

# **STATE OF MINNESOTA**

## **Office of the State Auditor**



**Rebecca Otto**  
**State Auditor**

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**OTTER TAIL COUNTY**  
**FERGUS FALLS, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2008**

## **Description of the Office of the State Auditor**

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits of local governments;

**Government Information** - collects and analyzes financial information for cities, towns, counties, and special districts;

**Legal/Special Investigations** - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

**Pension** - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

**Tax Increment Financing** - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

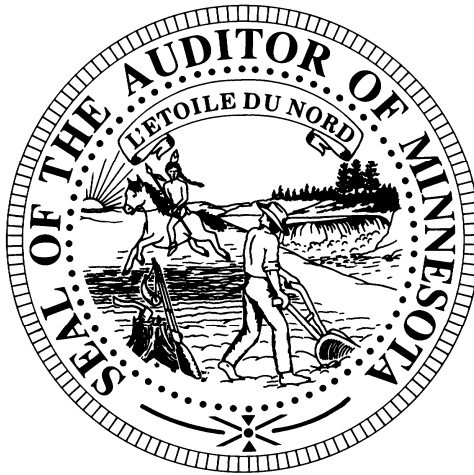
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Year Ended December 31, 2008**



**Audit Practice Division  
Office of the State Auditor  
State of Minnesota**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**ORGANIZATION  
DECEMBER 31, 2008**

			<u>Term Expires</u>
<b>Elected</b>			
Commissioners			
Board Member	Syd Nelson*	District 1	January 2009
Chair	Everett P. Erickson	District 2	January 2011
Board Member	Dennis Mosher**	District 3	January 2009
Board Member	Roger Froemming	District 4	January 2011
Board Member	Robert Block***	District 5	January 2009
Attorney	David Hauser		January 2011
Auditor	Wayne Stein		January 2011
Treasurer	Steven Andrews		January 2011
County Recorder	Wendy Metcalf		January 2011
County Sheriff	Brian Schlueter		January 2011
<b>Appointed</b>			
Assessor	Robert Moe		December 2008
County Engineer	Richard West		May 2010
Medical Examiner	Dr. Gregory Smith		Indefinite
County Coordinator	Larry Krohn		Indefinite
Veterans Service Officer	Bernard Gamber		Indefinite
Examiner of Titles	Robert Russell		Indefinite
<b>Human Services Board</b>			
Vice Chair	Roger Froemming		January 2011
Member	Dennis Mosher**		January 2009
Member	Robert Block***		January 2009
Chair	Everett P. Erickson		January 2011
Member	Syd Nelson*		January 2009
Human Services Director	John Dinsmore		Indefinite
Probation Officer	Charles W. Kitzman		Indefinite
Public Health Director	Diane Thorson		Indefinite

\*Replaced by Douglas Huebsch effective January 1, 2009.

\*\*Replaced by John Lindquist effective January 1, 2009.

\*\*\*Replaced by Lee Rogness effective January 1, 2009.

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Otter Tail County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Otter Tail County, Minnesota, as of and for the year ended December 31, 2008, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of Otter Tail County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Otter Tail County as of and for the year ended December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 4.C., Otter Tail County has implemented Governmental Accounting Standards Board's Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The Management's Discussion and Analysis and the required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Otter Tail County's basic financial statements. The supplementary information and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2009, on our consideration of Otter Tail County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO  
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

December 28, 2009



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2008  
(Unaudited)**

**INTRODUCTION**

Otter Tail County's Management's Discussion and Analysis (MD&A) provides an overview of Otter Tail County's financial activities for the fiscal year ended December 31, 2008. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with Otter Tail County's financial statements and the notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

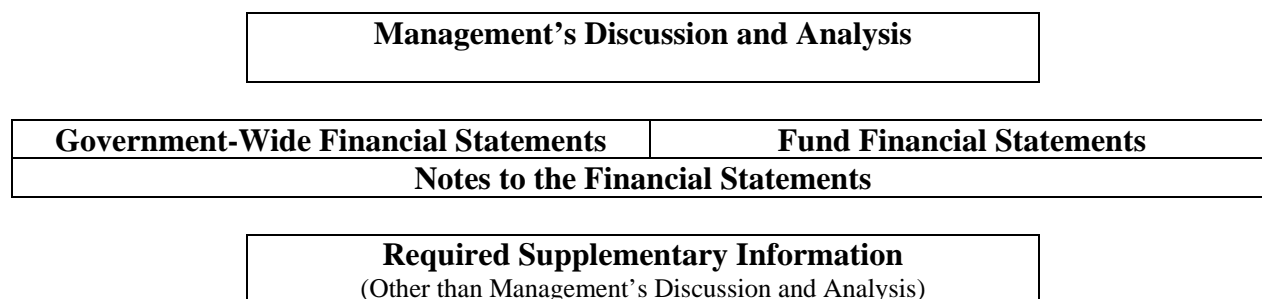
- Governmental activities' total net assets are \$121,521,154, of which Otter Tail County has invested \$94,898,746 in capital assets, net of related debt, and \$6,215,895 is restricted to specific purposes/uses by Otter Tail County.
- Business-type activities have total net assets of \$9,786,978. Invested in capital assets, net of related debt, represents \$6,974,240 of the total, and \$289,241 of the total business-type net assets is restricted for specific uses.
- Otter Tail County's total net assets (governmental activities and business-type activities) total \$131,308,132 for the year ended December 31, 2008. Invested in capital assets, net of related debt, represents \$101,872,986 of the total, \$6,505,136 of the total net assets are restricted for specific uses, and \$22,930,010 is unrestricted.
- The net cost of Otter Tail County's governmental activities for the year ended December 31, 2008, was \$26,539,430. General property tax revenues and other revenue sources totaling \$31,420,916 funded Otter Tail County's total net cost of \$26,539,430.
- Otter Tail County's governmental funds' fund balances decreased by \$4,756,004. This decrease was the result of a General Fund balance increase of \$801,051; a Road and Bridge Special Revenue Fund balance decrease of \$757,148; a Human Services Special Revenue Fund balance increase of \$436,701; a Capital Improvement Special Revenue Fund balance increase of \$378,766; a decrease in fund balance in the Construction Capital Projects Fund of \$6,518,971, which was used to finance two construction projects; and an increase in other governmental funds' fund balances of \$903,597.

- The General Fund balance increased by \$801,051 due to excess revenues over expenditures of \$820,971 plus a transfer in from the Sheriff's Contingent Special Revenue Fund of \$2,189, which was offset by operating transfers out to the Capital Improvement Special Revenue Fund and the County Ditch Special Revenue Fund totaling \$22,109. For the prior year ended December 31, 2007, excess General Fund revenues over expenditures were \$1,528,341. The \$707,370 decline in excess revenues over expenditures is due mainly to the following: a \$252,180 decline in revenues and a \$455,190 increase in expenditures. It should be noted that property tax revenues increased by \$475,279, special assessment revenue increased by \$90,881, and interest revenue increased by \$205,300; however, these increased revenues in the General Fund were offset by decreased intergovernmental revenues of \$817,936, decreased charges for services revenue of \$76,719, decreased fines and forfeits revenue of \$68,088, and decreased miscellaneous other revenues (including licenses and permits) of \$60,897. General Fund expenditures for general government-related programs and services increased \$695,230, for public safety-related programs and services increased \$249,606, and for culture and recreation-related programs and services increased by \$131,638; however, these increased expenditures were offset by a \$338,578 decrease in expenditures for conservation of natural resources programs, as well as a decrease in Human Services Capital Outlay expenditures of \$282,706.
- The Road and Bridge Special Revenue Fund balance decreased by \$757,148 due to excess expenditures over revenues of \$744,209 and a decrease in inventory of \$12,939. For the prior year ended December 31, 2007, excess revenues over expenditures totaled \$520,601. The \$1,264,810 decline in excess revenues over expenditures is due mainly to a decrease in the highway user tax of \$252,806, a decrease in shared revenues of \$38,113, a decrease in state and federal grants of \$1,188,740, an increase in administration expenditures of \$6,324, an increase in highway construction expenditures of \$408,709, an increase in highway equipment and shop expenditures of \$189,899, and an increase in miscellaneous highway expenditures of \$6,900, which were offset by an increase in property tax revenues of \$197,992, an increase in charges for services revenue of \$504,515, an increase in other miscellaneous highway revenues of \$25,602, and a decrease in the highway maintenance expenditures of \$98,572.
- The Human Services Special Revenue Fund balance increased by \$436,701 due to excess revenues over expenditures. For the prior year ended December 31, 2007, excess revenues over expenditures totaled \$605,718. The \$169,017 decline was due mainly to a decrease in charges for services revenues of \$380,638, an increase in probation expenditures of \$76,646, an increase in human services expenditures of \$669,091, and an increase in public health expenditures of \$161,964, which were offset by an increase in property tax revenues of \$532,237, an increase in intergovernmental revenues of \$550,067, and an increase in miscellaneous revenues of \$37,018.

- The Capital Improvement Special Revenue Fund balance increased by \$378,766 due to excess revenues over expenditures of \$54,294, plus a transfer in from the General Fund of \$20,000, a transfer in from the Construction Capital Projects Fund of \$42,150, and proceeds from the sale of assets totaling \$825,724, which was offset by an operating transfer out to the Government Service Center Debt Service Fund of \$563,402. For the prior year ended December 31, 2007, excess revenues over expenditures totaled \$1,039,172. The \$984,878 decline was due mainly to a decrease in intergovernmental revenue of \$330,848; an increase in highway and street expenditures of \$1,171,355, and an increase in all other expenditure classifications of \$1,715, which were offset by an increase in property tax revenue of \$337,680, an increase in proceeds of sale of capital assets of \$778,366 due mainly to the sale of a building, a decrease in all other revenue sources of \$126,421, and a decrease in capital outlay expenditures of \$340,284.
- The Construction Capital Projects Fund had a fund balance as of December 31, 2008, of \$803,442. The purpose of this fund is to finance two significant construction projects--the Ottertail Operations Center and the Chemical Dependency Facility. The balance in this fund is due mainly to bond proceeds not expended by December 31, 2008. Both of these projects were scheduled for completion in 2008, and the fund should be closed in early 2010.
- During the year ending December 31, 2008, Otter Tail County issued no new long-term bonded indebtedness.

## OVERVIEW OF THE FINANCIAL STATEMENTS

Otter Tail County's MD&A report serves as an introduction to the basic financial statements. Otter Tail 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) and certain budgetary comparison schedules are required to accompany the basic financial statements and, therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are inter-related.



Otter Tail County presents two government-wide financial statements. They are the Statement of Net Assets and the Statement of Activities. These two government-wide financial statements provide information about the activities of Otter Tail County as a whole and present a longer-term view of Otter Tail County's finances. Otter Tail County's fund financial statements

follow these two government-wide financial statements. For governmental activities, these statements tell how Otter Tail County financed these services in the short term as well as what remains for future spending. Fund financial statements also report Otter Tail County's operations in more detail than the government-wide statements by providing information about Otter Tail County's most significant/major funds. For proprietary activities, these statements provide detailed financial information relating to Otter Tail County's waste management operations and facilities. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

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

The government-wide financial statements are designed to provide readers with a broad overview of Otter Tail County's finances in a manner similar to a private-sector business.

The Statement of Net Assets and the Statement of Activities report information about Otter Tail County as a whole and about its activities in a way that helps the reader determine whether Otter Tail County's financial condition has improved or declined as a result of the current year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies.

These two statements consider all of Otter Tail County's current year revenues and expenses regardless of when Otter Tail County receives the revenue or pays the expenditure. These two statements report Otter Tail County's net assets and changes in them. You can think of Otter Tail County's net assets--the difference between assets and liabilities--as one way to measure Otter Tail County's financial health or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in Otter Tail County's property tax base and the general economic conditions of the state and County, to assess the overall health of Otter Tail County.

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

- Governmental activities--Otter Tail County reports its basic services in the "Governmental Activities" column of these reports. The activities reported by Otter Tail County include general government, public safety, highways and streets, sanitation (administration charges to solid waste), human services, health, culture and recreation, conservation of natural resources, economic development, and interest. Otter Tail County finances the majority of these activities with local property taxes, state-paid aids, fees, charges for services, and federal and state grants.

- Business-type activities--Otter Tail County charges a service fee to property owners and customers/users of the waste management facilities to help cover most of the costs to operate these facilities and pay for the services provided. Otter Tail County reports its solid waste collection and disposal programs, including County-sponsored recycling programs, in the “Business-Type Activities” column.

## **Fund Financial Statements**

Otter Tail County’s fund financial statements provide detailed information about the significant funds--not Otter Tail County as a whole. Significant governmental and proprietary funds may be established by Otter Tail County to meet requirements of a specific state law; to help control and manage money for a particular purpose/project; or to show that it is meeting specific legal responsibilities and obligations when expending property tax revenues, grants, and/or other funds designated for a specific purpose. Otter Tail County’s two kinds of funds--governmental and proprietary--use different accounting methods.

- Most of Otter Tail 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. Otter Tail County reports these funds in its financial statements using an accounting method called modified accrual accounting. This accounting method measures cash and other financial assets that Otter Tail County can readily convert to cash. Otter Tail County’s governmental fund statements provide a detailed short-term view of Otter Tail County’s general government operations and the basic services it provides.
- Otter Tail County’s governmental fund information helps determine whether there are financial resources available that Otter Tail County can spend in the near future to finance various programs within Otter Tail County. Otter Tail County has described the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation statement following each governmental fund financial statement.
- Otter Tail County charges both internal and external customers for waste management services and reports the financial activities for those services in a proprietary fund. Otter Tail County reports its Waste Management Enterprise Fund in the same way that the County reports all activities in the Statement of Net Assets and the Statement of Activities. In fact, Otter Tail County’s Waste Management Enterprise Fund is the same as the business-type activities Otter Tail County reports in the government-wide statements but provides more detail and additional information, such as cash flows.
- Otter Tail County acts as an agent over assets that the County holds for other governmental entities. Otter Tail County reports all of its fiduciary activities in a separate Statement of Fiduciary Net Assets. Otter Tail County excludes these assets from the County’s other financial statements because Otter Tail County cannot use these assets to finance its operations. Otter Tail County is responsible for ensuring that the assets reported in these agency funds are used for their intended purposes.

## THE COUNTY AS A WHOLE

Otter Tail County's combined net assets for the year ended December 31, 2008, were \$131,308,132. Otter Tail County's analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of Otter Tail County's governmental and business-type activities.

**Table 1**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
<b>Assets</b>						
Current and other assets	\$ 41,129,625	\$ 46,187,305	\$ 4,770,143	\$ 6,046,944	\$ 45,899,768	\$ 52,234,249
Capital assets	114,813,878	105,945,407	6,974,240	4,647,620	121,788,118	110,593,027
<b>Total Assets</b>	<b>\$ 155,943,503</b>	<b>\$ 152,132,712</b>	<b>\$ 11,744,383</b>	<b>\$ 10,694,564</b>	<b>\$ 167,687,886</b>	<b>\$ 162,827,276</b>
<b>Liabilities</b>						
Long-term debt outstanding	\$ 26,546,667	\$ 27,190,199	\$ -	\$ -	\$ 26,546,667	\$ 27,190,199
Other liabilities	7,875,682	7,923,140	1,957,405	1,331,219	9,833,087	9,254,359
<b>Total Liabilities</b>	<b>\$ 34,422,349</b>	<b>\$ 35,113,339</b>	<b>\$ 1,957,405</b>	<b>\$ 1,331,219</b>	<b>\$ 36,379,754</b>	<b>\$ 36,444,558</b>
<b>Net Assets</b>						
Invested in capital assets, net of debt	\$ 94,898,746	\$ 91,643,711	\$ 6,974,240	\$ 4,647,620	\$ 101,872,986	\$ 96,291,331
Restricted	6,215,895	11,095,132	289,241	437,138	6,505,136	11,532,270
Unrestricted	20,406,513	14,280,530	2,523,497	4,278,587	22,930,010	18,559,117
<b>Total Net Assets</b>	<b>\$ 121,521,154</b>	<b>\$ 117,019,373</b>	<b>\$ 9,786,978</b>	<b>\$ 9,363,345</b>	<b>\$ 131,308,132</b>	<b>\$ 126,382,718</b>

Otter Tail County's total net assets for the year ended December 31, 2008, are \$131,308,132. Unrestricted net assets totaling \$22,930,010 are available to Otter Tail County to finance day-to-day operations. Of the unrestricted net assets, \$20,406,513 is available for governmental activities and \$2,523,497 is available for business-type activities.

**Table 2**  
**Changes in Net Assets**

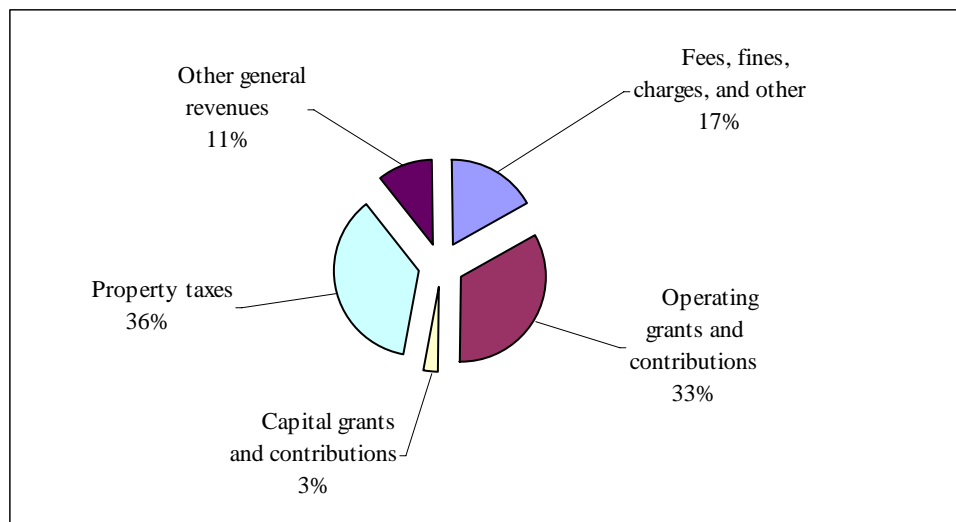
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
<b>Revenues</b>						
Program revenues						
Fees, fines, charges, and other	\$ 5,208,550	\$ 5,376,157	\$ 6,116,241	\$ 6,007,584	\$ 11,324,791	\$ 11,383,741
Operating grants and contributions	21,814,782	21,357,568	207,535	212,531	22,022,317	21,570,099
Capital grants and contributions	1,798,194	2,479,378	-	-	1,798,194	2,479,378
General revenues						
Property taxes	24,313,437	22,190,093	-	-	24,313,437	22,190,093
Other taxes	509,971	517,516	-	-	509,971	517,516
Grants and contributions	4,006,021	4,892,809	-	-	4,006,021	4,892,809
Other general revenues	2,211,782	1,955,693	108,885	109,155	2,320,667	2,064,848
<b>Total Revenues</b>	<b>\$ 59,862,737</b>	<b>\$ 58,769,214</b>	<b>\$ 6,432,661</b>	<b>\$ 6,329,270</b>	<b>\$ 66,295,398</b>	<b>\$ 65,098,484</b>



	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Expenditures						
Program expenses						
General						
government	\$ 10,688,355	\$ 9,914,616	\$ -	\$ -	\$ 10,688,355	\$ 9,914,616
Public safety	9,093,503	9,048,023	-	-	9,093,503	9,048,023
Highways and streets	12,114,947	10,807,242	-	-	12,114,947	10,807,242
Human services	18,111,392	17,544,477	-	-	18,111,392	17,544,477
Health	2,265,512	2,160,947	-	-	2,265,512	2,160,947
Culture and recreation	873,506	743,710	-	-	873,506	743,710
Conservation of natural resources	1,016,151	1,311,422	-	-	1,016,151	1,311,422
Economic development	21,800	5,191,967	-	-	21,800	5,191,967
Interest	1,175,790	762,219	-	-	1,175,790	762,219
Landfill	-	-	6,009,028	6,327,616	6,009,028	6,327,616
Total Program Expenses	\$ 55,360,956	\$ 57,484,623	\$ 6,009,028	\$ 6,327,616	\$ 61,369,984	\$ 63,812,239
Increase (Decrease) in Net Assets	\$ 4,501,781	\$ 1,284,591	\$ 423,633	\$ 1,654	\$ 4,925,414	\$ 1,286,245

Otter Tail County's total revenues for the year ended December 31, 2008, were \$66,295,398. The total cost of Otter Tail County programs and services for the year ended December 31, 2008, was \$61,369,984. The net assets for Otter Tail County increased by \$4,925,414, due mainly to an increase in operating grants and contributions, property tax revenues, and other general revenues, and a decrease in economic development expenditures, which were offset by an increase in general government expenditures, highway and street expenditures, human services expenditures, and interest costs.

