

# 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, 2010

## **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, 2010**



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

ORGANIZATION  
DECEMBER 31, 2010

		<u>Term Expires</u>
<b>Elected</b>		
<b>Commissioners</b>		
Board Member	Douglas Huebsch	District 1 January 2013
Board Member	Everett P. Erickson	District 2 January 2011
Board Member	John Lindquist	District 3 January 2013
Chair	Roger Froemming	District 4 January 2011
Board Member	Leland 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	Doug Walvatne	Interim*
County Engineer	Richard West	May 2014
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	Roger Froemming	January 2011
Vice Chair	John Lindquist	January 2013
Member	Leland Rogness	January 2013
Member	Douglas Heubsch	January 2013
Member	Everett P. Erickson	January 2011
Human Services Director	John Dinsmore	Indefinite
Probation Officer	Charles W. Kitzman	Indefinite
Public Health Director	Diane Thorson	Indefinite

\*In January 2011, appointed as full-time County Assessor through December 31, 2012.

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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, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 December 31, 2010, 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Otter Tail County's basic financial statements taken as a whole. The supplementary information, including the Schedule of Expenditures of Federal Awards required by OMB Circular A-133, listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2011, 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 28, 2011



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

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2010  
(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, 2010. 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 \$132,489,720, of which Otter Tail County has invested \$98,049,010 in capital assets, net of related debt, and \$4,753,409 is restricted to specific purposes/uses.
- Business-type activities have total net assets of \$9,770,598. Invested in capital assets, net of related debt, represents \$6,789,259 of the total, and \$197,586 of the total business-type net assets is restricted for specific uses (postclosure care costs).
- Otter Tail County's total net assets (governmental activities and business-type activities) total \$142,260,318 for the year ended December 31, 2010. Invested in capital assets, net of related debt, represents \$104,838,269 of the total, \$4,950,995 of the total net assets is restricted for specific uses, and \$32,471,054 is unrestricted.
- The net cost of Otter Tail County's governmental activities for the year ended December 31, 2010, was \$26,205,149. General property tax revenues and other revenue sources totaling \$32,670,128 funded the total net cost of \$26,205,149.
- Otter Tail County's governmental funds' fund balances increased by \$4,367,389. This increase was the result of a General Fund balance increase of \$133,894, a Road and Bridge Special Revenue Fund balance increase of \$1,860,506, a Human Services Special Revenue Fund balance increase of \$1,103,137, a Capital Improvement Special Revenue Fund balance increase of \$968,327, and an increase in other governmental funds' fund balances of \$301,525.

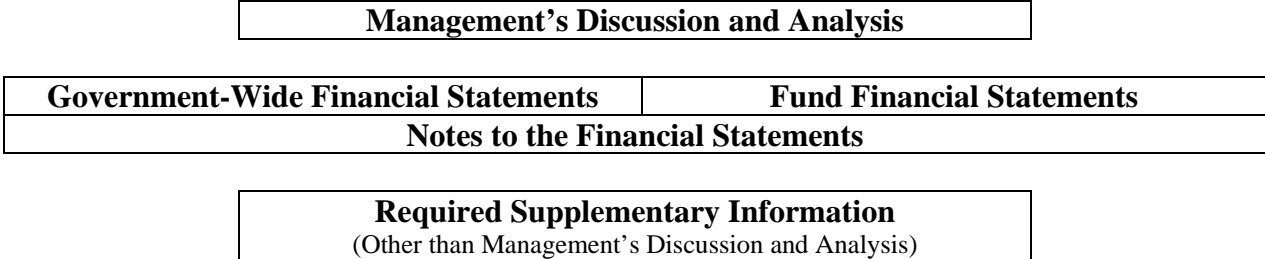
- The General Fund balance increased by \$133,894. This increase was due to excess revenues over expenditures of \$844,724; an operating transfer from the Sheriff's Contingent Fund of \$800, plus proceeds from a capital lease with the West Central Minnesota Narcotics Task Force for the purchase of vehicles in the amount of \$57,240. The items noted above were offset by a \$640,115 transfer 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 \$128,755 transfer to the Construction Capital Projects Fund to cover project costs in excess of the bond proceeds.
- For the prior year ended December 31, 2009, excess General Fund revenues over expenditures were \$332,932. The \$511,792 increase in excess revenues over expenditures is due mainly to the following: a \$435,740 increase in revenues and a \$76,052 decrease in expenditures. It should be noted that property tax revenues increased by \$1,004,583, revenues from licenses and permits increased by \$40,372, and miscellaneous revenues increased by \$98,681; however, these increased revenues in the General Fund were offset by decreased special assessment revenues of \$8,584, decreased intergovernmental revenues of \$124,693, decreased charges for services revenues of \$410,655, decreased fines and forfeits revenues of \$12,563, decreased gifts and contributions of \$6,365, and decreased interest earnings of \$145,036. General Fund expenditures for public safety-related programs and services increased \$206,430; for culture and recreation-related programs and services, the costs increased \$31,128; and the costs associated with debt service increased by \$52,925; however, these increased expenditures were offset by a \$218,578 decrease in expenditures for general government-related programs and services and by a \$147,957 decrease in expenditures for conservation of natural resources programs.
- The Road and Bridge Special Revenue Fund balance increased by \$1,860,506 due to excess revenues over expenditures of \$1,873,177, which was offset by a decrease in inventory of \$12,671. For the prior year ended December 31, 2009, excess expenditures over revenues totaled \$2,074,104. The \$3,947,281 increase in excess revenues over expenditures is due mainly to an increase in property tax revenues of \$835,926, an increase in the highway user tax revenues of \$2,495,441, an increase in shared revenues (state-paid property tax aids) of \$213,543, an increase in state grants of \$2,576,741, an increase in charges for services revenues of \$728,432, an increase in other miscellaneous revenues of \$21,057 and a decrease in costs associated with the maintenance of equipment and shops of \$101,889, which was offset by a decrease in federal grants of \$1,051,980, a decrease in payment in lieu of tax revenue of \$2,613, an increase in administrative costs of \$21,338, an increase in the costs associated with highway maintenance and construction of \$1,885,477, and an increase in all other highway-related expenditures of \$64,340.

- The Human Services Special Revenue Fund balance increased by \$1,103,137 due to excess revenues over expenditures. For the prior year ended December 31, 2009, excess revenues over expenditures totaled \$1,672,057. The \$568,920 decline was due mainly to a decrease in shared revenues (state-paid property tax aids) of \$409,429, a decrease in intergovernmental revenues (reimbursement for services) of \$301,344, a decrease in state grants of \$40,153, a decrease in federal grants of \$3,358, an increase in community correction expenditures of \$186,847, and an increase in public health-related expenditures of \$315,400, which was offset by an increase in property tax revenues of \$51,191, an increase in charges for services revenues of \$186,509, an increase in other miscellaneous revenues of \$43,147, a decrease in income maintenance expenditures of \$12,289, a decrease in social services expenditures of \$383,918, and a decrease in the costs associated with the fuel assistance program of \$10,557.
- The Capital Improvement Special Revenue Fund balance increased by \$968,327 due to excess revenues over expenditures of \$948,326, plus a transfer from the Construction Capital Projects Fund of \$20,001. For the prior year ended December 31, 2009, excess revenues over expenditures totaled \$1,832,546. The \$884,220 decline was due mainly to a decrease in property tax revenues of \$329,691, a decrease in shared revenues (state-paid property tax aids) of \$141,697, a decrease in state grants of \$58,513, a decrease in payment in lieu of tax revenue and other miscellaneous revenues of \$62,272, a decrease in interest earnings of \$60,628, an increase in general government expenditures of \$47,811, an increase in public safety expenditures of \$205,373, an increase in highway and street expenditures of \$74,226, and an increase in human services-related expenditures of \$68,223, which was offset by an increase in federal grants of \$82,967, a decrease in costs associated with culture and recreation of \$79,767, and a decrease in capital outlay expenditures of \$1,480.
- The fund balance as of December 31, 2010, for all other governmental funds increased by \$301,525 due to excess expenditures over revenues of \$446,544, plus operating transfers out totaling \$219,480, which were offset by operating transfers in totaling \$967,549. For the prior year ended December 31, 2009, excess expenditures over revenues totaled \$1,152,614. The \$706,070 decline in excess expenditures over revenues is due mainly to a decrease in intergovernmental revenues of \$24,306, a decrease in fines and forfeits revenues of \$3,298, a decrease in interest earnings of \$10,398, a decrease in miscellaneous revenues of \$176,321, an increase in human services expenditures of \$19,698, an increase in conservation of natural resources expenditures of \$10,094, and an increase in costs associated with debt service of \$53,838, which was offset by an increase in property tax revenue of \$271,770, an increase in special assessment revenue of \$10,458, a decrease in general government expenditures of \$6,743, a decrease in public safety expenditures of \$53, and a decrease in capital outlay-related costs of \$714,999, which was due to the finalization of two significant capital improvement projects which have been financed through the issuance of long-term debt prior to 2009.

- In 2011, Otter Tail County will issue, on behalf of the Prairie Lakes Municipal Solid Waste Authority, General Obligation Disposal System Revenue Bonds in the amount of \$10,475,000. The Prairie Lakes Municipal Solid Waste Authority is a joint powers board consisting of four counties. The Prairie Lakes Municipal Solid Waste Authority Joint Powers Board will use the proceeds to finance the cost of the acquisition and improvements to the solid waste disposal facilities known as the Perham Resource Recovery Facility.

**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 – Other Postemployment Benefits are required to accompany the basic financial statements and, therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are inter-related.



Otter Tail County presents two government-wide financial statements. They are the Statement of Net Assets and the Statement of Activities. These two government-wide financial statements provide information about the activities of 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, 2010, were \$142,260,318. 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	
	2010	2009	2010	2009	2010	2009
Assets						
Current and other assets	\$ 50,184,001	\$ 46,677,948	\$ 4,732,046	\$ 4,372,490	\$ 54,916,047	\$ 51,050,438
Capital assets	115,366,707	115,309,369	6,789,259	7,142,684	122,155,966	122,452,053
Total Assets	\$ 165,550,708	\$ 161,987,317	\$ 11,521,305	\$ 11,515,174	\$ 177,072,013	\$ 173,502,491



	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
<b>Liabilities</b>						
Long-term liabilities	\$ 29,368,985	\$ 31,201,589	\$ 1,423,441	\$ 1,429,613	\$ 30,792,426	\$ 32,631,202
Other liabilities	3,692,003	4,760,987	327,266	419,457	4,019,269	5,180,444
<b>Total Liabilities</b>	<b>\$ 33,060,988</b>	<b>\$ 35,962,576</b>	<b>\$ 1,750,707</b>	<b>\$ 1,849,070</b>	<b>\$ 34,811,695</b>	<b>\$ 37,811,646</b>
<b>Net Assets</b>						
Invested in capital assets, net of debt	\$ 98,049,010	\$ 96,477,776	\$ 6,789,259	\$ 7,142,684	\$ 104,838,269	\$ 103,620,460
Restricted	4,753,409	6,019,101	197,586	168,045	4,950,995	6,187,146
Unrestricted	29,687,301	23,527,864	2,783,753	2,355,375	32,471,054	25,883,239
<b>Total Net Assets</b>	<b>\$ 132,489,720</b>	<b>\$ 126,024,741</b>	<b>\$ 9,770,598</b>	<b>\$ 9,666,104</b>	<b>\$ 142,260,318</b>	<b>\$ 135,690,845</b>

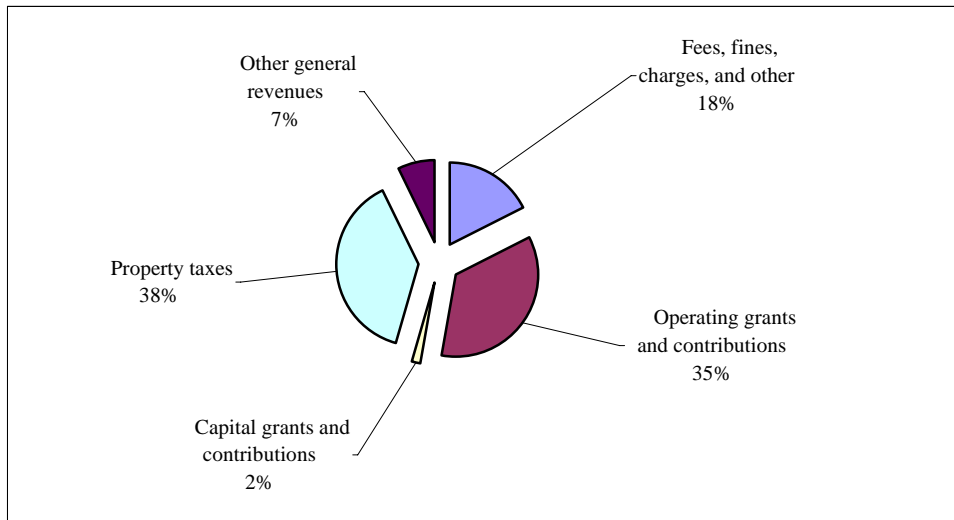
Otter Tail County's total net assets for the year ended December 31, 2010, are \$142,260,318. Unrestricted net assets totaling \$32,471,054 are available to finance day-to-day operations. Of the unrestricted net assets, \$29,687,301 is available for governmental activities, and \$2,783,753 is available for business-type activities.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
<b>Revenue</b>						
Program revenues						
Fees, fines, charges, and other	\$ 5,846,342	\$ 5,207,360	\$ 6,796,942	\$ 5,835,431	\$ 12,643,284	\$ 11,042,791
Operating grants and contributions	25,252,285	22,014,770	181,410	199,198	25,433,695	22,213,968
Capital grants and contributions	1,198,307	2,489,909	-	-	1,198,307	2,489,909
General revenues						
Property taxes	27,584,971	25,785,921	-	-	27,584,971	25,785,921
Other taxes	535,970	509,630	-	-	535,970	509,630
Grants and contributions	3,246,807	4,162,684	-	-	3,246,807	4,162,684
Other general revenues	1,302,380	1,798,650	17,557	67,458	1,319,937	1,866,108
<b>Total Revenues</b>	<b>\$ 64,967,062</b>	<b>\$ 61,968,924</b>	<b>\$ 6,995,909</b>	<b>\$ 6,102,087</b>	<b>\$ 71,962,971</b>	<b>\$ 68,071,011</b>
<b>Expenses</b>						
Program expenses						
General government	\$ 10,904,588	\$ 11,270,977	\$ -	\$ -	\$ 10,904,588	\$ 11,270,977
Public safety	9,767,822	9,712,676	-	-	9,767,822	9,712,676
Highways and streets	16,202,746	14,263,654	-	-	16,202,746	14,263,654
Human services	16,482,875	17,038,846	-	-	16,482,875	17,038,846
Health	2,488,603	2,219,718	-	-	2,488,603	2,219,718
Culture and recreation	875,908	964,860	-	-	875,908	964,860
Conservation of natural resources	723,891	865,655	-	-	723,891	865,655
Economic development	21,800	21,800	-	-	21,800	21,800
Interest	1,033,850	1,107,151	-	-	1,033,850	1,107,151
Landfill	-	-	6,891,415	6,222,961	6,891,415	6,222,961
<b>Total Expenses</b>	<b>\$ 58,502,083</b>	<b>\$ 57,465,337</b>	<b>\$ 6,891,415</b>	<b>\$ 6,222,961</b>	<b>\$ 65,393,498</b>	<b>\$ 63,688,298</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 6,464,979</b>	<b>\$ 4,503,587</b>	<b>\$ 104,494</b>	<b>\$ (120,874)</b>	<b>\$ 6,569,473</b>	<b>\$ 4,382,713</b>

Otter Tail County’s total revenues for the year ended December 31, 2010, were \$71,962,971. The total cost of programs and services for the year ended December 31, 2010, was \$65,393,498. The net assets increased by \$6,569,473, due mainly to an increase in operating grants and contributions, property tax revenues, and fees, fines, charges and other revenues, and a decrease in general government expenses, a decrease in human services expenses, culture and recreation expenses, conservation of natural resources expenses, and interest expense which were offset by a decrease in capital grants and contributions, a decrease in unrestricted grants and contributions, a decrease in other general revenues, and an increase in highway and street expenses, health expenses, and public safety expenses.

