

# 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, 2013

## **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, 2013**



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

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
<b>Introductory Section</b>		
Organization		1
<b>Financial Section</b>		
Independent Auditor's Report		2
Management's Discussion and Analysis		5
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	21
Statement of Activities	2	23
Fund Financial Statements		
Governmental Funds		
Balance Sheet	3	25
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position--Governmental Activities	4	29
Statement of Revenues, Expenditures, and Changes in Fund Balance	5	30
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	6	34
Proprietary Fund		
Waste Management Enterprise Fund		
Statement of Fund Net Position	7	35
Statement of Revenues, Expenses, and Changes in Fund Net Position	8	37
Statement of Cash Flows	9	38
Fiduciary Funds		
Statement of Fiduciary Net Position - Agency Funds	10	40
Notes to the Financial Statements		41

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

TABLE OF CONTENTS

	Exhibit	Page
<b>Financial Section (Continued)</b>		
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	A-1	95
Road and Bridge Special Revenue Fund	A-2	98
Human Services Special Revenue Fund	A-3	99
Capital Improvement Special Revenue Fund	A-4	100
Schedule of Funding Progress - Other Postemployment Benefits	A-5	102
Notes to the Required Supplementary Information		103
Supplementary Information		
Nonmajor Governmental Funds		104
Combining Balance Sheet	B-1	105
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	B-2	106
Combining Balance Sheet - Nonmajor Special Revenue Funds	B-3	107
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Special Revenue Funds	B-4	108
Combining Balance Sheet - Nonmajor Debt Service Funds	B-5	109
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Debt Service Funds	B-6	111
Budgetary Comparison Schedules		
County Ditch Special Revenue Fund	B-7	113
Law Library Special Revenue Fund	B-8	114
Sheriff's Contingent Special Revenue Fund	B-9	115
Chemical Dependency Debt Service Fund	B-10	116
Ethanol Plant Debt Service Fund	B-11	117
Government Service Center Debt Service Fund	B-12	118
Sheriff Operations Debt Service Fund	B-13	119
Veterans Home Debt Service Fund	B-14	120
Master Facility Construction Debt Service Fund	B-15	121
Fiduciary Funds		
Agency Funds		
Combining Statement of Changes in Assets and Liabilities	C-1	122

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
<b>Financial Section</b>		
Supplementary Information (Continued)		
Other Schedules		
Schedule of Deposits and Investments	D-1	124
Balance Sheet - By Ditch - County Ditch Special Revenue Fund	D-2	125
Schedule of Intergovernmental Revenue	D-3	127
Schedule of Expenditures of Federal Awards	D-4	129
Notes to the Schedule of Expenditures of Federal Awards		131
<b>Management and Compliance Section</b>		
Schedule of Findings and Questioned Costs		133
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		148
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance		151

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

ORGANIZATION  
DECEMBER 31, 2013

			<u>Term Expires</u>
<b>Elected</b>			
<b>Commissioners</b>			
Chair	Douglas Huebsch	District 1	January 2017
Vice Chair	Wayne Johnson	District 2	January 2015
Board Member	John Lindquist	District 3	January 2017
Board Member	Roger Froemming	District 4	January 2015
Board Member	Leland Rogness	District 5	January 2017
Attorney	David Hauser		January 2015
Auditor	Wayne Stein		January 2015
Treasurer	Steven Andrews		January 2015
County Recorder	Brian Armstrong		January 2015
County Sheriff	Brian Schlueter		January 2015
<b>Appointed</b>			
Assessor	Doug Walvatne		December 2016
County Engineer	Richard West		May 2014
Medical Examiner	Dr. Gregory Smith		Indefinite
County Administrator	Larry Krohn		Indefinite
Veterans Service Officer	Charlie Kampa		August 2017
Examiner of Titles	Robert Russell		Indefinite
<b>Human Services Board</b>			
Member	John Lindquist		January 2017
Member	Leland Rogness		January 2017
Member	Roger Froemming		January 2015
Chair	Douglas Heubsch		January 2017
Vice Chair	Wayne Johnson		January 2015
Human Services Director	John Dinsmore		Indefinite
Probation Officer	Charles W. Kitzman		Indefinite
Public Health Director	Diane Thorson		Indefinite

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Otter Tail County

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Otter Tail County as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal

control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Otter Tail County as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter - Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2013 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Otter Tail County's basic financial statements. The supplementary information as 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2014, 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* in considering Otter Tail County's internal control over financial reporting and compliance.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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. The 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 SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 15, 2014

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

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2013  
(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, 2013. 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 position is \$160,018,336, of which Otter Tail County has a net investment in capital assets of \$119,313,465 and \$3,520,020 is restricted to specific purposes/uses.
- Business-type activities' total net position is \$9,840,036. Net investment in capital assets represents \$5,602,000 of the total, and \$181,583 of the total business-type net position is restricted for specific uses (postclosure care costs).
- Otter Tail County's net position (governmental activities and business-type activities) totals \$169,858,372 for the year ended December 31, 2013. Net investment in capital assets represents \$124,915,465 of the total, \$3,701,603 of the total net position is restricted for specific uses, and \$41,241,304 is unrestricted.
- The net cost of Otter Tail County's governmental activities for the year ended December 31, 2013, was \$31,200,739. General property tax revenues and other revenue sources totaling \$37,007,459 funded the total net cost of \$31,200,739.
- Otter Tail County's governmental funds' fund balances increased by \$19,557,607. This increase was the result of a General Fund balance increase of \$1,109,609, a Road and Bridge Special Revenue Fund balance increase of \$3,291,954, a Human Services Special Revenue Fund balance increase of \$784,919, a Capital Improvement Special Revenue Fund balance increase of \$462,983, a Construction Capital Projects Special Revenue Fund balance decrease of \$4,775,251, a Prairie Lakes Municipal Solid Waste Authority Debt Service Fund balance increase of \$19,195,633, and a decrease in other governmental funds' fund balances of \$512,240.

- The General Fund balance increased by \$1,109,609. This increase was due to excess revenues over expenditures of \$1,109,654, an operating transfer to the Sheriff's Contingent Fund of \$812, and an operating transfer from the Capital Improvement Special Revenue Fund of \$767. For the prior year ended December 31, 2012, excess General Fund revenues over expenditures were \$857,718. The \$251,936 increase in excess revenues over expenditures is due mainly to the following: a \$2,336,306 increase in revenues and a \$2,084,370 increase in expenditures. It should be noted that revenues from taxes increased by \$1,002,107, special assessments increased by \$431, intergovernmental increased by \$21,179, charges for services increased by \$33,761, interest earnings increased by \$90,934, and miscellaneous increased by \$1,194,158; however, these increased revenues in the General Fund were offset by decreased licenses and permits revenues of \$5,808, decreased fines and forfeits revenues of \$236, and decreased gifts and contributions of \$220. General Fund expenditures for general government-related functions/programs increased by \$1,518,505, public safety-related functions/programs increased by \$692,557, expenditures for conservation of natural resource-related functions/programs increased by \$93,509, and expenditures for economic development-related functions/programs increased by \$7,554; however, these increased expenditures were offset by a \$227,755 decrease in cost associated with culture and recreation-related functions/programs.
- The Road and Bridge Special Revenue Fund balance increased by \$3,291,954 due to excess revenues over expenditures of \$3,236,453 and an increase in inventories of \$55,501. For the prior year ended December 31, 2012, excess expenditures over revenues totaled \$1,711,557. The \$4,948,010 increase in excess revenues over expenditures is due mainly to increased revenues from taxes of \$312,982, charges for services of \$148,448, miscellaneous of \$1,104, and decreased costs associated with highways and streets-related expenditures of \$5,257,253, which was primarily construction related costs; however, this increased revenue source and the decreased costs associated with highway and street-related expenditures were offset by a decrease in intergovernmental revenues of \$718,450 and an increase in intergovernmental highway and streets-related expenditures of \$53,327.
- The Human Services Special Revenue Fund balance increased by \$784,919 due to excess revenues over expenditures of \$784,919. For the prior year ended December 31, 2012, excess revenues over expenditures totaled \$727,250. The \$57,669 increase was due mainly to an increase in tax revenues of \$230,566, an increase in gifts and contributions revenues of \$52,872, an increase in miscellaneous revenues of \$68,407, and a decrease in human services-related functions/programs costs of \$299,867. However, the increased revenues and decreased costs associated with human services-related functions/programs were offset by a decrease in intergovernmental revenues of \$138,176, a decrease in charges for services revenues of \$51,704, an increase in public safety-related functions/programs costs of \$192,618, and an increase in health revenues for charges for services of \$211,545.

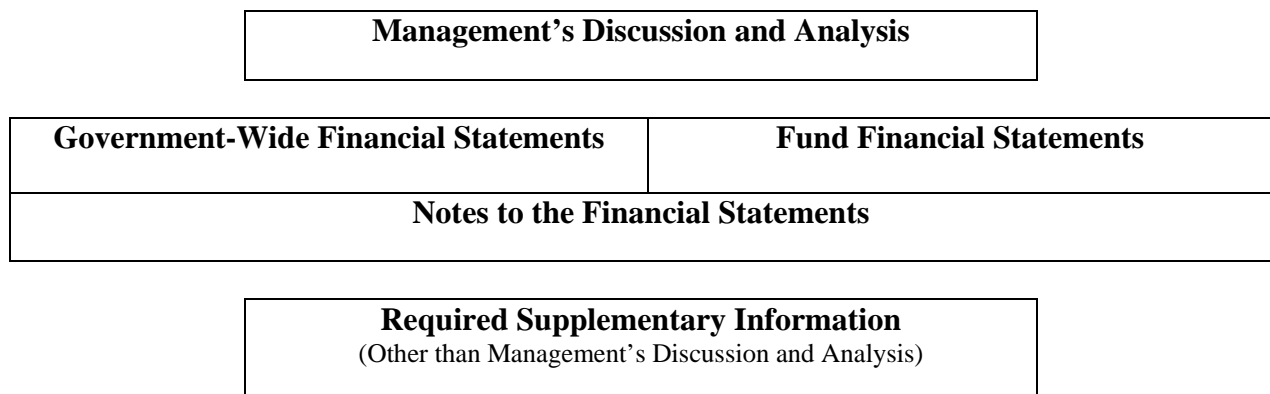
- The Capital Improvement Special Revenue Fund balance increased by \$462,983 due to excess revenues over expenditures of \$233,663 and a special item (settlement) of \$230,087, which was offset by an operating transfer of \$767 to the General Fund. For the prior year ended December 31, 2012, excess expenditures over revenues totaled \$220,168. The \$453,831 improvement was due mainly to an increase in charges for services revenues of \$274, a decrease in general government capital-related expenditures of \$30,772, a decrease in public safety capital-related expenditures of \$788,987, a decrease in highways and streets capital-related expenditures of \$24,460, and a decrease in culture and recreation capital-related expenditures of \$60,457. This increased revenue and these decreased expenditures were offset by decreased taxes revenues of \$16,676, decreased intergovernmental revenues of \$125,519, decreased revenues from interest earnings of \$4,643, decreased miscellaneous revenues of \$82,023, increased health capital-related expenditures of \$3,389, and increased economic development capital-related expenditures of \$218,869.
- The Construction Capital Projects Fund balance decreased by \$4,775,251 due to excess expenditures over revenues of \$4,775,251. For the prior year ended December 31, 2012, excess expenditures over revenues totaled \$3,744,713. The increase in excess expenditures over revenues of \$1,030,538 was due mainly to an increase in general government construction-related expenditures of \$1,089,736, which was offset by an increase in miscellaneous revenues of \$20,956 and a decrease in bond issuance costs of \$38,242. The primary revenue sources for the Construction Capital Projects Fund were transfers in 2011 from the General Fund, the Capital Improvement Fund, and the Human Services Fund and bond proceeds from a 2012 bond sale. The primary purpose of the fund is to cover the costs associated with improvements to the original courthouse, law enforcement center, and detention facility. These improvements are expected to be completed in 2014.
- The Prairie Lakes Municipal Solid Waste Authority Debt Service Fund balance increased by \$19,195,633 due to excess expenditures over revenues of \$613,581, bond issuance of \$19,380,000, and premium on bonds issued of \$429,214. For the prior year ended December 31, 2012, excess expenditures over revenues totaled \$476,153. The \$137,428 increase in excess expenditures over revenues is due to an increase in debt service costs (principal, interest, and bond issuance costs) of \$534,004. Bond issuance costs account for \$245,789 of the total debt service costs increase. The increased debt service costs were offset by increased miscellaneous and interest earnings revenues of \$396,576.
- The fund balance as of December 31, 2013, for all other governmental funds decreased by \$512,240. This decrease was due mainly to excess expenditures over revenues of \$513,052, which was offset by an \$812 operating transfer from the General Fund to the Sheriff's Contingent Fund. For the prior year ended December 31, 2012, excess expenditures over revenues totaled \$3,267,685, which must be adjusted by \$3,744,713 for the Construction Capital Projects Fund which, for the year ended December 31, 2013, is being reported as a major governmental fund. As a result of this adjustment, the excess revenues over expenditures for all other governmental funds as of December 31, 2012, is \$477,028.

The \$990,080 increase in excess expenditures over revenues is due mainly to a decrease in taxes revenues of \$221,847, a decrease in intergovernmental revenues of \$5,631, a decrease in fines and forfeits revenues of \$9,749, an increase in general government-related expenditures of \$543, an increase in public safety-related expenditures of \$2,310, an increase in conservation of natural resources-related expenditures of \$25,813, and an increase in debt service-related expenditures of \$902,626. These decreased revenues and increased expenditures were offset by an increase in special assessment revenues of \$143,469, an increase in interest earnings revenues of \$16, and an increase in miscellaneous revenues of \$34,954.

- In 2013, Otter Tail County did issue, on behalf of the Prairie Lakes Municipal Solid Waste Authority, General Obligation Waste Disposal Revenue Bonds in the amount of \$19,380,000. 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 costs of improvements and expansion to the solid waste disposal facility known as the Perham Resource Recovery Facility.

## OVERVIEW OF THE FINANCIAL STATEMENTS

Otter Tail County’s MD&A 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 Position 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 Position 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 Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader 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 position and changes in it.

You can think of net position--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 position is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the 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 Position 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 Position 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 Position 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 Position 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 position for the year ended December 31, 2013, was \$169,858,372. The analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the County's governmental and business-type activities.

**Table 1**  
**Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Current and other assets	\$ 86,090,486	\$ 66,357,852	\$ 6,184,435	\$ 5,541,616	\$ 92,274,921	\$ 71,899,468
Capital assets	137,301,603	132,937,098	5,601,998	5,946,385	142,903,601	138,883,483
<b>Total Assets</b>	<b>\$ 223,392,089</b>	<b>\$ 199,294,950</b>	<b>\$ 11,786,433</b>	<b>\$ 11,488,001</b>	<b>\$ 235,178,522</b>	<b>\$ 210,782,951</b>
<b>Liabilities</b>						
Long-term debt outstanding	\$ 57,875,919	\$ 40,452,055	\$ 1,564,209	\$ 1,553,207	\$ 59,440,128	\$ 42,005,262
Other liabilities	5,497,834	4,631,279	382,188	390,084	5,880,022	5,021,363
<b>Total Liabilities</b>	<b>\$ 63,373,753</b>	<b>\$ 45,083,334</b>	<b>\$ 1,946,397</b>	<b>\$ 1,943,291</b>	<b>\$ 65,320,150</b>	<b>\$ 47,026,625</b>
<b>Net Position</b>						
Net investment in capital assets	\$ 119,313,465	\$ 113,361,185	\$ 5,602,000	\$ 5,946,385	\$ 124,915,465	\$ 119,307,570
Restricted	3,520,020	4,916,590	181,583	134,756	3,701,603	5,051,346
Unrestricted	37,184,851	35,933,841	4,056,453	3,463,569	41,241,304	39,397,410
<b>Total Net Position</b>	<b>\$ 160,018,336</b>	<b>\$ 154,211,616</b>	<b>\$ 9,840,036</b>	<b>\$ 9,544,710</b>	<b>\$ 169,858,372</b>	<b>\$ 163,756,326</b>

Otter Tail County's total net position for the year ended December 31, 2013, is \$169,858,372. Unrestricted net position totaling \$41,241,304 is available to finance day-to-day operations. Of the unrestricted net position, \$37,184,851 is available for governmental activities, and \$4,056,453 is available for business-type activities.

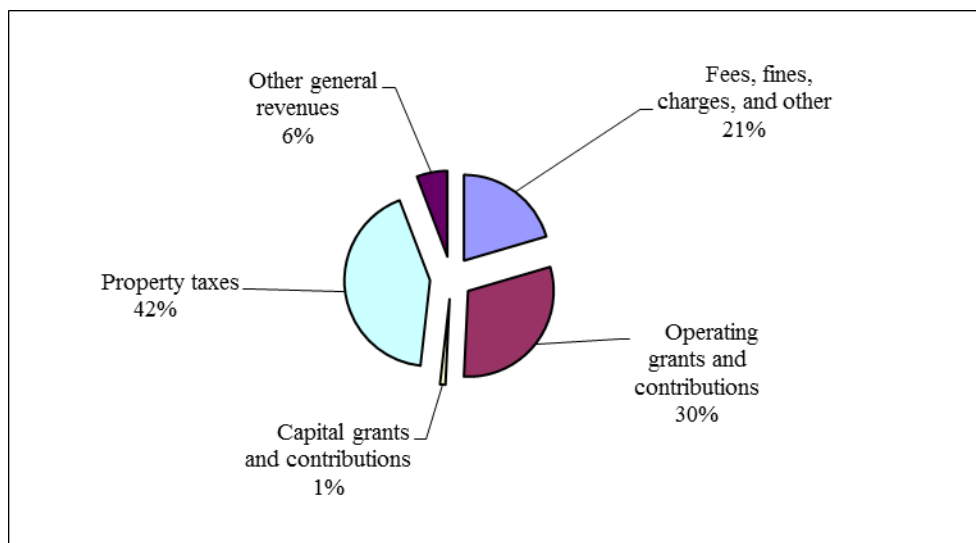
**Table 2**  
**Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
<b>Program revenues</b>						
Fees, fines, charges and other	\$ 8,397,143	\$ 6,073,401	\$ 7,339,619	\$ 6,750,775	\$ 15,736,762	\$ 12,824,176
Operating grants and contributions	23,038,023	22,720,540	176,587	182,840	23,214,610	22,903,380
Capital grants and contributions	791,800	1,964,658	-	-	791,800	1,964,658
<b>General revenues</b>						
Property taxes	32,565,274	31,242,749	-	-	32,565,274	31,242,749
Other taxes	677,122	690,589	-	-	677,122	690,589
Grants and contributions	2,408,904	1,834,480	-	-	2,408,904	1,834,480
Other general revenues	1,280,159	1,261,833	10,767	10,167	1,290,926	1,272,000
Special item	76,000	154,087	-	-	76,000	154,087
<b>Total Revenues</b>	<b>\$ 69,234,425</b>	<b>\$ 65,942,337</b>	<b>\$ 7,526,973</b>	<b>\$ 6,943,782</b>	<b>\$ 76,761,398</b>	<b>\$ 72,886,119</b>

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Expenditures						
Program expenses						
General government	\$ 12,899,234	\$ 11,040,066	\$ -	\$ -	\$ 12,899,234	\$ 11,040,066
Public safety	11,577,720	11,627,444	-	-	11,577,720	11,627,444
Highways and streets	16,534,935	13,048,472	-	-	16,534,935	13,048,472
Sanitation	245,789	-	-	-	245,789	-
Human services	16,020,434	16,252,667	-	-	16,020,434	16,252,667
Health	2,648,567	2,361,748	-	-	2,648,567	2,361,748
Culture and recreation	715,920	961,148	-	-	715,920	961,148
Conservation of natural resources	970,042	882,284	-	-	970,042	882,284
Economic development	248,223	21,800	-	-	248,223	21,800
Interest	1,566,841	1,250,144	-	-	1,566,841	1,250,144
Landfill	-	-	7,231,647	7,117,448	7,231,647	7,117,448
Total Program Expenses	\$ 63,427,705	\$ 57,445,773	\$ 7,231,647	\$ 7,117,448	\$ 70,659,352	\$ 64,563,221
Increase (Decrease) in Net Position	\$ 5,806,720	\$ 8,496,564	\$ 295,326	\$ (173,666)	\$ 6,102,046	\$ 8,322,898

Otter Tail County's total revenues for the year ended December 31, 2013, were \$76,761,398. The total cost of programs and services for the year ended December 31, 2013, was \$70,659,352. The net position increased by \$6,102,046, due mainly to an increase in fees, fines, charges, and other revenues, an increase in property tax revenues, an increase in operating grants and contributions revenues, a decrease in culture and recreation-related expenditures, human services-related expenditures, and public safety-related expenditures, which were offset by a decrease in capital grants and contributions revenues, a decrease in special items revenues, and an increase in general government-related expenditures, highway and streets expenditures, health related expenditures, conservation of natural resources-related expenditures, economic development-related expenditures, landfill and sanitation-related expenditures, and interest costs.

