

# 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, 2006

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

The mission of the State Auditor's Office 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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This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Year Ended December 31, 2006**



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

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**ORGANIZATION  
DECEMBER 31, 2006**

			<u>Term Expires</u>
<b>Elected</b>			
Commissioners			
Board Member	Syd Nelson	District 1	January 2009
Board Member	Malcolm K. Lee*	District 2	January 2007
Board Member	Dennis Mosher	District 3	January 2009
Chair	Roger Froemming	District 4	January 2007
Board Member	Robert Block	District 5	January 2009
Attorney	David Hauser		January 2007
Auditor	Wayne Stein		January 2007
Treasurer	Steven Andrews		January 2007
County Recorder	Wendy Metcalf		January 2007
County Sheriff	Brian Schlueter		January 2007
<b>Appointed</b>			
Assessor	Robert Moe		December 2008
County Engineer	Richard West		May 2010
Medical Examiner	Dr. Gregory Smith		Indefinite
County Coordinator	Larry Krohn		Indefinite
Veterans Service Officer	Jourdan Sullivan		Indefinite
Examiner of Titles	Robert Russell		Indefinite
<b>Human Services</b>			
Board			
Chair	Roger Froemming		January 2007
Vice Chair	Dennis Mosher		January 2009
Member	Robert Block		January 2009
Member	Malcolm K. Lee		January 2007
Member	Syd Nelson		January 2009
Human Services Director	John Dinsmore		Indefinite
Probation Officer	Charles W. Kitzman		Indefinite
Public Health Director	Diane Thorson		Indefinite

\* Replaced by Everett Erickson effective January 1, 2007.

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Otter Tail County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Otter Tail County, Minnesota, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of Otter Tail County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Otter Tail County as of and for the year ended December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2007, on our consideration of Otter Tail County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO  
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

December 28, 2007



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

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2006  
(Unaudited)**

**INTRODUCTION**

Otter Tail County's Management's Discussion and Analysis (MD&A) provides an overview of Otter Tail County's financial activities for the fiscal year ended December 31, 2006. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with Otter Tail County's financial statements and the notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

- Governmental activities' total net assets are \$115,734,782, of which Otter Tail County has invested \$89,813,502 in capital assets, net of related debt, and \$2,872,234 is restricted to specific purposes/uses by Otter Tail County.
- Business-type activities have total net assets of \$9,361,691. Invested in capital assets, net of related debt, represents \$4,723,819 of the total, and \$470,276 of the total business-type net assets is restricted for specific uses.
- Otter Tail County's total net assets (governmental activities and business-type activities) total \$125,096,473 for the year ended December 31, 2006. Invested in capital assets, net of related debt, represents \$94,537,321 of the total, \$3,342,510 of the total net assets are restricted for specific uses, and \$27,216,642 is unrestricted.
- The net cost of Otter Tail County's governmental activities for the year ended December 31, 2006, was \$23,915,189. General property tax revenues and other revenues sources totaling \$28,191,343 funded Otter Tail County's total net cost of \$23,915,189.
- Otter Tail County's governmental funds' fund balances increased by \$473,573. This increase was the result of a General Fund balance increase of \$2,115,102, a Road and Bridge Special Revenue Fund balance decrease of \$1,044,263, a Human Services Special Revenue Fund balance decrease of \$23,386, a Capital Improvement Special Revenue Fund balance increase of \$216,586, and a decrease in other governmental funds' fund balances of \$790,466.

- The General Fund balance increased by \$2,115,102 due to excess revenues over expenditures, a transfer in and proceeds from a capital lease totaling \$2,637,852 offset by a transfer out of \$522,750. For the prior year ended December 31, 2005, excess revenues over expenditures totaled \$1,667,040. This improvement was due mainly to increased tax, intergovernmental, charges for services, and investment earning revenues, offset by increased expenditures in general government and public safety.
- The Road and Bridge Special Revenue Fund balance decreased by \$1,044,263 due to excess expenditures over revenues of \$1,564,188 offset by a transfer in of \$500,000 and an increase in inventory of \$19,925. For the prior year ended December 31, 2005, excess revenues over expenditures totaled \$1,368,089. The decline was due to a reduction in federal grants and an increase in highway maintenance and construction costs.
- The Human Services Special Revenue Fund balance decreased by \$23,386 due to excess revenues over expenditures of \$326,614 offset by a transfer out of \$350,000. For the prior year ended December 31, 2005, excess expenditures over revenues totaled \$131,328. This improvement was due mainly to increased tax and charge for services revenues offset by a decline in intergovernmental revenues and an increase in health expenses.
- The Capital Improvement Special Revenue Fund balance increased by \$216,586 due to excess expenditures over revenues of and a transfer out totaling \$229,432 offset by a transfer in, proceeds from the sale of capital assets, and compensation for loss on capital assets totaling \$446,018. For the prior year ended December 31, 2005, excess expenditures over revenues totaled \$1,418,035. This improvement was due mainly to an increase in tax revenue and a decrease in capital expenditures.
- During the year ending December 31, 2006, Otter Tail County did not issue any new general obligation debt.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

Otter Tail County's MD&A report serves as an introduction to the basic financial statements. Otter Tail County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section) and certain budgetary comparison schedules are required to accompany the basic financial statements and, therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are inter-related.

<b>Management's Discussion and Analysis</b>
---

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

<b>Required Supplementary Information</b> (Other than Management's Discussion and Analysis)
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Otter Tail County presents two government-wide financial statements. They are the Statement of Net Assets and the Statement of Activities. These two government-wide financial statements provide information about the activities of Otter Tail County as a whole and present a longer-term view of Otter Tail County's finances. Otter Tail County's fund financial statements follow these two government-wide financial statements. For governmental activities, these statements tell how Otter Tail County financed these services in the short term as well as what remains for future spending. Fund financial statements also report Otter Tail County's operations in more detail than the government-wide statements by providing information about Otter Tail County's most significant/major funds. For proprietary activities, these statements provide detailed financial information relating to Otter Tail County's waste management operations and facilities. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

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

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

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

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

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

- Governmental activities--Otter Tail County reports its basic services in the "Governmental Activities" column of these reports. The activities reported by Otter Tail County include general government, public safety, highways and streets, sanitation (administration charges to solid waste), human services, health, culture and recreation, conservation of natural resources, and economic development. 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 our waste management facilities to help cover most of the costs to operate these facilities and pay for the services provided. Otter Tail County reports its solid waste collection and disposal programs, including County-sponsored recycling programs, in the "Business-Type Activities" column.

### **Fund Financial Statements**

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

- Most of Otter Tail County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Otter Tail County reports these funds in our financial statements using an accounting method called modified accrual accounting. This accounting method measures cash and other financial assets that Otter Tail County can readily convert to cash. Otter Tail County's governmental fund statements provide a detailed short-term view of Otter Tail County's general government operations and the basic services it provides.
- Otter Tail County's governmental fund information helps determine whether there are financial resources available that Otter Tail County can spend in the near future to finance various programs within Otter Tail County. Otter Tail County has described the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation statement following each governmental fund financial statement.

- Otter Tail County charges both internal and external customers for waste management services and reports the financial activities for those services in a proprietary fund. Otter Tail County reports its Waste Management Proprietary Fund in the same way that the County reports all activities in the Statement of Net Assets and the Statement of Activities. In fact, Otter Tail County's Waste Management Proprietary Fund is the same as the business-type activities Otter Tail County reports in the government-wide statements but provides more detail and additional information, such as cash flows.
- Otter Tail County acts as an agent over assets that the County holds for other governmental entities. Otter Tail County reports all of its fiduciary activities in a separate Statement of Fiduciary Net Assets. Otter Tail County excludes these assets from the County's other financial statements because Otter Tail County cannot use these assets to finance its operations. Otter Tail County is responsible for ensuring that the assets reported in these agency funds are used for their intended purposes.

## THE COUNTY AS A WHOLE

Otter Tail County's combined net assets for the year ended December 31, 2006, were \$125,096,473. Otter Tail County's analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of Otter Tail County's governmental and business-type activities.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005 (Restated)	2006	2005 (Restated)
<b>Assets</b>						
Current and other assets	\$ 33,704,457	\$ 34,479,445	\$ 6,002,655	\$ 5,919,601	\$ 39,707,112	\$ 40,399,046
Capital assets	98,340,686	94,811,802	4,723,819	4,420,049	103,064,505	99,231,851
<b>Total Assets</b>	<b>\$ 132,045,143</b>	<b>\$ 129,291,247</b>	<b>\$ 10,726,474</b>	<b>\$ 10,339,650</b>	<b>\$ 142,771,617</b>	<b>\$ 139,630,897</b>
<b>Liabilities</b>						
Long-term debt outstanding	\$ 10,105,000	\$ 11,635,000	\$ -	\$ -	\$ 10,105,000	\$ 11,635,000
Other liabilities	6,205,361	6,197,619	1,364,783	1,451,501	7,570,144	7,649,120
<b>Total Liabilities</b>	<b>\$ 16,310,361</b>	<b>\$ 17,832,619</b>	<b>\$ 1,364,783</b>	<b>\$ 1,451,501</b>	<b>\$ 17,675,144</b>	<b>\$ 19,284,120</b>
<b>Net Assets</b>						
Invested in capital assets, net of debt	\$ 89,813,502	\$ 85,800,963	\$ 4,723,819	\$ 4,420,049	\$ 94,537,321	\$ 90,221,012
Restricted	2,872,234	2,514,282	470,276	270,823	3,342,510	2,785,105
Unrestricted	23,049,046	23,143,383	4,167,596	4,197,277	27,216,642	27,340,660
<b>Total Net Assets</b>	<b>\$ 115,734,782</b>	<b>\$ 111,458,628</b>	<b>\$ 9,361,691</b>	<b>\$ 8,888,149</b>	<b>\$ 125,096,473</b>	<b>\$ 120,346,777</b>

Otter Tail County's total net assets for the year ended December 31, 2006, are \$125,096,473. Unrestricted net assets totaling \$27,216,642 are available to Otter Tail County to finance day-to-day operations. Of the unrestricted net assets, \$23,049,046 is available for governmental activities, and \$4,167,596 is available for business-type activities.

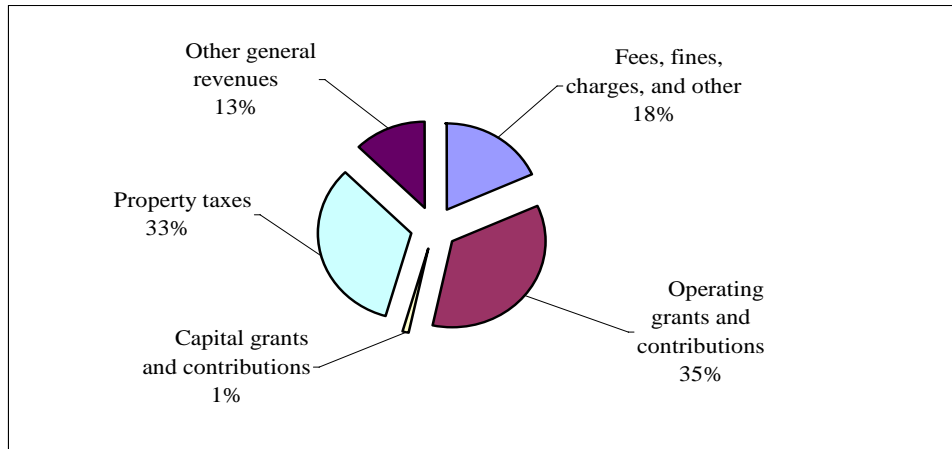
**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2006	2005	2006	2005 (Restated)	2006	2005 (Restated)
Revenues						
Program revenues						
Fees, fines, charges, and other	\$ 5,649,842	\$ 4,587,738	\$ 5,775,814	\$ 4,891,305	\$ 11,425,656	\$ 9,479,043
Operating grants and contributions	21,822,816	22,547,725	190,182	501,384	22,012,998	23,049,109
Capital grants and contributions	687,573	91,433	-	15,692	687,573	107,125
General revenues						
Property taxes	20,667,511	18,407,994	-	-	20,667,511	18,407,994
Other taxes	519,137	303,660	-	-	519,137	303,660
Grants and contributions	5,218,250	5,325,239	-	-	5,218,250	5,325,239
Other general revenues	1,786,445	1,251,915	334,511	57,739	2,120,956	1,309,654
Total Revenues	\$ 56,351,574	\$ 52,515,704	\$ 6,300,507	\$ 5,466,120	\$ 62,652,081	\$ 57,981,824
Expenditures						
Program expenses						
General government	\$ 9,929,925	\$ 9,161,431	\$ -	\$ -	\$ 9,929,925	\$ 9,161,431
Public safety	8,473,673	7,636,191	-	-	8,473,673	7,636,191
Highways and streets	12,526,247	10,267,084	-	-	12,526,247	10,267,084
Human services	16,746,620	16,862,046	-	-	16,746,620	16,862,046
Health	1,957,164	1,705,177	-	-	1,957,164	1,705,177
Culture and recreation	853,977	772,984	-	-	853,977	772,984
Conservation of natural resources	752,089	704,155	-	-	752,089	704,155
Economic development	353,475	82,764	-	-	353,475	82,764
Interest	482,250	537,834	-	-	482,250	537,834
Landfill	-	-	5,826,965	5,650,314	5,826,965	5,650,314
Total Program Expenses	\$ 52,075,420	\$ 47,729,666	\$ 5,826,965	\$ 5,650,314	\$ 57,902,385	\$ 53,379,980
Increase (Decrease) in Net Assets	\$ 4,276,154	\$ 4,786,038	\$ 473,542	\$ (184,194)	\$ 4,749,696	\$ 4,601,844

Otter Tail County's total revenues for the year ended December 31, 2006, were \$62,652,081. The total cost of Otter Tail County programs and services for the year ended December 31, 2006, was \$57,902,385. The net assets for Otter Tail County's governmental activities increased by \$4,276,154, due mainly to an increase in property tax revenue, intergovernmental revenues, and investment earnings.



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



**Governmental Activities**

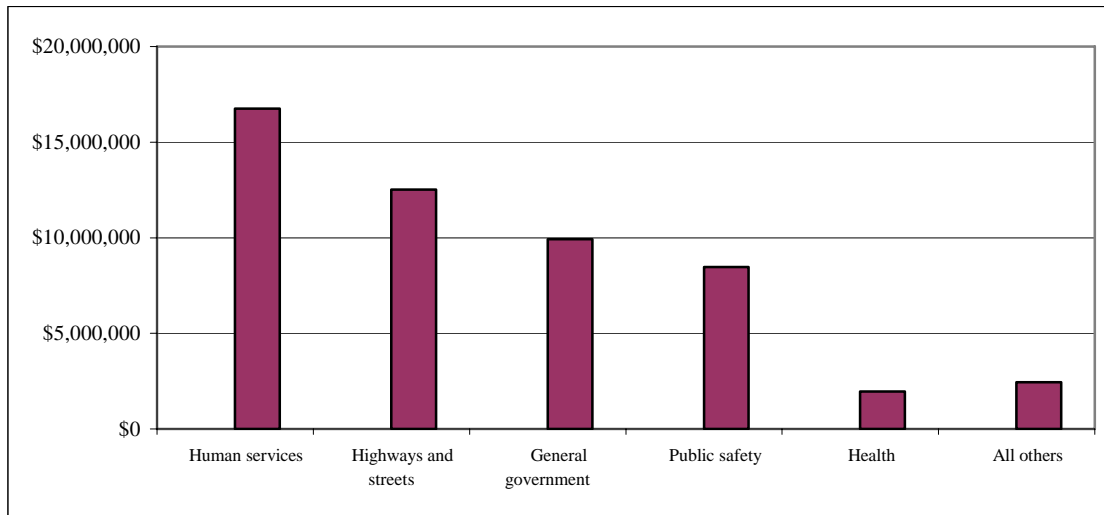
Revenues for Otter Tail County's governmental activities for the year ended December 31, 2006, were \$56,351,574. Otter Tail County's costs for all governmental activities for the year ended December 31, 2006, were \$52,075,420. As shown in Otter Tail County's Statement of Activities, the amount that County taxpayers ultimately financed for these governmental activities through local property taxation was \$20,667,511 because \$5,649,842 of the costs were paid by those who directly benefited from the programs, and \$22,510,389 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 \$7,523,832 in general revenues, primarily grants and contributions, not restricted to specific programs or services, and with other revenues such as investment income, mortgage registration tax, and deed tax.