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



**Governmental Activities**

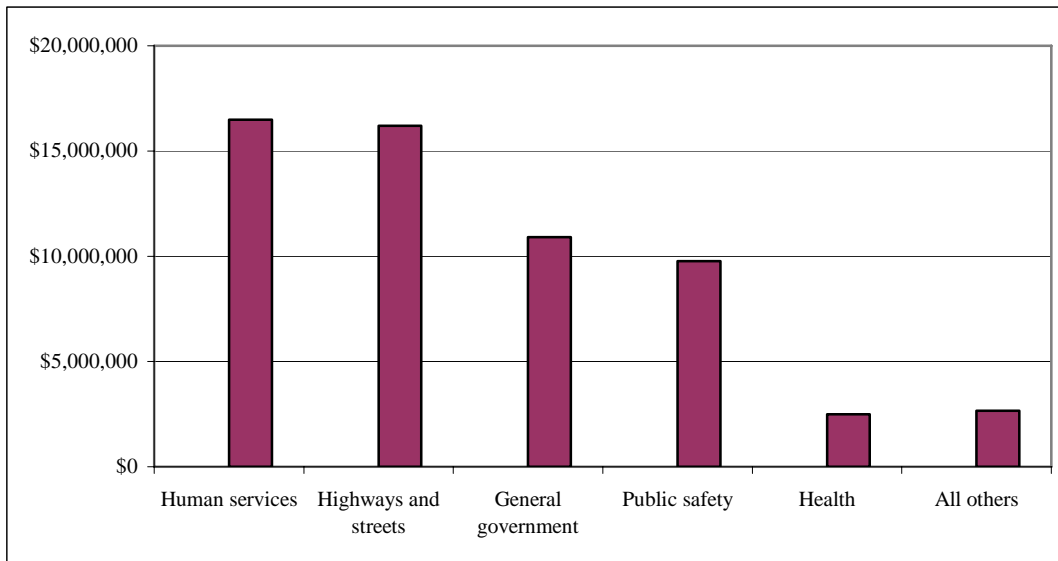
Revenues for Otter Tail County’s governmental activities for the year ended December 31, 2010, were \$64,967,062. Costs for all governmental activities for the year ended December 31, 2010, were \$58,502,083. As shown in the Statement of Activities, the amount that County taxpayers ultimately financed for these governmental activities through local property taxation was \$27,584,971, because \$5,846,342 of the costs were paid by those who directly benefited from the programs, and \$26,450,592 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 \$5,085,157 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**

	Total Cost of Services	Net Cost of Services
Program expenses		
Human services	\$ 16,482,875	\$ 6,122,216
Highways and streets	16,202,746	246,836
General government	10,904,588	8,988,694
Public safety	9,767,822	8,320,367
Health	2,488,603	501,214
All others	2,655,449	2,025,822
	<u>\$ 58,502,083</u>	<u>\$ 26,205,149</u>
Total Program Expenses	<u>\$ 58,502,083</u>	<u>\$ 26,205,149</u>

**Governmental Activities Expenses  
2010**



**Business-Type Activities**

Revenues of Otter Tail County’s business-type activities (see Table 2) for the year ended December 31, 2010, were \$6,995,909. This compares with total operating revenues of \$5,835,431 and total nonoperating revenues of \$266,656 for the year ended December 31, 2009. Operating revenues increased by \$961,511, and nonoperating revenues decreased by \$67,689, resulting in an overall increase in revenues of \$893,822.

Expenses of business-type activities (see Table 2) for the year ended December 31, 2010, were \$6,891,415. This compares with total operating expenses of \$6,170,234 and total nonoperating expenses of \$52,727 for the year ended December 31, 2009. Operating expenses increased by \$713,524, and nonoperating expenses decreased by \$45,070, resulting in an overall increase in expenses of \$668,454, which is due mainly to increased SCORE costs of \$15,886, increased waste management costs of \$272,130, increased household hazardous waste costs of \$22,520, increased processing costs of \$559,683, and increased depreciation of \$12,856, which was offset by a decrease in landfill closure and postclosure care costs of \$169,551, a decrease in interest costs of \$8,111, and a gain on the disposal of a capital asset of \$36,959.

### **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 \$42,213,188, which is greater than last year's total of \$37,845,799. The fund balance change of \$4,367,389 is due to an increase in the General Fund balance of \$133,894, an increase in the Road and Bridge Special Revenue Fund balance of \$1,860,506, an increase in the Human Services Special Revenue Fund balance of \$1,103,137, an increase in the Capital Improvement Special Revenue Fund balance of \$968,327, and an increase in the other governmental funds fund balances of \$301,525.

As you will note, there were significant changes within individual funds. The overall fund balance change represented an 11.54 percent increase. The significant items impacting the individual fund balance changes were previously noted.

Included in this year's total fund balance is the General Fund balance of \$16,025,319, an increase of \$133,894 from 2009. The majority of the General Fund balance is either reserved--\$2,648,557--or unreserved, designated for specific purposes--\$12,734,865. The fund balance in the Capital Improvement Special Revenue Fund increased by \$968,327 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 2010, 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 Tuesday, December 15, 2009, 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 \$364,806. Total actual expenditures in the General Fund were under the budgeted expenditures by \$1,030,008. The budgeted operating transfers in exceeded actual operating transfers in by \$72,735, and budgeted operating transfers out exceeded actual operating transfers out by \$188,879. The variances between the budgeted amounts and the actual amounts are noted by functional area on Exhibit A-1.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2010, Otter Tail County had \$122,155,966 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment (see Table 4). This amount represents a net decrease (including additions and deductions) of \$296,087, or 0.24 percent decrease, over last year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Land	\$ 3,357,784	\$ 3,280,244	\$ 195,934	\$ 195,934	\$ 3,553,718	\$ 3,476,178
Land improvements	311,623	385,480	-	-	311,623	385,480
Buildings and improvements	23,535,342	24,294,096	4,434,250	4,661,433	27,969,592	28,955,529
Machinery, furniture, and equipment	3,555,164	3,994,905	842,777	866,914	4,397,941	4,861,819
Infrastructure	84,606,794	83,354,644	-	-	84,606,794	83,354,644
Landfill	-	-	1,316,298	1,418,403	1,316,298	1,418,403
Totals	\$ 115,366,707	\$ 115,309,369	\$ 6,789,259	\$ 7,142,684	\$ 122,155,966	\$ 122,452,053

During calendar year 2010, Otter Tail County's governmental activities' capital assets, net of depreciation, increased a total of \$57,338. This year's major additions include 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). There were a number of other smaller remodeling and improvement projects completed in 2010.

Otter Tail County's fiscal year 2011 capital budget plans for the expenditure of approximately \$1,539,310 for equipment, vehicles, and remodeling, and \$9,492,700 for road construction projects. Remodeling/construction plans for the original courthouse structure, dispatching, and building security plans continued to be studied and reviewed. It is anticipated that mechanical improvements (heating/cooling) to the original courthouse and remodeling for an updated dispatch center will begin in 2011. More detailed information about Otter Tail County's capital assets can be found in Note 3.A.4. to the financial statements.

## Bonded Debt

As of December 31, 2010, Otter Tail County had \$23,044,276 in bonds and notes outstanding, compared with \$24,858,134 as of December 31, 2009--a decrease of 7.3 percent--as shown in Table 5.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Bonds Payable						
General obligation bonds	\$ 5,715,000	\$ 6,340,000	\$ -	\$ -	\$ 5,715,000	\$ 6,340,000
Revenue bonds	12,325,000	13,230,000	-	-	12,325,000	13,230,000
Lease revenue bonds	5,030,000	5,315,000	-	-	5,030,000	5,315,000
Plus: unamortized premium	24,037	26,500	-	-	24,037	26,500
Less: unamortized discount	(49,761)	(53,366)	-	-	(49,761)	(53,366)
Totals	\$ 23,044,276	\$ 24,858,134	\$ -	\$ -	\$ 23,044,276	\$ 24,858,134

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 \$261,103,386 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 budget, tax rates, and fees that will be charged for the governmental and business-type activities.

- Otter Tail County continues to have 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.
- Cost of fuel for vehicles, heating, and any related petroleum products used for highway maintenance and construction projects vary from year to year.
- 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 the past, 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, the overall County rate for Pay 2011 is 37.013, which is a 7.400 percent increase over the Pay 2010 County rate of 34.458. It is anticipated that the overall County rate for Pay 2012 will increase due to a recent legislative action which eliminates the market value-based residential homestead credit (a state funded program) and replaces that program with a homestead market value exclusion program (a locally funded program), which has the potential to significantly reduce the total net tax capacity of the County; thereby increasing the overall County net tax capacity rate.
- 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 was \$2,193,823. However, in budget year 2009, the County received \$354,942 less than the certified amount. The certified County Program Aid for budget year 2010 was \$1,975,762; however, this amount was reduced by \$720,638. In addition, market value-based homestead credits were also reduced by \$576,556, resulting in a total state-paid aid reduction for 2010 of \$1,297,194. The certified County Program Aid for budget year 2011 is \$1,767,085; however, as of this date, Otter Tail County has received notification from the Department of Revenue that this amount will be reduced by \$511,961. It is also anticipated for the 2011 budget year that market value-based homestead credits will be reduced by approximately \$590,309. The certified County Program Aid for 2011 is \$1,608,642 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 2011, the County Program Aid received in 2011 will be \$2,120,603 less than the 2003 certified amount of \$3,375,727.
- State-imposed levy limitations for calendar year 2010 and 2011 were carefully reviewed to ensure that Otter Tail County had adequate funding to provide the desired level of services and to meet the demands of the public. Consideration and discussions regarding available special levies was an important part of the overall budget review and adoption process. Limitations on the availability of property tax revenue can result in increasing fees charged for services and/or reducing the level of service provided.
- State-imposed levy limitations have been eliminated for budget year 2012; however, other legislative changes and current economic conditions require that, as the budget is developed for 2012, a careful review must be made of revenue sources other than property taxes, as well as reviewing proposed expenditures and how services and programs are delivered to the public.
- The County's expenditures for 2011 are budgeted to decrease approximately 2.2 percent from 2010.

- The net property tax levy for 2011 is scheduled to increase 5.96 percent from 2010.
- Otter Tail County's unemployment rate for 2011 averaged 7.3 percent through July 31, 2011. However, it should be noted that the unemployment rate for the month of July was 6.5 percent. The County's unemployment rate for 2010 averaged 7.2 percent, for 2009 averaged 8.3 percent, for 2008 averaged 6.1 percent, and for 2007 averaged 5.4 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.
- Settling union contracts and employment-related cost/issues will impact future budgets. Employment contracts are in place for 2011 and 2012.
- The existing hiring freeze, organizational structure, and reorganization discussion will continue to 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 and the original courthouse. Remodeling of the second floor courthouse area to accommodate an expanded and updated dispatch center is currently underway, as well as the upgrade of heating and cooling systems that serve this area. Facility needs are reviewed annually as operating and capital budgets are developed.
- 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.
- Outstanding debt issues and refinancing options are reviewed.
- Recent high water issues throughout many parts of Otter Tail County have had significant impact on the County's infrastructure, specifically the County's road system and the County drainage systems. Repairing and building up the roads to keep the County's road system open, functional, and safe has become very expensive. Adequate funding for these specific highway needs is reviewed during budget preparation and development. Addressing issues related to the various drainage systems is time consuming and often costly. If high water issues continue into the future, it may become necessary to add staff with engineering expertise. Drainage system projects generally are paid for by the benefited properties through special assessments; however, budgetary consideration needs to be given as to how the upfront (development, repair and/or construction) costs of these projects are financed prior to the special assessments being levied to reimburse the County for the costs of the projects.



- The implementation of new technology and the costs associated with implementing the technology and with training staff in the proper use of technology. The County will be implementing a new phone system in 2011.
- Other factors considered include:
  - planning and financing for facility needs and the maintenance of existing facilities;
  - 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.

## **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, 2010**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 39,519,301	\$ 3,943,486	\$ 43,462,787
Taxes receivable			
Current	556,046	-	556,046
Prior	312,947	-	312,947
Special assessments receivable			
Current	2,593	-	2,593
Prior	4,188	-	4,188
Deferred	42,173	-	42,173
Accounts receivable	319,296	391,071	710,367
Accrued interest receivable	84,108	-	84,108
Internal balances	1,096,086	(1,096,086)	-
Due from other governments	5,777,013	230,122	6,007,135
Lease receivable	81,820	-	81,820
Inventories	314,467	-	314,467
Restricted assets			
Temporarily restricted			
Cash with escrow agent	764,540	-	764,540
Permanently restricted			
Cash and pooled investments	-	1,263,453	1,263,453
Advance to other governments	7,906	-	7,906
Deferred charges	128,011	-	128,011
Long-term lease receivable	1,173,506	-	1,173,506
Capital assets			
Non-depreciable	3,357,784	195,934	3,553,718
Depreciable - net of accumulated depreciation	112,008,923	6,593,325	118,602,248
<b>Total Assets</b>	<b>\$ 165,550,708</b>	<b>\$ 11,521,305</b>	<b>\$ 177,072,013</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ 883,498	\$ 107,524	\$ 991,022
Salaries payable	1,138,832	63,054	1,201,886
Contracts payable	525,322	-	525,322
Due to other governments	96,319	156,688	253,007
Accrued interest payable	345,411	-	345,411
Unearned revenue	541,179	-	541,179
Employee deposits	161,442	-	161,442
Long-term liabilities			
Due within one year	2,983,388	69,506	3,052,894
Due in more than one year	26,385,597	1,353,935	27,739,532
<b>Total Liabilities</b>	<b>\$ 33,060,988</b>	<b>\$ 1,750,707</b>	<b>\$ 34,811,695</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 1  
(Continued)***