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



(Unaudited)

## Governmental Activities

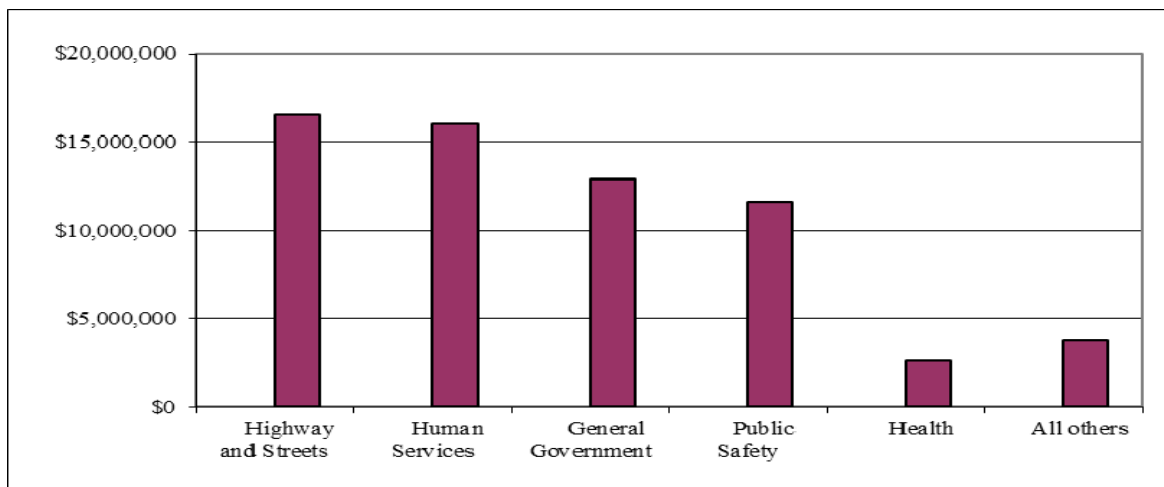
Revenues for Otter Tail County’s governmental activities for the year ended December 31, 2013, were \$69,234,425. Costs for all governmental activities for the year ended December 31, 2013, were \$63,427,705. As shown in the Statement of Activities, the amount that County taxpayers ultimately financed for these governmental activities through local property taxation was \$32,565,274, because \$8,397,143 of the costs were paid by those who directly benefited from the programs, and \$23,829,823 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 \$4,442,185 in general revenues, primarily grants and contributions not restricted to specific programs or services, and with other revenues such as investment income, mortgage registration tax, and deed tax.

Table 3 presents the cost of each of Otter Tail County’s five largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on the County’s taxpayers by each of these functions.

**Table 3  
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
Program expenses		
Highway and streets	\$ 16,534,935	\$ 2,089,247
Human services	16,020,434	6,552,834
General government	12,899,234	8,038,120
Public safety	11,577,720	10,742,244
Health	2,648,567	419,307
All others	3,746,815	3,358,987
	<u>\$ 63,427,705</u>	<u>\$ 31,200,739</u>
Total Program Expenses	<u>\$ 63,427,705</u>	<u>\$ 31,200,739</u>

### Governmental Activities Expenses 2013



(Unaudited)

## **Business-Type Activities**

Revenues of Otter Tail County's business-type activities (see Table 2) for the year ended December 31, 2013, were \$7,526,973. This compares with total operating revenues of \$6,750,775 and total non-operating revenues of \$193,007 for the year ended December 31, 2012. Operating revenues increased by \$582,299 and non-operating revenues increased by \$892, resulting in an overall increase in revenues of \$583,191.

Expenses of business-type activities (see Table 2) for the year ended December 31, 2013, were \$7,231,647. This compares with total operating expenses of \$7,089,056 and total non-operating expenses of \$28,392 for the year ended December 31, 2012. Operating expenses increased by \$122,311, and non-operating expenses decreased by \$8,112, resulting in an overall increase in expenses of \$114,199, which is due mainly to increased SCORE costs of \$39,657, increased waste management costs of \$514,613, and increased household hazardous waste costs of \$8,136, which was offset by decreased processing costs of \$378,643, decreased depreciation expense of \$4,570, decreased landfill closure and postclosure costs of \$56,882, and decreased interest expense of \$8,112.

## **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 \$78,455,294, which is greater than last year's total of \$58,897,687. The fund balance change of \$19,557,607 is due to an increase in the General Fund balance of \$1,109,609, an increase in the Road and Bridge Special Revenue Fund balance of \$3,291,954, an increase in the Human Services Special Revenue Fund balance of \$784,919, an increase in the Capital Improvement Special Revenue Fund balance of \$462,983, a decrease in the Construction Capital Projects Fund balance of \$4,775,251, an increase in the Prairie Lakes Municipal Solid Waste Authority Debt Service Fund balance of \$19,195,633, which was mainly due to a 2013 bond sale, and a decrease in the other governmental funds' fund balances of \$512,240.

As you will note, there were significant changes within individual funds. The overall fund balance change represented a 33.20 percent increase. The significant items impacting the individual fund balance changes were previously noted; however, the increase is mainly due to the 2013 sale of General Obligation Waste Disposal Revenue Bonds in the amount of \$19,380,000.

Included in this year's total fund balance is the General Fund balance of \$19,729,603, an increase of \$1,109,609 from 2012. The General Fund balance is classified as either nonspendable - \$629,970, restricted for specific purposes - \$1,724,449, assigned to specific uses - \$381,244, or unassigned - \$16,993,940.

## 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 2013, the Board of Commissioners did not make any significant budget revisions to the General Fund budget. The Board of Commissioners did make a minor change to the Human Services Fund budget to reflect an additional public health program that was not known when the 2013 budget was prepared.

If the Board had made significant changes to the budget as originally adopted on Tuesday, December 11, 2012, 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 \$477,665. Total actual expenditures in the General Fund were under the budgeted expenditures by \$908,172. The budgeted operating transfers out were less than the actual operating transfers out by \$1,188.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2013, Otter Tail County had \$142,903,601 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment (see Table 4). This amount represents a net increase (including additions and deductions) of \$4,020,118, or a 2.89 percent increase, over last year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land	\$ 4,326,050	\$ 4,324,010	\$ 195,934	\$ 195,934	\$ 4,521,984	\$ 4,519,944
Construction in progress	9,321,527	4,671,688	79,025	50,904	9,400,552	4,722,592
Land improvements	106,207	163,785	-	-	106,207	163,785
Buildings and improvements	22,049,171	22,858,333	3,752,700	3,979,883	25,801,871	26,838,216
Machinery, furniture, and equipment	4,578,719	4,471,639	482,401	567,057	5,061,120	5,038,696
Infrastructure	96,919,929	96,447,643	-	-	96,919,929	96,447,643
Landfill	-	-	1,091,938	1,152,607	1,091,938	1,152,607
Totals	<u>\$ 137,301,603</u>	<u>\$ 132,937,098</u>	<u>\$ 5,601,998</u>	<u>\$ 5,946,385</u>	<u>\$ 142,903,601</u>	<u>\$ 138,883,483</u>

During calendar year 2013, Otter Tail County's governmental activities' capital assets, net of depreciation, increased a total of \$4,364,505. 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 remodeling and improvement projects started, in progress, and completed in 2013.

Remodeling/construction plans for the original courthouse structure, Government Services Center, New York Mills office building, dispatch center, and building security issues have been prepared. A number of these projects were started and were completed in late 2012/early 2013, with an anticipated completion date for all of these projects in the spring of 2014. 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, 2013, Otter Tail County had \$51,205,849 in bonds and notes outstanding, compared with \$33,901,672 as of December 31, 2012, an increase of 51.04 percent--as shown in Table 5.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Bonds payable						
General obligation bonds	\$ 13,250,000	\$ 14,710,000	\$ -	\$ -	\$ 13,250,000	\$ 14,710,000
Revenue bonds	33,605,000	14,950,000	-	-	33,605,000	14,950,000
Lease revenue bonds	4,105,000	4,425,000	-	-	4,105,000	4,425,000
Plus: Unamortized premium	432,603	19,110	-	-	432,603	19,110
Less: Unamortized discount	(186,754)	(202,438)	-	-	(186,754)	(202,438)
Totals	<u>\$ 51,205,849</u>	<u>\$ 33,901,672</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,205,849</u>	<u>\$ 33,901,672</u>

The state limits the amount of net debt that the County can issue to three percent of the market value of all taxable property. Otter Tail County's outstanding net debt is significantly below this \$248,006,466 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 (3.C. 2-7) 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 consider 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 varies from year to year. Significant increases will impact a number of departmental budgets, as well as potentially influence which projects and the number of projects will be undertaken in any given year.
- Otter Tail County uses technology whenever possible to reduce employee travel and has undertaken a number of projects to make the County's facilitates more energy efficient.
- Legislative actions by the State of Minnesota can have a significant impact on future County budgets. Major revenue sources are state-paid aids 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 recent 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. It should be noted that the Pay 2013 net levy was \$1,270,849 more than the Pay 2012 net levy, which was a 4.0 percent increase. The overall County rate for Pay 2013 is 41.660, which is a 6.4 percent increase over the Pay 2012 County rate of 39.147. The overall County rate for Pay 2013 increased because of additional tax revenue funding required by the County's major operational funds and because the overall tax base (net tax capacity) dropped by \$1,914,238 or 2.4 percent, from Pay 2012.
- For taxes payable year 2013, the County was not subject to state-imposed levy limits; however, for taxes payable year 2014, the County will be subject to state-imposed levy limits. The imposition of levy limitations for taxes payable year 2014 will require that the County carefully review its current financial position to ensure that Otter Tail County has adequate funding to provide the desired level of services and to meet the demands of the public. Consideration and discussions regarding the availability of special levies will be an important part of the overall budget review and levy 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.

- As noted above, state-imposed levy limitations did not exist for budget year 2013; however, a state-imposed levy limitation will exist for budget year 2014. In addition to the limitation that will exist for budget year 2014, other legislative changes and current economic conditions require that, as the County operates under the adopted budget for 2014 and develops the 2015 budget, a careful review must be made of revenue sources other than property taxes, as well as reviewing current and proposed expenditures and how services and programs are delivered to the public to help ensure that a sound financial position is maintained.
- The net property tax levy for 2014 is scheduled to increase by 3.65 percent, or approximately \$1,205,475, and will result in a County tax rate of 41.945.
- Otter Tail County's unemployment rate for 2014 averaged 6.3 percent through April 30, 2014. However, it should be noted that the unemployment rate for the month of April was 5.1 percent. The County's unemployment rate for 2013 averaged 5.3 percent, 2012 averaged 5.6 percent, 2011 averaged 6.3 percent, 2010 averaged 7.2 percent, 2009 averaged 8.3 percent, 2008 averaged 6.1 percent, and 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.
- The cross-training of current staff, determining the appropriate level for future staffing needs, and continuing to transition the current organizational structure to the divisional organization structure has played and will continue to play an important role in the budget development process.
- Developing, training, and staffing the finance division to properly manage (budget, accounting, and timely reporting) the County's growing programs and functions will be critical to the future financial success of the County.
- 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 and 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, the costs associated with implementation, and the costs associated with training staff in the proper use of technology are important factors considered when allocating budgetary resources. The County is currently involved with a project to rewrite its existing assessment and property tax software, which will allow the County to use existing technology more effectively. This project is approximately 12 months behind schedule and the delay would result in added cost to maintain the existing system.
  
- 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;
  - 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 its 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 POSITION  
DECEMBER 31, 2013**

	<b>Primary Government</b>			<b>Discretely Presented Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>Assets</b>				
Cash and pooled investments	\$ 49,489,649	\$ 4,940,685	\$ 54,430,334	\$ 10,887,578
Taxes receivable delinquent	998,060	-	998,060	-
Special assessments receivable				
Prior	2,253	-	2,253	-
Deferred	226,666	-	226,666	-
Accounts receivable	356,911	371,085	727,996	175,550
Accrued interest receivable	117,771	-	117,771	-
Internal balances	507,840	(507,840)	-	-
Due from other governments	3,604,956	100,241	3,705,197	1,951,816
Due from primary government	-	-	-	131,856
Lease receivable	57,720	-	57,720	-
Inventories	401,932	-	401,932	-
Prepaid item	-	-	-	209,235
Restricted assets				
Temporarily restricted				
Cash with escrow agent	304,582	-	304,582	-
Permanently restricted				
Cash and pooled investments	-	1,280,264	1,280,264	-
Advance to component unit	29,070,000	-	29,070,000	-
Long-term lease receivable	952,146	-	952,146	-
Capital assets				
Non-depreciable	13,647,577	274,959	13,922,536	20,470,993
Depreciable - net of accumulated depreciation	123,654,026	5,327,039	128,981,065	5,523,686
<b>Total Assets</b>	<b>\$ 223,392,089</b>	<b>\$ 11,786,433</b>	<b>\$ 235,178,522</b>	<b>\$ 39,350,714</b>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2013**

	<b>Primary Government</b>			<b>Discretely Presented Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b><u>Liabilities</u></b>				
Accounts payable	\$ 1,124,674	\$ 168,104	\$ 1,292,778	\$ 134,677
Salaries payable	1,263,310	69,822	1,333,132	40,448
Contracts payable	1,504,509	-	1,504,509	3,928,318
Due to other governments	775,790	12,762	788,552	118,893
Due to component unit	356	131,500	131,856	-
Due to primary government	-	-	-	76,063
Accrued interest payable	398,256	-	398,256	-
Unearned revenue	249,507	-	249,507	-
Employee deposits	181,432	-	181,432	-
Advance from primary government	-	-	-	29,070,000
Long-term liabilities				
Due within one year	3,873,010	80,731	3,953,741	76,544
Due in more than one year	54,002,909	1,483,478	55,486,387	115,364
<b>Total Liabilities</b>	<b>\$ 63,373,753</b>	<b>\$ 1,946,397</b>	<b>\$ 65,320,150</b>	<b>\$ 33,560,307</b>
<b><u>Net Position</u></b>				
Net investment in capital assets	\$ 119,313,465	\$ 5,602,000	\$ 124,915,465	\$ 7,892,099
Restricted for				
General government	1,678,701	-	1,678,701	-
Public safety	449,431	-	449,431	-
Highways and streets	1,011,453	-	1,011,453	-
Postclosure care	-	181,583	181,583	-
Conservation of natural resources	204,657	-	204,657	-
Held in trust for other purposes	175,778	-	175,778	-
Unrestricted	37,184,851	4,056,453	41,241,304	(2,101,692)
<b>Total Net Position</b>	<b>\$ 160,018,336</b>	<b>\$ 9,840,036</b>	<b>\$ 169,858,372</b>	<b>\$ 5,790,407</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	Expenses	Fees Charges, Fines, and Other	Program Revenues Operating Grants and Contributions
<b><u>Functions/Programs</u></b>			
<b>Primary Government</b>			
<b>Governmental activities</b>			
General government	\$ 12,899,234	\$ 4,363,411	\$ 377,366
Public safety	11,577,720	261,814	573,662
Highways and streets	16,534,935	1,030,922	12,796,175
Sanitation	245,789	-	-
Human services	16,020,434	1,522,219	7,899,676
Health	2,648,567	896,597	1,325,496
Culture and recreation	715,920	2,400	-
Conservation of natural resources	970,042	319,780	65,648
Economic development	248,223	-	-
Interest	1,566,841	-	-
	<b>\$ 63,427,705</b>	<b>\$ 8,397,143</b>	<b>\$ 23,038,023</b>
<b>Business-type activities</b>			
Solid waste	7,231,647	7,339,619	176,587
	<b>\$ 70,659,352</b>	<b>\$ 15,736,762</b>	<b>\$ 23,214,610</b>
<b>Component unit</b>			
Prairie Lakes Municipal Solid Waste Authority	\$ 6,261,086	\$ 3,585,058	\$ -

**General Revenues**

Property taxes  
Taxes - other  
Grants and contributions not restricted to specific programs  
Payments in lieu of tax  
Investment earnings  
Miscellaneous

**Special item** - insurance settlement

**Total general revenues and special items**

**Change in Net Position**

**Net Position - Beginning**

**Net Position - Ending**

**EXHIBIT 2**

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Change in Net Position</u>			<u>Discretely Presented Component Unit</u>
	<u>Primary Government</u>		<u>Total</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		
\$ 120,337	\$ (8,038,120)	\$ -	\$ (8,038,120)	
-	(10,742,244)	-	(10,742,244)	
618,591	(2,089,247)	-	(2,089,247)	
-	(245,789)	-	(245,789)	
45,705	(6,552,834)	-	(6,552,834)	
7,167	(419,307)	-	(419,307)	
-	(713,520)	-	(713,520)	
-	(584,614)	-	(584,614)	
-	(248,223)	-	(248,223)	
-	(1,566,841)	-	(1,566,841)	
<b>\$ 791,800</b>	<b>\$ (31,200,739)</b>	<b>\$ -</b>	<b>\$ (31,200,739)</b>	
-	-	284,559	284,559	
<b>\$ 791,800</b>	<b>\$ (31,200,739)</b>	<b>\$ 284,559</b>	<b>\$ (30,916,180)</b>	
<b>\$ 7,662,626</b>				<b>\$ 4,986,598</b>
	\$ 32,565,274	\$ -	\$ 32,565,274	\$ -
	150,185	-	150,185	-
	2,408,904	-	2,408,904	-
	526,937	-	526,937	-
	9,991	10,767	20,758	3,229
	1,270,168	-	1,270,168	-
	76,000	-	76,000	-
	<b>\$ 37,007,459</b>	<b>\$ 10,767</b>	<b>\$ 37,018,226</b>	<b>\$ 3,229</b>
	<b>\$ 5,806,720</b>	<b>\$ 295,326</b>	<b>\$ 6,102,046</b>	<b>\$ 4,989,827</b>
	<b>154,211,616</b>	<b>9,544,710</b>	<b>163,756,326</b>	<b>800,580</b>
	<b>\$ 160,018,336</b>	<b>\$ 9,840,036</b>	<b>\$ 169,858,372</b>	<b>\$ 5,790,407</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, 2013**