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

**Table 3  
Governmental Activities**

	Total Cost of Services 2006	Net Cost of Services 2006
Program Expenses		
Human services	\$ 16,746,620	\$ 6,274,105
Highways and streets	12,526,247	1,856,113
General government	9,929,925	6,816,052
Public safety	8,473,673	7,000,430
Health	1,957,164	519,026
All others	2,441,791	1,449,463
Total Program Expenses	\$ 52,075,420	\$ 23,915,189

### Governmental Activities Expenses 2006



### Business-Type Activities

Revenues of Otter Tail County's business-type activities (see Table 2) for the year ended December 31, 2006, were \$6,300,507. Expenses of Otter Tail County's business-type activities (see Table 2) for the year ended December 31, 2006, were \$5,826,965.

This compares with total operating revenues of \$4,891,305 and with total nonoperating revenues of \$253,196 for the year ended December 31, 2005. Increased fees and charges for services provided were the main reasons for the increase in revenues. Operating expenses were \$5,650,314 and for the year ended December 31, 2005. An increase in the SCORE (recycling) costs and waste management costs were the main reasons for the increase in total expenses from 2005 to 2006.

### 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 \$28,303,182, which is above last year's total of \$27,829,609. The fund balance change of \$473,573 is due to an increase in the General Fund balance of \$2,115,102, a decrease in the Road and Bridge Special Revenue Fund balance of \$1,044,263, a decrease in the Human Services Special Revenue Fund balance of \$23,386, an increase in the Capital Improvement Fund Special Revenue Fund balance of \$216,586, and a decrease in the Other Governmental Funds fund balances of \$790,466. As you will note, there were significant changes within individual funds; however, the overall fund balance change represented a 1.7 percent increase. The significant items impacting the individual fund balance changes were noted previously.

Included in this year's total fund balance is Otter Tail County's General Fund balance of \$12,541,949, an increase of \$2,115,102 from 2005. The majority of the General Fund balance is either reserved (\$1,032,699) or unreserved, designated (\$10,470,116) for specific purposes. The largest decrease (\$1,044,263) in governmental fund balances was in the Road and Bridge Special Revenue Fund. This decrease in the Road and Bridge Special Revenue Fund balance was due mainly to a decline in federal grants and an increase highway maintenance and construction costs. The Human Services Special Revenue Fund had a decrease in fund balance of \$23,386 due mainly to a planned transfer to the Capital Improvement Special Revenue Fund.

### **General Fund Budgetary Highlights**

The Otter Tail County Board of Commissioners, over the course of a budget year, may amend/revise the County's General Fund budget. In 2006, the Board of Commissioners did make minor budget revisions to the General Fund budget to reflect an adjustment for costs and revenues associated with an environmental impact survey, for revenues and expenditures related to a Minnesota Historical Grant, to reflect the unexpended portion of a Veterans Service Department Grant, and to adjust the budget for the planned use of compliance funds. When the Board of Commissioners made changes to the budget as originally adopted on Tuesday, December 20, 2005, these budget amendments/revisions fell into one of three categories: new information changing original budget estimations, greater than anticipated revenues or costs, or final agreement reached on employee contracts.

In Otter Tail County's General Fund, the actual revenues exceeded the budgeted revenues by \$3,223,487. Total actual expenditures in Otter Tail County's General Fund were over the budgeted expenditures by \$179,625 and transfers out were over budget by \$422,250. The variances between the budgeted amounts and the actual amounts are noted by functional area on Schedule 1.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of 2006, Otter Tail County had \$103,064,505 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 \$3,832,654, or 3.86 percent, over last year.

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

	Governmental Activities		Business- Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Land	\$ 2,570,426	\$ 2,454,970	\$ 37,127	\$ 37,127	\$ 2,607,553	\$ 2,492,097
Construction in progress	10,884,372	10,960,705	151,261	52,236	11,035,633	11,012,941
Land improvements	481,546	553,650	-	-	481,546	553,650
Buildings and improvements	15,004,396	15,305,826	1,806,331	1,964,243	16,810,727	17,270,069
Machinery, furniture, and equipment	4,083,826	3,523,898	1,067,423	783,500	5,151,249	4,307,398
Infrastructure	65,316,120	62,012,753	-	-	65,316,120	62,012,753
Landfill	-	-	1,661,677	1,582,943	1,661,677	1,582,943
Totals	<u>\$ 98,340,686</u>	<u>\$ 94,811,802</u>	<u>\$ 4,723,819</u>	<u>\$ 4,420,049</u>	<u>\$ 103,064,505</u>	<u>\$ 99,231,851</u>

This year's major additions include the completion of Road and Bridge projects for grading, bituminous, bridge, and right-of-way purchases which are reported as infrastructure (see Table 4). The Government Services Boiler project and the Northeast Ottertail Cell 5 Landfill project were completed in 2006. The remodeling of the court administration, courts area, and general courthouse, which were begun in 2005, continued throughout 2006 with anticipated completion in 2007. The Ottertail Operation Center for the Sheriff's Department and the Chemical Dependency Center projects were started in 2006 with anticipated completion in early to mid 2008. There were a number of other smaller remodeling and improvement projects completed in 2006.

Otter Tail County's fiscal year 2007 capital budget plans for the expenditure of another \$2,304,223 for equipment, vehicles, and remodeling, and \$10,123,000 for road construction projects. Remodeling/construction plans for the detention facility continued to be studied and reviewed. Construction of the Ottertail Operation Center and the Chemical Dependency Center will begin in 2007 and will be financed using available funds within the Capital Improvement Special Revenue Fund and by the issuance of general obligation bond and revenue bonds. The costs associated with completing the courts administration, courts area, and general courthouse remodeling projects are included in the \$2,304,223 figure noted previously. More detailed information about Otter Tail County's capital assets can be found in Note 3.A. to the Otter Tail County Financial Statements.

## Debt

As of December 31, 2006, Otter Tail County had \$10,105,000 in bonds and notes outstanding, compared with \$11,635,000 as of December 31, 2005--a decrease of 13.15 percent--as shown in Table 5.

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

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Bonds payable						
General obligation bonds	\$ 1,050,000	\$ 2,130,000	\$ -	\$ -	\$ 1,050,000	\$ 2,130,000
Revenue bonds	9,055,000	9,505,000	-	-	9,055,000	9,505,000
Totals	<u>\$ 10,105,000</u>	<u>\$ 11,635,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,105,000</u>	<u>\$ 11,635,000</u>

In 2007, Otter Tail County's general obligation bonds were upgraded from an "A2" rating to an "A1" rating, and Otter Tail County's revenue bonds were upgraded from an "A3" rating to an "A2" rating. These ratings have been assigned by a national rating agency to Otter Tail County's debt. The state limits the amount of net debt that counties can issue to two percent of the market value of all taxable property in Otter Tail County. Otter Tail County's outstanding net debt is significantly below this \$147,778,004 state-imposed limit.

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

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

The County's elected and appointed officials considered many factors when setting the fiscal year 2007 budget, tax rates, and fees that will be charged for the business-type activities.

- Cost of fuel for vehicles, heating, and any related petroleum product use.
- Legislative actions by the State of Minnesota have a significant impact on future Otter Tail County budgets. Major revenue sources for Otter Tail County are state-paid aids, credits, and grants. Should the State of Minnesota significantly reduce these revenues or pass on costs to Otter Tail County, it would have a significant impact on next year's budget.
- In 2007, Otter Tail County saw a reduction in county program aid of \$200,352. It is anticipated that in 2008, Otter Tail County will see another reduction in county program aid of approximately \$245,202. The projected level of 2008 county program aid is \$2,104,155. This state aid is \$1,271,572 less than the 2003 original certified amount of \$3,375,727 for similar state aids before the state made major cuts.
- Otter Tail County's net tax capacity rates have not seen significant change even though the overall net tax levy has continued to increase. Otter Tail County's Pay 2007 net tax capacity rates were lower than Pay 2006, and it is anticipated that the County's Pay 2008 net tax capacity rates will be lower than Pay 2007. This is due in great part to Otter Tail County's strong tax base. Otter Tail County has a very balanced tax base. It has a strong seasonal, residential, commercial/industrial, and agricultural base. Keeping this tax base vital and healthy is very important to Otter Tail County's overall financial health and condition.

- Otter Tail County's unemployment rate for 2007 averaged 5.3 percent through October 31, 2007. Otter Tail County's unemployment rate for 2006 averaged 4.8 percent and for 2005 averaged 4.9 percent. A modest increase; however, should the unemployment rate continue to increase, there could be an impact on the level of services requested by Otter Tail County residents and on their ability to generate revenues to pay for these additional services.
- County General Fund expenditures for 2007 are budgeted to increase approximately 2.2 percent over 2006.
- The net property tax levies for 2007 are planned to increase 6.4 percent from 2006.
- Other factors considered included:
  - planning and financing for facility needs and the possibility of a jail expansion project,
  - land development and regulation issues, and
  - a greater demand for services, which has resulted from the growth that Otter Tail County has been experiencing.
- Settling union contracts and employment-related cost/issues will affect the 2007, 2008, and 2009 budgets.
- Reviewing revenue sources and considering cost-effective and efficient means for the delivery of Otter Tail County programs and services will influence the development of future budget.
- Future facility needs will impact the County's budget, as consideration is currently being given to a Law Enforcement Center in the City of Ottertail and to either the expansion of the existing detention facility or the construction of a new facility.
- 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.
- In 2007, Otter Tail County will be considering the issuance of debt to assist with the construction of the ethanol plant, the construction of the Ottertail Operations Center, and the State Operated Chemical Dependency Facility.

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

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

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## **BASIC FINANCIAL STATEMENTS**

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## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

***EXHIBIT 1***

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2006**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 27,292,734	\$ 4,420,579	\$ 31,713,313
Petty cash and change funds	12,100	18,640	30,740
Taxes receivable			
Current - net	308,701	-	308,701
Prior - net	114,315	-	114,315
Special assessments receivable			
Current - net	2,948	-	2,948
Prior - net	1,352	-	1,352
Deferred - net	114,348	-	114,348
Accounts receivable - net	205,108	357,087	562,195
Accrued interest receivable	243,649	-	243,649
Internal balances	71,999	(71,999)	-
Due from other governments	4,470,663	112,023	4,582,686
Inventories	293,958	-	293,958
Restricted assets			
Temporarily restricted			
Cash with escrow agent	539,120	-	539,120
Accrued interest receivable	2,028	-	2,028
Permanently restricted			
Cash and pooled investments	-	1,166,325	1,166,325
Deferred charges	31,434	-	31,434
Capital assets			
Non-depreciable	13,454,798	188,388	13,643,186
Depreciable - net of accumulated depreciation	84,885,888	4,535,431	89,421,319
<b>Total Assets</b>	<b>\$ 132,045,143</b>	<b>\$ 10,726,474</b>	<b>\$ 142,771,617</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ 1,122,650	\$ 118,757	\$ 1,241,407
Salaries payable	144,792	6,824	151,616
Contracts payable	555,946	179,365	735,311
Due to other governments	227,269	78,759	306,028
Accrued interest payable	189,954	-	189,954
Unearned revenue	55,478	-	55,478
Long-term liabilities			
Due within one year	1,565,653	70,485	1,636,138
Due in more than one year	12,448,619	910,593	13,359,212
<b>Total Liabilities</b>	<b>\$ 16,310,361</b>	<b>\$ 1,364,783</b>	<b>\$ 17,675,144</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2006**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b><u>Net Assets</u></b>			
Invested in capital assets - net of related debt	\$ 89,813,502	\$ 4,723,819	\$ 94,537,321
Restricted for			
General government	778,192	-	778,192
Public safety	28,605	-	28,605
Highways and streets	1,473,604	-	1,473,604
Postclosure	-	470,276	470,276
Debt services	460,000	-	460,000
Other purposes	131,833	-	131,833
Unrestricted	<u>23,049,046</u>	<u>4,167,596</u>	<u>27,216,642</u>
<b>Total Net Assets</b>	<b><u>\$ 115,734,782</u></b>	<b><u>\$ 9,361,691</u></b>	<b><u>\$ 125,096,473</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>
<b>Governmental activities</b>		
General government	\$ 9,929,925	\$ 1,755,267
Public safety	8,473,673	872,908
Highways and streets	12,526,247	847,895
Sanitation	-	86,248
Human services	16,746,620	1,487,898
Health	1,957,164	489,341
Culture and recreation	853,977	-
Conservation of natural resources	752,089	91,381
Economic development	353,475	18,904
Interest	482,250	-
<b>Total governmental activities</b>	<b>\$ 52,075,420</b>	<b>\$ 5,649,842</b>
<b>Business-type activities</b>		
Solid waste	5,826,965	5,775,814
<b>Total</b>	<b>\$ 57,902,385</b>	<b>\$ 11,425,656</b>

**General Revenues**

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

**Extraordinary item**

**Total general revenues and extraordinary item**

**Change in net assets**

**Net Assets - Beginning, as restated in Note 1.E.**

**Net Assets - Ending**

**EXHIBIT 2**

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 694,408	\$ 664,198	\$ (6,816,052)	\$ -	\$ (6,816,052)
600,014	321	(7,000,430)	-	(7,000,430)
9,822,239	-	(1,856,113)	-	(1,856,113)
-	-	86,248	-	86,248
8,984,617	-	(6,274,105)	-	(6,274,105)
948,797	-	(519,026)	-	(519,026)
218,726	8,823	(626,428)	-	(626,428)
209,257	-	(451,451)	-	(451,451)
344,758	14,231	24,418	-	24,418
-	-	(482,250)	-	(482,250)
<b>\$ 21,822,816</b>	<b>\$ 687,573</b>	<b>\$ (23,915,189)</b>	<b>\$ -</b>	<b>\$ (23,915,189)</b>
190,182	-	-	139,031	139,031
<b>\$ 22,012,998</b>	<b>\$ 687,573</b>	<b>\$ (23,915,189)</b>	<b>\$ 139,031</b>	<b>\$ (23,776,158)</b>
		\$ 19,663,043	\$ -	\$ 19,663,043
		1,004,468	-	1,004,468
		65,410	-	65,410
		66,999	-	66,999
		386,728	-	386,728
		5,218,250	-	5,218,250
		1,001,149	83,672	1,084,821
		709,278	-	709,278
		76,018	-	76,018
		-	250,839	250,839
		<b>\$ 28,191,343</b>	<b>\$ 334,511</b>	<b>\$ 28,525,854</b>
		<b>\$ 4,276,154</b>	<b>\$ 473,542</b>	<b>\$ 4,749,696</b>
		<b>111,458,628</b>	<b>8,888,149</b>	<b>120,346,777</b>
		<b>\$ 115,734,782</b>	<b>\$ 9,361,691</b>	<b>\$ 125,096,473</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, 2006**