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2010**

	<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	\$ 98,049,010	\$ 6,789,259	\$ 104,838,269
Restricted for			
General government	1,299,661	-	1,299,661
Public safety	63,294	-	63,294
Highways and streets	2,498,560	-	2,498,560
Postclosure care	-	197,586	197,586
Debt service	716,686	-	716,686
Held in trust for other purposes	175,208	-	175,208
Unrestricted	29,687,301	2,783,753	32,471,054
 <b>Total Net Assets</b>	<b>\$ 132,489,720</b>	<b>\$ 9,770,598</b>	<b>\$ 142,260,318</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
<b>Governmental activities</b>		
General government	\$ 10,904,588	\$ 1,465,533
Public safety	9,767,822	472,591
Highways and streets	16,202,746	1,512,688
Sanitation	-	48,671
Human services	16,482,875	1,330,405
Health	2,488,603	758,709
Culture and recreation	875,908	-
Conservation of natural resources	723,891	257,745
Economic development	21,800	-
Interest	1,033,850	-
	<b>\$ 58,502,083</b>	<b>\$ 5,846,342</b>
<b>Total governmental activities</b>		
<b>Business-type activities</b>		
Solid waste	6,891,415	6,796,942
	<b>\$ 65,393,498</b>	<b>\$ 12,643,284</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>
\$ 427,561	\$ 22,800	\$ (8,988,694)	\$ -	\$ (8,988,694)
974,864	-	(8,320,367)	-	(8,320,367)
13,267,715	1,175,507	(246,836)	-	(246,836)
-	-	48,671	-	48,671
9,030,254	-	(6,122,216)	-	(6,122,216)
1,228,680	-	(501,214)	-	(501,214)
115,799	-	(760,109)	-	(760,109)
207,412	-	(258,734)	-	(258,734)
-	-	(21,800)	-	(21,800)
-	-	(1,033,850)	-	(1,033,850)
<b>\$ 25,252,285</b>	<b>\$ 1,198,307</b>	<b>\$ (26,205,149)</b>	<b>\$ -</b>	<b>\$ (26,205,149)</b>
181,410	-	-	86,937	86,937
<b>\$ 25,433,695</b>	<b>\$ 1,198,307</b>	<b>\$ (26,205,149)</b>	<b>\$ 86,937</b>	<b>\$ (26,118,212)</b>
		\$ 25,799,228	\$ -	\$ 25,799,228
		1,785,743	-	1,785,743
		56,787	-	56,787
		56,601	-	56,601
		3,246,807	-	3,246,807
		422,582	-	422,582
		250,342	17,557	267,899
		1,052,038	-	1,052,038
		<b>\$ 32,670,128</b>	<b>\$ 17,557</b>	<b>\$ 32,687,685</b>
		<b>\$ 6,464,979</b>	<b>\$ 104,494</b>	<b>\$ 6,569,473</b>
		<b>126,024,741</b>	<b>9,666,104</b>	<b>135,690,845</b>
		<b>\$ 132,489,720</b>	<b>\$ 9,770,598</b>	<b>\$ 142,260,318</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, 2010**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 13,954,070	\$ 2,309,918
Petty cash and change funds	11,350	50
Undistributed cash in agency funds (taxes and other)	291,595	38,460
Taxes receivable		
Current	281,568	48,741
Prior	158,503	18,919
Special assessments		
Current	-	458
Prior	-	140
Deferred	-	-
Accounts receivable	114,690	3,228
Accrued interest receivable	84,108	-
Due from other funds	90,068	-
Due from other governments	248,046	4,156,056
Lease receivable	1,255,326	-
Advance to other funds	1,110,394	-
Advance to other governments	-	7,906
Inventories	-	314,467
Restricted assets		
Temporarily restricted		
Cash with escrow agent	47,854	-
	<b>\$ 17,647,572</b>	<b>\$ 6,898,343</b>
<b>Total Assets</b>	<b>\$ 17,647,572</b>	<b>\$ 6,898,343</b>

**EXHIBIT 3**

<u>Human Services</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 10,913,686	\$ 7,729,684	\$ 4,084,099	\$ 38,991,457
200	-	-	11,600
127,584	26,490	32,115	516,244
157,097	31,953	36,687	556,046
93,417	23,602	18,506	312,947
-	-	2,135	2,593
-	-	4,048	4,188
-	-	42,173	42,173
201,378	-	-	319,296
-	-	-	84,108
-	158,187	-	248,255
1,348,293	24,618	-	5,777,013
-	-	-	1,255,326
-	-	-	1,110,394
-	-	-	7,906
-	-	-	314,467
-	-	716,686	764,540
<u>\$ 12,841,655</u>	<u>\$ 7,994,534</u>	<u>\$ 4,936,449</u>	<u>\$ 50,318,553</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	<b>General</b>	<b>Road and Bridge</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 285,502	\$ 177,567
Salaries payable	586,652	165,378
Compensated absences	7,579	-
Contracts payable	-	502,322
Due to other funds	160,475	-
Due to other governments	10,403	13,602
Deferred revenue - unavailable	410,200	3,250,091
Deferred revenue - unearned	-	541,179
Advance from other funds	-	-
Employee deposits	161,442	-
	<b>\$ 1,622,253</b>	<b>\$ 4,650,139</b>
<b>Fund Balances</b>		
Reserved for		
Debt service	\$ -	\$ -
Encumbrances	-	224,986
Advances to other funds	1,110,394	-
Inventories	-	314,467
Advances to other governments	-	7,906
Real estate tax shortfall	148,359	-
State-aid highway allotment	-	453,887
Handgun permits	63,294	-
HAVA	22,800	-
Missing heirs	175,208	-
Recorder's compliance fund	512,981	-
Recorder's equipment purchases	615,521	-
Unreserved		
Designated for cash flows	4,249,605	-
Designated for compensated absences	1,674,781	582,008
Designated for property and casualty insurance	248,630	110,553
Designated for interest income generation	6,389,636	-
Designated for equipment replacement	2,362	-
Designated for workers' compensation	156,331	157,626
Designated for E-911	-	-
Designated for veterans' van	13,520	-
Undesignated	641,897	396,771
Unreserved, reported in nonmajor		
Special revenue funds	-	-
Debt service funds	-	-
	<b>\$ 16,025,319</b>	<b>\$ 2,248,204</b>
<b>Total Fund Balances</b>	<b>\$ 16,025,319</b>	<b>\$ 2,248,204</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 17,647,572</b>	<b>\$ 6,898,343</b>

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



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

<u>Human Services</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 411,505	\$ 88	\$ 8,720	\$ 883,382
386,802	-	-	1,138,832
-	-	-	7,579
-	23,000	-	525,322
5,798	-	-	166,273
72,314	-	-	96,319
694,029	44,751	89,560	4,488,631
-	-	-	541,179
-	-	96,406	96,406
-	-	-	161,442
<b>\$ 1,570,448</b>	<b>\$ 67,839</b>	<b>\$ 194,686</b>	<b>\$ 8,105,365</b>
\$ -	\$ -	\$ 716,686	\$ 716,686
-	-	-	224,986
-	-	-	1,110,394
-	-	-	314,467
-	-	-	7,906
-	-	-	148,359
-	-	-	453,887
-	-	-	63,294
-	-	-	22,800
-	-	-	175,208
-	-	-	512,981
-	-	-	615,521
-	-	-	4,249,605
1,419,526	-	-	3,676,315
53,344	-	-	412,527
-	-	-	6,389,636
-	-	-	2,362
50,925	-	-	364,882
-	776,303	-	776,303
-	-	-	13,520
9,747,412	7,150,392	-	17,936,472
-	-	992,836	992,836
-	-	3,032,241	3,032,241
<b>\$ 11,271,207</b>	<b>\$ 7,926,695</b>	<b>\$ 4,741,763</b>	<b>\$ 42,213,188</b>
<b>\$ 12,841,655</b>	<b>\$ 7,994,534</b>	<b>\$ 4,936,449</b>	<b>\$ 50,318,553</b>

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2010**

<b>Fund balances - total governmental funds (Exhibit 3)</b>		<b>\$ 42,213,188</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.		115,366,707
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		4,488,631
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	\$ (5,715,000)	
Revenue bonds	(12,325,000)	
Other postemployment benefits	(532,988)	
Facility lease revenue bonds	(5,030,000)	
Bond discount	49,761	
Bond premiums	(24,037)	
Deferred charges	128,011	
Accrued interest payable	(345,411)	
Compensated absences	(4,480,962)	
Capital leases payable	(1,303,180)	(29,578,806)
<b>Net Assets of Governmental Activities (Exhibit 1)</b>		<b>\$ 132,489,720</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>General</b>	<b>Road and Bridge</b>
<b>Revenues</b>		
Taxes	\$ 14,185,017	\$ 2,379,512
Special assessments	23,593	-
Licenses and permits	356,125	-
Intergovernmental	3,354,986	14,835,214
Charges for services	1,351,639	1,361,972
Fines and forfeits	8,340	-
Gifts and contributions	425	-
Investment earnings	250,859	-
Miscellaneous	740,647	95,162
	<b>\$ 20,271,631</b>	<b>\$ 18,671,860</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 9,745,692	\$ -
Public safety	8,068,939	-
Highways and streets	-	15,767,517
Human services	-	-
Health	-	-
Culture and recreation	872,218	-
Conservation of natural resources	646,302	-
Economic development	21,800	-
<b>Intergovernmental</b>		
Highways and streets	-	1,031,166
<b>Debt service</b>		
Principal	71,930	-
Interest	26	-
	<b>\$ 19,426,907</b>	<b>\$ 16,798,683</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 844,724</b>	<b>\$ 1,873,177</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ 800	\$ -
Transfers out	(768,870)	-
Proceeds from capital lease/installment purchase	57,240	-
	<b>\$ (710,830)</b>	<b>\$ -</b>
<b>Change in Fund Balance</b>	<b>\$ 133,894</b>	<b>\$ 1,873,177</b>
<b>Fund Balance - January 1</b>	<b>15,891,425</b>	<b>387,698</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>(12,671)</b>
<b>Fund Balance - December 31</b>	<b>\$ 16,025,319</b>	<b>\$ 2,248,204</b>

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

**EXHIBIT 5**

<u>Human Services</u>	<u>Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 7,689,760	\$ 1,566,749	\$ 1,785,743	\$ 27,606,781
-	-	65,255	88,848
-	-	-	356,125
11,036,473	422,725	113,566	29,762,964
1,740,527	774	-	4,454,912
-	-	61,832	70,172
-	-	-	425
-	42,932	1,276	295,067
499,378	73,585	548,465	1,957,237
<b><u>\$ 20,966,138</u></b>	<b><u>\$ 2,106,765</u></b>	<b><u>\$ 2,576,137</u></b>	<b><u>\$ 64,592,531</u></b>
\$ -	\$ 222,431	\$ 44,572	\$ 10,012,695
1,065,596	512,902	8,756	9,656,193
-	287,229	-	16,054,746
16,351,324	95,225	19,698	16,466,247
2,446,081	-	-	2,446,081
-	40,652	-	912,870
-	-	74,314	720,616
-	-	-	21,800
-	-	-	1,031,166
-	-	1,815,000	1,886,930
-	-	1,060,341	1,060,367
<b><u>\$ 19,863,001</u></b>	<b><u>\$ 1,158,439</u></b>	<b><u>\$ 3,022,681</u></b>	<b><u>\$ 60,269,711</u></b>
<b><u>\$ 1,103,137</u></b>	<b><u>\$ 948,326</u></b>	<b><u>\$ (446,544)</u></b>	<b><u>\$ 4,322,820</u></b>
\$ -	\$ 20,001	\$ 967,549	\$ 988,350
-	-	(219,480)	(988,350)
-	-	-	57,240
<b><u>\$ -</u></b>	<b><u>\$ 20,001</u></b>	<b><u>\$ 748,069</u></b>	<b><u>\$ 57,240</u></b>
\$ 1,103,137	\$ 968,327	\$ 301,525	\$ 4,380,060
10,168,070	6,958,368	4,440,238	37,845,799
-	-	-	(12,671)
<b><u>\$ 11,271,207</u></b>	<b><u>\$ 7,926,695</u></b>	<b><u>\$ 4,741,763</u></b>	<b><u>\$ 42,213,188</u></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, 2010**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 4,380,060**

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	\$ 4,488,631	
Deferred revenue - January 1	(4,114,100)	374,531

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	\$ 5,582,366	
Current year depreciation	(5,525,028)	57,338

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		(57,240)
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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	\$ 625,000	
Revenue bonds	905,000	
Facility lease revenue bonds	285,000	
Capital lease	71,930	1,886,930

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	\$ 27,659	
Amortization of premiums, discounts, and deferred issuance charges	(15,927)	
Change in compensated absences	21,261	
Change in other postemployment benefits	(196,962)	
Change in inventories	(12,671)	(176,640)

**Change in Net Assets of Governmental Activities (Exhibit 2) \$ 6,464,979**

**PROPRIETARY FUND**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF NET ASSETS  
WASTE MANAGEMENT ENTERPRISE FUND  
DECEMBER 31, 2010**

**Assets**

Current assets	
Cash and pooled investments	\$ 3,851,076
Petty cash and change funds	18,740
Undistributed cash in agency funds	73,670
Accounts receivable	391,071
Due from other funds	2,172
Due from other governments	230,122
	230,122
<b>Total current assets</b>	<b>\$ 4,566,851</b>
Restricted assets	
Cash and pooled investments	\$ 1,263,453
Noncurrent assets	
Capital assets	
Nondepreciable	\$ 195,934
Depreciable - net	6,593,325
	6,593,325
<b>Total noncurrent assets</b>	<b>\$ 6,789,259</b>
<b>Total Assets</b>	<b>\$ 12,619,563</b>

**Liabilities**

Current liabilities	
Accounts payable	\$ 107,524
Salaries payable	63,054
Compensated absences payable	69,506
Due to other funds	84,270
Due to other governments	156,688
Advance from other funds	202,798
	202,798
<b>Total current liabilities</b>	<b>\$ 683,840</b>
Noncurrent liabilities	
Compensated absences payable	\$ 255,091
Advance from other funds	811,190
Estimated liability for landfill closure/postclosure care	1,065,867
Other postemployment benefits liability	32,977
	32,977
<b>Total noncurrent liabilities</b>	<b>\$ 2,165,125</b>
<b>Total Liabilities</b>	<b>\$ 2,848,965</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, 2010**

<u>Net Assets</u>	
Invested in capital assets	\$ 6,789,259
Restricted for postclosure care costs	197,586
Unrestricted	<u>2,783,753</u>
<b>Total Net Assets</b>	<b><u><u>\$ 9,770,598</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, 2010**

<b>Operating Revenues</b>	
Charges for services	\$ 5,966,747
Licenses and permits	5,300
Sale of recyclable materials	824,895
	<hr/>
<b>Total Operating Revenues</b>	<b>\$ 6,796,942</b>
<b>Operating Expenses</b>	
SCORE	\$ 1,137,731
Waste management	3,397,263
Household hazardous waste	146,519
Processing costs	1,616,487
Depreciation	608,105
Landfill closure and postclosure care costs	(22,347)
	<hr/>
<b>Total Operating Expenses</b>	<b>\$ 6,883,758</b>
<b>Operating Income (Loss)</b>	<b>\$ (86,816)</b>
<b>Nonoperating Revenues (Expenses)</b>	
Intergovernmental	\$ 174,925
Interest income	17,557
Interest income restricted for sanitation	6,485
Gain on disposal of capital assets	36,959
Interest expense	(44,616)
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 191,310</b>
<b>Change in Net Assets</b>	<b>\$ 104,494</b>
<b>Net Assets - January 1</b>	<b>9,666,104</b>
	<hr/>
<b>Net Assets - December 31</b>	<b>\$ 9,770,598</b>
	<hr/> <hr/>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT 9*

**STATEMENT OF CASH FLOWS  
WASTE MANAGEMENT ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 6,650,790
Payments to suppliers	(4,690,537)
Payments to employees	(1,501,131)
	<u>459,122</u>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 459,122</b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Intergovernmental	\$ <u>174,925</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from the sale of capital assets	\$ 36,959
Purchases of capital assets	(373,038)
Interest paid on advance	(48,672)
Payment on advance from other funds	(202,798)
	<u>(587,549)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ (587,549)</b>
<b>Cash Flows from Investing Activities</b>	
Investment earnings received	\$ <u>24,013</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 70,511</b>
<b>Cash and Cash Equivalents at January 1</b>	<u>5,136,428</u>
<b>Cash and Cash Equivalents at December 31</b>	<u><u>\$ 5,206,939</u></u>
<b>Cash and Cash Equivalents - Exhibit 7</b>	
Cash and pooled investments	\$ 3,851,076
Petty cash and change funds	18,740
Undistributed cash in agency funds	73,670
Restricted cash and pooled investments	1,263,453
	<u>5,206,939</u>
<b>Total Cash and Cash Equivalents</b>	<b>\$ <u><u>5,206,939</u></u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 9  
(Continued)**

**STATEMENT OF CASH FLOWS  
WASTE MANAGEMENT ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Reconciliation of Operating Income (Loss) to Net Cash</b>	
<b>Provided by (Used in) Operating Activities</b>	
<b>Operating income (loss)</b>	<b><u>\$ (86,816)</u></b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 608,105
(Increase) decrease in accounts receivable	(68,168)
(Increase) decrease in due from other governments	(78,020)
(Increase) decrease in due from other funds	35
Increase (decrease) in accounts payable	(19,368)
Increase (decrease) in salaries payable	(1,986)
Increase (decrease) in compensated absences - current	2,547
Increase (decrease) in due to other funds	84,270
Increase (decrease) in due to other governments	27,241
Increase (decrease) in compensated absences - long-term	1,521
Increase (decrease) in other postemployment benefits liability	12,108
Increase (decrease) in landfill closure/postclosure care costs	<u>(22,347)</u>
<b>Total adjustments</b>	<b><u>\$ 545,938</u></b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u><u>\$ 459,122</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, 2010**

<u>Assets</u>	
Cash and pooled investments	\$ 1,360,308
Accounts receivable	41
Due from other funds	<u>746,119</u>
<b>Total Assets</b>	<b><u><u>\$ 2,106,468</u></u></b>
 <u>Liabilities</u>	
Accounts payable	\$ 22,480
Due to other funds	746,003
Due to other governments	<u>1,337,985</u>
<b>Total Liabilities</b>	<b><u><u>\$ 2,106,468</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, 2010

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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, 2010. 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.C. The County also participates in the jointly-governed organizations described in Note 8.D.