	<b>General</b>	<b>Road and Bridge</b>	<b>Human Services</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 18,584,908	\$ 5,064,200	\$ 12,588,441
Petty cash and change funds	3,400	50	200
Undistributed cash in agency funds	372,025	57,037	164,042
Taxes receivable delinquent	494,000	93,073	282,394
Special assessments			
Prior	-	598	-
Deferred	-	-	-
Accounts receivable	53,593	1,350	301,968
Accrued interest receivable	117,771	-	-
Due from other funds	103,341	69,444	-
Due from other governments	40,691	2,124,700	1,415,876
Lease receivable	1,009,866	-	-
Advance to other funds	629,970	-	-
Inventories	-	401,932	-
Advance to component unit	-	-	-
Restricted assets			
Temporarily restricted			
Cash with escrow agent	47,862	-	-
<b>Total Assets</b>	<b>\$ 21,457,427</b>	<b>\$ 7,812,384</b>	<b>\$ 14,752,921</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 410,949	\$ 349,503	\$ 326,746
Salaries payable	614,986	156,533	491,791
Contracts payable	-	491,394	-
Due to other funds	5,196	-	-
Due to other governments	66,781	289,739	419,186
Due to component unit	356	-	-
Unearned revenues	-	-	40,272
Advance from other funds	-	-	-
Employee deposits	181,432	-	-
<b>Total Liabilities</b>	<b>\$ 1,279,700</b>	<b>\$ 1,287,169</b>	<b>\$ 1,277,995</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenues	<b>\$ 448,124</b>	<b>\$ 850,130</b>	<b>\$ 802,814</b>



**EXHIBIT 3**

<u>Capital Improvement</u>	<u>Construction Capital Projects</u>	<u>Prairie Lakes Municipal Solid Waste Authority Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,662,858	\$ 2,126,507	\$ 316,956	\$ 6,472,500	\$ 48,816,370
-	-	-	-	3,650
42,938	-	-	33,587	669,629
71,521	-	-	57,072	998,060
-	-	-	1,655	2,253
-	-	-	226,666	226,666
-	-	-	-	356,911
-	-	-	-	117,771
3,824	-	-	-	176,609
23,689	-	-	-	3,604,956
-	-	-	-	1,009,866
-	-	-	-	629,970
-	-	-	-	401,932
-	-	29,070,000	-	29,070,000
-	-	-	256,720	304,582
<u><b>\$ 3,804,830</b></u>	<u><b>\$ 2,126,507</b></u>	<u><b>\$ 29,386,956</b></u>	<u><b>\$ 7,048,200</b></u>	<u><b>\$ 86,389,225</b></u>
\$ 10,952	\$ 10,014	\$ -	\$ 16,510	\$ 1,124,674
-	-	-	-	1,263,310
16,150	996,965	-	-	1,504,509
-	-	-	69,252	74,448
-	-	-	-	775,706
-	-	-	-	356
-	-	313,853	-	354,125
-	-	-	224,375	224,375
-	-	-	-	181,432
<u><b>\$ 27,102</b></u>	<u><b>\$ 1,006,979</b></u>	<u><b>\$ 313,853</b></u>	<u><b>\$ 310,137</b></u>	<u><b>\$ 5,502,935</b></u>
<u><b>\$ 56,096</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 273,832</b></u>	<u><b>\$ 2,430,996</b></u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2013**

	<b>General</b>	<b>Road and Bridge</b>	<b>Human Services</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)</u></b>			
<b>Fund Balances</b>			
Nonspendable			
Inventories	\$ -	\$ 401,932	\$ -
Advances to other funds	629,970	-	-
Restricted			
Debt service	-	-	-
Law library	-	-	-
Recorder's technology equipment	706,825	-	-
Real estate shortfall	264,140	-	-
E-911	-	-	-
Recorder's compliance	432,856	-	-
Veteran's van	17,072	-	-
County state-aid highway system	-	389,913	-
Handgun permits	127,778	-	-
Ditch maintenance and construction	-	-	-
General government	-	-	-
Sheriff's contingencies	-	-	-
Missing heirs	175,778	-	-
Assigned			
Property and casualty insurance	237,940	111,476	47,339
Workers compensation	143,304	148,999	56,322
General government	-	-	-
Public safety	-	-	279,185
Highways and streets	-	4,622,765	-
Human services	-	-	11,093,284
Health	-	-	1,195,982
Culture and recreation	-	-	-
Capital outlay	-	-	-
Unassigned	16,993,940	-	-
<b>Total Fund Balances</b>	<b>\$ 19,729,603</b>	<b>\$ 5,675,085</b>	<b>\$ 12,672,112</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 21,457,427</b>	<b>\$ 7,812,384</b>	<b>\$ 14,752,921</b>

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

<u>Capital Improvement</u>	<u>Construction Capital Projects</u>	<u>Prairie Lakes Municipal Solid Waste Authority Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 401,932
-	-	-	-	629,970
-	-	29,073,103	6,291,187	35,364,290
-	-	-	106,808	106,808
-	-	-	-	706,825
-	-	-	-	264,140
316,653	-	-	-	316,653
-	-	-	-	432,856
-	-	-	-	17,072
-	-	-	-	389,913
-	-	-	-	127,778
-	-	-	204,657	204,657
151,000	-	-	-	151,000
-	-	-	5,000	5,000
-	-	-	-	175,778
-	-	-	-	396,755
-	-	-	-	348,625
509,573	-	-	-	509,573
313,684	-	-	5,060	597,929
2,327,245	-	-	-	6,950,010
83,302	-	-	-	11,176,586
9,762	-	-	-	1,205,744
10,413	-	-	-	10,413
-	1,119,528	-	-	1,119,528
-	-	-	(148,481)	16,845,459
<u>\$ 3,721,632</u>	<u>\$ 1,119,528</u>	<u>\$ 29,073,103</u>	<u>\$ 6,464,231</u>	<u>\$ 78,455,294</u>
<u>\$ 3,804,830</u>	<u>\$ 2,126,507</u>	<u>\$ 29,386,956</u>	<u>\$ 7,048,200</u>	<u>\$ 86,389,225</u>

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2013**

<b>Fund balances - total governmental funds (Exhibit 3)</b>		<b>\$ 78,455,294</b>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		137,301,603
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,430,996
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		104,618
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	\$ (13,250,000)	
Revenue bonds	(33,605,000)	
Other postemployment benefits	(969,553)	
Facility lease revenue bonds	(4,105,000)	
Bond discount	186,754	
Bond premiums	(432,603)	
Accrued interest payable	(398,256)	
Compensated absences	(4,564,633)	
Capital leases payable	(1,135,884)	
	(58,274,175)	(58,274,175)
<b>Net Position of Governmental Activities (Exhibit 1)</b>		<b>\$ <u>160,018,336</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b>Revenues</b>			
Taxes	\$ 16,302,159	\$ 3,196,220	\$ 9,083,031
Special assessments	21,151	-	-
Licenses and permits	415,418	-	-
Intergovernmental	2,611,070	14,403,368	9,854,020
Charges for services	1,398,189	923,051	1,709,270
Fines and forfeits	31,829	-	-
Gifts and contributions	-	-	52,872
Investment earnings	157,155	-	-
Miscellaneous	2,117,510	86,944	700,180
	<u>\$ 23,054,481</u>	<u>\$ 18,609,583</u>	<u>\$ 21,399,373</u>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 11,626,823	\$ -	\$ -
Public safety	8,655,151	-	2,085,229
Highways and streets	-	14,146,569	-
Human services	-	-	15,922,021
Health	-	-	2,607,204
Culture and recreation	669,567	-	-
Conservation of natural resources	882,112	-	-
Economic development	29,354	-	-
<b>Intergovernmental</b>			
Highways and streets	-	1,226,561	-
<b>Debt service</b>			
Principal	81,820	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
	<u>\$ 21,944,827</u>	<u>\$ 15,373,130</u>	<u>\$ 20,614,454</u>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures</b>	<u>\$ 1,109,654</u>	<u>\$ 3,236,453</u>	<u>\$ 784,919</u>

**EXHIBIT 5**

<b>Capital Improvement</b>	<b>Construction Capital Projects</b>	<b>Prairie Lakes Municipal Solid Waste Authority Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ 2,390,764	\$ -	\$ -	\$ 1,686,965	\$ 32,659,139
-	-	-	184,902	206,053
-	-	-	-	415,418
445,818	-	-	27,453	27,341,729
1,666	-	-	-	4,032,176
-	-	-	56,101	87,930
-	-	-	-	52,872
8,882	-	3,103	754	169,894
141,859	25,960	742,676	583,793	4,398,922
<b>\$ 2,988,989</b>	<b>\$ 25,960</b>	<b>\$ 745,779</b>	<b>\$ 2,539,968</b>	<b>\$ 69,364,133</b>
\$ 116,456	\$ 4,801,211	\$ -	\$ 53,815	\$ 16,598,305
738,065	-	-	9,415	11,487,860
1,534,869	-	-	-	15,681,438
-	-	-	-	15,922,021
3,389	-	-	-	2,610,593
38,213	-	-	-	707,780
-	-	-	119,222	1,001,334
218,869	-	-	-	248,223
-	-	-	-	1,226,561
101,645	-	380,000	2,125,000	2,688,465
3,820	-	733,571	745,568	1,482,959
-	-	245,789	-	245,789
<b>\$ 2,755,326</b>	<b>\$ 4,801,211</b>	<b>\$ 1,359,360</b>	<b>\$ 3,053,020</b>	<b>\$ 69,901,328</b>
<b>\$ 233,663</b>	<b>\$ (4,775,251)</b>	<b>\$ (613,581)</b>	<b>\$ (513,052)</b>	<b>\$ (537,195)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ 767	\$ -	\$ -
Transfers out	(812)	-	-
Bonds issued	-	-	-
Premium on bonds/notes issued	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>\$ (45)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Special Item</b>			
Insurance settlement	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Change in Fund Balance</b>	<b>\$ 1,109,609</b>	<b>\$ 3,236,453</b>	<b>\$ 784,919</b>
<b>Fund Balance - January 1</b>	<b>18,619,994</b>	<b>2,383,131</b>	<b>11,887,193</b>
<b>Increase (decrease) in inventories</b>	<u>-</u>	<u>55,501</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u><u>\$ 19,729,603</u></u>	<u><u>\$ 5,675,085</u></u>	<u><u>\$ 12,672,112</u></u>



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

<b>Capital Improvement</b>	<b>Construction Capital Projects</b>	<b>Prairie Lakes Municipal Solid Waste Authority Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ 812	\$ 1,579
(767)	-	-	-	(1,579)
-	-	19,380,000	-	19,380,000
-	-	429,214	-	429,214
<b>\$ (767)</b>	<b>\$ -</b>	<b>\$ 19,809,214</b>	<b>\$ 812</b>	<b>\$ 19,809,214</b>
<b>\$ 230,087</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 230,087</b>
<b>\$ 462,983</b>	<b>\$ (4,775,251)</b>	<b>\$ 19,195,633</b>	<b>\$ (512,240)</b>	<b>\$ 19,502,106</b>
<b>3,258,649</b>	<b>5,894,779</b>	<b>9,877,470</b>	<b>6,976,471</b>	<b>58,897,687</b>
-	-	-	-	<b>55,501</b>
<b>\$ 3,721,632</b>	<b>\$ 1,119,528</b>	<b>\$ 29,073,103</b>	<b>\$ 6,464,231</b>	<b>\$ 78,455,294</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, 2013**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 19,502,106**

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 inflow of resources - December 31	\$ 2,430,996	
Deferred inflow of resources - January 1	<u>(2,895,409)</u>	(464,413)

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	\$ 10,684,454	
Current year depreciation	<u>(6,319,949)</u>	4,364,505

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 position. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net position.

Proceeds of new debt		
General obligation bonds issued	\$ (19,380,000)	
Premium on bonds issued	<u>(429,214)</u>	(19,809,214)

Principal repayments		
General obligation bonds	\$ 1,460,000	
Revenue bonds	725,000	
Facility lease revenue bonds	320,000	
Capital lease	<u>183,465</u>	2,688,465

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	\$ 20,699	
Amortization of premiums, discounts, and changes in deferred issuance charges	(247,777)	
Change in compensated absences	(189,111)	
Change in other postemployment benefits	(114,041)	
Change in inventories	<u>55,501</u>	<u>(474,729)</u>

**Change in Net Position of Governmental Activities (Exhibit 2) \$ 5,806,720**

**PROPRIETARY FUND**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FUND NET POSITION  
WASTE MANAGEMENT ENTERPRISE FUND  
DECEMBER 31, 2013**

**Assets**

Current assets	
Cash and pooled investments	\$ 4,853,623
Petty cash and change funds	18,740
Undistributed cash in agency funds	68,322
Accounts receivable	371,085
Due from other funds	1,288
Due from other governments	100,241
	100,241
<b>Total current assets</b>	<b>\$ 5,413,299</b>
Restricted assets	
Cash and pooled investments	\$ 1,280,264
	1,280,264
Noncurrent assets	
Capital assets	
Nondepreciable	\$ 274,959
Depreciable - net	5,327,039
	5,327,039
<b>Total noncurrent assets</b>	<b>\$ 5,601,998</b>
<b>Total Assets</b>	<b>\$ 12,295,561</b>

**Liabilities**

Current liabilities	
Accounts payable	\$ 168,104
Salaries payable	69,822
Compensated absences payable	80,731
Due to other funds	103,533
Due to other governments	12,762
Due to component unit	131,500
Advance from other funds	202,798
	202,798
<b>Total current liabilities</b>	<b>\$ 769,250</b>
Noncurrent liabilities	
Compensated absences payable	\$ 308,079
Advance from other funds	202,797
Estimated liability for landfill closure/postclosure care	1,098,681
Other postemployment benefits liability	76,718
	76,718
<b>Total noncurrent liabilities</b>	<b>\$ 1,686,275</b>
<b>Total Liabilities</b>	<b>\$ 2,455,525</b>

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

Page 35

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

***EXHIBIT 7  
(Continued)***

**STATEMENT OF FUND NET POSITION  
WASTE MANAGEMENT ENTERPRISE FUND  
DECEMBER 31, 2013**

**Net Position**

Net investment in capital assets	\$ 5,602,000
Restricted for postclosure care costs	181,583
Unrestricted	<u>4,056,453</u>
<b>Total Net Position</b>	<b><u><u>\$ 9,840,036</u></u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 8**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
WASTE MANAGEMENT ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>Operating Revenues</b>	
Charges for services	\$ 6,618,953
Licenses and permits	2,190
Sale of recyclable materials	656,621
Miscellaneous	55,310
	<hr/>
<b>Total Operating Revenues</b>	<b>\$ 7,333,074</b>
<b>Operating Expenses</b>	
SCORE	\$ 1,241,928
Waste management	4,215,971
Household hazardous waste	161,568
Processing costs	1,207,730
Depreciation	424,454
Landfill closure and postclosure care costs	(40,284)
	<hr/>
<b>Total Operating Expenses</b>	<b>\$ 7,211,367</b>
<b>Operating Income (Loss)</b>	<b>\$ 121,707</b>
<b>Nonoperating Revenues (Expenses)</b>	
Intergovernmental	\$ 176,587
Interest income	10,767
Interest income restricted for sanitation	6,545
Interest expense	(20,280)
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 173,619</b>
<b>Change in Net Position</b>	<b>\$ 295,326</b>
<b>Net Position - January 1</b>	<b>9,544,710</b>
	<hr/>
<b>Net Position - December 31</b>	<b>\$ 9,840,036</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, 2013  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 7,339,799
Payments to suppliers	(5,041,821)
Payments to employees	<u>(1,716,204)</u>
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ 581,774</u></b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Intergovernmental	<b><u>\$ 176,587</u></b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases of capital assets	\$ (102,848)
Interest paid on advance	(24,336)
Payment on advance from other funds	<u>(202,798)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b><u>\$ (329,982)</u></b>
<b>Cash Flows from Investing Activities</b>	
Investment earnings received	<b><u>\$ 17,232</u></b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 445,611</b>
<b>Cash and Cash Equivalents at January 1</b>	<b><u>5,775,338</u></b>
<b>Cash and Cash Equivalents at December 31</b>	<b><u><u>\$ 6,220,949</u></u></b>
<b>Cash and Cash Equivalents - Exhibit 7</b>	
Cash and pooled investments	\$ 4,853,623
Petty cash and change funds	18,740
Undistributed cash in agency funds	68,322
Restricted cash and pooled investments	<u>1,280,264</u>
<b>Total Cash and Cash Equivalents</b>	<b><u><u>\$ 6,220,949</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, 2013  
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>121,707</u></b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 424,454
(Increase) decrease in accounts receivable	(54,729)
(Increase) decrease in due from other governments	61,454
Increase (decrease) in accounts payable	14,549
Increase (decrease) in salaries payable	3,809
Increase (decrease) in compensated absences - current	9,056
Increase (decrease) in due to other funds	3,001
Increase (decrease) in due to other governments	8,592
Increase (decrease) in due to component unit	(12,065)
Increase (decrease) in compensated absences - long-term	26,801
Increase (decrease) in other postemployment benefits liability	15,429
Increase (decrease) in landfill closure/postclosure care costs	<u>(40,284)</u>
<b>Total adjustments</b>	<b>\$ <u>460,067</u></b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ <u><u>581,774</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 POSITION  
AGENCY FUNDS  
DECEMBER 31, 2013**

<u>Assets</u>	
Cash and pooled investments	\$ 1,664,139
Due from other funds	<u>84</u>
<b>Total Assets</b>	<b><u><u>\$ 1,664,223</u></u></b>
 <u>Liabilities</u>	
Accounts payable	\$ 2,942
Due to other governments	<u>1,661,281</u>
<b>Total Liabilities</b>	<b><u><u>\$ 1,664,223</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, 2013

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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, 2013. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

Changes in Accounting Principles

During 2013, the County adopted new accounting guidance by implementing the provisions of GASB Statements 61 and 65. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, and amendment of GASB Statements No. 14 and No. 34*, modifies and clarifies the requirements for inclusion of component units and their presentation in the primary government's financial statements. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items previously reported as assets and liabilities. See Note 1.D.9. for additional information regarding the County's deferred outflows/inflows of resources.

Restatements of December 31, 2012, net position or fund balance were not required as a result of adopting these changes in accounting principles.

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.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Discretely Presented Component Unit

While part of the reporting entity, the discretely presented component unit is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County. The following component unit of Otter Tail County is discretely presented:

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements Available at</u>
Prairie Lakes Municipal Solid Waste Authority	The County appoints members and is financially accountable for Prairie Lakes Municipal Solid Waste Authority	Prairie Lakes Municipal Solid Waste Authority 115 North Tower Road Fergus Falls, Minnesota 56537

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position 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.

In the government-wide statement of net position, 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



**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)

obligations. The County's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

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.

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 accounted for in another fund.

**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 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. Revenues include property taxes, intergovernmental assistance, and charges for services.

The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs. Revenues include property taxes, intergovernmental assistance, and charges for services.

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

The Construction Capital Projects Fund is used to account for the costs associated with remodeling, renovations, and improvements to the Otter Tail County Courthouse, the Government Services Center, and the New York Mills office building.

The Prairie Lakes Municipal Solid Waste Authority Debt Service Fund is used to account for the retirement of the bonds issued for the acquisition and improvement by the Prairie Lakes Municipal Solid Waste Authority Joint Powers Board of the solid waste disposal facilities known as the Perham Resource Recovery Facility.

The County reports the following major enterprise fund:

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

Additionally, the County reports the following fund types:

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, Deferred Outflows/Inflows of Resources, and Net Position 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, Deferred Outflows/Inflows of Resources, and Net Position 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, 2013, 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 2013 were \$191,262.

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 nonspendable 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, Deferred Outflows/Inflows of Resources, and Net Position or Equity  
(Continued)

4. Advance to Component Unit

In 2011 and 2013, Otter Tail County agreed to issue \$10,475,000 and \$19,380,000, respectively, in General Obligation Disposal System Revenue Bonds in order to finance the acquisition/expansion of the Resource Recovery Facility, which is owned by the Prairie Lakes Municipal Solid Waste Authority Component Unit. The proceeds from the sale of these bonds will be recognized by the County. The annual payments on the advance are essentially the principal payments due on the bonds each year. The principal payments made in 2013 were \$380,000.

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 position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

7. Capital Assets (Continued)

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.

