338)	129,957	2,724,249	4,452,257
549,409	626,307	259,965	7,912,435	-	22,009,823
-	-	-	-	-	43,166
<u>\$ 598,690</u>	<u>\$ 562,546</u>	<u>\$ (37,373)</u>	<u>\$ 8,042,392</u>	<u>\$ 2,724,249</u>	<u>\$ 26,505,246</u>

**SWIFT COUNTY  
BENSON, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO  
THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
GOVERNMENTAL ACTIVITIES  
YEAR ENDED DECEMBER 31, 2017**

**CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 4,452,257

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. 342,212

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	\$ 8,060,703	
Net Book Value of Assets Disposed of	(6,201)	
Current Year Depreciation	<u>(2,086,948)</u>	5,967,554

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. (590,045)

Bond proceeds provide current financial resources to government funds, but issuing debt increases long-term liabilities in the statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of Net Position.

Debt Proceeds	(5,105,000)	
Issuance Premium	<u>(135,471)</u>	(5,240,471)

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		25,002
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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. (30,209)

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	(30,930)	
Amortization of Discounts and Premiums	4,014	
Change in Compensated Absences	(95,110)	
Change in Other Postemployment Benefits	(26,920)	
Change in Inventories	<u>43,166</u>	<u>(105,780)</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 4,820,520

See accompanying Notes to Financial Statements.

**SWIFT COUNTY  
 BENSON, MINNESOTA  
 STATEMENT OF NET POSITION  
 INTERNAL SERVICE FUND  
 DECEMBER 31, 2017**

	<u>Self-Insurance</u>
<b>ASSETS</b>	
Cash and Pooled Investments	\$ 994,890
Accounts Receivable	68,316
Accrued Interest Receivable	<u>2,746</u>
Total Assets	1,065,952
<b>LIABILITIES</b>	
Accounts Payable	<u>192,721</u>
<b>NET POSITION</b>	
Unrestricted	<u><u>\$ 873,231</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, 2017**

	<u>Self-Insurance</u>
<b>OPERATING REVENUES</b>	
Premiums	\$ 1,424,957
<b>OPERATING EXPENSES</b>	
Administrative and Fiscal Services	457,614
Other Services and Charges	<u>1,004,662</u>
Total Operating Expenses	<u>1,462,276</u>
<b>OPERATING LOSS</b>	(37,319)
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	<u>7,110</u>
<b>CHANGE IN NET POSITION</b>	(30,209)
Net Position - Beginning of Year	<u>903,440</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 873,231</u></u>

*See accompanying Notes to Financial Statements.*

**SWIFT COUNTY  
BENSON, MINNESOTA  
STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUND  
YEAR ENDED DECEMBER 31, 2017**

	<u>Self-Insurance</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Internal Services Provided	\$ 1,423,795
Payments to Suppliers	(474,934)
Payments for Claims	<u>(1,004,662)</u>
Net Cash Used by Operating Activities	(55,801)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Earning Received	<u>5,861</u>
Net Decrease in Cash and Cash Equivalents	(49,940)
Cash and Cash Equivalents - Beginning of Year	<u>1,044,830</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 994,890</u></u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (37,319)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Increase in Accounts Receivable	(1,162)
Decrease in Accounts Payable	<u>(17,320)</u>
Net Cash Used by Operating Activities	<u><u>\$ (55,801)</u></u>

See accompanying Notes to Financial Statements.

**SWIFT COUNTY  
BENSON, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
DECEMBER 31, 2017**

**ASSETS**

Cash and Pooled Investments	<u>\$ 639,927</u>
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**LIABILITIES**

Funds Held in Trust	\$ 11,694
Due to Other Governments	<u>628,233</u>
Total Liabilities	<u>\$ 639,927</u>

*See accompanying Notes to Financial Statements.*

**SWIFT COUNTY  
BENSON, MINNESOTA  
STATEMENT OF NET POSITION  
DISCRETELY PRESENTED COMPONENT UNITS  
DECEMBER 31, 2017**

	Swift County Housing and Redevelopment Authority	Swift County-Benson Hospital	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	\$ 749,851	\$ 920,967	\$ 1,670,818
Accounts Receivable - Net	3,680	2,341,637	2,345,317
Prepaid Items	26,294	274,656	300,950
Inventories	-	287,841	287,841
Total Current Assets	<u>779,825</u>	<u>3,825,101</u>	<u>4,604,926</u>
<b>RESTRICTED ASSETS</b>			
Cash and Investments	5,303	607,460	612,763
<b>NONCURRENT ASSETS</b>			
Internally Designated Cash and Investments	-	3,381,185	3,381,185
Investment in Joint Venture	-	236,112	236,112
Capital Assets:			
Land	25,000	574,394	599,394
Construction-in-Progress	-	1,467,628	1,467,628
Buildings	2,152,426	8,770,973	10,923,399
Machinery, Vehicles, Furniture, and Equipment	10,232	457,872	468,104
Land Improvements	-	35,828	35,828
Other Noncurrent Assets	-	2,931	2,931
Total Noncurrent Assets	<u>2,187,658</u>	<u>14,926,923</u>	<u>17,114,581</u>
Total Assets	<u>2,972,786</u>	<u>19,359,484</u>	<u>22,332,270</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Loss on Refunding	-	63,686	63,686
Pension Related	-	2,052,196	2,052,196
Total Deferred Outflows of Resources	<u>-</u>	<u>2,115,882</u>	<u>2,115,882</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payable	2,343	1,335,867	1,338,210
Accrued Expenses	-	688,153	688,153
Accrued Interest	-	121,934	121,934
Compensated Absences Payable - Current	14,253	-	14,253
Revenue Bonds Payable - Current	115,000	410,000	525,000
Due to Primary Government - Current	-	90,796	90,796
Customer Deposits	26,267	-	26,267
Total Current Liabilities	<u>157,863</u>	<u>2,646,750</u>	<u>2,804,613</u>
<b>NONCURRENT LIABILITIES</b>			
Net Pension Liability	-	5,579,559	5,579,559
Revenue Bonds Payable - Long-Term	2,075,000	7,616,798	9,691,798
Due to Primary Government - Long-Term	-	1,481,471	1,481,471
Total Noncurrent Liabilities	<u>2,075,000</u>	<u>14,677,828</u>	<u>16,752,828</u>
Total Liabilities	<u>2,232,863</u>	<u>17,324,578</u>	<u>19,557,441</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension Related	-	1,321,132	1,321,132
<b>NET POSITION</b>			
Net Investment in Capital Assets	(2,342)	1,771,316	1,768,974
Restricted	5,303	650,527	655,830
Unrestricted	736,962	407,813	1,144,775
Total Net Position	<u>\$ 739,923</u>	<u>\$ 2,829,656</u>	<u>\$ 3,569,579</u>

See accompanying Notes to Financial Statements.

**SWIFT COUNTY  
BENSON, MINNESOTA  
STATEMENT OF ACTIVITIES  
DISCRETELY PRESENTED COMPONENT UNITS  
YEAR ENDED DECEMBER 31, 2017**

	Expenses	Program Revenues		
		Fees, Charges Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
<b>COMPONENT UNITS</b>				
Housing and Redevelopment Authority	\$ 913,509	\$ 365,326	\$ 516,894	\$ -
Swift County-Benson Hospital	19,302,090	16,862,948	-	12,909
Total Component Units	<u>\$ 20,215,599</u>	<u>\$ 17,228,274</u>	<u>\$ 516,894</u>	<u>\$ 12,909</u>

**GENERAL REVENUES**

Investment Earnings  
Miscellaneous

Total General Revenues

**CHANGE IN NET POSITION**

Net Position - Beginning of Year

Prior Period Adjustment - See Note 9

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
\$ (31,289)	\$ -	\$ (31,289)
-	(2,426,233)	(2,426,233)
(31,289)	(2,426,233)	(2,457,522)
2,582	35,813	38,395
-	166,193	166,193
2,582	202,006	204,588
(28,707)	(2,224,227)	(2,252,934)
773,885	5,053,883	5,827,768
(5,255)	-	(5,255)
768,630	5,053,883	5,822,513
<u>\$ 739,923</u>	<u>\$ 2,829,656</u>	<u>\$ 3,569,579</u>

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**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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, 2017. 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, 2017**

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

**A. Financial Reporting Entity (Continued)**

**Discretely Presented Component Units (Continued)**

Swift County Housing and Redevelopment Authority (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 9 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 9 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, 2017**

**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

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.

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

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.

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, 2017**

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

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

2. Fund Financial Statements (Continued)

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.

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.

Debt Service Fund – is used to account for the payment of principal and interest payments on long-term debt, which are financed by a loan receivable with Federated Telephone Cooperative with payment terms to match the debt service requirements.

Capital Projects Fund – is used to account for financial resources to be used for capital acquisition, construction, or improvement of capital facilities. Financing is provided by bonds issued by the County, state aid, and levy dollars.

The County reports the following internal service fund:

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. The County's self-insurance program started in January 2014.

Additionally, the County reports the following fiduciary fund type:

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

**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.

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

**C. Measurement Focus and Basis of Accounting (Continued)**

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

**D. Assets, 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.

For the purpose of the statement of cash flows, all highly liquid investments with a maturity date of three months or less when purchased are considered to be cash equivalents.

The County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minnesota Statutes §471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission. The investment in the pool is measured at the amortized cost per share provided by the pool, which would closely approximate fair value. More information including the most recent audited financial statement is available on their website [www.magicfund.org](http://www.magicfund.org).

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, 2017, 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.

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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)**

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 (with agriculture paying the second half payment due November 15).

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

4. Loans Receivable

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

The Debt Service Fund presents loans receivable for the amount Federated Telephone Cooperative owes the County related to the issuance and repayment of the 2016A tax abatement bond and 2017A capital improvement bond. Principal payments received by the County are recorded as a reduction to the loan receivable balance, whereas interest payments received by the County on these loans are recognized, at the fund level, in the period in which they are collected.

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. Restricted Assets

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

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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. 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

8. Compensated Absences

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

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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)**

9. 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 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.

10. Deferred Inflows of Resources

The County's 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 three types of items which are reported as deferred inflows of resources. 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 as described in Note 4 to the financial statements. The final type occurs because the County collected property taxes prior to the year where levied for and, therefore, the County will report deferred inflows for these items.

11. 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.

12. 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.

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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)**

12. Long-Term Obligations (Continued)

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.

13. 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 has delegated authority to assign fund balances and their intended uses to the County Auditor. 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.