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 fair value at December 31, 2010, 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 2010 were \$320,560.

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 2007, 2008, 2009, and 2010, the City made payments of \$10,000. The remaining balance of \$7,906 as of December 31, 2010, will be repaid 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 straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**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, 4 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, 2010.

Account balances	\$ 168,459
Account deficits	<u>(87,648)</u>
Fund Balance	<u>\$ 80,811</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 \$126,670, 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, 2010.

	Expenditures	Final Budget	Excess
County Ditch Special Revenue Fund	\$ 74,314	\$ 20,000	\$ 54,314
Debt Service Funds			
Chemical Dependency	550,996	548,678	2,318
Ethanol Plant	765,900	765,018	882
Government Service Center	940,662	939,244	1,418
Sheriff Operations	492,668	491,900	768
Veterans Home	125,115	124,365	750

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	\$ 43,462,787	
Restricted assets		
Cash with escrow agent	764,540	
Cash and pooled investments	1,263,453	
Fiduciary assets		
Cash and pooled investments		
Agency funds		1,360,308
Total Cash and Investments		\$ 46,851,088

**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 and 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, 2010, the County's bank deposits were exposed to custodial credit risk in the amount of \$36,409 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.

**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)

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

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, 2010, \$367,081 of government securities and \$5,606,378 of U.S. Treasuries were exposed to custodial credit risk because they were held by the counterparty.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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.

The following table represents the County's deposit and investment balances at December 31, 2010, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Risk Maturity Date	
U.S. government agency securities					
Federal National Mortgage Association	N/R	N/A		08/25/2018	\$ 221,873
Federal National Mortgage Association	N/R	N/A		08/25/2018	150,134
Federal National Mortgage Association	N/R	N/A		06/25/2022	25,800
Total Federal National Mortgage Association			<5.0%		\$ 397,807
U.S. Treasury Note	N/A	N/A		08/31/2011	\$ 1,028,828
U.S. Treasury Note	N/A	N/A		11/30/2011	1,004,102
U.S. Treasury Note	N/A	N/A		05/31/2012	1,004,927
U.S. Treasury Note	N/A	N/A		09/30/2012	997,774
U.S. Treasury Note	N/A	N/A		10/31/2012	997,110
U.S. Treasury Note	N/A	N/A		12/31/2012	1,000,703
Total U.S. Treasury Notes			N/A		\$ 6,033,444
U.S. Treasury Bond - Stripped	N/A	N/A		08/15/2017	\$ 13,388
U.S. Treasury Bond - Stripped	N/A	N/A		08/15/2019	28,820
Total U.S. Treasury Bonds - Stripped			N/A		\$ 42,208
Mutual Fund					
Wells Fargo Government Backed	N/R	N/A	N/A	N/A	\$ 7,803,080
Total investments					\$ 14,276,539
Deposits					31,779,669
Cash with escrow agent					764,540
Change funds					30,340
Total Cash and Investments					\$ 46,851,088

N/R - Not Rated; N/A - Not Applicable



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2010, 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	\$ 868,993	\$ -
Special assessments	48,954	-
Accounts	319,296	-
Interest	84,108	-
Due from other governments	5,777,013	-
Total Governmental Activities	\$ 7,098,364	\$ -
Business-Type Activities		
Accounts	\$ 391,071	\$ -
Due from other governments	230,122	-
Total Business-Type Activities	\$ 621,193	\$ -

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 (principal plus interest) for the Public Purpose Lease Revenue Bonds, Series 2009A.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

3. Leases Receivable (Continued)

Otter Tail County has leased seven 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.

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, 2010. The amounts for 2011 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>
2011	\$ 40,000	\$ 41,820
2012	40,000	41,820
2013	40,000	41,820
2014	45,000	12,720
2015	45,000	-
2016 - 2020	265,000	-
2021 - 2025	340,000	-
2026 - 2029	350,000	-
Total leases	\$ 1,165,000	\$ 138,180
Funds in escrow	(47,854)	-
Total Leases Receivable	<u>\$ 1,117,146</u>	<u>\$ 138,180</u>
Due Within One Year	<u>\$ 40,000</u>	<u>\$ 41,820</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, 2010, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 3,280,244	\$ 77,540	\$ -	\$ 3,357,784
Capital assets depreciated				
Land improvements	\$ 924,757	\$ -	\$ -	\$ 924,757
Buildings	28,054,342	-	-	28,054,342
Building improvements	3,836,527	40,652	-	3,877,179
Machinery, furniture, and equipment	13,449,427	657,264	850,920	13,255,771
Infrastructure	127,404,392	4,806,910	-	132,211,302
Total capital assets depreciated	\$ 173,669,445	\$ 5,504,826	\$ 850,920	\$ 178,323,351
Less: accumulated depreciation for				
Land improvements	\$ 539,277	\$ 73,857	\$ -	\$ 613,134
Buildings	6,874,136	691,194	-	7,565,330
Building improvements	722,637	108,212	-	830,849
Machinery, furniture, and equipment	9,454,522	1,097,005	850,920	9,700,607
Infrastructure	44,049,748	3,554,760	-	47,604,508
Total accumulated depreciation	\$ 61,640,320	\$ 5,525,028	\$ 850,920	\$ 66,314,428
Total capital assets depreciated, net	\$ 112,029,125	\$ (20,202)	\$ -	\$ 112,008,923
Governmental Activities				
Capital Assets, Net	\$ 115,309,369	\$ 57,338	\$ -	\$ 115,366,707

**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
Capital assets depreciated				
Buildings	\$ 6,710,609	\$ -	\$ -	\$ 6,710,609
Landfill	2,848,323	35,255	-	2,883,578
Machinery, furniture, and equipment	2,417,622	219,425	142,222	2,494,825
Total capital assets depreciated	\$ 11,976,554	\$ 254,680	\$ 142,222	\$ 12,089,012
Less: accumulated depreciation for				
Buildings	\$ 2,049,177	\$ 227,182	\$ -	\$ 2,276,359
Landfill	1,429,919	137,361	-	1,567,280
Machinery, furniture, and equipment	1,550,708	243,562	142,222	1,652,048
Total accumulated depreciation	\$ 5,029,804	\$ 608,105	\$ 142,222	\$ 5,495,687
Total capital assets depreciated, net	\$ 6,946,750	\$ (353,425)	\$ -	\$ 6,593,325
Business-Type Activities				
Capital Assets, Net	\$ 7,142,684	\$ (353,425)	\$ -	\$ 6,789,259

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

Governmental Activities	
General government	\$ 984,055
Public safety	496,519
Highways and streets, including depreciation of infrastructure assets	3,984,365
Human services	43,621
Culture and recreation	3,690
Health	12,778
	\$ 5,525,028
Total Depreciation Expense - Governmental Activities	\$ 5,525,028
Business-Type Activities	
Solid waste	\$ 608,105

**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, 2010, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Human Services Special Revenue Fund	\$ 5,798
	Waste Management Enterprise Fund	84,270
Total due to General Fund		\$ 90,068
Capital Improvement Special Revenue Fund	General Fund	\$ 158,187
Waste Management Enterprise Fund	General Fund	\$ 2,172
Agency Funds School District	Agency Funds Taxes and Penalties Fund	\$ 306,123
Hospital Districts	Taxes and Penalties Fund	12,974
Otter Tail Lakes Area Sewer District	Taxes and Penalties Fund	679
State Tax	Taxes and Penalties Fund	68,653
Towns and Cities	Taxes and Penalties Fund	355,305
Watershed District	Taxes and Penalties Fund	2,269
Family Services Collaborative	General Fund	116
Total due to Agency Funds		\$ 746,119
Total Due To/From Other Funds		\$ 996,546

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.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	County Ditch Special Revenue Fund	\$ 96,406
	Waste Management Enterprise Fund	1,013,988
Total General Fund		\$ 1,110,394

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 annual principal and semi-annual interest payments through July 1, 2015.

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2010, consisted of the following:

Transfer to General Fund from Sheriff's Contingent Special Revenue Fund	\$ 800	To transfer excess funds from the contingent fund balance.
Transfer to Capital Improvement Special Revenue Fund from Construction Capital Projects Fund	20,001	To transfer funds to close the capital projects fund due to completion.
Transfer to Ethanol Plant Debt Service Fund from General Fund	640,115	To transfer funds to use for debt service expenditures.
Transfer to Sheriff Operations Debt Service Fund from Construction Capital Projects Fund	198,679	To transfer funds to close the capital projects fund due to completion.
Transfer to Construction Capital Projects Fund from General Fund	128,755	To transfer funds to close the capital projects fund due to completion.
Total Transfers Between Funds	\$ 988,350	

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2010, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts	\$ 883,498	\$ 107,524
Salaries	1,138,832	63,054
Contracts	525,322	-
Due to other governments	96,319	156,688
Employee deposits	161,442	-
	<u>\$ 2,805,413</u>	<u>\$ 327,266</u>

2. Deferred Revenue

Deferred revenue as of December 31, 2010, for the County's governmental funds is as follows:

	<u>Deferred Unavailable</u>	<u>Deferred Unearned</u>
Governmental funds		
Taxes	\$ 737,270	\$ -
State-aid highway allotments	2,575,463	-
Charges for services	132,751	-
Grants	988,016	541,179
Accrued interest	55,131	-
	<u>\$ 4,488,631</u>	<u>\$ 541,179</u>

3. Construction Commitments

The government has active construction projects as of December 31, 2010.

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
Roads and Bridges		
Road and bridge projects	\$ 251,364	\$ 224,986

**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 2010, the County expended \$1,446 for these benefits.

5. Capital Leases

The County has entered into lease agreements as a lessee for financing the acquisition of a new headquarters office building for the Viking Library System and seven vehicles for the West Central Minnesota Narcotics Task Force. These capital leases consist of the following at December 31, 2010:

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original Amount</u>	<u>Balance</u>
Governmental Activities					
2010 Viking Library System	2029	Annually	\$40,000 - \$95,000	\$ 1,200,000	\$ 1,165,000
2009 Task Force vehicles	2013	Quarterly	\$29,100	130,950	87,300
2010 Task Force vehicles	2014	Quarterly	\$12,720	57,240	50,880
Total Governmental Activities					\$ 1,303,180



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Capital Leases (Continued)

The future minimum lease obligations as of December 31, 2010, were as follows:

Year Ending December 31	Governmental Activities
2011	\$ 81,820
2012	81,820
2013	81,820
2014	57,720
2015	45,000
2016 - 2020	265,000
2021 - 2025	340,000
2026 - 2029	350,000
Total Payments	\$ 1,303,180

As shown in Note 3.A.3., the Viking Library System and the West Central Minnesota Narcotics Task Force pay lease amounts to the County that equal the annual debt service (principal plus interest). To offset these receivables, the County liability is shown as the total of the scheduled payments rather than the present value of their future lease payments.

6. Long-Term Debt

Governmental Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2010
General obligation bonds					
2004 Veterans Home Refunding Bonds	2016	\$100,000 - \$125,000	2.05 - 3.70	\$ 1,050,000	\$ 670,000
2007 Tax Abatement Bonds	2019	\$480,000 - \$640,000	4.05 - 5.00	5,245,000	5,045,000
Total general obligation bonds				\$ 6,295,000	\$ 5,715,000
Add: unamortized premium					11,579
Total General Obligation Bonds, Net					\$ 5,726,579

**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, 2010
Revenue bonds					
2002 Government Services Building Lease Housing and Redevelopment Authority Revenue Bonds	2019	\$625,000 - \$930,000	3.50 - 5.00	\$ 9,995,000	\$ 6,795,000
2007 Public Project Housing and Redevelopment Authority Revenue Bonds	2024	\$320,000 - \$515,000	3.40 - 4.50	<u>6,140,000</u>	<u>5,530,000</u>
Total revenue bonds				<u>\$ 16,135,000</u>	\$ 12,325,000
Less: unamortized discount					<u>(49,761)</u>
Total Revenue Bonds, Net					<u>\$ 12,275,239</u>
Lease revenue bonds					
2007 Law Enforcement Lease Housing and Redevelopment Authority Revenue Bonds	2023	\$295,000 - \$495,000	4.00	<u>\$ 5,590,000</u>	\$ 5,030,000
Add: unamortized premium					<u>12,458</u>
Total Lease Revenue Bonds, Net					<u>\$ 5,042,458</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

7. Debt Service Requirements

Debt service requirements at December 31, 2010, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
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	680,000	137,008	1,115,000	365,545
2016 - 2020	2,565,000	245,396	5,470,000	979,678
2021 - 2024	-	-	1,725,000	177,318
Total	\$ 5,715,000	\$ 1,193,197	\$ 12,325,000	\$ 3,448,983

Year Ending December 31	Lease Revenue Bonds	
	Principal	Interest
2011	\$ 295,000	\$ 195,300
2012	310,000	183,200
2013	320,000	170,600
2014	335,000	157,500
2015	350,000	143,800
2016 - 2020	1,995,000	491,500
2021 - 2023	1,425,000	87,100
Total	\$ 5,030,000	\$ 1,429,000

**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, 2010, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 6,340,000	\$ -	\$ 625,000	\$ 5,715,000	\$ 580,000
Revenue bonds	13,230,000	-	905,000	12,325,000	945,000
Lease revenue bonds	5,315,000	-	285,000	5,030,000	295,000
Add: unamortized premium	26,500	-	2,463	24,037	-
Less: unamortized discount	(53,366)	-	(3,605)	(49,761)	-
Total bonds payable	\$ 24,858,134	\$ -	\$ 1,813,858	\$ 23,044,276	\$ 1,820,000
Capital leases	1,317,870	57,240	71,930	1,303,180	81,820
Compensated absences	4,502,223	2,182,338	2,196,020	4,488,541	1,081,568
OPEB liability	336,026	196,962	-	532,988	-
Governmental Activities Long-Term Liabilities	<u>\$ 31,014,253</u>	<u>\$ 2,436,540</u>	<u>\$ 4,081,808</u>	<u>\$ 29,368,985</u>	<u>\$ 2,983,388</u>

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Estimated liability for landfill closure/postclosure care costs	\$ 1,088,214	\$ -	\$ 22,347	\$ 1,065,867	\$ -
Compensated absences	320,530	123,102	119,035	324,597	69,506
OPEB liability	20,869	12,108	-	32,977	-
Business-Type Activities Long-Term Liabilities	<u>\$ 1,429,613</u>	<u>\$ 135,210</u>	<u>\$ 141,382</u>	<u>\$ 1,423,441</u>	<u>\$ 69,506</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 General 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.