	<u>General</u>	<u>Road and Bridge</u>
<u>Assets</u>		
Cash and pooled investments	\$ 12,062,581	\$ 2,826,087
Petty cash and change funds	10,850	50
Undistributed cash in agency funds	229,517	20,193
Taxes receivable		
Current	164,885	17,358
Prior	59,133	6,620
Special assessments receivable		
Current	-	146
Prior	-	394
Deferred	-	-
Accounts receivable	51,207	-
Accrued interest receivable	243,649	-
Due from other funds	113,604	551
Due from other governments	297,673	2,909,328
Inventories	-	293,958
Advances to other funds	111,192	-
Restricted assets		
Temporarily restricted		
Cash with escrow agent	-	-
Accrued interest receivable	-	-
<b>Total Assets</b>	<b>\$ 13,344,291</b>	<b>\$ 6,074,685</b>

**EXHIBIT 3**

<b>Human Services</b>	<b>Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 7,031,834	\$ 2,874,963	\$ 2,099,136	\$ 26,894,601
200	-	1,000	12,100
101,912	25,610	20,901	398,133
88,808	22,364	15,286	308,701
34,093	8,209	6,260	114,315
-	-	2,802	2,948
-	-	958	1,352
-	-	114,348	114,348
144,301	9,600	-	205,108
-	-	-	243,649
356	175,504	-	290,015
1,201,129	24,617	37,916	4,470,663
-	-	-	293,958
-	-	-	111,192
-	539,120	-	539,120
-	2,028	-	2,028
<b>\$ 8,602,633</b>	<b>\$ 3,682,015</b>	<b>\$ 2,298,607</b>	<b>\$ 34,002,231</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	<u>General</u>	<u>Road and Bridge</u>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 331,302	\$ 212,870
Salaries payable	65,922	66,075
Contracts payable	-	555,946
Due to other funds	185,891	328
Due to other governments	23,664	16,387
Deferred revenue - unavailable	172,980	2,570,849
Deferred revenue - unearned	22,583	-
Advance from other funds	-	-
<b>Total Liabilities</b>	<b><u>\$ 802,342</u></b>	<b><u>\$ 3,422,455</u></b>
<b>Fund Balances</b>		
Reserved for		
Debt service	\$ -	\$ -
Encumbrances	-	47,104
Inventories	-	293,958
Advances to other funds	111,192	-
Handgun permits	28,605	-
Help America Vote Act	81,134	-
Real estate tax shortfall	101,159	-
State-aid highway projects	-	626,018
Missing heirs	131,833	-
Recorder's compliance	319,970	-
Recorder's equipment purchases	258,806	-
Veterans' van	-	-
Unreserved		
Designated for cash flows	3,448,747	-
Designated for compensated absences	1,477,774	440,032
Designated for interest income generation	5,185,480	-
Designated for property and casualty insurance	215,615	118,343
Designated for equipment replacement	7,529	-
Designated for workers' compensation	128,543	135,352
Designated for veterans' van operations	6,428	-
Designated for E-911	-	-
Undesignated	1,039,134	991,423
Unreserved, reported in nonmajor		
Special revenue funds	-	-
Debt service funds	-	-
<b>Total Fund Balances</b>	<b><u>\$ 12,541,949</u></b>	<b><u>\$ 2,652,230</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 13,344,291</u></b>	<b><u>\$ 6,074,685</u></b>

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

<b>Human Services</b>	<b>Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 522,068	\$ 21,028	\$ 34,728	\$ 1,121,996
12,795	-	-	144,792
-	-	-	555,946
32,451	-	-	218,670
185,355	-	1,863	227,269
363,475	22,557	133,845	3,263,706
32,895	-	-	55,478
-	-	111,192	111,192
<b>\$ 1,149,039</b>	<b>\$ 43,585</b>	<b>\$ 281,628</b>	<b>\$ 5,699,049</b>
\$ -	\$ 460,000	\$ -	\$ 460,000
-	-	-	47,104
-	-	-	293,958
-	-	-	111,192
-	-	-	28,605
-	-	-	81,134
-	-	-	101,159
-	-	-	626,018
-	-	-	131,833
-	-	-	319,970
-	-	-	258,806
-	17,123	-	17,123
-	-	-	3,448,747
1,126,063	-	-	3,043,869
-	-	-	5,185,480
44,167	-	-	378,125
-	-	-	7,529
53,575	-	-	317,470
-	-	-	6,428
-	353,133	-	353,133
6,229,789	2,808,174	-	11,068,520
-	-	918,995	918,995
-	-	1,097,984	1,097,984
<b>\$ 7,453,594</b>	<b>\$ 3,638,430</b>	<b>\$ 2,016,979</b>	<b>\$ 28,303,182</b>
<b>\$ 8,602,633</b>	<b>\$ 3,682,015</b>	<b>\$ 2,298,607</b>	<b>\$ 34,002,231</b>

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

***EXHIBIT 4***

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2006**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>28,303,182</b>
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Amounts reported for governmental activities in the statement of activities 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.		98,340,686
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Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		3,263,706
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

General obligation bonds	\$	(1,050,000)	
Revenue bonds		(9,055,000)	
Capital leases		(13,332)	
Compensated absences		(3,895,940)	
Deferred charges		31,434	
Accrued interest payable		(189,954)	
		<hr/>	<hr/>
			(14,172,792)

<b>Net Assets of Governmental Activities (Exhibit 1)</b>	<b>\$</b>	<b><u>115,734,782</u></b>
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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>Road and Bridge</u>
<b>Revenues</b>		
Taxes	\$ 11,250,196	\$ 1,142,289
Special assessments	-	-
Licenses and permits	401,451	-
Intergovernmental	5,115,771	11,572,657
Charges for services	1,884,975	510,694
Fines and forfeits	92,000	-
Gifts and contributions	25,832	-
Investment earnings	940,328	-
Miscellaneous	1,063,767	55,677
<b>Total Revenues</b>	<b>\$ 20,774,320</b>	<b>\$ 13,281,317</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 9,399,964	\$ -
Public safety	7,106,661	-
Highways and streets	-	13,992,483
Human services	-	-
Health	-	-
Culture and recreation	843,402	-
Conservation of natural resources	731,428	-
Economic development	17,012	-
<b>Intergovernmental</b>		
Highways and streets	-	853,022
<b>Capital outlay</b>		
General government	-	-
Public safety	-	-
<b>Debt service</b>		
Principal	54,431	-
Interest	2,231	-
<b>Total Expenditures</b>	<b>\$ 18,155,129</b>	<b>\$ 14,845,505</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 2,619,191</b>	<b>\$ (1,564,188)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ 3,000	\$ 500,000
Transfers out	(522,750)	-
Capital lease issued	15,661	-
Proceeds from sale of capital assets	-	-
Compensation for loss of capital assets	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (504,089)</b>	<b>\$ 500,000</b>
<b>Net Change in Fund Balances</b>	<b>\$ 2,115,102</b>	<b>\$ (1,064,188)</b>
<b>Fund Balances - January 1</b>	<b>10,426,847</b>	<b>3,696,493</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>19,925</b>
<b>Fund Balances - December 31</b>	<b>\$ 12,541,949</b>	<b>\$ 2,652,230</b>

**EXHIBIT 5**

<b>Human Services</b>	<b>Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 5,866,896	\$ 1,471,825	\$ 1,005,814	\$ 20,737,020
-	321	78,245	78,566
-	-	-	401,451
11,673,640	540,887	477,293	29,380,248
1,400,886	1,403	-	3,797,958
-	-	72,471	164,471
-	-	-	25,832
-	82,614	14,231	1,037,173
691,595	4,412	-	1,815,451
<b>\$ 19,633,017</b>	<b>\$ 2,101,462</b>	<b>\$ 1,648,054</b>	<b>\$ 57,438,170</b>
\$ -	\$ 392,909	\$ 46,189	\$ 9,839,062
771,926	536,468	10,028	8,425,083
-	893,995	-	14,886,478
16,648,741	53,158	-	16,701,899
1,885,736	36,114	-	1,921,850
-	6,450	-	849,852
-	-	19,154	750,582
-	-	336,463	353,475
-	-	-	853,022
-	191,132	-	191,132
-	209,395	-	209,395
-	7,987	1,530,000	1,592,418
-	286	499,436	501,953
<b>\$ 19,306,403</b>	<b>\$ 2,327,894</b>	<b>\$ 2,441,270</b>	<b>\$ 57,076,201</b>
<b>\$ 326,614</b>	<b>\$ (226,432)</b>	<b>\$ (793,216)</b>	<b>\$ 361,969</b>
\$ -	\$ 370,000	\$ 2,750	\$ 875,750
(350,000)	(3,000)	-	(875,750)
-	-	-	15,661
-	56,562	-	56,562
-	19,456	-	19,456
<b>\$ (350,000)</b>	<b>\$ 443,018</b>	<b>\$ 2,750</b>	<b>\$ 91,679</b>
<b>\$ (23,386)</b>	<b>\$ 216,586</b>	<b>\$ (790,466)</b>	<b>\$ 453,648</b>
<b>7,476,980</b>	<b>3,421,844</b>	<b>2,807,445</b>	<b>27,829,609</b>
<b>-</b>	<b>-</b>	<b>-</b>	<b>19,925</b>
<b>\$ 7,453,594</b>	<b>\$ 3,638,430</b>	<b>\$ 2,016,979</b>	<b>\$ 28,303,182</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>Net change in fund balances - total governmental funds (Exhibit 5)</b>	<b>\$</b>	<b>453,648</b>
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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 expenditures are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenues between the fund statements and the statement of activities is the increase (decrease) in revenues deferred as unavailable.

Deferred revenue - December 31	\$ 3,263,706	
Deferred revenue - January 1	<u>(4,426,320)</u>	(1,162,614)

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	\$ 7,936,166	
Current year depreciation	<u>(4,407,282)</u>	3,528,884

Capital leases issued provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.

Capital lease issued	(15,661)
----------------------	----------

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

General obligation bonds	\$ 1,080,000	
Revenue bonds	450,000	
Capital lease	<u>62,418</u>	1,592,418

Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities.

(3,461)

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	\$ 19,703	
Change in compensated absences	(156,688)	
Change in inventories	<u>19,925</u>	<u>(117,060)</u>

<b>Change in Net Assets of Governmental Activities (Exhibit 2)</b>	<b>\$</b>	<b><u>4,276,154</u></b>
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**PROPRIETARY FUND**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 7**

**STATEMENT OF NET ASSETS  
WASTE MANAGEMENT ENTERPRISE FUND  
DECEMBER 31, 2006**

**Assets**

Current assets	
Cash and pooled investments	\$ 4,354,197
Petty cash and change funds	18,640
Undistributed cash in agency funds	66,382
Accounts receivable - net	357,087
Due from other funds	9,377
Due from other governments	112,023
	<hr/>
<b>Total current assets</b>	<b>\$ 4,917,706</b>
Restricted assets	
Cash and pooled investments	<b>\$ 1,166,325</b>
Noncurrent assets	
Capital assets	
Nondepreciable	\$ 188,388
Depreciable - net	4,535,431
	<hr/>
<b>Total noncurrent assets</b>	<b>\$ 4,723,819</b>
	<hr/>
<b>Total Assets</b>	<b>\$ 10,807,850</b>

**Liabilities**

Current liabilities	
Accounts payable	\$ 118,757
Salaries payable	6,824
Compensated absences payable - current	70,485
Contracts payable	179,365
Due to other funds	81,376
Due to other governments	78,759
	<hr/>
<b>Total current liabilities</b>	<b>\$ 535,566</b>
Noncurrent liabilities	
Compensated absences payable - long-term	\$ 214,544
Estimated liability for landfill closure/postclosure	696,049
	<hr/>
<b>Total noncurrent liabilities</b>	<b>\$ 910,593</b>
	<hr/>
<b>Total Liabilities</b>	<b>\$ 1,446,159</b>

**Net Assets**

Invested in capital assets - net of related debt	\$ 4,723,819
Restricted for postclosure	470,276
Unrestricted	4,167,596
	<hr/>
<b>Total Net Assets</b>	<b>\$ 9,361,691</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 8**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
WASTE MANAGEMENT ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>Operating Revenues</b>	
Charges for services	\$ 5,089,681
Licenses and permits	1,930
Sale of recyclable materials	684,096
Miscellaneous	107
	<hr/>
<b>Total Operating Revenues</b>	<b>\$ 5,775,814</b>
<b>Operating Expenses</b>	
SCORE	\$ 1,129,919
Waste management	3,152,581
Household hazardous waste	130,580
Processing costs	1,115,509
Depreciation	408,030
Landfill closure and postclosure costs	(109,654)
	<hr/>
<b>Total Operating Expenses</b>	<b>\$ 5,826,965</b>
<b>Operating Income (Loss)</b>	<b>\$ (51,151)</b>
<b>Nonoperating Revenues (Expenses)</b>	
Intergovernmental	\$ 166,349
Interest income	107,505
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 273,854</b>
<b>Income Before Extraordinary Item</b>	<b>\$ 222,703</b>
<b>Extraordinary item</b>	
Court settlement	250,839
	<hr/>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 473,542</b>
Net Assets - January 1	\$ 8,566,530
Prior period adjustment (Note 1.E.)	321,619
	<hr/>
<b>Net Assets - January 1, as restated</b>	<b>\$ 8,888,149</b>
<b>Net Assets - December 31</b>	<b>\$ 9,361,691</b>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
WASTE MANAGEMENT ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 6,344,842
Payments to suppliers	(4,278,050)
Payments to employees	(1,274,622)
	<hr/>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 792,170</b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Intergovernmental	166,349
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases of capital assets	(584,586)
<b>Cash Flows from Investing Activities</b>	
Investment earnings received	106,348
	<hr/>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 480,281</b>
<b>Cash and Cash Equivalents at January 1</b>	<b><u>5,125,263</u></b>
<b>Cash and Cash Equivalents at December 31</b>	<b><u><u>\$ 5,605,544</u></u></b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>	
<b>Operating income (loss)</b>	<b><u>\$ (51,151)</u></b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Extraordinary item - lawsuit settlement	\$ 250,839
Depreciation expense	408,030
(Increase) decrease in accounts receivable	(51,553)
(Increase) decrease in due from other governments	369,742
Increase (decrease) in accounts payable	(44,618)
Increase (decrease) in salaries payable	1,722
Increase (decrease) in compensated absences - current	2,896
Increase (decrease) in due to other funds	80,195
Increase (decrease) in due to other governments	(74,190)
Increase (decrease) in compensated absences - long-term	9,912
Increase (decrease) in landfill closure/postclosure costs	(109,654)
	<hr/>
<b>Total adjustments</b>	<b><u>\$ 843,321</u></b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u><u>\$ 792,170</u></u></b>
<b>Cash and Cash Equivalents - Exhibit 7</b>	
Cash and pooled investments	\$ 4,354,197
Petty cash and change funds	18,640
Undistributed cash in agency funds	66,382
Restricted cash and pooled investments	1,166,325
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<b>Total Cash and Cash Equivalents</b>	<b><u><u>\$ 5,605,544</u></u></b>

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## **FIDUCIARY FUNDS**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

***EXHIBIT 10***

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2006**

	<u>Agency</u>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ 1,187,306
Due from other funds	555,654
Due from other governments	<u>50,000</u>
<b>Total Assets</b>	<b><u>\$ 1,792,960</u></b>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 64,022
Due to other funds	555,000
Due to other governments	<u>1,173,938</u>
<b>Total Liabilities</b>	<b><u>\$ 1,792,960</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, 2006**

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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, 2006. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. The more significant accounting policies established in GAAP and used by the County are discussed below.