14. 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.

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**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, 2017:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Solid Waste	\$ 1,091,551	\$ 977,930	\$ 113,621

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. 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.

Governmental Activities:	
Cash and Pooled Investments	\$ 18,573,875
Petty Cash and Change Funds	1,675
Restricted Cash and Investments	905,000
Agency Funds	<u>639,927</u>
Total Cash and Investments	<u><u>\$ 20,120,477</u></u>

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

**A. Assets (Continued)**

1. Deposits and Investments (Continued)

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

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.

The County's deposits in banks at December 31, 2017 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% of the amount in excess of the federal depository insurance, as required by Minnesota Statutes.

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

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

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

**A. Assets (Continued)**

1. Deposits and Investments (Continued)

- (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, 2017, the County had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>6-10 Years</u>
U.S. Government Securities Mutual Fund	\$ 421,935	\$ 421,935	\$ -	\$ -
Government Securities Money Market Fund	1,867,245	1,867,245	-	-
Negotiable Certificates of Deposit	7,668,143	6,471,478	1,196,665	-
MAGIC External Investment Pool	8,145,497	8,145,497	-	-
Total	<u>\$ 18,102,820</u>	<u>\$ 16,906,155</u>	<u>\$ 1,196,665</u>	<u>\$ -</u>

Interest Rate Risk

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

Credit Risk

Minnesota Statutes restrict the types of investments that the County may invest in. The County's investment policy does not further limit its investment choices. As of December 31, 2017, the County's U.S. government securities mutual funds through Franklin Templeton Investments were rated AAA, through inquiry of customer service representatives. The government securities 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, 2017, the County had 10.3% of total investments in the Wells Fargo government securities money market fund.

Custodial Credit Risk – Investments

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

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

**A. Assets (Continued)**

1. Deposits and Investments (Continued)

Fair Value Measurement

The County uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures.

The County follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the County has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

- *Level 1* – Financial assets are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.
- *Level 2* – Financial assets are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.
- *Level 3* – Financial assets are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

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

**A. Assets (Continued)**

1. Deposits and Investments (Continued)

Fair Value Measurement (Continued)

Investments are measured as follows:

	Level 1	Level 2	Level 3	Total
<b>Investments by Fair Value Level</b>				
Negotiable Certificates of Deposit	\$ -	\$ 7,668,143	\$ -	\$ 7,668,143
Government Securities Money Market Fund	1,867,245	-	-	1,867,245
U.S. Government Securities Mutual Fund	421,935	-	-	421,935
<b>Investments Measured at Amortized Costs</b>				
External Investment Pool - MAGIC				8,145,497
Total Investments				18,102,820
Deposits and Cash on Hand				2,017,657
Total				\$ 20,120,477

MAGIC is a local government investment pool. The County invests in this pool for the purpose of joint investments of the County's money with those of other counties to enhance the investment earnings accruing to each member. The MAGIC fund currently consists of MAGIC Portfolio and the MAGIC Term Series.

The MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a portfolio's securities or determination of its net asset value not reasonably practical.

Shares of MAGIC Term Series are valued at a net asset value (NAV). Shares are purchased to mature upon pre-determined maturity dates selected by the County at the time of purchase. Should the County need to redeem shares in a MAGIC Term Series prematurely they must provide notice at least seven days prior to the premature redemption date. The value of premature redemption is equal to the original price for such share, plus dividends thereon at the projected yield less such share's allocation of any losses incurred by the series, less a premature redemption penalty, if any.

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

2. Loans Receivable

During 2016, the County issued the 2016A General Obligation Tax Abatement Bonds to provide funds to Federated Telephone Cooperative for financing of a county-wide broadband project. The County reports a loans receivable in the amount of the principal of the 2016A bonds as Federated Telephone Cooperative will repay the loan to the County in an amount sufficient to pay, in full and when due, all the bond payments. In addition, Federated Telephone Cooperative deposited \$600,000 with the County as a custodial deposit to be held through the life of the bond payments. The County reports this as restricted cash and custodial deposits on the financial statements.

3. Receivables

Receivables at December 31, 2017, for the County, including any applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection in Subsequent Year
Taxes	\$ 65,233	\$ -
Special Assessments	335,089	-
Accounts	240,365	-
Loans	8,112,056	8,091,534
Due from Component Unit	1,572,267	1,481,471
Interest	29,191	-
Due from Other Governments	3,094,206	-
Total	<u>\$ 13,448,407</u>	<u>\$ 9,573,005</u>

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**A. Assets (Continued)**

**4. Capital Assets**

Capital asset activity for the year ended December 31, 2017 was as follows:

Government-Type Activities – Primary Government

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets, Not Being Depreciated:				
Land and Right-of-Way	\$ 2,199,886	\$ -	\$ -	\$ 2,199,886
Construction-in-Progress	-	6,990,644	4,888,892	2,101,752
Total Capital Assets, Not Being Depreciated:	2,199,886	6,990,644	4,888,892	4,301,638
Capital Assets, Being Depreciated:				
Buildings	8,087,730	457,768	-	8,545,498
Machinery, Furniture, and Equipment	7,793,320	586,384	384,438	7,995,266
Infrastructure	67,210,047	4,914,799	-	72,124,846
Total Capital Assets, Being Depreciated	83,091,097	5,958,951	384,438	88,665,610
Less Accumulated Depreciation for:				
Buildings	3,548,411	83,966	-	3,632,377
Machinery, Furniture, and Equipment	5,154,441	715,836	378,237	5,492,040
Infrastructure	20,359,093	1,287,146	-	21,646,239
Total Accumulated Depreciation	29,061,945	2,086,948	378,237	30,770,656
Total Capital Assets, Being Depreciated, Net	54,029,152	3,872,003	6,201	57,894,954
Governmental Activities Capital Assets, Net	<u>\$ 56,229,038</u>	<u>\$ 10,862,647</u>	<u>\$ 4,895,093</u>	<u>\$ 62,196,592</u>

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

Government-Type Activities

General Government	\$ 59,868
Public Safety	112,357
Highways and Streets, Including Depreciation of Infrastructure Assets	1,799,511
Human Services	38,079
Sanitation	59,715
Conservation of Natural Resources	1,360
Culture and Recreation	16,058
Total Depreciation Expense - Governmental Activities	<u>\$ 2,086,948</u>

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**B. Interfund Receivables and Payables**

The composition of Due to/from Other Funds balances as of December 31, 2017 is as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Welfare Fund	\$ 3,438	Reimbursement for Services
	Ditch Fund	37,373	Ditch Expense Reimbursement and to Cover Negative Cash
	Total	<u>\$ 40,811</u>	

The Due from Component Unit/Due to Primary Government as of December 31, 2017 is between Swift County and the Swift County Benson Hospital is \$1,572,267. The County Board approved a twenty-year loan for \$2,000,000 with a 2% interest rate with repayment to begin in January 2013. Principal repayments in 2017 were \$90,796. The amount due in more than one year is \$1,481,471.

**C. Liabilities**

1. Long-Term Debt

Governmental Activities

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issued Amount	Outstanding Balance December 31, 2017
General Obligation Bonds:					
2016A Abatement Bonds	2037	\$305,000 \$510,000	2.00-3.45	\$ 7,780,000	\$ 7,780,000
General Obligation Bonds:					
2017A Capital Improvement Bonds	2038	\$125,000 \$340,000	3.00-3.25	5,105,000	5,105,000
Loans Payable					
Chippewa River Watershed: Continuation Clean Water Project	2021	\$16,259 - \$31,886	2.00	<u>304,374</u>	<u>60,020</u>
Total Indebtedness				<u>\$ 13,189,374</u>	<u>\$ 12,945,020</u>

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

**C. Liabilities (Continued)**

**2. Debt Service Requirements**

Debt service requirements at December 31, 2017 were as follows:

Year Ending December 31	2016A General Obligation Abatement Bonds		2017A General Obligation Capital Improvement Plan Bonds		Loans Payable		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2018	\$ 305,000	\$ 216,915	\$ -	\$ 148,402	\$ 25,504	\$ 1,074	\$ 330,504
2019	310,000	210,765	125,000	152,531	18,257	561	453,257	363,857
2020	320,000	204,465	200,000	147,656	10,786	272	530,786	352,393
2021	325,000	198,015	205,000	141,581	5,473	55	535,473	339,651
2022	330,000	191,465	210,000	135,356	-	-	540,000	326,821
2023-2027	1,775,000	835,499	1,150,000	576,881	-	-	2,925,000	1,412,380
2028-2032	2,035,000	562,509	1,330,000	391,031	-	-	3,365,000	953,540
2033-2037	2,380,000	207,270	1,545,000	175,651	-	-	3,925,000	382,921
2038	-	-	340,000	5,528	-	-	340,000	5,528
Total	\$ 7,780,000	\$ 2,626,903	\$ 5,105,000	\$ 1,874,617	\$ 60,020	\$ 1,962	\$ 12,945,020	\$ 4,503,482

**3. Changes in Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2017 was as follows:

**Governmental Activities**

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2016A General Obligation					
Abatement Bonds	\$ 7,780,000	\$ -	\$ -	\$ 7,780,000	\$ 305,000
Premium	16,148	-	788	15,360	-
Total 2016A General Obligation Abatement Bonds	7,796,148	-	788	7,795,360	305,000
2017A General Obligation					
Capital Improvement Bonds	-	5,105,000	-	5,105,000	-
Premium	-	135,471	3,226	132,245	-
Total 2017A General Obligation Capital Improvement Bonds	-	5,240,471	3,226	5,237,245	-
Subtotal Bonds Payable	7,796,148	5,240,471	4,014	13,032,605	305,000
Loans Payable	85,021	-	25,002	60,019	25,504
Compensated Absences	958,609	620,654	525,544	1,053,719	263,430
Other Postemployment Benefits	85,255	30,857	3,937	112,175	-
Governmental Activity Long-Term Liabilities	\$ 8,925,033	\$ 5,891,982	\$ 558,497	\$ 14,258,518	\$ 593,934

The loans payable are liquidated by the Solid Waste Fund and compensated absences are liquidated by the General Fund, Road and Bridge Fund, and Welfare Fund. The other postemployment benefits are liquidated by the General Fund.