General 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, and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

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. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

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. Defined retirement benefits are based on a member's highest average yearly salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

Two methods are used to compute benefits for General Employees Retirement Fund 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 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 General 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 General 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 General 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.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans (Continued)

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. General 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 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 2010:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.00
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2010, 2009, and 2008, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	2010	2009	2008
General Employees Retirement Fund	\$ 1,206,029	\$ 1,054,631	\$ 1,099,087
Public Employees Police and Fire Fund	308,116	289,511	274,160
Public Employees Correctional Fund	141,357	131,732	136,133

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans (Continued)

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.

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, 2010, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 5,301	\$ 5,301
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.



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Otter Tail County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees.

This results in the retirees receiving an implicit rate subsidy. For 2010, there were approximately 421 participants in the plan, including 34 retirees and surviving spouses.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$ 305,833
Interest on net OPEB obligation	16,060
Adjustment to ARC	<u>(21,623)</u>
Annual OPEB cost (expense)	\$ 300,270
Contributions made	<u>(91,200)</u>
Increase in net OPEB obligation	\$ 209,070
Net OPEB Obligation - Beginning of Year	<u>356,895</u>
Net OPEB Obligation - End of Year	<u>\$ 565,965</u>

The County's annual OPEB cost for December 31, 2010, was \$300,270. The percentage of annual OPEB cost contributed to the plan was 30.0 percent, and the net OPEB obligation for 2010 was \$565,965.

**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)

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.

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 2010 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, 2008	\$ 189,820	\$ -	-	\$ 189,820
December 31, 2009	293,084	126,009	43.0	356,895
December 31, 2010	300,270	91,200	30.0	565,965

Funded Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$2,667,501, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,667,501. The covered payroll (annual payroll of active employees covered by the plan) was \$19,419,051, and the ratio of the UAAL to the covered payroll was 13.7 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 - Other Postemployment Benefits, 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 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, 2010, 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 8.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 7 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, 2010, was 27 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 \$1,065,867 landfill closure and postclosure care liability at December 31, 2010, represents the cumulative amount reported to date based on the use of 75 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$176,752 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2010. 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, 2010, investments of \$1,263,453 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). 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 \$450,000 per claim in 2010 and 2011. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and the County pays an annual premium to cover current and future losses. 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, 2010, the outstanding principal amount was \$20,000,000. Otter Tail Ag Enterprises, LLC, filed for bankruptcy in 2010. The debt will be settled with the bond holders as a part of the bankruptcy proceeding.

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, 2010, the outstanding principal amount payable was \$695,612.

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, 2010, the outstanding principal amount payable was \$3,651,968.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

A. Contingency - Ethanol Plant Bankruptcy Settlement

In 2007, the County issued General Obligation Tax Abatement Bonds of \$6,010,000 and signed a lease agreement with Otter Tail Ag Enterprises, LLC. Otter Tail Ag Enterprises agreed to repay the bonds, but did not make the payments. The County has been making the bond payments. At December 31, 2010, \$5,045,000 remained outstanding on the bonds. Otter Tail Ag Enterprises filed for bankruptcy in 2010. In January 2011, the County Board accepted a proposed stipulation agreement that establishes the County's claim in the bankruptcy at \$6,010,000. The County received two of three distributions totaling \$3,741,869 in 2011. The amount of the third distribution to the County has not yet been determined.

B. Contingent Liabilities

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

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal 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.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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

C. Joint Ventures

West Central Area Agency on Aging

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

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

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

Complete financial information can be obtained from:

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

Minnesota River Basin

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Minnesota River Basin (Continued)

In the event of termination of the agreement, all property, real and personal, held by the Joint Powers Board shall be distributed by resolution of the policy committee to best accomplish the continuing purpose of the project.

Control is vested in an Executive Board of five officers elected from the membership of the Joint Powers Board, consisting of one representative and alternate from each County Board of Commissioners included in this agreement.

During 2010, Otter Tail County did not contribute any funds to the Joint Powers Board.

Separate financial information can be obtained from:

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

West Central Minnesota Drug Task Force

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

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

Fiscal agent responsibilities for the Task Force are with Douglas County. Financing and equipment will be provided by the full-time and associate member agencies. Otter Tail County did not contribute any funds to this organization in 2010.



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Pomme de Terre River Association

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

Central Minnesota Regional Radio Board

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

The purpose of the Central Minnesota Regional Radio Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

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

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Central Minnesota Regional Radio Board (Continued)

The Central Minnesota Regional Radio Board has no long-term debt. Financing is provided by appropriations from member parties and by state and federal grants. During 2010, 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

Prairie Lakes Municipal Solid Waste Authority Joint Powers Board

The Prairie Lakes Municipal Solid Waste Authority Joint Powers Board was established in 2010, under the authority conferred upon the member parties by Minn. Stat. §§ 471.59, 115A, and 400, and includes Becker, Otter Tail, Todd, and Wadena Counties.

The purpose of the Prairie Lakes Municipal Solid Waste Authority Joint Powers Board is to jointly exercise powers common to each participating party dealing with the ownership and operation of the Perham Resource Recovery Facility, as well as cooperation with efforts in other solid waste management activities that affect the operations of the Perham Resource Recovery Facility. The Prairie Lakes Municipal Solid Waste Authority Joint Powers Board is composed of one Commissioner each from Becker, Todd, and Wadena Counties, and two members from the Otter Tail County Board. Each party may appoint alternate Board members and shall represent one vote on the Board.

In the event of dissolution of the Prairie Lakes Municipal Solid Waste Authority Joint Powers Board, all assets and liabilities of the Board shall be distributed and/or retired based on the contracted debt obligation of each of the parties of the agreement providing such entity is a party to the agreement at the time of the discharge of assets and liabilities.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Prairie Lakes Municipal Solid Waste Authority Joint Powers Board (Continued)

Otter Tail County, in an agent capacity, reports the cash transactions of the Board as an agency fund on its financial statements. During 2010, the County did not contribute any funds to the Board.

D. 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.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

Otter Tail County Family Services Collaborative (Continued)

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 2010, the County did not contribute any funds to the Collaborative.

9. Subsequent Event

Prairie Lakes Municipal Solid Waste Authority Bonds

On June 1, 2011, the County issued General Obligation Disposal System Revenue Bonds, Series 2011, of \$10,475,000. The purpose of the bonds is to finance the cost of the acquisition and improvement of the solid waste facilities known as the Perham Resource Recovery Facility.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 14,450,097	\$ 14,450,097	\$ 14,185,017	\$ (265,080)
Special assessments	20,742	20,742	23,593	2,851
Licenses and permits	324,300	324,300	356,125	31,825
Intergovernmental	3,286,525	3,286,525	3,354,986	68,461
Charges for services	1,181,104	1,181,104	1,351,639	170,535
Fines and forfeits	35,000	35,000	8,340	(26,660)
Gifts and contributions	2,000	2,000	425	(1,575)
Investment earnings	577,467	577,467	250,859	(326,608)
Miscellaneous	759,202	759,202	740,647	(18,555)
<b>Total Revenues</b>	<b>\$ 20,636,437</b>	<b>\$ 20,636,437</b>	<b>\$ 20,271,631</b>	<b>\$ (364,806)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 335,777	\$ 335,777	\$ 334,052	\$ 1,725
Courts	30,000	30,000	39,018	(9,018)
Public defender	233,520	233,520	141,300	92,220
Personnel coordinator	477,546	477,546	455,838	21,708
County auditor	757,716	757,716	760,857	(3,141)
License bureau	380,720	380,720	379,734	986
County treasurer	323,980	323,980	306,252	17,728
County assessor	1,045,719	1,045,719	990,071	55,648
Elections	203,665	203,665	163,471	40,194
Accounting and auditing	118,000	118,000	107,097	10,903
Board of adjustments	24,376	24,376	20,843	3,533
Data processing	966,159	966,159	849,449	116,710
Attorney	1,157,003	1,164,503	1,143,609	20,894
Recorder	394,908	394,908	595,477	(200,569)
Planning and zoning	970,838	970,838	935,266	35,572
Environmental services	34,700	34,700	20,995	13,705
Buildings and plant	2,008,593	2,008,593	1,806,333	202,260
Veterans service officer	323,022	323,022	314,389	8,633
Unallocated	686,553	689,096	381,641	307,455
<b>Total general government</b>	<b>\$ 10,472,795</b>	<b>\$ 10,482,838</b>	<b>\$ 9,745,692</b>	<b>\$ 737,146</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ 4,944,225	\$ 4,944,225	\$ 4,757,776	\$ 186,449
Boat and water safety	129,976	129,976	98,650	31,326
Coroner	79,920	79,920	100,496	(20,576)
County jail	3,123,171	3,123,171	2,703,052	420,119
DARE program	12,500	12,500	10,044	2,456
Civil defense	22,800	22,800	60,260	(37,460)
Geographical information survey	297,038	297,038	338,661	(41,623)
<b>Total public safety</b>	<b>\$ 8,609,630</b>	<b>\$ 8,609,630</b>	<b>\$ 8,068,939</b>	<b>\$ 540,691</b>
<b>Culture and recreation</b>				
Historical society	\$ 48,273	\$ 48,273	\$ 48,273	\$ -
Tourism	30,000	30,000	30,000	-
County fairs	26,000	26,000	26,000	-
Phelps Mill Park	44,810	44,810	42,609	2,201
Humane society	57,159	57,159	57,159	-
Viking Library	481,478	481,478	481,478	-
Snowmobile trails	-	-	186,699	(186,699)
<b>Total culture and recreation</b>	<b>\$ 687,720</b>	<b>\$ 687,720</b>	<b>\$ 872,218</b>	<b>\$ (184,498)</b>
<b>Conservation of natural resources</b>				
County extension	\$ 350,441	\$ 350,441	\$ 344,402	\$ 6,039
Soil and water conservation	158,546	158,546	158,546	-
Predator control	5,500	5,500	5,250	250
Lake improvement districts	140,440	140,440	137,513	2,927
Other conservation	-	-	591	(591)
<b>Total conservation of natural resources</b>	<b>\$ 654,927</b>	<b>\$ 654,927</b>	<b>\$ 646,302</b>	<b>\$ 8,625</b>
<b>Economic development</b>				
Community development	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Rural life outreach	1,000	1,000	1,000	-
Other economic development	800	800	800	-
<b>Total economic development</b>	<b>\$ 21,800</b>	<b>\$ 21,800</b>	<b>\$ 21,800</b>	<b>\$ -</b>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ -	\$ -	\$ 71,930	\$ (71,930)
Interest	-	-	26	(26)
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 71,956</b>	<b>\$ (71,956)</b>
<b>Total Expenditures</b>	<b>\$ 20,446,872</b>	<b>\$ 20,456,915</b>	<b>\$ 19,426,907</b>	<b>\$ 1,030,008</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 189,565</b>	<b>\$ 179,522</b>	<b>\$ 844,724</b>	<b>\$ 665,202</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 73,535	\$ 73,535	\$ 800	\$ (72,735)
Transfers out	(957,749)	(957,749)	(768,870)	188,879
Proceeds from capital lease/installment purchase	-	-	57,240	57,240
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (884,214)</b>	<b>\$ (884,214)</b>	<b>\$ (710,830)</b>	<b>\$ 173,384</b>
<b>Net Change in Fund Balance</b>	<b>\$ (694,649)</b>	<b>\$ (704,692)</b>	<b>\$ 133,894</b>	<b>\$ 838,586</b>
<b>Fund Balance - January 1</b>	<b>15,891,425</b>	<b>15,891,425</b>	<b>15,891,425</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 15,196,776</b>	<b>\$ 15,186,733</b>	<b>\$ 16,025,319</b>	<b>\$ 838,586</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,447,558	\$ 2,447,558	\$ 2,379,512	\$ (68,046)
Intergovernmental	14,636,192	14,636,192	14,835,214	199,022
Charges for services	201,300	201,300	1,361,972	1,160,672
Miscellaneous	19,000	19,000	95,162	76,162
<b>Total Revenues</b>	<b>\$ 17,304,050</b>	<b>\$ 17,304,050</b>	<b>\$ 18,671,860</b>	<b>\$ 1,367,810</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 522,500	\$ 522,500	\$ 542,429	\$ (19,929)
Maintenance	4,427,650	4,427,650	3,724,827	702,823
Construction	10,309,700	10,309,700	10,576,466	(266,766)
Equipment maintenance and shop	1,087,700	1,087,700	919,130	168,570
Materials and services for resale	1,000	1,000	4,665	(3,665)
<b>Total highways and streets</b>	<b>\$ 16,348,550</b>	<b>\$ 16,348,550</b>	<b>\$ 15,767,517</b>	<b>\$ 581,033</b>
<b>Intergovernmental</b>				
Highways and streets	955,500	955,500	1,031,166	(75,666)
<b>Total Expenditures</b>	<b>\$ 17,304,050</b>	<b>\$ 17,304,050</b>	<b>\$ 16,798,683</b>	<b>\$ 505,367</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,873,177</b>	<b>\$ 1,873,177</b>
<b>Fund Balance - January 1</b>	<b>387,698</b>	<b>387,698</b>	<b>387,698</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>(12,671)</b>	<b>(12,671)</b>
<b>Fund Balance - December 31</b>	<b>\$ 387,698</b>	<b>\$ 387,698</b>	<b>\$ 2,248,204</b>	<b>\$ 1,860,506</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 7,876,716	\$ 7,876,716	\$ 7,689,760	\$ (186,956)
Intergovernmental	11,174,821	11,174,821	11,036,473	(138,348)
Charges for services	1,458,314	1,458,314	1,740,527	282,213
Miscellaneous	501,700	501,700	499,378	(2,322)
<b>Total Revenues</b>	<b>\$ 21,011,551</b>	<b>\$ 21,011,551</b>	<b>\$ 20,966,138</b>	<b>\$ (45,413)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Community corrections	\$ 1,069,337	\$ 1,069,337	\$ 1,065,596	\$ 3,741
<b>Human services</b>				
Income maintenance	\$ 4,581,061	\$ 4,581,061	\$ 4,422,101	\$ 158,960
Social services	12,911,401	12,911,401	11,580,164	1,331,237
Fuel assistance	-	-	349,059	(349,059)
<b>Total human services</b>	<b>\$ 17,492,462</b>	<b>\$ 17,492,462</b>	<b>\$ 16,351,324</b>	<b>\$ 1,141,138</b>
<b>Health</b>				
Nursing service	\$ 2,449,752	\$ 2,449,752	\$ 2,446,081	\$ 3,671
<b>Total Expenditures</b>	<b>\$ 21,011,551</b>	<b>\$ 21,011,551</b>	<b>\$ 19,863,001</b>	<b>\$ 1,148,550</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,103,137</b>	<b>\$ 1,103,137</b>
<b>Fund Balance - January 1</b>	<b>10,168,070</b>	<b>10,168,070</b>	<b>10,168,070</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 10,168,070</b>	<b>\$ 10,168,070</b>	<b>\$ 11,271,207</b>	<b>\$ 1,103,137</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT A-4**