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

8. Compensated Absences (Continued)

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 Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the County has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

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 position. Bond premiums and discounts 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.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

10. Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

11. Classification of Net Position

Net position in the government-wide financial statements is classified in the following categories:

- Net investment in capital assets - the amount of net position representing capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.
- Restricted - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

12. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items not expected to be converted to cash.



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

12. Classification of Fund Balances (Continued)

Restricted - amounts in which constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can be used for the specific purposes imposed by formal action (ordinance or resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts.

Assigned - amounts the County intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board, the County Administrator, the County Treasurer, or the County Auditor who have been delegated that authority by Board resolution.

Unassigned - the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

13. Minimum Fund Balance

Otter Tail County is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. Otter Tail County has adopted a minimum fund balance policy to address cash flow or working capital needs. The County is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County will maintain an unrestricted fund balance level of no less than five months of the General Fund operating expenditures.

14. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

A. Ditch Fund Deficits

Of 38 drainage systems, 19 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 County Ditch Special Revenue Fund as of December 31, 2013.

Account balances	\$ 204,657
Account deficits	<u>(148,481)</u>
Fund Balance	<u>\$ 56,176</u>

**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, 2013.

	Expenditures	Final Budget	Excess
County Ditch Special Revenue Fund	\$ 119,222	\$ 47,643	\$ 71,579
Debt Service Funds			
Chemical Dependency	553,294	549,098	4,196
Ethanol Plant	697,455	696,330	1,125
Government Service Center	889,453	882,553	6,900
Sheriff Operations	491,725	490,600	1,125
Veterans Home	125,316	124,660	656
Master Facility Construction	113,325	112,650	675

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		\$ 54,430,334
Restricted assets		
Cash with escrow agent		304,582
Cash and pooled investments		1,280,264
Component unit		
Cash and pooled investments		10,887,578
Fiduciary assets		
Cash and pooled investments		
Agency funds		1,664,139
Total Cash and Investments		\$ 68,566,897

**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, 2013, \$162,481 of the County's deposits were exposed to custodial credit risk.

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;

**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)

- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

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

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.

**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)

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, 2013, none of the County's investments were exposed to custodial credit risk.

Concentration of Credit Risk

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table represents the County's deposit and investment balances at December 31, 2013, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration	Interest Rate	Carrying (Fair) Value
	Credit Rating	Rating Agency	Risk Over 5 Percent of Portfolio	Risk Maturity Date	
U.S. government agency securities					
Federal Home Loan Mortgage Corporation	N/R	N/A	<5.0%	01/15/2014	\$ 1,001,570
Federal National Mortgage Association	N/R	N/A		01/02/2014	\$ 1,000,130
Federal National Mortgage Association	N/R	N/A	6.2%	04/24/2018	752,070
Total Federal National Mortgage Association					\$ 1,752,200
U.S. Treasury Note	N/A	N/A		10/15/2014	\$ 1,002,810
U.S. Treasury Note	N/A	N/A		11/15/2014	1,001,910
U.S. Treasury Note	N/A	N/A		11/30/2014	2,920,799
U.S. Treasury Note	N/A	N/A		12/15/2014	1,000,820
U.S. Treasury Note	N/A	N/A		12/31/2014	1,024,300
U.S. Treasury Note	N/A	N/A		02/28/2015	2,562,600
U.S. Treasury Note	N/A	N/A		03/15/2015	2,505,175
U.S. Treasury Note	N/A	N/A		04/30/2015	2,575,475
U.S. Treasury Note	N/A	N/A		07/15/2015	2,500,100
U.S. Treasury Note	N/A	N/A		10/15/2015	998,710
U.S. Treasury Note	N/A	N/A		11/15/2015	2,501,475
U.S. Treasury Note	N/A	N/A		12/15/2015	997,770
Total U.S. Treasury Notes			76.0%		\$ 21,591,944
U.S. Treasury Bond - Stripped	N/A	N/A		08/15/2017	\$ 15,338
U.S. Treasury Bond - Stripped	N/A	N/A		08/15/2019	33,863
Total U.S. Treasury Bonds - Stripped			<5.0%		\$ 49,201
Municipal Bonds					
Farmington MN Independent School No 192	Aa2	Moody's		02/01/2014	\$ 125,299
W Fargo ND Park District	Aa2	Moody's		03/01/2014	95,249
Verona WI	Aa2	Moody's		04/01/2014	90,401
West Allis WI	Aa2	Moody's		04/01/2014	151,034
Jamestown ND	Aa3	Moody's		05/01/2014	312,610
Hawkeye Community College Iowa	Aa1	Moody's		06/01/2014	95,226
Manchester NH	Aa2	Moody's		06/01/2014	152,198
New Hope MN	Aa2	Moody's		02/01/2025	50,130
Total Municipal Bonds			<5.0%		\$ 1,072,147

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Negotiable certificates of deposit	N/A	N/A	N/A		\$ 2,952,212
Total investments					\$ 28,419,274
Deposits					39,820,651
Cash with escrow agent					304,582
Change funds					22,390
Total Cash and Investments					<u>\$ 68,566,897</u>

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

2. Receivables

Receivables as of December 31, 2013, for the County's governmental activities and business-type activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
<b>Governmental Activities</b>		
Taxes	\$ 998,060	\$ -
Special assessments	228,919	-
Accounts	356,911	-
Interest	117,771	-
Due from other governments	3,604,956	-
Advance to component unit	29,070,000	28,680,000
Total Governmental Activities	<u>\$ 34,376,617</u>	<u>\$ 28,680,000</u>
<b>Business-Type Activities</b>		
Accounts	\$ 371,085	\$ -
Due from other governments	100,241	-
Total Business-Type Activities	<u>\$ 471,326</u>	<u>\$ -</u>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets (Continued)

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. The 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 has leased seven vehicles for use by the 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 the West Central Minnesota Narcotics Task Force have been recorded as leases receivable in the General Fund at December 31, 2013. The amounts for 2014 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>
2014	\$ 45,000	\$ 12,720
2015	45,000	-
2016	50,000	-
2017	50,000	-
2018	50,000	-
2019 - 2023	310,000	-
2024 - 2028	400,000	-
2029	95,000	-
	<hr/>	<hr/>
Total leases	\$ 1,045,000	\$ 12,720
Funds in escrow	<hr/> (47,854)	<hr/> -
Total Leases Receivable	<hr/> <u>\$ 997,146</u>	<hr/> <u>\$ 12,720</u>
Due Within One Year	<hr/> <u>\$ 45,000</u>	<hr/> <u>\$ 12,720</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, 2013, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 4,324,010	\$ 2,040	\$ -	\$ 4,326,050
Construction in progress	4,671,688	5,050,534	400,695	9,321,527
Total capital assets not depreciated	\$ 8,995,698	\$ 5,052,574	\$ 400,695	\$ 13,647,577
Capital assets depreciated				
Land improvements	\$ 924,757	\$ -	\$ -	\$ 924,757
Buildings	28,095,669	-	-	28,095,669
Building improvements	4,771,165	24,904	-	4,796,069
Machinery, furniture, and equipment	15,113,020	1,403,982	596,782	15,920,220
Infrastructure	151,640,591	4,603,689	-	156,244,280
Total capital assets depreciated	\$ 200,545,202	\$ 6,032,575	\$ 596,782	\$ 205,980,995
Less: accumulated depreciation for				
Land improvements	\$ 760,972	\$ 57,578	\$ -	\$ 818,550
Buildings	8,947,630	681,549	-	9,629,179
Building improvements	1,060,871	152,517	-	1,213,388
Machinery, furniture, and equipment	10,641,381	1,296,902	596,782	11,341,501
Infrastructure	55,192,948	4,131,403	-	59,324,351
Total accumulated depreciation	\$ 76,603,802	\$ 6,319,949	\$ 596,782	\$ 82,326,969
Total capital assets depreciated, net	\$ 123,941,400	\$ (287,374)	\$ -	\$ 123,654,026
Governmental Activities Capital Assets, Net	\$ 132,937,098	\$ 4,765,200	\$ 400,695	\$ 137,301,603

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

4. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 195,934	\$ -	\$ -	\$ 195,934
Construction in progress	50,904	28,121	-	79,025
Total capital assets not depreciated	\$ 246,838	\$ 28,121	\$ -	\$ 274,959
Capital assets depreciated				
Buildings	\$ 6,710,609	\$ -	\$ 31,627	\$ 6,678,982
Landfill	2,883,578	-	-	2,883,578
Machinery, furniture, and equipment	2,499,765	51,946	-	2,551,711
Total capital assets depreciated	\$ 12,093,952	\$ 51,946	\$ 31,627	\$ 12,114,271
Less: accumulated depreciation for				
Buildings	\$ 2,730,726	\$ 227,183	\$ 31,627	\$ 2,926,282
Landfill	1,730,971	60,669	-	1,791,640
Machinery, furniture, and equipment	1,932,708	136,602	-	2,069,310
Total accumulated depreciation	\$ 6,394,405	\$ 424,454	\$ 31,627	\$ 6,787,232
Total capital assets depreciated, net	\$ 5,699,547	\$ (372,508)	\$ -	\$ 5,327,039
Business-Type Activities Capital Assets, Net	\$ 5,946,385	\$ (344,387)	\$ -	\$ 5,601,998

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

Governmental Activities	
General government	\$ 741,752
Public safety	615,023
Highways and streets, including depreciation of infrastructure assets	4,883,954
Human services	58,858
Culture and recreation	8,140
Health	12,222
Total Depreciation Expense - Governmental Activities	\$ 6,319,949
Business-Type Activities	
Solid waste	\$ 424,454

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2013, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Waste Management Enterprise Fund	\$ 103,341
Road and Bridge Special Revenue Fund	County Ditch Special Revenue Fund	\$ 69,252
	Waste Management Enterprise Fund	192
Total due to Road and Bridge Special Revenue Fund		<u>\$ 69,444</u>
Capital Improvement Special Revenue Fund	General Fund	\$ 3,824
Waste Management Enterprise Fund	General Fund	<u>\$ 1,288</u>
Agency funds		
State Tax	General Fund	\$ 9
Family Services Collaborative	General Fund	<u>75</u>
Total due to Agency Funds		<u>\$ 84</u>
Total Due To/From Other Funds		<u><u>\$ 177,981</u></u>

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

2. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	County Ditch Special Revenue Fund	\$ 224,375
	Waste Management Enterprise Fund	405,595
Total General Fund		<u>\$ 629,970</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

2. Advances From/To Other Funds (Continued)

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, 2013, consisted of the following:

Transfer to General Fund from Capital Improvement Special Revenue Fund	\$ 767	To move E911 funds received
Transfer to Sheriff's Contingent Special Revenue Fund from General Fund	<u>812</u>	To bring the fund balance up to the minimum fund balance.
Total Transfers Between Funds	<u>\$ 1,579</u>	

C. Liabilities

1. Payables

Payables at December 31, 2013, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	\$ 1,124,674	\$ 168,104
Salaries	1,263,310	69,822
Contracts	1,504,509	-
Due to other governments	775,790	12,762
Due to component unit	356	131,500
Interest	398,256	-
Employee deposits	<u>181,432</u>	<u>-</u>
Total Payables	<u>\$ 5,248,327</u>	<u>\$ 382,188</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Construction Commitments

The government has active construction projects as of December 31, 2013.

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Courthouse Remodeling	\$ 4,039,873	\$ 1,685,882
Heating System at Chemical Dependency Building	-	151,000
Total Construction Commitments	\$ 4,039,873	\$ 1,836,882

3. 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 four eligible participants. The County finances the plan on a pay-as-you-go basis. During 2013, the County expended \$5,105 for these benefits.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. 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, for two vehicles for the West Central Minnesota Narcotics Task Force, and for a new phone system for the County offices. These capital leases consist of the following at December 31, 2013.

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original Amount</u>	<u>Balance</u>
Governmental Activities					
2011 Cisco phone system	2014	Monthly	\$78,164 - \$101,645	\$ 316,396	\$ 78,164
2010 Viking Library System	2029	Annually	\$40,000 - \$95,000	1,200,000	1,045,000
2010 Task Force vehicles	2014	Quarterly	\$12,720	57,240	<u>12,720</u>
Total Governmental Activities					<u>\$ 1,135,884</u>

The future minimum lease obligations as of December 31, 2013, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2014	\$ 135,884
2015	45,000
2016	50,000
2017	50,000
2018	50,000
2019 - 2023	310,000
2024 - 2028	400,000
2029	<u>95,000</u>
Total Payments	<u>\$ 1,135,884</u>

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.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Long-Term Debt

Governmental Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2013
General obligation bonds					
2004 Veterans Home Refunding Bonds	2016	\$100,000 - \$125,000	2.05 - 3.70	\$ 1,050,000	\$ 355,000
2007 Tax Abatement Bonds	2019	\$480,000 - \$640,000	4.05 - 5.00	5,245,000	3,545,000
2011 Capital Improvement Bonds	2019	\$500,000 - \$850,000	0.50 - 1.75	5,400,000	4,570,000
2012 Courthouse and Jail Improvement	2025	\$170,000 - \$1,215,000	2.00 - 2.65	4,780,000	4,780,000
Total general obligation bonds				<u>\$ 16,475,000</u>	\$ 13,250,000
Add: unamortized premium					7,282
Less: unamortized discount					<u>(50,357)</u>
Total General Obligation Bonds, Net					<u>\$ 13,206,925</u>
Revenue bonds					
2007 Public Project Housing and Redevelopment Authority Revenue Bonds	2024	\$320,000 - \$515,000	3.40 - 4.50	\$ 6,140,000	\$ 4,535,000
2011 Disposal System Revenue Bonds	2030	\$380,000 - \$1,475,000	3.00 - 5.00	10,475,000	9,690,000
2013 Disposal System Revenue Bonds	2034	\$630,000 - \$1,970,000	2.00 - 3.75	19,380,000	19,380,000
Total Revenue Bonds				<u>\$ 35,995,000</u>	\$ 33,605,000
Add: unamortized premium					415,956
Less: unamortized discount					<u>(136,397)</u>
Total Revenue Bonds, Net					<u>\$ 33,884,559</u>
Lease revenue bonds					
2007 Law Enforcement Lease Housing and Redevelopment Authority Revenue Bonds	2023	\$295,000 - \$495,000	4.00	\$ 5,590,000	\$ 4,105,000
Add: unamortized premium					9,365
Total Lease Revenue Bonds, Net					<u>\$ 4,114,365</u>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Debt Service Requirements

Debt service requirements at December 31, 2013, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2014	\$ 1,490,000	\$ 325,335	\$ 745,000	\$ 1,215,446
2015	1,520,000	291,766	1,405,000	1,190,031
2016	1,560,000	254,607	1,445,000	1,150,701
2017	1,465,000	214,337	1,485,000	1,109,801
2018	1,340,000	172,400	1,535,000	1,060,627
2019 - 2023	3,505,000	480,521	8,510,000	4,460,748
2024 - 2028	2,370,000	62,734	7,595,000	2,897,094
2029 - 2033	-	-	8,915,000	1,322,880
2034	-	-	1,970,000	73,875
Total	\$ 13,250,000	\$ 1,801,700	\$ 33,605,000	\$ 14,481,203

Year Ending December 31	Lease Revenue Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2014	\$ 335,000	\$ 157,500	\$ 135,884	\$ 935
2015	350,000	143,800	45,000	-
2016	365,000	129,500	50,000	-
2017	380,000	114,600	50,000	-
2018	400,000	99,000	50,000	-
2019 - 2023	2,275,000	235,500	310,000	-
2024 - 2028	-	-	400,000	-
2029	-	-	95,000	-
Total	\$ 4,105,000	\$ 879,900	\$ 1,135,884	\$ 935

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 14,710,000	\$ -	\$ 1,460,000	\$ 13,250,000	\$ 1,490,000
Revenue bonds	14,950,000	19,380,000	725,000	33,605,000	745,000
Lease revenue bonds	4,425,000	-	320,000	4,105,000	335,000
Add: unamortized premium	19,110	429,214	15,721	432,603	-
Less: unamortized discount	(202,438)	-	(15,684)	(186,754)	-
Total bonds payable	\$ 33,901,672	\$ 19,809,214	\$ 2,505,037	\$ 51,205,849	\$ 2,570,000
Capital leases	1,319,349	-	183,465	1,135,884	135,884
Compensated absences	4,375,522	2,204,214	2,015,103	4,564,633	1,167,126
OPEB liability	855,512	114,041	-	969,553	-
Governmental Activities Long-Term Liabilities	<u>\$ 40,452,055</u>	<u>\$ 22,127,469</u>	<u>\$ 4,703,605</u>	<u>\$ 57,875,919</u>	<u>\$ 3,873,010</u>

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Estimated liability for landfill closure/postclosure care costs	\$ 1,138,965	\$ -	\$ 40,284	\$ 1,098,681	\$ -
Compensated absences	352,953	140,465	104,608	388,810	80,731
OPEB liability	61,289	15,429	-	76,718	-
Business-Type Activities Long-Term Liabilities	<u>\$ 1,553,207</u>	<u>\$ 155,894</u>	<u>\$ 144,892</u>	<u>\$ 1,564,209</u>	<u>\$ 80,731</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).

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 salary for any five successive 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 remaining year. 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 remaining 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 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 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 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 2013:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	14.40
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2013, 2012, and 2011, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
General Employees Retirement Fund	\$ 1,258,632	\$ 1,221,302	\$ 1,212,301
Public Employees Police and Fire Fund	322,933	310,176	308,541
Public Employees Correctional Fund	147,659	149,610	142,241

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 County Commissioners of Otter Tail County 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, 2013, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 5,665	\$ 5,665
Percentage of covered payroll	5.00%	5.00%

Required contribution rates were 5.00 percent.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans (Continued)

C. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

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

This results in the retirees receiving an implicit rate subsidy. For 2012, there were approximately 374 participants in the plan, including 24 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	\$	362,668
Interest on net OPEB obligation		41,256
Adjustment to ARC		(56,986)
		\$ 346,938
Annual OPEB cost (expense)	\$	346,938
Contributions made		(217,468)
		\$ 129,470
Increase in net OPEB obligation	\$	129,470
Net OPEB Obligation - Beginning of Year		916,801
		\$ 1,046,271
Net OPEB Obligation - End of Year	\$	1,046,271

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost for December 31, 2013, was \$346,938. The percentage of annual OPEB cost contributed to the plan was 62.7 percent, and the net OPEB obligation for 2013 was \$1,046,271.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011, 2012, and 2013, was as follows:

Fiscal Year Ending	Annual OPEB Cost	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed (%)	Net OPEB Obligation
December 31, 2011	\$ 296,762	\$ 133,048	45.0%	\$ 729,679
December 31, 2012	350,542	163,420	46.6	916,801
December 31, 2013	346,938	217,468	62.7	1,046,271

Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$3,130,658, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,130,658. The covered payroll (annual payroll of active employees covered by the plan) was \$19,309,720, and the ratio of the UAAL to the covered payroll was 16.2 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, 2012, 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 6 years. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2013, was 24 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 \$1,098,681 landfill closure and postclosure care liability at December 31, 2013, represents the cumulative amount reported to date based on the use of 78 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$166,215 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2013. The Board expects to close the landfill in 2034 or later. 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, 2013, investments of \$1,280,264 are held for these purposes. These are reported as restricted assets on the statement of net position. 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 \$470,000 per claim in 2013 and \$480,000 per claim in 2014. 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 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, 2013, the outstanding principal amount payable was \$623,689.

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, 2013, the outstanding principal amount payable was \$2,339,706.

8. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

The County, in connection with the normal conduct of its affairs, is involved in various judgments, claims, and litigation. The County Attorney identified no potential claims against the County that would materially affect the financial statements.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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

B. Joint Ventures

West Central Area Agency on Aging

The West Central Area Agency on Aging was established June 2, 1992, by a joint powers agreement among Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin Counties. In 2005, the Area Agency on Aging became part of a larger planning and service area covering 21 counties. This is a partnership between the Northwest Regional Development Commission, the 5-county service area of Region 2, and the West Central Area Agency on Aging. The combined area on aging, known as the Land of the Dancing Sky Area on Aging, was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the 21-county area. Each county may be assessed a proportional share of the 25 percent of the administrative costs incurred in carrying out 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.

