

# 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, 2009

## **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, 2009**



**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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FERGUS FALLS, MINNESOTA**

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FERGUS FALLS, MINNESOTA**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

ORGANIZATION  
DECEMBER 31, 2009

		<u>Term Expires</u>
<b>Elected</b>		
<b>Commissioners</b>		
Board Member	Douglas Huebsch	District 1 January 2013
Chair	Everett P. Erickson	District 2 January 2011
Board Member	John Lindquist	District 3 January 2013
Board Member	Roger Froemming	District 4 January 2011
Board Member	Lee Rogness	District 5 January 2013
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 2012
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>		
Chair	Everett P. Erickson	January 2011
Vice Chair	Roger Froemming	January 2011
Member	Leland Rogness	January 2013
Member	Douglas Heubsch	January 2013
Member	John Lindquist	January 2013
Human Services Director	John Dinsmore	Indefinite
Probation Officer	Charles W. Kitzman	Indefinite
Public Health Director	Diane Thorson	Indefinite

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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, 2009, 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, 2009, 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.

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 September 17, 2010, 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

September 17, 2010



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

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2009  
(Unaudited)**

**INTRODUCTION**

Otter Tail County's Management's Discussion and Analysis (MD&A) provides an overview of financial activities for the fiscal year ended December 31, 2009. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements and the notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

- Governmental activities' total net assets are \$126,024,741, of which Otter Tail County has invested \$96,477,776 in capital assets, net of related debt, and \$6,019,101 is restricted to specific purposes/uses.
- Business-type activities have total net assets of \$9,666,104. Invested in capital assets, net of related debt, represents \$7,142,684 of the total, and \$168,045 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 \$135,690,845 for the year ended December 31, 2009. Invested in capital assets, net of related debt, represents \$103,620,460 of the total, \$6,187,146 of the total net assets are restricted for specific uses, and \$25,883,239 is unrestricted.
- The net cost of Otter Tail County's governmental activities for the year ended December 31, 2009, was \$27,753,298. General property tax revenues and other revenue sources totaling \$32,256,885 funded the total net cost of \$27,753,298.
- Otter Tail County's governmental funds' fund balances increased by \$1,970,128. This increase was the result of a General Fund balance increase of \$1,015,578, a Road and Bridge Special Revenue Fund balance decrease of \$2,045,743, a Human Services Special Revenue Fund balance increase of \$1,672,057, a Capital Improvement Special Revenue Fund balance increase of \$1,834,642, and a decrease in other governmental funds' fund balances of \$506,406.

- The General Fund balance increased by \$1,015,578. This increase was due to excess revenues over expenditures of \$332,932 plus proceeds from a capital lease with the Viking Library System for the construction of a new office building in the amount of \$1,200,000 and from a capital lease with the West Central Minnesota Narcotics Task Force for the purchase of five vehicles in the amount of \$130,950. The items noted above were offset by a \$647,908 transfer out to the Ethanol Plant Debt Service Fund, which was used to meet the debt service obligation of Otter Tail County's General Obligation Tax Abatement Bonds and by a transfer out to the Sheriff's Contingent Special Revenue Fund of \$396.
- For the prior year ended December 31, 2008, excess General Fund revenues over expenditures were \$820,971. The \$488,039 decline in excess revenues over expenditures is due mainly to the following: a \$363,395 decline in revenues and a \$124,644 increase in expenditures. It should be noted that property tax revenues increased by \$789,489 and revenues from charges for services increased by \$214,053; however, these increased revenues in the General Fund were offset by decreased special assessment revenues of \$58,704, decreased licenses and permits revenues of \$8,606, decreased intergovernmental revenues of \$150,680, decreased fines and forfeits revenue of \$15,356, decreased interest earnings of \$798,343, and decreased miscellaneous other revenues of \$335,248. General Fund expenditures for general government-related programs and services increased \$286,174, for public safety-related programs and services increased \$32,919, and for debt service cost increased by \$14,558; however, these increased expenditures were offset by a \$21,896 decrease in expenditures for culture and recreation programs, by a \$163,362 decrease in expenditures for conservation of natural resources programs, as well as a decrease in general government capital outlay expenditures of \$23,749.
- The Road and Bridge Special Revenue Fund balance decreased by \$2,045,743 due to excess expenditures over revenues of \$2,074,104, which was offset by an increase in inventory of \$28,361. For the prior year ended December 31, 2008, excess expenditures over revenues totaled \$744,209. The \$1,329,895 increase in excess expenditures over revenues is due mainly to a decrease in the highway tax of \$2,556,822, a decrease in payment in lieu of tax revenue of \$684, a decrease in charges for service revenues of \$135,889, an increase in administration expenditures of \$52,600, an increase in highway maintenance and construction expenditures of \$387,752, and an increase in intergovernmental expenditures of \$101,327, which was offset by an increase in tax revenue of \$75,771, an increase in shared revenue (state-paid property tax aids) of \$7,453, an increase in state grants of \$257,370, an increase in federal grants of \$1,456,058, an increase in miscellaneous revenue sources of \$28,115, and a decrease in all other highway-related expenditures of \$80,412.
- The Human Services Special Revenue Fund balance increased by \$1,672,057 due to excess revenues over expenditures. For the prior year ended December 31, 2008, excess revenues over expenditures totaled \$436,701. The \$1,235,356 increase was due mainly to an increase in tax revenue of \$567,060, an increase in shared revenues (state-paid property tax aids) of \$76,219, an increase in charges for services revenue of \$162,897, a decrease in human services expenditures of \$1,315,797, and a decrease in public health expenditures of

\$133,310, which was offset by a decrease in intergovernmental revenues (federal and state) of \$831,961, a decrease in miscellaneous revenues of \$183,645, and an increase in community correction expenditures of \$4,321.

- The Capital Improvement Special Revenue Fund balance increased by \$1,834,642 due to excess revenues over expenditures of \$1,832,546, plus a transfer in from the Construction Capital Projects Fund of \$2,096. For the prior year ended December 31, 2008, excess revenues over expenditures totaled \$54,294. The \$1,778,252 increase was due mainly to an increase in tax revenues of \$17,764, an increase in intergovernmental revenues (grants and shared revenues) of \$43,140, an increase in all other revenue sources of \$122,547, a decrease in general government expenditures of \$213,190, a decrease in public safety expenditures of \$82,736, a decrease in highway and street expenditures of \$1,335,056, a decrease in human services expenditures of \$7,270, a decrease in public health expenditures of \$31,096, and a decrease in capital outlay expenditures of \$49,860, which was offset by a decrease in investment earnings of \$11,986 and an increase in expenditures for culture and recreational expenditures totaling \$112,421.
- The fund balance as of December 31, 2009, for all other governmental funds decreased by \$506,406 due to excess expenditures over revenues of \$1,152,614, plus operating transfers out totaling \$5,639, which were offset by operating transfers in totaling \$651,847. For the prior year ended December 31, 2008, excess expenditures over revenues totaled \$6,136,546. The \$4,983,932 decline in excess expenditures over revenues is due mainly to the completion of two significant capital improvement projects, which were financed through the issuance of long-term debt prior to 2009.
- During the year ending December 31, 2009, Otter Tail County facilitated the issuance of \$1,200,000 Public Purpose Lease Revenue Bonds for the purpose of constructing a new building for the Viking Library System. The Viking Library System, under an existing lease agreement, makes lease payments to Otter Tail County in an amount equal to the annual debt service payment. The lease agreement qualifies as a capital lease for reporting purposes.

## **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), certain budgetary comparison schedules, and the Schedule of Funding Progress 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.

**Management’s Discussion and Analysis**

<b>Government-Wide Financial Statements</b>	<b>Fund Financial Statements</b>
<b>Notes to the Financial Statements</b>	

**Required Supplementary Information**  
(Other than Management’s Discussion and Analysis)

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 the County as a whole and present a longer-term view of the County’s finances. The fund financial statements follow these two government-wide financial statements. For governmental activities, these statements tell how the County financed these services in the short term as well as what remains for future spending. Fund financial statements also report the operations in more detail than the government-wide statements by providing information about the most significant/major funds. For proprietary activities, these statements provide detailed financial information relating to the 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 the County as a whole and about its activities in a way that helps the reader determine whether its 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 method used by most private-sector companies.

These two statements consider all of Otter Tail County’s current year revenues and expenses regardless of when the County receives the revenue or pays the expenditure. The statements also report the County’s net assets and changes in them. You can think of the net assets--the difference between assets and liabilities--as one way to measure the County’s financial health or financial position. Over time, increases or decreases in the County’s net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the 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 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. The 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 the County as a whole. Significant governmental and proprietary funds may be established by the 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. The 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 the County can readily convert to cash. Otter Tail County’s governmental fund statements provide a detailed short-term view of the 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 the County can spend in the near future to finance various programs within the 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. The County reports its Waste Management Enterprise Fund in the same way that it reports all activities in the Statement of Net Assets and the Statement of Activities. In fact, the Waste Management Enterprise Fund is the same as the business-type activities the 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. The County reports all of its fiduciary activities in a separate Statement of Fiduciary Net Assets and excludes these assets from the County's other financial statements because the 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, 2009, were \$135,690,845. The analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental and business-type activities.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Current and other assets	\$ 46,677,948	\$ 41,129,625	\$ 4,372,490	\$ 4,770,143	\$ 51,050,438	\$ 45,899,768
Capital assets	115,309,369	114,813,878	7,142,684	6,974,240	122,452,053	121,788,118
<b>Total Assets</b>	<b>\$ 161,987,317</b>	<b>\$ 155,943,503</b>	<b>\$ 11,515,174</b>	<b>\$ 11,744,383</b>	<b>\$ 173,502,491</b>	<b>\$ 167,687,886</b>
<b>Liabilities</b>						
Long-term debt outstanding	\$ 24,858,134	\$ 26,546,667	\$ -	\$ -	\$ 24,858,134	\$ 26,546,667
Other liabilities	11,104,442	7,875,682	1,849,070	1,957,405	12,953,512	9,833,087
<b>Total Liabilities</b>	<b>\$ 35,962,576</b>	<b>\$ 34,422,349</b>	<b>\$ 1,849,070</b>	<b>\$ 1,957,405</b>	<b>\$ 37,811,646</b>	<b>\$ 36,379,754</b>
<b>Net Assets</b>						
Invested in capital assets, net of debt	\$ 96,477,776	\$ 94,898,746	\$ 7,142,684	\$ 6,974,240	\$ 103,620,460	\$ 101,872,986
Restricted	6,019,101	6,215,895	168,045	289,241	6,187,146	6,505,136
Unrestricted	23,527,864	20,406,513	2,355,375	2,523,497	25,883,239	22,930,010
<b>Total Net Assets</b>	<b>\$ 126,024,741</b>	<b>\$ 121,521,154</b>	<b>\$ 9,666,104</b>	<b>\$ 9,786,978</b>	<b>\$ 135,690,845</b>	<b>\$ 131,308,132</b>

Otter Tail County's total net assets for the year ended December 31, 2009, are \$135,690,845. Unrestricted net assets totaling \$25,883,239 are available to finance day-to-day operations. Of the unrestricted net assets, \$23,527,864 is available for governmental activities, and \$2,355,375 is available for business-type activities.

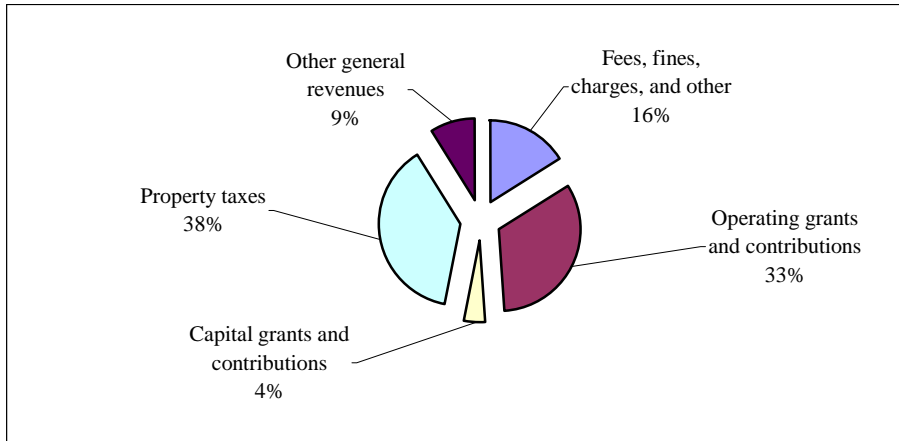


**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues						
Fees, fines, charges, and other	\$ 5,207,360	\$ 5,208,550	\$ 5,835,431	\$ 6,116,241	\$ 11,042,791	\$ 11,324,791
Operating grants and contributions	22,014,770	21,814,782	199,198	207,535	22,213,968	22,022,317
Capital grants and contributions	2,489,909	1,798,194	-	-	2,489,909	1,798,194
General revenues						
Property taxes	25,785,921	24,313,437	-	-	25,785,921	24,313,437
Other taxes	509,630	509,971	-	-	509,630	509,971
Grants and contributions	4,162,684	4,006,021	-	-	4,162,684	4,006,021
Other general revenues	1,798,650	2,211,782	67,458	108,885	1,866,108	2,320,667
Total Revenues	<u>\$ 61,968,924</u>	<u>\$ 59,862,737</u>	<u>\$ 6,102,087</u>	<u>\$ 6,432,661</u>	<u>\$ 68,071,011</u>	<u>\$ 66,295,398</u>
Expenses						
General government	\$ 11,270,977	\$ 10,688,355	\$ -	\$ -	\$ 11,270,977	\$ 10,688,355
Public safety	9,712,676	9,093,503	-	-	9,712,676	9,093,503
Highways and streets	14,263,654	12,114,947	-	-	14,263,654	12,114,947
Human services	17,038,846	18,111,392	-	-	17,038,846	18,111,392
Health	2,219,718	2,265,512	-	-	2,219,718	2,265,512
Culture and recreation	964,860	873,506	-	-	964,860	873,506
Conservation of natural resources	865,655	1,016,151	-	-	865,655	1,016,151
Economic development	21,800	21,800	-	-	21,800	21,800
Interest	1,107,151	1,175,790	-	-	1,107,151	1,175,790
Landfill	-	-	6,222,961	6,009,028	6,222,961	6,009,028
Total Expenses	<u>\$ 57,465,337</u>	<u>\$ 55,360,956</u>	<u>\$ 6,222,961</u>	<u>\$ 6,009,028</u>	<u>\$ 63,688,298</u>	<u>\$ 61,369,984</u>
Increase (Decrease) in Net Assets	<u>\$ 4,503,587</u>	<u>\$ 4,501,781</u>	<u>\$ (120,874)</u>	<u>\$ 423,633</u>	<u>\$ 4,382,713</u>	<u>\$ 4,925,414</u>

Otter Tail County's total revenues for the year ended December 31, 2009, were \$68,071,011. The total cost of programs and services for the year ended December 31, 2009, was \$63,688,298. The net assets increased by \$4,382,713, due mainly to an increase in capital grants and contributions, operating grants and contributions, property tax revenues, and other general revenues, and a decrease in human services expenses, which were offset by an increase in general government expenses, public safety expenses, highway and street expenses, and interest costs.