**Total County Revenues  
(Percent of Total)**



(Unaudited)

## Governmental Activities

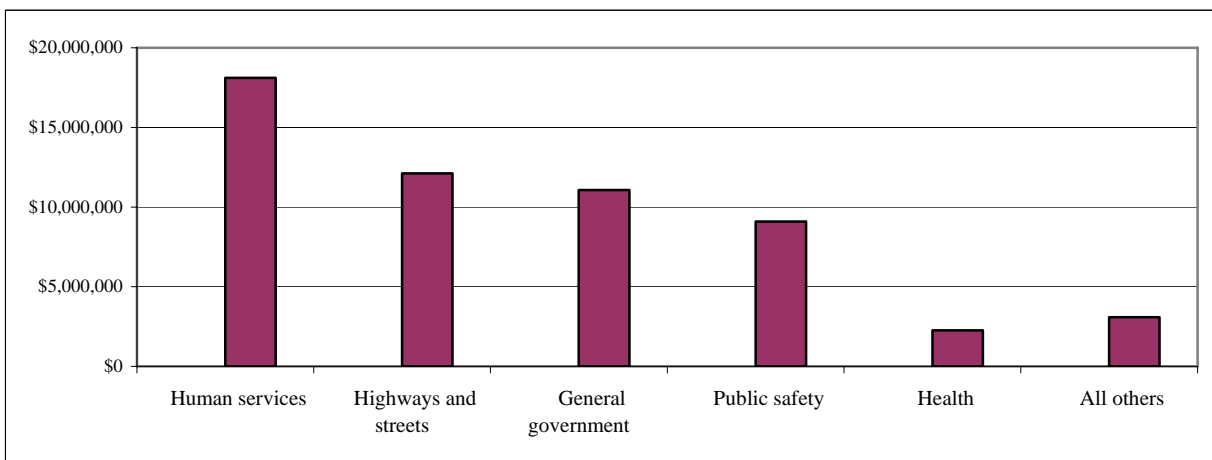
Revenues for Otter Tail County's governmental activities for the year ended December 31, 2008, were \$59,862,737. Otter Tail County's costs for all governmental activities for the year ended December 31, 2008, were \$55,360,956. As shown in Otter Tail County's Statement of Activities, the amount that County taxpayers ultimately financed for these governmental activities through local property taxation was \$24,313,437, because \$5,208,550 of the costs were paid by those who directly benefited from the programs, and \$23,612,976 was paid by other governments and organizations that subsidized certain programs with grants and contributions. Otter Tail County paid for the remaining "public benefit" portion of governmental activities with \$6,727,774 in general revenues, primarily grants and contributions, not restricted to specific programs or services, and with other revenues such as investment income, mortgage registration tax, and deed tax.

Table 3 presents the cost of each of Otter Tail County's five largest 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 placed on Otter Tail County's taxpayers by each of these functions.

**Table 3**  
**Governmental Activities**

	Total Cost of Services	Net Cost of Services
Program Expenses		
Human services	\$ 18,111,392	\$ 6,556,091
Highways and streets	12,114,947	772,789
General government	10,688,355	8,750,808
Public safety	9,093,503	7,627,415
Health	2,265,512	570,556
All others	3,087,247	2,261,771
Total Program Expenses	<u>\$ 55,360,956</u>	<u>\$ 26,539,430</u>

**Governmental Activities Expenses**  
**2008**



(Unaudited)

## **Business-Type Activities**

Revenues of Otter Tail County's business-type activities (see Table 2) for the year ended December 31, 2008, were \$6,432,661. Expenses of Otter Tail County's business-type activities (see Table 2) for the year ended December 31, 2008, were \$6,009,028.

This compares with total operating revenues of \$6,007,584 and with total nonoperating revenues of \$321,686 for the year ended December 31, 2007. Operating revenues increased by \$108,657; however, nonoperating revenues decreased by \$5,266, resulting in an overall increase in revenues of \$103,391. Operating expenses were \$6,327,616 for the year ended December 31, 2007. General costs for waste management expenditures decreased by \$318,588 due mainly to a \$1,258,170 reduction in waste management expenditures, which were offset by an increase in processing costs of \$788,026 and an increase in landfill closure and postclosure costs of \$115,203.

## **The County's Funds**

As Otter Tail County completed the year, its governmental funds, as presented in the balance sheet, reported a combined fund balance of \$35,875,671, which is below last year's total of \$40,631,675. The fund balance change of \$4,756,004 is due to an increase in the General Fund balance of \$801,051, a decrease in the Road and Bridge Special Revenue Fund balance of \$757,148, an increase in the Human Services Special Revenue Fund balance of \$436,701, an increase in the Capital Improvement Special Revenue Fund balance of \$378,766, a decrease in the fund balance in the Construction Capital Projects Fund of \$6,518,971, and an increase in the Other Governmental Funds fund balances of \$903,597. As you will note, there were significant changes within individual funds. The overall fund balance change represented an 11.7 percent decrease. The significant items impacting the individual fund balance changes were noted previously.

Included in this year's total fund balance is Otter Tail County's General Fund balance of \$14,875,847, an increase of \$801,051 from 2007. The majority of the General Fund balance is either reserved (\$2,870,789) or unreserved, designated (\$11,446,459) for specific purposes. The fund balance in the Capital Improvement Special Revenue Fund increased by \$378,766 and is available to finance future capital equipment and building needs as identified by management. The Construction Capital Projects Fund, which was a new fund in calendar year 2007, had a fund balance at December 31, 2008, of \$803,442, which will be used to complete two significant construction projects in 2009.

## **General Fund Budgetary Highlights**

The Otter Tail County Board of Commissioners, over the course of a budget year, may amend/revise the County's overall operating budget of the General Fund to reflect changes in revenue sources and expenditures that were not anticipated when the budget was established in the prior year. In 2008, the Board of Commissioners did not make any significant budget

revisions to the General Fund budget. If the Board of Commissioners had made changes to the budget as originally adopted on Wednesday, December 26, 2007, these budget amendments/revisions would have fallen into one of three categories: new information changing original budget estimations, greater than anticipated revenues or costs, or final agreement reached on employee contracts.

In Otter Tail County's General Fund, the actual revenues exceeded the budgeted revenues by \$596,496. Total actual expenditures in Otter Tail County's General Fund were under the budgeted expenditures by \$484,088, and transfers out were under budget by \$224,160. The variances between the budgeted amounts and the actual amounts are noted by functional area on Schedule 1.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2008, Otter Tail County had \$121,788,118 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment (see Table 4). This amount represents a net increase (including additions and deductions) of \$11,195,091, or 10.1 percent, over last year.

**Table 4**  
**Capital Assets at Year-End**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land	\$ 3,224,045	\$ 3,089,336	\$ 195,934	\$ 195,934	\$ 3,419,979	\$ 3,285,270
Construction in progress	7,857,642	9,422,382	2,764,097	212,509	10,621,739	9,634,891
Land improvements	459,378	475,056	-	-	459,378	475,056
Buildings and improvements	19,048,043	14,829,935	1,507,234	1,648,415	20,555,277	16,478,350
Machinery, furniture, and equipment	4,469,297	3,746,620	921,763	880,388	5,391,060	4,627,008
Infrastructure	79,755,473	74,382,078	-	-	79,755,473	74,382,078
Landfill	-	-	1,585,212	1,710,374	1,585,212	1,710,374
Totals	<u>\$ 114,813,878</u>	<u>\$ 105,945,407</u>	<u>\$ 6,974,240</u>	<u>\$ 4,647,620</u>	<u>\$ 121,788,118</u>	<u>\$ 110,593,027</u>

During calendar year 2008, Otter Tail County's governmental activities' capital assets, net of depreciation, increased a total of \$8,868,471. This year's major additions include the construction of the Ottertail Operations Center and the Chemical Dependency Facility; the addition of equipment; and the completion of Road and Bridge projects for grading, bituminous, bridge construction, and right-of-way purchases, which are reported as infrastructure (see Table 4). The Ottertail Operations Center for the Sheriff's Department and the Chemical Dependency Center projects were started in 2007, with completion anticipated in 2008 and final contractual payments issued prior to the end of 2009. There were a number of other smaller remodeling and improvement projects completed in 2008.

Otter Tail County's fiscal year 2009 capital budget plans for the expenditure of another \$2,662,729 for equipment, vehicles, and remodeling, and \$9,550,000 for road construction projects. Remodeling/construction plans for the detention facility, the original courthouse structure, dispatching and building security plans continued to be studied and reviewed. Construction of the Ottertail Operations Center and the Chemical Dependency Center started in 2007 and was financed using available funds within the Capital Improvement Special Revenue Fund and by the issuance of general obligation bonds and revenue bonds. These two projects were substantially completed in calendar year 2008. More detailed information about Otter Tail County's capital assets can be found in Note 3.A. to the Otter Tail County financial statements.

## Bonded Debt

As of December 31, 2008, Otter Tail County had \$26,546,667 in bonds and notes outstanding, compared with \$27,190,199 as of December 31, 2007--a decrease of 2.4 percent--as shown in Table 5.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Bonds payable						
General obligation bonds	\$ 6,875,000	\$ 6,965,000	\$ -	\$ -	\$ 6,875,000	\$ 6,965,000
Revenue bonds	14,110,000	14,665,000	-	-	14,110,000	14,665,000
Lease revenue bonds	5,590,000	5,590,000	-	-	5,590,000	5,590,000
Plus: unamortized premium	28,964	31,427	-	-	28,964	31,427
Less: unamortized discount	(57,297)	(61,228)	-	-	(57,297)	(61,228)
Totals	\$ 26,546,667	\$ 27,190,199	\$ -	\$ -	\$ 26,546,667	\$ 27,190,199

In 2007, Otter Tail County's general obligation bonds were upgraded from an "A2" rating to an "A1" rating, and Otter Tail County's revenue bonds were upgraded from an "A3" rating to an "A2" rating. Otter Tail County recently issued Public Purpose Lease Revenue Bonds which received an "A3" rating. These ratings have been assigned to Otter Tail County's debt by Moody's Investors Services, a national rating agency. The state limits the amount of net debt that counties can issue to three percent of the market value of all taxable property in Otter Tail County. Otter Tail County's outstanding net debt is significantly below this \$244,379,898 state-imposed limit.

Other obligations include capital leases, compensated absences, other postemployment benefits liability, and landfill closure and postclosure care costs. Otter Tail County's notes to the financial statements provide detailed information about the County's long-term liabilities.

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

The County's elected and appointed officials considered many factors when setting the fiscal year 2009 budget, tax rates, and fees that will be charged for the business-type activities.

- Cost of fuel for vehicles, heating, and any related petroleum product use for highway maintenance and construction projects.
- Legislative actions by the State of Minnesota have a significant impact on future Otter Tail County budgets. Major revenue sources for Otter Tail County are state-paid aids, credits, and grants. Should the State of Minnesota significantly reduce these revenues or pass on costs to Otter Tail County, it would have a significant impact on next year's budget.
- In 2007, Otter Tail County saw a reduction in County Program Aid of \$200,352. For budget year 2008, Otter Tail County anticipated receiving \$2,104,155 in County Program Aid; however, the amount actually received for budget year 2008 was \$1,627,806, which is \$476,349 less than anticipated or \$721,551 less than the amount of County Program Aid received in 2007. The certified level for 2009 County Program Aid is \$2,193,823. However, it is anticipated that in budget year 2009, Otter Tail County will receive approximately \$354,942 less than the certified amount. The project-certified County Program Aid for budget year 2010 is \$1,975,762. There is a very significant possibility that this amount will be reduced by at least \$720,638. This state aid is \$1,747,921 less than the 2003 original certified amount of \$3,375,727 for similar state aids before the state made major cuts.
- Otter Tail County's net tax capacity rates have not seen significant change even though the overall net tax levy has continued to increase. Otter Tail County's Pay 2009 net tax capacity rates were lower than Pay 2008, and it is anticipated that the County's Pay 2010 net tax capacity rates will not change significantly. This is due in great part to Otter Tail County's strong tax base which, combined with the imposition of levy limits and class rate changes, should not result in Pay 2010 rates that are substantially different than the Pay 2009 rates. Otter Tail County has a very balanced tax base. It has a strong seasonal, residential, commercial/industrial, and agricultural base. Keeping this tax base vital and healthy is very important to Otter Tail County's overall financial health and condition.
- State-imposed levy limitations for calendar years 2009, 2010, and 2011 will need to be carefully reviewed to ensure that Otter Tail County has adequate funding to provide the desired level of services and to meet the demands of the public. Limitation on the availability of property tax revenue may result in increasing the fees charged for services and/or reducing the level of service provided.

- Otter Tail County's unemployment rate for 2009 averaged 8.1 percent through October 31, 2009. However, it should be noted that the unemployment rate for the month of October was 6.3 percent. Otter Tail County's unemployment rate for 2008 averaged 6.1 percent, for 2007 averaged 5.4 percent, and for 2006 averaged 4.9 percent. An increasing unemployment rate could impact the level of services requested by Otter Tail County residents and on Otter Tail County's ability to generate the revenues necessary to pay for these additional services.
- The County's budgeted expenditures for 2009 are budgeted to decrease approximately 4.6 percent from 2008; however, a significant portion of that decrease is due to the significant completion of two major construction projects in budget year 2008.
- The net property tax levy for 2009 is planned to increase 5.6 percent from 2008.
- Settling union contracts and employment-related cost/issues will affect the future budgets.
- Reviewing revenue sources and considering cost-effective and efficient means for the delivery of Otter Tail County programs and services will influence the development of future budgets.
- Future facility needs will impact the County's budget, as consideration is currently being given to the expansion of the existing detention facility, the construction of a new detention facility, the remodeling of the second floor courthouse area, and the need for an expanded law enforcement dispatch area.
- With limited financial resources and the desire by the Otter Tail County Board of Commissioners to minimize the increase in local property taxation, the prioritization and review of programs and services will be extremely important as future budgets are developed and efforts are made to control expenditures.
- In 2009, Otter Tail County will be considering the issuance of debt to assist with a Viking Library System Project.
- The possibility of an additional debt service levy to service two outstanding debt issues if the ethanol plant is unable to make the required lease rental payments, which are intended to provide the funds necessary to meet the debt obligations.
- The implementation of new technology and the costs associated with implementing the technology and with training staff in the proper use of the technology.

- Other factors considered included:
  - planning and financing for facility needs and the possibility of a jail expansion project;
  - planning and financing for building security;
  - planning and financing court-related costs that have been shifted from the state to the County;
  - internally financing the construction of the Fergus Falls Transfer Station;
  - land development and regulation (ordinance) issues;
  - salary classification study;
  - organizational structure;
  - a greater demand for services, which has resulted from the growth that Otter Tail County has been experiencing;
  - economic condition, market condition, and unemployment rates need to be monitored to ensure that the County expenditure levels do not exceed our ability to generate the necessary revenues to finance our costs; and
  - the need to improve both internal and external administrative and financial reporting to ensure that the most current information is available to the decision makers.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

Otter Tail County's financial report provides citizens, taxpayers, customers, investors, and creditors with a general overview of Otter Tail County's finances, and it shows Otter Tail County's accountability for the money it receives and spends. If you have questions about this report, or need additional financial information, contact Wayne Stein, County Auditor (218-998-8041); Jim Myhre, Assistant County Auditor (218-998-8039); or Dawn Godel, Accounting Supervisor (218-998-8037) at the Otter Tail County Government Services Center, 510 Fir Avenue, Fergus Falls, Minnesota 56537.



## **BASIC FINANCIAL STATEMENTS**

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## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2008**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 33,299,128	\$ 4,536,096	\$ 37,835,224
Taxes receivable			
Current - net	434,718	-	434,718
Prior - net	160,459	-	160,459
Special assessments receivable			
Current - net	3,232	-	3,232
Prior - net	159	-	159
Deferred - net	70,067	-	70,067
Accounts receivable - net	267,932	399,223	667,155
Accrued interest receivable	283,958	-	283,958
Internal balances	1,517,717	(1,517,717)	-
Due from other governments	2,656,238	122,290	2,778,528
Inventories	298,777	-	298,777
Restricted assets			
Temporarily restricted			
Cash with escrow agent	1,928,522	-	1,928,522
Permanently restricted			
Cash and pooled investments	-	1,230,251	1,230,251
Advance to other governments	27,906	-	27,906
Deferred charges	180,812	-	180,812
Capital assets			
Non-depreciable	11,081,687	2,960,031	14,041,718
Depreciable - net of accumulated depreciation	103,732,191	4,014,209	107,746,400
<b>Total Assets</b>	<b>\$ 155,943,503</b>	<b>\$ 11,744,383</b>	<b>\$ 167,687,886</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ 1,011,170	\$ 124,007	\$ 1,135,177
Salaries payable	202,152	11,905	214,057
Contracts payable	1,497,101	503,402	2,000,503
Due to other governments	760,085	75,818	835,903
Accrued interest payable	399,153	-	399,153
Unearned revenue	141,848	-	141,848
Long-term liabilities			
Due within one year	2,710,714	58,185	2,768,899
Due in more than one year	27,700,126	1,184,088	28,884,214
<b>Total Liabilities</b>	<b>\$ 34,422,349</b>	<b>\$ 1,957,405</b>	<b>\$ 36,379,754</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2008**

	<b><u>Governmental Activities</u></b>	<b><u>Business-Type Activities</u></b>	<b><u>Total</u></b>
<b><u>Net Assets</u></b>			
Invested in capital assets - net of related debt	\$ 94,898,746	\$ 6,974,240	\$ 101,872,986
Restricted for			
General government	1,226,827	-	1,226,827
Public safety	35,078	-	35,078
Highways and streets	357,682	-	357,682
Postclosure	-	289,241	289,241
Human services	1,337,054	-	1,337,054
Debt service	3,125,292	-	3,125,292
Held in trust for other purposes	133,962	-	133,962
Unrestricted	<u>20,406,513</u>	<u>2,523,497</u>	<u>22,930,010</u>
<b>Total Net Assets</b>	<b><u>\$ 121,521,154</u></b>	<b><u>\$ 9,786,978</u></b>	<b><u>\$ 131,308,132</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

<u><b>Functions/Programs</b></u>	<u><b>Expenses</b></u>	<u><b>Fees, Charges, Fines, and Other</b></u>
<b>Governmental activities</b>		
General government	\$ 10,688,355	\$ 1,677,481
Public safety	9,093,503	479,209
Highways and streets	12,114,947	538,141
Sanitation	-	39
Human services	18,111,392	1,247,997
Health	2,265,512	776,766
Culture and recreation	873,506	-
Conservation of natural resources	1,016,151	482,559
Economic development	21,800	6,358
Interest	1,175,790	-
<b>Total governmental activities</b>	<b>\$ 55,360,956</b>	<b>\$ 5,208,550</b>
<b>Business-type activities</b>		
Solid waste	6,009,028	6,116,241
<b>Total</b>	<b>\$ 61,369,984</b>	<b>\$ 11,324,791</b>

**General Revenues**

Property taxes  
Property taxes - debt service  
Mortgage registry and deed tax  
Taxes - other  
Grants and contributions not restricted to specific programs  
Payments in lieu of tax  
Investment earnings  
Miscellaneous  
Gain on sale of assets