**SWIFT COUNTY  
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**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 Plan** (General Employees Plan (accounted for in the General Employees Fund))  
All full-time and certain part-time employees of the County are covered by the General Employees Plan. General Employees Plan members, except those covered by the Police and Fire Plan or Correctional Plan, 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 Plan** (Police and Fire Plan (accounted for in the Police and Fire Fund))  
The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief associate, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.
3. **Local Government Correction Plan** (Correctional Plan (accounted for in the Correctional Fund))  
The Correctional Plan 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 be modified only 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 1.0% increases.

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

**SWIFT COUNTY  
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**NOTE 4 PENSION PLANS (CONTINUED)**

**B. Benefits Provided (Continued)**

**1. General Employees Plan Benefits**

General Employees Plan 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 received 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 of service 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.

**2. Police and Fire Plan Benefits**

Benefits for Police and Fire Plan 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 Police and Fire Plan 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 3.0% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989 a full annuity is available when age plus years of service equal is at least 90.

**3. Correctional Plan Benefits**

Benefits for Correction Plan 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 Correctional Plan members who were first hired prior to July 1, 1989 a full annuity is available when age plus years of service equals at least 90.

**C. Contributions**

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

**SWIFT COUNTY  
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**NOTE 4 PENSION PLANS (CONTINUED)**

**C. Contributions (Continued)**

**1. General Employees Plan Contributions**

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in calendar year 2017. The County and 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 2017. The County and Swift County-Benson Hospital's contributions to the General Employees Fund for the year ended December 31, 2017 were \$371,985 and \$468,622, respectively. The County and Swift County-Benson Hospital's contributions were equal to the required contributions as set by state statute.

**2. Police and Fire Plan Contributions**

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2017. The County was required to contribute 16.20% of pay for members in calendar year 2017. The County's contributions to the Police and Fire Fund for the year ended December 31, 2017 were \$95,008. The County's contributions were equal to the required contributions as set by state statute.

**3. Correctional Plan Contributions**

In calendar year 2017 plan members were required to contribute 5.83% of their annual covered salary. The County was required to contribute 8.75% of pay for plan members in calendar year 2017. The County's contributions to the Correction Fund for the year ended December 31, 2017 were \$43,549. The County's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

**1. General Employees Fund Pension Costs**

At December 31, 2017, the County reported a liability of \$4,673,040 for its proportionate share of the General Employees Retirement Plan's net pension liability. The County's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$6 million to the fund in 2017. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the County totaled \$58,782. The net pension liability was measured as of June 30, 2017 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, 2016 through June 30, 2017 relative to the total employer contributions received from all PERA's participating employers. At June 30, 2017, the County's proportionate share was 0.0732% which was an increase of 0.0021% from its proportion measured as of June 30, 2016.

**SWIFT COUNTY  
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**NOTE 4 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**1. General Employees Fund Pension Costs (Continued)**

For the year ended December 31, 2017, the County recognized pension expense of \$671,414 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional \$1,698 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2017, the Swift County-Benson Hospital reported a liability of \$5,579,559 for its proportionate share of the General Employees Retirement Plan's net pension liability. The Swift County-Benson Hospital's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$6 million to the fund in 2017. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the Swift County-Benson Hospital totaled \$70,194. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Swift County-Benson Hospital's proportion of the net pension liability was based on the Swift County-Benson Hospital's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all PERA's participating employers. At June 30, 2017, the Swift County-Benson Hospital's proportionate share was 0.0874% which was an increase of 0.0134% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Swift County-Benson Hospital recognized pension expense of \$321,476 for its proportionate share of the General Employees Plan's pension expense. In addition, the Swift County-Benson Hospital recognized an additional \$2,027 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$6 million to the General Employees Fund.

**SWIFT COUNTY  
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**NOTE 4 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**1. General Employees Fund Pension Costs (Continued)**

At December 31, 2017, the proportionate share of General Employees Retirement Plan'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	\$ 154,010	\$ 300,628	\$ -	\$ 372,094
Changes in Actuarial Assumptions	775,826	468,473	784,304	559,351
Difference Between Projected and Actual Earnings on Pension Plan Investments	30,182	-	183,885	302,783
Changes in Proportion	126,108	78,683	849,696	86,904
County Contributions Paid to PERA Subsequent to the Measurement Date	191,210	-	234,311	-
Total	<u>\$ 1,277,336</u>	<u>\$ 847,784</u>	<u>\$ 2,052,196</u>	<u>\$ 1,321,132</u>

\$425,521 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 ending December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>County Pension Expense Amount</u>	<u>Hospital Pension Expense Amount</u>
2017	\$ 176,553	\$ 101,081
2018	318,990	505,473
2019	(58,841)	127,042
2020	(198,360)	(236,843)

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**NOTE 4 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**2. Police and Fire Fund Pension Costs**

At December 31, 2017, the County reported a liability of \$769,568 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.057% which was a decrease of 0.002% from its proportion measured as of June 30, 2016. The County also recognized \$5,310 for the year ended December 31, 2017 as revenue and an offsetting reduction to net pension liability for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2017, the County recognized pension expense of \$175,916 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2017, the County reported its proportionate share of the Public Employees Police and Fire Plan'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	\$ 17,714	\$ 205,735
Changes in Actuarial Assumptions	1,007,133	1,092,595
Difference Between Projected and Actual Earnings on Pension Plan Investments	10,569	-
Changes in Proportion	-	56,625
County Contributions Paid to PERA Subsequent to the Measurement Date	49,942	-
Total	<u>\$ 1,085,358</u>	<u>\$ 1,354,955</u>

**SWIFT COUNTY  
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**NOTE 4 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**2. Police and Fire Fund Pension Costs (Continued)**

\$49,942 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense Amount</u>
2017	\$ (1,182)
2018	(1,182)
2019	(29,392)
2020	(67,301)
2021	(220,482)

**3. Correctional Plan Pension Costs**

At December 31, 2017, the County reported a liability of \$712,502 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.25% which did not change from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the County recognized pension expense of \$269,823 for its proportionate share of the Correctional Plan's pension expense.

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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4 PENSION PLANS (CONTINUED)**

**D. Pension Costs (Continued)**

**3. Correctional Plan Pension Costs (Continued)**

At December 31, 2017, the County reported its proportionate share of the Public Employees Correctional Plan'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	\$ 477	\$ 11,525
Changes in Actuarial Assumptions	387,915	124,026
Difference Between Projected and Actual Earnings on Pension Plan Investments	-	4,391
County Contributions Paid to PERA Subsequent to the Measurement Date	22,073	-
Total	<u>\$ 410,465</u>	<u>\$ 139,942</u>

\$22,073 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	Pension Expense Amount
2017	\$ 153,557
2018	158,489
2019	(43,761)
2020	(19,835)

The total pension expense for all plans recognized by the County for the year ended December 31, 2017 was \$1,117,153.

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2017 actuarial valuation was determined using the individual entry-age normal actuarial cost-method and the following actuarial assumptions:

Inflation	2.50% per Year
Salary Increases	3.25% per Year
Investment Rate of Return	7.50%

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**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-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1.0% per year for General Employees Plan through 2044 and Police and Fire Plan through 2064 and then 2.5% thereafter for both plans, and 2.5% for all years for the Correctional Plan.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The most recent five-year experience study for Police and Fire Plan was completed in 2016. Experience studies have not been prepared for the Correctional Plan, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loans are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Police and Fire Fund

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested deferred members. The CSA has been changed to 33% for vested members and 2% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

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**NOTE 4 PENSION PLANS (CONTINUED)**

**E. Actuarial Assumptions (Continued)**

Police and Fire Fund (Continued)

- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to assumptions that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.0% for all years to 1.0% per year through 2064 and 2.5% thereafter.

Correctional Fund

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to health and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to MP-2016).
- The Combined Service Annuity (CSA) loads was 30% for vested and nonvested, deferred members. The CSA has been changed to 35% for vested members and 1.0% for nonvested members.
- The Single Discount Rate was changed from 5.31% per annum to 5.96% per annum.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	39 %	5.10 %
International Equity	19	5.30
Bonds	20	0.75
Alternative Assets	20	5.90
Cash	2	-
Totals	<u>100 %</u>	

**SWIFT COUNTY  
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**NOTE 4 PENSION PLANS (CONTINUED)**

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. 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.

In the Correctional Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2061. Beginning in fiscal year ending June 30, 2062, when projected benefit payments exceed the fund's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 3.56% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.96% for the Correctional Fund was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 3.56% after.

**G. Pension Liability Sensitivity**

The following presents the County and Swift County-Benson Hospital'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 and Swift County-Benson Hospital'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 (6.50%)	Current Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
County's Proportionate Share of the General Employees Retirement Plan Net Pension Liability	\$ 7,248,232	\$ 4,673,040	\$ 2,564,777
Hospital's Proportionate Share of the General Employees Retirement Plan Net Pension Liability	8,654,310	5,579,559	3,062,316

**SWIFT COUNTY  
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**NOTE 4 PENSION PLANS (CONTINUED)**

**G. Pension Liability Sensitivity (Continued)**

Description	1% Decrease In Discount Rate (6.50%)	Current Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
County's Proportionate Share of the Public Employees Police and Fire Plan Net Pension Liability	\$ 1,449,321	\$ 769,568	\$ 208,394

Description	1% Decrease In Discount Rate (4.96%)	Current Discount Rate (5.96%)	1% Increase in Discount Rate (6.96%)
County's Proportionate Share of the Public Employees Correctional Plan Net Pension Liability	\$ 1,174,115	\$ 712,502	\$ 352,208

**H. Pension Plan Fiduciary Net Position**

Detailed information about General Employees Retirement Plan'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](http://www.mnpera.org).

**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. 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.

**SWIFT COUNTY  
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**NOTE 5 DEFINED CONTRIBUTION PLAN (CONTINUED)**

Total contributions made by the County during fiscal year 2017 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 10,276	\$ 10,276	5%	5%	5%

**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, 2017, 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 2017, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC)	\$ 32,429
Interest on Net OPEB Obligation	2,984
Adjustment to ARC	(4,556)
Annual OPEB Cost	30,857
Contributions During the Year	(3,937)
Increase in Net OPEB Obligation	26,920
Net OPEB - Beginning of Year	85,255
Net OPEB - End of Year	\$ 112,175

**SWIFT COUNTY  
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NOTES TO FINANCIAL STATEMENTS  
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**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 2017, 2016, and 2015 were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2017	\$ 30,857	\$ 3,937	12.8 %	\$ 112,175
December 31, 2016	38,814	14,420	37.2	85,255
December 31, 2015	40,042	15,474	38.6	60,861

**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.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded Actuarial Accrued Liability (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
1/1/2017	\$ -	\$ 215,566	\$ 215,566	-	\$ 6,149,773	3.5 %

**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, 2017 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.50% 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%. The annual healthcare cost trend rate is 7.50% initially, reduced incrementally to an ultimate rate of 5.00% after ten years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open thirty-year period.