The Land of the Dancing Sky umbrella board meets quarterly to discuss and approve major items such as the area plan and dollar allocations, while the advisory councils and joint powers boards continue to meet monthly to make decisions affecting their local counties.

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

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.

Complete financial information can be obtained from:

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

West Central Minnesota Drug Task Force

The West Central Minnesota Drug Task Force was established in 1996 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Clay, Douglas, Grant, Otter Tail, Pope, Wadena, and Wilkin 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, which reports the Task Force as an agency fund. Financing and equipment will be provided by the full-time and associate member agencies. Otter Tail County provided \$5,000 to this organization in 2013.

Separate financial information can be obtained from:

Douglas County Courthouse  
305 8th Avenue West  
Alexandria, Minnesota 56308

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. An amended and restated Joint Powers Agreement was approved on March 19, 2013.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Pomme de Terre River Association (Continued)

Control is vested in a Joint Powers Board, comprised of one representative of each County Board of Commissioners and one representative from each soil and water conservation district board of supervisors included within the agreement.

During 2013, Otter Tail County did not contribute any funds to the Joint Powers Board.

Complete financial information can be obtained from:

Pomme de Terre River Association Joint Powers Board  
900 Roberts Street, Suite 104  
Alexandria, Minnesota 56308

Central Minnesota Emergency Services 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. As of June 1, 2011, the Central Minnesota Regional Radio Board changed its name to the Central Minnesota Emergency Services Board. Members include the City of St. Cloud and the Counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Mille Lacs, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

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

The Central Minnesota Emergency Services Board is composed of one Commissioner of each county appointed by their respective County Board and one City Council member from each city appointed by their respective City Council, as provided in the Central Minnesota Emergency Services Board's by-laws.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

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

The Central Minnesota Regional Radio Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2013, Otter Tail County did not contribute to the Joint Powers Board.

Complete financial information can be obtained from:

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

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

B. Joint Ventures

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 2013, Otter Tail County did not contribute to the Collaborative.

Separate financial information can be obtained from:

Otter Tail County  
520 Fir Avenue West  
Fergus Falls, Minnesota 56537

C. Jointly-Governed Organizations

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

Minnesota River Board

The Minnesota River Board (formerly the Minnesota River Basin Joint Powers Board) was established July 12, 1995, by an agreement among Otter Tail County and 37 other counties. According to the latest information available, 38 other counties are members under this agreement. 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. Jointly-Governed Organizations

Minnesota River Board (Continued)

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

Control is vested in an executive committee of one executive director and four officers elected from the membership of the Minnesota River Powers Board, consisting of one representative from each of the member County Board of Commissioners included in this agreement. During 2013, Otter Tail County did not make any payments to the Project.

Separate financial information can be obtained from:

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

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  
FERGUS FALLS, MINNESOTA**

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9. Prairie Lakes Municipal Solid Waste Authority (Prairie Lakes)

A. Summary of Significant Accounting Policies

In addition to those identified in Note 1, Prairie Lakes has the following significant disclosures.

1. Financial Reporting Entity

Prairie Lakes is a joint enterprise operation of Becker, Otter Tail, Todd, and Wadena Counties (the Counties). Prairie Lakes was established by a Joint Powers Agreement dated May 4, 2010, pursuant to Minn. Stat. § 471.59, Joint Powers Act.

Each of the Counties is authorized and obligated pursuant to Minn. Stat. chs. 115A and 400, to provide for the management and disposal of solid waste in its respective county. It is the intention of the Counties to cooperate in a joint venture to operate and manage a waste management system within the Counties. This purpose, without limitation, shall include ownership and operation of the Perham Resource Recovery Facility. The facility is located in Perham, Minnesota, and the administrative office is located in Fergus Falls, Minnesota.

Prairie Lakes is governed by a five-member Board of Directors--one member appointed from Becker, Todd, and Wadena Counties and two from Otter Tail County. Receipts and disbursements are recorded in the Prairie Lakes Municipal Solid Waste Authority Fund by Otter Tail County. Contribution percentages for the Counties were set up in the Joint Powers Agreement as follows: Becker - 26.42 percent, Otter Tail - 45.26 percent, Todd - 16.19 percent, and Wadena - 12.13 percent.

Prairie Lakes is a component unit of Otter Tail County because Otter Tail County is financially accountable for Prairie Lakes. Prairie Lakes' financial statements are discretely presented in the Otter Tail County financial statements.

2. Basic Financial Statements

The accounts of Prairie Lakes are organized as an enterprise fund. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activities of Prairie Lakes. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as interest income, result from nonexchange

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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9. Prairie Lakes Municipal Solid Waste Authority (Prairie Lakes)

A. Summary of Significant Accounting Policies

2. Basic Financial Statements (Continued)

transactions or incidental activities. Prairie Lakes' net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

3. Measurement Focus and Basis of Accounting

Prairie Lakes' 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When both restricted and unrestricted resources are available for use, it is Prairie Lakes' policy to use restricted resources first and then unrestricted resources as needed.

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash and pooled investments. Prairie Lakes' cash is pooled and invested with Otter Tail County and is treated as a cash equivalent because Prairie Lakes can deposit or effectively withdraw cash at any time without prior notice or penalty. Interest is credited to the Prairie Lakes Fund. Otter Tail County obtains collateral to cover the deposits in excess of insurance coverage.

Receivables

All receivables are shown net of an allowance for uncollectibles.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the statements.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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9. Prairie Lakes Municipal Solid Waste Authority (Prairie Lakes)

A. Summary of Significant Accounting Policies

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements. Prairie Lakes does not have a formal policy in place to define capital assets. Instead, it currently uses the capital asset listing developed by the City of Perham at the time of the sale of the facility from the City of Perham to the Counties. 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 is included as part of the capitalized value of the assets constructed. During the current period, Prairie Lakes did not have any capitalized interest.

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

<u>Assets</u>	<u>Years</u>
Buildings	20 - 40
Machinery, furniture, equipment, and vehicles	3 - 20

Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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9. Prairie Lakes Municipal Solid Waste Authority (Prairie Lakes)

A. Summary of Significant Accounting Policies

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Currently, Prairie Lakes has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, Prairie Lakes has no items that qualify for reporting in this category.

Long-Term Obligations

Long-term liabilities consist of an advance from the primary government.

Equity Classifications

Equity is classified as net position. Net investment in capital assets represents capital assets, net of accumulated depreciation, reduced by debt attributable to the acquisition, construction, or improvement of the assets. Unrestricted net position is net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Operating Revenues and Expenses

Prairie Lakes’ statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing services. Nonexchange revenues, including member county appropriations, investment income, grants, and contributions received for purposes other than for capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide services. Expenses not meeting this definition are reported as nonoperating expenses.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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9. Prairie Lakes Municipal Solid Waste Authority (Prairie Lakes)

A. Summary of Significant Accounting Policies

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

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.

B. Detailed Notes

1. Assets

Deposits and Investments

Prairie Lakes' total cash and cash equivalents are reported as follows:

Cash and pooled investments	<u>\$ 10,887,578</u>
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Prairie Lakes is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. Prairie Lakes is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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9. Prairie Lakes Municipal Solid Waste Authority (Prairie Lakes)

B. Detailed Notes

1. Assets

Deposits and Investments (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, Prairie Lakes' deposits may not be returned to it. Prairie Lakes does not have a deposit policy for custodial credit risk. Prairie Lakes pools its deposits with Otter Tail County. Otter Tail County in a fiscal agent capacity carries collateral to cover deposits in excess of FDIC coverage. As of December 31, 2013, Otter Tail County had deposits uncollateralized in the amount of \$162,481. A portion of these deposits could be attributed to Prairie Lakes. The amount uncollateralized at year-end is not material to the financial statements of Prairie Lakes.

Receivables

Receivables as of December 31, 2013, including the applicable allowances for uncollectible accounts, are as follows:

	<u>Total Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Accounts	\$ 175,550	\$ -
Due from other governments	1,951,816	-
Due from primary government	<u>131,856</u>	<u>-</u>
Total	<u>\$ 2,259,222</u>	<u>\$ -</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

9. Prairie Lakes Municipal Solid Waste Authority (Prairie Lakes)

B. Detailed Notes

1. Assets (Continued)

Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 25,489	\$ -	\$ -	\$ 25,489
Construction in progress	3,141,822	17,303,682	-	20,445,504
Total capital assets not depreciated	<u>\$ 3,167,311</u>	<u>\$ 17,303,682</u>	<u>\$ -</u>	<u>\$ 20,470,993</u>
Capital assets depreciated				
Buildings	\$ 5,563,415	\$ -	\$ -	\$ 5,563,415
Machinery, furniture, and equipment	1,548,682	-	-	1,548,682
Total capital assets depreciated	<u>\$ 7,112,097</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,112,097</u>
Less: accumulated depreciation for				
Buildings	\$ 732,389	\$ 462,562	\$ -	\$ 1,194,951
Machinery, furniture, and equipment	248,134	145,326	-	393,460
Total accumulated depreciation	<u>\$ 980,523</u>	<u>\$ 607,888</u>	<u>\$ -</u>	<u>\$ 1,588,411</u>
Total capital assets depreciated, net	<u>\$ 6,131,574</u>	<u>\$ (607,888)</u>	<u>\$ -</u>	<u>\$ 5,523,686</u>
Capital Assets, Net	<u>\$ 9,298,885</u>	<u>\$ 16,695,794</u>	<u>\$ -</u>	<u>\$ 25,994,679</u>

Depreciation expense for the year was \$ 607,888.

2. Liabilities

Payables

Payables at December 31, 2013, were as follows:

Accounts	\$ 134,677
Salaries	40,448
Contracts	3,928,318
Due to other governments	118,893
Due to primary government	76,063
Total Payables	<u>\$ 4,298,399</u>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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9. Prairie Lakes Municipal Solid Waste Authority (Prairie Lakes)

B. Detailed Notes

2. Liabilities (Continued)

Advance From Primary Government

Prairie Lakes Municipal Solid Waste Authority has entered into an advance arrangement with Otter Tail County. The County issued \$10,475,000 in General Obligation Disposal System Revenue Bonds and \$19,380,000 in General Obligation Waste Disposal Revenue Bonds in order to finance the acquisition/expansion of the facility. The proceeds from the sale of these bonds were recognized by Otter Tail County. Prairie Lakes' advance payment back to the County is essentially equal to the principal and interest on the bonds for the year. The advance balance consists of the following at December 31, 2013:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original</u>	<u>Balance</u>
Advance from primary government - 2011	2030	\$380,000 - \$755,000	3.0 to 5.0	\$ 10,475,000	\$ 9,690,000
Advance from primary government - 2013	2034	\$630,000 - \$1,970,000	2.0 to 3.8	<u>19,380,000</u>	<u>19,380,000</u>
Total Advance from Primary Government				<u>\$ 29,855,000</u>	<u>\$ 29,070,000</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

9. Prairie Lakes Municipal Solid Waste Authority (Prairie Lakes)

B. Detailed Notes

2. Liabilities

Advance From Primary Government (Continued)

The future minimum obligations as of December 31, 2013, were as follows:

Year Ending December 31	Future Minimum Obligations
2014	\$ 1,414,286
2015	2,047,361
2016	2,047,461
2017	2,046,961
2018	2,049,187
2019 - 2023	10,235,147
2024 - 2028	10,230,844
2029 - 2033	10,237,880
2034	2,043,875
Total future minimum advance payments	\$ 42,353,002
Less: amount representing interest	(13,283,002)
Advance Balance	\$ 29,070,000

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Advance from primary government	\$ 10,070,000	\$ 19,380,000	\$ 380,000	\$ 29,070,000	\$ 390,000
Compensated absences	-	249,791	57,883	191,908	76,544
Long-Term Liabilities	\$ 10,070,000	\$ 19,629,791	\$ 437,883	\$ 29,261,908	\$ 466,544

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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9. Prairie Lakes Municipal Solid Waste Authority (Prairie Lakes)

B. Detailed Notes

2. Liabilities (Continued)

Construction and Other Significant Commitments

Prairie Lakes has active construction project commitments as of December 31, 2013.

	Spent-to-Date	Remaining Commitment
WTE expansion	\$ 8,377,303	\$ 5,401,578
MRF expansion	3,568,774	235,348
Site work and building construction	5,807,594	1,001,974
Total	\$ 17,753,671	\$ 6,638,900

C. Pension Plans

Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Prairie Lakes are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota. Disclosures about the General Employees Retirement Fund can be found in Note 4.A.

Prairie Lakes' contributions for the year ending December 31, 2013, for the General Employees Retirement Fund were \$56,343, equal to the contractually required contributions as set by state statute.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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9. Prairie Lakes Municipal Solid Waste Authority (Prairie Lakes) (Continued)

D. Risk Management

Prairie Lakes purchases commercial insurance coverage through Western National Mutual Insurance Company. Prairie Lakes pays an annual premium for its insurance coverage. Prairie Lakes retains the risk for the deductible portion of the policies, which is considered immaterial to the financial statements. At December 31, 2013, there are no other claims liabilities reported in the financial statements based on the requirements of GASB Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated.

E. Other Items

Operating Budgets

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Operating Revenues	\$ 4,227,748	\$ 3,585,058	\$ (642,690)
Operating Expenses	<u>3,957,375</u>	<u>5,424,798</u>	<u>(1,467,423)</u>
Operating Income (Loss)	\$ 270,373	\$ (1,839,740)	\$ (2,110,113)
Nonoperating Revenues (Expenses) and Contributions	<u>(222,753)</u>	<u>6,829,567</u>	<u>7,052,320</u>
Change in Net Position	<u>\$ 47,620</u>	<u>\$ 4,989,827</u>	<u>\$ 4,942,207</u>

**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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 16,915,204	\$ 16,915,204	\$ 16,302,159	\$ (613,045)
Special assessments	20,500	20,500	21,151	651
Licenses and permits	411,790	411,790	415,418	3,628
Intergovernmental	2,226,696	2,226,696	2,611,070	384,374
Charges for services	1,300,280	1,300,280	1,398,189	97,909
Fines and forfeits	40,168	40,168	31,829	(8,339)
Investment earnings	194,800	194,800	157,155	(37,645)
Miscellaneous	2,422,708	2,422,708	2,117,510	(305,198)
<b>Total Revenues</b>	<b>\$ 23,532,146</b>	<b>\$ 23,532,146</b>	<b>\$ 23,054,481</b>	<b>\$ (477,665)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 359,844	\$ 359,844	\$ 370,683	\$ (10,839)
Courts	180,000	180,000	171,521	8,479
County coordinator	514,009	514,009	581,308	(67,299)
County auditor	801,225	801,225	830,802	(29,577)
Motor vehicle	413,363	413,363	414,518	(1,155)
County treasurer	333,571	333,571	332,837	734
County assessor	1,096,883	1,096,883	967,914	128,969
Elections	47,500	47,500	54,841	(7,341)
Accounting and auditing	105,000	105,000	73,998	31,002
Board of adjustments	23,620	23,620	23,772	(152)
Information technology	1,109,211	1,109,211	997,889	111,322
Attorney	1,350,318	1,350,318	1,301,595	48,723
Recorder	405,426	405,426	579,376	(173,950)
Planning and zoning	27,550	27,550	20,258	7,292
Land and resource	1,074,585	1,074,585	1,015,190	59,395
Facilities operations	1,884,262	1,884,262	1,673,891	210,371
Geographical information survey	504,535	504,535	464,968	39,567
Veterans service officer	314,368	314,368	327,443	(13,075)
Forfeited tax sale	-	-	15,872	(15,872)
Unallocated	1,823,127	1,823,127	1,408,147	414,980
<b>Total general government</b>	<b>\$ 12,368,397</b>	<b>\$ 12,368,397</b>	<b>\$ 11,626,823</b>	<b>\$ 741,574</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 5,336,843	\$ 5,336,843	\$ 5,069,998	\$ 266,845
Boat and water safety	174,326	174,326	115,397	58,929
Coroner	84,496	84,496	120,393	(35,897)
County jail	3,083,169	3,083,169	2,880,058	203,111
Humane society	61,888	61,888	66,223	(4,335)
Snowmobile account	-	-	252,959	(252,959)
Emergency management	160,781	160,781	150,123	10,658
<b>Total public safety</b>	<b>\$ 8,901,503</b>	<b>\$ 8,901,503</b>	<b>\$ 8,655,151</b>	<b>\$ 246,352</b>
<b>Culture and recreation</b>				
Historical society	\$ 50,000	\$ 50,000	\$ 50,000	\$ -
History museum	31,000	31,000	47,526	(16,526)
County fairs	36,000	36,000	36,000	-
Phelps Mill Park	29,887	29,887	32,655	(2,768)
Viking Library	503,386	503,386	503,386	-
<b>Total culture and recreation</b>	<b>\$ 650,273</b>	<b>\$ 650,273</b>	<b>\$ 669,567</b>	<b>\$ (19,294)</b>
<b>Conservation of natural resources</b>				
County extension	\$ 336,525	\$ 336,525	\$ 379,484	\$ (42,959)
Soil and water conservation	231,413	231,413	231,413	-
Lake improvement districts	253,150	253,150	271,215	(18,065)
<b>Total conservation of natural resources</b>	<b>\$ 821,088</b>	<b>\$ 821,088</b>	<b>\$ 882,112</b>	<b>\$ (61,024)</b>
<b>Economic development</b>				
Red River Valley Development Assn.	\$ 800	\$ 800	\$ 800	\$ -
West Central MN Initiative	20,000	20,000	20,000	-
Rural life outreach	1,000	1,000	-	1,000
Missing heirs account	-	-	100	(100)
Veteran's van	-	-	2,503	(2,503)
Wellness account	-	-	5,951	(5,951)
<b>Total economic development</b>	<b>\$ 21,800</b>	<b>\$ 21,800</b>	<b>\$ 29,354</b>	<b>\$ (7,554)</b>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<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	\$ 40,000	\$ 40,000	\$ 81,820	\$ (41,820)
Interest	49,938	49,938	-	49,938
<b>Total debt service</b>	<b>\$ 89,938</b>	<b>\$ 89,938</b>	<b>\$ 81,820</b>	<b>\$ 8,118</b>
<b>Total Expenditures</b>	<b>\$ 22,852,999</b>	<b>\$ 22,852,999</b>	<b>\$ 21,944,827</b>	<b>\$ 908,172</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 679,147</b>	<b>\$ 679,147</b>	<b>\$ 1,109,654</b>	<b>\$ 430,507</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 767	\$ 767
Transfers out	(2,000)	(2,000)	(812)	1,188
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (2,000)</b>	<b>\$ (2,000)</b>	<b>\$ (45)</b>	<b>\$ 1,955</b>
<b>Net Change in Fund Balance</b>	<b>\$ 677,147</b>	<b>\$ 677,147</b>	<b>\$ 1,109,609</b>	<b>\$ 432,462</b>
<b>Fund Balance - January 1</b>	<b>18,619,994</b>	<b>18,619,994</b>	<b>18,619,994</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 963</b>	<b>\$ 19,297,141</b>	<b>\$ 19,729,603</b>	<b>\$ 432,462</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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,244,498	\$ 3,244,498	\$ 3,196,220	\$ (48,278)
Intergovernmental	13,162,723	13,162,723	14,403,368	1,240,645
Charges for services	235,800	235,800	923,051	687,251
Miscellaneous	16,000	16,000	86,944	70,944
<b>Total Revenues</b>	<b>\$ 16,659,021</b>	<b>\$ 16,659,021</b>	<b>\$ 18,609,583</b>	<b>\$ 1,950,562</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 549,525	\$ 549,525	\$ 897,648	\$ (348,123)
Maintenance	4,734,912	4,734,912	4,382,585	352,327
Construction	8,956,948	8,956,948	7,511,439	1,445,509
Equipment maintenance and shop	1,206,636	1,206,636	1,349,782	(143,146)
Materials and services for resale	1,000	1,000	5,115	(4,115)
<b>Total highways and streets</b>	<b>\$ 15,449,021</b>	<b>\$ 15,449,021</b>	<b>\$ 14,146,569</b>	<b>\$ 1,302,452</b>
<b>Intergovernmental</b>				
Highways and streets	1,210,000	1,210,000	1,226,561	(16,561)
<b>Total Expenditures</b>	<b>\$ 16,659,021</b>	<b>\$ 16,659,021</b>	<b>\$ 15,373,130</b>	<b>\$ 1,285,891</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,236,453</b>	<b>\$ 3,236,453</b>
<b>Fund Balance - January 1</b>	<b>2,383,131</b>	<b>2,383,131</b>	<b>2,383,131</b>	<b>-</b>
<b>Increase (decrease) for inventories</b>	<b>-</b>	<b>-</b>	<b>55,501</b>	<b>55,501</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,383,131</b>	<b>\$ 2,383,131</b>	<b>\$ 5,675,085</b>	<b>\$ 3,291,954</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 9,195,938	\$ 9,195,938	\$ 9,083,031	\$ (112,907)
Intergovernmental	10,163,540	10,163,540	9,854,020	(309,520)
Charges for services	1,524,050	1,524,050	1,709,270	185,220
Gifts and contributions	-	-	52,872	52,872
Miscellaneous	476,928	476,928	700,180	223,252
<b>Total Revenues</b>	<b>\$ 21,360,456</b>	<b>\$ 21,360,456</b>	<b>\$ 21,399,373</b>	<b>\$ 38,917</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Community corrections	\$ 1,963,839	\$ 1,963,839	\$ 2,085,229	\$ (121,390)
<b>Human services</b>				
Income maintenance	\$ 4,509,087	\$ 4,509,087	\$ 4,544,265	\$ (35,178)
Social services	12,200,239	12,200,239	11,377,756	822,483
<b>Total human services</b>	<b>\$ 16,709,326</b>	<b>\$ 16,709,326</b>	<b>\$ 15,922,021</b>	<b>\$ 787,305</b>
<b>Health</b>				
Nursing service	\$ 2,687,291	\$ 2,687,291	\$ 2,607,204	\$ 80,087
<b>Total Expenditures</b>	<b>\$ 21,360,456</b>	<b>\$ 21,360,456</b>	<b>\$ 20,614,454</b>	<b>\$ 746,002</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 784,919</b>	<b>\$ 784,919</b>
<b>Fund Balance - January 1</b>	<b>11,887,193</b>	<b>11,887,193</b>	<b>11,887,193</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 11,887,193</b>	<b>\$ 11,887,193</b>	<b>\$ 12,672,112</b>	<b>\$ 784,919</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-4*