**Total general revenues**

**Change in net assets**

**Net Assets - Beginning**

**Net Assets - Ending**

**EXHIBIT 2**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Change in Net Assets</b>		
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ 260,066	\$ -	\$ (8,750,808)	\$ -	\$ (8,750,808)
986,879	-	(7,627,415)	-	(7,627,415)
9,005,823	1,798,194	(772,789)	-	(772,789)
-	-	39	-	39
10,307,304	-	(6,556,091)	-	(6,556,091)
918,190	-	(570,556)	-	(570,556)
192,171	-	(681,335)	-	(681,335)
144,349	-	(389,243)	-	(389,243)
-	-	(15,442)	-	(15,442)
-	-	(1,175,790)	-	(1,175,790)
<b>\$ 21,814,782</b>	<b>\$ 1,798,194</b>	<b>\$ (26,539,430)</b>	<b>\$ -</b>	<b>\$ (26,539,430)</b>
207,535	-	-	314,748	314,748
<b>\$ 22,022,317</b>	<b>\$ 1,798,194</b>	<b>\$ (26,539,430)</b>	<b>\$ 314,748</b>	<b>\$ (26,224,682)</b>
		\$ 22,822,096	\$ -	\$ 22,822,096
		1,491,341	-	1,491,341
		55,089	-	55,089
		63,243	-	63,243
		4,006,021	-	4,006,021
		391,639	-	391,639
		1,314,667	108,885	1,423,552
		451,096	-	451,096
		446,019	-	446,019
		<b>\$ 31,041,211</b>	<b>\$ 108,885</b>	<b>\$ 31,150,096</b>
		<b>\$ 4,501,781</b>	<b>\$ 423,633</b>	<b>\$ 4,925,414</b>
		<b>117,019,373</b>	<b>9,363,345</b>	<b>126,382,718</b>
		<b>\$ 121,521,154</b>	<b>\$ 9,786,978</b>	<b>\$ 131,308,132</b>

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## **FUND FINANCIAL STATEMENTS**

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## **GOVERNMENTAL FUNDS**

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2008**

	<u>General</u>	<u>Road and Bridge</u>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 13,360,222	\$ 2,546,187
Petty cash and change funds	10,850	50
Undistributed cash in agency funds (taxes and other)	283,655	27,915
Taxes receivable		
Current	217,503	26,776
Prior	84,585	9,213
Special assessments		
Current	-	314
Prior	-	130
Deferred	-	-
Accounts receivable	92,171	1,315
Accrued interest receivable	283,958	-
Due from other funds	110,120	-
Due from other governments	143,492	1,216,273
Advance to other funds	1,474,922	-
Advance to other governments	-	27,906
Inventories	-	298,777
Restricted assets		
Temporarily restricted		
Cash with escrow agent	-	-
<b>Total Assets</b>	<b><u>\$ 16,061,478</u></b>	<b><u>\$ 4,154,856</u></b>

**EXHIBIT 3**

<b>Human Services</b>	<b>Capital Improvement</b>	<b>Construction</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 8,188,002	\$ 4,899,599	\$ 357,367	\$ 3,425,387	\$ 32,776,764
200	-	-	1,000	12,100
134,213	35,467	-	29,014	510,264
128,615	34,271	-	27,553	434,718
47,233	11,349	-	8,079	160,459
-	-	-	2,918	3,232
-	-	-	29	159
-	-	-	70,067	70,067
174,446	-	-	-	267,932
-	-	-	-	283,958
55,848	181,233	-	-	347,201
1,267,020	24,616	-	4,837	2,656,238
-	-	-	-	1,474,922
-	-	-	-	27,906
-	-	-	-	298,777
-	-	1,188,200	740,322	1,928,522
<b>\$ 9,995,577</b>	<b>\$ 5,186,535</b>	<b>\$ 1,545,567</b>	<b>\$ 4,309,206</b>	<b>\$ 41,253,219</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2008**

	<u>General</u>	<u>Road and Bridge</u>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 263,390	\$ 186,297
Salaries payable	83,206	81,680
Contracts payable	-	757,449
Due to other funds	248,653	447
Due to other governments	161,697	28,106
Deferred revenue - unavailable	395,535	667,436
Deferred revenue - unearned	33,150	-
Advance from other funds	-	-
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>\$ 1,185,631</b>	<b>\$ 1,721,415</b>
	<hr/>	<hr/>
<b>Fund Balances</b>		
Reserved for		
Debt service	\$ -	\$ -
Encumbrances	-	31,926
Advances to other funds	1,474,922	-
Inventories	-	298,777
Advances to other governments	-	27,906
Real estate tax shortfall	105,459	-
State-aid highway	-	1,427,925
Handgun permits	35,078	-
HAVA	41,705	-
Construction projects	-	-
Missing heirs	133,962	-
Recorder's compliance fund	588,505	-
Recorder's equipment purchases	491,158	-
Unreserved		
Designated for cash flows	3,698,142	-
Designated for compensated absences	1,744,957	359,425
Designated for property and casualty insurance	234,231	114,871
Designated for interest income generation	5,560,466	-
Designated for equipment replacement	848	-
Designated for workers' compensation	195,222	172,611
Designated for E-911	-	-
Designated for veterans' van	12,593	-
Undesignated	558,599	-
Unreserved, reported in nonmajor		
Special revenue funds	-	-
	<hr/>	<hr/>
<b>Total Fund Balances</b>	<b>\$ 14,875,847</b>	<b>\$ 2,433,441</b>
	<hr/>	<hr/>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 16,061,478</b>	<b>\$ 4,154,856</b>
	<hr/>	<hr/>

The notes to the financial statements are an integral part of this statement.

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**EXHIBIT 3**  
**(Continued)**

<b>Human Services</b>	<b>Capital Improvement</b>	<b>Construction</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 521,521	\$ 27,287	\$ 2,473	\$ 9,856	\$ 1,010,824
37,266	-	-	-	202,152
-	-	739,652	-	1,497,101
-	-	-	313	249,413
570,282	-	-	-	760,085
261,797	35,522	-	100,496	1,460,786
108,698	-	-	-	141,848
-	-	-	55,339	55,339
<b>\$ 1,499,564</b>	<b>\$ 62,809</b>	<b>\$ 742,125</b>	<b>\$ 166,004</b>	<b>\$ 5,377,548</b>
\$ -	\$ -	\$ -	\$ 3,125,292	\$ 3,125,292
-	-	364,543	-	396,469
-	-	-	-	1,474,922
-	-	-	-	298,777
-	-	-	-	27,906
-	-	-	-	105,459
-	-	-	-	1,427,925
-	-	-	-	35,078
-	-	-	-	41,705
-	-	148,854	-	148,854
-	-	-	-	133,962
-	-	-	-	588,505
-	-	-	-	491,158
-	-	-	-	3,698,142
1,189,860	-	-	-	3,294,242
51,960	-	-	-	401,062
-	-	-	-	5,560,466
-	-	-	-	848
78,802	-	-	-	446,635
-	572,867	-	-	572,867
-	-	-	-	12,593
7,175,391	4,550,859	290,045	-	12,574,894
-	-	-	1,017,910	1,017,910
<b>\$ 8,496,013</b>	<b>\$ 5,123,726</b>	<b>\$ 803,442</b>	<b>\$ 4,143,202</b>	<b>\$ 35,875,671</b>
<b>\$ 9,995,577</b>	<b>\$ 5,186,535</b>	<b>\$ 1,545,567</b>	<b>\$ 4,309,206</b>	<b>\$ 41,253,219</b>

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2008**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>35,875,671</b>
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		114,813,878
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		1,460,786
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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	\$ (6,875,000)	
Revenue bonds	(14,110,000)	
Other postemployment benefits	(178,777)	
Facility lease revenue bonds	(5,590,000)	
Bond discount	57,297	
Bond premiums	(28,964)	
Deferred charges	180,812	
Accrued interest payable	(399,153)	
Compensated absences	(3,679,706)	
Capital leases payable	(5,690)	
	(30,629,181)	

<b>Net Assets of Governmental Activities (Exhibit 1)</b>	<b>\$</b>	<b><u>121,521,154</u></b>
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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Road and Bridge</u>
<b>Revenues</b>		
Taxes	\$ 12,390,945	\$ 1,467,815
Special assessments	90,881	-
Licenses and permits	324,359	-
Intergovernmental	3,630,359	11,440,707
Charges for services	1,548,241	769,429
Fines and forfeits	36,259	-
Gifts and contributions	7,375	-
Investment earnings	1,194,238	-
Miscellaneous	976,629	45,990
	<hr/>	<hr/>
<b>Total Revenues</b>	<b>\$ 20,199,286</b>	<b>\$ 13,723,941</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 9,678,096	\$ -
Public safety	7,829,590	-
Highways and streets	-	13,602,317
Human services	-	-
Health	-	-
Culture and recreation	862,986	-
Conservation of natural resources	957,621	-
Economic development	21,800	-
<b>Intergovernmental</b>		
Highways and streets	-	865,833
<b>Capital outlay</b>		
General government	23,749	-
Public safety	-	-
Human services	-	-
<b>Debt service</b>		
Principal	3,948	-
Interest	525	-
Administrative charges	-	-
	<hr/>	<hr/>
<b>Total Expenditures</b>	<b>\$ 19,378,315</b>	<b>\$ 14,468,150</b>
	<hr/>	<hr/>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 820,971</b>	<b>\$ (744,209)</b>

**EXHIBIT 5**

<b>Human Services</b>	<b>Capital Improvement</b>	<b>Construction</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ 7,071,509	\$ 1,878,676	\$ -	\$ 1,508,535	\$ 24,317,480
-	39	-	60,158	151,078
-	-	-	-	324,359
12,546,499	500,037	-	150,126	28,267,728
1,391,121	905	-	-	3,709,696
-	-	-	63,695	99,954
-	-	-	-	7,375
-	115,546	59,212	47,497	1,416,493
639,876	9,931	-	-	1,672,426
<b>\$ 21,649,005</b>	<b>\$ 2,505,134</b>	<b>\$ 59,212</b>	<b>\$ 1,830,011</b>	<b>\$ 59,966,589</b>
\$ -	\$ 389,358	\$ -	\$ 47,448	\$ 10,114,902
874,428	388,717	-	9,191	9,101,926
-	1,548,059	-	-	15,150,376
18,073,885	34,272	-	-	18,108,157
2,263,991	31,096	-	-	2,295,087
-	7,998	-	-	870,984
-	-	-	14,219	971,840
-	-	-	-	21,800
-	-	-	-	865,833
-	-	-	-	23,749
-	12,219	1,599,662	-	1,611,881
-	39,121	4,430,813	-	4,469,934
-	-	-	645,000	648,948
-	-	-	1,277,994	1,278,519
-	-	-	1,442	1,442
<b>\$ 21,212,304</b>	<b>\$ 2,450,840</b>	<b>\$ 6,030,475</b>	<b>\$ 1,995,294</b>	<b>\$ 65,535,378</b>
<b>\$ 436,701</b>	<b>\$ 54,294</b>	<b>\$ (5,971,263)</b>	<b>\$ (165,283)</b>	<b>\$ (5,568,789)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>General</u>	<u>Road and Bridge</u>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ 2,189	\$ -
Transfers out	(22,109)	-
Proceeds from sale of capital assets	-	-
	<u>          </u>	<u>          </u>
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (19,920)</b>	<b>\$ -</b>
	<u>          </u>	<u>          </u>
<b>Change in Fund Balance</b>	<b>\$ 801,051</b>	<b>\$ (744,209)</b>
	<u>          </u>	<u>          </u>
<b>Fund Balance - January 1</b>	<b>14,074,796</b>	<b>3,190,589</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>(12,939)</b>
	<u>          </u>	<u>          </u>
<b>Fund Balance - December 31</b>	<b>\$ 14,875,847</b>	<b>\$ 2,433,441</b>
	<u>          </u>	<u>          </u>

**EXHIBIT 5**  
**(Continued)**

<b>Human Services</b>	<b>Capital Improvement</b>	<b>Construction</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ -	\$ 62,150	\$ -	\$ 1,071,069	\$ 1,135,408
-	(563,402)	(547,708)	(2,189)	(1,135,408)
-	825,724	-	-	825,724
<b>\$ -</b>	<b>\$ 324,472</b>	<b>\$ (547,708)</b>	<b>\$ 1,068,880</b>	<b>\$ 825,724</b>
\$ 436,701	\$ 378,766	\$ (6,518,971)	\$ 903,597	\$ (4,743,065)
8,059,312	4,744,960	7,322,413	3,239,605	40,631,675
-	-	-	-	(12,939)
<b>\$ 8,496,013</b>	<b>\$ 5,123,726</b>	<b>\$ 803,442</b>	<b>\$ 4,143,202</b>	<b>\$ 35,875,671</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**Net change in fund balances - total governmental funds (Exhibit 5)** **\$ (4,743,065)**

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

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

Deferred revenue - December 31	\$ 1,460,786	
Deferred revenue - January 1	<u>(2,010,657)</u>	(549,871)

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.

Expenditures for general capital assets and infrastructure	\$ 14,192,289	
Net book value of assets sold	(379,705)	
Current year depreciation	<u>(4,944,113)</u>	8,868,471

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

General obligation bonds	\$ 90,000	
Revenue bonds	555,000	
Capital lease	<u>3,948</u>	648,948

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	\$ 105,639	
Amortization of premiums, discounts, and deferred issuance charges	(39,483)	
Change in compensated absences	402,858	
Change in other postemployment benefits	(178,777)	
Change in inventories	<u>(12,939)</u>	<u>277,298</u>

**Change in Net Assets of Governmental Activities (Exhibit 2)** **\$ 4,501,781**

**PROPRIETARY FUND**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 7**

**STATEMENT OF NET ASSETS  
WASTE MANAGEMENT ENTERPRISE FUND  
DECEMBER 31, 2008**

**Assets**

Current assets	
Cash and pooled investments	\$ 4,450,665
Petty cash and change funds	18,640
Undistributed cash in agency funds	66,791
Accounts receivable - net	399,223
Due from other funds	11,280
Due from other governments	122,290
	<hr/>
<b>Total current assets</b>	<b>\$ 5,068,889</b>
Restricted assets	
Cash and pooled investments	\$ 1,230,251
	<hr/>
Noncurrent assets	
Capital assets	
Nondepreciable	\$ 2,960,031
Depreciable - net	4,014,209
	<hr/>
<b>Total noncurrent assets</b>	<b>\$ 6,974,240</b>
<b>Total Assets</b>	<b>\$ 13,273,380</b>

**Liabilities**

Current liabilities	
Accounts payable	\$ 124,007
Salaries payable	11,905
Compensated absences payable	58,185
Contracts payable	503,402
Due to other funds	109,414
Due to other governments	75,818
Advance from other funds	202,798
	<hr/>
<b>Total current liabilities</b>	<b>\$ 1,085,529</b>
Noncurrent liabilities	
Compensated absences payable	\$ 232,035
Advance from other funds	1,216,785
Estimated liability for landfill closure/postclosure	941,010
Other postemployment benefits liability	11,043
	<hr/>
<b>Total noncurrent liabilities</b>	<b>\$ 2,400,873</b>
<b>Total Liabilities</b>	<b>\$ 3,486,402</b>

The notes to the financial statements are an integral part of this statement.

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

***EXHIBIT 7  
(Continued)***

**STATEMENT OF NET ASSETS  
WASTE MANAGEMENT ENTERPRISE FUND  
DECEMBER 31, 2008**

<b><u>Net Assets</u></b>	
Invested in capital assets - net of related debt	\$ 6,974,240
Restricted for postclosure	289,241
Unrestricted	<u>2,523,497</u>
<b>Total Net Assets</b>	<b><u><u>\$ 9,786,978</u></u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

***EXHIBIT 8***

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
WASTE MANAGEMENT ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

<b>Operating Revenues</b>	
Charges for services	\$ 5,433,770
Licenses and permits	2,180
Sale of recyclable materials	680,278
Miscellaneous	13
	<hr/>
<b>Total Operating Revenues</b>	<b>\$ 6,116,241</b>
<b>Operating Expenses</b>	
SCORE	\$ 1,173,389
Waste management	3,180,119
Household hazardous waste	140,710
Processing costs	808,773
Depreciation	497,563
Landfill closure and postclosure costs	180,082
	<hr/>
<b>Total Operating Expenses</b>	<b>\$ 5,980,636</b>
<b>Operating Income (Loss)</b>	<b>\$ 135,605</b>
	<hr/>
<b>Nonoperating Revenues (Expenses)</b>	
Intergovernmental	\$ 175,607
Interest income	108,885
Interest income restricted for sanitation	31,928
Interest expense	(28,392)
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 288,028</b>
<b>Change in Net Assets</b>	<b>\$ 423,633</b>
<b>Net Assets - January 1</b>	<b>9,363,345</b>
	<hr/>
<b>Net Assets - December 31</b>	<b>\$ 9,786,978</b>
	<hr/> <hr/>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
WASTE MANAGEMENT ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 6,096,199
Payments to suppliers	(4,140,774)
Payments to employees	<u>(1,421,560)</u>
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ 533,865</u></b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Intergovernmental	<b><u>\$ 175,607</u></b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases of capital assets	\$ (2,359,125)
Advance from other funds	<u>1,419,583</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b><u>\$ (939,542)</u></b>
<b>Cash Flows from Investing Activities</b>	
Investment earnings received	<b><u>\$ 143,418</u></b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b><u>\$ (86,652)</u></b>
<b>Cash and Cash Equivalents at January 1</b>	<b><u>5,852,999</u></b>
<b>Cash and Cash Equivalents at December 31</b>	<b><u><u>\$ 5,766,347</u></u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
<b>Operating income (loss)</b>	<b><u>\$ 135,605</u></b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 497,563
(Increase) decrease in accounts receivable	(41,923)
(Increase) decrease in due from other governments	19,833
(Increase) decrease in due from other funds	2,048
Increase (decrease) in accounts payable	(26,187)
Increase (decrease) in salaries payable	6,509
Increase (decrease) in compensated absences - current	(13,352)
Increase (decrease) in due to other funds	(240,389)
Increase (decrease) in due to other governments	2,131
Increase (decrease) in compensated absences - long-term	902
Increase (decrease) in other postemployment benefits liability	11,043
Increase (decrease) in landfill closure/postclosure costs	<u>180,082</u>
<b>Total adjustments</b>	<b><u>\$ 398,260</u></b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u><u>\$ 533,865</u></u></b>

The notes to the financial statements are an integral part of this statement.

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

***EXHIBIT 9  
(Continued)***

**STATEMENT OF CASH FLOWS  
WASTE MANAGEMENT ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008  
Increase (Decrease) in Cash and Cash Equivalents**

**Cash and Cash Equivalents - Exhibit 7**

Cash and pooled investments	\$ 4,450,665
Petty cash and change funds	18,640
Undistributed cash in agency funds	66,791
Restricted cash and pooled investments	<u>1,230,251</u>
<b>Total Cash and Cash Equivalents</b>	<b><u>\$ 5,766,347</u></b>

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## **FIDUCIARY FUNDS**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

***EXHIBIT 10***

**STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
DECEMBER 31, 2008**

	<b><u>Agency Funds</u></b>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ 1,205,325
Accounts receivable	16,517
Due from other funds	<u>723,888</u>
<b>Total Assets</b>	<b><u>\$ 1,945,730</u></b>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 7,222
Due to other funds	723,542
Due to other governments	<u>1,214,966</u>
<b>Total Liabilities</b>	<b><u>\$ 1,945,730</u></b>

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008**

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**1. Summary of Significant Accounting Policies**

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2008. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. The more significant accounting policies established in GAAP and used by the County are discussed below.

**A. Financial Reporting Entity**

Otter Tail County was established March 18, 1858, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

**Joint Ventures**

The County participates in several joint ventures described in Note 8.B. The County also participates in the jointly-governed organizations described in Note 8.C.

**B. Basic Financial Statements**

**1. Government-Wide Statements**

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the County. 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. Governmental activities, which normally are supported by

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

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

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those 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 restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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 governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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.

The County reports the following major governmental funds:

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

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.