**SWIFT COUNTY  
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**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 \$500,000 per claim in 2017. 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.

On October 15, 2013, the County entered into a joint powers agreement with three counties (Lyon, Murray, and Redwood) and Southwest Health and Human Services to form the Minnesota Public Section Collaborative 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 (\$1,093,605 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 payouts), and other economic and social factors.

**SWIFT COUNTY  
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**NOTE 7 RISK MANAGEMENT (CONTINUED)**

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

	Year Ended December 31,	
	2017	2016
Unpaid Claims, Beginning of Year	\$ 210,041	\$ 127,317
Incurred Claims (including IBNR)	862,937	954,397
Claims Payments	(880,257)	(871,673)
Unpaid Claims, End of Year	<u>\$ 192,721</u>	<u>\$ 210,041</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 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, 2017.

Basis of Accounting

The HRA component unit is accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. The accounts are organized as a proprietary fund. Revenues are recorded when earned, and expenses are recorded when incurred.

Deposits

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

Following is a summary of deposits covered by insurance or collateral at June 30, 2017:

	<u>Bank Balance</u>
Insured or Collateralized with Securities Held by the HRA or Its Agent in the HRA's Name	\$ 755,154

**SWIFT COUNTY  
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**NOTE 9 DISCRETE COMPONENT UNITS (CONTINUED)**

**A. Swift County Housing and Redevelopment Authority (Continued)**

Restricted Assets

The HRA maintains restricted cash in the amount of housing assistance payment equity as required by the grantor.

Capital Assets

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 individual assets, which range from 3 to 40 years.

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Deletions/ Adjustments	Ending Balance
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	-	2,930	14,103
Total Capital Assets being Depreciated	3,643,572	-	2,930	3,640,642
Less: Accumulated Depreciation for:				
Buildings	1,369,844	104,269	-	1,474,113
Machinery, Furniture, and Equipment	6,320	481	2,930	3,871
Total Accumulated Depreciation	1,376,164	104,750	2,930	1,477,984
Total Capital Assets, Depreciated, Net	2,267,408	(104,750)	-	2,162,658
Total Capital Assets, Net	<u>\$ 2,292,408</u>	<u>\$ (104,750)</u>	<u>\$ -</u>	<u>\$ 2,187,658</u>

**SWIFT COUNTY  
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**NOTE 9 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, 2017</u>
Limited Tax Housing and Development Revenue Refunding Bonds, Series 2013	2033	0.5-3.2%	<u>\$ 2,190,000</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>
2018	\$ 115,000	\$ 52,588	\$ 167,588
2019	120,000	51,150	171,150
2020	120,000	49,650	169,650
2021	125,000	47,550	172,550
2022	125,000	45,363	170,363
2023-2027	665,000	186,088	851,088
2028-2032	755,000	96,063	851,063
2033	165,000	5,280	170,280
Total	<u>\$ 2,190,000</u>	<u>\$ 533,731</u>	<u>\$ 2,723,731</u>

Prior Period Adjustment

During the year ended December 31, 2017, Swift County Housing and Redevelopment Authority restated prior year net position due to removing an old item on the bank reconciliation for administration fees from 2014.

Net Position, December 31, 2016, as Previously Reported	\$ 773,885
Cumulative Affect of Bank Reconciliation Item	<u>(5,255)</u>
Net Position, December 31, 2016, as Restated	<u>\$ 768,630</u>

Compensated Absences Payable

Changes in compensated absences payable for the period ended June 30, 2017 are:

Balance - June 30, 2016	\$ 13,450
Net Changes	<u>803</u>
Balance - June 30, 2017	<u>\$ 14,253</u>

**SWIFT COUNTY  
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**NOTE 9 DISCRETE COMPONENT UNITS (CONTINUED)**

**A. Swift County Housing and Redevelopment Authority (Continued)**

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.

Economic Dependency

The programs of the HRA are economically dependent on annual contributions and grants from the U.S. Department of Housing and Urban Development (HUD). The HRA operates at a loss prior to receiving contributions and grants from HUD.

**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):

Blended Component Unit

In August 2016, the Hospital became sole member of Residential Options, Inc. (ROI), which operates Scofield Place, a 31-unit senior living apartment. ROI is organized as a Minnesota nonprofit corporation by the Internal Revenue Code Section as a 501(c)(3) entity. ROI is a blended component unit of the 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

Patient and resident receivables are uncollateralized customer and third-party payor obligations. The Hospital does not charge interest on unpaid balances. The carrying amount of patient and resident receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected. The allowance for 2017 was \$305,000.

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 9 DISCRETE COMPONENT UNITS (CONTINUED)**

**B. Swift County-Benson Hospital (Continued)**

Inventories

Inventories are stated at lower of cost (first-in, first-out) or market and are expensed when used.

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 expenditures, greater than \$5,000, are capitalized and recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the each depreciable asset. It is the Hospital's policy to include amortization expense on assets acquired under capital leases with depreciation on owned assets.

Net Patient Services Revenues

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

Grants and Contributions

The Hospital may receive 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 expenses in excess of revenues.

Management Agreement

The Hospital has a management agreement with Rice Memorial Hospital that 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, 2017, the Hospital paid \$53,916 for management services provided under the purchase agreement and approximately \$652,000 for services and equipment purchased through Rice Memorial Hospital. The Hospital had accounts payable of \$63,324 at December 31, 2017.

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 9 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 estimated cost of providing these services was \$27,000 for the year ended December 31, 2017, 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

The carrying amount of deposits and investments as of December 31, 2017 is as follows:

Deposits	\$ 3,109,373
Investments	1,800,239
Total	\$ 4,909,612

As of December 31, 2017, the Hospital's bank balances were adequately insured or collateralized as required by state law.

At December 31, 2017, the Hospital had the following investments and maturities, all of which were held in the Hospital's name by a custodial bank that is an agent of the Hospital:

	Carrying Value	Less Than One Year	One to Five Years	Six to Ten Years	More Than Ten Years
Certificates of Deposit - at Cost	\$ 1,381,939	\$ 825,669	\$ 556,270	\$ -	\$ -
Certificates of Deposit - at Fair Value	457,344	119,463	337,881	-	-
Fixed Income - Government Securities - at Fair Value	1,342,895	300,580	876,479	151,119	14,717
Total	\$ 3,182,178	\$ 1,245,712	\$ 1,770,630	\$ 151,119	\$ 14,717

The fair value of the government securities and the certificates of deposits measured at fair value are determined by reference to market prices of similar securities, which is considered Level 2 input.

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 9 DISCRETE COMPONENT UNITS (CONTINUED)**

**B. Swift County-Benson Hospital (Continued)**

Capital Assets

A summary of capital assets at December 31, 2017 follows:

	Beginning Balance (Restated)	Additions	Deletions	Ending Balance
Capital Assets, not being				
Depreciated:				
Land	\$ 574,394	\$ -	\$ -	\$ 574,394
Construction-in-Progress	977,685	489,943	-	1,467,628
Total Capital Assets Not Being				
Depreciated	1,552,079	489,943	-	2,042,022
Capital Assets being Depreciated:				
Buildings and Fixed Equipment	18,428,053	-	-	18,428,053
Movable Equipment and				
Ambulances	5,289,392	9,157	-	5,298,549
Land Improvements	281,330	-	-	281,330
Total Capital Assets being				
Depreciated	23,998,775	9,157	-	24,007,932
Less: Accumulated				
Depreciation for				
Buildings and Fixed Equipment	8,830,874	826,206	-	9,657,080
Movable Equipment and				
Ambulances	4,558,835	281,842	-	4,840,677
Land Improvements	230,133	15,369	-	245,502
Total Accumulated Depreciation	13,619,842	1,123,417	-	14,743,259
Total Capital Assets,				
Depreciated, Net	10,378,933	(1,114,260)	-	9,264,673
Total Capital Assets, Net	\$ 11,931,012	\$ (624,317)	\$ -	\$ 11,306,695

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 investment in CMDI was \$162,475, which is an ownership interest of .50% as of December 31, 2017.

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 9 DISCRETE COMPONENT UNITS (CONTINUED)**

**B. Swift County-Benson Hospital (Continued)**

Investment in Joint Venture (Continued)

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 \$126,660 for the use for the equipment for the year ended December 31, 2017. Earnings of \$55,125 are included in other operating revenues. The Hospital received distributions from CMDI totaling \$64,425 during the year ended December 31, 2017, which is recorded as a reduction to the investment in CMDI.

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% 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 \$215,401. The Hospital provides management services, leases space and pays expenses on behalf of BMS and has a receivable from BMS for \$33,944. Earnings of \$63,972 are included in other operating revenue. The net amounts receivable from and payable to BMS are included in due to related party payable on the statement of net position. The Hospital's investment in BMS was \$73,637 as of December 31, 2017.

SISU Medical Solutions, LLC is a Minnesota Limited Liability Company. Its principal business is managing health care information systems for its members and other health care organizations in Northern Minnesota. The majority of its revenue is from member organizations. The investment balance in SISU Medical Solutions is \$0 for the year ended December 31, 2017. The Hospital has a liability to SISU Medical Solutions of \$44,090 for the year ended December 31, 2017.