**A. Financial Reporting Entity**

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

**Joint Ventures**

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

**B. Basic Financial Statements**

**1. Government-Wide Statements**

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government. 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

**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)

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

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category--governmental, proprietary, and fiduciary--are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

The County reports the following major governmental funds:

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

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

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

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

The County reports the following major enterprise fund:

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

Additionally, the County reports the following fund types:

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

**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)

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2006, 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 2006 were \$1,140,370.

3. Receivables and Payables

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

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

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

3. Receivables and Payables (Continued)

No allowance has been made for uncollectible receivables.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

4. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. 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.

5. Restricted Assets

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

6. 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, and Net Assets or Equity

6. 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.

7. Compensated Absences

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

7. 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.

8. Deferred Revenue

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

9. Long-Term Obligations

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

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

10. Fund Equity

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

11. 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.

E. Prior Period Adjustment

Net assets at January 1, 2006, for the Waste Management Enterprise Fund increased by \$321,619 to correct an error in understating revenue. The net assets of the Waste Management Enterprise Fund were adjusted from \$8,566,530 to \$8,888,149.

Net assets at January 1, 2006, for the business-type activities were increased by \$321,619 to correct for an error in understating revenue. Net assets for the business-type activities were adjusted from \$8,566,530 to \$8,888,149.

F. Extraordinary Item

The County received \$305,221 in 2006 due to a settlement in the court case against The Barlow Group. Costs of prosecution for this case in the amount of \$54,382 are netted against this settlement. The County has a contract with the City of Perham for waste disposal services at the Perham Resource Recovery Facility. The City of Perham had a contract with The Barlow Group to design, build, and operate the resource recovery facility. Over the period of several years, the facility did not perform up to the design standards; and Otter Tail County, along with Wadena and Todd Counties, forced the City of Perham to exercise a right under the city's contract to terminate The Barlow

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

F. Extraordinary Item (Continued)

Group as the operator. The Counties in turn filed suit against The Barlow Group to try to recoup some of the additional operating and construction costs that had been incurred during the years The Barlow Group was the operator. Court settlements of this type have not been received in the past nor are they anticipated in the future.

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The following funds had deficit fund balances as of December 31, 2006:

County Ditch Special Revenue Fund	<u>\$ 2,170</u>
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The County Ditch Fund's deficit will be eliminated with future special assessment levies against the benefited properties.

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, 2006.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Revenue Fund	\$ 18,155,129	\$ 17,975,504	\$ 179,625
Special Revenue Funds			
Human Services	19,306,403	18,641,722	664,681
Lead Hazard	336,463	300,000	36,463
Debt Service Fund			
Veterans Home	1,143,809	127,278	1,016,531



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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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	\$ 31,713,313
Change funds	30,740
Restricted assets	
Cash with escrow agent	539,120
Cash and pooled investments	1,166,325
Fiduciary Assets	
Cash and pooled investments	
Agency fund	<u>1,187,306</u>
 Total Cash and Investments	 <u><u>\$ 34,636,804</u></u>

a. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issue of U.S. government agencies; general obligations rated "A" or better, 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.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2006, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

**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)

- (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.

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.

**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)

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, 2006, \$1,724,312 of government securities, \$503,805 of commercial paper, and \$6,577,347 of U.S. Treasuries were exposed to custodial credit risk because they were held by the counterparty.

Concentration of Credit Risk

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

The following table represents the County's deposit and investment balances at December 31, 2006, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration	Interest	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5% of Portfolio	Rate Risk Maturity Date	
U.S. government agency securities					
Federal Home Loan Mortgage Corporation	AAA	S&P	<5%	06/15/2033	\$ 980,160
Federal National Mortgage Association	AAA	S&P		08/25/2018	\$ 444,976
Federal National Mortgage Association	AAA	S&P		08/25/2018	328,466
Federal National Mortgage Association	AAA	S&P		06/25/2022	71,635
Total Federal National Mortgage Association			<5%		\$ 845,077

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5% of Portfolio	Maturity Date	
U.S. Treasury Note	N/A	N/A		01/02/2007	\$ 1,000,000
U.S. Treasury Note	N/A	N/A		01/31/2007	998,550
U.S. Treasury Note	N/A	N/A		02/28/2007	997,420
U.S. Treasury Note	N/A	N/A		05/31/2007	993,870
U.S. Treasury Note	N/A	N/A		11/30/2007	993,130
U.S. Treasury Note	N/A	N/A		10/15/2008	971,130
U.S. Treasury Note	N/A	N/A		11/15/2008	991,950
Total U.S. Treasury Notes			N/A		\$ 6,946,050
U.S. Treasury Bond - Stripped	N/A	N/A		8/15/17	\$ 9,627
U.S. Treasury Bond - Stripped	N/A	N/A		8/15/19	20,550
Total U.S. Treasury Bonds - Stripped			N/A		\$ 30,177
Commercial Paper					
GE Capital Credit Corporation	P-1	Moody's		1/4/2007	\$ 499,750
GE Capital Credit Corporation	P-1	Moody's		7/27/2007	489,250
Total Commercial Paper			5.9%		\$ 989,000
Mutual Fund					
Wells Fargo Government Backed	N/R	N/A	N/A	N/A	\$ 10,853,553
Total investments					\$ 20,644,017
Deposits					13,422,927
Cash with escrow					539,120
Change funds					30,740
Total Cash and Investments					\$ 34,636,804

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

N/A - Not Applicable

N/R - Not Rated

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2006, for the County's governmental activities and business-type activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 423,016	\$ -
Special assessments	118,648	60,377
Accounts	205,108	-
Interest	243,649	-
Due from other governments	4,470,663	-
	<u>\$ 5,461,084</u>	<u>\$ 60,377</u>
Total Governmental Activities		
	<u>\$ 5,461,084</u>	<u>\$ 60,377</u>
	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Business-Type Activities		
Accounts	\$ 357,087	\$ -
Due from other governments	112,023	-
	<u>\$ 469,110</u>	<u>\$ -</u>
Total Business-Type Activities		
	<u>\$ 469,110</u>	<u>\$ -</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 2,454,970	\$ 115,456	\$ -	\$ 2,570,426
Construction in progress	10,960,705	6,303,544	6,379,877	10,884,372
Total capital assets not depreciated	\$ 13,415,675	\$ 6,419,000	\$ 6,379,877	\$ 13,454,798
Capital assets depreciated				
Land improvements	\$ 802,205	\$ -	\$ -	\$ 802,205
Buildings	17,290,464	-	-	17,290,464
Building improvements	3,393,942	219,532	-	3,613,474
Machinery, furniture, and equipment	11,214,099	1,584,022	824,420	11,973,701
Infrastructure	93,545,898	6,093,489	-	99,639,387
Total capital assets depreciated	\$ 126,246,608	\$ 7,897,043	\$ 824,420	\$ 133,319,231
Less: accumulated depreciation for				
Land improvements	\$ 248,555	\$ 72,104	\$ -	\$ 320,659
Buildings	5,068,885	426,526	-	5,495,411
Building improvements	309,695	94,436	-	404,131
Machinery, furniture, and equipment	7,690,201	1,024,094	824,420	7,889,875
Infrastructure	31,533,145	2,790,122	-	34,323,267
Total accumulated depreciation	\$ 44,850,481	\$ 4,407,282	\$ 824,420	\$ 48,433,343
Total capital assets depreciated, net	\$ 81,396,127	\$ 3,489,761	\$ -	\$ 84,885,888
Governmental Activities Capital Assets, Net	\$ 94,811,802	\$ 9,908,761	\$ 6,379,877	\$ 98,340,686

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance (Restated)	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 37,127	\$ -	\$ -	\$ 37,127
Construction in progress	52,236	99,025	-	151,261
Total capital assets not depreciated	\$ 89,363	\$ 99,025	\$ -	\$ 188,388
Capital assets depreciated				
Buildings	\$ 3,347,882	\$ -	\$ -	\$ 3,347,882
Landfill	2,494,100	154,185	-	2,648,285
Machinery, furniture, and equipment	1,585,726	458,590	7,461	2,036,855
Total capital assets depreciated	\$ 7,427,708	\$ 612,775	\$ 7,461	\$ 8,033,022
Less: accumulated depreciation for				
Buildings	\$ 1,383,639	\$ 157,912	\$ -	\$ 1,541,551
Landfill	911,157	75,451	-	986,608
Machinery, furniture, and equipment	802,226	174,667	7,461	969,432
Total accumulated depreciation	\$ 3,097,022	\$ 408,030	\$ 7,461	\$ 3,497,591
Total capital assets depreciated, net	\$ 4,330,686	\$ 204,745	\$ -	\$ 4,535,431
Business-Type Activities Capital Assets, Net	\$ 4,420,049	\$ 303,770	\$ -	\$ 4,723,819

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

Governmental Activities	
General government	\$ 693,499
Public safety	420,770
Highways and streets, including depreciation of infrastructure assets	3,221,737
Human services	49,088
Culture and recreation	4,125
Health	18,063
Total Depreciation Expense - Governmental Activities	\$ 4,407,282
Business-Type Activities	
Solid waste	\$ 408,030



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2006, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Road and Bridge	\$ 328
	Human Services	32,451
	Waste Management	<u>80,825</u>
Total due to General Fund		<u>\$ 113,604</u>
Road and Bridge	Waste Management	<u>\$ 551</u>
Human Services	General	<u>\$ 356</u>
Capital Improvement	General	<u>\$ 175,504</u>
Waste Management	General	<u>\$ 9,377</u>
Agency Funds		
School Districts	Taxes and Penalties	\$ 217,072
Hospital Districts	Taxes and Penalties	4,797
Otter Tail County Sewer District	Taxes and Penalties	285
State Tax Revenue	General	78
	Taxes and Penalties	84,798
Towns and Cities	Taxes and Penalties	247,001
Watershed Districts	Taxes and Penalties	1,047
Collaborative	General	<u>576</u>
Total due to Agency Funds		<u>\$ 555,654</u>
Total Due To/From Other Funds		<u><u>\$ 855,046</u></u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

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

2. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	County Ditch	<u>\$ 111,192</u>

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, consisted of the following:

Transfers to Capital Improvement Fund from General Fund	\$ 20,000	Provide County share of funding for E-911
Transfers to Capital Improvement Fund from Human Services Fund	350,000	Transfer excess fund balance for capital purchases.
Transfers to General Fund from Capital Improvement Fund	3,000	Provide funding for purchase of veterans service van
Transfer to Sheriff Contingent Fund from General Fund	2,750	Cash setup for 2006 budget
Transfer to Road and Bridge Fund from General Fund	<u>500,000</u>	Provide funding for high water control efforts.
Total Transfers between Funds	<u>\$ 875,750</u>	

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2006, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	\$ 1,122,650	\$ 118,757
Salaries	144,792	6,824
Contracts	555,946	179,365
Due to other governments	227,269	78,759
Total Payables	<u>\$ 2,050,657</u>	<u>\$ 383,705</u>

2. Deferred Revenue

Deferred revenue as of December 31, 2006, for the County's governmental funds are as follows:

	Deferred Unavailable	Deferred Unearned
Governmental funds		
Taxes	\$ 430,313	\$ -
State-aid highway allotments	2,142,702	-
Charges for services	404,495	-
Grants	286,196	55,478
Total Governmental Funds	<u>\$ 3,263,706</u>	<u>\$ 55,478</u>

3. Construction Commitments

The government has active construction projects as of December 31, 2006. The projects include the following (amounts in thousands):

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Road and Bridges	<u>\$ 51,696</u>	<u>\$ 47,104</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Other Postemployment Benefits - Retirees

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

As of year-end, the County has nine eligible participants. The County finances the plan on a pay-as-you-go basis. During 2006, the County expended \$28,378 for these benefits.

5. Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. These capital leases consist of the following at December 31, 2006:

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Governmental Activities 2006 recorder's scanner	2010	Monthly	\$ 373	\$ 15,661	<u>\$ 13,332</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2006, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2007	\$ 4,473
2008	4,473
2009	4,473
2010	<u>1,491</u>
Total payments	\$ 14,910
Less: amount representing interest	<u>(1,578)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 13,332</u></u>

6. Long-Term Debt

Governmental Activities

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2006</u>
General obligation bonds					
2004 Veterans Home Refunding Bonds	2016	\$90,000 - \$125,000	2.05 - 3.70	<u>\$ 1,050,000</u>	<u>\$ 1,050,000</u>
Revenue Bonds					
2002 Government Services Building Lease Housing and Redevelopment Authority Revenue Bonds	2019	\$490,000 - \$930,000	4.9431	<u>\$ 9,995,000</u>	<u>\$ 9,055,000</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

7. Debt Service Requirements

Debt service requirements at December 31, 2006, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2007	\$ 95,000	\$ 31,304	\$ 530,000	\$ 413,675
2008	90,000	29,295	555,000	392,638
2009	95,000	27,025	580,000	369,213
2010	100,000	24,365	595,000	344,244
2011	100,000	21,415	625,000	317,538
2012 - 2016	570,000	52,656	3,565,000	1,107,138
2017 - 2019	-	-	2,605,000	201,123
Total	<u>\$ 1,050,000</u>	<u>\$ 186,060</u>	<u>\$ 9,055,000</u>	<u>\$ 3,145,569</u>

8. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 2,130,000	\$ -	\$ 1,080,000	\$ 1,050,000	\$ 95,000
Revenue bonds	<u>9,505,000</u>	<u>-</u>	<u>450,000</u>	<u>9,055,000</u>	<u>530,000</u>
Total bonds payable	\$ 11,635,000	\$ -	\$ 1,530,000	\$ 10,105,000	\$ 625,000
Capital leases	60,089	15,661	62,418	13,332	3,694
Compensated absences	<u>3,739,252</u>	<u>1,896,743</u>	<u>1,740,055</u>	<u>3,895,940</u>	<u>936,959</u>
Governmental Activities Long-Term Liabilities	<u>\$ 15,434,341</u>	<u>\$ 1,912,404</u>	<u>\$ 3,332,473</u>	<u>\$ 14,014,272</u>	<u>\$ 1,565,653</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

8. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 272,221	\$ 94,495	\$ 81,687	\$ 285,029	\$ 70,485

4. Employee Retirement Systems and Pension Plans

A. 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). The PERA administers the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution and have direct contact with inmates are covered by the Public Employees Correctional Fund.

The PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The 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. Plan Description (Continued)

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all Public Employees Retirement Fund members 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. 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.