The Capital Improvement Special Revenue Fund is used to finance equipment acquisition or repair of buildings and other capital improvements. Financing will be provided by a tax levy and appropriations from other County funds.

The Construction Capital Projects Fund is used to account for the construction of the Sheriff's Operations Center and the Chemical Dependency Facility.

The County reports the following major enterprise fund:

The Waste Management Enterprise Fund is used to account for the financial activities relating to the operation of waste disposal sites owned by Otter Tail County.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund types:

Debt service funds account for resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

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 for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, 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. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Otter Tail County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered 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. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as needed.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2008, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. Investment earnings on business-type activities are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2008 were \$1,563,252.

3. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans).

All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

3. Receivables and Payables (Continued)

No allowance has been made for uncollectible receivables.

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 May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

4. Advance to Other Governments

Noncurrent portions of intergovernmental advances, reported as “Advance to other government,” are offset by a fund balance reserve account, which indicates that they do not constitute available resources.

In 2007, an advance of \$47,906 was made to the City of Underwood to cover the local share requirement for S.A.P. 56-635-30. In June 2008, the City repaid \$10,000. The balance of \$27,906 as of December 31, 2008, will be repaid in annual installments of \$10,000 through 2010, with the remaining \$7,906 due in 2011.

5. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories in proprietary funds and at the government-wide level are recorded as expenses when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

6. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net assets 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.

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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 assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County did not have any capitalized interest.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

7. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Land improvements	5 - 20
Buildings	40
Building improvements	Up to 30
Public domain infrastructure	20 - 100
Furniture, equipment, and vehicles	3 - 20

The County landfill is depreciated based on capacity used.

8. Compensated Absences

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

9. Deferred Revenue

All County funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues not considered as available to liquidate liabilities of the current period.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

10. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

11. Fund Equity

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

12. 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.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The following is a summary of individual funds that had expenditures in excess of budget for the year ended December 31, 2008.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Special Revenue Funds			
Capital Improvement	\$ 2,450,840	\$ 2,411,021	\$ 39,819
Sheriff's Contingent	9,191	8,500	691
Construction Capital Projects Fund	6,030,475	5,612,248	418,227
Debt Service Funds			
Chemical Dependency	249,300	248,878	422
Ethanol Plant	328,619	327,464	1,155
Government Service Center	959,374	947,769	11,605
Sheriff Operations	267,162	266,457	705
Veterans Home	119,981	119,295	686

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of the County's total cash and investments to the basic financial statements follows:

Primary government	
Cash and pooled investments	\$ 37,835,224
Restricted assets	
Cash with escrow agent	1,928,522
Cash and pooled investments	1,230,251
Fiduciary assets	
Cash and pooled investments	
Agency fund	<u>1,205,325</u>
 Total Cash and Investments	 <u>\$ 42,199,322</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better or revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2008, the County's bank deposits were not exposed to custodial credit risk, however, the County had a deposit with a broker in the amount of \$500,017 exposed to custodial credit risk as uninsured and uncollateralized.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) 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;
- (4) bankers’ acceptances of United States banks;
- (5) 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
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

The County does not have additional policies for the investment risks described below beyond complying with the requirements of Minnesota statutes.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County invests only in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2008, \$1,406,252 of government securities, \$36,364 of commercial paper, and \$6,692,704 of U.S. Treasuries were exposed to custodial credit risk because they were held by the counterparty.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. Typically, the County invests in U.S. Treasury securities, U.S. agency securities, and obligations backed by the U.S. Treasury and/or U.S. agency securities without limit.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table represents the County's deposit and investment balances at December 31, 2008, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5% of Portfolio	Maturity Date	
U.S. government agency securities					
Federal Home Loan Mortgage Corporation	AAA	S&P	<5%	06/15/2033	\$ 643,953
Federal National Mortgage Association	AAA	S&P		08/25/2018	\$ 463,432
Federal National Mortgage Association	AAA	S&P		08/25/2018	339,225
Federal National Mortgage Association	AAA	S&P		06/25/2022	43,158
Total Federal National Mortgage Association			5.4%		\$ 845,815
U.S. Treasury Note	N/A	N/A		01/31/2009	\$ 1,003,868
U.S. Treasury Note	N/A	N/A		02/28/2009	2,014,922
U.S. Treasury Note	N/A	N/A		09/30/2010	1,025,469
U.S. Treasury Note	N/A	N/A		10/31/2010	1,015,235
U.S. Treasury Note	N/A	N/A		12/31/2010	1,002,501
Total U.S. Treasury Notes			N/A		\$ 6,061,995
U.S. Treasury Bond	N/A	N/A	N/A	11/30/2009	\$ 1,025,118
U.S. Treasury Bond - stripped	N/A	N/A		08/15/2017	\$ 12,553
U.S. Treasury Bond - stripped	N/A	N/A		08/15/2019	27,205
Total U.S. Treasury Bonds - stripped			N/A		\$ 39,758
Commercial paper					
GE Capital Credit Corporation	P-1	Moody's	<5%	01/14/2009	\$ 499,500
Mutual Fund					
Wells Fargo Government Backed	N/R	N/A	N/A	N/A	\$ 6,480,945
Total investments					\$ 15,597,084
Deposits					24,146,968
Cash with escrow					1,928,522
Unsecured cash held by broker					496,008
Change funds					30,740
Total Cash and Investments					\$ 42,199,322

<5% - Concentration is less than 5% of investments

N/A - Not Applicable

N/R - Not Rated



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2008, for the County's governmental activities and business-type activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 595,177	\$ -
Special assessments	73,458	16,875
Accounts	267,932	-
Interest	283,958	-
Due from other governments	2,656,238	-
	<hr/>	<hr/>
Total Governmental Activities	\$ 3,876,763	\$ 16,875
	<hr/>	<hr/>
Business-Type Activities		
Accounts	\$ 399,223	\$ -
Due from other governments	122,290	-
	<hr/>	<hr/>
Total Business-Type Activities	\$ 521,513	\$ -
	<hr/>	<hr/>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

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

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 3,089,336	\$ 178,009	\$ 43,300	\$ 3,224,045
Construction in progress	9,422,382	12,372,653	13,937,393	7,857,642
Total capital assets not depreciated	\$ 12,511,718	\$ 12,550,662	\$ 13,980,693	\$ 11,081,687
Capital assets depreciated				
Land improvements	\$ 869,583	\$ 56,851	\$ 1,677	\$ 924,757
Buildings	17,371,593	5,143,998	482,013	22,033,578
Building improvements	3,836,527	-	-	3,836,527
Machinery, furniture, and equipment	12,212,657	1,812,161	641,544	13,383,274
Infrastructure	111,852,607	8,566,010	-	120,418,617
Total capital assets depreciated	\$ 146,142,967	\$ 15,579,020	\$ 1,125,234	\$ 160,596,753
Less: accumulated depreciation for				
Land improvements	\$ 394,527	\$ 72,529	\$ 1,677	\$ 465,379
Buildings	5,871,294	481,612	145,608	6,207,298
Building improvements	506,891	107,873	-	614,764
Machinery, furniture, and equipment	8,466,037	1,089,484	641,544	8,913,977
Infrastructure	37,470,529	3,192,615	-	40,663,144
Total accumulated depreciation	\$ 52,709,278	\$ 4,944,113	\$ 788,829	\$ 56,864,562
Total capital assets depreciated, net	\$ 93,433,689	\$ 10,634,907	\$ 336,405	\$ 103,732,191
Governmental Activities Capital Assets, Net	\$ 105,945,407	\$ 23,185,569	\$ 14,317,098	\$ 114,813,878

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 195,934	\$ -	\$ -	\$ 195,934
Construction in progress	212,509	2,551,588	-	2,764,097
Total capital assets not depreciated	\$ 408,443	\$ 2,551,588	\$ -	\$ 2,960,031
Capital assets depreciated				
Buildings	\$ 3,347,882	\$ 16,500	\$ -	\$ 3,364,382
Landfill	2,848,323	-	-	2,848,323
Machinery, furniture, and equipment	2,059,205	256,095	66,366	2,248,934
Total capital assets depreciated	\$ 8,255,410	\$ 272,595	\$ 66,366	\$ 8,461,639
Less: accumulated depreciation for				
Buildings	\$ 1,699,467	\$ 157,681	\$ -	\$ 1,857,148
Landfill	1,137,949	125,162	-	1,263,111
Machinery, furniture, and equipment	1,178,817	214,720	66,366	1,327,171
Total accumulated depreciation	\$ 4,016,233	\$ 497,563	\$ 66,366	\$ 4,447,430
Total capital assets depreciated, net	\$ 4,239,177	\$ (224,968)	\$ -	\$ 4,014,209
Business-Type Activities Capital Assets, Net	<u>\$ 4,647,620</u>	<u>\$ 2,326,620</u>	<u>\$ -</u>	<u>\$ 6,974,240</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 745,996
Public safety	477,570
Highways and streets, including depreciation of infrastructure assets	3,672,962
Human services	32,755
Culture and recreation	5,663
Health	9,167
Total Depreciation Expense - Governmental Activities	<u>\$ 4,944,113</u>
Business-Type Activities	
Solid waste	<u>\$ 497,563</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2008, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge	\$ 393
	Sheriff's Contingent	313
	Waste Management	<u>109,414</u>
Total due to General Fund		<u>\$ 110,120</u>
Human Services	General	<u>\$ 55,848</u>
Capital Improvement	General	<u>\$ 181,233</u>
Waste Management	General	\$ 11,226
	Road and Bridge	<u>54</u>
Total due to Waste Management Fund		<u>\$ 11,280</u>
Agency Funds		
School Districts	Taxes and Penalties	\$ 322,200
Hospital Districts	Taxes and Penalties	12,144
Otter Tail County Sewer District	Taxes and Penalties	4,320
State Tax Revenue	Taxes and Penalties	112,618
Towns and Cities	Taxes and Penalties	271,544
Watershed Districts	Taxes and Penalties	716
Collaborative	General	<u>346</u>
Total due to Agency Funds		<u>\$ 723,888</u>
Total Due To/From Other Funds		<u><u>\$ 1,082,369</u></u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

2. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	County Ditch	\$ 55,339
	Waste Management	1,419,583
Total General Fund		<u>\$ 1,474,922</u>

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2008, consisted of the following:

Transfer to Capital Improvement Fund from General Fund	\$ 20,000	Provide County share of funding for E-911.
Transfer to County Ditch Fund from General Fund	2,109	To reallocate 2007 WPA Settlement funding.
Transfer to Government Service Center Debt Service Fund from Capital Improvement Fund	563,402	To transfer funds held in escrow accounts for debt service.
Transfer to General Fund from Sheriff's Contingent Fund	2,189	To transfer to the General Fund for remaining funds.
Transfer to Chemical Dependency Debt Service Fund from Construction Capital Projects Fund	505,558	To transfer funds held in escrow accounts for debt service.
Transfer to Capital Improvement Fund from Construction Capital Projects Fund	42,150	To transfer funds held in escrow accounts for debt service.
Total Transfers Between Funds	<u>\$ 1,135,408</u>	

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2008, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts	\$ 1,011,170	\$ 124,007
Salaries	202,152	11,905
Contracts	1,497,101	503,402
Due to other governments	<u>760,085</u>	<u>75,818</u>
Total Payables	<u>\$ 3,470,508</u>	<u>\$ 715,132</u>

2. Deferred Revenue

Deferred revenue as of December 31, 2008, for the County's governmental funds is as follows:

	<u>Deferred Unavailable</u>	<u>Deferred Unearned</u>
Governmental funds		
Taxes	\$ 539,154	\$ -
State-aid highway allotments	516,585	-
Charges for services	66,007	-
Grants	196,805	141,848
Accrued interest	<u>142,235</u>	<u>-</u>
Total Governmental Funds	<u>\$ 1,460,786</u>	<u>\$ 141,848</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Construction Commitments

The government has active construction projects as of December 31, 2008.

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
Roads and Bridges		
Road and bridge projects	\$ 75,157	\$ 31,926
Chemical Dependency Facility	4,938,172	364,532
Fergus Falls Transfer Station	<u>2,372,534</u>	<u>260,209</u>
Total Governmental Activities	<u>\$ 7,385,863</u>	<u>\$ 656,667</u>

4. Other Postemployment Benefits - Retirees

The County provides post-retirement health care benefits for employees who retire or resign in good standing. Seventy-five percent of the employees' accumulated sick leave may be applied toward health insurance premiums. Benefits start from the date they leave the County's employment until death or the balance of their sick leave is depleted, whichever comes first. The rates are based on the County's group health policy rates. After ten years of service, employees have the option of being paid for a portion of their sick leave balance in accordance with the personnel policy instead of applying it toward health insurance.

As of year-end, the County has three eligible participants. The County finances the plan on a pay-as-you-go basis. During 2008, the County expended \$5,869 for these benefits.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. These capital leases consist of the following at December 31, 2008:

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original Amount</u>	<u>Balance</u>
Governmental Activities 2006 Recorder's scanner	2010	Monthly	\$ 373	\$ 15,661	<u>\$ 5,690</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2008, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2009	\$ 4,473
2010	<u>1,491</u>
Total payments	\$ 5,964
Less: amount representing interest	<u>(274)</u>
Present Value of Minimum Lease Payments	<u>\$ 5,690</u>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Long-Term Debt

Governmental Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2008
General obligation bonds					
2004 Veterans Home Refunding Bonds	2016	\$90,000 - \$125,000	2.05 - 3.70	\$ 1,050,000	\$ 865,000
2007 Tax Abatement Bonds	2019	\$200,000 - \$640,000	4.05 - 5.00	5,245,000	5,245,000
2007 Taxable Tax Abatement Bonds	2010	\$325,000 - \$440,000	5.10	<u>765,000</u>	<u>765,000</u>
Total general obligation bonds				<u>\$ 7,060,000</u>	\$ 6,875,000
Add: unamortized premium					14,444
Less: unamortized discount					<u>(385)</u>
Total General Obligation Bonds, Net					<u>\$ 6,889,059</u>
Revenue Bonds					
2002 Government Services Building Lease Housing and Redevelopment Authority Revenue Bonds	2019	\$490,000 - \$930,000	3.50 - 5.00	\$ 9,995,000	\$ 7,970,000
2007 Public Project Housing and Redevelopment Authority Revenue Bonds	2024	\$250,000 - \$515,000	3.40 - 4.50	<u>6,140,000</u>	<u>6,140,000</u>
Total revenue bonds				<u>\$ 16,135,000</u>	\$ 14,110,000
Less: unamortized discount					<u>(56,912)</u>
Total Revenue Bonds, Net					<u>\$ 14,053,088</u>
Lease Revenue Bonds					
2007 Law Enforcement Lease Housing and Redevelopment Authority Revenue Bonds	2023	\$275,000 - \$495,000	4.00	<u>\$ 5,590,000</u>	\$ 5,590,000
Add: unamortized premium					<u>14,520</u>
Total Lease Revenue Bonds, Net					<u>\$ 5,604,520</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

7. Debt Service Requirements

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

Governmental Activities

Year Ending December 31	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 535,000	\$ 290,600	\$ 880,000	\$ 618,090
2010	625,000	264,383	905,000	582,921
2011	580,000	239,255	945,000	545,365
2012	605,000	215,835	980,000	504,751
2013	630,000	190,990	1,025,000	461,360
2014 - 2018	3,305,000	532,242	5,835,000	1,550,656
2019 - 2023	595,000	14,875	3,290,000	375,602
2024	-	-	250,000	11,250
Total	<u>\$ 6,875,000</u>	<u>\$ 1,748,180</u>	<u>\$ 14,110,000</u>	<u>\$ 4,649,995</u>

Year Ending December 31	Lease Revenue Bonds	
	Principal	Interest
2009	\$ 275,000	\$ 218,100
2010	285,000	206,900
2011	295,000	195,300
2012	310,000	183,200
2013	320,000	170,600
2014 - 2018	1,830,000	644,400
2019 - 2023	<u>2,275,000</u>	<u>235,500</u>
Total	<u>\$ 5,590,000</u>	<u>\$ 1,854,000</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

8. Changes in Long-Term Liabilities

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

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 6,965,000	\$ -	\$ 90,000	\$ 6,875,000	\$ 535,000
Revenue bonds	14,665,000	-	555,000	14,110,000	880,000
Lease revenue bonds	5,590,000	-	-	5,590,000	275,000
Add: unamortized premium	31,427	-	2,463	28,964	-
Less: unamortized discount	(61,228)	-	(3,931)	(57,297)	-
Total bonds payable	\$ 27,190,199	\$ -	\$ 643,532	\$ 26,546,667	\$ 1,690,000
Capital leases	9,638	-	3,948	5,690	4,220
Compensated absences	4,082,564	2,098,303	2,501,161	3,679,706	1,016,494
OPEB liability	-	178,777	-	178,777	-
Governmental Activities Long-Term Liabilities	<u>\$ 31,282,401</u>	<u>\$ 2,277,080</u>	<u>\$ 3,148,641</u>	<u>\$ 30,410,840</u>	<u>\$ 2,710,714</u>

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Estimated liability for landfill closure/postclosure costs	\$ 760,928	\$ 180,082	\$ -	\$ 941,010	\$ -
Compensated absences	302,670	103,251	115,701	290,220	58,185
OPEB liability	-	11,043	-	11,043	-
Business-Type Activities Long-Term Liabilities	<u>\$ 1,063,598</u>	<u>\$ 294,376</u>	<u>\$ 115,701</u>	<u>\$ 1,242,273</u>	<u>\$ 58,185</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Otter Tail County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the Public Employees Correctional Fund.

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

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all Public Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for Public Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.1 and 6.0 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members were required to contribute 8.6 percent of their annual covered

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Funding Policy (Continued)

salary in 2008. That rate increased to 9.4 percent in 2009. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2008 and 2009:

	<u>2008</u>	<u>2009</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.50	6.75
Public Employees Police and Fire Fund	12.90	14.10
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2008, 2007, and 2006, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Public Employees Retirement Fund	\$ 1,099,087	\$ 991,045	\$ 906,250
Public Employees Police and Fire Fund	274,160	226,822	190,688
Public Employees Correctional Fund	136,133	131,116	126,993

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

B. Defined Contribution Plan

One Otter Tail County Commissioner is covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA in accordance with Minn. Stat. ch. 353D. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the State Legislature. The plan 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.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer 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 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2008, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 1,736	\$ 1,736
Percentage of covered payroll	5.00%	5.00%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

Beginning in 2008, Otter Tail County implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

This statement required the County to calculate and record a net OPEB obligation at December 31, 2008. The net OPEB obligation is, in general, the cumulative difference between the actuarial required contribution and the actual contributions since January 1, 2008.

Plan Description

Otter Tail County provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Otter Tail County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2008, there were approximately 446 participants in the plan, including 48 retirees and surviving spouses.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued 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 for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$ 189,820
Interest on net OPEB obligation	-
Adjustment to ARC	-
	<hr/>
Annual OPEB cost (expense)	\$ 189,820
Contributions made	-
	<hr/>
Increase in net OPEB obligation	\$ 189,820
Net OPEB Obligation - Beginning of Year	-
	<hr/>
Net OPEB Obligation - End of Year	<u><u>\$ 189,820</u></u>

The County's annual OPEB cost for December 31, 2008 was \$189,820. The percentage of annual OPEB cost contributed to the plan was 0.0 percent, and the net OPEB obligation for 2008 was \$189,820. Trend information for the previous two years is not available at this time based on the implementation date of December 31, 2008.



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$2,582,912, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,582,912. The covered payroll (annual payroll of active employees covered by the plan) was \$18,126,001, and the ratio of the UAAL to the covered payroll was 14.25 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. 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. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

In the January 1, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Otter Tail County's implicit rate of return on the General Fund. The annual health care cost trend is 9.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over eight years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2008, was 29 years.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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5. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Board reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$941,010 landfill closure and postclosure care liability at December 31, 2008, represents the cumulative amount reported to date based on the use of 72 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$187,698 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2008. The Board expects to close the landfill in 2043. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Board is in compliance with these requirements. At December 31, 2008, investments of \$1,230,251 are held for these purposes. These are reported as restricted assets on the statement of net assets. Otter Tail County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

6. 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. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County self-insures for employee health and dental coverage. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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6. Risk Management (Continued)

in the Workers' Compensation Reinsurance Association with coverage at \$410,000 per claim in 2008 and \$430,000 per claim in 2009. 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. 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.