Long-Term Debt

The following is a summary of transactions related to long-term debt for the year ended December 31, 2017:

	Balance January 1, 2017	Additions	Payments	Balance December 31, 2017	Amounts Due Within One Year
USDA Hospital Refunding:					
2013 Revenue Bonds	\$ 2,465,000	\$ -	\$ 145,000	\$ 2,320,000	\$ 145,000
2014 Revenue Bonds	5,895,000	-	265,000	5,630,000	265,000
Loan from Swift County	1,661,267	-	89,000	1,572,267	90,796
Bond Premium	81,550	-	4,752	76,798	-
Total Noncurrent Liabilities	<u>\$ 10,102,817</u>	<u>\$ -</u>	<u>\$ 503,752</u>	<u>\$ 9,599,065</u>	<u>\$ 500,796</u>

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 9 DISCRETE COMPONENT UNITS (CONTINUED)**

**B. Swift County-Benson Hospital (Continued)**

Long-Term Debt (Continued)

The terms and due dates of the Hospital's long-term debt at December 31, 2017 are as follows:

- 2013 Revenue Bonds, principal payments of \$145,000 are due annually on February 1<sup>st</sup>; interest payments are due semi-annually on February 1<sup>st</sup> and August 1<sup>st</sup>, through February 2033. The initial interest rate ranges from 4.25% to 5.0%. 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% and a maximum rate of 15%.
- 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 December 31,	Long-Term Debt	
	Principal	Interest
2018	\$ 500,796	\$ 333,562
2019	507,629	317,467
2020	514,498	301,234
2021	521,406	284,865
2022	533,352	267,582
2023-2027	2,832,349	1,048,899
2028-2032	3,152,236	505,336
2033-2034	960,001	34,738
Total	<u>\$ 9,522,267</u>	<u>\$ 3,093,683</u>

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 9 DISCRETE COMPONENT UNITS (CONTINUED)**

**B. Swift County-Benson Hospital (Continued)**

Pensions

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

Medical Malpractice Insurance

The Hospital has medical malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim and an aggregate limit of \$5 million. The Hospital also has a \$1 million umbrella 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 2017 was \$100,760. 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, 2017**

**NOTE 10 OTHER ORGANIZATIONS (CONTINUED)**

**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, 2017, Swift County contributed \$223,134 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 2017, 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, 2017**

**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 nonsecure 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 Willmar, Minnesota, where Des Moines Valley Health and Human Services 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 Des Moines Valley Health and Human Services, 407 5<sup>th</sup> St., Jackson, Minnesota 56143.

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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 1980s. 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 contributed \$13,584 to Prairie Waters for the year ended December 31, 2017. Separate financial information can be obtained at Western Minnesota Prairie Waters Convention and Visitors Bureau at 323 Schlieman Avenue, Appleton, Minnesota 56208.

Central Minnesota Emergency Services Board

The Central Minnesota Emergency Services Board (previously the Central Minnesota Regional Radio Board) was established in 2007, under the authority conferred upon the member parties by Minnesota Statutes §§ 471.59 and 403.39, and includes the City of St. Cloud and the Counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Mille Lacs, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

The purpose of the Central Minnesota Emergency Services Board is to provide for regional administration of enhancements to the statewide public safety radio and communication system (ARMER) owned and operated by the State of Minnesota. The Central Minnesota Emergency Services Board is composed of one commissioner of each county appointed by the respective County Board and one City Council Member from each city appointed by the respective City Council, as provided in the entity's bylaws. The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants.

Swift County did not contribute to the Board for the year ended December 31, 2017. Separate financial information can be obtained at City of St. Cloud, Office of the Mayor, 400 Second Street South, St. Cloud, Minnesota 56303.

**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.

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**NOTE 10 OTHER ORGANIZATIONS (CONTINUED)**

**B. Jointly Governed Organizations (Continued)**

Southwest Minnesota Chief Elected Officials Board (Continued)

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 2017, 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 \$18,540 to the Task Force. Separate financial information for the CEE VI Task Force is not available.

Western Plains Regional Library

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

The financial activities of the Western Plains Library System are reported as part of the Pioneerland Regional Library System. During the year, Swift County paid \$127,810 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 \$97,000. Financial information can be obtained from the Swift County RDFA, 1228 Atlantic Avenue, Benson, Minnesota 56215.

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

**SWIFT COUNTY  
BENSON, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 5,451,950	\$ 5,451,950	\$ 5,508,866	\$ 56,916
Licenses and Permits	4,350	4,350	4,370	20
Intergovernmental	750,748	750,748	1,095,782	345,034
Charges for Services	455,850	455,850	678,375	222,525
Gifts and Contributions	-	-	11,514	11,514
Investment Earnings	27,000	27,000	59,652	32,652
Miscellaneous	433,800	433,800	446,793	12,993
Total Revenues	7,123,698	7,123,698	7,805,352	681,654
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>GENERAL GOVERNMENT</b>				
Commissioners	239,443	239,443	179,290	60,153
Law Library	18,800	18,800	15,372	3,428
County Administration	313,510	313,510	212,275	101,235
County Auditor	255,447	255,447	240,440	15,007
County Treasurer	209,087	209,087	201,042	8,045
County Assessor	331,870	331,870	304,414	27,456
Elections	8,275	8,275	7,769	506
Data Processing	78,300	78,300	81,693	(3,393)
Attorney	464,905	464,905	388,804	76,101
Recorder	397,344	397,344	327,916	69,428
Planning and Zoning	100,394	100,394	65,625	34,769
Buildings and Plant	243,644	243,644	162,014	81,630
Technology	305,017	305,017	296,533	8,484
Veterans Service Officer	158,699	158,699	156,485	2,214
Appropriations - General Government	478,530	478,530	458,090	20,440
Other General Government	1,358	1,358	493,745	(492,387)
Total General Government	3,604,623	3,604,623	3,591,507	13,116

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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES (CONTINUED)</b>				
<b>CURRENT (CONTINUED)</b>				
<b>PUBLIC SAFETY</b>				
Sheriff	\$ 1,431,754	\$ 1,431,754	\$ 1,416,258	\$ 15,496
Coroner	14,000	14,000	25,940	(11,940)
E-911 System	73,567	73,567	63,674	9,893
Restorative Justice Coordinator	67,249	67,249	71,819	(4,570)
Emergency Management	80,253	80,253	81,330	(1,077)
County Jail	978,294	978,294	868,141	110,153
Community Corrections	223,134	223,134	223,134	-
Total Public Safety	<u>2,868,251</u>	<u>2,868,251</u>	<u>2,750,296</u>	<u>117,955</u>
<b>HEALTH</b>				
Countryside Health Service	100,760	100,760	100,760	-
Ambulance	41,600	41,600	78,885	(37,285)
Total Health	<u>142,360</u>	<u>142,360</u>	<u>179,645</u>	<u>(37,285)</u>
<b>CULTURE AND RECREATION</b>				
Parks	37,000	37,000	69,459	(32,459)
<b>CONSERVATION OF NATURAL RESOURCES</b>				
County Extension	146,869	146,869	127,295	19,574
Parks and Drainage	232,745	232,745	190,596	42,149
Agricultural Inspection	13,500	13,500	13,500	-
Predator Control	11,500	11,500	17,299	(5,799)
Total Conservation of Natural Resources	<u>404,614</u>	<u>404,614</u>	<u>348,690</u>	<u>55,924</u>
Total Expenditures	<u>7,056,848</u>	<u>7,056,848</u>	<u>6,939,597</u>	<u>117,251</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>				
	66,850	66,850	865,755	798,905
<b>OTHER FINANCING SOURCES</b>				
Proceeds from Sale of Assets	-	-	16,401	16,401
<b>NET CHANGE IN FUND BALANCE</b>				
	<u>\$ 66,850</u>	<u>\$ 66,850</u>	882,156	<u>\$ 815,306</u>
Fund Balance - Beginning of Year			<u>4,727,216</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 5,609,372</u>	

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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,938,330	\$ 1,938,330	\$ 1,935,702	\$ (2,628)
Intergovernmental	8,783,598	8,783,598	6,324,704	(2,458,894)
Charges for Services	99,305	99,305	105,289	5,984
Investment Earnings	5,200	5,200	29,944	24,744
Miscellaneous	717,000	717,000	34,150	(682,850)
Total Revenues	<u>11,543,433</u>	<u>11,543,433</u>	<u>8,429,789</u>	<u>(3,113,644)</u>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HIGHWAYS AND STREETS</b>				
Administration	189,740	189,740	153,103	36,637
Engineering	122,562	122,562	107,340	15,222
Shared County Engineer	174,410	174,410	164,168	10,242
Maintenance	1,776,066	1,776,066	1,439,423	336,643
Construction	7,856,255	7,856,255	4,967,160	2,889,095
Equipment and Maintenance Shops	743,347	743,347	617,487	125,860
Other - Highways and Streets	428,450	428,450	429,354	(904)
Total Expenditures	<u>11,290,830</u>	<u>11,290,830</u>	<u>7,878,035</u>	<u>3,412,795</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	252,603	252,603	551,754	299,151
<b>OTHER FINANCING SOURCES</b>				
Proceeds from Sale of Assets	-	-	45,000	45,000
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 252,603</u>	<u>\$ 252,603</u>	596,754	<u>\$ 344,151</u>
Fund Balance - Beginning of Year			5,850,355	
Increase in Inventory			<u>43,166</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 6,490,275</u>	

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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 2,695,177	\$ 2,695,177	\$ 2,692,025	\$ (3,152)
Intergovernmental	2,271,598	2,271,598	2,306,035	34,437
Charges for Services	348,000	348,000	363,266	15,266
Investment Earnings	2,000	2,000	15,050	13,050
Miscellaneous	15,000	15,000	36,731	21,731
Total Revenues	<u>5,331,775</u>	<u>5,331,775</u>	<u>5,413,107</u>	<u>81,332</u>
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HUMAN SERVICES</b>				
Income Maintenance	1,328,065	1,328,065	1,221,067	106,998
Social Services	<u>4,003,710</u>	<u>4,003,710</u>	<u>3,762,394</u>	<u>241,316</u>
Total Expenditures	<u>5,331,775</u>	<u>5,331,775</u>	<u>4,983,461</u>	<u>348,314</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	-	-	429,646	429,646
<b>OTHER FINANCING SOURCES</b>				
Proceeds from Sale of Assets	-	-	<u>1,313</u>	<u>1,313</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	430,959	<u>\$ 430,959</u>
Fund Balance - Beginning of Year			<u>2,084,136</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 2,515,095</u>	

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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ 16	\$ 16
Special Assessments	295,000	295,000	299,319	4,319
Intergovernmental	55,950	55,950	68,711	12,761
Charges for Services	406,000	406,000	566,917	160,917
Miscellaneous	77,200	77,200	92,827	15,627
Total Revenues	834,150	834,150	1,027,790	193,640
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>SANITATION</b>				
Solid Waste	951,352	951,352	1,064,973	(113,621)
<b>DEBT SERVICE</b>				
Principal	25,002	25,002	25,002	-
Interest	1,576	1,576	1,576	-
Total Debt Service	26,578	26,578	26,578	-
Total Expenditures	977,930	977,930	1,091,551	(113,621)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (143,780)</b>	<b>\$ (143,780)</b>	(63,761)	<b>\$ 80,019</b>
Fund Balance - Beginning of Year			626,307	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 562,546</b>	