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

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

B. Funding Policy (Continued)

Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 5.50 percent, respectively, of their annual covered salary in 2006. Contribution rates in the Coordinated Plan increased in 2007 to 5.75 percent. Public Employees Police and Fire Fund members were required to contribute 7.00 percent of their annual covered salary in 2006. The rate increased to 7.80 percent in 2007. 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 2006 and 2007:

	<u>2006</u>	<u>2007</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.00	6.25
Public Employees Police and Fire Fund	10.50	11.70
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2006, 2005, and 2004, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	<u>Public Employees Retirement Fund</u>	<u>Public Employees Police and Fire Fund</u>	<u>Public Employees Correctional Fund</u>
2006	\$ 906,250	\$ 190,688	\$ 126,993
2005	783,132	153,467	122,555
2004	733,288	146,049	114,758

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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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 \$696,049 landfill closure and postclosure care liability at December 31, 2006, represents the cumulative amount reported to date based on the use of 70 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$171,780 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2006. The Board expects to close the landfill in 2011. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Board is in compliance with these requirements. At December 31, 2006, investments of \$1,166,325 are held for these purposes. These are reported as restricted assets on the balance sheet. Otter Tail County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

6. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County self-insures for employee health and dental coverage. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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6. Risk Management (Continued)

in the Workers' Compensation Reinsurance Association with coverage at \$390,000 per claim in 2006 and \$400,000 per claim in 2007. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and the County pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

7. Conduit Debt

In 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, 2006, the outstanding principal amount payable was \$5,045,248.

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 their 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, 2006, the outstanding principal amount payable was \$765,979.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

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

B. Joint Ventures

West Central Area Agency on Aging

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

West Central Area Agency on Aging (Continued)

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

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

Complete financial information can be obtained from:

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

Minnesota River Basin

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

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

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

During 2006, Otter Tail County did not contribute any funds to the Joint Powers Board.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Minnesota River Basin (Continued)

Separate financial information can be obtained from:

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

West Central Minnesota Drug Task Force

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

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

Fiscal agent responsibilities for the Task Force are with Douglas County. Financing and equipment will be provided by the full-time and associate member agencies. Otter Tail County did not contribute any funds to this organization in 2006.

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

**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)

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.

C. Jointly-Governed Organizations

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

District IV Transportation Planning

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

Otter Tail County Family Services Collaborative

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

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Otter Tail County Family Services Collaborative (Continued)

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 2006, the County did not contribute any funds to the Collaborative.

9. Subsequent Events

Bond Issues

The County issued \$20,000,000 Minnesota Subordinate Exempt Facility Revenue Bonds, Series 2007A, dated April 24, 2007.

The County issued \$5,245,000 General Obligation Tax Abatement Bonds, Series 2007B, dated May 22, 2007.

The County issued \$765,000 Taxable General Obligation Tax Abatement Bonds, Series 2007C, dated May 22, 2007.

The County issued \$5,590,000 Law Enforcement Lease Revenue Bonds, Series 2007D, dated May 22, 2007.

The County issued \$6,140,000 Housing and Redevelopment Authority Public Project Revenue Bonds, Series 2007E, dated November 6, 2007.



## **REQUIRED SUPPLEMENTARY INFORMATION**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 12,307,626	\$ 12,307,626	\$ 11,250,196	\$ (1,057,430)
Licenses and permits	333,400	333,400	401,451	68,051
Intergovernmental	2,339,283	2,439,283	5,115,771	2,676,488
Charges for services	1,574,524	1,574,524	1,884,975	310,451
Fines and forfeits	10,000	10,000	92,000	82,000
Gifts and contributions	-	-	25,832	25,832
Investment earnings	446,000	446,000	940,328	494,328
Miscellaneous	440,000	440,000	1,063,767	623,767
<b>Total Revenues</b>	<b>\$ 17,450,833</b>	<b>\$ 17,550,833</b>	<b>\$ 20,774,320</b>	<b>\$ 3,223,487</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 299,727	\$ 299,727	\$ 290,118	\$ 9,609
Courts	-	-	41,878	(41,878)
Public defender	120,500	120,500	69,476	51,024
County coordinator	423,759	423,759	419,987	3,772
County auditor	778,722	778,722	674,223	104,499
Motor vehicle	295,784	295,784	297,894	(2,110)
County treasurer	342,350	342,350	332,863	9,487
County assessor	923,409	923,409	793,437	129,972
Elections	141,563	141,563	699,207	(557,644)
Accounting and auditing	60,000	60,000	69,630	(9,630)
Board of adjustments	31,168	31,168	24,310	6,858
Data processing	791,679	791,679	823,296	(31,617)
Attorney	1,062,455	1,062,455	1,042,901	19,554
Recorder	193,743	193,743	424,912	(231,169)
Planning and zoning	872,359	958,247	878,180	80,067
Planning commission	46,452	46,452	32,023	14,429
Buildings and plant	1,588,415	1,588,415	1,503,029	85,386
Veterans service officer	326,749	329,106	324,167	4,939
Other general government	-	-	3,157	(3,157)
Unallocated	723,793	602,905	655,276	(52,371)
<b>Total general government</b>	<b>\$ 9,022,627</b>	<b>\$ 8,989,984</b>	<b>\$ 9,399,964</b>	<b>\$ (409,980)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 1**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 4,018,083	\$ 4,018,083	\$ 3,730,411	\$ 287,672
Boat and water safety	86,995	86,995	113,261	(26,266)
Coroner	78,879	78,879	82,829	(3,950)
County jail	2,882,090	2,882,090	2,595,883	286,207
DARE program	-	-	12,153	(12,153)
Civil defense	85,796	85,796	92,801	(7,005)
Geographical information survey	453,604	488,604	470,862	17,742
Other public safety	-	-	8,461	(8,461)
<b>Total public safety</b>	<b>\$ 7,605,447</b>	<b>\$ 7,640,447</b>	<b>\$ 7,106,661</b>	<b>\$ 533,786</b>
<b>Culture and recreation</b>				
Historical society	\$ 48,785	\$ 148,785	\$ 148,785	\$ -
Tourism	6,250	6,250	6,250	-
County fairs	20,000	20,000	20,000	-
Parks	35,395	35,395	35,208	187
Humane society	42,869	42,869	42,869	-
Celebrations	-	-	1,600	(1,600)
Regional library	427,936	427,936	427,936	-
Snowmobile trails	-	-	160,754	(160,754)
<b>Total culture and recreation</b>	<b>\$ 581,235</b>	<b>\$ 681,235</b>	<b>\$ 843,402</b>	<b>\$ (162,167)</b>
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 316,158	\$ 316,158	\$ 417,268	\$ (101,110)
Soil and water conservation	82,000	82,000	82,000	-
Predator control	12,000	12,000	5,159	6,841
Water planning	-	59,878	59,878	-
Lake improvement districts	157,590	157,590	154,412	3,178
Other	20,000	20,000	12,711	7,289
<b>Total conservation of natural resources</b>	<b>\$ 587,748</b>	<b>\$ 647,626</b>	<b>\$ 731,428</b>	<b>\$ (83,802)</b>
<b>Economic development</b>				
Community development	\$ 15,212	\$ 15,212	\$ 15,212	\$ -
Rural life outreach	1,000	1,000	1,000	-
Other	-	-	800	(800)
<b>Total economic development</b>	<b>\$ 16,212</b>	<b>\$ 16,212</b>	<b>\$ 17,012</b>	<b>\$ (800)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Expenditures (Continued)</b>				
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 54,431	\$ (54,431)
Interest	\$ -	\$ -	\$ 2,231	\$ (2,231)
<b>Total Expenditures</b>	<b>\$ 17,813,269</b>	<b>\$ 17,975,504</b>	<b>\$ 18,155,129</b>	<b>\$ (179,625)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (362,436)</b>	<b>\$ (424,671)</b>	<b>\$ 2,619,191</b>	<b>\$ 3,043,862</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 3,000	\$ 3,000
Transfers out	(80,500)	(80,500)	(522,750)	(442,250)
Capital lease issued	-	-	15,661	15,661
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (80,500)</b>	<b>\$ (80,500)</b>	<b>\$ (504,089)</b>	<b>\$ (423,589)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (442,936)</b>	<b>\$ (505,171)</b>	<b>\$ 2,115,102</b>	<b>\$ 2,620,273</b>
<b>Fund Balance - January 1</b>	<b>10,426,847</b>	<b>10,426,847</b>	<b>10,426,847</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 9,983,911</b>	<b>\$ 9,921,676</b>	<b>\$ 12,541,949</b>	<b>\$ 2,620,273</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 2**

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 1,288,865	\$ 1,288,865	\$ 1,142,289	\$ (146,576)
Intergovernmental	14,282,835	14,282,835	11,572,657	(2,710,178)
Charges for services	624,000	624,000	510,694	(113,306)
Miscellaneous	67,000	67,000	55,677	(11,323)
<b>Total Revenues</b>	<b>\$ 16,262,700</b>	<b>\$ 16,262,700</b>	<b>\$ 13,281,317</b>	<b>\$ (2,981,383)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 513,000	\$ 513,000	\$ 458,893	\$ 54,107
Maintenance	3,261,000	3,261,000	4,134,734	(873,734)
Construction	11,054,200	11,054,200	8,487,028	2,567,172
Equipment maintenance and shop	944,500	944,500	890,009	54,491
Material and services for resale	10,000	10,000	21,819	(11,819)
<b>Total highways and streets</b>	<b>\$ 15,782,700</b>	<b>\$ 15,782,700</b>	<b>\$ 13,992,483</b>	<b>\$ 1,790,217</b>
<b>Intergovernmental</b>				
Highways and streets	880,000	880,000	853,022	26,978
<b>Total Expenditures</b>	<b>\$ 16,662,700</b>	<b>\$ 16,662,700</b>	<b>\$ 14,845,505</b>	<b>\$ 1,817,195</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (400,000)</b>	<b>\$ (400,000)</b>	<b>\$ (1,564,188)</b>	<b>\$ (1,164,188)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	500,000	500,000
<b>Net Change in Fund Balance</b>	<b>\$ (400,000)</b>	<b>\$ (400,000)</b>	<b>\$ (1,064,188)</b>	<b>\$ (664,188)</b>
<b>Fund Balance - January 1</b>	<b>3,696,493</b>	<b>3,696,493</b>	<b>3,696,493</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>19,925</b>	<b>19,925</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,296,493</b>	<b>\$ 3,296,493</b>	<b>\$ 2,652,230</b>	<b>\$ (644,263)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 3**

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 6,691,042	\$ 6,691,042	\$ 5,866,896	\$ (824,146)
Intergovernmental	10,595,471	10,595,471	11,673,640	1,078,169
Charges for services	745,136	745,136	1,400,886	655,750
Miscellaneous	577,900	577,900	691,595	113,695
<b>Total Revenues</b>	<b>\$ 18,609,549</b>	<b>\$ 18,609,549</b>	<b>\$ 19,633,017</b>	<b>\$ 1,023,468</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Community corrections	\$ 775,577	\$ 775,577	\$ 771,926	\$ 3,651
<b>Human services</b>				
Income maintenance	\$ 3,890,865	\$ 3,890,865	\$ 4,180,291	\$ (289,426)
Social services	11,998,894	11,998,894	12,206,572	(207,678)
Fuel assistance	234,339	234,339	261,878	(27,539)
<b>Total human services</b>	<b>\$ 16,124,098</b>	<b>\$ 16,124,098</b>	<b>\$ 16,648,741</b>	<b>\$ (524,643)</b>
<b>Health</b>				
Nursing service	\$ 1,742,047	\$ 1,742,047	\$ 1,885,736	\$ (143,689)
<b>Total Expenditures</b>	<b>\$ 18,641,722</b>	<b>\$ 18,641,722</b>	<b>\$ 19,306,403</b>	<b>\$ (664,681)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ (32,173)	\$ (32,173)	\$ 326,614	\$ 358,787
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(350,000)	(350,000)
<b>Net Change in Fund Balance</b>	<b>\$ (32,173)</b>	<b>\$ (32,173)</b>	<b>\$ (23,386)</b>	<b>\$ 8,787</b>
<b>Fund Balance - January 1</b>	<b>7,476,980</b>	<b>7,476,980</b>	<b>7,476,980</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 7,444,807</b>	<b>\$ 7,444,807</b>	<b>\$ 7,453,594</b>	<b>\$ 8,787</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 4**

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 1,660,057	\$ 1,660,057	\$ 1,471,825	\$ (188,232)
Special assessments	-	-	321	321
Intergovernmental	201,427	201,427	540,887	339,460
Charges for services	-	-	1,403	1,403
Investment earnings	100,000	100,000	82,614	(17,386)
Miscellaneous	-	-	4,412	4,412
<b>Total Revenues</b>	<b>\$ 1,961,484</b>	<b>\$ 1,961,484</b>	<b>\$ 2,101,462</b>	<b>\$ 139,978</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 5,330	\$ 5,330	\$ -	\$ 5,330
County auditor	7,909	7,909	4,292	3,617
License bureau	7,909	7,909	936	6,973
County treasurer	8,315	8,315	-	8,315
County assessor	28,274	28,274	13,496	14,778
Elections	33,051	33,051	2,735	30,316
Data processing	272,000	272,000	214,116	57,884
Attorney	22,966	22,966	6,919	16,047
Recorder	200,000	200,000	-	200,000
Planning and zoning	47,000	47,000	41,804	5,196
Buildings and plant	175,000	175,000	74,121	100,879
Veterans service officer	60,083	60,083	34,490	25,593
<b>Total general government</b>	<b>\$ 867,837</b>	<b>\$ 867,837</b>	<b>\$ 392,909</b>	<b>\$ 474,928</b>
<b>Public safety</b>				
Sheriff	\$ 337,750	\$ 337,750	\$ 364,437	\$ (26,687)
Boat and water safety	16,000	16,000	16,039	(39)
E-911 system	250,000	250,000	102,449	147,551
Community corrections	75,350	75,350	41,421	33,929
Civil defense	27,068	27,068	-	27,068
Geographical information survey	33,000	33,000	12,122	20,878
<b>Total public safety</b>	<b>\$ 739,168</b>	<b>\$ 739,168</b>	<b>\$ 536,468</b>	<b>\$ 202,700</b>
<b>Highways and streets</b>				
Maintenance	\$ 513,000	\$ 513,000	\$ 439,038	\$ 73,962
Construction	418,500	418,500	375,682	42,818
Equipment and maintenance shop	195,000	195,000	79,275	115,725
<b>Total highways and streets</b>	<b>\$ 1,126,500</b>	<b>\$ 1,126,500</b>	<b>\$ 893,995</b>	<b>\$ 232,505</b>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 4**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Human services</b>				
Social services	\$ 65,000	\$ 65,000	\$ 53,158	\$ 11,842
<b>Health</b>				
Nursing service	\$ 50,000	\$ 50,000	\$ 36,114	\$ 13,886
<b>Culture and recreation</b>				
Phelps Mill Park	\$ 23,000	\$ 23,000	\$ 6,450	\$ 16,550
<b>Conservation of natural resources</b>				
Extension	\$ 11,874	\$ 11,874	\$ -	\$ 11,874
<b>Capital outlay</b>				
General government	\$ 225,000	\$ 225,000	\$ 191,132	\$ 33,868
Public safety	200,000	200,000	209,395	(9,395)
<b>Total capital outlay</b>	<b>\$ 425,000</b>	<b>\$ 425,000</b>	<b>\$ 400,527</b>	<b>\$ 24,473</b>
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 7,987	\$ (7,987)
Interest	\$ -	\$ -	\$ 286	\$ (286)
<b>Total Expenditures</b>	<b>\$ 3,308,379</b>	<b>\$ 3,308,379</b>	<b>\$ 2,327,894</b>	<b>\$ 980,485</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (1,346,895)</b>	<b>\$ (1,346,895)</b>	<b>\$ (226,432)</b>	<b>\$ 1,120,463</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 70,000	\$ 70,000	\$ 370,000	\$ 300,000
Transfers out	-	-	(3,000)	(3,000)
Proceeds from sale of assets	18,000	18,000	56,562	38,562
Compensation for the loss of capital assets	-	-	19,456	19,456
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 88,000</b>	<b>\$ 88,000</b>	<b>\$ 443,018</b>	<b>\$ 355,018</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,258,895)</b>	<b>\$ (1,258,895)</b>	<b>\$ 216,586</b>	<b>\$ 1,475,481</b>
<b>Fund Balance - January 1</b>	<b>3,421,844</b>	<b>3,421,844</b>	<b>3,421,844</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,162,949</b>	<b>\$ 2,162,949</b>	<b>\$ 3,638,430</b>	<b>\$ 1,475,481</b>

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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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 Post Employment Obligation Special Revenue Fund and the Sheriff's Contingent Special Revenue 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. During the year, the Board made budgetary amendments throughout the governmental funds.