7. Conduit Debt

In 2007, Otter Tail Ag Enterprises, LLC, issued \$20,000,000 Subordinate Exempt Facility Revenue Bonds, Series 2007A, to finance the development, acquisition, construction, and installation of that portion of certain equipment used to process grain unmarketable by-products of the ethanol production process constituting solid waste but not including equipment to further process marketable by-products. The project is deemed to be in the public interest. Neither the County, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the note is not reported as a liability in the accompanying financial statements. As of December 31, 2008, the outstanding principal amount was \$20,000,000.

In 2005, Productive Alternatives, Inc., issued a \$775,000 Health Care Facilities Revenue Note, Series 2005, to refinance the financing on the Willows Day Program building, in order to build a new facility to operate its detox operations for the benefit of Otter Tail County as well as other counties. The project is deemed to be in the public interest. Neither the County, the state, nor any political subdivision thereof is obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the accompanying financial statements. As of December 31, 2008, the outstanding principal amount payable was \$732,708.

In 2001, the Lake Region Healthcare Corporation issued a \$6,000,000 Health Care Facilities Revenue Note, Series 2001, to finance the remodeling and equipping of the Corporation's nursing home and 108-bed hospital and the remodeling of a portion of the Corporation's nursing home for use as an inpatient rehabilitation unit. The project is deemed to be in the public interest. The note is secured by the property financed through a series of loan agreements and is payable solely from revenues of the entity. Neither the County, the state,

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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7. Conduit Debt (Continued)

nor any political subdivision thereof is obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the accompanying financial statements. As of December 31, 2008, the outstanding principal amount payable was \$4,386,640.

8. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

In 2001, the City of Perham issued \$8,215,000 of general obligation bonds to finance or refinance the retrofitting and equipping of the existing municipal solid waste combustion facility. The bonds are payable primarily from the revenues derived from the project; however, if these revenues are not sufficient for the payment of the bonds, then the City shall levy and certify to the County Auditor for collection in the following year a tax at least five percent in excess of the amounts adequate to make good the deficiency. The County has entered into an agreement for waste deliveries to the Perham solid waste facility. Under this agreement, the County has agreed to make payments of its respective share of debt service payments to the City to provide for additional security for the bonds. The probability that the County may be required to make expenditures for this debt and the amount that may be required cannot be determined at this time.

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.

The County, in connection with the normal conduct of its affairs, is involved in various judgments, claims, and litigation; it is expected that the final settlement of these matters will not materially affect the financial statements of the County.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items (Continued)

B. Joint Ventures

West Central Area Agency on Aging

The West Central Area Agency on Aging was established June 2, 1992, by a joint powers agreement among Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin Counties. The agreement was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the nine-county area. Each county may be assessed a proportional share of the 25 percent of the administrative costs incurred in the carrying out of this agreement. Each county's proportional share of this 25 percent of the administrative costs will be based upon the number of persons age 60 or older living within that county.

Any county may withdraw by providing notice to the chair of the Board 90 days prior to the beginning of the fiscal year. The chair shall forward a copy to each of the counties. Withdrawal shall not act to discharge any liability incurred or chargeable to any county before the effective date of withdrawal.

Control is vested in the West Central Board on Aging. The Board consists of one Commissioner from each of the counties. The County Commissioners of the county he or she represents appoint each member of the Board.

Complete financial information can be obtained from:

West Central Area Agency on Aging  
313 South Mill Street  
P. O. Box 726  
Fergus Falls, Minnesota 56537

Minnesota River Basin

The Minnesota River Basin Joint Powers Board was established July 12, 1995, by an agreement between Otter Tail County and 30 other counties. The agreement was made to promote orderly water quality improvement and management of the Minnesota River Watershed. Each county is responsible for its proportionate share of the administrative budget and for its share of benefits from any special project.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Minnesota River Basin (Continued)

In the event of termination of the agreement, all property, real and personal, held by the Joint Powers 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 Joint Powers Board, consisting of one representative and alternate from each County Board of Commissioners included in this agreement.

During 2008, Otter Tail County did not contribute any funds to the Joint Powers Board.

Separate financial information can be obtained from:

Minnesota River Basin Joint Powers Board  
Administration Building No. 14  
600 East 4th Street  
Chaska, Minnesota 55318

West Central Minnesota Drug Task Force

The West Central Minnesota Drug Task Force was established in 1996 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Clay, Douglas, Grant, Otter Tail, and Todd Counties, and the Cities of Alexandria, Breckenridge, Detroit Lakes, Fargo, Fergus Falls, Moorhead, Pelican Rapids, Perham, and Wahpeton. The Task Force's objectives are to detect, investigate, and apprehend controlled substance offenders in the six-county area.

Control of the Task Force is vested in a Board of Directors. The Board of Directors consists of department heads or a designee from each participating full-time member agency. In the event of dissolution of the Task Force, the equipment will be divided and returned to the appropriate agencies. If only one agency terminates its agreement and the unit continues, all equipment will remain with the Task Force.

Fiscal agent responsibilities for the Task Force are with Douglas County. Financing and equipment will be provided by the full-time and associate member agencies. Otter Tail County did not contribute any funds to this organization in 2008.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Pomme de Terre River Association

The Pomme de Terre River Association Joint Powers Board was established August 11, 1981, by an agreement between Otter Tail County and five other counties and their respective soil and water conservation districts. The agreement was made to develop and implement plans to protect property from damage of flooding; control erosion of land; protect streams and lakes from sedimentation and pollution; and maintain or improve the quality of water in the streams, lakes, and ground water lying within the boundaries of the watershed of the Pomme de Terre River. Administrative costs are apportioned equally to the soil and water conservation districts based on actual costs.

Central Minnesota Regional Radio Board

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

The purpose of the Central Minnesota Regional Radio 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.

Control of the Central Minnesota Regional Radio Board is vested in the Central Minnesota Regional Radio Board, which is composed of one Commissioner of each county appointed by their respective County Board and one City Council member from each city appointed by their respective City Council, as provided in the Central Minnesota Regional Radio Board's by-laws.

In the event of dissolution of the Central Minnesota Regional Radio Board, all property, assets, and funds of the Board shall be distributed to the parties of the agreement upon termination in direct proportion to their participation and contribution. Any city or county that has withdrawn from the agreement prior to termination of the Board shall share in the distribution of property, assets, and funds of the Board only to the extent they shared in the original expense.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Regional Radio Board (Continued)

The Central Minnesota Regional Radio Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2008, Otter Tail County contributed \$1,453 to the Board. Complete financial information can be obtained from:

Central Minnesota Regional Radio Board  
City of St. Cloud  
Office of the Mayor  
City Hall  
400 Second Street South  
St. Cloud, Minnesota 56303

C. Jointly-Governed Organizations

Otter Tail County, in conjunction with other governmental entities and various private organizations, has formed the jointly-governed organizations listed below:

District IV Transportation Planning

Otter Tail County and 13 other cities and counties entered into a joint powers agreement to establish the District IV Transportation Planning Joint Powers Board, effective December 11, 1996, and empowered under Minn. Stat. § 471.59. The purpose of the Board is to develop a multi-modal transportation plan for the geographical jurisdiction of the member cities and counties. The Board is composed of 14 members, with one member appointed by each member city and county.

Otter Tail County Family Services Collaborative

The Otter Tail County Family Services Collaborative was established in 1999 under the authority of Minn. Stat. §§ 124D.23 and 245.491. The Collaborative includes the Otter Tail County Human Services Board, Court Services, Public Health, and Social Services, nine school districts within the County, and ten private agencies. The purpose of the Collaborative is to establish an integrated fund to support interventions, services, and programs for children and families in the County.



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Otter Tail County Family Services Collaborative (Continued)

Control of the Otter Tail County Family Services Collaborative is vested in a Board of Directors comprised of one representative from each participating agency. The representatives come from the elected board of the governmental entities and from the boards of the private agencies.

Any party may withdraw from the agreement by the passage of a resolution by its governing board declaring its intent to withdraw. A party exercising its option to withdraw shall remain liable for financial obligations incurred prior to its withdrawal and shall not be entitled to a refund of contributions to the integrated fund. Upon termination of the agreement, any surplus funds will be distributed by resolution of the governing board in accordance with law in a manner to best accomplish the continuing purposes of the Collaborative.

Financing is provided by state and federal grants and cash and in-kind contributions from its member parties. Otter Tail County, in an agent capacity, reports the cash transactions of the Collaborative as an agency fund on its financial statements. During 2008, the County did not contribute any funds to the Collaborative.

9. Subsequent Events

Viking Library System Bonds

On February 26, 2009, the County approved a bond issuance entitled Otter Tail County Housing and Redevelopment Authority Public Purpose Lease Revenue Bonds, Series 2009A, in the amount of \$1,200,000. The purpose of the bonds is to finance the costs of constructing a library system headquarters facility for use by Viking Library System to be located in the City of Fergus Falls.

Ethanol Plant Bankruptcy

On October 30, 2009, the ethanol plant located near Fergus Falls within Otter Tail County declared bankruptcy. The County has issued debt in relation to the construction of various components of this plant. The County has been making the bond payments on behalf of the plant. The plant has not been making its lease payments to Otter Tail County. At this point it has not been determined what additional impact this will have on Otter Tail County.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 13,763,091	\$ 13,763,091	\$ 12,390,945	\$ (1,372,146)
Special assessments	-	-	90,881	90,881
Licenses and permits	390,150	390,150	324,359	(65,791)
Intergovernmental	2,486,749	2,486,749	3,630,359	1,143,610
Charges for services	1,403,800	1,403,800	1,548,241	144,441
Fines and forfeits	33,000	33,000	36,259	3,259
Gifts and contributions	-	-	7,375	7,375
Investment earnings	1,000,000	1,000,000	1,194,238	194,238
Miscellaneous	526,000	526,000	976,629	450,629
<b>Total Revenues</b>	<b>\$ 19,602,790</b>	<b>\$ 19,602,790</b>	<b>\$ 20,199,286</b>	<b>\$ 596,496</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 306,022	\$ 331,129	\$ 318,052	\$ 13,077
Courts	35,000	35,000	33,643	1,357
Public defender	110,500	135,500	163,167	(27,667)
Personnel coordinator	460,590	451,853	549,692	(97,839)
County auditor	817,819	847,246	770,899	76,347
License bureau	329,013	340,277	338,935	1,342
County treasurer	342,266	355,787	305,150	50,637
County assessor	895,485	933,971	852,485	81,486
Elections	190,525	190,525	175,213	15,312
Accounting and auditing	70,000	70,000	124,007	(54,007)
Board of adjustments	28,579	28,579	22,855	5,724
Data processing	870,594	887,035	869,435	17,600
Attorney	1,117,906	1,136,478	1,141,939	(5,461)
Recorder	261,561	272,780	413,605	(140,825)
Planning and zoning	924,146	909,053	920,265	(11,212)
Environmental services	46,952	46,952	26,101	20,851
Buildings and plant	1,650,241	1,675,701	1,711,861	(36,160)
Veterans service officer	359,589	372,766	383,836	(11,070)
Wellness program	-	-	3,381	(3,381)
Other general government	-	-	7,201	(7,201)
Unallocated	1,264,653	916,937	546,374	370,563
<b>Total general government</b>	<b>\$ 10,081,441</b>	<b>\$ 9,937,569</b>	<b>\$ 9,678,096</b>	<b>\$ 259,473</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 4,379,450	\$ 4,413,150	\$ 4,423,993	\$ (10,843)
Boat and water safety	107,049	109,682	100,990	8,692
Coroner	78,850	78,850	75,735	3,115
County jail	3,258,637	3,318,433	2,623,603	694,830
DARE program	18,000	18,000	15,963	2,037
Civil defense	95,934	99,391	122,075	(22,684)
Geographical information survey	515,730	559,737	463,709	96,028
Tobacco comp	-	-	3,522	(3,522)
<b>Total public safety</b>	<b>\$ 8,453,650</b>	<b>\$ 8,597,243</b>	<b>\$ 7,829,590</b>	<b>\$ 767,653</b>
<b>Culture and recreation</b>				
Historical society	\$ 60,974	\$ 57,974	\$ 57,974	\$ -
Tourism	8,000	8,000	8,000	-
County fairs	27,000	26,000	26,000	-
Phelps Mill	41,034	41,379	33,257	8,122
Humane society	57,159	57,159	57,159	-
Viking library	477,236	477,236	477,236	-
Snowmobile trails	-	-	203,360	(203,360)
<b>Total culture and recreation</b>	<b>\$ 671,403</b>	<b>\$ 667,748</b>	<b>\$ 862,986</b>	<b>\$ (195,238)</b>
<b>Conservation of natural resources</b>				
County extension	\$ 337,655	\$ 341,589	\$ 424,743	\$ (83,154)
Soil and water conservation	129,636	129,636	129,636	-
Predator control	6,500	6,500	5,110	1,390
Water planning	59,878	59,878	59,878	-
Lake improvement districts	100,440	100,440	99,874	566
Other conservation	-	-	238,380	(238,380)
<b>Total conservation of natural resources</b>	<b>\$ 634,109</b>	<b>\$ 638,043</b>	<b>\$ 957,621</b>	<b>\$ (319,578)</b>
<b>Economic development</b>				
Community development	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Rural life outreach	1,000	1,000	1,000	-
Other economic development	800	800	800	-
<b>Total economic development</b>	<b>\$ 21,800</b>	<b>\$ 21,800</b>	<b>\$ 21,800</b>	<b>\$ -</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Expenditures (Continued)</b>				
<b>Capital outlay</b>				
General government	\$ -	\$ -	\$ 23,749	\$ (23,749)
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 3,948	\$ (3,948)
Interest	-	-	525	(525)
<b>Total debt service</b>	\$ -	\$ -	\$ 4,473	\$ (4,473)
<b>Total Expenditures</b>	\$ 19,862,403	\$ 19,862,403	\$ 19,378,315	\$ 484,088
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ (259,613)	\$ (259,613)	\$ 820,971	\$ 1,080,584
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 940	\$ 940	\$ 2,189	\$ 1,249
Transfers out	(246,269)	(246,269)	(22,109)	224,160
<b>Total Other Financing Sources (Uses)</b>	\$ (245,329)	\$ (245,329)	\$ (19,920)	\$ 225,409
<b>Net Change in Fund Balance</b>	\$ (504,942)	\$ (504,942)	\$ 801,051	\$ 1,305,993
<b>Fund Balance - January 1</b>	14,074,796	14,074,796	14,074,796	-
<b>Fund Balance - December 31</b>	\$ 13,569,854	\$ 13,569,854	\$ 14,875,847	\$ 1,305,993

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 2**

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 1,615,157	\$ 1,615,157	\$ 1,467,815	\$ (147,342)
Intergovernmental	13,891,643	13,891,643	11,440,707	(2,450,936)
Charges for services	1,172,100	1,172,100	769,429	(402,671)
Miscellaneous	46,000	46,000	45,990	(10)
<b>Total Revenues</b>	<b>\$ 16,724,900</b>	<b>\$ 16,724,900</b>	<b>\$ 13,723,941</b>	<b>\$ (3,000,959)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 508,200	\$ 508,200	\$ 468,491	\$ 39,709
Maintenance	3,831,200	3,831,200	3,492,692	338,508
Construction	10,404,000	10,404,000	8,535,372	1,868,628
Equipment maintenance and shop	1,114,500	1,114,500	1,094,232	20,268
Materials and services for resale	10,000	10,000	11,530	(1,530)
<b>Total highways and streets</b>	<b>\$ 15,867,900</b>	<b>\$ 15,867,900</b>	<b>\$ 13,602,317</b>	<b>\$ 2,265,583</b>
<b>Intergovernmental</b>				
Highways and streets	857,000	857,000	865,833	(8,833)
<b>Total Expenditures</b>	<b>\$ 16,724,900</b>	<b>\$ 16,724,900</b>	<b>\$ 14,468,150</b>	<b>\$ 2,256,750</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (744,209)</b>	<b>\$ (744,209)</b>
<b>Fund Balance - January 1</b>	<b>3,190,589</b>	<b>3,190,589</b>	<b>3,190,589</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>(12,939)</b>	<b>(12,939)</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,190,589</b>	<b>\$ 3,190,589</b>	<b>\$ 2,433,441</b>	<b>\$ (757,148)</b>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 3**

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 7,757,566	\$ 7,757,566	\$ 7,071,509	\$ (686,057)
Intergovernmental	11,937,283	11,937,283	12,546,499	609,216
Charges for services	1,378,587	1,378,587	1,391,121	12,534
Miscellaneous	603,200	603,200	639,876	36,676
<b>Total Revenues</b>	<b>\$ 21,676,636</b>	<b>\$ 21,676,636</b>	<b>\$ 21,649,005</b>	<b>\$ (27,631)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Community corrections	\$ 855,515	\$ 855,515	\$ 874,428	\$ (18,913)
<b>Human services</b>				
Income maintenance	\$ 4,520,770	\$ 4,520,770	\$ 4,591,627	\$ (70,857)
Social services	13,582,387	13,582,387	13,249,637	332,750
Fuel assistance	234,725	234,725	232,621	2,104
<b>Total human services</b>	<b>\$ 18,337,882</b>	<b>\$ 18,337,882</b>	<b>\$ 18,073,885</b>	<b>\$ 263,997</b>
<b>Health</b>				
Nursing service	\$ 2,533,239	\$ 2,533,239	\$ 2,263,991	\$ 269,248
<b>Total Expenditures</b>	<b>\$ 21,726,636</b>	<b>\$ 21,726,636</b>	<b>\$ 21,212,304</b>	<b>\$ 514,332</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ (50,000)	\$ (50,000)	\$ 436,701	\$ 486,701
<b>Fund Balance - January 1</b>	<b>8,059,312</b>	<b>8,059,312</b>	<b>8,059,312</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 8,009,312</b>	<b>\$ 8,009,312</b>	<b>\$ 8,496,013</b>	<b>\$ 486,701</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 4**

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 2,070,489	\$ 2,070,489	\$ 1,878,676	\$ (191,813)
Special assessments	-	-	39	39
Intergovernmental	332,683	332,683	500,037	167,354
Charges for services	-	-	905	905
Investment earnings	101,726	101,726	115,546	13,820
Miscellaneous	-	-	9,931	9,931
<b>Total Revenues</b>	<b>\$ 2,504,898</b>	<b>\$ 2,504,898</b>	<b>\$ 2,505,134</b>	<b>\$ 236</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Coordinator	\$ 2,400	\$ 2,400	\$ -	\$ 2,400
County treasurer	2,500	2,500	-	2,500
County assessor	31,000	31,000	30,992	8
Elections	47,800	47,800	-	47,800
Data processing	250,000	250,000	253,623	(3,623)
Attorney	20,000	20,000	12,869	7,131
Planning and zoning	5,000	5,000	-	5,000
Buildings and plant	337,634	337,634	91,874	245,760
<b>Total general government</b>	<b>\$ 696,334</b>	<b>\$ 696,334</b>	<b>\$ 389,358</b>	<b>\$ 306,976</b>
<b>Public safety</b>				
Sheriff	\$ 333,964	\$ 333,964	\$ 289,939	\$ 44,025
Boat and water safety	31,500	31,500	25,539	5,961
E-911 system	-	-	54,937	(54,937)
Community corrections	74,500	74,500	18,302	56,198
Geographical information survey	20,000	20,000	-	20,000
<b>Total public safety</b>	<b>\$ 459,964</b>	<b>\$ 459,964</b>	<b>\$ 388,717</b>	<b>\$ 71,247</b>
<b>Highways and streets</b>				
Maintenance	\$ 50,000	\$ 50,000	\$ 870,141	\$ (820,141)
Construction	320,000	320,000	652,997	(332,997)
Equipment and maintenance shop	655,000	655,000	24,921	630,079
<b>Total highways and streets</b>	<b>\$ 1,025,000</b>	<b>\$ 1,025,000</b>	<b>\$ 1,548,059</b>	<b>\$ (523,059)</b>
<b>Human services</b>				
Social services	\$ 69,000	\$ 69,000	\$ 34,272	\$ 34,728

The notes to the required supplementary information are an integral part of this schedule.