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

**SWIFT COUNTY  
BENSON, MINNESOTA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2017**

**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 and the Debt Service Fund and the Capital Projects Fund. 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 minimal 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, 2017:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Solid Waste	\$ 1,091,551	\$ 977,930	\$ 113,621

**SWIFT COUNTY  
 BENSON, MINNESOTA  
 SCHEDULE OF FUNDING PROGRESS  
 OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS  
 YEAR ENDED DECEMBER 31, 2017**

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)
1/1/2017	\$ -	\$ 215,566	\$ 215,566	- %	\$ 6,149,773	3.5 %
1/1/2014	-	252,278	252,278	-	5,411,699	4.7
1/1/2011	-	41,198	41,198	-	5,054,070	0.8

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
LAST TEN FISCAL YEARS**

**PERA**

	Measurement Date		
	June 30, 2017	June 30, 2016	June 30, 2015
<b>County - General Employees Retirement Plan</b>			
County's Portion of the Net Pension Liability	0.073%	0.071%	0.070%
County's Proportionate Share of the Net Pension Liability	\$ 4,673,040	\$ 5,821,684	\$ 3,607,033
State's Proportionate Share of the Net Pension Liability Associated with the County	58,782	75,367	-
County's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability	\$ 4,731,822	\$ 5,897,051	\$ 3,607,033
County's Covered Payroll	\$ 4,717,513	\$ 4,412,322	\$ 4,173,648
County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	99.06%	131.94%	86.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.90%	68.91%	78.20%
<b>Swift County-Benson Hospital - General Employees Retirement Plan</b>			
Hospital's Portion of the Net Pension Liability	0.087%	0.074%	0.073%
Hospital's Proportionate Share of the Net Pension Liability	\$ 5,579,559	\$ 6,008,434	\$ 3,767,691
State's Proportionate Share of the Net Pension Liability Associated with the Hospital	70,194	78,507	-
Hospital's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability	\$ 5,649,753	\$ 6,086,941	\$ 3,767,691
Hospital's Covered Payroll	\$ 6,156,985	\$ 4,887,928	\$ 4,567,486
Hospital's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	90.62%	122.92%	82.49%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.90%	68.91%	78.20%
<b>Public Employees Police and Fire Plan</b>			
County's Portion of the Net Pension Liability	0.057%	0.059%	0.060%
County's Proportionate Share of the Net Pension Liability	\$ 769,568	\$ 2,367,773	\$ 681,740
County's Covered Payroll	\$ 587,344	\$ 564,970	\$ 590,331
County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	131.03%	419.10%	115.48%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.40%	63.90%	86.60%
<b>Public Employees Correctional Plan</b>			
County's Portion of the Net Pension Liability	0.250%	0.250%	0.250%
County's Proportionate Share of the Net Pension Liability	\$ 712,503	\$ 913,285	\$ 38,650
County's Covered Payroll	\$ 502,917	\$ 465,900	\$ 444,680
County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	141.67%	196.03%	8.69%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67.90%	58.20%	96.90%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

	2017	2016	2015	2014
<b>County - General Employees Retirement Plan</b>				
Statutorily Required Contribution	\$ 371,985	\$ 343,962	\$ 313,896	\$ 281,024
Contributions in Relation to the Required Contribution	(371,985)	(343,962)	(313,896)	(281,024)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 4,959,798	\$ 4,586,154	\$ 4,185,281	\$ 3,876,191
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.25%
<b>Swift County-Benson Hospital - General Employees Retirement Plan</b>				
Statutorily Required Contribution	\$ 468,622	\$ 373,992	\$ 340,750	\$ 313,976
Contributions in Relation to the Statutorily Required Contribution	(468,622)	(373,992)	(340,750)	(313,976)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Hospital's Covered Payroll	\$ 6,248,293	\$ 4,986,560	\$ 4,543,333	\$ 4,330,703
Contributions as a Percentage of Covered Payroll	7.50%	7.50%	7.50%	7.25%
<b>Public Employees Police and Fire Plan</b>				
Statutorily Required Contribution	\$ 95,008	\$ 95,222	\$ 86,093	\$ 86,970
Contributions in Relation to the Required Statutorily Contribution	(95,008)	(95,222)	(86,093)	(86,970)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 586,399	\$ 587,789	\$ 531,442	\$ 568,431
Contributions as a Percentage of Covered Payroll	16.20%	16.20%	16.20%	15.30%
<b>Public Employees Correctional Plan</b>				
Statutorily Required Contribution	\$ 43,549	\$ 42,772	\$ 40,809	\$ 34,503
Contributions in Relation to the Statutorily Required Contribution	(43,549)	(42,772)	(40,809)	(34,503)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's Covered Payroll	\$ 497,699	\$ 488,819	\$ 466,383	\$ 394,318
Contributions as a Percentage of Covered Payroll	8.75%	8.75%	8.75%	8.75%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

## **SUPPLEMENTARY INFORMATION**

**SWIFT COUNTY  
BENSON, MINNESOTA  
DESCRIPTION OF FUNDS  
DECEMBER 31, 2017**

**AGENCY FUNDS**

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

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

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

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

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

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

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

Rural Development Authority Fund – to account for the collection and payment of funds due to the Rural Development Authority.

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

**SWIFT COUNTY  
BENSON, MINNESOTA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
YEAR ENDED DECEMBER 31, 2017**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>STATE DEED</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 29,715	\$ 1,854,220	\$ 1,862,735	\$ 21,200
<b>LIABILITIES</b>				
Due to Other Governments	\$ 29,715	\$ 1,854,220	\$ 1,862,735	\$ 21,200
<b><u>TAXES AND PENALTIES</u></b>				
<b>ASSETS</b>				
Cash and Investments	\$ 355,689	\$ 21,434,075	\$ 21,299,928	\$ 489,836
<b>LIABILITIES</b>				
Due to Other Governments	\$ 355,689	\$ 21,434,075	\$ 21,299,928	\$ 489,836
<b><u>REGION 6W</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 767	\$ 73,045	\$ 72,777	\$ 1,035
<b>LIABILITIES</b>				
Due to Other Governments	\$ 767	\$ 73,045	\$ 72,777	\$ 1,035
<b><u>SCHOOL DISTRICTS</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 49,690	\$ 3,161,143	\$ 3,158,098	\$ 52,735
<b>LIABILITIES</b>				
Due to Other Governments	\$ 49,690	\$ 3,161,143	\$ 3,158,098	\$ 52,735
<b><u>TOWNS AND CITIES</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 76,219	\$ 5,716,203	\$ 5,730,777	\$ 61,645
<b>LIABILITIES</b>				
Due to Other Governments	\$ 76,219	\$ 5,716,203	\$ 5,730,777	\$ 61,645

**SWIFT COUNTY  
BENSON, MINNESOTA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)  
ALL AGENCY FUNDS  
YEAR ENDED DECEMBER 31, 2017**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>MINNESOTA RIVER WATERSHED</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 529	\$ 16,768	\$ 16,726	\$ 571
<b>LIABILITIES</b>				
Due to Other Governments	\$ 529	\$ 16,768	\$ 16,726	\$ 571
<b><u>RURAL DEVELOPMENT AUTHORITY</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 967	\$ 85,433	\$ 85,189	\$ 1,211
<b>LIABILITIES</b>				
Due to Other Governments	\$ 967	\$ 85,433	\$ 85,189	\$ 1,211
<b><u>SOCIAL WELFARE FUND</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 14,824	\$ 207,504	\$ 210,634	\$ 11,694
<b>LIABILITIES</b>				
Funds Held in Trust	\$ 14,824	\$ 207,504	\$ 210,634	\$ 11,694
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 528,400	\$ 32,548,391	\$ 32,436,864	\$ 639,927
<b>LIABILITIES</b>				
Funds Held in Trust	\$ 14,824	\$ 207,504	\$ 210,634	\$ 11,694
Due to Other Governments	513,576	32,340,887	32,226,230	628,233
Total Liabilities	\$ 528,400	\$ 32,548,391	\$ 32,436,864	\$ 639,927

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**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF INTERGOVERNMENTAL REVENUE  
YEAR ENDED DECEMBER 31, 2017**

	Special Revenue Funds				Total All Funds
	General Fund	Road and Bridge	Welfare Fund	Solid Waste Fund	
<b>SHARED REVENUES</b>					
<b>INTERGOVERNMENTAL STATE</b>					
Disparity Reduction Aid	\$ 12,685	\$ 4,254	\$ 6,285	\$ -	\$ 23,224
Highway Users Tax	-	3,533,767	-	-	3,533,767
County Program Aid	102,660	34,431	50,860	-	187,951
Market Value Credits	137,938	46,266	68,338	-	252,542
PERA Rate Increase Aid	36,367	-	-	-	36,367
State Police Aid Aquatic	59,201	-	-	-	59,201
Invasive Species	33,792	-	-	-	33,792
Riparian Protection Aid	138,116	-	-	-	138,116
Enhanced 911	80,295	-	-	-	80,295
Total Shared Revenues	<u>601,054</u>	<u>3,618,718</u>	<u>125,483</u>	<u>-</u>	<u>4,345,255</u>
<b>REIMBURSEMENT FOR SERVICES STATE</b>					
Minnesota Department of Human Services	-	-	508,138	-	508,138
<b>STATE GRANTS</b>					
<b>MINNESOTA DEPARTMENT OF</b>					
Human Services	-	-	590,931	-	590,931
Natural Resources	135,799	-	-	-	135,799
Public Safety	24,494	-	-	-	24,494
Pollution Control Agency	18,594	-	-	68,711	87,305
Veteran's Affairs	7,500	-	-	-	7,500
Water and Soil Resources	60,686	-	-	-	60,686
Total State Grants	<u>247,073</u>	<u>-</u>	<u>590,931</u>	<u>68,711</u>	<u>906,715</u>
<b>FEDERAL GRANTS</b>					
<b>FEDERAL DEPARTMENT OF</b>					
Agriculture	15,190	-	95,243	-	110,433
Interior	18,972	-	-	-	18,972
Transportation	5,165	2,705,986	-	-	2,711,151
Health and Human Services	19,118	-	986,240	-	1,005,358
Homeland Security	18,003	-	-	-	18,003
Total Federal Grants	<u>76,448</u>	<u>2,705,986</u>	<u>1,081,483</u>	<u>-</u>	<u>3,863,917</u>
Total State and Federal Grants	323,521	2,705,986	1,672,414	68,711	4,770,632
<b>PAYMENTS IN LIEU OF TAXES</b>	<u>171,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>171,207</u>
Total Intergovernmental Revenues	<u>\$ 1,095,782</u>	<u>\$ 6,324,704</u>	<u>\$ 2,306,035</u>	<u>\$ 68,711</u>	<u>\$ 9,795,232</u>