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

**2. Excess of Expenditures Over Budget**

The following is a summary of certain individual funds which had expenditures in excess of budgeted expenditures for the year ended December 31, 2006.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 18,155,129	\$ 17,975,504	\$ 179,625
Special Revenue Fund			
Human Services	19,306,403	18,641,722	664,681

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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.

Lead Hazard - to account for the financial operations for the Lead Hazard Control grant program.

Post Employment Obligation - to account for the financing and payment of post employment benefits.

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

DEBT SERVICE FUNDS

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

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

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement A-1**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2006**

	<b>Special Revenue (Statement B-1)</b>	<b>Debt Service (Statement C-1)</b>	<b>Total (Exhibit 3)</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 1,024,359	\$ 1,074,777	\$ 2,099,136
Petty cash and change funds	1,000	-	1,000
Undistributed cash in agency funds	3,237	17,664	20,901
Taxes receivable			
Current	-	15,286	15,286
Prior	-	6,260	6,260
Special assessments receivable			
Current	2,802	-	2,802
Prior	958	-	958
Deferred	114,348	-	114,348
Due from other governments	37,916	-	37,916
<b>Total Assets</b>	<b><u>\$ 1,184,620</u></b>	<b><u>\$ 1,113,987</u></b>	<b><u>\$ 2,298,607</u></b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 34,728	\$ -	\$ 34,728
Due to other governments	1,863	-	1,863
Deferred revenue - unavailable	117,842	16,003	133,845
Advance from other funds	111,192	-	111,192
<b>Total Liabilities</b>	<b><u>\$ 265,625</u></b>	<b><u>\$ 16,003</u></b>	<b><u>\$ 281,628</u></b>
<b>Fund Balances</b>			
Unreserved			
Designated for debt service	\$ -	\$ 1,097,984	\$ 1,097,984
Designated for compensated absences	852,071	-	852,071
Undesignated	66,924	-	66,924
<b>Total Fund Balances</b>	<b><u>\$ 918,995</u></b>	<b><u>\$ 1,097,984</u></b>	<b><u>\$ 2,016,979</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 1,184,620</u></b>	<b><u>\$ 1,113,987</u></b>	<b><u>\$ 2,298,607</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*Statement A-2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Special Revenue (Statement B-2)	Debt Service (Statement C-2)	Total (Exhibit 5)
<b>Revenues</b>			
Taxes	\$ -	\$ 1,005,814	\$ 1,005,814
Special assessments	78,245	-	78,245
Intergovernmental	344,758	132,535	477,293
Fines and forfeits	72,471	-	72,471
Investment earnings	-	14,231	14,231
<b>Total Revenues</b>	<b>\$ 495,474</b>	<b>\$ 1,152,580</b>	<b>\$ 1,648,054</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 46,189	\$ -	\$ 46,189
Public safety	10,028	-	10,028
Conservation of natural resources	19,154	-	19,154
Economic development	336,463	-	336,463
<b>Debt service</b>			
Principal	-	1,530,000	1,530,000
Interest	-	499,436	499,436
<b>Total Expenditures</b>	<b>\$ 411,834</b>	<b>\$ 2,029,436</b>	<b>\$ 2,441,270</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 83,640</b>	<b>\$ (876,856)</b>	<b>\$ (793,216)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	2,750	-	2,750
<b>Net Change in Fund Balance</b>	<b>\$ 86,390</b>	<b>\$ (876,856)</b>	<b>\$ (790,466)</b>
<b>Fund Balance - January 1</b>	<b>832,605</b>	<b>1,974,840</b>	<b>2,807,445</b>
<b>Fund Balance - December 31</b>	<b>\$ 918,995</b>	<b>\$ 1,097,984</b>	<b>\$ 2,016,979</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement B-1**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2006**

	<b>County Ditch</b>	<b>Law Library</b>	<b>Lead Hazard</b>	<b>Post Employment Obligation</b>	<b>Sheriff's Contingent</b>	<b>Total</b>
<b><u>Assets</u></b>						
Cash and pooled investments	\$ 105,519	\$ 51,546	\$ -	\$ 852,071	\$ 15,223	\$ 1,024,359
Petty cash and change funds	-	-	-	-	1,000	1,000
Undistributed cash in agency funds	3,237	-	-	-	-	3,237
Special assessments receivable						
Current	2,802	-	-	-	-	2,802
Prior	958	-	-	-	-	958
Deferred	114,348	-	-	-	-	114,348
Due from other governments	-	4,508	32,622	-	786	37,916
<b>Total Assets</b>	<b>\$ 226,864</b>	<b>\$ 56,054</b>	<b>\$ 32,622</b>	<b>\$ 852,071</b>	<b>\$ 17,009</b>	<b>\$ 1,184,620</b>
<b><u>Liabilities and Fund Balances</u></b>						
<b>Liabilities</b>						
Accounts payable	\$ -	\$ 2,075	\$ 30,759	\$ -	\$ 1,894	\$ 34,728
Due to other governments	-	-	1,863	-	-	1,863
Deferred revenue - unavailable	117,842	-	-	-	-	117,842
Advance from other funds	111,192	-	-	-	-	111,192
<b>Total Liabilities</b>	<b>\$ 229,034</b>	<b>\$ 2,075</b>	<b>\$ 32,622</b>	<b>\$ -</b>	<b>\$ 1,894</b>	<b>\$ 265,625</b>
<b>Fund Balances</b>						
Unreserved						
Designated for compensated absences	\$ -	\$ -	\$ -	\$ 852,071	\$ -	\$ 852,071
Undesignated	(2,170)	53,979	-	-	15,115	66,924
<b>Total Fund Balances</b>	<b>\$ (2,170)</b>	<b>\$ 53,979</b>	<b>\$ -</b>	<b>\$ 852,071</b>	<b>\$ 15,115</b>	<b>\$ 918,995</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 226,864</b>	<b>\$ 56,054</b>	<b>\$ 32,622</b>	<b>\$ 852,071</b>	<b>\$ 17,009</b>	<b>\$ 1,184,620</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*Statement B-2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>County Ditch</u>	<u>Law Library</u>	<u>Lead Hazard</u>	<u>Post Employment Obligation</u>	<u>Sheriff's Contingent</u>	<u>Total</u>
<b>Revenues</b>						
Special assessments	\$ 78,245	\$ -	\$ -	\$ -	\$ -	\$ 78,245
Intergovernmental	-	-	344,758	-	-	344,758
Fines and forfeits	-	63,964	-	-	8,507	72,471
<b>Total Revenues</b>	<b>\$ 78,245</b>	<b>\$ 63,964</b>	<b>\$ 344,758</b>	<b>\$ -</b>	<b>\$ 8,507</b>	<b>\$ 495,474</b>
<b>Expenditures</b>						
<b>Current</b>						
General government	\$ -	\$ 46,189	\$ -	\$ -	\$ -	\$ 46,189
Public safety	-	-	-	-	10,028	10,028
Conservation of natural resources	19,154	-	-	-	-	19,154
Economic development	-	-	336,463	-	-	336,463
<b>Total Expenditures</b>	<b>\$ 19,154</b>	<b>\$ 46,189</b>	<b>\$ 336,463</b>	<b>\$ -</b>	<b>\$ 10,028</b>	<b>\$ 411,834</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 59,091</b>	<b>\$ 17,775</b>	<b>\$ 8,295</b>	<b>\$ -</b>	<b>\$ (1,521)</b>	<b>\$ 83,640</b>
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	-	-	-	2,750	2,750
<b>Net Change in Fund Balance</b>	<b>\$ 59,091</b>	<b>\$ 17,775</b>	<b>\$ 8,295</b>	<b>\$ -</b>	<b>\$ 1,229</b>	<b>\$ 86,390</b>
<b>Fund Balance - January 1</b>	<b>(61,261)</b>	<b>36,204</b>	<b>(8,295)</b>	<b>852,071</b>	<b>13,886</b>	<b>832,605</b>
<b>Fund Balance - December 31</b>	<b>\$ (2,170)</b>	<b>\$ 53,979</b>	<b>\$ -</b>	<b>\$ 852,071</b>	<b>\$ 15,115</b>	<b>\$ 918,995</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement C-1**

**COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS  
DECEMBER 31, 2006**

	<b>Government Service Center</b>	<b>Veterans Home</b>	<b>Total (Statement A-1)</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 856,992	\$ 217,785	\$ 1,074,777
Undistributed cash in agency funds	15,551	2,113	17,664
Taxes receivable			
Current	13,488	1,798	15,286
Prior	5,384	876	6,260
<b>Total Assets</b>	<b><u>\$ 891,415</u></b>	<b><u>\$ 222,572</u></b>	<b><u>\$ 1,113,987</u></b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Deferred revenue - unavailable	\$ 14,001	\$ 2,002	\$ 16,003
<b>Fund Balances</b>			
Unreserved			
Designated for debt service	877,414	220,570	1,097,984
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 891,415</u></b>	<b><u>\$ 222,572</u></b>	<b><u>\$ 1,113,987</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*Statement C-2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Government Service Center</u>	<u>Veterans Home</u>	<u>Total (Statement A-2)</u>
<b>Revenues</b>			
Taxes	\$ 885,205	\$ 120,609	\$ 1,005,814
Intergovernmental	116,948	15,587	132,535
Investment earnings	-	14,231	14,231
<b>Total Revenues</b>	<u><b>\$ 1,002,153</b></u>	<u><b>\$ 150,427</b></u>	<u><b>\$ 1,152,580</b></u>
<b>Expenditures</b>			
<b>Debt service</b>			
Principal	\$ 450,000	\$ 1,080,000	\$ 1,530,000
Interest	435,627	63,809	499,436
<b>Total Expenditures</b>	<u><b>\$ 885,627</b></u>	<u><b>\$ 1,143,809</b></u>	<u><b>\$ 2,029,436</b></u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u><b>\$ 116,526</b></u>	<u><b>\$ (993,382)</b></u>	<u><b>\$ (876,856)</b></u>
<b>Fund Balance - January 1</b>	<u><b>760,888</b></u>	<u><b>1,213,952</b></u>	<u><b>1,974,840</b></u>
<b>Fund Balance - December 31</b>	<u><u><b>\$ 877,414</b></u></u>	<u><u><b>\$ 220,570</b></u></u>	<u><u><b>\$ 1,097,984</b></u></u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 5**

**BUDGETARY COMPARISON SCHEDULE  
COUNTY DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Special assessments	\$ 129,000	\$ 129,000	\$ 78,245	\$ (50,755)
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Drainage ditches	129,000	129,000	19,154	109,846
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ -	\$ -	\$ 59,091	\$ 59,091
<b>Fund Balance - January 1</b>	(61,261)	(61,261)	(61,261)	-
<b>Fund Balance - December 31</b>	<u>\$ (61,261)</u>	<u>\$ (61,261)</u>	<u>\$ (2,170)</u>	<u>\$ 59,091</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 6**

**BUDGETARY COMPARISON SCHEDULE  
LAW LIBRARY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Fines and forfeits	\$ 52,000	\$ 52,000	\$ 63,964	\$ 11,964
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Law library	52,000	52,000	46,189	5,811
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ -	\$ -	\$ 17,775	\$ 17,775
<b>Fund Balance - January 1</b>	<b>36,204</b>	<b>36,204</b>	<b>36,204</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 36,204</b>	<b>\$ 36,204</b>	<b>\$ 53,979</b>	<b>\$ 17,775</b>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 7**

**BUDGETARY COMPARISON SCHEDULE  
LEAD HAZARD SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Intergovernmental	\$ 300,000	\$ 300,000	\$ 344,758	\$ 44,758
<b>Expenditures</b>				
<b>Current</b>				
<b>Economic development</b>				
Community development	\$ 300,000	\$ 300,000	\$ 232,694	\$ 67,306
Housing authority	-	-	103,769	(103,769)
<b>Total Expenditures</b>	<b>\$ 300,000</b>	<b>\$ 300,000</b>	<b>\$ 336,463</b>	<b>\$ (36,463)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ -	\$ -	\$ 8,295	\$ 8,295
<b>Fund Balance - January 1</b>	<b>(8,295)</b>	<b>(8,295)</b>	<b>(8,295)</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ (8,295)</b>	<b>\$ (8,295)</b>	<b>\$ -</b>	<b>\$ 8,295</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 8**

**BUDGETARY COMPARISON SCHEDULE  
GOVERNMENT SERVICE CENTER DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 1,001,293	\$ 1,001,293	\$ 885,205	\$ (116,088)
Intergovernmental	-	-	116,948	116,948
<b>Total Revenues</b>	<b>\$ 1,001,293</b>	<b>\$ 1,001,293</b>	<b>\$ 1,002,153</b>	<b>\$ 860</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 530,000	\$ 530,000	\$ 450,000	\$ 80,000
Interest	423,613	423,613	435,627	(12,014)
<b>Total Expenditures</b>	<b>\$ 953,613</b>	<b>\$ 953,613</b>	<b>\$ 885,627</b>	<b>\$ 67,986</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 47,680</b>	<b>\$ 47,680</b>	<b>\$ 116,526</b>	<b>\$ 68,846</b>
<b>Fund Balance - January 1</b>	<b>760,888</b>	<b>760,888</b>	<b>760,888</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 808,568</b>	<b>\$ 808,568</b>	<b>\$ 877,414</b>	<b>\$ 68,846</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 9**

**BUDGETARY COMPARISON SCHEDULE  
VETERANS HOME DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 133,700	\$ 133,700	\$ 120,609	\$ (13,091)
Intergovernmental	-	-	15,587	15,587
Investment earnings	-	-	14,231	14,231
<b>Total Revenues</b>	<b>\$ 133,700</b>	<b>\$ 133,700</b>	<b>\$ 150,427</b>	<b>\$ 16,727</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 95,000	\$ 95,000	\$ 1,080,000	\$ (985,000)
Interest	32,278	32,278	63,809	(31,531)
<b>Total Expenditures</b>	<b>\$ 127,278</b>	<b>\$ 127,278</b>	<b>\$ 1,143,809</b>	<b>\$ (1,016,531)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 6,422</b>	<b>\$ 6,422</b>	<b>\$ (993,382)</b>	<b>\$ (999,804)</b>
<b>Fund Balance - January 1</b>	<b>1,213,952</b>	<b>1,213,952</b>	<b>1,213,952</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,220,374</b>	<b>\$ 1,220,374</b>	<b>\$ 220,570</b>	<b>\$ (999,804)</b>

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**MEEKER COUNTY  
LITCHFIELD, MINNESOTA**

**FIDUCIARY FUNDS**

**AGENCY FUNDS**

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

The State Fund accounts for the collection and distribution of funds for the State of Minnesota.

The Select Account Fund accounts for employees' Select Account deposits and withdrawals.

The Escrow and Held Monies Fund accounts for plat contractor fees pertaining to compliance of new developments.