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 4  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Health</b>				
Nursing service	\$ 55,857	\$ 55,857	\$ 31,096	\$ 24,761
<b>Culture and recreation</b>				
Phelps Mill Park	\$ 42,500	\$ 42,500	\$ 7,998	\$ 34,502
<b>Capital outlay</b>				
General government	\$ 4,824	\$ 4,824	\$ -	\$ 4,824
Public safety	-	-	12,219	(12,219)
Human services	57,542	57,542	39,121	18,421
<b>Total capital outlay</b>	\$ 62,366	\$ 62,366	\$ 51,340	\$ 11,026
<b>Total Expenditures</b>	\$ 2,411,021	\$ 2,411,021	\$ 2,450,840	\$ (39,819)
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ 93,877	\$ 93,877	\$ 54,294	\$ (39,583)
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 51,956	\$ 51,956	\$ 62,150	\$ 10,194
Transfers out	-	-	(563,402)	(563,402)
Proceeds from sale of capital assets	50,000	50,000	825,724	775,724
<b>Total Other Financing Sources (Uses)</b>	\$ 101,956	\$ 101,956	\$ 324,472	\$ 222,516
<b>Net Change in Fund Balance</b>	\$ 195,833	\$ 195,833	\$ 378,766	\$ 182,933
<b>Fund Balance - January 1</b>	4,744,960	4,744,960	4,744,960	-
<b>Fund Balance - December 31</b>	\$ 4,940,793	\$ 4,940,793	\$ 5,123,726	\$ 182,933

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 5**

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**Governmental Activities**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008	\$0	\$2,496,957	\$2,496,957	0.0%	\$17,216,511	14.50%

**Business Activities**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008	\$0	\$85,955	\$85,955	0.0%	\$909,490	9.45%

See Note 4.C., Other Postemployment Benefits, for more information.

Multi-year trend information is not available at this time, as Governmental Accounting Standards Board Statement 45 was implemented in 2008.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year-end.

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the County Auditor so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department head may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

Encumbrances (for example, purchase orders and contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year.

2. Excess of Expenditures Over Budget

The following is a summary of certain individual funds which had expenditures in excess of budgeted expenditures for the year ended December 31, 2008.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Capital Improvement Special Revenue Fund	\$ 2,450,840	\$ 2,411,021	\$ 39,819
Construction Capital Projects Fund	6,030,475	5,612,248	418,227

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Other Postemployment Benefits

Beginning in 2008, Otter Tail County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Currently, only one year's worth of data is available. Future reports will provide additional trend analysis to meet the three-year funding status requirements as the information becomes available.

## **SUPPLEMENTARY INFORMATION**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**NONMAJOR GOVERNMENTAL FUNDS**

**SPECIAL REVENUE FUNDS**

County Ditch - to account for the financing of repairs to the ditch system that are deemed to benefit the properties against which special assessments are levied.

Law Library - to account for the financial activities relating to the operation of the County's law library. Financing is provided by a charge for services levied on cases in district and County court. Expenditures for law library books and periodicals are made from the Law Library Fund upon approval of the Law Library Board of Trustees.

Postemployment Obligation - to account for the financing and payment of postemployment benefits.

Sheriff's Contingent - to account for both the advance and reimbursement of travel expenses by the County Sheriff and one-quarter of liquor and narcotics fines to be used for investigating violations of liquor and narcotics laws.

**DEBT SERVICE FUNDS**

Chemical Dependency - to account for the retirement of bonds issued for the construction of the chemical dependency facility.

Ethanol Plant - to account for the retirement of bonds issued for the construction of the ethanol plant and road.

Government Service Center - to account for the retirement of bonds issued for the remodeling of the Government Service Center.

Sheriff Operations - to account for the retirement of bonds issued for the construction of a sheriff operations center.

Veterans Home - to account for the retirement of bonds issued for the construction of a veterans home.

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement A-1**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2008**

	<b>Special Revenue (Statement B-1)</b>	<b>Debt Service (Statement C-1)</b>	<b>Total (Exhibit 3)</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 1,075,116	\$ 2,350,271	\$ 3,425,387
Petty cash and change funds	1,000	-	1,000
Undistributed cash in agency funds	872	28,142	29,014
Taxes receivable			
Current	-	27,553	27,553
Prior	-	8,079	8,079
Special assessments receivable			
Current	2,918	-	2,918
Prior	29	-	29
Deferred	70,067	-	70,067
Due from other governments	4,837	-	4,837
Restricted assets			
Temporarily restricted			
Cash with escrow agent	-	740,322	740,322
<b>Total Assets</b>	<b><u>\$ 1,154,839</u></b>	<b><u>\$ 3,154,367</u></b>	<b><u>\$ 4,309,206</u></b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 8,414	\$ 1,442	\$ 9,856
Due to other funds	313	-	313
Deferred revenue - unavailable	72,863	27,633	100,496
Advance from other funds	55,339	-	55,339
<b>Total Liabilities</b>	<b><u>\$ 136,929</u></b>	<b><u>\$ 29,075</u></b>	<b><u>\$ 166,004</u></b>
<b>Fund Balances</b>			
Reserved for debt service	\$ -	\$ 3,125,292	\$ 3,125,292
Unreserved			
Designated for compensated balances	824,345	-	824,345
Undesignated	193,565	-	193,565
<b>Total Fund Balances</b>	<b><u>\$ 1,017,910</u></b>	<b><u>\$ 3,125,292</u></b>	<b><u>\$ 4,143,202</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 1,154,839</u></b>	<b><u>\$ 3,154,367</u></b>	<b><u>\$ 4,309,206</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement A-2**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Special Revenue (Statement B-2)</b>	<b>Debt Service (Statement C-2)</b>	<b>Total (Exhibit 5)</b>
<b>Revenues</b>			
Taxes	\$ -	\$ 1,508,535	\$ 1,508,535
Special assessments	60,158	-	60,158
Intergovernmental	-	150,126	150,126
Fines and forfeits	63,695	-	63,695
Investment earnings	-	47,497	47,497
<b>Total Revenues</b>	<b>\$ 123,853</b>	<b>\$ 1,706,158</b>	<b>\$ 1,830,011</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 47,448	\$ -	\$ 47,448
Public safety	9,191	-	9,191
Conservation of natural resources	14,219	-	14,219
<b>Debt service</b>			
Principal	-	645,000	645,000
Interest	-	1,277,994	1,277,994
Administrative charges	-	1,442	1,442
<b>Total Expenditures</b>	<b>\$ 70,858</b>	<b>\$ 1,924,436</b>	<b>\$ 1,995,294</b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures</b>	<b>\$ 52,995</b>	<b>\$ (218,278)</b>	<b>\$ (165,283)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ 2,109	\$ 1,068,960	\$ 1,071,069
Transfers out	(2,189)	-	(2,189)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (80)</b>	<b>\$ 1,068,960</b>	<b>\$ 1,068,880</b>
<b>Net Change in Fund Balance</b>	<b>\$ 52,915</b>	<b>\$ 850,682</b>	<b>\$ 903,597</b>
<b>Fund Balance - January 1</b>	<b>964,995</b>	<b>2,274,610</b>	<b>3,239,605</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,017,910</b>	<b>\$ 3,125,292</b>	<b>\$ 4,143,202</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement B-1**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2008**

	<u>County Ditch</u>	<u>Law Library</u>	<u>Postemployment Obligation</u>	<u>Sheriff's Contingent</u>	<u>Total</u>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 153,609	\$ 82,059	\$ 824,345	\$ 15,103	\$ 1,075,116
Petty cash and change funds	-	-	-	1,000	1,000
Undistributed cash in agency funds	872	-	-	-	872
Special assessments receivable					
Current	2,918	-	-	-	2,918
Prior	29	-	-	-	29
Deferred	70,067	-	-	-	70,067
Due from other governments	-	4,162	-	675	4,837
<b>Total Assets</b>	<b>\$ 227,495</b>	<b>\$ 86,221</b>	<b>\$ 824,345</b>	<b>\$ 16,778</b>	<b>\$ 1,154,839</b>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 8,414	\$ -	\$ -	\$ 8,414
Due to other funds	-	-	-	313	313
Deferred revenue - unavailable	72,863	-	-	-	72,863
Advance from other funds	55,339	-	-	-	55,339
<b>Total Liabilities</b>	<b>\$ 128,202</b>	<b>\$ 8,414</b>	<b>\$ -</b>	<b>\$ 313</b>	<b>\$ 136,929</b>
<b>Fund Balances</b>					
Unreserved					
Designated for compensated absences	\$ -	\$ -	\$ 824,345	\$ -	\$ 824,345
Undesignated	99,293	77,807	-	16,465	193,565
<b>Total Fund Balances</b>	<b>\$ 99,293</b>	<b>\$ 77,807</b>	<b>\$ 824,345</b>	<b>\$ 16,465</b>	<b>\$ 1,017,910</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 227,495</b>	<b>\$ 86,221</b>	<b>\$ 824,345</b>	<b>\$ 16,778</b>	<b>\$ 1,154,839</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement B-2**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>County Ditch</u>	<u>Law Library</u>	<u>Postemployment Obligation</u>	<u>Sheriff's Contingent</u>	<u>Total</u>
<b>Revenues</b>					
Special assessments	\$ 60,158	\$ -	\$ -	\$ -	\$ 60,158
Fines and forfeits	-	55,219	-	8,476	63,695
<b>Total Revenues</b>	<b><u>\$ 60,158</u></b>	<b><u>\$ 55,219</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 8,476</u></b>	<b><u>\$ 123,853</u></b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ -	\$ 47,448	\$ -	\$ -	\$ 47,448
Public safety	-	-	-	9,191	9,191
Conservation of natural resources	14,219	-	-	-	14,219
<b>Total Expenditures</b>	<b><u>\$ 14,219</u></b>	<b><u>\$ 47,448</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 9,191</u></b>	<b><u>\$ 70,858</u></b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b><u>\$ 45,939</u></b>	<b><u>\$ 7,771</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (715)</u></b>	<b><u>\$ 52,995</u></b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ 2,109	\$ -	\$ -	\$ -	\$ 2,109
Transfers out	-	-	-	(2,189)	(2,189)
<b>Total Other Financing Sources (Uses)</b>	<b><u>\$ 2,109</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (2,189)</u></b>	<b><u>\$ (80)</u></b>
<b>Net Change in Fund Balance</b>	<b><u>\$ 48,048</u></b>	<b><u>\$ 7,771</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (2,904)</u></b>	<b><u>\$ 52,915</u></b>
<b>Fund Balance - January 1</b>	<b><u>51,245</u></b>	<b><u>70,036</u></b>	<b><u>824,345</u></b>	<b><u>19,369</u></b>	<b><u>964,995</u></b>
<b>Fund Balance - December 31</b>	<b><u><u>\$ 99,293</u></u></b>	<b><u><u>\$ 77,807</u></u></b>	<b><u><u>\$ 824,345</u></u></b>	<b><u><u>\$ 16,465</u></u></b>	<b><u><u>\$ 1,017,910</u></u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement C-1**

**COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS  
DECEMBER 31, 2008**

	<b><u>Chemical Dependency</u></b>	<b><u>Ethanol Plant</u></b>	<b><u>Government Service Center</u></b>	<b><u>Sheriff Operations</u></b>	<b><u>Veterans Home</u></b>	<b><u>Total</u></b>
<b><u>Assets</u></b>						
Cash and pooled investments	\$ -	\$ 657,792	\$ 1,064,147	\$ 400,230	\$ 228,102	\$ 2,350,271
Undistributed cash in agency funds	-	-	17,628	8,248	2,266	28,142
Taxes receivable						
Current	-	-	16,737	8,667	2,149	27,553
Prior	-	-	7,149	-	930	8,079
Restricted assets						
Temporarily restricted						
Cash with escrow agent	263,120	-	477,202	-	-	740,322
<b>Total Assets</b>	<b><u>\$ 263,120</u></b>	<b><u>\$ 657,792</u></b>	<b><u>\$ 1,582,863</u></b>	<b><u>\$ 417,145</u></b>	<b><u>\$ 233,447</u></b>	<b><u>\$ 3,154,367</u></b>
<b><u>Liabilities and Fund Balances</u></b>						
<b>Liabilities</b>						
Accounts payable	\$ 422	\$ 255	\$ 255	\$ 255	\$ 255	\$ 1,442
Deferred revenue - unavailable	-	-	18,859	6,339	2,435	27,633
<b>Total Liabilities</b>	<b><u>\$ 422</u></b>	<b><u>\$ 255</u></b>	<b><u>\$ 19,114</u></b>	<b><u>\$ 6,594</u></b>	<b><u>\$ 2,690</u></b>	<b><u>\$ 29,075</u></b>
<b>Fund Balances</b>						
Reserved for debt service	<b><u>\$ 262,698</u></b>	<b><u>\$ 657,537</u></b>	<b><u>\$ 1,563,749</u></b>	<b><u>\$ 410,551</u></b>	<b><u>\$ 230,757</u></b>	<b><u>\$ 3,125,292</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 263,120</u></b>	<b><u>\$ 657,792</u></b>	<b><u>\$ 1,582,863</u></b>	<b><u>\$ 417,145</u></b>	<b><u>\$ 233,447</u></b>	<b><u>\$ 3,154,367</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement C-2**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b><u>Chemical Dependency</u></b>	<b><u>Ethanol Plant</u></b>	<b><u>Government Service Center</u></b>	<b><u>Sheriff Operations</u></b>	<b><u>Veterans Home</u></b>	<b><u>Total</u></b>
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ 918,517	\$ 471,958	\$ 118,060	\$ 1,508,535
Intergovernmental	-	-	91,320	47,135	11,671	150,126
Investment earnings	<u>6,440</u>	<u>32,200</u>	<u>8,857</u>	<u>-</u>	<u>-</u>	<u>47,497</u>
<b>Total Revenues</b>	<b><u>\$ 6,440</u></b>	<b><u>\$ 32,200</u></b>	<b><u>\$ 1,018,694</u></b>	<b><u>\$ 519,093</u></b>	<b><u>\$ 129,731</u></b>	<b><u>\$ 1,706,158</u></b>
<b>Expenditures</b>						
<b>Debt service</b>						
Principal	\$ -	\$ -	\$ 555,000	\$ -	\$ 90,000	\$ 645,000
Interest	248,878	328,364	404,119	266,907	29,726	1,277,994
Administrative charges	<u>422</u>	<u>255</u>	<u>255</u>	<u>255</u>	<u>255</u>	<u>1,442</u>
<b>Total Expenditures</b>	<b><u>\$ 249,300</u></b>	<b><u>\$ 328,619</u></b>	<b><u>\$ 959,374</u></b>	<b><u>\$ 267,162</u></b>	<b><u>\$ 119,981</u></b>	<b><u>\$ 1,924,436</u></b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (242,860)</b>	<b>\$ (296,419)</b>	<b>\$ 59,320</b>	<b>\$ 251,931</b>	<b>\$ 9,750</b>	<b>\$ (218,278)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	<u>505,558</u>	<u>-</u>	<u>563,402</u>	<u>-</u>	<u>-</u>	<u>1,068,960</u>
<b>Net Change in Fund Balance</b>	<b>\$ 262,698</b>	<b>\$ (296,419)</b>	<b>\$ 622,722</b>	<b>\$ 251,931</b>	<b>\$ 9,750</b>	<b>\$ 850,682</b>
<b>Fund Balance - January 1</b>	<b><u>-</u></b>	<b><u>953,956</u></b>	<b><u>941,027</u></b>	<b><u>158,620</u></b>	<b><u>221,007</u></b>	<b><u>2,274,610</u></b>
<b>Fund Balance - December 31</b>	<b><u>\$ 262,698</u></b>	<b><u>\$ 657,537</u></b>	<b><u>\$ 1,563,749</u></b>	<b><u>\$ 410,551</u></b>	<b><u>\$ 230,757</u></b>	<b><u>\$ 3,125,292</u></b>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 6**

**BUDGETARY COMPARISON SCHEDULE  
CONSTRUCTION CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Investment earnings	\$ -	\$ -	\$ 59,212	\$ 59,212
<b>Expenditures</b>				
<b>Capital outlay</b>				
Public safety	\$ 897,630	\$ 897,630	\$ 1,599,662	\$ (702,032)
Human services	4,714,618	4,714,618	4,430,813	283,805
<b>Total Expenditures</b>	<b>\$ 5,612,248</b>	<b>\$ 5,612,248</b>	<b>\$ 6,030,475</b>	<b>\$ (418,227)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (5,612,248)</b>	<b>\$ (5,612,248)</b>	<b>\$ (5,971,263)</b>	<b>\$ (359,015)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(35,353)	(35,353)	(547,708)	(512,355)
<b>Net Change in Fund Balance</b>	<b>\$ (5,647,601)</b>	<b>\$ (5,647,601)</b>	<b>\$ (6,518,971)</b>	<b>\$ (871,370)</b>
<b>Fund Balance - January 1</b>	<b>7,322,413</b>	<b>7,322,413</b>	<b>7,322,413</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,674,812</b>	<b>\$ 1,674,812</b>	<b>\$ 803,442</b>	<b>\$ (871,370)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 7**

**BUDGETARY COMPARISON SCHEDULE  
COUNTY DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Special assessments	\$ 58,001	\$ 58,001	\$ 60,158	\$ 2,157
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Drainage ditches	48,481	48,481	14,219	34,262
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ 9,520	\$ 9,520	\$ 45,939	\$ 36,419
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	2,109	2,109
<b>Net Change in Fund Balance</b>	\$ 9,520	\$ 9,520	\$ 48,048	\$ 38,528
<b>Fund Balance - January 1</b>	51,245	51,245	51,245	-
<b>Fund Balance - December 31</b>	<u>\$ 60,765</u>	<u>\$ 60,765</u>	<u>\$ 99,293</u>	<u>\$ 38,528</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 8**

**BUDGETARY COMPARISON SCHEDULE  
LAW LIBRARY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<b>Revenues</b>				
Fines and forfeits	\$ 61,000	\$ 61,000	\$ 55,219	\$ (5,781)
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Law library	<u>56,500</u>	<u>56,500</u>	<u>47,448</u>	<u>9,052</u>
<b>Excess of Revenues Over (Under)</b>				
Expenditures	\$ 4,500	\$ 4,500	\$ 7,771	\$ 3,271
<b>Fund Balance - January 1</b>	<u>70,036</u>	<u>70,036</u>	<u>70,036</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u><u>\$ 74,536</u></u>	<u><u>\$ 74,536</u></u>	<u><u>\$ 77,807</u></u>	<u><u>\$ 3,271</u></u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 9**