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,427,241	\$ 2,427,241	\$ 2,390,764	\$ (36,477)
Intergovernmental	306,797	306,797	445,818	139,021
Charges for services	1,600	1,600	1,666	66
Investment earnings	9,500	9,500	8,882	(618)
Miscellaneous	68,660	68,660	141,859	73,199
<b>Total Revenues</b>	<b>\$ 2,813,798</b>	<b>\$ 2,813,798</b>	<b>\$ 2,988,989</b>	<b>\$ 175,191</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Data processing	\$ -	\$ -	\$ 24,162	\$ (24,162)
Geographical information survey	-	-	4,537	(4,537)
Other general government	718,066	718,066	87,757	630,309
<b>Total general government</b>	<b>\$ 718,066</b>	<b>\$ 718,066</b>	<b>\$ 116,456</b>	<b>\$ 601,610</b>
<b>Public safety</b>				
Sheriff	\$ 678,805	\$ 678,805	\$ 451,179	\$ 227,626
Boat and water safety	-	-	5,620	(5,620)
Emergency services	-	-	93,202	(93,202)
Radio board	-	-	136,720	(136,720)
County jail	-	-	51,344	(51,344)
<b>Total public safety</b>	<b>\$ 678,805</b>	<b>\$ 678,805</b>	<b>\$ 738,065</b>	<b>\$ (59,260)</b>
<b>Highways and streets</b>				
Maintenance	\$ 1,652,021	\$ 1,652,021	\$ 1,534,869	\$ 117,152
<b>Human services</b>				
Social services	\$ 38,000	\$ 38,000	\$ -	\$ 38,000
<b>Health</b>				
Nursing service	\$ -	\$ -	\$ 3,389	\$ (3,389)
<b>Culture and recreation</b>				
Phelps Mill Park	\$ 42,000	\$ 42,000	\$ 38,213	\$ 3,787
<b>Economic development</b>				
Chemical dependency facility	\$ -	\$ -	\$ 218,869	\$ (218,869)

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-4  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<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	\$ -	\$ -	\$ 101,645	\$ (101,645)
Interest	-	-	3,820	(3,820)
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 105,465</b>	<b>\$ (105,465)</b>
<b>Total Expenditures</b>	<b>\$ 3,128,892</b>	<b>\$ 3,128,892</b>	<b>\$ 2,755,326</b>	<b>\$ 373,566</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (315,094)</b>	<b>\$ (315,094)</b>	<b>\$ 233,663</b>	<b>\$ 548,757</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(767)	(767)
<b>Special item</b>				
Insurance settlement	-	-	230,087	230,087
<b>Net Change in Fund Balance</b>	<b>\$ (315,094)</b>	<b>\$ (315,094)</b>	<b>\$ 462,983</b>	<b>\$ 778,077</b>
<b>Fund Balance - January 1</b>	<b>3,258,649</b>	<b>3,258,649</b>	<b>3,258,649</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,943,555</b>	<b>\$ 2,943,555</b>	<b>\$ 3,721,632</b>	<b>\$ 778,077</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT A-5**

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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
January 1, 2012	-	2,942,819	2,942,819	0.0	18,297,611	16.09

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
January 1, 2012	-	187,839	187,839	0.0	1,012,109	18.56

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, 2013**

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1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Prairie Lakes Municipal Solid Waste Authority Debt Service Fund and the Construction Capital Projects Fund. 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.

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.

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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.

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.

Master Facility Construction - to account for the retirement of bonds issued for the improvements on the jail and courthouse facilities.

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2013**

	<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	\$ 477,712	\$ 5,994,788	\$ 6,472,500
Undistributed cash in agency funds	2,519	31,068	33,587
Taxes receivable	-	57,072	57,072
Special assessments receivable			
Prior	1,655	-	1,655
Deferred	226,666	-	226,666
Restricted assets			
Temporarily restricted			
Cash with escrow agent	-	256,720	256,720
<b>Total Assets</b>	<b>\$ 708,552</b>	<b>\$ 6,339,648</b>	<b>\$ 7,048,200</b>
 <b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 13,610	\$ 2,900	\$ 16,510
Due to other funds	69,252	-	69,252
Advance from other funds	224,375	-	224,375
<b>Total Liabilities</b>	<b>\$ 307,237</b>	<b>\$ 2,900</b>	<b>\$ 310,137</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenues	<b>\$ 228,271</b>	<b>\$ 45,561</b>	<b>\$ 273,832</b>
<b>Fund Balances</b>			
Restricted			
Debt service	\$ -	\$ 6,291,187	\$ 6,291,187
Law library	106,808	-	106,808
Ditch maintenance and construction	204,657	-	204,657
Sheriff's contingencies	5,000	-	5,000
Assigned			
Public safety	5,060	-	5,060
Unassigned	(148,481)	-	(148,481)
<b>Total Fund Balances</b>	<b>\$ 173,044</b>	<b>\$ 6,291,187</b>	<b>\$ 6,464,231</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 708,552</b>	<b>\$ 6,339,648</b>	<b>\$ 7,048,200</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, 2013**

	<b>Special Revenue (Exhibit B-4)</b>	<b>Debt Service (Exhibit B-6)</b>	<b>Total (Exhibit 5)</b>
<b>Revenues</b>			
Taxes	\$ -	\$ 1,686,965	\$ 1,686,965
Special assessments	184,902	-	184,902
Intergovernmental	-	27,453	27,453
Fines and forfeits	56,101	-	56,101
Investment earnings	-	754	754
Miscellaneous	35,100	548,693	583,793
	<b>\$ 276,103</b>	<b>\$ 2,263,865</b>	<b>\$ 2,539,968</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 53,815	\$ -	\$ 53,815
Public safety	9,415	-	9,415
Conservation of natural resources	119,222	-	119,222
<b>Debt service</b>			
Principal	-	2,125,000	2,125,000
Interest	-	745,568	745,568
	<b>\$ 182,452</b>	<b>\$ 2,870,568</b>	<b>\$ 3,053,020</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 93,651</b>	<b>\$ (606,703)</b>	<b>\$ (513,052)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	812	-	812
	<b>\$ 94,463</b>	<b>\$ (606,703)</b>	<b>\$ (512,240)</b>
<b>Fund Balance - January 1</b>	<b>78,581</b>	<b>6,897,890</b>	<b>6,976,471</b>
<b>Fund Balance - December 31</b>	<b>\$ 173,044</b>	<b>\$ 6,291,187</b>	<b>\$ 6,464,231</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-3*

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2013**

	County Ditch	Law Library	Sheriff's Contingent	Total
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 348,622	\$ 117,030	\$ 12,060	\$ 477,712
Undistributed cash in agency funds	2,519	-	-	2,519
Special assessments receivable				
Prior	1,655	-	-	1,655
Deferred	226,666	-	-	226,666
	<b>\$ 579,462</b>	<b>\$ 117,030</b>	<b>\$ 12,060</b>	<b>\$ 708,552</b>
 <b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,388	\$ 10,222	\$ 2,000	\$ 13,610
Due to other funds	69,252	-	-	69,252
Advance from other funds	224,375	-	-	224,375
	<b>\$ 295,015</b>	<b>\$ 10,222</b>	<b>\$ 2,000</b>	<b>\$ 307,237</b>
 <b>Deferred Inflows of Resources</b>				
Deferred revenue - unavailable	\$ 228,271	\$ -	\$ -	\$ 228,271
 <b>Fund Balances</b>				
Restricted				
Law library	\$ -	\$ 106,808	\$ -	\$ 106,808
Ditch maintenance and construction	204,657	-	-	204,657
Sheriff's contingencies	-	-	5,000	5,000
Assigned				
Public safety	-	-	5,060	5,060
Unassigned	(148,481)	-	-	(148,481)
	<b>\$ 56,176</b>	<b>\$ 106,808</b>	<b>\$ 10,060</b>	<b>\$ 173,044</b>
 <b>Total Fund Balances</b>	<b>\$ 56,176</b>	<b>\$ 106,808</b>	<b>\$ 10,060</b>	<b>\$ 173,044</b>
 <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 579,462</b>	<b>\$ 117,030</b>	<b>\$ 12,060</b>	<b>\$ 708,552</b>

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**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, 2013**

	<b>County Ditch</b>	<b>Law Library</b>	<b>Sheriff's Contingent</b>	<b>Total</b>
<b>Revenues</b>				
Special assessments	\$ 184,902	\$ -	\$ -	\$ 184,902
Fines and forfeits	-	51,070	5,031	56,101
Miscellaneous	35,100	-	-	35,100
	<b>\$ 220,002</b>	<b>\$ 51,070</b>	<b>\$ 5,031</b>	<b>\$ 276,103</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ -	\$ 53,815	\$ -	\$ 53,815
Public safety	-	-	9,415	9,415
Conservation of natural resources	119,222	-	-	119,222
	<b>\$ 119,222</b>	<b>\$ 53,815</b>	<b>\$ 9,415</b>	<b>\$ 182,452</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 100,780</b>	<b>\$ (2,745)</b>	<b>\$ (4,384)</b>	<b>\$ 93,651</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	812	812
	<b>\$ 100,780</b>	<b>\$ (2,745)</b>	<b>\$ (3,572)</b>	<b>\$ 94,463</b>
<b>Fund Balance - January 1</b>	<b>(44,604)</b>	<b>109,553</b>	<b>13,632</b>	<b>78,581</b>
<b>Fund Balance - December 31</b>	<b>\$ 56,176</b>	<b>\$ 106,808</b>	<b>\$ 10,060</b>	<b>\$ 173,044</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS  
DECEMBER 31, 2013**

	Chemical Dependency	Ethanol Plant
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 167,424	\$ 4,112,576
Undistributed cash in agency funds	-	1,051
Taxes receivable	-	6,230
Restricted assets		
Temporarily restricted		
Cash with escrow agent	256,720	-
<b>Total Assets</b>	<b>\$ 424,144</b>	<b>\$ 4,119,857</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 2,000	\$ 450
<b>Deferred Inflows of Resources</b>		
Unavailable revenues	-	5,604
<b>Fund Balance</b>		
Restricted for		
Debt service	422,144	4,113,803
<b>Total Liabilities Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 424,144</b>	<b>\$ 4,119,857</b>

**EXHIBIT B-5**

<u>Government Service Center</u>	<u>Sheriff Operations</u>	<u>Veterans Home</u>	<u>Master Facility Construction</u>	<u>Total</u>
\$ 1,006,369	\$ 493,788	\$ 154,689	\$ 59,942	\$ 5,994,788
16,526	9,231	2,353	1,907	31,068
29,063	15,405	4,008	2,366	57,072
-	-	-	-	256,720
<u><b>\$ 1,051,958</b></u>	<u><b>\$ 518,424</b></u>	<u><b>\$ 161,050</b></u>	<u><b>\$ 64,215</b></u>	<u><b>\$ 6,339,648</b></u>
\$ -	\$ 450	\$ -	\$ -	\$ 2,900
23,029	12,056	3,143	1,729	45,561
<u>1,028,929</u>	<u>505,918</u>	<u>157,907</u>	<u>62,486</u>	<u>6,291,187</u>
<u><b>\$ 1,051,958</b></u>	<u><b>\$ 518,424</b></u>	<u><b>\$ 161,050</b></u>	<u><b>\$ 64,215</b></u>	<u><b>\$ 6,339,648</b></u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>Chemical Dependency</b>	<b>Ethanol Plant</b>
<b>Revenues</b>		
Taxes	\$ -	\$ 4,730
Intergovernmental	-	-
Investment earnings	39	715
Miscellaneous	548,364	-
	<b>\$ 548,403</b>	<b>\$ 5,445</b>
<b>Total Revenues</b>		
<b>Expenditures</b>		
<b>Debt service</b>		
Principal	\$ 345,000	\$ 520,000
Interest	208,294	177,455
	<b>\$ 553,294</b>	<b>\$ 697,455</b>
<b>Total Expenditures</b>		
<b>Net Change in Fund Balance</b>	<b>\$ (4,891)</b>	<b>\$ (692,010)</b>
<b>Fund Balance - January 1</b>	<b>427,035</b>	<b>4,805,813</b>
<b>Fund Balance - December 31</b>	<b>\$ 422,144</b>	<b>\$ 4,113,803</b>

**EXHIBIT B-6**

<u>Government Service Center</u>	<u>Sheriff Operations</u>	<u>Veterans Home</u>	<u>Master Facility Construction</u>	<u>Total</u>
\$ 917,022	\$ 516,659	\$ 132,432	\$ 116,122	\$ 1,686,965
14,953	8,430	2,161	1,909	27,453
-	-	-	-	754
329	-	-	-	548,693
<u>\$ 932,304</u>	<u>\$ 525,089</u>	<u>\$ 134,593</u>	<u>\$ 118,031</u>	<u>\$ 2,263,865</u>
\$ 830,000	\$ 320,000	\$ 110,000	\$ -	\$ 2,125,000
59,453	171,725	15,316	113,325	745,568
<u>\$ 889,453</u>	<u>\$ 491,725</u>	<u>\$ 125,316</u>	<u>\$ 113,325</u>	<u>\$ 2,870,568</u>
\$ 42,851	\$ 33,364	\$ 9,277	\$ 4,706	\$ (606,703)
986,078	472,554	148,630	57,780	6,897,890
<u>\$ 1,028,929</u>	<u>\$ 505,918</u>	<u>\$ 157,907</u>	<u>\$ 62,486</u>	<u>\$ 6,291,187</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-7*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<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	\$ 47,643	\$ 47,643	\$ 184,902	\$ 137,259
Miscellaneous	-	-	35,100	35,100
<b>Total Revenues</b>	<b>\$ 47,643</b>	<b>\$ 47,643</b>	<b>\$ 220,002</b>	<b>\$ 172,359</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Drainage ditches	47,643	47,643	119,222	(71,579)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 100,780</b>	<b>\$ 243,938</b>
<b>Fund Balance - January 1</b>	<b>(44,604)</b>	<b>(44,604)</b>	<b>(44,604)</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ (44,604)</b>	<b>\$ (44,604)</b>	<b>\$ 56,176</b>	<b>\$ 243,938</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-8*

**BUDGETARY COMPARISON SCHEDULE  
LAW LIBRARY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<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	\$ 57,000	\$ 57,000	\$ 51,070	\$ (5,930)
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Law library	55,300	55,300	53,815	1,485
<b>Net Change in Fund Balance</b>	<b>\$ 1,700</b>	<b>\$ 1,700</b>	<b>\$ (2,745)</b>	<b>\$ (7,415)</b>
<b>Fund Balance - January 1</b>	<b>109,553</b>	<b>109,553</b>	<b>109,553</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 111,253</b>	<b>\$ 111,253</b>	<b>\$ 106,808</b>	<b>\$ (7,415)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-9*

**BUDGETARY COMPARISON SCHEDULE  
SHERIFF'S CONTINGENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<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	\$ 6,200	\$ 6,200	\$ 5,031	\$ (1,169)
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Sheriff	10,100	10,100	9,415	685
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ (3,900)	\$ (3,900)	\$ (4,384)	\$ (1,854)
<b>Other Financing Sources (Uses)</b>				
Transfers in	2,000	2,000	812	(1,188)
<b>Net Change in Fund Balance</b>	\$ (1,900)	\$ (1,900)	\$ (3,572)	\$ (3,042)
<b>Fund Balance - January 1</b>	13,632	13,632	13,632	-
<b>Fund Balance - December 31</b>	<u>\$ 11,732</u>	<u>\$ 11,732</u>	<u>\$ 10,060</u>	<u>\$ (3,042)</u>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-10*

**BUDGETARY COMPARISON SCHEDULE  
CHEMICAL DEPENDENCY DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Investment earnings	\$ -	\$ -	\$ 39	\$ 39
Miscellaneous	548,363	548,363	548,364	1
<b>Total Revenues</b>	<b>\$ 548,363</b>	<b>\$ 548,363</b>	<b>\$ 548,403</b>	<b>\$ 40</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 345,000	\$ 345,000	\$ 345,000	\$ -
Interest	204,098	204,098	208,294	(4,196)
<b>Total Expenditures</b>	<b>\$ 549,098</b>	<b>\$ 549,098</b>	<b>\$ 553,294</b>	<b>\$ (4,196)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (735)</b>	<b>\$ (735)</b>	<b>\$ (4,891)</b>	<b>\$ (4,156)</b>
<b>Fund Balance - January 1</b>	<b>427,035</b>	<b>427,035</b>	<b>427,035</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 426,300</b>	<b>\$ 426,300</b>	<b>\$ 422,144</b>	<b>\$ (4,156)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-11*

**BUDGETARY COMPARISON SCHEDULE  
ETHANOL PLANT DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ -	\$ -	\$ 4,730	\$ 4,730
Investment earnings	-	-	715	715
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,445</b>	<b>\$ 5,445</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 520,000	\$ 520,000	\$ 520,000	\$ -
Interest	176,330	176,330	177,455	(1,125)
<b>Total Expenditures</b>	<b>\$ 696,330</b>	<b>\$ 696,330</b>	<b>\$ 697,455</b>	<b>\$ (1,125)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (696,330)</b>	<b>\$ (696,330)</b>	<b>\$ (692,010)</b>	<b>\$ 4,320</b>
<b>Fund Balance - January 1</b>	<b>4,805,813</b>	<b>4,805,813</b>	<b>4,805,813</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,109,483</b>	<b>\$ 4,109,483</b>	<b>\$ 4,113,803</b>	<b>\$ 4,320</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-12*