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement D-1**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>ASSURANCE FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 238	\$ 222	\$ 16
Accounts receivable	15	-	15	-
<b>Total Assets</b>	<b><u>\$ 15</u></b>	<b><u>\$ 238</u></b>	<b><u>\$ 237</u></b>	<b><u>\$ 16</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	<b><u>\$ 15</u></b>	<b><u>\$ 238</u></b>	<b><u>\$ 237</u></b>	<b><u>\$ 16</u></b>
<b><u>FAMILY SERVICES COLLABORATIVE FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 499,124	\$ 394,881	\$ 554,682	\$ 339,323
Due from other funds	848	576	848	576
Due from other governments	-	50,000	-	50,000
<b>Total Assets</b>	<b><u>\$ 499,972</u></b>	<b><u>\$ 445,457</u></b>	<b><u>\$ 555,530</u></b>	<b><u>\$ 389,899</u></b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 24,023	\$ 64,022	\$ 24,023	\$ 64,022
Due to other governments	475,949	381,435	531,507	325,877
<b>Total Liabilities</b>	<b><u>\$ 499,972</u></b>	<b><u>\$ 445,457</u></b>	<b><u>\$ 555,530</u></b>	<b><u>\$ 389,899</u></b>
<b><u>GAME AND FISH FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b><u>\$ 7</u></b>	<b><u>\$ 375</u></b>	<b><u>\$ 7</u></b>	<b><u>\$ 375</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	<b><u>\$ 7</u></b>	<b><u>\$ 375</u></b>	<b><u>\$ 7</u></b>	<b><u>\$ 375</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement D-1  
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>HOSPITAL DISTRICTS FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 251,883	\$ 251,883	\$ -
Due from other funds	4,324	4,797	4,324	4,797
<b>Total Assets</b>	<b><u>\$ 4,324</u></b>	<b><u>\$ 256,680</u></b>	<b><u>\$ 256,207</u></b>	<b><u>\$ 4,797</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	<b><u>\$ 4,324</u></b>	<b><u>\$ 256,680</u></b>	<b><u>\$ 256,207</u></b>	<b><u>\$ 4,797</u></b>
<b><u>MORTGAGE REGISTRATION FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b><u>\$ 87,135</u></b>	<b><u>\$ 1,225,216</u></b>	<b><u>\$ 1,219,750</u></b>	<b><u>\$ 92,601</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	<b><u>\$ 87,135</u></b>	<b><u>\$ 1,225,216</u></b>	<b><u>\$ 1,219,750</u></b>	<b><u>\$ 92,601</u></b>
<b><u>OTTER TAIL LAKES AREA SEWER DISTRICT FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 16,612	\$ 16,612	\$ -
Due from other funds	930	285	930	285
<b>Total Assets</b>	<b><u>\$ 930</u></b>	<b><u>\$ 16,897</u></b>	<b><u>\$ 17,542</u></b>	<b><u>\$ 285</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	<b><u>\$ 930</u></b>	<b><u>\$ 16,897</u></b>	<b><u>\$ 17,542</u></b>	<b><u>\$ 285</u></b>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement D-1**  
**(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>SCHOOL DISTRICT FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 10,282,039	\$ 10,282,039	\$ -
Due from other funds	219,972	217,072	219,972	217,072
<b>Total Assets</b>	<b><u>\$ 219,972</u></b>	<b><u>\$ 10,499,111</u></b>	<b><u>\$ 10,502,011</u></b>	<b><u>\$ 217,072</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	<b><u>\$ 219,972</u></b>	<b><u>\$ 10,499,111</u></b>	<b><u>\$ 10,502,011</u></b>	<b><u>\$ 217,072</u></b>
<b><u>STATE TAX FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 128,664	\$ 7,368,123	\$ 7,339,254	\$ 157,533
Accounts receivable	21,735	-	21,735	-
Due from other funds	108,331	84,876	108,331	84,876
<b>Total Assets</b>	<b><u>\$ 258,730</u></b>	<b><u>\$ 7,452,999</u></b>	<b><u>\$ 7,469,320</u></b>	<b><u>\$ 242,409</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	<b><u>\$ 258,730</u></b>	<b><u>\$ 7,452,999</u></b>	<b><u>\$ 7,469,320</u></b>	<b><u>\$ 242,409</u></b>
<b><u>TAX INCREMENT FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b><u>\$ -</u></b>	<b><u>\$ 156,232</u></b>	<b><u>\$ 156,232</u></b>	<b><u>\$ -</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	<b><u>\$ -</u></b>	<b><u>\$ 156,232</u></b>	<b><u>\$ 156,232</u></b>	<b><u>\$ -</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement D-1  
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>TAXES AND PENALTIES FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 677,057	\$ 54,026,696	\$ 54,106,295	\$ 597,458
<b><u>Liabilities</u></b>				
Due to other funds	\$ 604,781	\$ 20,711,755	\$ 20,761,536	\$ 555,000
Due to other governments	72,276	33,314,941	33,344,759	42,458
<b>Total Liabilities</b>	<b>\$ 677,057</b>	<b>\$ 54,026,696</b>	<b>\$ 54,106,295</b>	<b>\$ 597,458</b>
<b><u>TOWNS AND CITIES FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 13,914,571	\$ 13,914,571	\$ -
Due from other funds	269,853	247,001	269,853	247,001
<b>Total Assets</b>	<b>\$ 269,853</b>	<b>\$ 14,161,572</b>	<b>\$ 14,184,424</b>	<b>\$ 247,001</b>
<b><u>Liabilities</u></b>				
Due to other governments	\$ 269,853	\$ 14,161,572	\$ 14,184,424	\$ 247,001
<b><u>WATERSHED DISTRICT FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 36,781	\$ 36,781	\$ -
Due from other funds	1,449	1,047	1,449	1,047
<b>Total Assets</b>	<b>\$ 1,449</b>	<b>\$ 37,828</b>	<b>\$ 38,230</b>	<b>\$ 1,047</b>
<b><u>Liabilities</u></b>				
Due to other governments	\$ 1,449	\$ 37,828	\$ 38,230	\$ 1,047

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement D-1  
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,391,987	\$ 87,673,647	\$ 87,878,328	\$ 1,187,306
Accounts receivable	21,750	-	21,750	-
Due from other funds	605,707	555,654	605,707	555,654
Due from other governments	-	50,000	-	50,000
<b>Total Assets</b>	<b><u>\$ 2,019,444</u></b>	<b><u>\$ 88,279,301</u></b>	<b><u>\$ 88,505,785</u></b>	<b><u>\$ 1,792,960</u></b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 24,023	\$ 64,022	\$ 24,023	\$ 64,022
Due to other funds	604,781	20,711,755	20,761,536	555,000
Due to other governments	1,390,640	67,503,524	67,720,226	1,173,938
<b>Total Liabilities</b>	<b><u>\$ 2,019,444</u></b>	<b><u>\$ 88,279,301</u></b>	<b><u>\$ 88,505,785</u></b>	<b><u>\$ 1,792,960</u></b>

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## **OTHER SCHEDULES**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 10**

**SCHEDULE OF INVESTMENTS  
DECEMBER 31, 2006**

	<b>Interest Rate (%)</b>	<b>Maturity Date</b>	<b>Fair Value</b>
<b>Cash and Pooled Investments</b>			
Non-interest checking	-	Continuous	\$ 109,930
Interest bearing checking (4)	Varies	Continuous	589,267
Money market savings (8)	0.50 - 4.33	Continuous	5,031,559
Certificates of deposit (30)	3.25 - 5.22	January 31, 2007 to July 28, 2008	7,692,171
Mutual fund	Varies	Continuous	10,853,553
Commercial paper (2)	-	January 4, 2007 to July 27, 2007	989,000
U.S. Treasury notes (7)	2.50 - 4.38	January 2, 2007 to November 15, 2008	6,946,050
U.S. Treasury bonds - Stripped interest payment (2)	-	August 15, 2017 to August 15, 2019	30,177
Federal National Mortgage Association (3)	4.50 - 7.50	August 25, 2018 to June 25, 2022	845,077
Federal Home Loan Mortgage Corporation	5.50	June 15, 2033	980,160
<b>Total Cash and Pooled Investments</b>			<b><u>\$ 34,066,944</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET - BY DITCH  
COUNTY DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2006**

	Assets				
	Cash	Undistributed Cash	Special Assessments Receivable		
			Current	Delinquent	Deferred
<b>Judicial Ditches</b>					
2	\$ 15,101	\$ 57	\$ -	\$ -	\$ 5,231
3	92	-	-	-	-
<b>County Ditches</b>					
4	10,242	1,383	1,794	467	23,235
5	3,715	-	-	-	1,400
8	162	-	-	-	-
11	4,917	-	-	-	7,217
12	4,417	154	42	-	3,300
14	68	-	-	-	-
17	475	-	-	-	-
19	240	-	-	-	-
21	4,815	22	30	4	2,888
25	337	-	-	-	-
29	5,571	-	11	-	2,976
37	10,704	34	71	26	2,800
38	12,497	1,232	400	-	41,091
39	164	-	-	-	-
41	3,410	-	-	-	-
43	1,066	-	-	-	850
44	15	-	-	-	-
45	225	-	-	-	-
48	25	-	-	-	-
52	2,283	-	-	-	1,100
53	8,905	-	437	454	18,275
54	91	-	-	-	-
56	7,598	51	-	-	2,285
59	146	-	-	-	-
62	154	-	-	-	-
63	6,839	304	17	7	1,700
64	11	-	-	-	-
68	881	-	-	-	-
70	353	-	-	-	-
<b>Total</b>	<b>\$ 105,519</b>	<b>\$ 3,237</b>	<b>\$ 2,802</b>	<b>\$ 958</b>	<b>\$ 114,348</b>



**Schedule 11**

<u>Total</u>	<u>Liabilities</u>		<u>Total</u>	<u>Fund</u>	<u>Total</u>
	<u>Deferred</u>	<u>Advance</u>		<u>Balances</u>	
	<u>Revenue</u>	<u>from</u>		<u>Unreserved</u>	<u>Liabilities</u>
		<u>Other Funds</u>		<u>Undesignated</u>	<u>and Fund</u>
					<u>Balances</u>
\$ 20,389	\$ 5,231	\$ 2,991	\$ 8,222	\$ 12,167	\$ 20,389
92	-	-	-	92	92
37,121	25,467	26,584	52,051	(14,930)	37,121
5,115	1,400	-	1,400	3,715	5,115
162	-	-	-	162	162
12,134	7,217	9,412	16,629	(4,495)	12,134
7,913	3,342	-	3,342	4,571	7,913
68	-	-	-	68	68
475	-	-	-	475	475
240	-	-	-	240	240
7,759	2,923	-	2,923	4,836	7,759
337	-	-	-	337	337
8,558	2,987	6,155	9,142	(584)	8,558
13,635	2,897	-	2,897	10,738	13,635
55,220	41,253	41,921	83,174	(27,954)	55,220
164	-	-	-	164	164
3,410	-	-	-	3,410	3,410
1,916	850	-	850	1,066	1,916
15	-	-	-	15	15
225	-	-	-	225	225
25	-	-	-	25	25
3,383	1,100	-	1,100	2,283	3,383
28,071	19,166	23,197	42,363	(14,292)	28,071
91	-	-	-	91	91
9,934	2,285	-	2,285	7,649	9,934
146	-	-	-	146	146
154	-	-	-	154	154
8,867	1,724	932	2,656	6,211	8,867
11	-	-	-	11	11
881	-	-	-	881	881
353	-	-	-	353	353
<u>\$ 226,864</u>	<u>\$ 117,842</u>	<u>\$ 111,192</u>	<u>\$ 229,034</u>	<u>\$ (2,170)</u>	<u>\$ 226,864</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 12**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Governmental Funds</b>	<b>Enterprise Fund</b>	<b>All Funds</b>
<b>Shared Revenue</b>			
<b>State</b>			
Highway users tax	\$ 10,915,733	\$ -	\$ 10,915,733
HACA	2,549,709	-	2,549,709
PERA rate reimbursement	64,946	-	64,946
Disparity reduction aid	13,421	-	13,421
Police aid	151,057	-	151,057
Market value credit - real property	2,577,586	-	2,577,586
Market value credit - mobile home	12,574	-	12,574
<b>Total Shared Revenue</b>	<b>\$ 16,285,026</b>	<b>\$ -</b>	<b>\$ 16,285,026</b>
<b>Reimbursement for Services</b>			
<b>State</b>			
Minnesota Department of Human Services	\$ 3,802,719	\$ -	\$ 3,802,719
<b>Payments</b>			
<b>Local</b>			
Other	\$ 14	\$ -	\$ 14
Tobacco prevention grant	35,752	-	35,752
Payments in lieu of taxes	386,728	-	386,728
<b>Total Payments</b>	<b>\$ 422,494</b>	<b>\$ -</b>	<b>\$ 422,494</b>
<b>Grants</b>			
<b>State</b>			
Minnesota Department of			
Agriculture	\$ 61,345	\$ -	\$ 61,345
Corrections	299,675	-	299,675
Public Safety	147,571	-	147,571
Employment and Economic Development	53,390	-	53,390
Health	493,895	-	493,895
Natural Resources	196,968	-	196,968
Human Services	3,828,584	-	3,828,584
Colleges and Universities	2,400	-	2,400
Historical Society	100,000	-	100,000
Water and Soil Resources Board	102,700	-	102,700
Office of Environmental Assistance	-	166,349	166,349
Peace Officer Standards and Training Board	11,214	-	11,214
<b>Total State</b>	<b>\$ 5,297,742</b>	<b>\$ 166,349</b>	<b>\$ 5,464,091</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 12  
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<b>Governmental Funds</b>	<b>Enterprise Fund</b>	<b>All Funds</b>
<b>Grants (Continued)</b>			
<b>Federal</b>			
Department of			
Agriculture	\$ 240,240	\$ -	\$ 240,240
Housing and Urban Development	344,758	-	344,758
Justice	3,449	-	3,449
Transportation	343,998	-	343,998
Education	2,504	-	2,504
Health and Human Services	1,963,486	-	1,963,486
Homeland Security	31,427	-	31,427
Election Assistance Commission	642,405	-	642,405
<b>Total Federal</b>	<b>\$ 3,572,267</b>	<b>\$ -</b>	<b>\$ 3,572,267</b>
<b>Total State and Federal Grants</b>	<b>\$ 8,870,009</b>	<b>\$ 166,349</b>	<b>\$ 9,036,358</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 29,380,248</b>	<b>\$ 166,349</b>	<b>\$ 29,546,597</b>

Revenues on this schedule differ from expenditures on the Schedule of Expenditures of Federal Awards (Schedule 14) due to timing differences in revenue recognition under the modified accrual basis of accounting. The individual grants affected are:

Total Federal Revenue per Schedule of Intergovernmental Revenue (Schedule 12)		\$ 3,572,267
Special Supplemental Nutrition Program for Women, Infants, and Children	CFDA No. 10.557	(13,951)
Help America Vote Act	CFDA No. 90.401	(81,134)
Low-Income Home Energy Assistance	CFDA No. 93.568	(4,660)
<b>Total Federal Awards per Schedule of Expenditures of Federal Awards (Schedule 14)</b>		<b>\$ 3,472,522</b>

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 13**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

- A. Our report expresses unqualified opinions on the financial statements of Otter Tail County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Otter Tail County and are reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." One of the significant deficiencies is a material weakness.
- C. No instances of noncompliance material to the financial statements of Otter Tail County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Otter Tail County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Help America Vote Act Requirements Payments	CFDA #90.401
Child Care Mandatory and Matching Funds	CFDA #93.596
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Otter Tail County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-6 Segregation of Duties

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

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

Client's Response:

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

96-7 Disaster Recovery Plan for Data Processing

The County does not have a written disaster recovery plan. Some elements of disaster recovery procedures are operational: off-site storage of back-up programs and data, off-site supply of special forms, a contract with IBM Business Recovery Services for back-up services in the event of a disaster, and an automated back-up and recovery management system. The continued use of these procedures is advisable but is not sufficient to ensure operational recovery from a physical disaster or major computer outage.