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,603,245	\$ 1,603,245	\$ 1,566,749	\$ (36,496)
Intergovernmental	223,922	223,922	422,725	198,803
Charges for services	-	-	774	774
Investment earnings	105,000	105,000	42,932	(62,068)
Miscellaneous	66,950	66,950	73,585	6,635
<b>Total Revenues</b>	<b>\$ 1,999,117</b>	<b>\$ 1,999,117</b>	<b>\$ 2,106,765</b>	<b>\$ 107,648</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
License bureau	\$ -	\$ -	\$ 998	\$ (998)
County assessor	17,000	17,000	-	17,000
Elections	84,500	84,500	49,312	35,188
Data processing	180,000	180,000	146,121	33,879
Attorney	8,500	8,500	-	8,500
Planning and zoning	27,000	27,000	-	27,000
Transit	-	-	26,000	(26,000)
<b>Total general government</b>	<b>\$ 317,000</b>	<b>\$ 317,000</b>	<b>\$ 222,431</b>	<b>\$ 94,569</b>
<b>Public safety</b>				
Sheriff	\$ 394,800	\$ 394,800	\$ 293,262	\$ 101,538
Boat and water safety	-	-	14,261	(14,261)
Emergency services	-	-	109,350	(109,350)
Radio board	-	-	66,579	(66,579)
County jail	39,500	39,500	12,290	27,210
Geographical information survey	15,000	15,000	15,068	(68)
Court services	51,500	51,500	2,092	49,408
<b>Total public safety</b>	<b>\$ 500,800</b>	<b>\$ 500,800</b>	<b>\$ 512,902</b>	<b>\$ (12,102)</b>
<b>Highways and streets</b>				
Maintenance	\$ 47,025	\$ 47,025	\$ -	\$ 47,025
Construction	291,555	291,555	-	291,555
Equipment and maintenance shop	711,420	711,420	287,229	424,191
<b>Total highways and streets</b>	<b>\$ 1,050,000</b>	<b>\$ 1,050,000</b>	<b>\$ 287,229</b>	<b>\$ 762,771</b>
<b>Human services</b>				
Social services	\$ 72,000	\$ 72,000	\$ 95,225	\$ (23,225)

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-4  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ 35,000	\$ 35,000	\$ -	\$ 35,000
<b>Culture and recreation</b>				
Phelps Mill Park	\$ 104,500	\$ 104,500	\$ 40,651	\$ 63,849
Other culture and recreation	-	-	1	(1)
<b>Total culture and recreation</b>	<b>\$ 104,500</b>	<b>\$ 104,500</b>	<b>\$ 40,652</b>	<b>\$ 63,848</b>
<b>Conservation of natural resources</b>				
Extension	\$ 24,000	\$ 24,000	\$ -	\$ 24,000
<b>Total Expenditures</b>	<b>\$ 2,103,300</b>	<b>\$ 2,103,300</b>	<b>\$ 1,158,439</b>	<b>\$ 944,861</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (104,183)</b>	<b>\$ (104,183)</b>	<b>\$ 948,326</b>	<b>\$ 1,052,509</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	197,001	197,001	20,001	(177,000)
<b>Net Change in Fund Balance</b>	<b>\$ 92,818</b>	<b>\$ 92,818</b>	<b>\$ 968,327</b>	<b>\$ 875,509</b>
<b>Fund Balance - January 1</b>	<b>6,958,368</b>	<b>6,958,368</b>	<b>6,958,368</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 7,051,186</b>	<b>\$ 7,051,186</b>	<b>\$ 7,926,695</b>	<b>\$ 875,509</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT A-5**

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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%
January 1, 2010	-	2,566,299	2,566,299	0.0%	18,471,873	13.89%

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%
January 1, 2010	-	101,202	101,202	0.0%	947,178	10.68%

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, 2010**

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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 (such as 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. See Note 4.C. to the financial statements for more information.

GASB Statement 45 requires a Schedule of Funding Progress - Other Postemployment Benefits for the three most recent valuations and accompanying notes to describe factors that significantly affect the trends in the amounts reported.

Currently, only two actuarial valuations are available. Future reports will provide additional trend analysis to meet the three most recent valuation 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. This fund was closed in 2010.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	<b>Special Revenue (Exhibit B-3)</b>	<b>Debt Service (Exhibit B-5)</b>	<b>Total (Exhibit 3)</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 1,088,916	\$ 2,995,183	\$ 4,084,099
Undistributed cash in agency funds	3,031	29,084	32,115
Taxes receivable			
Current	-	36,687	36,687
Prior	-	18,506	18,506
Special assessments receivable			
Current	2,135	-	2,135
Prior	4,048	-	4,048
Deferred	42,173	-	42,173
Restricted assets			
Temporarily restricted			
Cash with escrow agent	-	716,686	716,686
<b>Total Assets</b>	<b>\$ 1,140,303</b>	<b>\$ 3,796,146</b>	<b>\$ 4,936,449</b>
 <b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 5,202	\$ 3,518	\$ 8,720
Deferred revenue - unavailable	45,859	43,701	89,560
Advance from other funds	96,406	-	96,406
<b>Total Liabilities</b>	<b>\$ 147,467</b>	<b>\$ 47,219</b>	<b>\$ 194,686</b>
 <b>Fund Balances</b>			
Reserved for debt service	\$ -	\$ 716,686	\$ 716,686
Unreserved			
Designated for debt service	-	3,032,241	3,032,241
Designated for compensated absences	804,647	-	804,647
Undesignated	188,189	-	188,189
<b>Total Fund Balances</b>	<b>\$ 992,836</b>	<b>\$ 3,748,927</b>	<b>\$ 4,741,763</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,140,303</b>	<b>\$ 3,796,146</b>	<b>\$ 4,936,449</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Special Revenue (Exhibit B-4)</b>	<b>Debt Service (Exhibit B-6)</b>	<b>Construction Capital Projects</b>	<b>Total (Exhibit 5)</b>
<b>Revenues</b>				
Taxes	\$ -	\$ 1,785,743	\$ -	\$ 1,785,743
Special assessments	65,255	-	-	65,255
Intergovernmental	-	113,566	-	113,566
Fines and forfeits	61,832	-	-	61,832
Investment earnings	-	1,276	-	1,276
Miscellaneous	-	548,465	-	548,465
<b>Total Revenues</b>	<b>\$ 127,087</b>	<b>\$ 2,449,050</b>	<b>\$ -</b>	<b>\$ 2,576,137</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ 44,572	\$ -	\$ -	\$ 44,572
Public safety	8,756	-	-	8,756
Human services	19,698	-	-	19,698
Conservation of natural resources	74,314	-	-	74,314
<b>Debt service</b>				
Principal	-	1,815,000	-	1,815,000
Interest	-	1,060,341	-	1,060,341
<b>Total Expenditures</b>	<b>\$ 147,340</b>	<b>\$ 2,875,341</b>	<b>\$ -</b>	<b>\$ 3,022,681</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (20,253)</b>	<b>\$ (426,291)</b>	<b>\$ -</b>	<b>\$ (446,544)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ 838,794	\$ 128,755	\$ 967,549
Transfers out	(800)	-	(218,680)	(219,480)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (800)</b>	<b>\$ 838,794</b>	<b>\$ (89,925)</b>	<b>\$ 748,069</b>
<b>Net Change in Fund Balance</b>	<b>\$ (21,053)</b>	<b>\$ 412,503</b>	<b>\$ (89,925)</b>	<b>\$ 301,525</b>
<b>Fund Balance - January 1</b>	<b>1,013,889</b>	<b>3,336,424</b>	<b>89,925</b>	<b>4,440,238</b>
<b>Fund Balance - December 31</b>	<b>\$ 992,836</b>	<b>\$ 3,748,927</b>	<b>\$ -</b>	<b>\$ 4,741,763</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-3*

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2010**

	<b>County Ditch</b>	<b>Law Library</b>	<b>Postemployment Obligation</b>	<b>Sheriff's Contingent</b>	<b>Total</b>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 171,713	\$ 96,840	\$ 804,647	\$ 15,716	\$ 1,088,916
Undistributed cash in agency funds	3,031	-	-	-	3,031
Special assessments receivable					
Current	2,135	-	-	-	2,135
Prior	4,048	-	-	-	4,048
Deferred	42,173	-	-	-	42,173
<b>Total Assets</b>	<b>\$ 223,100</b>	<b>\$ 96,840</b>	<b>\$ 804,647</b>	<b>\$ 15,716</b>	<b>\$ 1,140,303</b>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 24	\$ 4,938	\$ -	\$ 240	\$ 5,202
Deferred revenue - unavailable	45,859	-	-	-	45,859
Advance from other funds	96,406	-	-	-	96,406
<b>Total Liabilities</b>	<b>\$ 142,289</b>	<b>\$ 4,938</b>	<b>\$ -</b>	<b>\$ 240</b>	<b>\$ 147,467</b>
<b>Fund Balances</b>					
Unreserved					
Designated for compensated absences	\$ -	\$ -	\$ 804,647	\$ -	\$ 804,647
Undesignated	80,811	91,902	-	15,476	188,189
<b>Total Fund Balances</b>	<b>\$ 80,811</b>	<b>\$ 91,902</b>	<b>\$ 804,647</b>	<b>\$ 15,476</b>	<b>\$ 992,836</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 223,100</b>	<b>\$ 96,840</b>	<b>\$ 804,647</b>	<b>\$ 15,716</b>	<b>\$ 1,140,303</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-4*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ 65,255	\$ -	\$ -	\$ -	\$ 65,255
Fines and forfeits	-	54,344	-	7,488	61,832
<b>Total Revenues</b>	<b>\$ 65,255</b>	<b>\$ 54,344</b>	<b>\$ -</b>	<b>\$ 7,488</b>	<b>\$ 127,087</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ -	\$ 44,572	\$ -	\$ -	\$ 44,572
Public safety	-	-	-	8,756	8,756
Human services	-	-	19,698	-	19,698
Conservation of natural resources	74,314	-	-	-	74,314
<b>Total Expenditures</b>	<b>\$ 74,314</b>	<b>\$ 44,572</b>	<b>\$ 19,698</b>	<b>\$ 8,756</b>	<b>\$ 147,340</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (9,059)</b>	<b>\$ 9,772</b>	<b>\$ (19,698)</b>	<b>\$ (1,268)</b>	<b>\$ (20,253)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers out	-	-	-	(800)	(800)
<b>Net Change in Fund Balance</b>	<b>\$ (9,059)</b>	<b>\$ 9,772</b>	<b>\$ (19,698)</b>	<b>\$ (2,068)</b>	<b>\$ (21,053)</b>
<b>Fund Balance - January 1</b>	<b>89,870</b>	<b>82,130</b>	<b>824,345</b>	<b>17,544</b>	<b>1,013,889</b>
<b>Fund Balance - December 31</b>	<b>\$ 80,811</b>	<b>\$ 91,902</b>	<b>\$ 804,647</b>	<b>\$ 15,476</b>	<b>\$ 992,836</b>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-5*

**COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS  
DECEMBER 31, 2010**

	<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><u>Assets</u></b>						
Cash and pooled investments	\$ 176,341	\$ 1,261,407	\$ 931,660	\$ 467,416	\$ 158,359	\$ 2,995,183
Undistributed cash in agency funds	-	11,128	11,864	5,288	804	29,084
Taxes receivable						
Current	-	15,358	14,101	6,384	844	36,687
Prior	-	-	11,927	4,978	1,601	18,506
Restricted assets						
Temporarily restricted						
Cash with escrow agent	256,681	-	460,005	-	-	716,686
<b>Total Assets</b>	<b>\$ 433,022</b>	<b>\$ 1,287,893</b>	<b>\$ 1,429,557</b>	<b>\$ 484,066</b>	<b>\$ 161,608</b>	<b>\$ 3,796,146</b>
<b><u>Liabilities and Fund Balances</u></b>						
<b>Liabilities</b>						
Accounts payable	\$ 2,304	\$ 303	\$ 305	\$ 303	\$ 303	\$ 3,518
Deferred revenue - unavailable	-	11,349	21,118	9,168	2,066	43,701
<b>Total Liabilities</b>	<b>\$ 2,304</b>	<b>\$ 11,652</b>	<b>\$ 21,423</b>	<b>\$ 9,471</b>	<b>\$ 2,369</b>	<b>\$ 47,219</b>
<b>Fund Balances</b>						
Reserved for debt service	\$ 256,681	\$ -	\$ 460,005	\$ -	\$ -	\$ 716,686
Unreserved						
Designated for debt service	174,037	1,276,241	948,129	474,595	159,239	3,032,241
<b>Total Fund Balances</b>	<b>\$ 430,718</b>	<b>\$ 1,276,241</b>	<b>\$ 1,408,134</b>	<b>\$ 474,595</b>	<b>\$ 159,239</b>	<b>\$ 3,748,927</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 433,022</b>	<b>\$ 1,287,893</b>	<b>\$ 1,429,557</b>	<b>\$ 484,066</b>	<b>\$ 161,608</b>	<b>\$ 3,796,146</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-6*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ -	\$ 740,734	\$ 692,272	\$ 311,099	\$ 41,638	\$ 1,785,743
Intergovernmental	-	47,430	44,010	19,560	2,566	113,566
Investment earnings	-	1,271	5	-	-	1,276
Miscellaneous	548,465	-	-	-	-	548,465
<b>Total Revenues</b>	<b>\$ 548,465</b>	<b>\$ 789,435</b>	<b>\$ 736,287</b>	<b>\$ 330,659</b>	<b>\$ 44,204</b>	<b>\$ 2,449,050</b>
<b>Expenditures</b>						
<b>Debt service</b>						
Principal	\$ 310,000	\$ 525,000	\$ 595,000	\$ 285,000	\$ 100,000	\$ 1,815,000
Interest	240,996	240,900	345,662	207,668	25,115	1,060,341
<b>Total Expenditures</b>	<b>\$ 550,996</b>	<b>\$ 765,900</b>	<b>\$ 940,662</b>	<b>\$ 492,668</b>	<b>\$ 125,115</b>	<b>\$ 2,875,341</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (2,531)</b>	<b>\$ 23,535</b>	<b>\$ (204,375)</b>	<b>\$ (162,009)</b>	<b>\$ (80,911)</b>	<b>\$ (426,291)</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	640,115	-	198,679	-	838,794
<b>Net Change in Fund Balance</b>	<b>\$ (2,531)</b>	<b>\$ 663,650</b>	<b>\$ (204,375)</b>	<b>\$ 36,670</b>	<b>\$ (80,911)</b>	<b>\$ 412,503</b>
<b>Fund Balance - January 1</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>
<b>Fund Balance - December 31</b>	<b>\$ 430,718</b>	<b>\$ 1,276,241</b>	<b>\$ 1,408,134</b>	<b>\$ 474,595</b>	<b>\$ 159,239</b>	<b>\$ 3,748,927</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-7*

**BUDGETARY COMPARISON SCHEDULE  
CONSTRUCTION CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Capital outlay</b>				
Human services	\$ 78,235	\$ 78,235	\$ -	\$ 78,235
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 152,571	\$ 152,571	\$ 128,755	\$ (23,816)
Transfers out	(203,724)	(203,724)	(218,680)	(14,956)
<b>Total Other Financing Sources   (Uses)</b>	<b>\$ (51,153)</b>	<b>\$ (51,153)</b>	<b>\$ (89,925)</b>	<b>\$ (38,772)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (129,388)</b>	<b>\$ (129,388)</b>	<b>\$ (89,925)</b>	<b>\$ 39,463</b>
<b>Fund Balance - January 1</b>	<b>89,925</b>	<b>89,925</b>	<b>89,925</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ (39,463)</b>	<b>\$ (39,463)</b>	<b>\$ -</b>	<b>\$ 39,463</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-8*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ 70,449	\$ 70,449	\$ 65,255	\$ (5,194)
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Drainage ditches	20,000	20,000	74,314	(54,314)
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 50,449</b>	<b>\$ 50,449</b>	<b>\$ (9,059)</b>	<b>\$ (59,508)</b>
<b>Fund Balance - January 1</b>	<b>89,870</b>	<b>89,870</b>	<b>89,870</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 140,319</b>	<b>\$ 140,319</b>	<b>\$ 80,811</b>	<b>\$ (59,508)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-9*