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF DEPOSITS AND INVESTMENTS  
YEAR ENDED DECEMBER 31, 2017**

	Interest Rate (%)	Maturity Date	Amount
<b>Pooled Deposits and Investments</b>			
<b>Checking Accounts</b>			
State Bank of Danvers	0.15 %	-	\$ 1,719,456
<b>Money Market Savings</b>			
Citizens Alliance Bank - Murdock	0.10	-	76,219
Prairie Sun Bank - Appleton	0.55	-	35,667
Wells Fargo	-	-	1,746,696
<b>Total Money Market Savings</b>			<u>1,858,582</u>
<b>Negotiable Certificates of Deposit</b>			
Wells Fargo	1.30	January 22, 2018	99,432
Wells Fargo	1.25	January 22, 2018	198,903
Wells Fargo	1.00	February 14, 2018	198,180
Wells Fargo	1.00	March 28, 2018	99,605
Wells Fargo	0.90	April 27, 2018	99,808
Wells Fargo	1.10	May 9, 2018	199,432
Wells Fargo	1.40	June 15, 2018	199,781
Wells Fargo	1.10	July 2, 2018	99,656
Wells Fargo	1.40	July 26, 2018	198,612
Wells Fargo	1.50	July 27, 2018	198,619
Wells Fargo	1.50	August 3, 2018	199,200
Wells Fargo	1.15	September 24, 2018	99,204
Wells Fargo	1.45	October 31, 2018	199,189
Wells Fargo	1.35	November 26, 2018	99,572
Wells Fargo	1.60	November 27, 2018	199,807
Wells Fargo	1.25	November 29, 2018	198,981
Wells Fargo	1.65	December 19, 2018	199,755
Wells Fargo	1.50	December 27, 2018	199,507
Wells Fargo	1.65	January 8, 2019	199,601
Wells Fargo	1.70	January 29, 2019	199,981
Wells Fargo	1.60	March 28, 2019	198,690
Wells Fargo	1.70	June 10, 2019	199,357
Wells Fargo	1.80	December 12, 2019	199,055
<b>Total Negotiable Certificates of Deposit</b>			<u>3,983,927</u>
<b>Bond Debt</b>			
PFM Asset Management MAGIC Bond Debt	N/A	N/A	5,795,923
PFM Asset Management MAGIC General Revenue	N/A	N/A	146,928
<b>Total Bond Debt</b>			<u>5,942,851</u>
<b>Total Pooled Deposits and Investments</b>			13,504,816
<b>Fund Investments</b>			
<b>General Fund</b>			
<b>Departmental Checking Accounts</b>			
First Security Bank - Benson	-	-	2,142
<b>Mutual Fund</b>			
Franklin U.S. Government Securities Fund	-	-	421,935
<b>Certificate of Deposit</b>			
MAGIC CD Program	1.26	January 18, 2018	197,604
<b>Total General Fund</b>			<u>621,681</u>

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF DEPOSITS AND INVESTMENTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2017**

	Interest Rate (%)	Maturity Date	Amount
<b>Special Revenue Funds</b>			
<b>Road and Bridge Fund</b>			
<b>Money Market Savings</b>			
PFM Asset Mgmt. MAGIC	N/A	-	\$ 2,018,989
Wells Fargo MM Savings	N/A	-	13,856
<b>Total Money Market Savings</b>			<u>2,032,845</u>
<b>Negotiable Certificates of Deposit</b>			
Wells Fargo	1.00 %	January 8, 2018	198,518
Wells Fargo	1.05	March 22, 2018	248,754
Wells Fargo	1.35	April 6, 2018	198,678
Wells Fargo	1.40	April 16, 2018	247,349
Wells Fargo	1.05	April 27, 2018	198,321
Wells Fargo	1.30	June 21, 2018	248,657
Wells Fargo	1.50	September 28, 2018	199,842
Wells Fargo	1.60	December 28, 2018	199,982
<b>Total Money Market Savings</b>			<u>1,740,101</u>
<b>Total Road and Bridge Fund</b>			3,772,946
<b>Welfare Fund</b>			
<b>Departmental Checking Accounts</b>			
Bank of the West	-	-	11,694
<b>Savings</b>			
Co-op Credit Union	0.40	-	6
<b>Certificates of Deposit</b>			
Wells Fargo	1.00	January 5, 2018	99,012
Wells Fargo	1.00	January 11, 2018	99,936
Wells Fargo	1.30	February 12, 2018	99,933
Wells Fargo	1.40	March 28, 2018	199,985
Wells Fargo	1.35	April 16, 2018	198,698
Wells Fargo	1.35	May 11, 2018	199,777
Wells Fargo	1.45	July 13, 2018	148,905
Wells Fargo	1.50	August 15, 2018	198,780
Wells Fargo	1.45	September 28, 2018	99,518
Wells Fargo	1.50	November 29, 2018	199,637
Wells Fargo	1.65	December 28, 2018	199,953
Wells Fargo	1.85	June 28, 2019	199,980
<b>Total Certificates of Deposit</b>			<u>1,944,114</u>
<b>Money Market Savings</b>			
Co-op Credit Union	0.75	-	150,055
Wells Fargo	-	-	106,693
<b>Total Money Market Savings</b>			<u>256,748</u>
<b>Total Welfare Fund</b>			2,212,562
<b>Solid Waste Fund</b>			
<b>Departmental Checking Accounts</b>			
First Security State - Benson	N/A	-	6,797
<b>Total Special Revenue Funds</b>			<u>5,992,305</u>
<b>Total Fund Investments</b>			<u>6,613,986</u>
<b>Total Deposits and Investments</b>			<u>\$ 20,118,802</u>

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF LOANS RECEIVABLE – REVOLVING LOAN FUND  
DECEMBER 31, 2017**

Loan Recipient	Date of Loan	Loan Issue Amount	Principal Balance	Repayment Terms
<b>Revolving Loan Special Revenue Fund</b>				
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	10,251	Principal Payments Monthly, 4.0% Interest, Five-Year Term.
Honebrink, LLC	October 1, 2009	20,000	4,289	Principal Payments Monthly, 4.0% Interest, Five-Year Term.
Clark/McDonald Heavy Industries, Inc.	December 6, 2012	25,000	14,156	Principal Payments Monthly, 4.0% Interest, Ten-Year Term.
K-Bid JAX	December 6, 2012	26,100	20,907	Principal Payments Monthly, 4.0% Interest, Ten-Year Term.
Case Farm Equipment	September 17, 2012	400,000	103,163	Principal Payments Monthly, 1.75% Interest, Seven-Year Term.
Headwaters Media	September 3, 2013	30,000	19,958	Principal Payments Monthly, 3.5% Interest, Ten-Year Term
Ace Ag, Inc.	November 19, 2013	75,000	61,197	Principal Payments Monthly, 3.5% Interest, Fifteen-Year Term.
R & R Outdoors	September 15, 2013	11,000	8,399	Principal Payments Monthly, 4.0% Interest, Ten-Year Term.
Lamecker General Store	February 28, 2014	32,000	25,451	Principal Payments Monthly, 3.0% Interest, Fifteen-Year Term.
Northern Geo, LLC	May 15, 2014	125,000	83,450	Principal Payments Monthly, 3.0% Interest, Ten-Year Term.
Brink's 104 Club	September 20, 2014	40,000	27,760	Principal Payments Monthly, 4.0% Interest, Five-Year Term.
Matthieson/Domats	September 1, 2016	125,000	114,117	Principal Payments Monthly, 3.0% Interest, Ten-Year Term.
Mi Mexico	March 20, 2017	105,000	105,000	Principal Payments Monthly, 4.0% Interest, Fifteen-Year Term.
Less: Allowance for Doubtful Accounts		-	(18,689)	
<b>Total Loans Receivable - Revolving Loan Fund</b>		<u>\$ 1,094,100</u>	<u>\$ 598,098</u>	

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



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**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, 2017, 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 27, 2018. 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 does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Swift County-Benson Hospital were not audited in accordance with *Government Auditing Standards*.

**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.

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

### **Internal Control Over Financial Reporting (Continued)**

Our consideration of internal control was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses as items 2017-001 through 2017-005.

### **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 Swift 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 27, 2018



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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, 2017. 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 \$270,172 in federal awards during the year ended June 30, 2017. 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, 2017. 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 the 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, 2017.

**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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that were not 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 27, 2018

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
DECEMBER 31, 2017**

**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:

CFDA Numbers  
20.205

Name of Federal Program or Cluster  
Highway Planning and Construction (Part of Highway Planning and Construction Cluster)

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

Auditee qualified as low-risk auditee?          yes     X     no

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2017**

**MATERIAL WEAKNESSES - FINANCIAL REPORTING**

**SEGREGATION OF DUTIES (2017-001)**

**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.

**Repeat Finding:** Finding was a repeat finding from the prior year identified as Finding 2016-001.

**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.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

**Contact Person:** Kim Saterbak, County Auditor

**Corrective Action Planned:** A corrective action plan is in place.

**Anticipated Completion Date:** December 31, 2018

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2017**

**MATERIAL WEAKNESSES - FINANCIAL REPORTING (CONTINUED)**

**AUDIT ADJUSTMENTS (2017-002)**

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

**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 structure.

**Cause:** The County has a limited number of personnel.

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

**Repeat Finding:** Finding was a repeat finding from the prior year identified as Finding 2016-002.

**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.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

**Contact Person:** Kim Saterbak, County Auditor

**Corrective Action Planned:** A corrective action plan is in place.

**Anticipated Completion Date:** December 31, 2018

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2017**

**MATERIAL WEAKNESSES - FINANCIAL REPORTING (CONTINUED)**

**FINANCIAL REPORTING PROCESS (2017-003)**

**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.

**Repeat Finding:** Finding was a repeat finding from the prior year identified as Finding 2016-003.

**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.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

**Contact Person:** Kim Saterbak, County Auditor

**Corrective Action Planned:** A corrective action plan is in place.

**Anticipated Completion Date:** December 31, 2018

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2017**

**MATERIAL WEAKNESSES - FINANCIAL REPORTING (CONTINUED)**

**INVENTORY CONTROL (2017-004)**

**Criteria:** County management is responsible for establishing and maintaining an accurate inventory system in order to track inventory levels and value the inventory on hand.