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

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

**Client's Response:**

*Otter Tail County's management does concur with the recommendation. Based on our Auditor's comment it would appear that many of the major components for a disaster recovery plan for data processing are already in place and that the deficiency is the lack of written documentation detailing the plan. An individual from the County Auditor's office will coordinate a cooperative process with the Director of the Management Information Systems Department to develop a detailed written plan that will ensure continued computer and data processing operations for all County departments in the event of a catastrophic emergency in the data processing area.*

**ITEMS ARISING THIS YEAR**

**06-1    Preparation of Financial Statements**

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

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

As is the case with many small and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process.

Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control. As a result of this condition, the government lacks internal control over the preparation of financial statements in accordance with GAAP.

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

Client's Response:

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

*With the existing expertise already within the County's Auditor's Office, the Human Services Department, the Public Health Department, the Road and Bridge Department, and with the planned addition of another accounting position, Otter Tail County will be positioned to prepare its annual financial statements in accordance with generally accepted accounting principles and will have individuals who are adequately trained to review, understand and approve the County's financial statements, including notes.*

06-2 Audit Adjustments

A control deficiency exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions to prevent or detect misstatements of the financial statements on a timely basis. Statement on Auditing Standards (SAS) No. 112 states that one control deficiency that typically is considered at least a significant deficiency is the restatement of previously issued financial statements to correct a material misstatement or the identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls, even if management subsequently corrects the misstatement.

During our audit, we proposed numerous adjustments that resulted in significant changes to the County's financial statements. The County provides a cash basis general ledger and supporting schedules necessary to adjust to the modified accrual basis for fund level financial statements and to the full accrual basis for the government-wide financial statements. However, audit adjustments were necessary in the governmental funds to properly reflect expenditures in the Capital Improvement Special Revenue Fund for capital purchases paid by other funds. Adjustments were made in the Road and Bridge Special Revenue Fund to: (a) reclassify revenues to properly report town road allotments and other state revenues, and (b) record additional receivables and deferred revenue, including state-aid highway project allotments, and the local share of joint projects. An adjustment was made to record the escrow activity in the Veterans Home Debt Service Fund. For several funds, adjustments were made to reclassify fund balances for reserves and designations, reclassify state aids and credits, reclassify principal and interest on debt, and reduce revenues and expenditures for reimbursements of shared expenditures. Adjustments were also necessary to recognize accrued interest and adjust investments to fair value. Audit adjustments were made to the proprietary fund to reclassify revenue, reclassify and correct capital assets, reclassify net assets for restrictions due to estimated landfill closure and postclosure costs and investment in capital assets, reflect a prior period adjustment, and reclassify revenue as an extraordinary item for a court settlement. Audit adjustments were also necessary to adjust modified accrual financial statements to the full accrual basis for the government-wide financial statements.

Several of the adjustments resulted from the County posting receipts and disbursements to balance sheet accounts to track amounts for reserves and designations. Other adjustments resulted from the County moving revenues and expenditures in and out of the Capital Improvement Special Revenue Fund. In addition, the County relies on its external auditors to calculate the receivable and deferred revenue for state-aid highway projects.

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

We recommend the County establish review procedures to ensure all postings to the general ledger and supporting schedules are accurate and complete. To reduce audit entries, we further recommend the County follow COFARS, discontinue the practice of posting revenues and expenditures to balance sheet accounts, reduce adjustments necessary for moving revenues and expenditures in and out of the Capital Improvement Special Revenue Fund by making the original transaction in the proper fund, and make use of the system's accrual codes to post year-end payables and receivables.

**Client's Response:**

*Otter Tail County Management, Otter Tail County Auditor and the Otter Tail County Auditor's staff will work to reinforce existing procedures and to implement new and/or improved procedures to ensure all postings to the account activities report are accurate and complete. In addition, aggressive steps will be taken to eliminate the remaining balance sheet accounts that are being used to track reserves and designations. IFS accrual codes will be used beginning with the calendar year ending December 31, 2007. Efforts will be made to bring those portions of the chart of accounts which are not in compliance with COFARS into compliance. In addition, IFS monthly financial reports will be reviewed at a more detailed level to help ensure that all financial transactions are being posted to the proper accounts.*

**PREVIOUSLY REPORTED ITEM RESOLVED**

**Public Health Nurse Receipting Procedures (05-1)**

During our review of the Public Health Nurse Department receipting procedures, we noted that receipts were not being written as money was collected, were not being accounted for, were not kept intact, and were not being turned in on a timely basis.

**Resolution**

In 2007, receipting procedures were improved in the Public Health Nurse Department. The account technician now opens all mail; support staff receipt all checks, the Financial Manager does the deposit; and the account technician enters all payments for services into the system. Receipts are written by support staff upon collection. An Excel log is maintained of all receipts written, and each deposit has its own log of receipt numbers. Receipt books with separate numbering systems are used for the New York Mills office, the Fergus Falls office, and for the out clinics. The New York Mills office is now turning in receipts to the Fergus Falls office weekly.

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

None.

#### IV. OTHER FINDINGS AND RECOMMENDATIONS

##### A. MINNESOTA LEGAL COMPLIANCE

##### PREVIOUSLY REPORTED ITEMS NOT RESOLVED

##### 02-2 Depository Pledge Agreements - Release of Collateral

The depository pledge agreements with Bank of the West and Farmers and Merchants State Bank provide the banks at least three business days and an opportunity to cure the default before the custodian can release the collateral in the event of a default.

Minn. Stat. § 118A.03, subd. 4, provides any collateral pledged shall be accompanied by a written assignment that states, upon default, the financial institution shall release to the government entity on demand, free of exchange or any other charges, the collateral pledged.

We recommend that the County Treasurer work with Bank of the West and Farmers and Merchants State Bank on making the necessary changes to the depository pledge agreement to be in compliance with Minn. Stat. § 118A.03, subd. 4.

##### Client's Response:

*The Otter Tail County Treasurer is aware of this concern and is in the process of working with the appropriate financial institutions to resolve the issue.*

##### 02-3 Collateral Assignments and Substitutions

Wells Fargo Bank and Security State Bank have changed their procedures for notifying the County Treasurer of the assignment and substitution of collateral pledged to secure deposits. The new procedures provide only a monthly collateral pledge report summarizing the collateral pledged.

Following the provisions of Minn. Stat. § 118A.03, subd. 5., “a financial institution may withdraw excess collateral or substitute other collateral after giving written notice to the governmental entity and receiving confirmation. The authority to return any delivered and assigned collateral rests with the governmental entity.”

We recommend that the County Treasurer notify the banks of the requirements under Minn. Stat. § 118A.03, subd. 5., to provide written notice to the County prior to withdrawal or substitution of collateral.

**Client's Response:**

*The Otter Tail County Treasurer is aware of this concern and is in the process of working with the appropriate financial institutions to resolve the issue.*

**PREVIOUSLY REPORTED ITEM RESOLVED**

**Cash Overdraft (05-2)**

The Lead Hazard Control Grant Fund had a cash overdraft of \$22,828 at December 31, 2005.

**Resolution**

The Lead Hazard Control Grant Fund had a \$0 cash balance at December 31, 2006.

**B. MANAGEMENT PRACTICES**

**PREVIOUSLY REPORTED ITEM NOT RESOLVED**

**05-3 Uniform and Clothing Allowances**

County employees who are covered either by a union contract or the personnel policy are entitled to a uniform or clothing allowance, as stipulated in the contract or personnel policy. The policies regarding uniform or clothing allowances differ among the various contracts and the personnel policy. Our review of County expenditures found that staff within the Building and Plant Department are reimbursed for items that do not comply with the current policies. In addition, our review noted some items purchased within the Sheriff's Department and the County Jail that may comply with the respective contract or policy, but may not comply with Internal Revenue Service (IRS) regulations regarding purchases of work clothing.

Federal law has long distinguished between non-deductible personal clothing and deductible work clothing. For employees who wear uniforms, the cost of the uniform is deductible only if the uniform is (1) specifically required as a condition of employment, and (2) not of a type adaptable to general usage as ordinary clothing.

See, for example, *Pevsner v. Commissioner*, 628 F.2d 467 (5th Cir. 1980); Rev. Rul. 70-474, 1970-2 C.B. 34; Mimeograph 6463, C.B. 1950-1; IRS Publication 529 (2004). This longstanding distinction is mandatory for tax reporting. If any non-deductible clothing is reimbursed, the expenditure is income and must be included as such on the employee's W-2 (Wage and Tax Statement).

For public employers, the distinction between personal and reimbursable work clothing is important because, while public employers may reimburse officers and employees for valid government expenditures, they lack authority to purchase personal items for officers or employees. Government entities may not make donations or gifts to people, non-profits, charities, etc., unless based on specific statutory or charter authority. See, for example, *Ops. Att'y. Gen.* 59a-3 (Aug. 19, 1947), 442a-17 (Jan. 17, 1938), 59-A-3 (May 21, 1948) and (Sept. 28, 1933). Similarly, a government entity cannot provide in-kind benefits to employees unless specific statutory authority exists for the benefit. See *Ops. Att'y. Gen.* 359b (Oct. 24, 1989) and 61b-12 (Jan. 24, 1989). Public employers should not purchase personal items for employees, including luggage, horseshoe buckle, men's watch, jeans, athletic shoes, polo shirts, tee shirts, socks, and briefs.

We recommend that the County discontinue reimbursing staff for personal clothing. W-2 statements prepared for 2007 should include amounts reimbursed for clothing that does not qualify as work clothing under IRS regulations. We further recommend the County Board review the various policies regarding uniform and clothing allowances and address the following items:

- the positions entitled to uniform or clothing allowances,
- the maximum dollar amount allowed for each person, and
- the specific clothing items to be allowed for reimbursement, and
- documentation needed to verify if purchase is taxable or not.

**Client's Response:**

*Otter Tail County management is addressing this issue.*

C. OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting for OPEB plans, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. These standards, similar to what GASB Statements 25 and 27 did for government employee pension benefits and plans, provide the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees, such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new GASB statements, accounting for OPEB is now similar to the accounting used by governments for pension plans.

Some of the issues that the County Board will need to address in order to comply with the statements are:

- determine if employees are provided OPEB;
- if OPEB are being provided, the County Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided, and the County Board determines that the establishment of a trust is desirable in order to fund the OPEB, the County Board will have to wait until legislation is enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard; and
- in order to determine annual costs and liabilities that need to be recognized, the County Board will have to decide whether to hire an actuary.



If applicable for Otter Tail County, GASB Statements 43 and 45 would be implemented for the years ending December 31, 2007 and 2008, respectively.

**Client's Response:**

*On Tuesday, August 14, 2007, the Otter Tail County Board of Commissioners took the following action:*

**Actuarial Evaluation**

*Motion by Erickson, second by Block, and unanimously carried to accept the proposal of Hildi Incorporated, at a base fee of \$6,200.00, for an actuarial valuation of Otter Tail County's GASB 45 liability for Other Post Employment Benefits (OPEB).*

*Information from the County and the County's claim administrator has been submitted to Hildi Incorporated for the actuarial study.*

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

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

Board of County Commissioners  
Otter Tail County

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Otter Tail County as of and for the year ended December 31, 2006, and have issued our report thereon dated December 28, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination

of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-6, 96-7, 06-1, and 06-2 to be significant deficiencies in internal control over financial reporting

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

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

#### Compliance and Other Matters

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

#### Minnesota Legal Compliance

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

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

The results of our tests indicate that, for the items tested, Otter Tail County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as items 02-2 and 02-3.

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

Otter Tail County's written responses to the significant deficiencies, material weakness, legal compliance, management practice findings, and other item for consideration identified in our audit have not been subjected to any auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

December 28, 2007

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

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

Board of County Commissioners  
Otter Tail County

#### Compliance

We have audited the compliance of Otter Tail County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. Otter Tail County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Otter Tail County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

#### Internal Control Over Compliance

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

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

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

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

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Otter Tail County as of and for the year ended December 31, 2006, and have issued our report thereon dated December 28, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of



additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

December 28, 2007

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 14**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<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	\$ 209,155
Passed Through Minnesota Department of Human Services State Administrative Matching Grant for the Food Stamp Program	10.561	17,134
<b>Total U.S. Department of Agriculture</b>		<b>\$ 226,289</b>
<b>U.S. Department of Housing and Urban Development</b>		
Passed Through Minnesota Department of Employment and Economic Development Community Development Block Grant	14.228	\$ 237,392
Lead-Based Paint Hazard Control Program	14.900	107,366
<b>Total U.S. Department of Housing and Urban Development</b>		<b>\$ 344,758</b>
<b>U.S. Department of Justice</b>		
Passed Through Minnesota Department of Public Safety Juvenile Justice and Delinquency Prevention Program	16.540	\$ 1,349
Enforcing Underage Drinking Laws	16.727	2,100
<b>Total U.S. Department of Justice</b>		<b>\$ 3,449</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	20.005	\$ 24,834
Recreational Trails Program	20.219	8,823
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	269,664
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	33,331
Alcohol Traffic Safety and Drunk Driving Prevention	20.601	6,926
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	420
<b>Total U.S. Department of Transportation</b>		<b>\$ 343,998</b>
<b>U.S. Department of Education</b>		
Passed Through Minnesota Department of Health Special Education Grants for Infants and Families with Disabilities	84.181	<b>\$ 2,504</b>
<b>U.S. Election Assistance Commission</b>		
Passed Through Minnesota Secretary of State Help America Vote Act Requirements Payments	90.401	<b>\$ 561,271</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 14**  
**(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Commerce		
Low-Income Home Energy Assistance	93.568	\$ 287,487
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	17,950
Temporary Assistance for Needy Families (TANF)	93.558	334,009
Child Care Mandatory and Matching Funds	93.596	521,538
Alternative Response	93.645	25,711
Foster Care Title IV-E	93.658	125,657
Title XX Social Services Block Grant	93.667	411,001
Chafee Foster Care Independent Living	93.674	4,891
Community Mental Health Services Block Grants	93.958	14,808
Passed Through Minnesota Department of Health		
Center for Disease Control and Prevention	93.283	84,293
Maternal and Child Health Services Block Grant	93.994	66,883
Passed Through West Central Area Agency on Aging		
Title III-B Special Programs for the Aging	93.044	64,598
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 1,958,826</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety		
State Domestic Preparedness Equipment Support Grant	97.004	\$ 8,736
Hazard Mitigation Grant	97.039	2,489
Homeland Security Grant	97.067	20,202
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 31,427</b>
<b>Total Federal Awards</b>		<b>\$ 3,472,522</b>

**Notes to Schedule of Expenditures of Federal Awards**

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Otter Tail County. The County's reporting entity is defined in Note 1 to the financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting. Under the modified accrual basis, expenditures do not always equal grant revenue due to timing differences.
3. Pass-through grant numbers were not assigned by the pass-through agencies.
4. Otter Tail County did not pass any federal awards to subrecipients.