**BUDGETARY COMPARISON SCHEDULE  
LAW LIBRARY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ 56,000	\$ 56,000	\$ 54,344	\$ (1,656)
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Law library	54,400	54,400	44,572	9,828
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ 1,600	\$ 1,600	\$ 9,772	\$ 8,172
<b>Fund Balance - January 1</b>	<u>82,130</u>	<u>82,130</u>	<u>82,130</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 83,730</u>	<u>\$ 83,730</u>	<u>\$ 91,902</u>	<u>\$ 8,172</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-10*

**BUDGETARY COMPARISON SCHEDULE  
SHERIFF'S CONTINGENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ 7,488	\$ (1,012)
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Sheriff	8,900	8,900	8,756	144
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ (400)	\$ (400)	\$ (1,268)	\$ (868)
<b>Other Financing Sources (Uses)</b>				
Transfers out	(1,182)	(1,182)	(800)	382
<b>Net Change in Fund Balance</b>	\$ (1,582)	\$ (1,582)	\$ (2,068)	\$ (486)
<b>Fund Balance - January 1</b>	<u>17,544</u>	<u>17,544</u>	<u>17,544</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ 15,962</u>	<u>\$ 15,962</u>	<u>\$ 15,476</u>	<u>\$ (486)</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-11*

**BUDGETARY COMPARISON SCHEDULE  
CHEMICAL DEPENDENCY DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Miscellaneous	\$ 548,877	\$ 548,877	\$ 548,465	\$ (412)
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 310,000	\$ 310,000	\$ 310,000	\$ -
Interest	238,678	238,678	240,996	(2,318)
<b>Total Expenditures</b>	<b>\$ 548,678</b>	<b>\$ 548,678</b>	<b>\$ 550,996</b>	<b>\$ (2,318)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 199</b>	<b>\$ 199</b>	<b>\$ (2,531)</b>	<b>\$ (2,730)</b>
<b>Fund Balance - January 1</b>	<b>433,249</b>	<b>433,249</b>	<b>433,249</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 433,448</b>	<b>\$ 433,448</b>	<b>\$ 430,718</b>	<b>\$ (2,730)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-12*

**BUDGETARY COMPARISON SCHEDULE  
ETHANOL PLANT DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 768,507	\$ 768,507	\$ 740,734	\$ (27,773)
Intergovernmental	46,910	46,910	47,430	520
Investment earnings	-	-	1,271	1,271
<b>Total Revenues</b>	<b>\$ 815,417</b>	<b>\$ 815,417</b>	<b>\$ 789,435</b>	<b>\$ (25,982)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 525,000	\$ 525,000	\$ 525,000	\$ -
Interest	240,018	240,018	240,900	(882)
<b>Total Expenditures</b>	<b>\$ 765,018</b>	<b>\$ 765,018</b>	<b>\$ 765,900</b>	<b>\$ (882)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 50,399</b>	<b>\$ 50,399</b>	<b>\$ 23,535</b>	<b>\$ (26,864)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 651,178	\$ 651,178	\$ 640,115	\$ (11,063)
Transfers out	(72,353)	(72,353)	-	72,353
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 578,825</b>	<b>\$ 578,825</b>	<b>\$ 640,115</b>	<b>\$ 61,290</b>
<b>Net Change in Fund Balance</b>	<b>\$ 629,224</b>	<b>\$ 629,224</b>	<b>\$ 663,650</b>	<b>\$ 34,426</b>
<b>Fund Balance - January 1</b>	<b>612,591</b>	<b>612,591</b>	<b>612,591</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,241,815</b>	<b>\$ 1,241,815</b>	<b>\$ 1,276,241</b>	<b>\$ 34,426</b>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-13*

**BUDGETARY COMPARISON SCHEDULE  
GOVERNMENT SERVICE CENTER DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 705,978	\$ 705,978	\$ 692,272	\$ (13,706)
Intergovernmental	43,527	43,527	44,010	483
Investment earnings	-	-	5	5
<b>Total Revenues</b>	<b>\$ 749,505</b>	<b>\$ 749,505</b>	<b>\$ 736,287</b>	<b>\$ (13,218)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 595,000	\$ 595,000	\$ 595,000	\$ -
Interest	344,244	344,244	345,662	(1,418)
<b>Total Expenditures</b>	<b>\$ 939,244</b>	<b>\$ 939,244</b>	<b>\$ 940,662</b>	<b>\$ (1,418)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (189,739)</b>	<b>\$ (189,739)</b>	<b>\$ (204,375)</b>	<b>\$ (14,636)</b>
<b>Fund Balance - January 1</b>	<b>1,612,509</b>	<b>1,612,509</b>	<b>1,612,509</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,422,770</b>	<b>\$ 1,422,770</b>	<b>\$ 1,408,134</b>	<b>\$ (14,636)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-14*

**BUDGETARY COMPARISON SCHEDULE  
SHERIFF OPERATIONS DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 316,942	\$ 316,942	\$ 311,099	\$ (5,843)
Intergovernmental	19,346	19,346	19,560	214
<b>Total Revenues</b>	<b>\$ 336,288</b>	<b>\$ 336,288</b>	<b>\$ 330,659</b>	<b>\$ (5,629)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 285,000	\$ 285,000	\$ 285,000	\$ -
Interest	206,900	206,900	207,668	(768)
<b>Total Expenditures</b>	<b>\$ 491,900</b>	<b>\$ 491,900</b>	<b>\$ 492,668</b>	<b>\$ (768)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (155,612)</b>	<b>\$ (155,612)</b>	<b>\$ (162,009)</b>	<b>\$ (6,397)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	160,723	160,723	198,679	37,956
<b>Net Change in Fund Balance</b>	<b>\$ 5,111</b>	<b>\$ 5,111</b>	<b>\$ 36,670</b>	<b>\$ 31,559</b>
<b>Fund Balance - January 1</b>	<b>437,925</b>	<b>437,925</b>	<b>437,925</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 443,036</b>	<b>\$ 443,036</b>	<b>\$ 474,595</b>	<b>\$ 31,559</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-15*

**BUDGETARY COMPARISON SCHEDULE  
VETERANS HOME DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 41,587	\$ 41,587	\$ 41,638	\$ 51
Intergovernmental	2,538	2,538	2,566	28
<b>Total Revenues</b>	<b>\$ 44,125</b>	<b>\$ 44,125</b>	<b>\$ 44,204</b>	<b>\$ 79</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
Interest	24,365	24,365	25,115	(750)
<b>Total Expenditures</b>	<b>\$ 124,365</b>	<b>\$ 124,365</b>	<b>\$ 125,115</b>	<b>\$ (750)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (80,240)</b>	<b>\$ (80,240)</b>	<b>\$ (80,911)</b>	<b>\$ (671)</b>
<b>Fund Balance - January 1</b>	<b>240,150</b>	<b>240,150</b>	<b>240,150</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 159,910</b>	<b>\$ 159,910</b>	<b>\$ 159,239</b>	<b>\$ (671)</b>

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**FIDUCIARY FUNDS**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT C-1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>ASSURANCE FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 41	\$ 41	\$ -
Accounts receivable	23	-	23	-
<b>Total Assets</b>	<b>\$ 23</b>	<b>\$ 41</b>	<b>\$ 64</b>	<b>\$ -</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 23</b>	<b>\$ 41</b>	<b>\$ 64</b>	<b>\$ -</b>
<b><u>FAMILY SERVICES COLLABORATIVE FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 252,988	\$ 295,123	\$ 275,304	\$ 272,807
Due from other funds	107	116	107	116
<b>Total Assets</b>	<b>\$ 253,095</b>	<b>\$ 295,239</b>	<b>\$ 275,411</b>	<b>\$ 272,923</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 20,012	\$ 277,306	\$ 274,838	\$ 22,480
Due to other governments	233,083	17,933	573	250,443
<b>Total Liabilities</b>	<b>\$ 253,095</b>	<b>\$ 295,239</b>	<b>\$ 275,411</b>	<b>\$ 272,923</b>
<b><u>HOSPITAL DISTRICTS FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 12,258	\$ 12,258	\$ -
Due from other funds	12,258	12,974	12,258	12,974
<b>Total Assets</b>	<b>\$ 12,258</b>	<b>\$ 25,232</b>	<b>\$ 24,516</b>	<b>\$ 12,974</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 12,258</b>	<b>\$ 25,232</b>	<b>\$ 24,516</b>	<b>\$ 12,974</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT C-1  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>MORTGAGE REGISTRATION FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 103,588</u>	<u>\$ 1,140,269</u>	<u>\$ 1,125,113</u>	<u>\$ 118,744</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 103,588</u>	<u>\$ 1,140,269</u>	<u>\$ 1,125,113</u>	<u>\$ 118,744</u>
<b><u>OTTER TAIL LAKES AREA SEWER DISTRICT FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 1,032	\$ 1,032	\$ -
Due from other funds	<u>1,032</u>	<u>679</u>	<u>1,032</u>	<u>679</u>
<b>Total Assets</b>	<b><u>\$ 1,032</u></b>	<b><u>\$ 1,711</u></b>	<b><u>\$ 2,064</u></b>	<b><u>\$ 679</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 1,032</u>	<u>\$ 1,711</u>	<u>\$ 2,064</u>	<u>\$ 679</u>
<b><u>PRAIRIE LAKES MUNICIPAL SOLID WASTE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ -</u>	<u>\$ 8,274</u>	<u>\$ -</u>	<u>\$ 8,274</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ -</u>	<u>\$ 8,274</u>	<u>\$ -</u>	<u>\$ 8,274</u>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT C-1  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>SCHOOL DISTRICT FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 314,745	\$ 314,745	\$ -
Due from other funds	314,745	306,123	314,745	306,123
<b>Total Assets</b>	<b>\$ 314,745</b>	<b>\$ 620,868</b>	<b>\$ 629,490</b>	<b>\$ 306,123</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 314,745</b>	<b>\$ 620,868</b>	<b>\$ 629,490</b>	<b>\$ 306,123</b>
<b><u>STATE TAX FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 106,975	\$ 8,576,405	\$ 8,549,734	\$ 133,646
Accounts receivable	25,158	-	25,158	-
Due from other funds	95,667	68,653	95,667	68,653
<b>Total Assets</b>	<b>\$ 227,800</b>	<b>\$ 8,645,058</b>	<b>\$ 8,670,559</b>	<b>\$ 202,299</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 227,800</b>	<b>\$ 8,645,058</b>	<b>\$ 8,670,559</b>	<b>\$ 202,299</b>
<b><u>TAXES AND PENALTIES FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 782,963	\$ 71,789,429	\$ 71,745,555	\$ 826,837
Accounts receivable	4,628	41	4,628	41
<b>Total Assets</b>	<b>\$ 787,591</b>	<b>\$ 71,789,470</b>	<b>\$ 71,750,183</b>	<b>\$ 826,878</b>
<b><u>Liabilities</u></b>				
Due to other funds	\$ 730,378	\$ 25,750,131	\$ 25,734,506	\$ 746,003
Due to other governments	57,213	46,039,339	46,015,677	80,875
<b>Total Liabilities</b>	<b>\$ 787,591</b>	<b>\$ 71,789,470</b>	<b>\$ 71,750,183</b>	<b>\$ 826,878</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT C-1  
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TOWNS AND CITIES FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 305,756	\$ 305,756	\$ -
Due from other funds	305,756	355,305	305,756	355,305
<b>Total Assets</b>	<b>\$ 305,756</b>	<b>\$ 661,061</b>	<b>\$ 611,512</b>	<b>\$ 355,305</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 305,756</b>	<b>\$ 661,061</b>	<b>\$ 611,512</b>	<b>\$ 355,305</b>
<b><u>WATERSHED DISTRICT FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 920	\$ 920	\$ -
Due from other funds	920	2,269	920	2,269
<b>Total Assets</b>	<b>\$ 920</b>	<b>\$ 3,189</b>	<b>\$ 1,840</b>	<b>\$ 2,269</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 920</b>	<b>\$ 3,189</b>	<b>\$ 1,840</b>	<b>\$ 2,269</b>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,246,514	\$ 82,444,252	\$ 82,330,458	\$ 1,360,308
Accounts receivable	29,809	41	29,809	41
Due from other funds	730,485	746,119	730,485	746,119
<b>Total Assets</b>	<b>\$ 2,006,808</b>	<b>\$ 83,190,412</b>	<b>\$ 83,090,752</b>	<b>\$ 2,106,468</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 20,012	\$ 277,306	\$ 274,838	\$ 22,480
Due to other funds	730,378	25,750,131	25,734,506	746,003
Due to other governments	1,256,418	57,162,975	57,081,408	1,337,985
<b>Total Liabilities</b>	<b>\$ 2,006,808</b>	<b>\$ 83,190,412</b>	<b>\$ 83,090,752</b>	<b>\$ 2,106,468</b>

## **OTHER SCHEDULES**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT D-1*

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2010**

	<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	14,351,625
Certificates of deposit	Forty-seven	0.14 to 2.00	January 12, 2011 to July 28, 2012	16,906,904
Money market savings	Five	0.25 to 0.85	Continuous	471,140
Mutual fund	-	Varies	Continuous	7,803,080
U.S. Treasury notes	Six	0.38 to 4.63	May 31, 2012 to December 31, 2012	6,033,444
U.S. Treasury bonds - stripped interest payment	Two	-	August 15, 2017 to August 15, 2019	42,208
Federal National Mortgage Association	Three	4.50 to 7.50	August 25, 2018 to June 25, 2022	<u>397,807</u>
<b>Total Cash and Pooled Investments</b>				<b>\$ <u>46,056,208</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET - BY DITCH  
COUNTY DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2010**

	Assets				
	Cash and Pooled Investments	Undistributed Cash	Special Assessments Receivable		
			Current	Delinquent	Deferred
<b>Judicial Ditches</b>					
2	\$ 33,699	\$ 9	\$ 4	\$ 1	\$ 6,027
3	92	-	-	-	-
<b>County Ditches</b>					
4	22,691	290	1,510	2,898	7,438
5	8,626	1	-	-	1,678
8	162	-	-	-	-
11	4,260	-	-	-	770
12	15,477	53	58	78	4,510
14	68	-	-	-	-
16	-	-	-	-	-
17	475	-	-	-	-
19	217	-	-	-	-
21	12,789	31	9	-	4,018
29	2,447	219	59	-	1,673
37	-	4	61	79	3,654
38	22,545	2,376	416	193	3,740
39	1,415	-	-	-	935
41	2,510	-	-	-	-
43	2,269	-	-	-	1,180
44	15	-	-	-	-
45	225	-	-	-	-
48	25	-	-	-	-
52	1,005	48	-	-	1,930
53	10,326	-	18	779	2,310
54	92	-	-	-	-
56	15,672	-	-	-	2,310
59	146	-	-	-	-
62	154	-	-	-	-
63	13,819	-	-	20	-
64	11	-	-	-	-
68	481	-	-	-	-
70	-	-	-	-	-
<b>Total</b>	<b>\$ 171,713</b>	<b>\$ 3,031</b>	<b>\$ 2,135</b>	<b>\$ 4,048</b>	<b>\$ 42,173</b>