**Condition:** During year-end observation procedures over highway department inventory, it was noted that the County's inventory records were not properly maintained for fuel. Fuel inventory levels were inconsistent between the physical measurements and the withdrawal forms. In addition, stockpiles were not measured for quantity near year-end.

**Cause:** Past practice and limitations of computer tracking systems.

**Possible Effect:** The inventory balances on the financial statements could be materially misstated and there is an increased risk for misappropriation of inventory with lack of controls.

**Repeat Finding:** Finding was a repeat finding from the prior year identified as Finding 2016-004.

**Recommendation:** We recommend County management review inventory procedures and establish a system that will ensure timely and accurate tracking of inventory levels on an ongoing basis to ensure proper monitoring of inventory levels and valuation throughout the year.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

**Contact Person:** Andrew Sander, County Engineer

**Corrective Action Planned:** A corrective action plan is in place.

**Anticipated Completion Date:** December 31, 2018

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2017**

**MATERIAL WEAKNESSES - FINANCIAL REPORTING (CONTINUED)**

**FORMAL POLICY FOR YEAR END PROCEDURES (2017-005)**

**Criteria:** County management is responsible for establishing and maintaining internal controls, including reviewing year-end balances and accruals to ensure they are not materially misstated on the financial statements.

**Condition:** As part of the audit, key controls over significant audit areas are reviewed to ensure they are properly performed. It was noted in our testing that there are no documented controls over ensuring receivables, capital assets, interfund balances, and self-insurance liabilities are complete and accurate.

**Cause:** The County has a limited number of personnel and relies on the data entered by departments into the general ledger system.

**Possible Effect:** The potential exists that a material misstatement of the annual financial statements could occur and not be prevented or detected by the County's internal controls.

**Repeat Finding:** Finding was a repeat finding from the prior year identified as Finding 2016-005.

**Recommendation:** We recommend County implement procedures to review the accruals each year to ensure they are complete.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

**Contact Person:** Kim Saterbak, County Auditor

**Corrective Action Planned:** A corrective action plan is in place.

**Anticipated Completion Date:** December 31, 2018

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2017**

**SIGNIFICANT DEFICIENCY - FINANCIAL REPORTING**

None noted.

**INTERNAL CONTROL OVER COMPLIANCE RELATED TO UNIFORM GUIDANCE:**

None noted

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

**DITCH SPECIAL REVENUE FUND – CASH DEFICITS (2017-006)**

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

**Condition:** The County reported 17 of the 39 active ditch systems as having deficit cash balances as of December 31, 2017, totaling \$717,365.

**Cause:** Expenditures to upgrade ditches are incurred prior to revenue stream.

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

**Repeat Finding:** Finding is a repeat finding from the prior year identified as Finding 2016-008.

**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.*

**TIMELY PAYMENT OF CLAIMS (2017-007)**

**Criteria:** Minnesota Statutes §471.425 requires prompt payment of local government bills with the standard timeline of 35 days from the receipt of the invoice.

**Condition:** During audit procedures, it was noted that one out of forty invoices was not paid within the standard timeline of 35 days. The invoice was paid 39 days after receipt of the invoice.

**Cause:** Invoice was paid after year-end so it would be paid in the year of service.

**Possible Effect:** The County is not in compliance with Minnesota Statutes §471.425 and is at an increased risk of incurring late fees by not paying items in a timely manner.

**Repeat Finding:** Finding is a repeat finding from the prior year identified as Finding 2016-009.

**Recommendation:** We recommend the County implement procedures to ensure timely payment of all claims.

**CLIENT RESPONSE:**

*The County has reviewed the statute and will ensure timely payment on claims.*

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2017**

**OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE (CONTINUED)**

**CERTIFIED LEVY (2017-008)**

**Criteria:** Minnesota Statutes §475.61 required the County to certify levy amounts in excess of 105 percent of the amount needed to meet the principal and interest payments when due.

**Condition:** The County levy was under 105 percent of the total principal and interest payments during 2017.

**Cause:** Board did not certify levy amounts in excess of 105 percent of the amount needed to meet the principal and interest payments due.

**Possible Effect:** The County is not in compliance with Minnesota Statutes §475.61.

**Repeat Finding:** Not applicable.

**Recommendation:** We recommend the County implement procedures to ensure that the certified levy is in excess of five percent of the principal and interest payments for the next year.

**CLIENT RESPONSE:**

*The County will make sure that the certified levy amounts will be in excess going forward.*

**PUBLICATION OF FINANCIAL STATEMENTS (2017-009)**

**Criteria:** Minnesota Statutes §375.17 requires counties to publish their financial statements in a newspaper in a timely fashion.

**Condition:** The Count had not published the 2016 financial statements in a timely manner.

**Cause:** Unknown.

**Possible Effect:** The County is not in compliance with Minnesota Statutes §375.17.

**Repeat Finding:** Not applicable.

**Recommendation:** We recommend the County publish their financial statements in a timely manner.

**CLIENT RESPONSE:**

*The County has reviewed the statute and will ensure timely publication of financial statements.*

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
DECEMBER 31, 2017**

**OTHER ITEMS FOR CONSIDERATION – MINNESOTA LEGAL COMPLIANCE (CONTINUED)**

**UNALLOWED ITEMS PURCHASED WITH PUBLIC FUNDS (2017-010)**

**Criteria:** The Public Purpose Doctrine provides guidelines on purchases of items using public funds.

**Condition:** The County paid for flowers for an employee's mother's funeral and used \$50 of public funds. The County also paid for a recognition banquet and used \$3,764 of public funds.

**Cause:** Unknown.

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

**Repeat Finding:** Not applicable.

**Recommendation:** We recommend the County implement procedures to ensure County funds are spent correctly.

**CLIENT RESPONSE:**

*The County will review state statutes and ensure County funds are spent correctly.*

**ANNUAL DELEGATION OF AUTHORITY TO MAKE ELECTRONIC FUND TRANSFERS (2017-011)**

**Criteria:** Minnesota Statutes §471.38 subd. 3 require counties to annually delegate the authority to make electronic fund transfers and send the certified delegation to the disbursing bank.

**Condition:** The County does not annually delegate the authority to make electronic fund transfers and has not sent the certified delegations to the disbursing bank.

**Cause:** Past Practice.

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

**Repeat Finding:** Not applicable.

**Recommendation:** We recommend the County plan to delegate this authority annually and send a certified copy of that delegation of authority to the disbursing banks.

**CLIENT RESPONSE:**

*The County will review state statutes and ensure the County annually delegates authority.*

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2017**

Federal Grantor Pass Through Agency		Federal CFDA	
Grant Program Title	Pass-Through Grantor ID	Number	Expenditures
<b>U.S. Department of Agriculture</b>			
Passed Through Minnesota Department of Human Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	172MN101S2514	10.561	\$ 101,810
Summer Food Service Program for Children	ED-02372-04E	10.559	<u>8,623</u>
Total Department of Agriculture			110,433
<b>U.S. Department of Interior</b>			
Direct Award			
Payments in Lieu of Taxes National Wildlife Refugee Fund	N/A	15.226	690
	N/A	15.659	<u>18,282</u>
Total Department of Interior			18,972
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction (Part of Highway Planning and Construction Cluster)	1030076	20.205	2,705,986
Passed Through Kandiyohi County			
State and Community Highway Safety (Part of Highway Safety Cluster) (Total Highway Safety Cluster \$2,273)	F-SAFE16-2016-KANDICO- 1461/1604/1772/1850	20.600	465
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	F-ENFRC16-2016-KANDICO- 1450/1609/1838/1996	20.608	2,892
National Priority Safety Programs (Part of Highway Safety Cluster) (Total Highway Safety Cluster \$2,273)	F-ENFRC16-2016-KANDICO- 1461/1772	20.616	<u>1,808</u>
Total Department of Transportation			2,711,151
<b>U.S. Department of Health and Human Services</b>			
Passed Through Chippewa County			
Temporary Assistance for Needy Families (Part of TANF Cluster) (Total Temporary Assistance for Needy Families 93.558 \$101,350)	1601MNTANF	93.558	72,260
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	G-1601MNFPS	93.556	11,223
Temporary Assistance for Needy Families (Part of TANF Cluster) (Total Temporary Assistance for Needy Families 93.558 \$101,350)	1601MNTANF	93.558	29,090
Child Support Enforcement	1704MNCSES	93.563	174,293
Refugee and Entrant Assistance State Administered Programs	1701MNRMA	93.566	250
Child Care and Development Block Grant (Part of Child Care Cluster)	G1701MNCDF	93.575	1,801
Community-Based Child Abuse Prevention Grants	G-1502MNFPG	93.590	5,046
Stephanie Tubbs Jones Child Welfare Services Program	G-1601MNCWSS	93.645	4,454
Foster Care Title IV-E	1701MNFOST	93.658	100,770
Social Services Block Grant	G-1701MNSOSR	93.667	81,990

**SWIFT COUNTY  
BENSON, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2017**

Federal Grantor Pass Through Agency Grant Program Title	Pass-Through Grantor ID	Federal CFDA Number	Expenditures
<b>U.S. Department of Health and Human Services (Continued)</b>			
Passed Through Minnesota Department of Human Services (Continued)			
Chafee Foster Care Independence Program	G-1601MNCILP	93.674	\$ 2,968
State Children's Insurance Program	05-1705MN0301	93.767	124
Medical Assistance Program (Part of Medicaid Cluster)	05-1705MN5ADM 05-1705MNSMAP	93.778	\$ 529,235 <u>4,326</u> 533,561
Total Department of Health and Human Services			<u>1,017,830</u>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	F-EMPG-2016-SWIFTCO-1875	97.042	<u>18,003</u>
Total Federal Awards			<u>\$ 3,876,389</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 \$270,172 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, 2017. 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 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 2017, there were no payments to subrecipients.

Reconciliation to the Schedule of Intergovernmental Revenue:

Federal Grant Revenue per Schedule of Intergovernmental Revenue	\$ 3,863,917
Expenditures in the Schedule of Federal Expenditures, not Included as Revenues Reported in the Schedule of Intergovernmental Revenue	13,956
Revenues included on the Schedule of Intergovernmental Revenue that are not considered Federal Grant Expenditures	<u>(1,484)</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 3,876,389</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, 2017 and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated August 27, 2018. 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 categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our audit considered all of the listed categories except that we did not test for compliance with tax increment financing as the County has no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that the County 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 items 2017-006 to 2017-011. 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 the County's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

Swift County's written responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The 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.

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 27, 2018