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



**Governmental Activities**

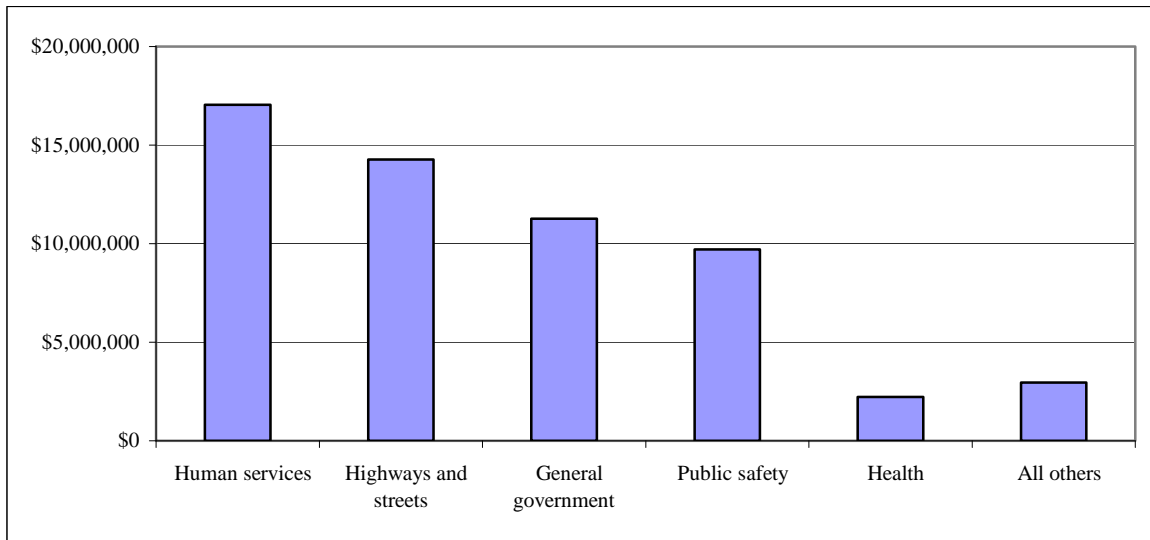
Revenues for Otter Tail County’s governmental activities for the year ended December 31, 2009, were \$61,968,924. Costs for all governmental activities for the year ended December 31, 2009, were \$57,465,337. As shown in the Statement of Activities, the amount that County taxpayers ultimately financed for these governmental activities through local property taxation was \$25,785,921, because \$5,207,360 of the costs were paid by those who directly benefited from the programs, and \$24,504,679 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 \$6,470,964 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 the County’s taxpayers by each of these functions.

**Table 3  
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Program expenses		
Human services	\$ 17,038,846	\$ 6,618,387
Highways and streets	14,263,654	786,885
General government	11,270,977	9,202,257
Public safety	9,712,676	8,284,427
Health	2,219,718	309,280
All others	2,959,466	2,552,062
	<hr/>	<hr/>
Total Program Expenses	\$ 57,465,337	\$ 27,753,298
	<hr/> <hr/>	<hr/> <hr/>

**Governmental Activities Expenses  
2009**



**Business-Type Activities**

Revenues of Otter Tail County’s business-type activities (see Table 2) for the year ended December 31, 2009, were \$6,102,087. This compares with total operating revenues of \$6,116,241 and total nonoperating revenues of \$316,420 for the year ended December 31, 2008. Operating revenues decreased by \$280,810, and nonoperating revenues decreased by \$49,764, resulting in an overall decrease in revenues of \$330,574.

Expenses of business-type activities (see Table 2) for the year ended December 31, 2009, were \$6,222,961. This compares with total operating expenses of \$5,980,636 and total nonoperating expenses of \$28,392 for the year ended December 31, 2008. Operating expenditures increased by \$189,598, and nonoperating expenditures increased by \$24,335 due mainly to increased processing costs of \$248,031, increased depreciation of \$97,686, and increased interest costs of \$24,335, which were offset by a decrease in SCORE, waste management, household hazardous waste, and landfill closure and postclosure costs totaling \$156,119.

**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 \$37,845,799, which is greater than last year’s total of \$35,875,671. The fund balance change of \$1,970,128 is due to an increase in the General Fund balance of \$1,015,578, a decrease in the Road and Bridge Special Revenue Fund balance of \$2,045,743, an increase in the Human Services Special Revenue Fund balance of \$1,672,057, an increase in the Capital Improvement Special Revenue Fund balance of \$1,834,642, and a decrease in the other governmental funds fund balances of \$506,406. As you will note, there

were significant changes within individual funds. The overall fund balance change represented a 5.49 percent increase. The significant items impacting the individual fund balance changes were noted previously.

Included in this year's total fund balance is the General Fund balance of \$15,891,425, an increase of \$1,015,578 from 2008. The majority of the General Fund balance is either reserved--\$2,760,216--or unreserved, designated for specific purposes--\$12,536,126. The fund balance in the Capital Improvement Special Revenue Fund increased by \$1,834,642 and is available to finance future capital equipment and building needs as identified by management.

### **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 2009, the Board of Commissioners did not make any significant budget revisions to the General Fund budget. If the Board had made changes to the budget as originally adopted on Wednesday, December 23, 2008, these budget amendments/revisions would have fallen into one of three categories: new information changing original budget estimations, greater than anticipated revenues or expenditures, or final agreement reached on employee contracts.

In Otter Tail County's General Fund, the budgeted revenues exceeded the actual revenues by \$857,069. Total actual expenditures in the General Fund were under the budgeted expenditures by \$1,936,545, and transfers out exceeded the budget by \$446,833. 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 2009, Otter Tail County had \$122,452,053 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 \$663,935, or 0.55 percent, over last year.

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

	Governmental Activities		Business- Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land	\$ 3,280,244	\$ 3,224,045	\$ 195,934	\$ 195,934	\$ 3,476,178	\$ 3,419,979
Construction in progress	-	7,857,642	-	2,764,097	-	10,621,739
Land improvements	385,480	459,378	-	-	385,480	459,378
Buildings and improvements	24,294,096	19,048,043	4,661,433	1,507,234	28,955,529	20,555,277
Machinery, furniture, and equipment	3,994,905	4,469,297	866,914	921,763	4,861,819	5,391,060
Infrastructure	83,354,644	79,755,473	-	-	83,354,644	79,755,473
Landfill	-	-	1,418,403	1,585,212	1,418,403	1,585,212
Totals	<u>\$ 115,309,369</u>	<u>\$ 114,813,878</u>	<u>\$ 7,142,684</u>	<u>\$ 6,974,240</u>	<u>\$ 122,452,053</u>	<u>\$ 121,788,118</u>

During calendar year 2009, Otter Tail County's governmental activities' capital assets, net of depreciation, increased a total of \$495,491. This year's major additions include the completion 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 2009.

Otter Tail County's fiscal year 2010 capital budget plans for the expenditure of \$1,763,300 for equipment, vehicles, and remodeling, and \$10,509,700 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 and were finalized in 2009. More detailed information about Otter Tail County's capital assets can be found in Note 3.A. to the financial statements.

### **Bonded Debt**

As of December 31, 2009, Otter Tail County had \$24,858,134 in bonds and notes outstanding, compared with \$26,546,667 as of December 31, 2008--a decrease of 6.4 percent--as shown in Table 5.

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

	Governmental Activities		Business- Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Bonds payable						
General obligation bonds	\$ 6,340,000	\$ 6,875,000	\$ -	\$ -	\$ 6,340,000	\$ 6,875,000
Revenue bonds	13,230,000	14,110,000	-	-	13,230,000	14,110,000
Lease revenue bonds	5,315,000	5,590,000	-	-	5,315,000	5,590,000
Plus: unamortized premium	26,500	28,964	-	-	26,500	28,964
Less: unamortized discount	(53,366)	(57,297)	-	-	(53,366)	(57,297)
Totals	<u>\$ 24,858,134</u>	<u>\$ 26,546,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,858,134</u>	<u>\$ 26,546,667</u>

The state limits the amount of net debt that the County can issue to three percent of the market value of all taxable property. Otter Tail County's outstanding net debt is significantly below this \$264,902,493 state-imposed limit. The County's financial advisor annually reviews the outstanding debt issues to determine which, if any, issues should be considered for refinancing.

Other obligations include capital leases, compensated absences, other postemployment benefits liability, and landfill closure and postclosure care costs. The 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 2010 budget, tax rates, and fees that will be charged for the governmental and business-type activities.

- Cost of fuel for vehicles, heating, and any related petroleum products used for highway maintenance and construction projects.
- Legislative actions by the State of Minnesota have a significant impact on future County budgets. Major revenue sources 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, the County anticipated receiving \$2,104,155 in County Program Aid; however, the amount actually received was \$1,627,806, which is \$476,349 less than anticipated and \$721,551 less than the amount received in 2007. The certified level for 2009 County Program Aid is \$2,193,823. However, in budget year 2009, the County received \$354,942 less than the certified amount. The project-certified County Program Aid for budget year 2010 is \$1,975,762; however, this amount will be reduced by \$720,638. In addition, market value-based homestead credits will be reduced by \$576,556, resulting in a total state-paid aid reduction for 2010 of \$1,297,194. The proposed County Program Aid is \$1,399,965 less

than the 2003 original certified amount of \$3,375,727 for similar state aids before the state made major cuts. With the proposed reduction for 2010, the County Program Aid will be \$2,120,603 less than the 2003 certified amount of \$3,375,727.

- Otter Tail County's net tax capacity rates have not seen significant change even though the overall net tax levy has continued to increase. The County's Pay 2010 net tax capacity rates were lower than Pay 2009; however, it is anticipated that the Pay 2011 net tax capacity rates will increase slightly. This is due in great part to the County's strong tax base which, combined with the imposition of levy limits and class rate changes, should not result in Pay 2011 rates that are substantially higher than the Pay 2010 rates. Otter Tail County has a very balanced and strong seasonal, residential, commercial/industrial, and agricultural tax base. Keeping this tax base vital and healthy is very important to the County's overall financial health and condition.
- State-imposed levy limitations for calendar years 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. Consideration and discussions regarding available special levies will be an important part of the overall budget review and adoption process. 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 2010 averaged 7.1 percent through July 31, 2010. However, it should be noted that the unemployment rate for the month of July was 6.4 percent. The County's unemployment rate for 2009 averaged 8.3 percent, 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 residents and on the County's ability to generate the revenues necessary to pay for these additional services.
- The County's expenditures for 2010 are budgeted to decrease approximately 2.65 percent from 2009. This reduction is due in part to the hiring freeze that was implemented in 2009 to address the reduction in state-paid aid.
- The net property tax levy for 2010 is planned to increase 7.03 percent from 2009.
- Settling union contracts and employment-related cost/issues will affect the future budgets.
- The existing hiring freeze, organizational structure, and reorganization discussion will play an important role in budget development.
- Reviewing revenue sources and considering cost-effective and efficient means for the delivery of 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 various remodeling needs at the old law enforcement center, the remodeling of the second floor courthouse area, the upgrading of heating and cooling systems, and the need for an expanded and/or relocated law enforcement dispatch area with the implementation of the enhance radio system.
- 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.
- The additional debt service levy is required to service two outstanding debt issues for the ethanol plant. Lease rental payments from the ethanol plant were originally intended to provide the funds necessary to meet the debt service obligations; however, as of this date, the ethanol plant has not been able to meet those obligations. These are general obligation issues of the County and have the potential to impact the County’s ability to generate tax revenue for other uses.
- The implementation of new technology and the costs associated with implementing the technology and with training staff in the proper use of technology.
- Other factors considered include:
  - planning and financing for facility needs and the possibility of a jail expansion project in the future;
  - planning and financing for building security;
  - planning and financing for the continued delivery of County-provided services given the uncertainty of state funding;
  - prioritizing the services provided and the method of delivery;
  - the level of funding provided to outside agencies;
  - land development and regulation (ordinance) issues;
  - salary classification study;
  - organizational structure (including planning, considering, and discussing with neighboring counties the possibility of shared services and personnel);
  - a greater demand for services which has resulted from the growth that Otter Tail County has experienced over the years;



- economic conditions, market conditions, 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 costs;
- legislative changes which impact County programs and services;
- policies and procedures necessary to comply with state and federal rules and regulations;
- reviewing comparative financial data from other Minnesota counties: 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 the County's finances, and it shows 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 W., Fergus Falls, Minnesota 56537.

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## **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, 2009**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 36,798,343	\$ 3,880,170	\$ 40,678,513
Cash with escrow agent	239,649	-	239,649
Taxes receivable			
Current	513,370	-	513,370
Prior	228,087	-	228,087
Special assessments receivable			
Current	2,662	-	2,662
Prior	2,217	-	2,217
Deferred	53,525	-	53,525
Accounts receivable	404,929	322,903	727,832
Accrued interest receivable	144,639	-	144,639
Internal balances	1,238,943	(1,238,943)	-
Due from other governments	4,770,262	152,102	4,922,364
Lease receivable	64,150	-	64,150
Inventories	327,138	-	327,138
Restricted assets			
Temporarily restricted			
Cash with escrow agent	764,537	-	764,537
Permanently restricted			
Cash and pooled investments	-	1,256,258	1,256,258
Advance to other governments	17,906	-	17,906
Deferred charges	142,796	-	142,796
Long-term lease receivable	964,795	-	964,795
Capital assets			
Non-depreciable	3,280,244	195,934	3,476,178
Depreciable - net of accumulated depreciation	112,029,125	6,946,750	118,975,875
<b>Total Assets</b>	<b>\$ 161,987,317</b>	<b>\$ 11,515,174</b>	<b>\$ 173,502,491</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ 846,598	\$ 106,612	\$ 953,210
Salaries payable	1,186,470	65,040	1,251,510
Contracts payable	740,693	118,358	859,051
Due to other governments	396,576	129,447	526,023
Accrued interest payable	373,070	-	373,070
Unearned revenue	1,043,700	-	1,043,700
Employee deposits	173,880	-	173,880
Long-term liabilities			
Due within one year	2,928,194	66,959	2,995,153
Due in more than one year	28,273,395	1,362,654	29,636,049
<b>Total Liabilities</b>	<b>\$ 35,962,576</b>	<b>\$ 1,849,070</b>	<b>\$ 37,811,646</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2009**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Net Assets</u></b>			
Invested in capital assets - net of related debt	\$ 96,477,776	\$ 7,142,684	\$ 103,620,460
Restricted for			
General government	1,252,192	-	1,252,192
Public safety	55,497	-	55,497
Highways and streets	1,199,780	-	1,199,780
Postclosure	-	168,045	168,045
Debt service	3,336,424	-	3,336,424
Held in trust for other purposes	175,208	-	175,208
Unrestricted	23,527,864	2,355,375	25,883,239
 <b>Total Net Assets</b>	<b>\$ 126,024,741</b>	<b>\$ 9,666,104</b>	<b>\$ 135,690,845</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
<b>Governmental activities</b>		
General government	\$ 11,270,977	\$ 1,711,961
Public safety	9,712,676	612,445
Highways and streets	14,263,654	710,306
Sanitation	-	56,817
Human services	17,038,846	1,219,821
Health	2,219,718	801,152
Culture and recreation	964,860	-
Conservation of natural resources	865,655	88,463
Economic development	21,800	6,395
Interest	1,107,151	-
<b>Total governmental activities</b>	<b>\$ 57,465,337</b>	<b>\$ 5,207,360</b>
<b>Business-type activities</b>		
Solid waste	6,222,961	5,835,431
<b>Total</b>	<b>\$ 63,688,298</b>	<b>\$ 11,042,791</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

**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>
\$ 356,759	\$ -	\$ (9,202,257)	\$ -	\$ (9,202,257)
815,804	-	(8,284,427)	-	(8,284,427)
10,276,554	2,489,909	(786,885)	-	(786,885)
-	-	56,817	-	56,817
9,200,638	-	(6,618,387)	-	(6,618,387)
1,109,286	-	(309,280)	-	(309,280)
164,066	-	(800,794)	-	(800,794)
33,150	-	(744,042)	-	(744,042)
58,513	-	43,108	-	43,108
-	-	(1,107,151)	-	(1,107,151)
<b>\$ 22,014,770</b>	<b>\$ 2,489,909</b>	<b>\$ (27,753,298)</b>	<b>\$ -</b>	<b>\$ (27,753,298)</b>
199,198	-	-	(188,332)	(188,332)
<b>\$ 22,213,968</b>	<b>\$ 2,489,909</b>	<b>\$ (27,753,298)</b>	<b>\$ (188,332)</b>	<b>\$ (27,941,630)</b>
		\$ 24,271,948	\$ -	\$ 24,271,948
		1,513,973	-	1,513,973
		59,365	-	59,365
		61,716	-	61,716
		4,162,684	-	4,162,684
		388,549	-	388,549
		468,692	67,458	536,150
		1,329,958	-	1,329,958
		<b>\$ 32,256,885</b>	<b>\$ 67,458</b>	<b>\$ 32,324,343</b>
		\$ 4,503,587	\$ (120,874)	\$ 4,382,713
		<b>121,521,154</b>	<b>9,786,978</b>	<b>131,308,132</b>
		<b>\$ 126,024,741</b>	<b>\$ 9,666,104</b>	<b>\$ 135,690,845</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, 2009**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 13,709,981	\$ 2,125,203
Petty cash and change funds	10,850	50
Undistributed cash in agency funds (taxes and other)	284,139	27,166
Cash with escrow agent	239,649	-
Taxes receivable		
Current	258,001	31,328
Prior	116,612	13,647
Special assessments		
Current	-	140
Prior	-	98
Deferred	-	-
Accounts receivable	155,087	8,486
Accrued interest receivable	144,639	-
Due from other funds	34,936	-
Due from other governments	168,171	3,343,093
Lease receivable	1,028,945	-
Advance to other funds	1,277,319	-
Advance to other governments	-	17,906
Inventories	-	327,138
Restricted assets		
Temporarily restricted		
Cash with escrow agent	47,856	-
<b>Total Assets</b>	<b>\$ 17,476,185</b>	<b>\$ 5,894,255</b>

**EXHIBIT 3**

<u>Human Services</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 9,911,734	\$ 6,733,531	\$ 3,798,094	\$ 36,278,543
200	-	1,000	12,100
133,120	33,276	29,999	507,700
-	-	-	239,649
154,777	38,471	30,793	513,370
67,323	17,193	13,312	228,087
-	-	2,522	2,662
-	-	2,119	2,217
-	-	53,525	53,525
182,843	58,513	-	404,929
-	-	-	144,639
25	156,724	-	191,685
1,170,520	83,130	5,348	4,770,262
-	-	-	1,028,945
-	-	-	1,277,319
-	-	-	17,906
-	-	-	327,138
-	-	716,681	764,537
<u>\$ 11,620,542</u>	<u>\$ 7,120,838</u>	<u>\$ 4,653,393</u>	<u>\$ 46,765,213</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 195,539	\$ 136,877
Salaries payable	585,923	193,567
Contracts payable	-	715,649
Due to other funds	158,999	35
Due to other governments	67,417	57,749
Deferred revenue - unavailable	403,002	3,171,644
Deferred revenue - unearned	-	1,043,700
Advance from other funds	-	-
Advance from other governments	-	187,336
Employee deposits	173,880	-
	<b>\$ 1,584,760</b>	<b>\$ 5,506,557</b>
<b>Fund Balances</b>		
Reserved for		
Debt service	\$ -	\$ -
Advances to other funds	1,277,319	-
Inventories	-	327,138
Advances to other governments	-	17,906
Real estate tax shortfall	130,459	-
State-aid highway allotment	-	158,715
Handgun permits	55,497	-
HAVA	21,198	-
Missing heirs	175,208	-
Recorder's compliance fund	524,170	-
Recorder's equipment purchases	576,365	-
Unreserved		
Designated for cash flows	3,939,348	-
Designated for compensated absences	2,224,092	-
Designated for property and casualty insurance	262,836	-
Designated for interest income generation	5,923,140	-
Designated for equipment replacement	1,435	-
Designated for workers' compensation	171,872	-
Designated for E-911	-	-
Designated for veterans' van	13,403	-
Undesignated	595,083	(116,061)
Unreserved, reported in nonmajor		
Special revenue funds	-	-
Capital projects funds	-	-
	<b>\$ 15,891,425</b>	<b>\$ 387,698</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 17,476,185</b>	<b>\$ 5,894,255</b>



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

<u>Human Services</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 362,954	\$ 117,451	\$ 33,670	\$ 846,491
406,980	-	-	1,186,470
-	-	25,044	740,693
10,297	-	303	169,634
271,410	-	-	396,576
400,831	45,019	93,604	4,114,100
-	-	-	1,043,700
-	-	60,534	60,534
-	-	-	187,336
-	-	-	173,880
<u>\$ 1,452,472</u>	<u>\$ 162,470</u>	<u>\$ 213,155</u>	<u>\$ 8,919,414</u>
\$ -	\$ -	\$ 3,336,424	\$ 3,336,424
-	-	-	1,277,319
-	-	-	327,138
-	-	-	17,906
-	-	-	130,459
-	-	-	158,715
-	-	-	55,497
-	-	-	21,198
-	-	-	175,208
-	-	-	524,170
-	-	-	576,365
-	-	-	3,939,348
1,431,273	-	-	3,655,365
54,206	-	-	317,042
-	-	-	5,923,140
-	-	-	1,435
59,607	-	-	231,479
-	684,442	-	684,442
-	-	-	13,403
8,622,984	6,273,926	-	15,375,932
-	-	1,013,889	1,013,889
-	-	89,925	89,925
<u>\$ 10,168,070</u>	<u>\$ 6,958,368</u>	<u>\$ 4,440,238</u>	<u>\$ 37,845,799</u>
<u>\$ 11,620,542</u>	<u>\$ 7,120,838</u>	<u>\$ 4,653,393</u>	<u>\$ 46,765,213</u>

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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, 2009**

<b>Fund balances - total governmental funds (Exhibit 3)</b>		<b>\$</b>	<b>37,845,799</b>
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.			115,309,369
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.			4,114,100
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	\$	(6,340,000)	
Revenue bonds		(13,230,000)	
Other postemployment benefits		(336,026)	
Facility lease revenue bonds		(5,315,000)	
Bond discount		53,366	
Bond premiums		(26,500)	
Deferred charges		142,796	
Accrued interest payable		(373,070)	
Compensated absences		(4,502,223)	
Capital leases payable		(1,317,870)	
		<u>(31,244,527)</u>	
<b>Net Assets of Governmental Activities (Exhibit 1)</b>			<b><u>\$ 126,024,741</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 13,180,434	\$ 1,543,586
Special assessments	32,177	-
Licenses and permits	315,753	-
Intergovernmental	3,479,679	10,604,082
Charges for services	1,762,294	633,540
Fines and forfeits	20,903	-
Gifts and contributions	6,790	-
Investment earnings	395,895	-
Miscellaneous	641,966	74,105
	<b>\$ 19,835,891</b>	<b>\$ 12,855,313</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 9,964,270	\$ -
Public safety	7,862,509	-
Highways and streets	-	13,962,257
Human services	-	-
Health	-	-
Culture and recreation	841,090	-
Conservation of natural resources	794,259	-
Economic development	21,800	-
<b>Intergovernmental</b>		
Highways and streets	-	967,160
<b>Capital outlay</b>		
Public safety	-	-
Human services	-	-
<b>Debt service</b>		
Principal	18,770	-
Interest	261	-
	<b>\$ 19,502,959</b>	<b>\$ 14,929,417</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 332,932</b>	<b>\$ (2,074,104)</b>

**EXHIBIT 5**

<b>Human Services</b>	<b>Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ 7,638,569	\$ 1,896,440	\$ 1,513,973	\$ 25,773,002
-	34	54,797	87,008
-	-	-	315,753
11,790,757	543,177	137,872	26,555,567
1,554,018	1,102	-	3,950,954
-	-	65,130	86,033
-	-	-	6,790
-	103,560	11,674	511,129
456,231	132,286	724,786	2,029,374
<b>\$ 21,439,575</b>	<b>\$ 2,676,599</b>	<b>\$ 2,508,232</b>	<b>\$ 59,315,610</b>
\$ -	\$ 176,168	\$ 51,315	\$ 10,191,753
878,749	305,981	8,809	9,056,048
-	213,003	-	14,175,260
16,758,088	27,002	-	16,785,090
2,130,681	-	-	2,130,681
-	120,419	-	961,509
-	-	64,220	858,479
-	-	-	21,800
-	-	-	967,160
-	-	48,364	48,364
-	1,480	666,635	668,115
-	-	1,690,000	1,708,770
-	-	1,131,503	1,131,764
<b>\$ 19,767,518</b>	<b>\$ 844,053</b>	<b>\$ 3,660,846</b>	<b>\$ 58,704,793</b>
<b>\$ 1,672,057</b>	<b>\$ 1,832,546</b>	<b>\$ (1,152,614)</b>	<b>\$ 610,817</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Road and Bridge</u>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ -	\$ -
Transfers out	(648,304)	-
Proceeds from capital lease/installment purchase	1,330,950	-
	<u>682,646</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 682,646</b>	<b>\$ -</b>
<b>Change in Fund Balance</b>	<b>\$ 1,015,578</b>	<b>\$ (2,074,104)</b>
<b>Fund Balance - January 1</b>	<b>14,875,847</b>	<b>2,433,441</b>
<b>Increase (decrease) in reserved for inventories</b>	<u>-</u>	<u>28,361</u>
<b>Fund Balance - December 31</b>	<b><u>\$ 15,891,425</u></b>	<b><u>\$ 387,698</u></b>

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

<b>Human Services</b>	<b>Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ -	\$ 2,096	\$ 651,847	\$ 653,943
-	-	(5,639)	(653,943)
-	-	-	1,330,950
<b>\$ -</b>	<b>\$ 2,096</b>	<b>\$ 646,208</b>	<b>\$ 1,330,950</b>
<b>\$ 1,672,057</b>	<b>\$ 1,834,642</b>	<b>\$ (506,406)</b>	<b>\$ 1,941,767</b>
<b>8,496,013</b>	<b>5,123,726</b>	<b>4,946,644</b>	<b>35,875,671</b>
-	-	-	<b>28,361</b>
<b>\$ 10,168,070</b>	<b>\$ 6,958,368</b>	<b>\$ 4,440,238</b>	<b>\$ 37,845,799</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, 2009**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 1,941,767**

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	\$ 4,114,100	
Deferred revenue - January 1	(1,460,786)	2,653,314

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	\$ 5,822,514	
Net book value of assets sold	(4,700)	
Current year depreciation	(5,322,323)	495,491

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net assets.

Capital lease/installment purchase issued		(1,330,950)
---	--	-------------

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	\$ 535,000	
Revenue bonds	880,000	
Facility lease revenue bonds	275,000	
Capital lease	18,770	1,708,770

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	\$ 26,084	
Amortization of premiums, discounts, and deferred issuance charges	(39,484)	
Change in compensated absences	(822,517)	
Change in other postemployment benefits	(157,249)	
Change in inventories	28,361	(964,805)

**Change in Net Assets of Governmental Activities (Exhibit 2) \$ 4,503,587**



**PROPRIETARY FUND**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF NET ASSETS  
WASTE MANAGEMENT ENTERPRISE FUND  
DECEMBER 31, 2009**

**Assets**

Current assets	
Cash and pooled investments	\$ 3,790,214
Petty cash and change funds	18,740
Undistributed cash in agency funds	71,216
Accounts receivable	322,903
Due from other funds	2,178
Due from other governments	152,102
	152,102
<b>Total current assets</b>	<b>\$ 4,357,353</b>
Restricted assets	
Cash and pooled investments	\$ 1,256,258
	1,256,258
Noncurrent assets	
Capital assets	
Nondepreciable	\$ 195,934
Depreciable - net	6,946,750
	6,946,750
<b>Total noncurrent assets</b>	<b>\$ 7,142,684</b>
<b>Total Assets</b>	<b>\$ 12,756,295</b>

**Liabilities**

Current liabilities	
Accounts payable	\$ 106,612
Salaries payable	65,040
Compensated absences payable	66,959
Contracts payable	118,358
Due to other funds	24,336
Due to other governments	129,447
Advance from other funds	202,798
	202,798
<b>Total current liabilities</b>	<b>\$ 713,550</b>
Noncurrent liabilities	
Compensated absences payable	\$ 253,571
Advance from other funds	1,013,987
Estimated liability for landfill closure/postclosure	1,088,214
Other postemployment benefits liability	20,869
	20,869
<b>Total noncurrent liabilities</b>	<b>\$ 2,376,641</b>
<b>Total Liabilities</b>	<b>\$ 3,090,191</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, 2009**

<u>Net Assets</u>	
Invested in capital assets - net of related debt	\$ 7,142,684
Restricted for postclosure	168,045
Unrestricted	<u>2,355,375</u>
<b>Total Net Assets</b>	<b><u><u>\$ 9,666,104</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, 2009**

<b>Operating Revenues</b>	
Charges for services	\$ 5,285,340
Licenses and permits	1,990
Sale of recyclable materials	<u>548,101</u>
<b>Total Operating Revenues</b>	<b><u>\$ 5,835,431</u></b>
<b>Operating Expenses</b>	
SCORE	\$ 1,121,845
Waste management	3,125,133
Household hazardous waste	123,999
Processing costs	1,056,804
Depreciation	595,249
Landfill closure and postclosure costs	<u>147,204</u>
<b>Total Operating Expenses</b>	<b><u>\$ 6,170,234</u></b>
<b>Operating Income (Loss)</b>	<b><u>\$ (334,803)</u></b>
<b>Nonoperating Revenues (Expenses)</b>	
Intergovernmental	\$ 174,747
Interest income	67,458
Interest income restricted for sanitation	24,451
Interest expense	<u>(52,727)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<b><u>\$ 213,929</u></b>
<b>Change in Net Assets</b>	<b>\$ (120,874)</b>
<b>Net Assets - January 1</b>	<b><u>9,786,978</u></b>
<b>Net Assets - December 31</b>	<b><u>\$ 9,666,104</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
WASTE MANAGEMENT ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 5,883,534
Payments to suppliers	(3,905,047)
Payments to employees	(1,461,097)
	<hr/>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 517,390</b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Intergovernmental	\$ 174,747
	<hr/>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases of capital assets	\$ (1,161,851)
Interest paid on advance	(56,823)
Advance from other funds	(202,798)
	<hr/>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ (1,421,472)</b>
<b>Cash Flows from Investing Activities</b>	
Investment earnings received	\$ 99,416
	<hr/>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ (629,919)</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>5,766,347</b>
	<hr/>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ 5,136,428</b>
	<hr/> <hr/>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
<b>Operating income (loss)</b>	<b>\$ (334,803)</b>
	<hr/>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 595,248
(Increase) decrease in accounts receivable	76,321
(Increase) decrease in due from other governments	(29,812)
(Increase) decrease in due from other funds	1,595
Increase (decrease) in accounts payable	(4,241)
Increase (decrease) in salaries payable	53,135
Increase (decrease) in compensated absences - current	8,774
Increase (decrease) in due to other funds	(81,022)
Increase (decrease) in due to other governments	53,629
Increase (decrease) in compensated absences - long-term	21,536
Increase (decrease) in other postemployment benefits liability	9,826
Increase (decrease) in landfill closure/postclosure costs	147,204
	<hr/>
<b>Total adjustments</b>	<b>\$ 852,193</b>
	<hr/>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 517,390</b>
	<hr/> <hr/>

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, 2009  
Increase (Decrease) in Cash and Cash Equivalents**

**Cash and Cash Equivalents - Exhibit 7**

Cash and pooled investments	\$ 3,790,214
Petty cash and change funds	18,740
Undistributed cash in agency funds	71,216
Restricted cash and pooled investments	<u>1,256,258</u>
<b>Total Cash and Cash Equivalents</b>	<b><u><u>\$ 5,136,428</u></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, 2009**

<u>Assets</u>	
Cash and pooled investments	\$ 1,246,514
Accounts receivable	29,809
Due from other funds	<u>730,485</u>
<b>Total Assets</b>	<b><u><u>\$ 2,006,808</u></u></b>
 <u>Liabilities</u>	
Accounts payable	\$ 20,012
Due to other funds	730,378
Due to other governments	<u>1,256,418</u>
<b>Total Liabilities</b>	<b><u><u>\$ 2,006,808</u></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, 2009

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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, 2009. 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 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.

**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)

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.

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.

**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)

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 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.

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.

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

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.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

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.

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.



**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)

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, 2009, 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 2009 were \$608,147.

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.

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.

**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)

4. Advance to Other Governments

Noncurrent portions of intergovernmental advances, reported as “Advance to other governments,” 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 and June 2009, the City made payments of \$10,000. The balance of \$17,906 as of December 31, 2009, will be repaid with an installment of \$10,000 in 2010, and the remaining \$7,906 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.

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.

**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)

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.

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.

**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)

8. Compensated Absences

The liability for compensated absences reported in the 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.

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.

**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)

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.

2. Stewardship, Compliance, and Accountability

A. Ditch Fund Deficits

Of 31 drainage systems, 3 have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balances of the Ditch Special Revenue Fund as of December 31, 2009.

Account balances	\$ 131,875
Account deficits	<u>(42,005)</u>
Fund Balance	<u>\$ 89,870</u>

For internal purposes, the County accounts for its ditches on the accrual basis. Under the full accrual basis where revenues are recognized when earned, the Ditch Special Revenue Fund reports a positive fund balance of \$147,793, with three ditches reporting a deficit.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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2. Stewardship, Compliance, and Accountability (Continued)

B. 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, 2009.

	Expenditures	Final Budget	Excess
Special Revenue Funds			
County Ditch	\$ 64,220	\$ 35,092	\$ 29,128
Law Library	51,315	51,150	165
Debt Service Funds			
Chemical Dependency	550,710	548,878	1,832
Government Service Center	950,312	949,213	1,099
Sheriff Operations	493,550	493,100	450
Veterans Home	122,456	122,025	431

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	\$ 40,678,513	
Cash with escrow agent	239,649	
Restricted assets		
Cash with escrow agent	764,537	
Cash and pooled investments	1,256,258	
Fiduciary assets		
Cash and pooled investments		
Agency fund		1,246,514
Total Cash and Investments		\$ 44,185,471

**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 for 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, 2009, the County's bank deposits were exposed to custodial credit risk in the amount of \$72,115 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, 2009, \$715,628 of government securities and \$5,688,875 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, 2009, 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 National Mortgage Association	AAA	S&P		08/25/2018	\$ 432,542
Federal National Mortgage Association	AAA	S&P		08/25/2018	302,073
Federal National Mortgage Association	AAA	S&P		06/25/2022	36,882
Total Federal National Mortgage Association			9.9%		\$ 771,497
U.S. Treasury Note					
U.S. Treasury Note	N/A	N/A		06/15/2010	\$ 1,015,586
U.S. Treasury Note	N/A	N/A		09/30/2010	1,012,188
U.S. Treasury Note	N/A	N/A		10/31/2010	1,009,141
U.S. Treasury Note	N/A	N/A		12/31/2010	1,003,985
U.S. Treasury Note	N/A	N/A		08/31/2011	1,060,704
U.S. Treasury Note	N/A	N/A		11/30/2011	993,790
Total U.S. Treasury Notes			N/A		\$ 6,095,394
U.S. Treasury Bond - stripped					
U.S. Treasury Bond - stripped	N/A	N/A		08/15/2017	\$ 12,059
U.S. Treasury Bond - stripped	N/A	N/A		08/15/2019	25,553
Total U.S. Treasury Bonds - stripped			N/A		\$ 37,612
Mutual Fund					
Wells Fargo Government-Backed	N/R	N/A	N/A	N/A	\$ 893,057
Total investments					\$ 7,797,560
Deposits					
Cash with escrow					35,352,885
Change funds					1,004,186
					30,840
Total Cash and Investments					\$ 44,185,471

<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, 2009, for the County's governmental activities and business-type activities are as follows:

	<u>Total Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Governmental Activities		
Taxes	\$ 741,457	\$ -
Special assessments	58,404	3,281
Accounts	404,929	-
Interest	144,639	-
Due from other governments	4,770,262	-
Total Governmental Activities	\$ 6,119,691	\$ 3,281
Business-Type Activities		
Accounts	\$ 322,903	\$ -
Due from other governments	152,102	-
Total Business-Type Activities	\$ 475,005	\$ -

3. Leases Receivable

Otter Tail County has provided funding to the Viking Library System for the purpose of constructing a new headquarters office building for the Library. Viking Library System pays lease amounts to the County that equal the annual debt service (principle plus interest) for the Public Purpose Lease Revenue Bonds, Series 2009A.

Otter Tail County has leased five vehicles for use by West Central Minnesota Narcotics Task Force. The vehicles were then subleased to the Task Force. The Task Force is responsible for making the quarterly lease payments on behalf of the County.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

3. Leases Receivable (Continued)

Amounts due from the Viking Library System and West Central Minnesota Narcotics Task Force have been recorded as leases receivable in the General Fund at December 31, 2009. The amounts for 2010 are considered current and due within one year. Amounts remaining to be paid are as follows:

<u>Year Due</u>	<u>Viking Library System</u>	<u>Narcotics Task Force</u>
2010	\$ 35,050	\$ 29,100
2011	40,000	29,100
2012	40,000	29,100
2013	40,000	29,100
2014	45,000	-
2015 - 2019	250,000	-
2020 - 2024	325,000	-
2025 - 2029	425,000	-
Total leases	\$ 1,200,050	\$ 116,400
Funds in escrow	<u>(287,505)</u>	<u>-</u>
Total Leases Receivable	<u>\$ 912,545</u>	<u>\$ 116,400</u>
Due Within One Year	<u>\$ 35,050</u>	<u>\$ 29,100</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 3,224,045	\$ 60,899	\$ 4,700	\$ 3,280,244
Construction in progress	7,857,642	2,325,044	10,182,686	-
Total capital assets not depreciated	<u>\$ 11,081,687</u>	<u>\$ 2,385,943</u>	<u>\$ 10,187,386</u>	<u>\$ 3,280,244</u>
Capital assets depreciated				
Land improvements	\$ 924,757	\$ -	\$ -	\$ 924,757
Buildings	22,033,578	6,020,764	-	28,054,342
Building improvements	3,836,527	-	-	3,836,527
Machinery, furniture, and equipment	13,383,274	612,718	546,565	13,449,427
Infrastructure	120,418,617	6,985,775	-	127,404,392
Total capital assets depreciated	<u>\$ 160,596,753</u>	<u>\$ 13,619,257</u>	<u>\$ 546,565</u>	<u>\$ 173,669,445</u>
Less: accumulated depreciation for				
Land improvements	\$ 465,379	\$ 73,898	\$ -	\$ 539,277
Buildings	6,207,298	666,838	-	6,874,136
Building improvements	614,764	107,873	-	722,637
Machinery, furniture, and equipment	8,913,977	1,087,110	546,565	9,454,522
Infrastructure	40,663,144	3,386,604	-	44,049,748
Total accumulated depreciation	<u>\$ 56,864,562</u>	<u>\$ 5,322,323</u>	<u>\$ 546,565</u>	<u>\$ 61,640,320</u>
Total capital assets depreciated, net	<u>\$ 103,732,191</u>	<u>\$ 8,296,934</u>	<u>\$ -</u>	<u>\$ 112,029,125</u>
Governmental Activities Capital Assets, Net	<u>\$ 114,813,878</u>	<u>\$ 10,682,877</u>	<u>\$ 10,187,386</u>	<u>\$ 115,309,369</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

4. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 195,934	\$ -	\$ -	\$ 195,934
Construction in progress	2,764,097	582,130	3,346,227	-
Total capital assets not depreciated	\$ 2,960,031	\$ 582,130	\$ 3,346,227	\$ 195,934
Capital assets depreciated				
Buildings	\$ 3,364,382	\$ 3,346,227	\$ -	\$ 6,710,609
Landfill	2,848,323	-	-	2,848,323
Machinery, furniture, and equipment	2,248,934	181,562	12,874	2,417,622
Total capital assets depreciated	\$ 8,461,639	\$ 3,527,789	\$ 12,874	\$ 11,976,554
Less: accumulated depreciation for				
Buildings	\$ 1,857,148	\$ 192,028	\$ -	\$ 2,049,176
Landfill	1,263,111	166,809	-	1,429,920
Machinery, furniture, and equipment	1,327,171	236,411	12,874	1,550,708
Total accumulated depreciation	\$ 4,447,430	\$ 595,248	\$ 12,874	\$ 5,029,804
Total capital assets depreciated, net	\$ 4,014,209	\$ 2,932,541	\$ -	\$ 6,946,750
Business-Type Activities				
Capital Assets, Net	\$ 6,974,240	\$ 3,514,671	\$ 3,346,227	\$ 7,142,684

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

Governmental Activities	
General government	\$ 922,243
Public safety	499,281
Highways and streets, including depreciation of infrastructure assets	3,821,842
Human services	64,079
Culture and recreation	3,351
Health	11,527
Total Depreciation Expense - Governmental Activities	\$ 5,322,323
Business-Type Activities	
Solid waste	\$ 595,248

**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, 2009, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Human Services	\$ 10,297
	Sheriff's Contingent	303
	Waste Management	24,336
Total due to General Fund		\$ 34,936
Human Services	General	\$ 25
Capital Improvement	General	\$ 156,724
Waste Management	General	\$ 2,143
	Road and Bridge	35
Total due to Waste Management Fund		\$ 2,178
Agency Funds		
School District	Taxes and Penalties	\$ 314,745
Hospital Districts	Taxes and Penalties	12,258
Otter Tail Lakes Area Sewer District	Taxes and Penalties	1,032
State Tax	Taxes and Penalties	95,667
Towns and Cities	Taxes and Penalties	305,756
Watershed District	Taxes and Penalties	920
Family Services Collaborative	General	107
Total due to Agency Funds		\$ 730,485
Total Due To/From Other Funds		\$ 924,348

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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

Receivable Fund	Payable Fund	Amount
General	County Ditch	\$ 60,534
	Waste Management	1,216,785
Total General Fund		\$ 1,277,319

The County Ditch Special Revenue Fund advance is to provide working capital to ditch systems with low reserves and operating costs in excess of revenues. This balance will be paid from future ditch special assessments.

The Waste Management Enterprise Fund advance is to partially fund the Fergus Falls transfer station project. This balance will be paid back with an annual principal and semi-annual interest payments through July 1, 2015.

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2009, consisted of the following:

Transfer to Capital Improvement Special Revenue Fund from Construction Capital Projects Fund	\$ 2,096	To transfer funds held in escrow accounts for debt service.
Transfer to Sheriff's Contingent Special Revenue Fund from General Fund	396	To transfer funds for reimbursement of purchased items.
Transfer to Ethanol Plant Debt Service Fund from General Fund	647,908	To transfer funds to use for debt service expenditures.
Transfer to Construction Capital Projects Fund from Chemical Dependency Debt Service Fund	3,543	To transfer excess funds held in escrow accounts for debt service.
Total Transfers Between Funds	\$ 653,943	



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2009, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	\$ 846,598	\$ 106,612
Salaries	1,186,470	65,040
Contracts	740,693	118,358
Due to other governments	396,576	129,447
Employee deposits	173,880	-
Advance from other governments	187,336	-
	\$ 3,531,553	\$ 419,457

2. Deferred Revenue

Deferred revenue as of December 31, 2009, for the County's governmental funds is as follows:

	Deferred Unavailable	Deferred Unearned
Governmental funds		
Taxes	\$ 657,756	\$ -
State-aid highway allotments	2,218,202	-
Charges for services	149,601	-
Grants	988,690	1,043,700
Accrued interest	99,851	-
	\$ 4,114,100	\$ 1,043,700

3. Construction Commitments

The government has active construction projects as of December 31, 2009.

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Roads and Bridges		
Road and bridge projects	\$ 75,157	\$ 5,000
	\$ 75,157	\$ 5,000

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

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 two eligible participants. The County finances the plan on a pay-as-you-go basis. During 2009, the County expended \$6,131 for these benefits.

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, 2009:

<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	\$ 1,470
2010 Viking Library System	2029	Annually	\$35,000 - \$95,000	1,200,000	1,200,000
2010 Task Force vehicles	2013	Quarterly	\$29,100	130,950	<u>116,400</u>
Total Governmental Activities					<u>\$ 1,317,870</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2009, were as follows:

Year Ending December 31	Governmental Activities
2010	\$ 65,591
2011	69,100
2012	69,100
2013	69,100
2014	45,000
2015 - 2019	250,000
2020 - 2024	325,000
2025 - 2029	425,000
Total payments	\$ 1,317,891
Less: amount representing interest	(21)
Present Value of Minimum Lease Payments	\$ 1,317,870

6. Long-Term Debt

Governmental Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2009
General obligation bonds					
2004 Veterans Home Refunding Bonds	2016	\$90,000 - \$125,000	2.05 - 3.70	\$ 1,050,000	\$ 770,000
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	765,000	325,000
Total general obligation bonds				\$ 7,060,000	\$ 6,340,000
Add: unamortized premium					13,011
Less: unamortized discount					(30)
Total General Obligation Bonds, Net					\$ 6,352,981

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

6. Long-Term Debt

Governmental Activities (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2009
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	\$ 7,390,000
2007 Public Project Housing and Redevelopment Authority Revenue Bonds	2024	\$250,000 - \$515,000	3.40 - 4.50	<u>6,140,000</u>	<u>5,840,000</u>
Total revenue bonds				<u>\$ 16,135,000</u>	\$ 13,230,000
Less: unamortized discount					<u>(53,336)</u>
Total Revenue Bonds, Net					<u>\$ 13,176,664</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>	\$ 5,315,000
Add: unamortized premium					<u>13,489</u>
Total Lease Revenue Bonds, Net					<u>\$ 5,328,489</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, 2009, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
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	655,000	164,713	1,065,000	414,966
2015 - 2019	3,245,000	382,404	6,135,000	1,249,700
2020 - 2024	-	-	2,175,000	272,842
Total	\$ 6,340,000	\$ 1,457,580	\$ 13,230,000	\$ 4,031,905

Year Ending December 31	Lease Revenue Bonds	
	Principal	Interest
2010	\$ 285,000	\$ 206,900
2011	295,000	195,300
2012	310,000	183,200
2013	320,000	170,600
2014	335,000	157,500
2015 - 2019	1,910,000	569,600
2020 - 2023	1,860,000	152,800
Total	\$ 5,315,000	\$ 1,635,900

**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, 2009, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 6,875,000	\$ -	\$ 535,000	\$ 6,340,000	\$ 625,000
Revenue bonds	14,110,000	-	880,000	13,230,000	905,000
Lease revenue bonds	5,590,000	-	275,000	5,315,000	285,000
Add: unamortized premium	28,964	-	2,464	26,500	-
Less: unamortized discount	(57,297)	-	(3,931)	(53,366)	-
Total bonds payable	\$ 26,546,667	\$ -	\$ 1,688,533	\$ 24,858,134	\$ 1,815,000
Capital leases	5,690	1,330,950	18,770	1,317,870	65,570
Compensated absences	3,679,706	2,156,613	1,334,096	4,502,223	1,047,624
OPEB liability	178,777	157,249	-	336,026	-
Governmental Activities Long-Term Liabilities	<u>\$ 30,410,840</u>	<u>\$ 3,644,812</u>	<u>\$ 3,041,399</u>	<u>\$ 31,014,253</u>	<u>\$ 2,928,194</u>

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Estimated liability for landfill closure/postclosure costs	\$ 941,010	\$ 147,204	\$ -	\$ 1,088,214	\$ -
Compensated absences	290,220	123,111	92,801	320,530	66,959
OPEB liability	11,043	9,826	-	20,869	-
Business-Type Activities Long-Term Liabilities	<u>\$ 1,242,273</u>	<u>\$ 280,141</u>	<u>\$ 92,801</u>	<u>\$ 1,429,613</u>	<u>\$ 66,959</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. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. 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

Funding Policy (Continued)

Fire Fund members were required to contribute 9.40 percent. 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 2009:

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	6.75
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2009, 2008, and 2007, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	2009	2008	2007
Public Employees Retirement Fund	\$ 1,054,631	\$ 1,099,087	\$ 991,045
Public Employees Police and Fire Fund	289,511	274,160	226,822
Public Employees Correctional Fund	131,732	136,133	131,116

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

B. Defined Contribution Plan

Three Otter Tail County Commissioners are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA. 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, 2009, were:

	Employee	Employer
Contribution amount	\$ 4,317	\$ 4,317
Percentage of covered payroll	5.00%	5.00%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

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.

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 2009, there were approximately 432 participants in the plan, including 34 retirees and surviving spouses.

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FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

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	\$ 295,942
Interest on net OPEB obligation	8,542
Adjustment to ARC	<u>(11,400)</u>
Annual OPEB cost (expense)	\$ 293,084
Contributions made	<u>(126,009)</u>
Increase in net OPEB obligation	\$ 167,075
Net OPEB Obligation - Beginning of Year	<u>189,820</u>
Net OPEB Obligation - End of Year	<u><u>\$ 356,895</u></u>

The County's annual OPEB cost for December 31, 2009, was \$293,084. The percentage of annual OPEB cost contributed to the plan was 43.0 percent, and the net OPEB obligation for 2009 was \$356,895.

GASB Statement 45 was adopted effective January 1, 2008. Therefore, disclosure of annual OPEB cost, the percentage of annual OPEB cost contributed, and the net OPEB obligation for fiscal years ending December 31, 2007, and earlier are not applicable.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending 2009 and the preceding two years are as follows:

Fiscal Year Ending	Annual OPEB Cost	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2007	N/A	N/A	N/A	N/A
December 31, 2008	\$ 189,820	\$ -	-	\$ 189,820
December 31, 2009	293,084	126,009	43.0%	356,895

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.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

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 8 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, 2009, was 28 years.

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 \$1,088,214 landfill closure and postclosure care liability at December 31, 2009, represents the cumulative amount reported to date based on the use of 74 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$191,395 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2009. The Board expects to close the landfill in 2028. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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5. Landfill Closure and Postclosure Care Costs (Continued)

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, 2009, investments of \$1,256,258 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 Intergovernmental Trust (MCIT), formerly the Minnesota Counties Insurance Trust. 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 in the Workers' Compensation Reinsurance Association with coverage at \$430,000 per claim in 2009 and \$450,000 per claim in 2010. 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.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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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, 2009, 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, 2009, the outstanding principal amount payable was \$714,740.

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, 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, 2009, the outstanding principal amount payable was \$4,028,466.

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities (Continued)

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 and state governments. 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.

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.



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

West Central Area Agency on Aging (Continued)

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.

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 2009, 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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

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 2009.

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, Mille Lacs, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

**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 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.

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 2009, Otter Tail County did not contribute 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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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

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.

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 2009, the County did not contribute any funds to the Collaborative.

**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, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 14,598,862	\$ 14,598,862	\$ 13,180,434	\$ (1,418,428)
Special assessments	27,343	27,343	32,177	4,834
Licenses and permits	314,615	314,615	315,753	1,138
Intergovernmental	2,341,240	2,341,240	3,479,679	1,138,439
Charges for services	1,387,400	1,387,400	1,762,294	374,894
Fines and forfeits	46,000	46,000	20,903	(25,097)
Gifts and contributions	-	-	6,790	6,790
Investment earnings	1,250,000	1,250,000	395,895	(854,105)
Miscellaneous	727,500	727,500	641,966	(85,534)
<b>Total Revenues</b>	<b>\$ 20,692,960</b>	<b>\$ 20,692,960</b>	<b>\$ 19,835,891</b>	<b>\$ (857,069)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 379,595	\$ 379,595	\$ 352,933	\$ 26,662
Courts	30,000	30,000	30,866	(866)
Public defender	233,520	233,520	140,267	93,253
Personnel coordinator	467,416	467,416	504,526	(37,110)
County auditor	883,907	883,907	780,984	102,923
License bureau	361,995	361,995	358,605	3,390
County treasurer	369,624	369,624	297,031	72,593
County assessor	1,000,595	1,000,595	916,049	84,546
Elections	36,650	36,650	41,524	(4,874)
Accounting and auditing	80,000	80,000	94,605	(14,605)
Board of adjustments	28,579	28,579	22,103	6,476
Data processing	943,755	943,755	890,302	53,453
Attorney	1,179,304	1,179,304	1,161,121	18,183
Recorder	381,928	381,928	375,507	6,421
Planning and zoning	1,007,194	1,007,194	823,502	183,692
Environmental services	51,452	51,452	22,800	28,652
Buildings and plant	2,062,495	2,062,495	1,736,722	325,773
Veterans service officer	395,736	395,736	302,425	93,311
Unallocated	949,775	949,775	1,112,398	(162,623)
<b>Total general government</b>	<b>\$ 10,843,520</b>	<b>\$ 10,843,520</b>	<b>\$ 9,964,270</b>	<b>\$ 879,250</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

***Schedule 1  
(Continued)***

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 5,053,848	\$ 5,053,848	\$ 4,542,959	\$ 510,889
Boat and water safety	127,885	127,885	103,371	24,514
Coroner	79,920	79,920	88,791	(8,871)
County jail	3,224,069	3,224,069	2,735,272	488,797
DARE program	15,200	15,200	22,974	(7,774)
Communications system	101,896	104,235	-	104,235
Civil defense	102,520	102,520	62,907	39,613
Geographical information survey	387,216	387,216	306,235	80,981
<b>Total public safety</b>	<b>\$ 9,092,554</b>	<b>\$ 9,094,893</b>	<b>\$ 7,862,509</b>	<b>\$ 1,232,384</b>
<b>Culture and recreation</b>				
Historical society	\$ 48,273	\$ 48,273	\$ 48,273	\$ -
Tourism	30,000	30,000	28,000	2,000
County fairs	27,000	27,000	26,000	1,000
Phelps Mill Park	44,012	44,012	36,414	7,598
Humane society	57,159	57,159	57,159	-
Viking Library	481,478	481,478	481,478	-
Snowmobile trails	-	-	163,766	(163,766)
<b>Total culture and recreation</b>	<b>\$ 687,922</b>	<b>\$ 687,922</b>	<b>\$ 841,090</b>	<b>\$ (153,168)</b>
<b>Conservation of natural resources</b>				
County extension	\$ 361,611	\$ 361,611	\$ 347,193	\$ 14,418
Soil and water conservation	250,000	250,000	152,136	97,864
Predator control	6,000	6,000	5,557	443
Water planning	60,108	60,108	60,108	-
Lake improvement districts	113,550	113,550	112,540	1,010
Other conservation	-	-	116,725	(116,725)
<b>Total conservation of natural resources</b>	<b>\$ 791,269</b>	<b>\$ 791,269</b>	<b>\$ 794,259</b>	<b>\$ (2,990)</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	900	900	800	100
<b>Total economic development</b>	<b>\$ 21,900</b>	<b>\$ 21,900</b>	<b>\$ 21,800</b>	<b>\$ 100</b>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*Schedule 1*  
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (Continued)</b>				
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 18,770	\$ (18,770)
Interest	-	-	261	(261)
<b>Total debt service</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,031</u>	<u>\$ (19,031)</u>
<b>Total Expenditures</b>	<u>\$ 21,437,165</u>	<u>\$ 21,439,504</u>	<u>\$ 19,502,959</u>	<u>\$ 1,936,545</u>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<u>\$ (744,205)</u>	<u>\$ (746,544)</u>	<u>\$ 332,932</u>	<u>\$ 1,079,476</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ (201,471)	\$ (201,471)	\$ (648,304)	\$ (446,833)
Proceeds from capital lease/installment purchase	-	-	1,330,950	1,330,950
<b>Total Other Financing Sources (Uses)</b>	<u>\$ (201,471)</u>	<u>\$ (201,471)</u>	<u>\$ 682,646</u>	<u>\$ 884,117</u>
<b>Net Change in Fund Balance</b>	<u>\$ (945,676)</u>	<u>\$ (948,015)</u>	<u>\$ 1,015,578</u>	<u>\$ 1,963,593</u>
<b>Fund Balance - January 1</b>	<u>14,875,847</u>	<u>14,875,847</u>	<u>14,875,847</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u><u>\$ 13,930,171</u></u>	<u><u>\$ 13,927,832</u></u>	<u><u>\$ 15,891,425</u></u>	<u><u>\$ 1,963,593</u></u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,686,519	\$ 1,686,519	\$ 1,543,586	\$ (142,933)
Intergovernmental	13,321,778	13,321,778	10,604,082	(2,717,696)
Charges for services	347,000	347,000	633,540	286,540
Miscellaneous	32,000	32,000	74,105	42,105
<b>Total Revenues</b>	<b>\$ 15,387,297</b>	<b>\$ 15,387,297</b>	<b>\$ 12,855,313</b>	<b>\$ (2,531,984)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 509,000	\$ 509,000	\$ 521,091	\$ (12,091)
Maintenance	4,428,200	4,428,200	3,719,661	708,539
Construction	9,540,000	9,540,000	8,696,155	843,845
Equipment maintenance and shop	721,500	721,500	1,021,019	(299,519)
Materials and services for resale	1,000	1,000	4,331	(3,331)
<b>Total highways and streets</b>	<b>\$ 15,199,700</b>	<b>\$ 15,199,700</b>	<b>\$ 13,962,257</b>	<b>\$ 1,237,443</b>
<b>Intergovernmental</b>				
Highways and streets	880,500	880,500	967,160	(86,660)
<b>Total Expenditures</b>	<b>\$ 16,080,200</b>	<b>\$ 16,080,200</b>	<b>\$ 14,929,417</b>	<b>\$ 1,150,783</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (692,903)</b>	<b>\$ (692,903)</b>	<b>\$ (2,074,104)</b>	<b>\$ (1,381,201)</b>
<b>Fund Balance - January 1</b>	<b>2,433,441</b>	<b>2,433,441</b>	<b>2,433,441</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>28,361</b>	<b>28,361</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,740,538</b>	<b>\$ 1,740,538</b>	<b>\$ 387,698</b>	<b>\$ (1,352,840)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 8,331,078	\$ 8,331,078	\$ 7,638,569	\$ (692,509)
Intergovernmental	10,431,769	10,431,769	11,790,757	1,358,988
Charges for services	1,425,315	1,425,315	1,554,018	128,703
Miscellaneous	474,700	474,700	456,231	(18,469)
<b>Total Revenues</b>	<b>\$ 20,662,862</b>	<b>\$ 20,662,862</b>	<b>\$ 21,439,575</b>	<b>\$ 776,713</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Community corrections	\$ 995,456	\$ 995,456	\$ 878,749	\$ 116,707
<b>Human services</b>				
Income maintenance	\$ 4,694,260	\$ 4,694,260	\$ 4,434,390	\$ 259,870
Social services	12,789,830	12,789,830	11,964,082	825,748
Fuel assistance	-	-	359,616	(359,616)
<b>Total human services</b>	<b>\$ 17,484,090</b>	<b>\$ 17,484,090</b>	<b>\$ 16,758,088</b>	<b>\$ 726,002</b>
<b>Health</b>				
Nursing service	\$ 2,451,410	\$ 2,451,410	\$ 2,130,681	\$ 320,729
<b>Total Expenditures</b>	<b>\$ 20,930,956</b>	<b>\$ 20,930,956</b>	<b>\$ 19,767,518</b>	<b>\$ 1,163,438</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (268,094)</b>	<b>\$ (268,094)</b>	<b>\$ 1,672,057</b>	<b>\$ 1,940,151</b>
<b>Fund Balance - January 1</b>	<b>8,496,013</b>	<b>8,496,013</b>	<b>8,496,013</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 8,227,919</b>	<b>\$ 8,227,919</b>	<b>\$ 10,168,070</b>	<b>\$ 1,940,151</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 4**

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,073,896	\$ 2,073,896	\$ 1,896,440	\$ (177,456)
Special assessments	-	-	34	34
Intergovernmental	181,975	181,975	543,177	361,202
Charges for services	-	-	1,102	1,102
Investment earnings	119,000	119,000	103,560	(15,440)
Miscellaneous	30,000	30,000	132,286	102,286
<b>Total Revenues</b>	<b>\$ 2,404,871</b>	<b>\$ 2,404,871</b>	<b>\$ 2,676,599</b>	<b>\$ 271,728</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Coordinator	\$ -	\$ -	\$ 205	\$ (205)
County assessor	17,000	17,000	-	17,000
Elections	84,500	84,500	-	84,500
Data processing	60,000	60,000	137,559	(77,559)
Attorney	-	-	7,208	(7,208)
Buildings and plant	-	-	28,486	(28,486)
Veterans service officer	3,600	3,600	-	3,600
Geographical information survey	36,300	36,300	1,548	34,752
Other general government	-	-	1,162	(1,162)
<b>Total general government</b>	<b>\$ 201,400</b>	<b>\$ 201,400</b>	<b>\$ 176,168</b>	<b>\$ 25,232</b>
<b>Public safety</b>				
Sheriff	\$ 1,166,375	\$ 1,166,375	\$ 235,041	\$ 931,334
Boat and water safety	-	-	14,820	(14,820)
E-911 system	-	-	39,608	(39,608)
Community corrections	116,500	116,500	16,512	99,988
<b>Total public safety</b>	<b>\$ 1,282,875</b>	<b>\$ 1,282,875</b>	<b>\$ 305,981</b>	<b>\$ 976,894</b>
<b>Highways and streets</b>				
Maintenance	\$ 47,025	\$ 47,025	\$ -	\$ 47,025
Construction	291,555	291,555	-	291,555
Equipment and maintenance shop	601,920	601,920	213,003	388,917
<b>Total highways and streets</b>	<b>\$ 940,500</b>	<b>\$ 940,500</b>	<b>\$ 213,003</b>	<b>\$ 727,497</b>
<b>Human services</b>				
Social services	\$ 71,000	\$ 71,000	\$ 27,002	\$ 43,998

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*Schedule 4*  
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Health</b>				
Nursing service	\$ 33,454	\$ 33,454	\$ -	\$ 33,454
<b>Culture and recreation</b>				
Phelps Mill Park	\$ 104,500	\$ 104,500	\$ 3,393	\$ 101,107
Other culture and recreation	-	-	117,026	(117,026)
<b>Total culture and recreation</b>	<b>\$ 104,500</b>	<b>\$ 104,500</b>	<b>\$ 120,419</b>	<b>\$ (15,919)</b>
<b>Conservation of natural resources</b>				
Extension	\$ 29,000	\$ 29,000	\$ -	\$ 29,000
<b>Capital outlay</b>				
Human services	\$ -	\$ -	\$ 1,480	\$ (1,480)
<b>Total Expenditures</b>	<b>\$ 2,662,729</b>	<b>\$ 2,662,729</b>	<b>\$ 844,053</b>	<b>\$ 1,818,676</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ (257,858)	\$ (257,858)	\$ 1,832,546	\$ 2,090,404
<b>Other Financing Sources (Uses)</b>				
Transfers in	203,053	203,053	2,096	(200,957)
<b>Net Change in Fund Balance</b>	<b>\$ (54,805)</b>	<b>\$ (54,805)</b>	<b>\$ 1,834,642</b>	<b>\$ 1,889,447</b>
<b>Fund Balance - January 1</b>	<b>5,123,726</b>	<b>5,123,726</b>	<b>5,123,726</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,068,921</b>	<b>\$ 5,068,921</b>	<b>\$ 6,958,368</b>	<b>\$ 1,889,447</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 5**

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**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	\$ -	\$ 2,496,957	\$ 2,496,957	0.0%	\$ 17,216,511	14.50%

**Business-Type 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	\$ -	\$ 85,955	\$ 85,955	0.0%	\$ 909,490	9.45%

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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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. Other Postemployment Benefits

Otter Tail County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31, 2008. 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.

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**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's Operations Center.

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**NONMAJOR GOVERNMENTAL FUNDS  
(Continued)**

**CAPITAL PROJECTS FUND**

Construction - to account for the construction of the Ottertail Operations Center and the Chemical Dependency Facility.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*Statement A-1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

	<b>Special Revenue (Statement B-1)</b>	<b>Debt Service (Statement C-1)</b>	<b>Construction Capital Projects</b>	<b>Total (Exhibit 3)</b>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,096,075	\$ 2,587,050	\$ 114,969	\$ 3,798,094
Petty cash and change funds	1,000	-	-	1,000
Undistributed cash in agency funds	3,730	26,269	-	29,999
Taxes receivable				
Current	-	30,793	-	30,793
Prior	-	13,312	-	13,312
Special assessments receivable				
Current	2,522	-	-	2,522
Prior	2,119	-	-	2,119
Deferred	53,525	-	-	53,525
Due from other governments	5,348	-	-	5,348
Restricted assets				
Temporarily restricted				
Cash with escrow agent	-	716,681	-	716,681
<b>Total Assets</b>	<b>\$ 1,164,319</b>	<b>\$ 3,374,105</b>	<b>\$ 114,969</b>	<b>\$ 4,653,393</b>
 <b><u>Liabilities and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 31,670	\$ 2,000	\$ -	\$ 33,670
Contracts payable	-	-	25,044	25,044
Due to other funds	303	-	-	303
Deferred revenue - unavailable	57,923	35,681	-	93,604
Advance from other funds	60,534	-	-	60,534
<b>Total Liabilities</b>	<b>\$ 150,430</b>	<b>\$ 37,681</b>	<b>\$ 25,044</b>	<b>\$ 213,155</b>
<b>Fund Balances</b>				
Reserved for debt service	\$ -	\$ 3,336,424	\$ -	\$ 3,336,424
Unreserved				
Designated for debt service	-	-	89,925	89,925
Designated for compensated absences	824,345	-	-	824,345
Undesignated	189,544	-	-	189,544
<b>Total Fund Balances</b>	<b>\$ 1,013,889</b>	<b>\$ 3,336,424</b>	<b>\$ 89,925</b>	<b>\$ 4,440,238</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,164,319</b>	<b>\$ 3,374,105</b>	<b>\$ 114,969</b>	<b>\$ 4,653,393</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, 2009**

	<b>Special Revenue (Statement B-2)</b>	<b>Debt Service (Statement C-2)</b>	<b>Construction Capital Projects</b>	<b>Total (Exhibit 5)</b>
<b>Revenues</b>				
Taxes	\$ -	\$ 1,513,973	\$ -	\$ 1,513,973
Special assessments	54,797	-	-	54,797
Intergovernmental	-	137,872	-	137,872
Fines and forfeits	65,130	-	-	65,130
Investment earnings	-	11,639	35	11,674
Miscellaneous	-	724,786	-	724,786
<b>Total Revenues</b>	<b>\$ 119,927</b>	<b>\$ 2,388,270</b>	<b>\$ 35</b>	<b>\$ 2,508,232</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ 51,315	\$ -	\$ -	\$ 51,315
Public safety	8,809	-	-	8,809
Conservation of natural resources	64,220	-	-	64,220
<b>Capital outlay</b>				
Public safety	-	-	48,364	48,364
Human services	-	-	666,635	666,635
<b>Debt service</b>				
Principal	-	1,690,000	-	1,690,000
Interest	-	1,131,503	-	1,131,503
<b>Total Expenditures</b>	<b>\$ 124,344</b>	<b>\$ 2,821,503</b>	<b>\$ 714,999</b>	<b>\$ 3,660,846</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (4,417)</b>	<b>\$ (433,233)</b>	<b>\$ (714,964)</b>	<b>\$ (1,152,614)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 396	\$ 647,908	\$ 3,543	\$ 651,847
Transfers out	-	(3,543)	(2,096)	(5,639)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 396</b>	<b>\$ 644,365</b>	<b>\$ 1,447</b>	<b>\$ 646,208</b>
<b>Net Change in Fund Balance</b>	<b>\$ (4,021)</b>	<b>\$ 211,132</b>	<b>\$ (713,517)</b>	<b>\$ (506,406)</b>
<b>Fund Balance - January 1</b>	<b>1,017,910</b>	<b>3,125,292</b>	<b>803,442</b>	<b>4,946,644</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,013,889</b>	<b>\$ 3,336,424</b>	<b>\$ 89,925</b>	<b>\$ 4,440,238</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement B-1**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2009**

	<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	\$ 170,040	\$ 85,390	\$ 824,345	\$ 16,300	\$ 1,096,075
Petty cash and change funds	-	-	-	1,000	1,000
Undistributed cash in agency funds	3,730	-	-	-	3,730
Special assessments receivable					
Current	2,522	-	-	-	2,522
Prior	2,119	-	-	-	2,119
Deferred	53,525	-	-	-	53,525
Due from other governments	-	4,801	-	547	5,348
<b>Total Assets</b>	<b><u>\$ 231,936</u></b>	<b><u>\$ 90,191</u></b>	<b><u>\$ 824,345</u></b>	<b><u>\$ 17,847</u></b>	<b><u>\$ 1,164,319</u></b>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 23,609	\$ 8,061	\$ -	\$ -	\$ 31,670
Due to other funds	-	-	-	303	303
Deferred revenue - unavailable	57,923	-	-	-	57,923
Advance from other funds	60,534	-	-	-	60,534
<b>Total Liabilities</b>	<b><u>\$ 142,066</u></b>	<b><u>\$ 8,061</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 303</u></b>	<b><u>\$ 150,430</u></b>
<b>Fund Balances</b>					
Unreserved					
Designated for compensated absences	\$ -	\$ -	\$ 824,345	\$ -	\$ 824,345
Undesignated	89,870	82,130	-	17,544	189,544
<b>Total Fund Balances</b>	<b><u>\$ 89,870</u></b>	<b><u>\$ 82,130</u></b>	<b><u>\$ 824,345</u></b>	<b><u>\$ 17,544</u></b>	<b><u>\$ 1,013,889</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 231,936</u></b>	<b><u>\$ 90,191</u></b>	<b><u>\$ 824,345</u></b>	<b><u>\$ 17,847</u></b>	<b><u>\$ 1,164,319</u></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, 2009**

	<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	\$ 54,797	\$ -	\$ -	\$ -	\$ 54,797
Fines and forfeits	-	55,638	-	9,492	65,130
<b>Total Revenues</b>	<b>\$ 54,797</b>	<b>\$ 55,638</b>	<b>\$ -</b>	<b>\$ 9,492</b>	<b>\$ 119,927</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ -	\$ 51,315	\$ -	\$ -	\$ 51,315
Public safety	-	-	-	8,809	8,809
Conservation of natural resources	64,220	-	-	-	64,220
<b>Total Expenditures</b>	<b>\$ 64,220</b>	<b>\$ 51,315</b>	<b>\$ -</b>	<b>\$ 8,809</b>	<b>\$ 124,344</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (9,423)</b>	<b>\$ 4,323</b>	<b>\$ -</b>	<b>\$ 683</b>	<b>\$ (4,417)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	396	396
<b>Net Change in Fund Balance</b>	<b>\$ (9,423)</b>	<b>\$ 4,323</b>	<b>\$ -</b>	<b>\$ 1,079</b>	<b>\$ (4,021)</b>
<b>Fund Balance - January 1</b>	<b>99,293</b>	<b>77,807</b>	<b>824,345</b>	<b>16,465</b>	<b>1,017,910</b>
<b>Fund Balance - December 31</b>	<b>\$ 89,870</b>	<b>\$ 82,130</b>	<b>\$ 824,345</b>	<b>\$ 17,544</b>	<b>\$ 1,013,889</b>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*Statement C-1*

**COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS  
DECEMBER 31, 2009**

	<b>Chemical Dependency</b>	<b>Ethanol Plant</b>	<b>Government Service Center</b>	<b>Sheriff Operations</b>	<b>Veterans Home</b>	<b>Total</b>
<b><u>Assets</u></b>						
Cash and pooled investments	\$ 178,568	\$ 612,591	\$ 1,131,085	\$ 427,460	\$ 237,346	\$ 2,587,050
Undistributed cash in agency funds	-	-	16,196	7,950	2,123	26,269
Taxes receivable						
Current	-	-	18,562	9,766	2,465	30,793
Prior	-	-	9,414	2,683	1,215	13,312
Restricted assets						
Temporarily restricted						
Cash with escrow agent	256,681	-	460,000	-	-	716,681
<b>Total Assets</b>	<b>\$ 435,249</b>	<b>\$ 612,591</b>	<b>\$ 1,635,257</b>	<b>\$ 447,859</b>	<b>\$ 243,149</b>	<b>\$ 3,374,105</b>
 <b><u>Liabilities and Fund Balances</u></b>						
<b>Liabilities</b>						
Accounts payable	\$ 2,000	\$ -	\$ -	\$ -	\$ -	\$ 2,000
Deferred revenue - unavailable	-	-	22,748	9,934	2,999	35,681
<b>Total Liabilities</b>	<b>\$ 2,000</b>	<b>\$ -</b>	<b>\$ 22,748</b>	<b>\$ 9,934</b>	<b>\$ 2,999</b>	<b>\$ 37,681</b>
<b>Fund Balances</b>						
Reserved for debt service	433,249	612,591	1,612,509	437,925	240,150	3,336,424
<b>Total Liabilities and Fund Balances</b>	<b>\$ 435,249</b>	<b>\$ 612,591</b>	<b>\$ 1,635,257</b>	<b>\$ 447,859</b>	<b>\$ 243,149</b>	<b>\$ 3,374,105</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, 2009**

	<u>Chemical Dependency</u>	<u>Ethanol Plant</u>	<u>Government Service Center</u>	<u>Sheriff Operations</u>	<u>Veterans Home</u>	<u>Total</u>
<b>Revenues</b>						
Taxes	\$ -	\$ -	\$ 915,507	\$ 477,558	\$ 120,908	\$ 1,513,973
Intergovernmental	-	-	83,565	43,366	10,941	137,872
Investment earnings	18	11,621	-	-	-	11,639
Miscellaneous	724,786	-	-	-	-	724,786
<b>Total Revenues</b>	<b>\$ 724,804</b>	<b>\$ 11,621</b>	<b>\$ 999,072</b>	<b>\$ 520,924</b>	<b>\$ 131,849</b>	<b>\$ 2,388,270</b>
<b>Expenditures</b>						
<b>Debt service</b>						
Principal	\$ 300,000	\$ 440,000	\$ 580,000	\$ 275,000	\$ 95,000	\$ 1,690,000
Interest	250,710	264,475	370,312	218,550	27,456	1,131,503
<b>Total Expenditures</b>	<b>\$ 550,710</b>	<b>\$ 704,475</b>	<b>\$ 950,312</b>	<b>\$ 493,550</b>	<b>\$ 122,456</b>	<b>\$ 2,821,503</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 174,094</b>	<b>\$ (692,854)</b>	<b>\$ 48,760</b>	<b>\$ 27,374</b>	<b>\$ 9,393</b>	<b>\$ (433,233)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	\$ -	\$ 647,908	\$ -	\$ -	\$ -	\$ 647,908
Transfers out	(3,543)	-	-	-	-	(3,543)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (3,543)</b>	<b>\$ 647,908</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 644,365</b>
<b>Net Change in Fund Balance</b>	<b>\$ 170,551</b>	<b>\$ (44,946)</b>	<b>\$ 48,760</b>	<b>\$ 27,374</b>	<b>\$ 9,393</b>	<b>\$ 211,132</b>
<b>Fund Balance - January 1</b>	<b>262,698</b>	<b>657,537</b>	<b>1,563,749</b>	<b>410,551</b>	<b>230,757</b>	<b>3,125,292</b>
<b>Fund Balance - December 31</b>	<b>\$ 433,249</b>	<b>\$ 612,591</b>	<b>\$ 1,612,509</b>	<b>\$ 437,925</b>	<b>\$ 240,150</b>	<b>\$ 3,336,424</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*Schedule 6*

**BUDGETARY COMPARISON SCHEDULE  
CONSTRUCTION CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment earnings	\$ -	\$ -	\$ 35	\$ 35
<b>Expenditures</b>				
<b>Capital outlay</b>				
Public safety	\$ 100,000	\$ 100,000	\$ 48,364	\$ 51,636
Human services	1,677,145	1,677,145	666,635	1,010,510
<b>Total Expenditures</b>	<b>\$ 1,777,145</b>	<b>\$ 1,777,145</b>	<b>\$ 714,999</b>	<b>\$ 1,062,146</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (1,777,145)</b>	<b>\$ (1,777,145)</b>	<b>\$ (714,964)</b>	<b>\$ 1,062,181</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 3,543	\$ 3,543
Transfers out	(335,353)	(335,353)	(2,096)	333,257
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (335,353)</b>	<b>\$ (335,353)</b>	<b>\$ 1,447</b>	<b>\$ 336,800</b>
<b>Net Change in Fund Balance</b>	<b>\$ (2,112,498)</b>	<b>\$ (2,112,498)</b>	<b>\$ (713,517)</b>	<b>\$ 1,398,981</b>
<b>Fund Balance - January 1</b>	<b>803,442</b>	<b>803,442</b>	<b>803,442</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ (1,309,056)</b>	<b>\$ (1,309,056)</b>	<b>\$ 89,925</b>	<b>\$ 1,398,981</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE  
COUNTY DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ 56,351	\$ 56,351	\$ 54,797	\$ (1,554)
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Drainage ditches	35,092	35,092	64,220	(29,128)
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 21,259</b>	<b>\$ 21,259</b>	<b>\$ (9,423)</b>	<b>\$ (30,682)</b>
<b>Fund Balance - January 1</b>	<b>99,293</b>	<b>99,293</b>	<b>99,293</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 120,552</b>	<b>\$ 120,552</b>	<b>\$ 89,870</b>	<b>\$ (30,682)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE  
LAW LIBRARY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Fines and forfeits	\$ 58,000	\$ 58,000	\$ 55,638	\$ (2,362)
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Law library	51,150	51,150	51,315	(165)
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ 6,850	\$ 6,850	\$ 4,323	\$ (2,527)
<b>Fund Balance - January 1</b>	<u>77,807</u>	<u>77,807</u>	<u>77,807</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u><u>\$ 84,657</u></u>	<u><u>\$ 84,657</u></u>	<u><u>\$ 82,130</u></u>	<u><u>\$ (2,527)</u></u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*Schedule 9*

**BUDGETARY COMPARISON SCHEDULE  
POSTEMPLOYMENT OBLIGATION SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 33,671	\$ 33,671	\$ -	\$ (33,671)
<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>\$ 858,016</u>	<u>\$ 858,016</u>	<u>\$ 824,345</u>	<u>\$ (33,671)</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*Schedule 10*

**BUDGETARY COMPARISON SCHEDULE  
SHERIFF'S CONTINGENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Fines and forfeits	\$ 8,500	\$ 8,500	\$ 9,492	\$ 992
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Sheriff	8,900	8,900	8,809	91
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ (400)	\$ (400)	\$ 683	\$ 1,083
<b>Other Financing Sources (Uses)</b>				
Transfers in	100	100	396	296
<b>Net Change in Fund Balance</b>	\$ (300)	\$ (300)	\$ 1,079	\$ 1,379
<b>Fund Balance - January 1</b>	<u>16,465</u>	<u>16,465</u>	<u>16,465</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 16,165</u>	<u>\$ 16,165</u>	<u>\$ 17,544</u>	<u>\$ 1,379</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*Schedule 11*

**BUDGETARY COMPARISON SCHEDULE  
CHEMICAL DEPENDENCY DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment earnings	\$ -	\$ -	\$ 18	\$ 18
Miscellaneous	547,033	547,033	724,786	177,753
<b>Total Revenues</b>	<b>\$ 547,033</b>	<b>\$ 547,033</b>	<b>\$ 724,804</b>	<b>\$ 177,771</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 300,000	\$ 300,000	\$ 300,000	\$ -
Interest	248,878	248,878	250,710	(1,832)
<b>Total Expenditures</b>	<b>\$ 548,878</b>	<b>\$ 548,878</b>	<b>\$ 550,710</b>	<b>\$ (1,832)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (1,845)</b>	<b>\$ (1,845)</b>	<b>\$ 174,094</b>	<b>\$ 175,939</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(3,543)	(3,543)
<b>Net Change in Fund Balance</b>	<b>\$ (1,845)</b>	<b>\$ (1,845)</b>	<b>\$ 170,551</b>	<b>\$ 172,396</b>
<b>Fund Balance - January 1</b>	<b>262,698</b>	<b>262,698</b>	<b>262,698</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 260,853</b>	<b>\$ 260,853</b>	<b>\$ 433,249</b>	<b>\$ 172,396</b>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*Schedule 12*

**BUDGETARY COMPARISON SCHEDULE  
ETHANOL PLANT DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment earnings	\$ -	\$ -	\$ 11,621	\$ 11,621
Miscellaneous	646,379	646,379	-	(646,379)
<b>Total Revenues</b>	<b>\$ 646,379</b>	<b>\$ 646,379</b>	<b>\$ 11,621</b>	<b>\$ (634,758)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 440,000	\$ 440,000	\$ 440,000	\$ -
Interest	264,475	264,475	264,475	-
<b>Total Expenditures</b>	<b>\$ 704,475</b>	<b>\$ 704,475</b>	<b>\$ 704,475</b>	<b>\$ -</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (58,096)</b>	<b>\$ (58,096)</b>	<b>\$ (692,854)</b>	<b>\$ (634,758)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	647,908	647,908
<b>Net Change in Fund Balance</b>	<b>\$ (58,096)</b>	<b>\$ (58,096)</b>	<b>\$ (44,946)</b>	<b>\$ 13,150</b>
<b>Fund Balance - January 1</b>	<b>657,537</b>	<b>657,537</b>	<b>657,537</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 599,441</b>	<b>\$ 599,441</b>	<b>\$ 612,591</b>	<b>\$ 13,150</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*Schedule 13*

**BUDGETARY COMPARISON SCHEDULE  
GOVERNMENT SERVICE CENTER DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 999,482	\$ 999,482	\$ 915,507	\$ (83,975)
Intergovernmental	-	-	83,565	83,565
<b>Total Revenues</b>	<b>\$ 999,482</b>	<b>\$ 999,482</b>	<b>\$ 999,072</b>	<b>\$ (410)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 580,000	\$ 580,000	\$ 580,000	\$ -
Interest	369,213	369,213	370,312	(1,099)
<b>Total Expenditures</b>	<b>\$ 949,213</b>	<b>\$ 949,213</b>	<b>\$ 950,312</b>	<b>\$ (1,099)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 50,269</b>	<b>\$ 50,269</b>	<b>\$ 48,760</b>	<b>\$ (1,509)</b>
<b>Fund Balance - January 1</b>	<b>1,563,749</b>	<b>1,563,749</b>	<b>1,563,749</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,614,018</b>	<b>\$ 1,614,018</b>	<b>\$ 1,612,509</b>	<b>\$ (1,509)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*Schedule 14*

**BUDGETARY COMPARISON SCHEDULE  
SHERIFF OPERATIONS DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 522,480	\$ 522,480	\$ 477,558	\$ (44,922)
Intergovernmental	-	-	43,366	43,366
<b>Total Revenues</b>	<b>\$ 522,480</b>	<b>\$ 522,480</b>	<b>\$ 520,924</b>	<b>\$ (1,556)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 275,000	\$ 275,000	\$ 275,000	\$ -
Interest	218,100	218,100	218,550	(450)
<b>Total Expenditures</b>	<b>\$ 493,100</b>	<b>\$ 493,100</b>	<b>\$ 493,550</b>	<b>\$ (450)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 29,380</b>	<b>\$ 29,380</b>	<b>\$ 27,374</b>	<b>\$ (2,006)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	300,000	300,000	-	(300,000)
<b>Net Change in Fund Balance</b>	<b>\$ 329,380</b>	<b>\$ 329,380</b>	<b>\$ 27,374</b>	<b>\$ (302,006)</b>
<b>Fund Balance - January 1</b>	<b>410,551</b>	<b>410,551</b>	<b>410,551</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 739,931</b>	<b>\$ 739,931</b>	<b>\$ 437,925</b>	<b>\$ (302,006)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*Schedule 15*

**BUDGETARY COMPARISON SCHEDULE  
VETERANS HOME DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 132,100	\$ 132,100	\$ 120,908	\$ (11,192)
Intergovernmental	-	-	10,941	10,941
<b>Total Revenues</b>	<b>\$ 132,100</b>	<b>\$ 132,100</b>	<b>\$ 131,849</b>	<b>\$ (251)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 95,000	\$ 95,000	\$ 95,000	\$ -
Interest	27,025	27,025	27,456	(431)
<b>Total Expenditures</b>	<b>\$ 122,025</b>	<b>\$ 122,025</b>	<b>\$ 122,456</b>	<b>\$ (431)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 10,075</b>	<b>\$ 10,075</b>	<b>\$ 9,393</b>	<b>\$ (682)</b>
<b>Fund Balance - January 1</b>	<b>230,757</b>	<b>230,757</b>	<b>230,757</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 240,832</b>	<b>\$ 240,832</b>	<b>\$ 240,150</b>	<b>\$ (682)</b>

**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, 2009**

	<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	\$ -	\$ 279	\$ 279	\$ -
Accounts receivable	23	23	23	23
<b>Total Assets</b>	<b>\$ 23</b>	<b>\$ 302</b>	<b>\$ 302</b>	<b>\$ 23</b>
<b><u>Liabilities</u></b>				
Due to other governments	\$ 23	\$ 302	\$ 302	\$ 23
<b><u>FAMILY SERVICES COLLABORATIVE FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 228,703	\$ 286,185	\$ 261,900	\$ 252,988
Due from other funds	346	107	346	107
<b>Total Assets</b>	<b>\$ 229,049</b>	<b>\$ 286,292</b>	<b>\$ 262,246</b>	<b>\$ 253,095</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 7,222	\$ 20,012	\$ 7,222	\$ 20,012
Due to other governments	221,827	266,280	255,024	233,083
<b>Total Liabilities</b>	<b>\$ 229,049</b>	<b>\$ 286,292</b>	<b>\$ 262,246</b>	<b>\$ 253,095</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, 2009**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>HOSPITAL DISTRICTS FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 744,745	\$ 744,745	\$ -
Due from other funds	12,144	12,258	12,144	12,258
<b>Total Assets</b>	<b>\$ 12,144</b>	<b>\$ 757,003</b>	<b>\$ 756,889</b>	<b>\$ 12,258</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 12,144</b>	<b>\$ 757,003</b>	<b>\$ 756,889</b>	<b>\$ 12,258</b>
 <b><u>MORTGAGE REGISTRATION FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b>\$ 59,547</b>	<b>\$ 1,298,667</b>	<b>\$ 1,254,626</b>	<b>\$ 103,588</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 59,547</b>	<b>\$ 1,298,667</b>	<b>\$ 1,254,626</b>	<b>\$ 103,588</b>
 <b><u>OTTER TAIL LAKES AREA SEWER DISTRICT FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 24,438	\$ 24,438	\$ -
Due from other funds	4,320	1,032	4,320	1,032
<b>Total Assets</b>	<b>\$ 4,320</b>	<b>\$ 25,470</b>	<b>\$ 28,758</b>	<b>\$ 1,032</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 4,320</b>	<b>\$ 25,470</b>	<b>\$ 28,758</b>	<b>\$ 1,032</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, 2009**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>SCHOOL DISTRICT FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 15,070,493	\$ 15,070,493	\$ -
Due from other funds	322,200	314,745	322,200	314,745
	<b>\$ 322,200</b>	<b>\$ 15,385,238</b>	<b>\$ 15,392,693</b>	<b>\$ 314,745</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 322,200</b>	<b>\$ 15,385,238</b>	<b>\$ 15,392,693</b>	<b>\$ 314,745</b>
 <b><u>STATE TAX FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 100,962	\$ 7,826,895	\$ 7,820,882	\$ 106,975
Accounts receivable	16,494	25,158	16,494	25,158
Due from other funds	112,618	95,667	112,618	95,667
	<b>\$ 230,074</b>	<b>\$ 7,947,720</b>	<b>\$ 7,949,994</b>	<b>\$ 227,800</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 230,074</b>	<b>\$ 7,947,720</b>	<b>\$ 7,949,994</b>	<b>\$ 227,800</b>
 <b><u>TAX INCREMENT FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b>\$ -</b>	<b>\$ 1,011</b>	<b>\$ 1,011</b>	<b>\$ -</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ -</b>	<b>\$ 1,011</b>	<b>\$ 1,011</b>	<b>\$ -</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, 2009**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TAXES AND PENALTIES FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 816,113	\$ 68,352,183	\$ 68,385,333	\$ 782,963
Accounts receivable	-	4,628	-	4,628
<b>Total Assets</b>	<b>\$ 816,113</b>	<b>\$ 68,356,811</b>	<b>\$ 68,385,333</b>	<b>\$ 787,591</b>
<b><u>Liabilities</u></b>				
Due to other funds	\$ 723,542	\$ 24,798,955	\$ 24,792,119	\$ 730,378
Due to other governments	92,571	43,557,856	43,593,214	57,213
<b>Total Liabilities</b>	<b>\$ 816,113</b>	<b>\$ 68,356,811</b>	<b>\$ 68,385,333</b>	<b>\$ 787,591</b>
 <b><u>TOWNS AND CITIES FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 17,490,284	\$ 17,490,284	\$ -
Due from other funds	271,544	305,756	271,544	305,756
<b>Total Assets</b>	<b>\$ 271,544</b>	<b>\$ 17,796,040</b>	<b>\$ 17,761,828</b>	<b>\$ 305,756</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 271,544</b>	<b>\$ 17,796,040</b>	<b>\$ 17,761,828</b>	<b>\$ 305,756</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, 2009**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>WATERSHED DISTRICT FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 53,335	\$ 53,335	\$ -
Due from other funds	716	920	716	920
	<b>\$ 716</b>	<b>\$ 54,255</b>	<b>\$ 54,051</b>	<b>\$ 920</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 716</b>	<b>\$ 54,255</b>	<b>\$ 54,051</b>	<b>\$ 920</b>
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,205,325	\$ 111,148,515	\$ 111,107,326	\$ 1,246,514
Accounts receivable	16,517	29,809	16,517	29,809
Due from other funds	723,888	730,485	723,888	730,485
	<b>\$ 1,945,730</b>	<b>\$ 111,908,809</b>	<b>\$ 111,847,731</b>	<b>\$ 2,006,808</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 7,222	\$ 20,012	\$ 7,222	\$ 20,012
Due to other funds	723,542	24,798,955	24,792,119	730,378
Due to other governments	1,214,966	87,089,842	87,048,390	1,256,418
	<b>\$ 1,945,730</b>	<b>\$ 111,908,809</b>	<b>\$ 111,847,731</b>	<b>\$ 2,006,808</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, 2009**

	<u>Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
<b>Cash and Pooled Investments</b>				
Noninterest-bearing checking	-	-	Continuous	\$ 50,000
Interest-bearing checking	Seven	Varies	Continuous	18,035,615
Certificates of deposit	Forty-eight	0.21 to 3.10	January 12, 2010 to September 2, 2011	16,702,749
Money market savings	Six	0.25 to 0.74	Continuous	564,521
Mutual fund	-	Varies	Continuous	893,057
U.S. Treasury notes	Six	0.75 to 4.63	June 15, 2010 to November 30, 2011	6,095,394
U.S. Treasury bonds - stripped interest payment	Two	-	August 15, 2017 to August 15, 2019	37,612
Federal National Mortgage Association	Three	4.50 to 7.50	August 25, 2018 to June 25, 2022	<u>771,497</u>
<b>Total Cash and Pooled Investments</b>				<b><u>\$ 43,150,445</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET - BY DITCH  
COUNTY DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2009**

	Assets				
	Cash and Pooled Investments	Undistributed Cash	Special Assessments Receivable		
			Current	Delinquent	Deferred
<b>Judicial Ditches</b>					
2	\$ 27,930	\$ 127	\$ 24	\$ 1	\$ 5,480
3	92	-	-	-	-
<b>County Ditches</b>					
4	19,182	180	1,532	1,622	11,279
5	7,073	28	-	-	1,525
8	162	-	-	-	-
11	4,160	-	-	-	700
12	13,808	132	52	26	4,100
14	68	-	-	-	-
16	-	-	-	-	-
17	475	-	-	-	-
19	217	-	-	-	-
21	12,297	117	40	7	3,653
29	2,157	180	58	-	1,906
37	17,996	4	99	41	3,322
38	17,781	1,981	338	1	12,010
39	2,384	2	-	-	850
41	2,510	-	-	-	-
43	1,740	34	-	-	1,100
44	15	-	-	-	-
45	225	-	-	-	-
48	25	-	-	-	-
52	-	-	-	-	1,300
53	12,591	945	379	400	2,100
54	91	-	-	-	-
56	14,197	-	-	-	2,100
59	146	-	-	-	-
62	154	-	-	-	-
63	11,719	-	-	21	2,100
64	11	-	-	-	-
68	481	-	-	-	-
70	353	-	-	-	-
<b>Total</b>	<b>\$ 170,040</b>	<b>\$ 3,730</b>	<b>\$ 2,522</b>	<b>\$ 2,119</b>	<b>\$ 53,525</b>



Schedule 17

	<u>Liabilities</u>				<u>Fund Balance Unreserved Undesignated</u>	<u>Total Liabilities and Fund Balance</u>
	<u>Total</u>	<u>Accounts Payable</u>	<u>Deferred Revenue</u>	<u>Advance from Other Funds</u>		
\$ 33,562	\$ -	\$ 5,482	\$ -	\$ 5,482	\$ 28,080	\$ 33,562
92	-	-	-	-	92	92
33,795	-	14,357	11,036	25,393	8,402	33,795
8,626	-	1,525	-	1,525	7,101	8,626
162	-	-	-	-	162	162
4,860	-	700	-	700	4,160	4,860
18,118	-	4,178	-	4,178	13,940	18,118
68	-	-	-	-	68	68
-	1,921	-	35,110	37,031	(37,031)	-
475	-	-	-	-	475	475
217	-	-	-	-	217	217
16,114	100	3,695	-	3,795	12,319	16,114
4,301	-	1,905	680	2,585	1,716	4,301
21,462	21,588	3,402	-	24,990	(3,528)	21,462
32,111	-	12,329	6,970	19,299	12,812	32,111
3,236	-	850	-	850	2,386	3,236
2,510	-	-	-	-	2,510	2,510
2,874	-	1,100	-	1,100	1,774	2,874
15	-	-	-	-	15	15
225	-	-	-	-	225	225
25	-	-	-	-	25	25
1,300	-	1,300	1,446	2,746	(1,446)	1,300
16,415	-	2,879	5,292	8,171	8,244	16,415
91	-	-	-	-	91	91
16,297	-	2,100	-	2,100	14,197	16,297
146	-	-	-	-	146	146
154	-	-	-	-	154	154
13,840	-	2,121	-	2,121	11,719	13,840
11	-	-	-	-	11	11
481	-	-	-	-	481	481
353	-	-	-	-	353	353
<b>\$ 231,936</b>	<b>\$ 23,609</b>	<b>\$ 57,923</b>	<b>\$ 60,534</b>	<b>\$ 142,066</b>	<b>\$ 89,870</b>	<b>\$ 231,936</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

Schedule 18

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>All Funds</u>
<b>Shared Revenue</b>			
<b>State</b>			
Highway users tax	\$ 7,826,674	\$ -	\$ 7,826,674
County program aid	1,838,881	-	1,838,881
PERA rate reimbursement	64,946	-	64,946
Police aid	222,789	-	222,789
Market value credit	2,235,991	-	2,235,991
Market value credit - MH	10,040	-	10,040
Disparity reduction aid	12,826	-	12,826
	<hr/>	<hr/>	<hr/>
<b>Total shared revenue</b>	<b>\$ 12,212,147</b>	<b>\$ -</b>	<b>\$ 12,212,147</b>
<b>Reimbursement for Services</b>			
<b>State</b>			
Minnesota Department of Human Services	\$ 1,383,943	\$ -	\$ 1,383,943
	<hr/>	<hr/>	<hr/>
<b>Payments</b>			
<b>Local</b>			
Payments in lieu of taxes	\$ 388,549	\$ -	\$ 388,549
	<hr/>	<hr/>	<hr/>
<b>Grants</b>			
<b>State</b>			
Minnesota Department/Board of			
Agriculture	\$ 60,843	\$ -	\$ 60,843
Corrections	287,913	-	287,913
Public Safety	154,035	-	154,035
Transportation	294,744	-	294,744
Health	478,280	-	478,280
Natural Resources	231,904	-	231,904
Human Services	3,923,884	-	3,923,884
Water and Soil Resources	33,150	-	33,150
Peace Officer Standards and Training Board	12,685	-	12,685
Minnesota Pollution Control Agency	-	174,747	174,747
	<hr/>	<hr/>	<hr/>
<b>Total state</b>	<b>\$ 5,477,438</b>	<b>\$ 174,747</b>	<b>\$ 5,652,185</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*Schedule 18*  
*(Continued)*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Governmental Funds</b>	<b>Enterprise Fund</b>	<b>All Funds</b>
<b>Grants (Continued)</b>			
<b>Federal</b>			
Department of			
Agriculture	\$ 675,106	\$ -	\$ 675,106
Justice	9,026	-	9,026
Transportation	2,184,692	-	2,184,692
Health and Human Services	4,114,772	-	4,114,772
Homeland Security	109,894	-	109,894
	<b>\$ 7,093,490</b>	<b>\$ -</b>	<b>\$ 7,093,490</b>
<b>Total federal</b>	<b>\$ 7,093,490</b>	<b>\$ -</b>	<b>\$ 7,093,490</b>
<b>Total state and federal grants</b>	<b>\$ 12,570,928</b>	<b>\$ 174,747</b>	<b>\$ 12,745,675</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 26,555,567</b>	<b>\$ 174,747</b>	<b>\$ 26,730,314</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, 2009

**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 Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster
  - State Administrative Matching Grants for SNAP CFDA #10.561
  - State Administrative Matching Grants for SNAP - ARRA CFDA #10.561
  - Highway Planning and Construction Cluster
  - Highway Planning and Construction CFDA #20.205
  - Highway Planning and Construction - ARRA CFDA #20.205

Child Support Enforcement Cluster	
Child Support Enforcement	CFDA #93.563
Child Support Enforcement - ARRA	CFDA #93.563
Low-Income Home Energy Assistance	CFDA #93.568
Foster Care Title IV-E Cluster	
Foster Care Title IV-E	CFDA #93.658
Foster Care Title IV-E - ARRA	CFDA #93.658

- 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.

Without proper segregation of duties, errors or irregularities may not be detected timely.

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 that will ensure continued operations in the event of a disaster. The Director of the Management Information Systems Department has indicated that he will pursue the development of a detailed plan.*

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 will continue to make this goal a priority until it has been fully obtained.*

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

06-2 Audit Adjustments

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Statement on Auditing Standards No. 115 defines a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will be prevented, or detected and corrected, on a timely basis.

The County provides a general ledger, GASB 34 audit list, 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.

- An adjustment was made to the General Fund to record lease purchases and subleases for the construction of a building for the Viking Library System and for vehicles purchased for the Narcotics Task Force. The adjustment was necessary to recognize proceeds from capital leases in the amount of \$1,330,950, the cash held with escrow in the amount of \$287,505, leases receivable in the amount of \$1,028,895, and principal retirement of \$14,550. A second adjustment was made to the General Fund to reclassify receipts in the amount of \$1,530,757 posted as miscellaneous revenue to intergovernmental revenue for state grants in the amount of \$65,643, charges for services in the amount of \$6,395, gifts and contributions in the amount of \$6,415, general government expenses in the amount of \$1,126,701, and public safety expense in the amount of \$325,603.

**Schedule 19**  
**(Continued)**

- An adjustment was made in the Construction Capital Projects Fund to correct an accounts payable reversing entry made twice in the amount of \$436,452 for capital outlay. A second adjustment was made in the amount of \$1,189,683 to reclassify draw requests from an escrow account from miscellaneous revenue and to reduce the restricted cash with escrow agent.
  
- An adjustment was made to the Ethanol Plant Debt Service Fund to reclassify \$601,078 from miscellaneous revenue to transfers in for the transfers made from the General Fund.

In addition to the adjustments noted above, several material reclassifications were made to correct classification errors resulting from incorrect accounts being grouped in the GASB 34 audit list, which summarizes accounts used in the preparation of the working trial balances.

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, 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 to eliminate the 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, 2008 and 2009 audits. Efforts have been 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.*

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; and
- debt-related items.

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; to assess the risk of any weaknesses identified within our existing accounting procedures and policies; to establish procedures and policies to address identified internal control weakness; and to monitor if changes are necessary due to staffing changes, technology and/or legal compliance changes. After last year's audit, the County Coordinator and the County Auditor discussed the need to assemble the appropriate individuals for a meeting to discuss the issues raised within your finding, and it was our intention that this process be completed before the conclusion of this 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 96-6.*

*The Otter Tail County Auditor's Office does meet on a regular basis (approximately once every six weeks) to review the internal control procedures and policies within the Auditor's Office, and as those procedures and policies relate to our processes both internally and when working with other departments regarding accounting and financial record keeping and reporting.*

**PREVIOUSLY REPORTED ITEM RESOLVED**

**Capital Assets (08-2)**

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.

**Resolution**

The building, property, and improvements are no longer reflected in the capital asset records.

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

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

09-1 Collateral Pledged to Secure Deposits

At December 31, 2009, deposits with First National Bank of Henning and deposits with Farmers State Bank of Underwood exceeded the amount of federal deposit insurance and collateral pledged by \$42,694 and \$29,421, respectively. In general, Minn. Stat. § 118A.03, subd. 3, requires that, “[t]he total amount of the collateral computed at its market value shall be at least ten percent more than the amount on deposit at the close of the financial institution’s banking day.”

We recommend that the County Treasurer monitor deposits and the market values of pledged collateral in designated depositories to ensure that County funds are fully protected at all times as required by Minn. Stat. § 118A.03.

Client’s Response:

*The Otter Tail County Treasurer is aware of the need to monitor deposits and the market value of pledged collateral in designated depositories to ensure that County Funds are fully protected. The County Treasurer’s Office has implemented procedures to ensure regular monitoring of pledged collateral.*

PREVIOUSLY REPORTED ITEM RESOLVED

**Deposit with Broker (08-3)**

On December 31, 2008, an investment matured, and the funds were transferred to a temporary holding account at Edward Jones. 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.

**Resolution**

The County Treasurer closed all accounts with Edward Jones in April 2009 and is now in compliance with Minn. Stat. § 118A.03.

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 their union contract or the personnel policy.

During previous audits, we noted items purchased that did not comply with County policy, items purchased that appear excessive, and items purchased through the uniform and safety equipment allowance or clothing allowance which do not comply with Internal Revenue Service regulations as deductible work clothing.

Management of Otter Tail County is in the process of addressing the issues noted above. In 2008, the County Board approved changes to the uniform and safety equipment allowance and clothing allowance policies which are more detailed and, in most cases, more restrictive than the previous policies. During our review of items purchased through the uniform and safety equipment allowance or clothing allowance since our last audit, we noted no items purchased in violation of County policy or items that appear excessive. The County has established a list of items allowable for purchase through the uniform and safety equipment allowance or clothing allowance that are non-deductible under Internal Revenue Service regulations; however, it has not formally established procedures to ensure proper withholding for those purchases.



We recommend the County continue its efforts towards improving controls over purchases made through the uniform and safety equipment allowance and clothing allowance by updating policies and procedures as necessary and by establishing a system 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:

*In response to an Internal Revenue Service Audit in the Spring of 2010, a committee was formed to review Otter Tail County's policies and procedures regarding uniform/clothing and safety equipment allowance/reimbursement. On Tuesday, August 17, 2010, the Otter Tail County Board of Commissioners adopted the Uniforms Taxability Policy. This policy can be found as an Attachment B to the Otter Tail County Board minutes dated August 17, 2010. This policy identifies those items that can be purchased and distinguishes between those items that are taxable and non-taxable based on the County's understanding of existing Internal Revenue Service code.*

ITEM ARISING THIS YEAR

09-2

Ditch Fund Balance Deficits

Three of the 31 individual ditch systems had deficit unreserved, undesignated fund balances at December 31, 2009, totaling \$42,005, the largest being \$37,031.

As provided by Minn. Stat. § 103E.735, subd. 1 (2009), a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$40,000, whichever is larger. In 2010, the repair fund monetary cap was increased to \$100,000. See 2010 Minn. Laws, ch. 298, § 7.

We recommend that the County Board eliminate the individual ditch system fund balance deficits by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1.

Client's Response:

*Otter Tail County Management is aware of the provisions of Minn. Stat. § 103E.735, subd. 1. Otter Tail County has implemented annual maintenance assessments on a number of drainage systems and will continue to levy an annual assessment for the purpose of establishing individual drainage accounts with funds sufficient to finance normal and routine repair and maintenance costs. The drainage systems referenced in the above comment are systems that are in the process of undergoing major repairs and are systems which have not had an annual maintenance assessment established. It is anticipated that project assessments will be levied on these three drainage systems in December of 2010. Once project assessments are in place, the policy of the County is to continue with annual maintenance assessments.*

C. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of this standard is to enhance the usefulness of information included in the financial report about fund balance through clearer fund balance classifications that can be more consistently applied, as well as to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance reserved, unreserved, designated, and undesignated are being replaced by nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as corpus of a permanent fund).

- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in Statement 54. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of GASB Statement 54 are effective for the County for the year ending December 31, 2011.

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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, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 17, 2010. 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 and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 06-2 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-6, 96-7, 06-1, and 08-1 to be significant deficiencies.

### 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 seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except we did not test for compliance in tax increment financing because Otter Tail County has no tax increment financing.

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 09-1.

Also included in the Schedule of Findings and Questioned Costs are management practices comments and an other item for consideration. We believe these recommendations and information to be of benefit to Otter Tail County, and they are reported for that purpose.

Otter Tail County's written responses to the internal control, legal compliance, and management practices findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This 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

September 17, 2010

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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REBECCA OTTO  
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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, 2009. 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, 2009.

#### 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

#### 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, 2009, and have issued our report thereon dated September 17, 2010. Our audit was performed for the purpose of forming opinions on Otter Tail County's 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

September 17, 2010

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

Schedule 20

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<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	\$ 271,498
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster State Administrative Matching Grants for SNAP	10.561	383,665
State Administrative Matching Grants for SNAP - ARRA	10.561	<u>19,943</u>
<b>Total U.S. Department of Agriculture</b>		<b>\$ <u>675,106</u></b>
<b>U.S. Department of Justice</b>		
Direct Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government - ARRA	16.804	<b>\$ <u>9,026</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	\$ 23,426
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	15,113
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	1,126,798
Highway Planning and Construction - ARRA	20.205	<u>1,206,813</u>
<b>Total U.S. Department of Transportation</b>		<b>\$ <u>2,372,150</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>21,050</u></b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Commerce Low-Income Home Energy Assistance	93.568	\$ 373,502

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

***Schedule 20  
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<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 (Continued)</b>		
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	65,720
Immunization Grants	93.268	1,600
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	48,330
Temporary Assistance for Needy Families	93.558	75,833
Maternal and Child Health Services Block Grant to the States	93.994	83,756
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	36,005
Temporary Assistance for Needy Families	93.558	529,628
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	1,005,440
Child Support Enforcement - ARRA	93.563	103,454
Refugee and Entrant Assistance - State-Administered Programs	93.566	973
Refugee and Entrant Assistance - Discretionary Grants	93.576	399
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	30,655
Foster Care Title IV-E Cluster		
Foster Care Title IV-E	93.658	112,831
Foster Care Title IV-E - ARRA	93.658	8,137
Social Services Block Grant	93.667	407,261
Chafee Foster Care Independence Program	93.674	6,959
Medical Assistance Program	93.778	1,120,759
Block Grants for Community Mental Health Services	93.958	2,808
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>\$ 4,061,550</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 22,754
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	58,157
Emergency Management Performance Grants	97.042	28,983
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 109,894</b>
<b>Total Federal Awards</b>		<b>\$ 7,248,776</b>

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Otter Tail County. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Otter Tail County under programs of the federal government for the year ended December 31, 2009. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Otter Tail County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Otter Tail County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 7,093,490
Grants received in 2006, recognized in 2009	
Help America Vote Act Requirements Payments	21,050
Grants received more than 60 days after year-end, deferred in 2009	
Highway Planning and Construction	194,965
Highway Planning and Construction - ARRA	60,405
Child Support Enforcement	31,200
Grants deferred in 2008, recognized as revenue in 2009	
Highway Planning and Construction	(67,912)
Medical Assistance Program	(84,422)
	(84,422)
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 7,248,776

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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5. Subrecipients

During 2009, Otter Tail County did not pass any federal awards through to subrecipients in 2010.

6. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.