**BUDGETARY COMPARISON SCHEDULE  
POSTEMPLOYMENT OBLIGATION SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 6,908	\$ 6,908	\$ -	\$ 6,908
Personnel coordinator	7,213	7,213	-	7,213
County auditor	2,136	2,136	-	2,136
County treasurer	4,521	4,521	-	4,521
County assessor	7,852	7,852	-	7,852
Data processing	3,198	3,198	-	3,198
Attorney	2,096	2,096	-	2,096
Planning and zoning	2,350	2,350	-	2,350
Maintenance	4,117	4,117	-	4,117
Veterans service officer	5,907	5,907	-	5,907
<b>Total general government</b>	<b>\$ 46,298</b>	<b>\$ 46,298</b>	<b>\$ -</b>	<b>\$ 46,298</b>
<b>Public safety</b>				
Sheriff	\$ 5,966	\$ 5,966	\$ -	\$ 5,966
County jail	8,933	8,933	-	8,933
Geographical information survey	2,892	2,892	-	2,892
<b>Total public safety</b>	<b>\$ 17,791</b>	<b>\$ 17,791</b>	<b>\$ -</b>	<b>\$ 17,791</b>
<b>Highways and streets</b>				
Maintenance	\$ 7,937	\$ 7,937	\$ -	\$ 7,937
Construction	13	13	-	13
Equipment maintenance and shop	4,426	4,426	-	4,426
<b>Total highways and streets</b>	<b>\$ 12,376</b>	<b>\$ 12,376</b>	<b>\$ -</b>	<b>\$ 12,376</b>
<b>Human services</b>				
Income maintenance	\$ 14,566	\$ 14,566	\$ -	\$ 14,566
Social services	7,809	7,809	-	7,809
Energy assistance	2,156	2,156	-	2,156
<b>Total human services</b>	<b>\$ 24,531</b>	<b>\$ 24,531</b>	<b>\$ -</b>	<b>\$ 24,531</b>
<b>Health</b>				
Nursing service	\$ 7,846	\$ 7,846	\$ -	\$ 7,846
<b>Conservation of natural resources</b>				
County extension	\$ 1,658	\$ 1,658	\$ -	\$ 1,658
<b>Total Expenditures</b>	<b>\$ 110,500</b>	<b>\$ 110,500</b>	<b>\$ -</b>	<b>\$ 110,500</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 9  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
POSTEMPLOYMENT OBLIGATION SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ (110,500)	\$ (110,500)	\$ -	\$ 110,500
<b>Other Financing Sources (Uses)</b>				
Transfers in	22,043	22,043	-	(22,043)
<b>Net Change in Fund Balance</b>	\$ (88,457)	\$ (88,457)	\$ -	\$ 88,457
<b>Fund Balance - January 1</b>	<u>824,345</u>	<u>824,345</u>	<u>824,345</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u><u>\$ 735,888</u></u>	<u><u>\$ 735,888</u></u>	<u><u>\$ 824,345</u></u>	<u><u>\$ 88,457</u></u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 10**

**BUDGETARY COMPARISON SCHEDULE  
SHERIFF'S CONTINGENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Fines and forfeits	\$ 9,500	\$ 9,500	\$ 8,476	\$ (1,024)
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Sheriff	8,500	8,500	9,191	(691)
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ 1,000	\$ 1,000	\$ (715)	\$ (1,715)
<b>Other Financing Sources (Uses)</b>				
Transfers out	(940)	(940)	(2,189)	(1,249)
<b>Net Change in Fund Balance</b>	\$ 60	\$ 60	\$ (2,904)	\$ (2,964)
<b>Fund Balance - January 1</b>	<b>19,369</b>	<b>19,369</b>	<b>19,369</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>19,429</b>	<b>19,429</b>	<b>16,465</b>	<b>(2,964)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 11**

**BUDGETARY COMPARISON SCHEDULE  
CHEMICAL DEPENDENCY DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Investment earnings	\$ -	\$ -	\$ 6,440	\$ 6,440
<b>Expenditures</b>				
<b>Debt service</b>				
Interest	\$ 248,878	\$ 248,878	\$ 248,878	\$ -
Administrative charges	-	-	422	(422)
<b>Total Expenditures</b>	<b>\$ 248,878</b>	<b>\$ 248,878</b>	<b>\$ 249,300</b>	<b>\$ (422)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (248,878)</b>	<b>\$ (248,878)</b>	<b>\$ (242,860)</b>	<b>\$ 6,018</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	505,558	505,558
<b>Net Change in Fund Balance</b>	<b>\$ (248,878)</b>	<b>\$ (248,878)</b>	<b>\$ 262,698</b>	<b>\$ 511,576</b>
<b>Fund Balance - January 1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ (248,878)</b>	<b>\$ (248,878)</b>	<b>\$ 262,698</b>	<b>\$ 511,576</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 12**

**BUDGETARY COMPARISON SCHEDULE  
ETHANOL PLANT DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Investment earnings	\$ -	\$ -	\$ 32,200	\$ 32,200
<b>Expenditures</b>				
<b>Debt service</b>				
Interest	\$ 327,464	\$ 327,464	\$ 328,364	\$ (900)
Administrative charges	-	-	255	(255)
<b>Total Expenditures</b>	<b>\$ 327,464</b>	<b>\$ 327,464</b>	<b>\$ 328,619</b>	<b>\$ (1,155)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (327,464)</b>	<b>\$ (327,464)</b>	<b>\$ (296,419)</b>	<b>\$ 31,045</b>
<b>Fund Balance - January 1</b>	<b>953,956</b>	<b>953,956</b>	<b>953,956</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 626,492</b>	<b>\$ 626,492</b>	<b>\$ 657,537</b>	<b>\$ 31,045</b>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 13**

**BUDGETARY COMPARISON SCHEDULE  
GOVERNMENT SERVICE CENTER DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 1,009,614	\$ 1,009,614	\$ 918,517	\$ (91,097)
Intergovernmental	-	-	91,320	91,320
Investment earnings	-	-	8,857	8,857
<b>Total Revenues</b>	<b>\$ 1,009,614</b>	<b>\$ 1,009,614</b>	<b>\$ 1,018,694</b>	<b>\$ 9,080</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 555,000	\$ 555,000	\$ 555,000	\$ -
Interest	392,769	392,769	404,119	(11,350)
Administrative charges	-	-	255	(255)
<b>Total Expenditures</b>	<b>\$ 947,769</b>	<b>\$ 947,769</b>	<b>\$ 959,374</b>	<b>\$ (11,605)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 61,845</b>	<b>\$ 61,845</b>	<b>\$ 59,320</b>	<b>\$ (2,525)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	563,402	563,402
<b>Net Change in Fund Balance</b>	<b>\$ 61,845</b>	<b>\$ 61,845</b>	<b>\$ 622,722</b>	<b>\$ 560,877</b>
<b>Fund Balance - January 1</b>	<b>941,027</b>	<b>941,027</b>	<b>941,027</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,002,872</b>	<b>\$ 1,002,872</b>	<b>\$ 1,563,749</b>	<b>\$ 560,877</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 14**

**BUDGETARY COMPARISON SCHEDULE  
SHERIFF OPERATIONS DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 523,530	\$ 523,530	\$ 471,958	\$ (51,572)
Intergovernmental	-	-	47,135	47,135
<b>Total Revenues</b>	<b>\$ 523,530</b>	<b>\$ 523,530</b>	<b>\$ 519,093</b>	<b>\$ (4,437)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Interest	\$ 266,457	\$ 266,457	\$ 266,907	\$ (450)
Administrative charges	-	-	255	(255)
<b>Total Expenditures</b>	<b>\$ 266,457</b>	<b>\$ 266,457</b>	<b>\$ 267,162</b>	<b>\$ (705)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 257,073</b>	<b>\$ 257,073</b>	<b>\$ 251,931</b>	<b>\$ (5,142)</b>
<b>Fund Balance - January 1</b>	<b>158,620</b>	<b>158,620</b>	<b>158,620</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 415,693</b>	<b>\$ 415,693</b>	<b>\$ 410,551</b>	<b>\$ (5,142)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 15**

**BUDGETARY COMPARISON SCHEDULE  
VETERANS HOME DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 129,500	\$ 129,500	\$ 118,060	\$ (11,440)
Intergovernmental	-	-	11,671	11,671
<b>Total Revenues</b>	<b>\$ 129,500</b>	<b>\$ 129,500</b>	<b>\$ 129,731</b>	<b>\$ 231</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 90,000	\$ 90,000	\$ 90,000	\$ -
Interest	29,295	29,295	29,726	(431)
Administrative charges	-	-	255	(255)
<b>Total Expenditures</b>	<b>\$ 119,295</b>	<b>\$ 119,295</b>	<b>\$ 119,981</b>	<b>\$ (686)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 10,205</b>	<b>\$ 10,205</b>	<b>\$ 9,750</b>	<b>\$ (455)</b>
<b>Fund Balance - January 1</b>	<b>221,007</b>	<b>221,007</b>	<b>221,007</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 231,212</b>	<b>\$ 231,212</b>	<b>\$ 230,757</b>	<b>\$ (455)</b>

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## **FIDUCIARY FUNDS**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement D-1**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>ASSURANCE FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 236	\$ 236	\$ -
Accounts receivable	29	23	29	23
<b>Total Assets</b>	<b>\$ 29</b>	<b>\$ 259</b>	<b>\$ 265</b>	<b>\$ 23</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 29</b>	<b>\$ 259</b>	<b>\$ 265</b>	<b>\$ 23</b>
<b><u>FAMILY SERVICES COLLABORATIVE FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 292,218	\$ 517,255	\$ 580,770	\$ 228,703
Due from other funds	501	346	501	346
<b>Total Assets</b>	<b>\$ 292,719</b>	<b>\$ 517,601</b>	<b>\$ 581,271</b>	<b>\$ 229,049</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 14,688	\$ 7,222	\$ 14,688	\$ 7,222
Due to other governments	278,031	510,379	566,583	221,827
<b>Total Liabilities</b>	<b>\$ 292,719</b>	<b>\$ 517,601</b>	<b>\$ 581,271</b>	<b>\$ 229,049</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement D-1  
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b><u>Balance January 1</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>Balance December 31</u></b>
<b><u>GAME AND FISH FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 375	\$ -	\$ 375	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ 375	\$ -	\$ 375	\$ -
<b><u>HOSPITAL DISTRICTS FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 711,374	\$ 711,374	\$ -
Due from other funds	9,602	12,144	9,602	12,144
<b>Total Assets</b>	<b>\$ 9,602</b>	<b>\$ 723,518</b>	<b>\$ 720,976</b>	<b>\$ 12,144</b>
<b><u>Liabilities</u></b>				
Due to other governments	\$ 9,602	\$ 723,518	\$ 720,976	\$ 12,144
<b><u>MORTGAGE REGISTRATION FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 78,392	\$ 1,044,817	\$ 1,063,662	\$ 59,547
<b><u>Liabilities</u></b>				
Due to other governments	\$ 78,392	\$ 1,044,817	\$ 1,063,662	\$ 59,547



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement D-1  
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>OTTER TAIL LAKES AREA SEWER DISTRICT FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 18,890	\$ 18,890	\$ -
Due from other funds	177	4,320	177	4,320
<b>Total Assets</b>	<b><u>\$ 177</u></b>	<b><u>\$ 23,210</u></b>	<b><u>\$ 19,067</u></b>	<b><u>\$ 4,320</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	<b><u>\$ 177</u></b>	<b><u>\$ 23,210</u></b>	<b><u>\$ 19,067</u></b>	<b><u>\$ 4,320</u></b>
<b><u>SCHOOL DISTRICT FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 22,852,250	\$ 22,852,250	\$ -
Due from other funds	245,150	322,200	245,150	322,200
<b>Total Assets</b>	<b><u>\$ 245,150</u></b>	<b><u>\$ 23,174,450</u></b>	<b><u>\$ 23,097,400</u></b>	<b><u>\$ 322,200</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	<b><u>\$ 245,150</u></b>	<b><u>\$ 23,174,450</u></b>	<b><u>\$ 23,097,400</u></b>	<b><u>\$ 322,200</u></b>
<b><u>STATE TAX FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 208,390	\$ 7,641,611	\$ 7,749,039	\$ 100,962
Accounts receivable	19,708	16,494	19,708	16,494
Due from other funds	81,020	112,618	81,020	112,618
<b>Total Assets</b>	<b><u>\$ 309,118</u></b>	<b><u>\$ 7,770,723</u></b>	<b><u>\$ 7,849,767</u></b>	<b><u>\$ 230,074</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	<b><u>\$ 309,118</u></b>	<b><u>\$ 7,770,723</u></b>	<b><u>\$ 7,849,767</u></b>	<b><u>\$ 230,074</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement D-1  
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>TAX INCREMENT FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 3,313	\$ 3,313	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 3,313	\$ 3,313	\$ -
<b><u>TAXES AND PENALTIES FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 682,587	\$ 64,798,240	\$ 64,664,714	\$ 816,113
<b><u>Liabilities</u></b>				
Due to other funds	\$ 610,562	\$ 24,203,412	\$ 24,090,432	\$ 723,542
Due to other governments	72,025	40,594,828	40,574,282	92,571
<b>Total Liabilities</b>	<b>\$ 682,587</b>	<b>\$ 64,798,240</b>	<b>\$ 64,664,714</b>	<b>\$ 816,113</b>
<b><u>TOWNS AND CITIES FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 16,420,342	\$ 16,420,342	\$ -
Due from other funds	273,981	271,544	273,981	271,544
<b>Total Assets</b>	<b>\$ 273,981</b>	<b>\$ 16,691,886</b>	<b>\$ 16,694,323</b>	<b>\$ 271,544</b>
<b><u>Liabilities</u></b>				
Due to other governments	\$ 273,981	\$ 16,691,886	\$ 16,694,323	\$ 271,544

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement D-1  
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b><u>Balance January 1</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b><u>Balance December 31</u></b>
<b><u>WATERSHED DISTRICT FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 47,187	\$ 47,187	\$ -
Due from other funds	632	716	632	716
<b>Total Assets</b>	<b><u>\$ 632</u></b>	<b><u>\$ 47,903</u></b>	<b><u>\$ 47,819</u></b>	<b><u>\$ 716</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	<b><u>\$ 632</u></b>	<b><u>\$ 47,903</u></b>	<b><u>\$ 47,819</u></b>	<b><u>\$ 716</u></b>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,261,962	\$ 114,055,515	\$ 114,112,152	\$ 1,205,325
Accounts receivable	19,737	16,517	19,737	16,517
Due from other funds	611,063	723,888	611,063	723,888
<b>Total Assets</b>	<b><u>\$ 1,892,762</u></b>	<b><u>\$ 114,795,920</u></b>	<b><u>\$ 114,742,952</u></b>	<b><u>\$ 1,945,730</u></b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 14,688	\$ 7,222	\$ 14,688	\$ 7,222
Due to other funds	610,562	24,203,412	24,090,432	723,542
Due to other governments	1,267,512	90,585,286	90,637,832	1,214,966
<b>Total Liabilities</b>	<b><u>\$ 1,892,762</u></b>	<b><u>\$ 114,795,920</u></b>	<b><u>\$ 114,742,952</u></b>	<b><u>\$ 1,945,730</u></b>

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## **OTHER SCHEDULES**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 16**

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2008**

	<u>Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
<b>Cash and Pooled Investments</b>				
Non-interest checking		-	Continuous	\$ 50,000
Interest-bearing checking	Six	Varies	Continuous	2,445,182
Certificates of deposit	Fifty	0.89 to 4.25	January 31, 2009 to July 28, 2010	19,402,932
Money market savings	Six	0.50 to 4.33	Continuous	2,248,854
Unsecured cash held by broker		-	Continuous	496,008
Mutual fund		Varies	Continuous	6,480,945
Commercial paper	One	-	January 14, 2009	499,500
U.S. Treasury notes	Five	0.88 to 4.88	January 31, 2009 to December 31, 2010	6,061,995
U.S. Treasury bond		3.13	November 30, 2009	1,025,118
U.S. Treasury bonds - stripped interest payment	Two	-	August 15, 2017 to August 15, 2019	39,758
Federal National Mortgage Association	Three	4.50 to 7.50	August 25, 2018 to June 25, 2022	845,815
Federal Home Loan Mortgage Corporation		5.50	June 15, 2033	<u>643,953</u>
<b>Total Cash and Pooled Investments</b>				<b><u>\$ 40,240,060</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET - BY DITCH  
COUNTY DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2008**

	Assets				
	Cash and Pooled Investments	Undistributed Cash	Special Assessments Receivable		
			Current	Delinquent	Deferred
<b>Judicial Ditches</b>					
2	\$ 22,666	\$ 27	\$ 4	\$ -	\$ 5,511
3	92	-	-	-	-
<b>County Ditches</b>					
4	16,462	326	1,741	-	15,131
5	6,132	1	-	-	1,550
8	162	-	-	-	-
11	5,093	-	-	-	610
12	10,334	1	69	-	3,700
14	68	-	-	-	-
16	-	-	-	-	-
17	475	-	-	-	-
19	217	-	-	-	-
21	9,361	92	43	-	3,100
29	2,530	-	65	-	2,109
37	16,381	3	67	3	3,100
38	17,181	408	528	-	21,081
39	1,996	-	-	-	750
41	2,510	-	-	-	-
43	2,726	6	-	-	1,000
44	15	-	-	-	-
45	225	-	-	-	-
48	25	-	-	-	-
52	4,148	8	-	-	1,200
53	11,893	-	400	-	7,425
54	92	-	-	-	-
56	11,873	-	-	-	1,900
59	146	-	-	-	-
62	154	-	-	-	-
63	9,807	-	1	26	1,900
64	11	-	-	-	-
68	481	-	-	-	-
70	353	-	-	-	-
<b>Total</b>	<b>\$ 153,609</b>	<b>\$ 872</b>	<b>\$ 2,918</b>	<b>\$ 29</b>	<b>\$ 70,067</b>



**Schedule 17**

<b>Total</b>	<b>Liabilities</b>			<b>Fund Balance Unreserved Undesignated</b>	<b>Total Liabilities and Fund Balance</b>
	<b>Deferred Revenue</b>	<b>Advance from Other Funds</b>	<b>Total</b>		
\$ 28,208 92	\$ 5,516 -	\$ - -	\$ 5,516 -	\$ 22,692 92	\$ 28,208 92
33,660	16,868	15,028	31,896	1,764	33,660
7,683	1,550	-	1,550	6,133	7,683
162	-	-	-	162	162
5,703	610	1,543	2,153	3,550	5,703
14,104	3,726	-	3,726	10,378	14,104
68	-	-	-	68	68
-	-	8,347	8,347	(8,347)	-
475	-	-	-	475	475
217	-	-	-	217	217
12,596	3,128	-	3,128	9,468	12,596
4,704	2,108	1,287	3,395	1,309	4,704
19,554	3,149	-	3,149	16,405	19,554
39,198	21,606	18,119	39,725	(527)	39,198
2,746	750	218	968	1,778	2,746
2,510	-	-	-	2,510	2,510
3,732	1,000	-	1,000	2,732	3,732
15	-	-	-	15	15
225	-	-	-	225	225
25	-	-	-	25	25
5,356	1,200	-	1,200	4,156	5,356
19,718	7,825	10,797	18,622	1,096	19,718
92	-	-	-	92	92
13,773	1,900	-	1,900	11,873	13,773
146	-	-	-	146	146
154	-	-	-	154	154
11,734	1,927	-	1,927	9,807	11,734
11	-	-	-	11	11
481	-	-	-	481	481
353	-	-	-	353	353
<b>\$ 227,495</b>	<b>\$ 72,863</b>	<b>\$ 55,339</b>	<b>\$ 128,202</b>	<b>\$ 99,293</b>	<b>\$ 227,495</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 18**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<b>Governmental Funds</b>	<b>Enterprise Fund</b>	<b>All Funds</b>
<b>Shared Revenue</b>			
<b>State</b>			
Highway users tax	\$ 10,383,496	\$ -	\$ 10,383,496
County program aid	1,627,806	-	1,627,806
PERA rate reimbursement	64,946	-	64,946
Police aid	222,419	-	222,419
Market value credit	2,289,544	-	2,289,544
Market value credit - MH	10,659	-	10,659
Disparity reduction aid	13,066	-	13,066
<b>Total Shared Revenue</b>	<b>\$ 14,611,936</b>	<b>\$ -</b>	<b>\$ 14,611,936</b>
<b>Reimbursement for Services</b>			
<b>State</b>			
Minnesota Department of Human Services	\$ 1,107,633	\$ -	\$ 1,107,633
<b>Payments</b>			
<b>Local</b>			
Payments in lieu of taxes	\$ 391,639	\$ -	\$ 391,639
<b>Grants</b>			
<b>State</b>			
Minnesota Department/Board of			
Agriculture	\$ 92,227	\$ -	\$ 92,227
Corrections	391,461	-	391,461
Public Safety	150,700	-	150,700
Health	348,730	-	348,730
Veterans Affairs	30,944	-	30,944
Natural Resources	308,652	-	308,652
Human Services	4,526,568	-	4,526,568
Employment and Economic Development	43,709	-	43,709
Water and Soil Resources	144,349	-	144,349
Peace Officer Standards and Training Board	13,218	-	13,218
Office of Environmental Assistance	-	175,607	175,607
<b>Total State</b>	<b>\$ 6,050,558</b>	<b>\$ 175,607</b>	<b>\$ 6,226,165</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 18  
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>All Funds</u>
<b>Grants (Continued)</b>			
<b>Federal</b>			
Department of			
Agriculture	\$ 616,380	\$ -	\$ 616,380
Housing and Urban Development	53,326	-	53,326
Transportation	735,173	-	735,173
Health and Human Services	4,595,407	-	4,595,407
Homeland Security	105,676	-	105,676
<b>Total Federal</b>	<b>\$ 6,105,962</b>	<b>\$ -</b>	<b>\$ 6,105,962</b>
<b>Total State and Federal Grants</b>	<b>\$ 12,156,520</b>	<b>\$ 175,607</b>	<b>\$ 12,332,127</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 28,267,728</b>	<b>\$ 175,607</b>	<b>\$ 28,443,335</b>

Revenues on this schedule differ from expenditures on the Schedule of Expenditures of Federal Awards (Schedule 20) due to timing differences in revenue recognition under the modified accrual basis of accounting. The individual grants affected are:

Total Federal Revenue per Schedule of Intergovernmental Revenue (Schedule 18)		\$ 6,105,962
Community Development Block Grant	CFDA No. 14.228	(38,095)
Highway Planning and Construction	CFDA No. 20.205	16,265
Help America Vote Act	CFDA No. 90.401	30,868
Low-Income Home Energy Assistance	CFDA No. 93.568	(722)
Foster Care Title IV-E	CFDA No. 93.658	(4,805)
Chafee Foster Care Independent Living	CFDA No. 93.674	(1,607)
Medical Assistance Program	CFDA No. 93.778	84,422
<b>Total Federal Awards per Schedule of Expenditures of Federal Awards (Schedule 20)</b>		<b>\$ 6,192,288</b>

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 19**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**I. SUMMARY OF AUDITOR'S RESULTS**

- A. Our report expresses unqualified opinions on the financial statements of Otter Tail County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Otter Tail County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." One of the significant deficiencies is a material weakness.
- C. No instances of noncompliance material to the financial statements of Otter Tail County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Otter Tail County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:
  - State Administrative Matching Grant for Supplemental Nutrition Assistance Program CFDA #10.561
  - Child Support Enforcement CFDA #93.563
  - Social Services Block Grant CFDA #93.667
  - Medical Assistance CFDA #93.778
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Otter Tail County was not determined to be a low-risk auditee.