**BUDGETARY COMPARISON SCHEDULE  
GOVERNMENT SERVICE CENTER DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 929,751	\$ 929,751	\$ 917,022	\$ (12,729)
Intergovernmental	-	-	14,953	14,953
Miscellaneous	-	-	329	329
<b>Total Revenues</b>	<b>\$ 929,751</b>	<b>\$ 929,751</b>	<b>\$ 932,304</b>	<b>\$ 2,553</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 830,000	\$ 830,000	\$ 830,000	\$ -
Interest	52,553	52,553	59,453	(6,900)
<b>Total Expenditures</b>	<b>\$ 882,553</b>	<b>\$ 882,553</b>	<b>\$ 889,453</b>	<b>\$ (6,900)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 47,198</b>	<b>\$ 47,198</b>	<b>\$ 42,851</b>	<b>\$ (4,347)</b>
<b>Fund Balance - January 1</b>	<b>986,078</b>	<b>986,078</b>	<b>986,078</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,033,276</b>	<b>\$ 1,033,276</b>	<b>\$ 1,028,929</b>	<b>\$ (4,347)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-13*

**BUDGETARY COMPARISON SCHEDULE  
SHERIFF OPERATIONS DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 524,160	\$ 524,160	\$ 516,659	\$ (7,501)
Intergovernmental	-	-	8,430	8,430
<b>Total Revenues</b>	<b>\$ 524,160</b>	<b>\$ 524,160</b>	<b>\$ 525,089</b>	<b>\$ 929</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 320,000	\$ 320,000	\$ 320,000	\$ -
Interest	170,600	170,600	171,725	(1,125)
<b>Total Expenditures</b>	<b>\$ 490,600</b>	<b>\$ 490,600</b>	<b>\$ 491,725</b>	<b>\$ (1,125)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 33,560</b>	<b>\$ 33,560</b>	<b>\$ 33,364</b>	<b>\$ (196)</b>
<b>Fund Balance - January 1</b>	<b>472,554</b>	<b>472,554</b>	<b>472,554</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 506,114</b>	<b>\$ 506,114</b>	<b>\$ 505,918</b>	<b>\$ (196)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-14*

**BUDGETARY COMPARISON SCHEDULE  
VETERANS HOME DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 134,200	\$ 134,200	\$ 132,432	\$ (1,768)
Intergovernmental	-	-	2,161	2,161
<b>Total Revenues</b>	<b>\$ 134,200</b>	<b>\$ 134,200</b>	<b>\$ 134,593</b>	<b>\$ 393</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 110,000	\$ 110,000	\$ 110,000	\$ -
Interest	14,660	14,660	15,316	(656)
<b>Total Expenditures</b>	<b>\$ 124,660</b>	<b>\$ 124,660</b>	<b>\$ 125,316</b>	<b>\$ (656)</b>
<b>Net Change in Fund Balance</b>	<b>\$ 9,540</b>	<b>\$ 9,540</b>	<b>\$ 9,277</b>	<b>\$ (263)</b>
<b>Fund Balance - January 1</b>	<b>148,630</b>	<b>148,630</b>	<b>148,630</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 158,170</b>	<b>\$ 158,170</b>	<b>\$ 157,907</b>	<b>\$ (263)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-15*

**BUDGETARY COMPARISON SCHEDULE  
MASTER FACILITY CONSTRUCTION DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 118,283	\$ 118,283	\$ 116,122	\$ (2,161)
Intergovernmental	-	-	1,909	1,909
<b>Total Revenues</b>	<b>\$ 118,283</b>	<b>\$ 118,283</b>	<b>\$ 118,031</b>	<b>\$ (252)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Interest	112,650	112,650	113,325	(675)
<b>Net Change in Fund Balance</b>	<b>\$ 5,633</b>	<b>\$ 5,633</b>	<b>\$ 4,706</b>	<b>\$ (927)</b>
<b>Fund Balance - January 1</b>	<b>57,780</b>	<b>57,780</b>	<b>57,780</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 63,413</b>	<b>\$ 63,413</b>	<b>\$ 62,486</b>	<b>\$ (927)</b>

**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, 2013**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>FAMILY SERVICES COLLABORATIVE FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 272,890	\$ 304,824	\$ 222,534	\$ 355,180
Due from other funds	58	75	58	75
<b>Total Assets</b>	<b>\$ 272,948</b>	<b>\$ 304,899</b>	<b>\$ 222,592</b>	<b>\$ 355,255</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 15,801	\$ 2,942	\$ 15,801	\$ 2,942
Due to other governments	257,147	301,957	206,791	352,313
<b>Total Liabilities</b>	<b>\$ 272,948</b>	<b>\$ 304,899</b>	<b>\$ 222,592</b>	<b>\$ 355,255</b>
 <b><u>MORTGAGE REGISTRATION FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b>\$ 128,629</b>	<b>\$ 1,132,018</b>	<b>\$ 1,133,605</b>	<b>\$ 127,042</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 128,629</b>	<b>\$ 1,132,018</b>	<b>\$ 1,133,605</b>	<b>\$ 127,042</b>
 <b><u>STATE REVENUE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 161,061	\$ 10,197,577	\$ 10,230,961	\$ 127,677
Due from other funds	9	9	9	9
<b>Total Assets</b>	<b>\$ 161,070</b>	<b>\$ 10,197,586</b>	<b>\$ 10,230,970</b>	<b>\$ 127,686</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 161,070</b>	<b>\$ 10,197,586</b>	<b>\$ 10,230,970</b>	<b>\$ 127,686</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, 2013**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TAXES AND PENALTIES FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 986,584	\$ 83,998,105	\$ 83,930,449	\$ 1,054,240
<b><u>Liabilities</u></b>				
Due to other governments	\$ 986,584	\$ 83,998,105	\$ 83,930,449	\$ 1,054,240
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,549,164	\$ 95,632,524	\$ 95,517,549	\$ 1,664,139
Due from other funds	67	84	67	84
<b>Total Assets</b>	<b>\$ 1,549,231</b>	<b>\$ 95,632,608</b>	<b>\$ 95,517,616</b>	<b>\$ 1,664,223</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 15,801	\$ 2,942	\$ 15,801	\$ 2,942
Due to other governments	1,533,430	95,629,666	95,501,815	1,661,281
<b>Total Liabilities</b>	<b>\$ 1,549,231</b>	<b>\$ 95,632,608</b>	<b>\$ 95,517,616</b>	<b>\$ 1,664,223</b>

## **OTHER SCHEDULES**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT D-1**

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2013**

	<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	Six	Varies	Continuous	17,499,154
Certificates of deposit	Forty-six	0.10 to 1.00	January 12, 2014 to September 2, 2015	17,403,163
Money market savings	Seven	0.05 to 0.34	Continuous	584,742
Cash held with broker	-	-	Continuous	4,283,592
U.S. Treasury notes	Twelve	0.25 to 2.63	October 15, 2014 to December 15, 2015	21,591,944
U.S. Treasury bonds - stripped interest payment	Two	-	August 15, 2017 to August 15, 2019	49,201
Brokerage certificates of deposit	Fourteen	0.15 to 1.45	January 6, 2014 to June 5, 2014	2,952,212
General obligation bonds	Eight	1.00 to 4.30	February 1, 2014 to February 1, 2025	1,072,147
Federal Home Loan Mortgage Corporation	-	4.50	January 15, 2014	1,001,570
Federal National Mortgage Association	Two	1.00 to 5.13	January 2, 2014 to April 24, 2018	1,752,200
<b>Total Cash and Pooled Investments</b>				<b><u>\$ 68,239,925</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET - BY DITCH  
COUNTY DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2013**

	Assets				
	Cash and Pooled Investments	Undistributed Cash	Special Assessments Receivable		Total
			Delinquent	Deferred	
<b>Judicial Ditches</b>					
1	\$ (3)	\$ -	\$ -	\$ -	\$ (3)
2	42,005	42	15	8,023	50,085
3	92	-	-	-	92
<b>County Ditches</b>					
4	37,195	447	1,139	6,003	44,784
5	7,021	-	-	6,728	13,749
10	(52)	-	-	-	(52)
11	6,554	173	-	3,000	9,727
12	23,884	58	13	2,000	25,955
14	67	-	-	-	67
16	91,166	-	-	65,177	156,343
17	53	-	-	-	53
18	(52)	-	-	-	(52)
21	23,213	100	22	10,000	33,335
23	(352)	-	-	-	(352)
25	(14,995)	-	-	-	(14,995)
28	(350)	-	-	-	(350)
29	4,232	-	24	5,000	9,256
31	(5)	-	-	-	(5)
32	(1)	-	-	-	(1)
37	1,832	86	9	16,656	18,583
38	4,850	146	424	20,001	25,421
39	6,590	-	-	7,977	14,567
41/65	12,916	-	-	36,303	49,219
43	5,592	-	3	4,390	9,985
44	15	-	-	-	15
45	(43)	-	-	-	(43)
48	(27)	-	-	-	(27)
52	4,999	157	-	5,000	10,156
53	17,935	1,305	-	5,000	24,240
54	91	-	-	-	91
55	(1)	-	-	-	(1)
56	14,983	-	-	5,000	19,983
59	146	-	-	-	146
62	154	-	-	-	154
63	10,099	5	6	-	10,110
64	10	-	-	-	10
68	332	-	-	-	332
70	48,477	-	-	20,408	68,885
<b>Total</b>	<b>\$ 348,622</b>	<b>\$ 2,519</b>	<b>\$ 1,655</b>	<b>\$ 226,666</b>	<b>\$ 579,462</b>

**EXHIBIT D-2**

<b>Liabilities and Deferred Inflows of Resources</b>						<b>Fund Balance</b>	<b>Total Liabilities, Deferred Inflows, and Fund Balance</b>
<b>Accounts Payable</b>	<b>Due to Other Funds</b>	<b>Advance from Other Funds</b>	<b>Unavailable Revenue</b>	<b>Total</b>			
\$ -	\$ 184	\$ -	\$ -	\$ 184	\$ (187)	\$ (3)	
-	109	-	8,038	8,147	41,938	50,085	
-	-	-	-	-	92	92	
-	215	-	7,142	7,357	37,427	44,784	
-	2,691	-	6,728	9,419	4,330	13,749	
-	128	-	-	128	(180)	(52)	
-	321	-	3,000	3,321	6,406	9,727	
-	1,028	-	2,000	3,028	22,927	25,955	
-	37	-	-	37	30	67	
-	6,238	134,830	65,177	206,245	(49,902)	156,343	
-	292	-	-	292	(239)	53	
-	2,955	-	-	2,955	(3,007)	(52)	
-	2,274	-	10,013	12,287	21,048	33,335	
-	2,357	-	-	2,357	(2,709)	(352)	
-	8,434	9,717	-	18,151	(33,146)	(14,995)	
-	2,226	-	-	2,226	(2,576)	(350)	
-	830	-	5,000	5,830	3,426	9,256	
-	275	-	-	275	(280)	(5)	
-	42	-	-	42	(43)	(1)	
-	9,572	12,644	16,665	38,881	(20,298)	18,583	
-	8,016	-	20,424	28,440	(3,019)	25,421	
-	112	12,559	7,977	20,648	(6,081)	14,567	
-	1,847	32,285	36,303	70,435	(21,216)	49,219	
-	-	-	4,390	4,390	5,595	9,985	
-	-	-	-	-	15	15	
-	2,437	-	-	2,437	(2,480)	(43)	
-	41	-	-	41	(68)	(27)	
-	1,265	-	5,000	6,265	3,891	10,156	
-	-	-	5,000	5,000	19,240	24,240	
-	-	-	-	-	91	91	
-	72	-	-	72	(73)	(1)	
-	555	-	5,000	5,555	14,428	19,983	
-	-	-	-	-	146	146	
-	-	-	-	-	154	154	
-	42	-	6	48	10,062	10,110	
-	83	-	-	83	(73)	10	
1,388	1,848	-	-	3,236	(2,904)	332	
-	12,726	22,340	20,408	55,474	13,411	68,885	
<b>\$ 1,388</b>	<b>\$ 69,252</b>	<b>\$ 224,375</b>	<b>\$ 228,271</b>	<b>\$ 523,286</b>	<b>\$ 56,176</b>	<b>\$ 579,462</b>	

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT D-3*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>All Funds</u>
<b>Shared Revenue</b>			
<b>State</b>			
Highway users tax	\$ 13,257,383	\$ -	\$ 13,257,383
County program aid	1,635,042	-	1,635,042
PERA rate reimbursement	64,946	-	64,946
Police aid	224,392	-	224,392
Market value credit	471,269	-	471,269
Disparity reduction aid	13,255	-	13,255
<b>Total shared revenue</b>	<b>\$ 15,666,287</b>	<b>\$ -</b>	<b>\$ 15,666,287</b>
<b>Reimbursement for Services</b>			
<b>State</b>			
Minnesota Department of Human Services	\$ 927,170	\$ -	\$ 927,170
<b>Payments</b>			
<b>Local</b>			
Payments in lieu of taxes	\$ 526,937	\$ -	\$ 526,937
<b>Grants</b>			
<b>State</b>			
Minnesota Department/Board of			
Agriculture	\$ 65,648	\$ -	\$ 65,648
Corrections	250,761	-	250,761
Public Safety	144,637	-	144,637
Transportation	5,762	-	5,762
Health	463,885	-	463,885
Trial Courts	65,383	-	65,383
Veterans Affairs	17,298	-	17,298
Natural Resources	277,756	-	277,756
Human Services	3,687,005	-	3,687,005
Historical Society	100,000	-	100,000
Peace Officer Standards and Training Board	10,594	-	10,594
Minnesota Pollution Control Agency	-	176,587	176,587
<b>Total state</b>	<b>\$ 5,088,729</b>	<b>\$ 176,587</b>	<b>\$ 5,265,316</b>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT D-3  
(Continued)*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<b>Governmental Funds</b>	<b>Enterprise Fund</b>	<b>All Funds</b>
<b>Grants (Continued)</b>			
<b>Federal</b>			
Department of			
Agriculture	\$ 592,770	\$ -	\$ 592,770
Justice	9,680	-	9,680
Transportation	848,082	-	848,082
Health and Human Services	3,516,040	-	3,516,040
Homeland Security	166,034	-	166,034
	<b>\$ 5,132,606</b>	<b>\$ -</b>	<b>\$ 5,132,606</b>
<b>Total federal</b>	<b>\$ 5,132,606</b>	<b>\$ -</b>	<b>\$ 5,132,606</b>
<b>Total state and federal grants</b>	<b>\$ 10,221,335</b>	<b>\$ 176,587</b>	<b>\$ 10,397,922</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 27,341,729</b>	<b>\$ 176,587</b>	<b>\$ 27,518,316</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT D-4**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<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	\$ 252,032
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	340,738
<b>Total U.S. Department of Agriculture</b>		<b>\$ 592,770</b>
<b>U.S. Department of Justice</b>		
Passed Through Minnesota Department of Trial Courts Drug Court Discretionary Grant Program	16.585	<b>\$ 9,680</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 618,591
Passed Through Minnesota Department of Public Safety Highway Safety Cluster		
State and Community Highway Safety	20.600	37,624
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	5,319
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	22,710
<b>Total U.S. Department of Transportation</b>		<b>\$ 684,244</b>
<b>U.S. Department of Health and Human Services</b>		
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	\$ 55,500
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	40,556
Universal Newborn Hearing Screening	93.251	450
Immunization Cooperative Agreements	93.268	4,250
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	300
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	18,566
Temporary Assistance for Needy Families	93.558	94,788
(Total Temporary Assistance for Needy Families 93.558 \$540,325)		
State Grants to Promote Health Information Technology - ARRA	93.719	90,844
Maternal and Child Health Services Block Grant to the States	93.994	61,909

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT D-4  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services (Continued)</b>		
Passed Through Minnesota Department of Health and Clay-Wilkin Community Health Services		
PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds	93.531	81,744
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	18,197
Temporary Assistance for Needy Families	93.558	445,537
(Total Temporary Assistance for Needy Families 93.558 \$540,325)		
Child Support Enforcement	93.563	997,808
Refugee and Entrant Assistance - State-Administered Programs	93.566	890
Child Care and Development Block Grant	93.575	15,429
Community-Based Child Abuse Prevention Grants	93.590	6,250
Stephanie Tubbs Jones Child Welfare Services Program	93.645	3,526
Foster Care Title IV-E	93.658	107,575
Social Services Block Grant	93.667	411,506
Chafee Foster Care Independence Program	93.674	5,359
Children's Health Insurance Program	93.767	344
Medical Assistance Program	93.778	1,321,395
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 3,782,723</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 16,673
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grants	97.042	29,024
Passed Through Minnesota Department of Public Safety and the City of St. Cloud		
Homeland Security Grant Program	97.067	403
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 46,100</b>
<b>Total Federal Awards</b>		<b>\$ 5,115,517</b>

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

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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, 2013. 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 position, 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. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Highway Safety Cluster	\$	42,943
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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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5. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 5,132,606
Grant received more than 60 days after year-end, deferred in 2013	
Highway Planning and Construction	14,854
Temporary Assistance for Needy Families	44,848
Foster Care Title IV-E	17,737
Medical Assistance Program	214,150
Homeland Security Grant Program	
Grants deferred in 2012, recognized as revenue in 2013	
Highway Planning and Construction	(178,692)
Foster Care Title IV-E	(1,821)
Medical Assistance Program	(8,231)
Homeland Security Grant Program	(119,934)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 5,115,517</u>

6. Subrecipients

Otter Tail County did not pass any federal awards through to subrecipients in 2013.

7. 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, 2013**

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

**Financial Statements**

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **No**

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **No**

The major programs are:

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	CFDA #10.561
Child Support Enforcement	CFDA #93.563
Social Services Block Grant	CFDA #93.667
Medical Assistance Program	CFDA #93.778

The threshold for distinguishing between Types A and B programs was \$300,000.

Otter Tail County qualified as a low-risk auditee? **No**

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

### INTERNAL CONTROL

#### PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1996-006

#### Segregation of Duties

**Criteria:** Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect County assets, proper segregation of the record keeping, custody, and authorization functions should be in place, and where management decides segregation of duties may not be cost effective, compensating controls should be in place.

**Condition:** Due to the limited number of personnel within several Otter Tail County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. The smaller fee offices generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

**Context:** 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 internal control point of view.

**Effect:** Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in a timely period by employees in the normal course of performing their assigned functions.

**Cause:** The County informed us that it is not practical to collect fees for services provided in various departments only at one collection point. Having collection points within the departments provides a convenience to the customer and cost savings to the County, which otherwise would have to establish a billing system for collecting fees for services provided throughout the County. In departments that collect larger amounts of fees, such as Motor Vehicle, the County uses cash registers to record the transactions and limit access to the collections. The Land and Resource Department has established a policy that it will only collect checks, so any cash payments are made at the Treasurer's Office. For the various landfills and transfer stations throughout the County, collections are deposited at a local bank daily to limit the cash on hand. Although, the County has established procedures to limit risks, some of the departments are limited in staff so it is not practical to segregate the record keeping function from the custody function for fees collected.

**Recommendation:** We recommend Otter Tail County's elected officials and management be mindful that limited staffing increases the risks in safeguarding the County's assets and the proper recording of its financial activity and, where possible, implement oversight procedures to ensure that internal control policies and procedures are being followed by staff.

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.*

Finding 2006-002

Audit Adjustments

**Criteria:** 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. Auditing standards define 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 County's financial statements will not be prevented, or detected and corrected, on a timely basis.