**EXHIBIT D-2**

<b>Total</b>	<b>Liabilities</b>				<b>Fund Balance Unreserved Undesignated</b>	<b>Total Liabilities and Fund Balance</b>
	<b>Accounts Payable</b>	<b>Deferred Revenue</b>	<b>Advance from Other Funds</b>	<b>Total</b>		
\$ 39,740	\$ -	\$ 6,032	\$ -	\$ 6,032	\$ 33,708	\$ 39,740
92	-	-	-	-	92	92
34,827	-	9,373	7,469	16,842	17,985	34,827
10,305	-	1,678	-	1,678	8,627	10,305
162	-	-	-	-	162	162
5,030	-	770	-	770	4,260	5,030
20,176	-	4,646	-	4,646	15,530	20,176
68	-	-	-	-	68	68
-	-	-	73,046	73,046	(73,046)	-
475	-	-	-	-	475	475
217	-	-	-	-	217	217
16,847	-	4,022	-	4,022	12,825	16,847
4,398	-	1,713	257	1,970	2,428	4,398
3,798	-	3,795	9,555	13,350	(9,552)	3,798
29,270	-	4,349	-	4,349	24,921	29,270
2,350	-	935	-	935	1,415	2,350
2,510	-	-	-	-	2,510	2,510
3,449	-	1,180	-	1,180	2,269	3,449
15	-	-	-	-	15	15
225	-	-	-	-	225	225
25	-	-	-	-	25	25
2,983	-	1,930	1,504	3,434	(451)	2,983
13,433	-	3,106	-	3,106	10,327	13,433
92	-	-	-	-	92	92
17,982	-	2,310	-	2,310	15,672	17,982
146	-	-	-	-	146	146
154	-	-	-	-	154	154
13,839	-	20	-	20	13,819	13,839
11	-	-	-	-	11	11
481	-	-	-	-	481	481
-	24	-	4,575	4,599	(4,599)	-
<b>\$ 223,100</b>	<b>\$ 24</b>	<b>\$ 45,859</b>	<b>\$ 96,406</b>	<b>\$ 142,289</b>	<b>\$ 80,811</b>	<b>\$ 223,100</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT D-3*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Governmental Funds</b>	<b>Enterprise Fund</b>	<b>All Funds</b>
<b>Shared Revenue</b>			
<b>State</b>			
Highway users tax	\$ 10,322,115	\$ -	\$ 10,322,115
County program aid	1,255,123	-	1,255,123
PERA rate reimbursement	64,946	-	64,946
Police aid	210,132	-	210,132
Flood aid	200,000	-	200,000
Market value credit	1,697,830	-	1,697,830
Market value credit - MH	10,113	-	10,113
Local option disaster abatement	5,774	-	5,774
Disparity reduction aid	13,021	-	13,021
	<b>\$ 13,779,054</b>	<b>\$ -</b>	<b>\$ 13,779,054</b>
<b>Total shared revenue</b>			
<b>Reimbursement for Services</b>			
<b>State</b>			
Minnesota Department of Human Services	\$ 1,082,599	\$ -	\$ 1,082,599
	<b>\$ 1,082,599</b>	<b>\$ -</b>	<b>\$ 1,082,599</b>
<b>Payments</b>			
<b>Local</b>			
Payments in lieu of taxes	\$ 422,582	\$ -	\$ 422,582
	<b>\$ 422,582</b>	<b>\$ -</b>	<b>\$ 422,582</b>
<b>Grants</b>			
<b>State</b>			
Minnesota Department/Board of			
Agriculture	\$ 47,276	\$ -	\$ 47,276
Corrections	315,398	-	315,398
Public Safety	168,317	-	168,317
Transportation	2,860,490	-	2,860,490
Health	611,086	-	611,086
Veterans Affairs	10,000	-	10,000
Natural Resources	243,048	-	243,048
Human Services	3,765,242	-	3,765,242
Water and Soil Resources	207,412	-	207,412
Peace Officer Standards and Training Board	11,472	-	11,472
Minnesota Pollution Control Agency	-	174,925	174,925
	<b>\$ 8,239,741</b>	<b>\$ 174,925</b>	<b>\$ 8,414,666</b>
<b>Total state</b>	<b>\$ 8,239,741</b>	<b>\$ 174,925</b>	<b>\$ 8,414,666</b>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT D-3  
(Continued)*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Governmental Funds</b>	<b>Enterprise Fund</b>	<b>All Funds</b>
<b>Grants (Continued)</b>			
<b>Federal</b>			
Department of			
Agriculture	\$ 726,661	\$ -	\$ 726,661
Commerce	55,619	-	55,619
Justice	13,044	-	13,044
Transportation	1,193,931	-	1,193,931
Health and Human Services	4,074,856	-	4,074,856
Homeland Security	152,077	-	152,077
Election Assistance Commission	22,800	-	22,800
	<b>\$ 6,238,988</b>	<b>\$ -</b>	<b>\$ 6,238,988</b>
<b>Total federal</b>	<b>\$ 6,238,988</b>	<b>\$ -</b>	<b>\$ 6,238,988</b>
<b>Total state and federal grants</b>	<b>\$ 14,478,729</b>	<b>\$ 174,925</b>	<b>\$ 14,653,654</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 29,762,964</b>	<b>\$ 174,925</b>	<b>\$ 29,937,889</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT D-4*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<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 Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 282,646
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	444,015
<b>Total U.S. Department of Agriculture</b>		<b>\$ 726,661</b>
<b>U.S. Department of Commerce</b>		
Passed Through Minnesota Department of Public Safety and City of St. Cloud Public Safety Interoperable Communication Grant Program	11.555	<b>\$ 55,619</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>\$ 13,044</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	\$ 17,766
Alcohol Impaired Driving Countermeasures	20.601	10,815
Occupant Protection	20.602	1,540
Safety Belt Performance	20.609	4,886
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	13,250
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	1,019,821
<b>Total U.S. Department of Transportation</b>		<b>\$ 1,068,078</b>
<b>U.S. Election Assistance Commission</b>		
Passed Through Minnesota Secretary of State Help America Vote Act Requirements Payments	90.401	<b>\$ 21,198</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT D-4  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Commerce		
Low-Income Home Energy Assistance	93.568	\$ 305,001
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	91,425
Universal Newborn Hearing Screening	93.251	825
Immunization Cluster		
Immunization Grants	93.268	2,500
Immunization - ARRA	93.712	5,731
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	27,509
Temporary Assistance for Needy Families	93.558	75,832
Maternal and Child Health Services Block Grant to the States	93.994	65,720
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	35,463
Temporary Assistance for Needy Families	93.558	520,998
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	1,043,523
Child Support Enforcement - ARRA	93.563	65,397
Refugee and Entrant Assistance - State-Administered Programs	93.566	550
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	24,490
Stephanie Tubbs Jones Child Welfare Services Program	93.645	15,095
Foster Care Title IV-E Cluster		
Foster Care Title IV-E	93.658	202,644
Foster Care Title IV-E - ARRA	93.658	10,045
Social Services Block Grant	93.667	406,420
Chafee Foster Care Independence Program	93.674	7,181
Children's Health Insurance Program	93.767	648
Medical Assistance Program	93.778	1,064,220
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	72,439
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 4,043,656</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT D-4  
(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 22,252
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	35,351
Emergency Management Performance Grants	97.042	58,243
Passed Through Minnesota Department of Public Safety and the City of St. Cloud		
Interoperable Emergency Communications	97.055	8,366
Homeland Security Grant Program	97.067	<u>40,516</u>
<b>Total U.S. Department of Homeland Security</b>		<b>\$ <u>164,728</u></b>
<b>Total Federal Awards</b>		<b>\$ <u><u>6,092,984</u></u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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, 2010. 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	\$ 6,238,988
Grants received in 2006, recognized in 2010	
Help America Vote Act Requirements Payments	21,198
Grants received more than 60 days after year-end, deferred in 2010	
Highway Planning and Construction	129,517
Disaster Assistance - Public Assistance (Presidentially Declared Disasters)	12,651
Grants deferred in 2009, recognized as revenue in 2010	
Highway Planning and Construction	(194,965)
Highway Planning and Construction - ARRA	(60,405)
Child Support Enforcement	(31,200)
Grants received in 2010, to be recognized as expended	
Help America Vote Act Requirements Payments	(22,800)
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 6,092,984

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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5. Subrecipients

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

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.



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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**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 That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133."
- 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) CFDA #10.561
  - Highway Planning and Construction CFDA #20.205
  - Temporary Assistance for Needy Families CFDA #93.558
  - Child Support Enforcement Cluster
    - Child Support Enforcement CFDA #93.563
    - Child Support Enforcement - ARRA CFDA #93.563

Foster Care Title IV-E Cluster	
Foster Care Title IV-E	CFDA #93.658
Foster Care Title IV-E - ARRA	CFDA #93.658
Social Services Block Grant - Title XX	CFDA #93.667

- 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 toward formalizing existing oversight procedures and will implement 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 a plan that will ensure continued operations in the event of a disaster. The Director of the Information Technology 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 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 Adjustment

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 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 identified an adjustment in the General Fund to reclassify collections posted as miscellaneous revenue of \$1,598,477 and charges for services of \$54,200 to revenue for licenses and permits of \$14,120, intergovernmental revenue state grants of \$147,143, intergovernmental revenue federal grants of \$114,293, general government expenses of \$1,130,736, and public safety expenses of \$246,385.

Proposed audit adjustments are reviewed and approved by the appropriate staff and are reflected in the financial statements.

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. 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 weaknesses, assessing the risk of any weaknesses identified within our existing accounting procedures and policies, establishing procedures and policies to address identified internal control weakness, and monitoring if changes are necessary due to staffing changes, technology and/or legal compliance changes. 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 how those procedures and policies relate to our processes, both internally and when working with other departments, regarding accounting and financial record keeping and reporting.*

## ITEM ARISING THIS YEAR

### 10-1 Preparation of the Schedule of Expenditures of Federal Awards

The Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations, Auditee Responsibilities*, subpart C § .300(a) and (d) requires, "The auditee shall identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity. The auditee shall prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with subpart C § .310."

Otter Tail County does not prepare a Schedule of Expenditures of Federal Awards (SEFA), nor does it adequately identify federal programs by amount received and expended, federal grantor agency, pass-through agency, and Catalog of Federal Domestic Assistance (CFDA) title and number as required under OMB Circular A-133.

This condition results in a deficiency in internal control over financial statement preparation and the reporting of federal financial assistance by the County. Since the County has not developed procedures for properly identifying all federal financial assistance, the County relies on its auditors for assistance with preparing the SEFA. Independent auditors cannot be considered part of the County's internal control over financial reporting.

We recommend that Otter Tail County management develop a process, including written procedures that will allow staff to adequately identify federal revenues and accumulate the information needed to prepare the SEFA. Specific measures could include having departments informing accounting/finance when they have received a grant award, holding in suspense accounts until properly identified as to nature and source any intergovernmental revenue receipts, and comparison of the prior year SEFA to the current year. For each federal award identified, the County should determine the correct program CFDA title and number, award number and year, federal grantor agency, pass-through agency, amount received and expended, and whether American Recovery and Reinvestment Act funding is involved. The federal CFDA website is available to assist in this process. Those responsible for compiling the SEFA should obtain the training necessary (through courses or reference materials) to understand the components of the SEFA and properly gather the correct information and maintain supporting documentation. The County should also reconcile the SEFA amounts to the general ledger and financial statements.

Client's Response:

*Otter Tail County's management recognizes the responsibility to prepare the Schedule of Expenditures of Federal Awards and is in agreement with the recommendation as stated in the Schedule of Findings. Otter Tail County's management recognizes that adequately resolving Audit Finding 06-1, "Preparation of Financial Statements," Audit Finding 06-2, "Audit Adjustment," and Audit Finding 08-1, "Documenting and Monitoring Internal Controls" would significantly help address this issue.*

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

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

09-1 Collateral Pledged to Secure Deposits

At December 31, 2010, deposits with First National Bank of Henning exceeded the amount of federal deposit insurance and collateral pledged by \$36,409. 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.*



B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

09-2 Ditch Fund Balance Deficits

Of the 31 individual ditch systems, 4 had deficit unreserved, undesignated fund balances at December 31, 2010, totaling \$87,648, the largest being \$73,046.

As provided by Minn. Stat. § 103E.735, subd. 1, 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 \$100,000, whichever is larger.

We recommend that the County eliminate the individual ditch deficit fund balances by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus balance to provide for the repair and maintenance costs of a ditch system.

Client's Response:

*Otter Tail County Management is aware of the provisions of Minnesota Statute 103E.735, Subdivision 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 which have not had an annual maintenance assessment established. It is anticipated that project assessments will be levied on these drainage systems in December of 2011. Once project assessments are in place, the policy of the county is to continue with annual maintenance assessments.*

PREVIOUSLY REPORTED ITEM RESOLVED

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

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. Certain items purchased through the uniform and safety equipment allowance or clothing allowance did not comply with County policy, appeared to be excessive, or did not comply with Internal Revenue Service regulations as deductible work clothing.

### **Resolution**

Over the past few years, the County has taken steps to ensure compliance with County policy and that purchases are reasonable and serve a public purpose, and on August 17, 2010, the County Board approved a new policy that addresses which uniform items are taxable and how to account for those items to ensure compliance with Internal Revenue Service regulations. This policy further provides that effective January 1, 2011, the Sheriff's uniform policy is amended to exclude all the items identified as taxable.

### C. OTHER ITEM FOR CONSIDERATION

#### GASB Statement 54

The Governmental Accounting Standards Board's (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is effective for Otter Tail County for the year ending December 31, 2011. The standard's objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and 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 are reserved, unreserved-designated, and unreserved-undesignated. Statement 54 replaces these components with nonspendable, restricted, committed, assigned, and unassigned as defined below:

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

The County should begin the process for implementing the new fund balance classifications. A key step in successfully implementing the new fund balance requirements is to plan ahead. The County can start with the following steps:

- review the requirements of GASB Statement 54;
- review current fund balances and compare to the new classifications;
- reclassify January 1, 2011, fund balance using the new classifications;
- review/update/prepare a comprehensive fund balance policy;
- prepare appropriate Board resolutions to commit fund balance; and
- if the Board of County Commissioners intends to delegate authority to assign fund balance, prepare the resolutions delegating that authority.

#### 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 the new standard. The new definition for a special revenue fund could have significant impact on the County's current fund classifications.

GASB Statement 54 provides a new and clearer description of when it is appropriate to account for an activity using a special revenue fund. Special revenue funds are used to report specific revenue sources restricted or committed to specified purposes other than debt service and capital projects, where the restricted or committed revenue sources comprise a substantial portion of the fund's resources, and are expected to continue to do so in the future. The standard does not define substantial portion; however, most recommendations are generally that the restricted or committed revenues should comprise at least 35 to 50 percent of total fund revenues. Under this definition, it is possible that some current special revenue funds will no longer meet the requirements for special revenue fund treatment. The County's management should review the County's special revenue funds to ensure these funds continue to warrant treatment as special revenue funds.

The County's management should perform the following steps prior to December 31, 2011:

- prepare a list of the County's special revenue funds;
- determine the sources of revenues for each of those funds;
- identify whether any of those revenues are restricted or committed;
- determine if these restricted or committed revenues represent a substantial portion of the fund's revenues and are expected to continue to be a substantial source of revenues;
  - if yes, the fund may continue to be classified as a special revenue fund;
  - if not, determine whether the County will combine that fund with the general fund or with a similar purpose special revenue fund that meets the new definition;
- code revenues in the general ledger by source constraints--restricted, committed, assigned, or unassigned; and
- determine if there needs to be a restatement of beginning fund balances.

Additional implementation steps could include: informing any component units that they also will need to meet the requirements; deciding on how fund balance will be presented in the financials, such as detailed vs. aggregate methods; and developing the potential note disclosures. Additional guidance on GASB Statement 54 can be found on the Office of the State Auditor's website at:

[http://www.auditor.state.mn.us/other/Statements/fundbalances\\_postGASB54\\_1012\\_statement.pdf](http://www.auditor.state.mn.us/other/Statements/fundbalances_postGASB54_1012_statement.pdf).



REBECCA OTTO  
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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, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 28, 2011. 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, 08-1, and 10-1, 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 Political Subdivisions*, 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 Political Subdivisions* 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 is a management practices comment and an other item for consideration. We believe this recommendation 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 28, 2011

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

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### **REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners  
Otter Tail County

#### Compliance

We have audited Otter Tail County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. 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 of 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 could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

#### Internal Control Over Compliance

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 to determine the 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.

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 28, 2011