**II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-6 Segregation of Duties

Due to the limited number of office personnel within several departments of Otter Tail County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Otter Tail County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

We recommend that Otter Tail County's management be aware of the lack of segregation of the accounting functions and implement oversight and monitoring procedures to ensure that internal control policies and procedures are being followed as directed.

Client's Response:

*Otter Tail County's management is aware that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal accounting control point of view. Otter Tail County's management does concur with the recommendation and will work towards formalizing existing oversight procedures and the implementation of additional oversight procedures as necessary, to ensure that internal control policies and procedures are being followed as directed.*

96-7 Disaster Recovery Plan for Data Processing

The County does not have a written disaster recovery plan. Some elements of disaster recovery procedures are operational: off-site storage of back-up programs and data, off-site supply of special forms, and an automated back-up and recovery management system. Effective December 2008, the County entered a "High Availability Agreement" with the City of Fergus Falls as an alternative processing site in the event that the County system should fail. The continued use of these procedures is advisable but is not sufficient to ensure operational recovery from a physical disaster or major computer outage.



Disaster recovery planning involves predetermined methods and procedures to restore and continue operations in the event of a catastrophic emergency in the data processing area. A written plan should cover the loss of any or all programs, data, forms, computer media, operating instructions, and other documentation.

We recommend that the Management Information Systems Department continue its efforts in developing a detailed plan that will ensure continued operations in the event of a disaster. We also recommend the plan include all computer systems and be coordinated with other County departments.

Client's Response:

*Otter Tail County's management does concur with the recommendation. Based on our Auditor's comment, it would appear that many of the major components for a disaster recovery plan for data processing are already in place and that the deficiency is the lack of written documentation detailing the plan. The Director of the Management Information Systems Department has indicated that significant progress in developing a disaster recovery plan will be completed before the conclusion of the 2009 audit.*

06-1 Preparation of Financial Statements

Otter Tail County is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of the financial statements is the responsibility of the County's management. Financial statement preparation in accordance with GAAP requires internal controls over both: (1) recording, processing, and summarizing accounting data (maintaining internal books and records); and (2) preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

Otter Tail County has established controls and procedures for the recording, processing, and summarizing of its accounting data used in the preparation of its financial statements.

As is the case with many small and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control. As a result of this condition, the government lacks internal control over the preparation of financial statements in accordance with GAAP.

We recommend Otter Tail County obtain the training and expertise to internally prepare its annual financial statements in accordance with GAAP. If Otter Tail County still intends to have staff from the Office of the State Auditor assist in preparation then, at a minimum, it must identify and train individuals to obtain the expertise that it can sufficiently review, understand, and approve the County's financial statements, including notes.

Client's Response:

*Otter Tail County's management recognizes the responsibility to prepare our financial statements in accordance with generally accepted accounting principles. The goal of the Otter Tail County Auditor and the Otter Tail County Auditor's Office has been and still is to reduce our reliance on our independent external auditor and to prepare the County's financial statements, including notes, without the assistance of our independent external auditor. This is an obtainable goal for Otter Tail County, and the County Auditor and the County Auditor's staff will continue to make this goal a priority until it has been fully obtained.*

*With the existing expertise already within the County's Auditor's Office, the Human Services Department, the Public Health Department, the Road and Bridge Department and with the assistance of outside resources to help properly develop and structure our financial reporting software, Otter Tail County will soon be positioned to prepare its annual financial statements in accordance with generally accepted accounting principles and will have individuals who are adequately trained to review, understand, and approve the County's financial statements, including notes.*

06-2 Audit Adjustments

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements of the financial statements on a timely basis. Statement on Auditing Standards 112 states that one control deficiency that typically is considered at least a significant deficiency is identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls, even if management subsequently corrects the misstatement.

The County provides a cash basis general ledger and supporting schedules necessary to adjust to the modified accrual basis for fund level financial statements and to the full accrual basis for the government-wide financial statements.

During our audit, we proposed numerous adjustments that resulted in significant changes to the County's financial statements.

- Adjustments were made to the General Fund to record additional receivables and revenue amounting to \$139,794, to defer revenue in the amount of \$158,548 for receivables not collected within the revenue recognition period, to defer revenue in the amount of \$33,150 for natural resource block grant funds received but not earned, to record additional payables of \$392,057, and to recognize additional accrued interest and interest revenue in the amount of \$283,958.
- An adjustment was made in the Road and Bridge Special Revenue Fund to reduce deferred revenue and recognize \$118,868 of bridge bonding revenue for receivables collected within the revenue recognition period.
- An adjustment was made to the Waste Management Enterprise Fund to record additional contracts payable and expense for the transfer station project in the amount of \$105,029.
- For several funds, adjustments were made to reclassify fund balances for reserves and designations, and to reclassify revenues and expenditures posted to balance sheet accounts to the proper accounts.
- Several adjustments were made to properly reflect compensated absences in the government-wide financial statements. The overall sick leave balance was increased by \$1,246,101 for governmental-type funds and \$78,347 for business-type funds due to errors in the spreadsheet calculating the liabilities. Since the client-prepared spreadsheet did not provide a split between vested and unvested sick leave, an adjustment was made to reduce the vested portion by the unvested amounts of \$2,203,232 for governmental-type funds and \$133,243 for business-type funds. These adjustments resulted in a net reduction of sick leave of \$957,131 for governmental-type funds and a net reduction of sick leave of \$54,896 for business-type funds. Adjustments were made to increase compensated absences for vacation in the amount of \$33,771 for governmental-type funds and \$2,352 for the business-type funds due to errors in the spreadsheet.
- Audit adjustments were also necessary to adjust modified accrual financial statements to the full accrual basis for the government-wide financial statements.

Proposed audit adjustments are reviewed and approved by the appropriate staff and are reflected in the financial statements. By definition, however, independent external auditors cannot be considered part of the government's internal control.

We recommend the County continue its efforts in reducing the audit entries by establishing review procedures to ensure all postings to the general ledger and supporting schedules are accurate and complete.

Client's Response:

*Otter Tail County management, the Otter Tail County Auditor, and the Otter Tail County Auditor's staff will continue to work to reinforce existing procedures and to implement new and/or improved procedures to ensure all postings to the account activities report are accurate and complete. In addition, aggressive steps have been taken and will continue to be taken to eliminate the remaining balance sheet accounts that are being used to track reserves and designations. IFS accrual codes were successfully used by Otter Tail County beginning with the calendar year ending December 31, 2007, and accrual codes use will be enhanced based on information discussed and reviewed during the 2007 and 2008 audit. Efforts will be made to bring those portions of the chart of accounts which are not in compliance with the COFARS numbering scheme into compliance by contracting for assistance with an outside resource. A concerted effort will be made to review IFS monthly financial reports at the detailed level to help ensure that all financial transactions are being posted to the proper accounts and in accordance with generally accepted accounting principles and procedures.*

ITEMS ARISING THIS YEAR

08-1 Documenting and Monitoring Internal Controls

County management is responsible for the County's internal control over financial reporting. This responsibility requires performing an assessment of existing controls over significant functions used to produce financial information for the Board, management, and for external financial reporting. The risk assessment is intended to determine if the internal controls that have been established by County management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided. Although the County may informally assess risks and adjust internal control procedures to address those risks, there are no formal procedures or documentation of those procedures in place.

At a minimum, the following significant internal control areas should be documented:

- cash and investment activities;
- capital assets (capitalization process and related depreciation);
- major funding sources (taxes, intergovernmental revenues, charges for services, and miscellaneous items);
- expenditure/expense processing;
- payroll;
- debt-related items; and
- inventories.

We recommend that County management document the significant internal controls in its accounting system, including an assessment of risk and the processes used to minimize the risks. We also recommend that a formal plan be developed that calls for monitoring the internal control structure on a regular basis, no less than annually. The monitoring activity should also be documented to show the results of the review, any changes required, and who performed the work.

Client's Response:

*Otter Tail County's management is aware of the significance and importance of routinely reviewing and monitoring internal controls in our accounting system for the purposes of identifying weakness within our accounting systems, identifying procedures and policies that require updating because of staffing, technology or legal compliance changes, assessing the risk of any weaknesses identified within our existing accounting procedures and policies, and to determine what changes can and should be made to minimize the identified risk. The County Coordinator and the County Auditor have discussed the need to assemble the appropriate individuals for a meeting to discuss the issues raised within your finding, and it is our intention that this process be completed before the conclusion of our next audit and to be completed no less than annually thereafter. Otter Tail County's management also realizes that documenting and monitoring the County's internal controls will help to address other issues within your report, for example, audit finding 08-2.*

08-2 Capital Assets

In 2008, Otter Tail County sold a building, including the property and improvements, with a net book value of \$379,705. The building, property, and improvements were not removed from the capital asset records.

Otter Tail County should have a system in place that ensures all additions and deletions are properly recorded in the capital asset records.

We recommend County management review the policies and procedures over capital assets and make any necessary changes to ensure all additions and deletions are recorded in the capital asset records timely.

Client's Response:

*This audit finding identifies a communication weakness within our accounting policies and procedures. The employee responsible for maintaining the capital asset records was not the individual involved in the building sale process. The individual involved in the building sale process did not make sure the proper documentation was routed to the employee responsible for the capital assets records. Routine monitoring of the County's internal controls might have resulted in a procedural change which would have significantly reduced the possibility of this type of communication oversight.*

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

08-3 Deposit with Broker

On December 31, 2008, an investment in GE Commercial Paper purchased through Edward Jones matured in the amount of \$496,008 plus accrued interest of \$4,009. The funds were transferred to a temporary holding account at Edward Jones for future investment.

The County Treasurer, aware that Edward Jones does not meet the requirements of Minn. Stat. § 118A.06 to safekeep investments, decided to research other options for investing those funds. The funds remained in the unsecured temporary holding account at Edward Jones until April 2009, at which time, the County Treasurer closed all accounts with Edward Jones by transferring the balances to Dorn & Co., Inc.

Edward Jones is not a “financial institution” defined in Minn. Stat. § 118A.01, subd. 3. Further, Minn. Stat. § 118A.03 provides the requirements for collateral or a corporate surety bond for deposits in excess of insurance. By allowing the \$500,017 to sit in an unsecured temporary holding account with Edward Jones for over three months, the County violated Minn. Stat. § 118A.03 and took on an unnecessary risk with its deposits.

We recommend the County Treasurer comply with Minn. Stat. § 118A.03 and limit the risks associated with funds transferred to temporary holding accounts with brokers by reinvesting those funds immediately upon notification of an investment maturity.

Client’s Response:

*The Otter Tail County Treasurer has resolved this issue, and it should not be an issue in the future.*

**PREVIOUSLY REPORTED ITEM RESOLVED**

**Collateral Assignments and Substitutions (02-3)**

Wells Fargo Bank changed its procedures for notifying the County Treasurer of the assignment and substitution of collateral pledged to secure deposits. The new procedures provided only a monthly collateral pledge report summarizing the collateral pledged, which does not comply with Minn. Stat. § 118A.03, subd. 5.

**Resolution**

The County Treasurer reduced deposits with Wells Fargo Bank to a level protected by FDIC insurance, so collateral is no longer needed.

**B. MANAGEMENT PRACTICES**

**PREVIOUSLY REPORTED ITEM NOT RESOLVED**

**05-3 Uniform and Safety Equipment Allowance or Clothing Allowance**

Certain County employees are eligible for reimbursement of expenses under a uniform and safety equipment allowance or clothing allowance, as stipulated in the contract or personnel policy. The policies regarding uniform and safety equipment allowances or clothing allowances differ among the various contracts and the personnel policy.

In 2008, the County Board approved changes to the uniform and safety equipment and clothing allowance policies for the County Facilities Operations Department, the Solid Waste Department, the Highway Department, and the Sheriff's Department, which are more detailed and, in most cases, more restrictive than the previous policies.

Although the policy changes have resulted in improvements, our review noted some items purchased which may not comply with Internal Revenue Service regulations regarding purchases of work clothing.

Federal law has long distinguished between non-deductible personal clothing and deductible work clothing. For employees who wear uniforms, the cost of the uniform is deductible only if the uniform is (1) specifically required as a condition of employment, and (2) not of a type adaptable to general usage as ordinary clothing. If non-deductible clothing is reimbursed, the expenditure is income and must be included on the employee's W-2 (Wage and Tax Statement).



We noted brown slacks, shoes, boots, sunglasses, and other equipment purchased in accordance with the County's uniform and safety equipment allowance or clothing allowance that may be viewed as adaptable to general usage as ordinary clothing. For many of the items purchased, there is not sufficient documentation to distinguish between non-deductible personal clothing and deductible work clothing.

County boards are authorized by Minn. Stat. § 387.211 to establish an allowance for the purchase and maintenance of uniforms and equipment for the Sheriff and full-time deputies. We noted a range of approved expenses, including \$19 to \$229 for sunglasses, \$74 to \$265 for a pair of shoes, and \$200 for a pair of boots.

We recommend the County Board review the Sheriff's uniform and safety equipment policies to ensure they are consistent with the County Board's intentions. The Board may wish to set limits for certain types of expenditures. Finally, there should be a system in place to ensure those items that are taxable according to federal regulations are clearly identified so proper taxes can be withheld and reported.

Client's Response (County Attorney):

*We will look into it.*

PREVIOUSLY REPORTED ITEM RESOLVED

**Collateral Assignments (07-1)**

Deposits in excess of the FDIC insurance coverage with Minnesota National Bank are secured with pledged collateral; however, the County could not provide documentation of a perfected security interest in the pledged collateral and a depository pledge agreement.

**Resolution**

Deposit balances at Minnesota National Bank are maintained below the FDIC insurance coverage, so collateral is no longer pledged as security.

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

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

Board of County Commissioners  
Otter Tail County

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Otter Tail County as of and for the year ended December 31, 2008, and have issued our report thereon dated December 28, 2009. 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.

#### Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-6, 96-7, 06-1, 06-2, 08-1, and 08-2 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 06-2 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Otter Tail County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, Otter Tail County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 08-3.

Also included in the Schedule of Findings and Questioned Costs is a management practices comment. We believe this recommendation to be of benefit to Otter Tail County, and it is reported for that purpose.

Otter Tail County's written responses to the significant deficiencies, material weakness, legal compliance, and management practice comments identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

December 28, 2009

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

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### **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners  
Otter Tail County

#### Compliance

We have audited the compliance of Otter Tail County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2008. Otter Tail County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Otter Tail County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Otter Tail County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

#### Internal Control Over Compliance

The management of Otter Tail County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Otter Tail County's internal control.

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

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Otter Tail County as of and for the year ended December 31, 2008, and have issued our report thereon dated December 28, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic



financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

December 28, 2009

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 20**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Health Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 239,013
Passed Through Minnesota Department of Human Services State Administrative Matching Grant for Supplemental Nutrition Assistance Program	10.561	<u>377,367</u>
<b>Total U.S. Department of Agriculture</b>		<b><u>\$ 616,380</u></b>
<b>U.S. Department of Housing and Urban Development</b>		
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	<b><u>\$ 15,231</u></b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Public Safety Highway Safety Cluster State and Community Highway Safety	20.600	\$ 32,171
Alcohol Impaired Driving Countermeasures Incentive Grants 1	20.601	1,367
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	6,709
Passed Through Minnesota Department of Natural Resources Recreational Trails Program	20.219	9,625
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	<u>701,566</u>
<b>Total U.S. Department of Transportation</b>		<b><u>\$ 751,438</u></b>
<b>U.S. Election Assistance Commission</b>		
Passed Through Minnesota Secretary of State Help America Vote Act Requirements Payments	90.401	<b><u>\$ 30,868</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 20  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Commerce		
Low-Income Home Energy Assistance	93.568	\$ 214,320
Passed Through Minnesota Department of Health		
Immunization Grants	93.268	3,350
Center for Disease Control and Prevention - Investigations and Technical Assistance	93.283	60,575
Temporary Assistance for Needy Families	93.558	56,877
Maternal and Child Health Services Block Grant to the States	93.994	66,290
<b>U.S. Department of Health and Human Services (Continued)</b>		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	59,979
Temporary Assistance for Needy Families	93.558	585,335
Child Support Enforcement	93.563	975,809
Refugee and Entrant Assistance - State-Administered Grants	93.566	1,324
Child Care Cluster		
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	118,702
Child Care and Development Block Grant	93.575	265,924
Child Welfare Services - State Grants	93.645	28,445
Foster Care Title IV-E	93.658	205,943
Social Services Block Grant	93.667	407,320
Chafee Foster Care Independence Program	93.674	5,568
Children's Health Insurance Program	93.767	1,124
Medical Assistance Program	93.778	1,393,761
Block Grants for Community Mental Health Services	93.958	174,549
Passed Through West Central Area Agency on Aging		
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	47,500
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 4,672,695</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 20  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 29,819
Passed Through Minnesota Department of Public Safety		
Hazard Mitigation Grant	97.039	3,876
Homeland Security Grant Program	97.067	46,981
Passed Through Minnesota Department of Public Safety and West Central Minnesota EMS Corporation		
Homeland Security Grant Program	97.067	<u>25,000</u>
<b>Total U.S. Department of Homeland Security</b>		<b>\$ <u>105,676</u></b>
<b>Total Federal Awards</b>		<b>\$ <u><u>6,192,288</u></u></b>

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by the County. The County's reporting entity is defined in Note 1 to the basic financial statements.
2. The expenditures on this schedule are on the accrual basis of accounting.
3. Pass-through grant numbers were not assigned by the pass-through agencies.