**Condition:** During our audit, we identified material adjustments that resulted in significant changes to the County's financial statements. The County provides a general ledger and supporting schedules necessary to adjust to the modified accrual basis for fund level financial statements and to the full accrual basis for the government-wide financial statements.

**Context:** The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

**Effect:** The following audit adjustments were necessary to be recorded for December 31, 2013:

- An adjustment was necessary in the General Fund to reduce accounts payable and general government expenditures in the amount of \$826,318 for insurance premiums for 2014 coverage.

- An adjustment was necessary in the Prairie Lakes Municipal Solid Waste Authority Debt Service Fund to properly reflect beginning balances in the County's general ledger, including a \$10,070,000 advance to component unit, a \$192,530 deferred inflow of resources, and a \$9,877,470 beginning fund balance. Other adjustments were necessary to properly reflect \$19,380,000 in bonds issued by Otter Tail County in 2013 on behalf of Prairie Lakes Municipal Solid Waste Authority (Prairie Lakes), establish the necessary related advance to component unit, show revenue in the amount of \$324,314 and unearned revenue in the amount of \$313,853 to properly reflect interest received in advance; and to reclassify \$380,000 received from Prairie Lakes from miscellaneous revenue to a reduction of the advance to component unit to properly reflect a principal payment on advance.
- Adjustments were necessary in the Capital Improvement Special Revenue Fund to reclassify revenues posted as state grants and miscellaneous revenue to the federal Homeland Security Grant Program in the amount of \$130,373 and record a special item in the amount of \$230,087 for an insurance settlement and an offset of expenditures in the amount of \$230,674 for reimbursements.

**Cause:** The invoice for the insurance premiums was dated and mailed to the County in December 2013. Otter Tail County did not make a prior year audit adjustment to its general ledger to reflect the 2012 advance to Prairie Lakes. In 2013, the County issued \$19,380,000 in new bonds on behalf of Prairie Lakes. The new bond issuance was posted to the incorrect fund. These were unusual transactions for Otter Tail County, resulting in audit adjustments. For the Capital Improvement Special Revenue Fund, the County had misclassified items in the general ledger.

**Recommendation:** We recommend that the County establish internal controls necessary to ensure the County's annual financial statements are reported in accordance with GAAP.

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, and efforts are being made to map the County's financial reporting software. 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. Internal controls will be reviewed and, if found necessary, additional controls will be established to ensure that the County's annual financial statements are reported in accordance with generally accepted accounting principles.*

Finding 2008-001

Documenting and Monitoring Internal Controls

**Criteria:** 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.

**Condition:** Otter Tail County maintains narratives to document the controls in place over its significant transaction cycles; however, there is no formal risk assessment process in place 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.

**Context:** Local governments tend to establish controls but fail to periodically review those controls to ensure they are appropriate for all of the changes that take place over time.

**Effect:** The internal control environment is constantly changing with changes in staffing, information systems, processes, and the services provided. Changes may have taken place that reduce or negate the effectiveness of internal controls, which may go unnoticed without a formal and timely risk assessment process in place.

**Cause:** The County informed us that it lacks resources dedicated to establishing a formal process for assessing risks, documenting the internal controls established to reduce those risks and monitoring those controls.

**Recommendation:** Otter Tail County management should document the significant internal controls in its accounting system, including an assessment of risk and the processes used to minimize the risks. A formal plan should 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 1996-006.*

*The Otter Tail County Auditor's Office does meet 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.*

*Through the County's ongoing reorganization efforts and the establishment of a finance division, it would be management's intent to document, create, and monitor internal controls at the division directors' level and within each major division for the purpose of assessing risk within the County's accounting systems and for the purpose of reviewing, developing, and implementing additional procedures and policies, as necessary, to assure sound internal controls over the County's financial reporting system.*

Finding 2011-001

#### Network/Application Password Controls

**Criteria:** County management is responsible for the County's internal controls over information systems. This requires establishing security policies and performing assessments of existing controls to determine if the internal controls that have been established are still effective or if changes are needed to ensure County data is protected as prescribed by management.

**Condition:** Otter Tail County uses the Integrated Financial System - Platform Independent (IFS-PI) application software for its general ledger. This application was written as a web-based application and may be run on a server or a mainframe system. For an employee of Otter Tail County to access the IFS-PI application, the user must be signed on to the County network and have a current sign-on for the IFS-PI application. The sign-on differs from the sign-on for the IBM AS-400 system, so the mainframe security settings do not apply to the application. Otter Tail County has not reviewed the network controls or assessed risks from the change to a web-based application to ensure password controls are working as intended.

**Context:** The IFS-PI application is the general ledger for Otter Tail County. Detailed receipt and disbursement transactions, as well as budget information, are maintained on the IFS application throughout the year. This information is used by management to monitor the resources available and make decisions based on the available resources. At or near year-end, certain accrual information is also recorded in the application. The information maintained within the IFS-PI application is the key source of information used for the

preparation of the County's annual financial statements. Otter Tail County uses other web-based applications that should also be considered; however, those applications are not key applications for financial statement reporting.

**Effect:** Normal password controls in place in the IBM AS-400 system are not effective for the IFS-PI and other web-based applications, so a review of each web-based application controls and County network controls is imperative to ensure passwords are working as intended.

**Cause:** Otter Tail County was recently updated to the IFS-PI application software. County management was not aware of some of the password implications of this change.

**Recommendation:** We recommend Otter Tail County management review password controls in place that limit access to any of the web-based applications used by the County to ensure they are appropriate to protect the County data as prescribed by management.

Client's Response:

*Otter Tail County's management agrees with this State Audit Finding and will review the password controls currently in place to assure that these controls are adequate to protect County data, specifically the IFS and property tax applications, and where weakness are identified appropriate corrective measures will be taken to ensure that all County data is protected and access is limited to those individuals requiring access and at the level necessary for the performance of their duties and responsibilities.*

ITEM ARISING THIS YEAR

Finding 2013-001

Jail Departmental Control Procedures

**Criteria:** Bank statements should be routinely reconciled with the cash balances recorded in the books of the account. County fees should be remitted timely to ensure they are deposited with the County Treasurer and properly posted to the general ledger. Outstanding checks should be reviewed during the bank reconciliation process to determine if the check may still be cashed, if a duplicate check should be issued, or if the check should be written off and tracked for compliance with Minnesota statues pertaining to unclaimed property.

**Condition:** The Otter Tail County Jail implemented the TurnKey Corrections system in 2007. Collections for inmates are placed in the TurnKey Corrections system to be used for booking fees, canteen purchases, over the counter medications, nursing visits, haircuts, and other miscellaneous items. Periodically, the collections are removed from the Turnkey Corrections' system and deposited at Security State Bank. Checks are written off the bank

account to reimburse inmates for their unused balances upon release and to remit fees to the County. Otter Tail County Jail personnel have not reconciled the bank account to the Turnkey Corrections system balances since implementation of the system.

**Context:** The establishment and oversight of departmental control procedures is particularly important because generally, these smaller departments lack proper segregation of duties, which increases the risk of errors or fraud.

**Effect:** The balance in the account at Security State Bank accumulated to \$94,504 at December 31, 2013. On June 11, 2014, the Otter Tail County Jail remitted \$80,856 in County booking fees collected from June 2007 through May 2013 for posting to the general ledger. Additionally, at December 31, 2013, the account had a large number of outstanding checks totaling \$3,746 dating back to 2008.

**Cause:** When the Otter Tail County Jail implemented the Turnkey Corrections system, it did not assess the risks of this change and properly design controls to ensure that not only the collections for the inmate accounts were properly accounted for, but that all fees collected for the County were also properly accounted for and remitted timely for posting into the County's general ledger. Review of County general ledger reports by the Jail Administrator did not reveal that the County booking fees were not being properly posted.

**Recommendation:** A reconciliation and review of all departmental bank accounts should be completed monthly to ensure the bank balances agree with the departments' subsidiary ledgers. The Jail Administrator should also review the fees posted to the County general ledger to ensure the fees collected within the department are receipted into the County general ledger timely and are posted to the correct revenue account. We further recommend a policy be established and approved to specify a time frame and process for handling outstanding checks considered uncollectible.

Client's Response:

*The Otter Tail County Sheriff and the Otter Tail County Jail Administrator agree that monthly reviews and reconciliations of all departmental bank accounts should be completed in a timely manner, balanced to departmental subsidiary ledgers, and collected funds should be receipted into the County's general ledger on a timely basis and to the proper revenue accounts. In response to this State Audit Finding the Jail administrator provided the following comments:*



*Going forward the following changes will be implemented:*

- 1. All departmental bank accounts will be reviewed by the Assistant Jail Administrator by the 20<sup>th</sup> of each month to ensure the bank balances agree with all subsidiary ledgers.*
- 2. The Jail Administrator will review the fees posted to the County general ledger to ensure the fees collected are receipted in the general ledger timely and are posted to the correct revenue account.*
- 3. If outstanding checks are not cashed within one (1) year of date of issue, the Jail will attempt to contact the holder of the check. We will try to determine if the check may still be cashed, if a duplicate check should be issued, or if the check should be tracked for compliance with the State of Minnesota under the unclaimed property statute. If/when we make contact with a check holder of an outdated check, and they wish to have a check reissued, we will have them come in and sign a form indicating they will not cash the previous check.*

#### PREVIOUSLY REPORTED ITEM RESOLVED

##### **Disaster Recovery Plan for Data Processing (1996-007)**

During the previous audits, we noted that Otter Tail County did not have a formal written disaster recovery plan in place. Although some disaster recovery procedures were operational, the effectiveness of these recovery procedures may have been hindered if a key individual from the Information Technology staff was not available during or immediately following a catastrophic emergency.

##### **Resolution**

Otter Tail County adopted a formal, written disaster recovery plan, dated May 5, 2014.

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

None.

#### IV. OTHER FINDINGS AND RECOMMENDATIONS

##### A. MINNESOTA LEGAL COMPLIANCE

###### ITEMS ARISING THIS YEAR

Finding 2013-002

###### Ditch Fund Cash Deficits

**Criteria:** As stated in Minn. Stat. § 385.04, in part, “. . . every warrant shall be paid only from the cash on hand in the fund from which it may be properly payable.” As allowed by Minn. Stat. § 103E.655, subd. 2, loans may be made from ditch systems with surplus funds or from the General Fund to a ditch with insufficient cash to pay expenditures.

**Condition:** Eleven of the 38 individual ditch systems had deficit cash balances at December 31, 2013, totaling \$15,881.

**Context:** If the County Board transfers money from another account or fund to a drainage system account, the money plus interest must be reimbursed from the proceeds of the drainage system that received the transfer, under Minn. Stat. § 103E.655, subd. 2. A fund balance to be used for repairs may be established under Minn. Stat. § 103E.735, subd. 1, for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$100,000, whichever is larger.

**Effect:** Allowing a ditch system to maintain a deficit cash balance, in effect, constitutes an interest-free loan from other County funds and, as such, is in noncompliance with Minnesota law.

**Cause:** Ditch expenditures were necessary; the ditch levies were not sufficient, and no loans were formally made between ditches.

**Recommendation:** We recommend that the County eliminate the ditch system cash deficits by borrowing from an eligible fund with a surplus cash balance and 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's management and the Otter Tail County Auditor are in complete agreement with this State Audit Finding. It has been the County's past practice to annually authorize inter-fund loans between the General Fund and the various Ditch Fund accounts for the purpose of covering ditch system cash deficits that have resulted because of nonsufficient ditch special assessment levies. This did not happen by the end of 2013 primarily because of an overall review of the ditch accounts that were being completed and the timing of Board meetings in December 2013. During the fourth quarter of 2013 (most specifically, December), the Otter Tail County Auditor and the Otter Tail County Ditch inspector reviewed each ditch account to determine the cash deficits of each system, the recommended inter-fund loan requirements, and to determine recommended levy amounts for Payable Year 2014. Unfortunately, due to a number of reasons, the Otter Tail County Auditor did not get these recommendations placed before the Board so that they could be adopted prior to the close of the calendar year. It is important to note that during the first quarter of 2014, inter-fund loans were authorized and special assessment levies were adopted, which were significantly increased for Payable Year 2014 from prior year amounts. It is management's goal that the increased special assessment levies will significantly reduce the number of ditch systems requiring an inter-fund loan, and it is also management's intent to make the inter-fund loans in a timely manner.*

Finding 2013-003

Depository Pledge Agreements

**Criteria:** According to Minn. Stat. § 118A.03, subd. 4, “[a]ny collateral pledged shall be accompanied by a written assignment to the government entity from the financial institution. The written assignment shall recite that, upon default, the financial institution shall release to the government entity on demand, free of exchange or any other charges, the collateral pledged.”

**Condition:** Otter Tail County could not provide depository pledge agreements for four banks at which collateral is held to cover deposits in excess of FDIC insurance at year end.

**Context:** The County could not provide depository pledge agreements for Security State Bank, First National Bank of Henning, First National Bank of Battle Lake, and Farmers State Bank of Underwood.

**Effect:** The County is not in compliance with Minnesota statutes regarding depository pledge agreements.

**Cause:** The County Treasurer stated that he has asked for written assignments and has received them from several banks, but some banks have not provided the documentation requested.

**Recommendation:** We recommend that the County Treasurer obtain collateral assignments from each of these banks. The new assignments should be reviewed to make sure they include the statutory language required by Minn. Stat. § 118A.03, subd. 4, and are approved by each respective bank's Board of Directors or loan committee.

Client's Response:

*The County Treasurer has indicated that his office will take required action to ensure that the County is in compliance with Minn. Stat. § 118A.03A, subd. 4.*

Finding 2013-004

Collateral to Secure Deposits

**Criteria:** Government entities are required by Minn. Stat. § 118A.03 to obtain collateral to secure deposits to the extent that funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit.

**Condition:** The County had deposits at First National Bank of Battle Lake that were not adequately covered by collateral.

**Context:** The amount of collateral required to secure deposits at First National Bank of Battle Lake on December 31, 2013, was \$162,481 more than the amount of collateral pledged.

**Effect:** The County is not in compliance with Minn. Stat. § 118A.03.

**Cause:** In 2013, the County issued debt. As an Independent Advisor, Ehlers temporarily invested the proceeds from the issuance, including the purchase of \$249,000 in certificates of deposits on May 29, 2013, in four of the local banks used as depositories by the County. There was sufficient collateral to cover the County deposits in three of the four banks, but the purchase of the \$249,000 certificates of deposit at the First National Bank of Battle Lake pushed the deposits over the

required federal deposit insurance and collateral pledged to secure those deposits. The County was not adequately monitoring collateral amounts to determine if deposits were adequately covered.

**Recommendation:** We recommend the County establish procedures to monitor all County deposits to determine there is adequate collateral pledged to secure deposits in accordance with Minn. Stat. § 118A.03.

Client's Response:

*Otter Tail County's management and the Otter Tail County Treasurer are in agreement with this State Audit Finding and will establish as recommended, procedures to monitor County deposits to ensure that there is adequate collateral pledged to secure deposits in accordance with Minn. Stat. § 118A.03.*

Finding 2013-005

Unclaimed Funds

**Criteria:** The Minnesota Unclaimed Property Law requires that uncashed vendor or refund checks be reported to the State after three years. The reporting requirements for unclaimed property and its payment to the Commissioner of the Minnesota Department of Commerce are detailed in Minn. Stat. §§ 345.41-.43.

**Condition:** At December 31, 2013, the Otter Tail County Jail was holding 197 uncashed checks written from March 18, 2008, through December 27, 2010.

**Context:** The 197 uncashed checks ranged in value from under \$1 to \$242 and totaled \$2,056.

**Effect:** The County is not in compliance with Minn. Stat. §§ 345.41-.43.

**Cause:** The Otter Tail County Jail implemented the Turnkey Corrections system in 2007 to be used for booking fees, canteen purchases, over the counter medications, nursing visits, haircuts, and other miscellaneous items. Reconciliations of the bank balance to the Turnkey Corrections system have not been completed since the implementation of the Turnkey Corrections system.

**Recommendation:** We recommend the Jail Administrator file the required unclaimed property reports with the Commissioner of the Minnesota Department of Commerce and turn over any funds required to be remitted to the State.

Client's Response:

*The Otter Tail County Sheriff and the Otter Tail County Jail Administrator understand the importance of compliance with Minn. Stat. §§ 345.41-.43, and in response to this State Audit Finding, the Jail administrator provided the following comments:*

*Going forward the following changes will be implemented:*

*If outstanding checks are not cashed within one (1) year of date of issue the Jail will attempt to contact the holder of the check. We will try to determine if the check may still be cashed, if a duplicate check should be issued, or if the check should be tracked for compliance with the State of Minnesota under the unclaimed property statute. If/when we make contact with a check holder of an outdated check, and they wish to have a check reissued, we will have them come in and sign a form indicating they will not cash the previous check.*

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2009-002

Ditch Fund Balance Deficits

**Criteria:** Assets should exceed liabilities in order for the County to meet its obligations and maintain a positive fund balance. Under Minn. Stat. § 103E.655, drainage project costs must be paid from the appropriate drainage system account. Through the levying of assessments, Minn. Stat. § 103E.735, subd. 1, permits the accumulation of a surplus balance for the repair costs of a ditch system not to exceed 20 percent of the assessed benefits of the ditch system or \$100,000, whichever is greater.

**Condition:** As of December 31, 2013, the County had individual ditch systems where liabilities exceeded assets, resulting in individual deficit fund balance amounts.

**Context:** Nineteen of the 38 individual ditch systems had deficit fund balances as of December 31, 2013, totaling \$148,481, which is a decrease from the \$220,433 deficit reported in the prior year.

**Effect:** Allowing a ditch system to maintain a deficit fund balance, in effect, constitutes an interest-free loan from other individual ditch systems and may be inconsistent with Minn. Stat. § 103E.655.

**Cause:** Ditch expenditures were necessary, and the ditch levies were not sufficient to cover all costs.

**Recommendation:** We recommend the County eliminate the ditch fund balance deficits by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus balance to provide for the repair costs of a ditch system.

Client's Response:

*Otter Tail County management is aware of the provisions of Minn. Stat. § 103E.735, subd. 1. Otter Tail County has implemented annual maintenance assessments on a number of drainage systems and will continue to levy an annual assessment for the purpose of establishing individual drainage accounts with funds sufficient to finance normal and routine repair and maintenance costs. The drainage systems referenced in the above comment are systems that are in the process of undergoing benefit redeterminations and/or major repairs and in some situations have not had an annual maintenance assessment established. Project assessments were levied on a number of these drainage systems in December 2012 and billed early in 2013. The County also adopted significantly increased maintenance assessment for Payable Year 2014, which will help reduce the number of systems with deficit fund balances. Once project assessments are in place, the policy of the County is to continue with annual maintenance assessments and to review those assessments annually.*

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REBECCA OTTO  
STATE AUDITOR

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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***

### Independent Auditor's Report

Board of County Commissioners  
Otter Tail County

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Otter Tail County as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 15, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Otter Tail County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not 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 items 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 2006-002 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 1996-006, 2008-001, 2011-001, and 2013-001 to be significant deficiencies.

### **Compliance and Other Matters**

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

### **Minnesota Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions of tax increment financing because Otter Tail County has no tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Otter Tail County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as items 2013-002 through 2013-005. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

## **Other Matter**

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

## **Otter Tail County's Response to Findings**

Otter Tail County's 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. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 15, 2014

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## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

### Independent Auditor's Report

Board of County Commissioners  
Otter Tail County

### **Report on Compliance for Each Major Federal Program**

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 the County's major federal programs for the year ended December 31, 2013. 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.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Otter Tail County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

### ***Opinion on Each Major Federal Program***

In our opinion, Otter Tail County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

### **Report on Internal Control Over Compliance**

Management of Otter Tail County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

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

## **Purpose of This Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

August 15, 2014

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR