

# **STATE OF MINNESOTA**

## **Office of the State Auditor**



**Patricia Anderson**  
**State Auditor**

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

**YEAR ENDED DECEMBER 31, 2004**

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

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

**Tax Increment Financing, Investment and Finance** - 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 Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Year Ended December 31, 2004**



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

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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FERGUS FALLS, MINNESOTA**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**ORGANIZATION  
DECEMBER 31, 2004**

			<u>Term Expires</u>
<b>Elected</b>			
Commissioners			
Chair	Syd Nelson	District 1	January 2005
Board Member	Malcolm K. Lee	District 2	January 2007
Board Member	Dennis Mosher	District 3	January 2005
Board Member	Roger Froemming	District 4	January 2007
Vice Chair	Robert Block	District 5	January 2005
Attorney	David Hauser		January 2007
Auditor	Wayne Stein		January 2007
Treasurer	Steve Andrews		January 2007
County Recorder	Wendy Metcalf		January 2007
County Sheriff	Brian Schlueter		January 2007
<b>Appointed</b>			
Assessor	Robert Moe (1)		December 2004
County Engineer	Richard West		May 2006
Medical Examiner	Dr. Gregory Smith		Indefinite
County Coordinator	Larry Krohn		Indefinite
Veterans Service Officer	Jourdan Sullivan		Indefinite
<b>Human Services</b>			
Board			
Member	Dennis Mosher		January 2007
Vice Chair	Robert Block		January 2007
Member	Roger Froemming		January 2007
Member	Malcolm K. Lee		January 2007
Chair	Syd Nelson		January 2007
Welfare Director	John Dinsmore		Indefinite
Probation Officer	Charles W. Kitzman		Indefinite
Public Health Director	Diane Thorson		Indefinite

(1) Effective January 1, 2005, Robert Moe was reappointed as Assessor for another 4-year term.

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# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON  
STATE AUDITOR

### 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, 2004, 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, 2004, 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 listed in the table of contents is presented for purposes of additional analysis 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2005, 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/Pat Anderson

PATRICIA ANDERSON  
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: September 22, 2005



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

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2004  
(Unaudited)**

**INTRODUCTION**

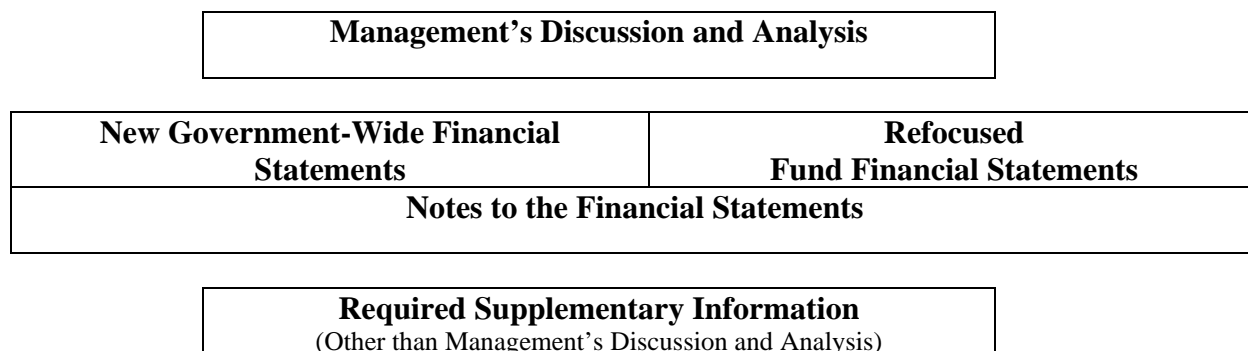
Otter Tail County's Management's Discussion and Analysis (MD&A) provides an overview of Otter Tail County's financial activities for the fiscal year ended December 31, 2004. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it 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 \$106,672,590, of which Otter Tail County has invested \$81,255,345 in capital assets, net of related debt; and \$3,272,813 is restricted to specific purposes/uses by Otter Tail County.
- Business-type activities have total net assets of \$9,072,343. Invested in capital assets, net of related debt represents \$4,270,921 of the total; \$185,437 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 \$115,744,933 for the year ended December 31, 2004. Invested in capital assets, net of related debt represents \$85,526,266 of the total, \$3,458,250 of the total net assets are restricted for specific uses and \$26,760,417 is unrestricted.
- The net cost of Otter Tail County's governmental activities for the year ended December 31, 2004, was \$20,046,015. General property tax revenues and other revenue sources totaling \$22,374,810 funded Otter Tail County's total net cost of \$20,046,015.
- Otter Tail County's governmental funds' fund balances increased by \$1,464,219. Most of the increase was due to an increase in charges for services in the Road and Bridge fund and the issuance of 2004 Veterans Home refunding Bonds of \$1,050,000.
- During the year ending December 31, 2004, Otter Tail County issued 2004 Veterans Home Refunding Bonds of \$1,050,000, which will be used to pay the balance of debt on the 1996 G.O. Veterans Home Bonds and secure a lower interest rate for the County.

## OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

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

The 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 non-financial 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, 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 of these reports.

## **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 other funds designated for a specific purpose. Otter Tail County's three kinds of funds--governmental, proprietary, and fiduciary--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 Otter Tail 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 governmental-wide statements but provides more detail and additional information, such as cash flows.
- Otter Tail County acts as an agent over assets that Otter Tail 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 Otter Tail 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 the *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, 2004, were \$115,744,933. Otter Tail County's analysis below 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	
	2004	2003	2004	2003	2004	2003
<b>Assets</b>						
Current and other assets	\$ 34,626,456	\$ 33,369,990	\$ 6,162,252	\$ 6,013,534	\$ 40,788,708	\$ 39,383,524
Capital assets	90,878,263	88,419,278	4,270,921	3,974,529	95,149,184	92,393,807
<b>Total Assets</b>	<b>\$ 125,504,719</b>	<b>\$ 121,789,268</b>	<b>\$ 10,433,173</b>	<b>\$ 9,988,063</b>	<b>\$ 135,937,892</b>	<b>\$ 131,777,331</b>
<b>Liabilities</b>						
Long-term debt outstanding	\$ 12,195,000	\$ 11,210,000	\$ -	\$ -	\$ 12,195,000	\$ 11,210,000
Other liabilities	6,637,129	5,877,112	1,360,830	1,224,484	7,997,959	7,101,596
<b>Total Liabilities</b>	<b>\$ 18,832,129</b>	<b>\$ 17,087,112</b>	<b>\$ 1,360,830</b>	<b>\$ 1,224,484</b>	<b>\$ 20,192,959</b>	<b>\$ 18,311,596</b>
<b>Net Assets</b>						
Invested in capital assets, net of debt	\$ 81,255,345	\$ 79,309,502	\$ 4,270,921	\$ 1,270,355	\$ 85,526,266	\$ 80,579,857
Restricted	3,272,813	3,598,127	185,437	93,138	3,458,250	3,691,265
Unrestricted	22,144,432	21,794,527	4,615,985	7,400,086	26,760,417	29,194,613
<b>Total Net Assets</b>	<b>\$ 106,672,590</b>	<b>\$ 104,702,156</b>	<b>\$ 9,072,343</b>	<b>\$ 8,763,579</b>	<b>\$ 115,744,933</b>	<b>\$ 113,465,735</b>

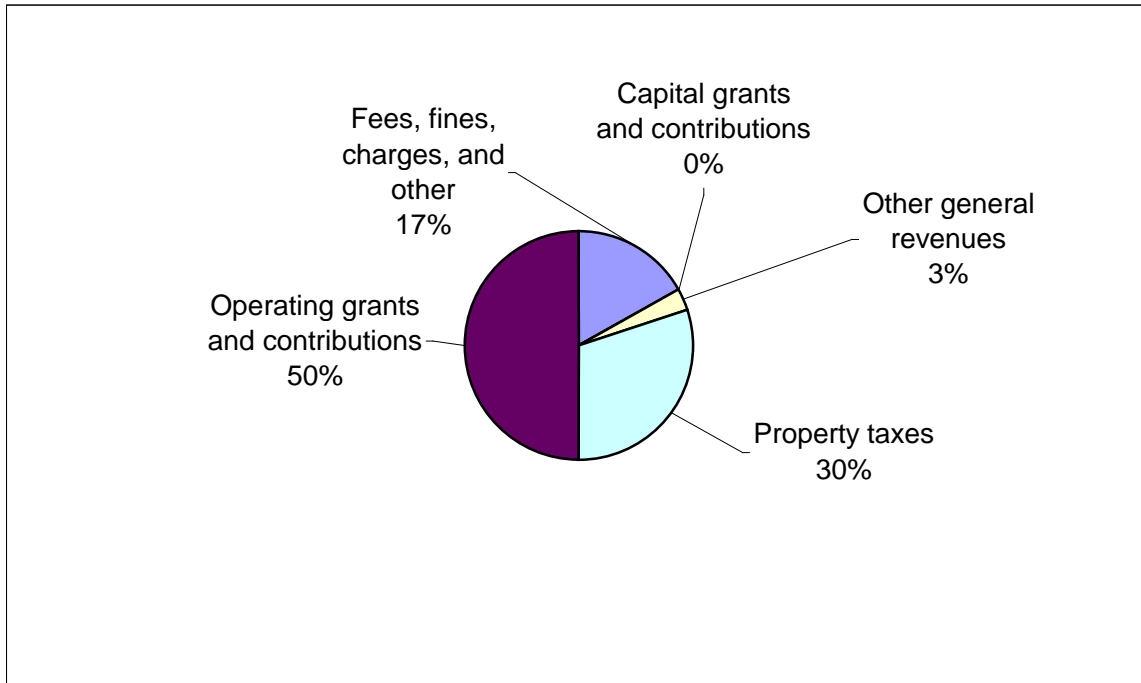
Otter Tail County's total net assets for the year ended December 31, 2004, is \$115,744,933. Unrestricted net assets totaling \$26,760,417 are available to Otter Tail County to finance day-to-day operations. Of the unrestricted net assets, \$22,144,432 are available for governmental activities; and \$4,615,985 are available for business-type activities.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Revenues						
Program revenues						
Fees, fines, charges, and other	\$ 4,669,758	\$ 4,572,160	\$ 4,655,573	\$ 4,332,663	\$ 9,325,331	\$ 8,904,823
Operating grants and contributions	21,387,217	22,040,291	298,320	336,536	21,685,537	22,376,827
Capital grants and contributions	4,508	22,501	21,768	-	26,276	22,501
General revenues						
Property taxes	16,129,883	14,224,313	-	-	16,129,883	14,224,313
Other taxes	296,966	332,776	-	-	296,966	332,776
Grants and contributions	4,868,176	5,011,091	-	-	4,868,176	5,011,091
Other general revenues	1,079,785	698,867	39,993	120,167	1,119,778	819,034
Total Revenues	\$ 48,436,293	\$ 46,901,999	\$ 5,015,654	\$ 4,789,366	\$ 53,451,947	\$ 51,691,365
Expenses						
Program expenses						
General government	\$ 8,799,329	\$ 8,497,285	\$ -	\$ -	\$ 8,799,329	\$ 8,497,285
Public safety	7,769,008	7,189,938	-	-	7,769,008	7,189,938
Highways and streets	10,599,157	7,951,117	-	-	10,599,157	7,951,117
Human services	15,517,177	16,680,809	-	-	15,517,177	16,680,809
Health	1,714,076	1,651,255	-	-	1,714,076	1,651,255
Culture and recreation	491,141	551,740	-	-	491,141	551,740
Conservation of natural resources	542,476	601,704	-	-	542,476	601,704
Economic development	123,955	110,322	-	-	123,955	110,322
Interest	551,179	547,811	-	-	551,179	547,811
Landfill	-	-	4596,773	4,560,289	4,596,773	4,560,289
Total Program Expenses	\$ 46,107,498	\$ 43,781,981	\$ 4,596,773	\$ 4,560,289	\$ 50,704,271	\$ 48,342,270
Increase (Decrease) in Net Assets	\$ 2,328,795	\$ 3,120,018	\$ 418,881	\$ 229,077	\$ 2,747,676	\$ 3,349,095

Otter Tail County's total revenues for the year ended December 31, 2004, were \$53,451,947. The total cost of Otter Tail County programs and services for the year ended December 31, 2004, was \$50,704,271. The net assets for Otter Tail County's Governmental Activities increased by \$2,328,795, which is due mainly to an increase in charges for services in the Road and Bridge Fund and the issuance of 2004 Veterans Home refunding bonds in the amount of \$1,050,000.

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



**Governmental Activities**

Revenues for Otter Tail County's governmental activities for the year ended December 31, 2004, were \$48,436,293. Otter Tail County's costs for all governmental activities for the year ended December 31, 2004, was \$46,107,498. As shown in Otter Tail County's Statement of Activities, the amount that Otter Tail County taxpayers ultimately financed for these governmental activities through local property taxation was \$16,129,883 because \$4,669,758 of the cost was paid by those who directly benefited from the programs, and \$21,391,725 was paid by other governments and organizations that subsidized certain programs with grants and contributions. Otter Tail County paid for the remaining "public benefit" portion of governmental activities with \$6,244,927 in general revenues, primarily grants and contributions, which were not restricted to specific programs or services and with other revenues, such as interest income, mortgage registration tax, and deed tax.

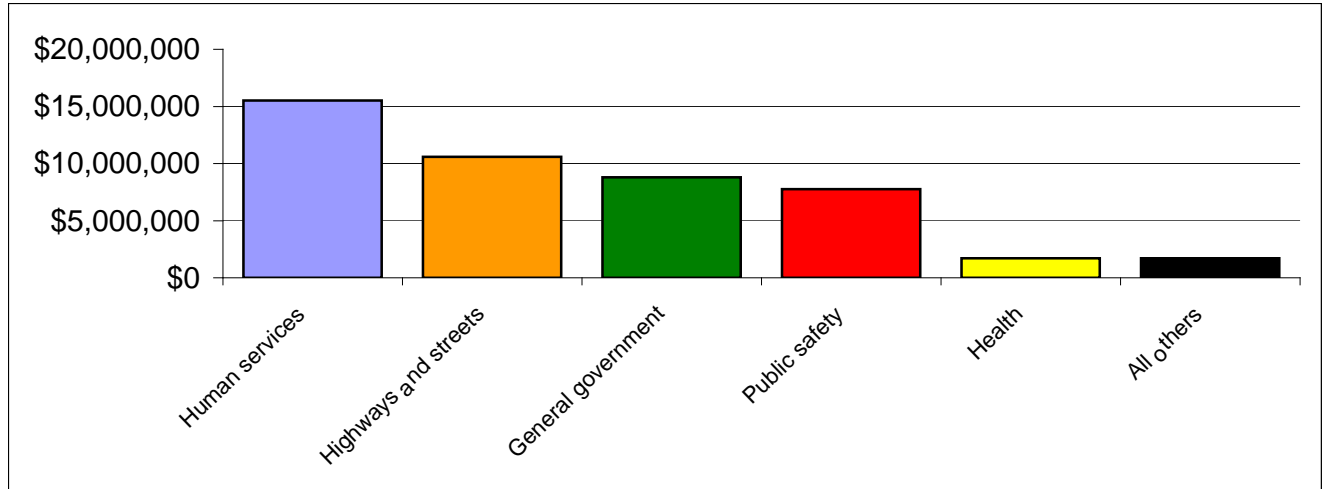
Table 3 presents the cost of each of Otter Tail County's five largest program functions, as well as each function's net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Otter Tail County's taxpayers by each of these functions.



**Table 3  
Governmental Activities**

	Total Cost of Services 2004	Net Cost of Services 2004
Program Expenses		
Human services	\$ 15,517,177	\$ 5,863,832
Highways and streets	10,599,157	(880,720)
General government	8,799,329	6,996,197
Public safety	7,769,008	6,207,214
Health	1,714,076	585,662
All others	1,708,751	1,273,830
Total Program Expenses	\$ 46,107,498	\$ 20,046,015

**Governmental Activities Expenses  
2004**



### **Business-Type Activities**

Revenues of Otter Tail County's business-type activities (see Table 2) for the year ended December 31, 2004, were \$5,015,654. Expenses of Otter Tail County's business-type activities (see Table 2) for the year ended December 31, 2004 were \$4,596,773. This compares with total operating revenues of \$4,332,663 and with total non-operating revenues of \$456,703 for the year ended December 31, 2003. Increased fees and charges for services provided were the main reasons for the increase in revenues. Operating expenses were \$4,560,289 for the year ended December 31, 2003. An increase in the SCORE (recycling) costs was the main reason for the increase in total expenses from 2003 to 2004.

## **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 \$26,305,859, which is above last year's total of \$24,841,640.

The majority of this increase of \$1,464,219 is due to an increase in the Road and Bridge Fund balance of \$1,165,538 and in the other governmental funds' balances of \$1,609,854 due, respectively, in most part to increases in charges for services and to the issuance of refunding bonds for the Veteran's Home. Included in this year's total fund balance is Otter Tail County's General Fund balance of \$9,500,269, which is a decrease of \$72,244 from 2003. The General Fund was originally budgeted with a decrease in fund balance of \$115,000. The majority of the General Fund balance is either reserved (\$367,820) or unreserved designated (\$8,733,481) for specific purposes. The largest decrease in governmental fund balances was in the Capital Improvement Fund. The Capital Improvement Fund balance decreased \$794,461. This decrease in the Capital Improvement Fund balance was due to the final completion of the Government Services Center in 2004. Funding for the Government Services Center expenditures was provided from the proceeds of bonds issued in 2002. The Human Services Fund had a decrease in fund balance of \$444,468, also due to an original budget plan to use \$840,028 of fund balance.

### **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 2004, the Otter Tail County Board of Commissioners did make budget revisions for revenue and expenditures due to receiving a Natural Resources block grant from the State of Minnesota and a budget revision to expenditures of \$1,500 for the cost of a County-owned building appraisal. When the Otter Tail County Board of Commissioners made changes to the budget as originally adopted on Tuesday, December 30, 2003, these budget amendments/revisions would have fallen into one of three categories: new information changing original budget estimations, greater than anticipated revenues or costs, and final agreement reached on employee contracts.

In Otter Tail County's General Fund, the actual revenues exceeded the budgeted revenues by \$243,683. Total actual expenditures in Otter Tail County's General Fund exceeded the budgeted expenditures by \$184,359. These overages were due mainly to various grants (civil defense, E911, etc.) that were not included in the budget but, were received and expended during the 2004 year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2004, Otter Tail County had \$95,149,184 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment (see Table 4 below). This amount represents a net increase (including additions and deductions) of \$2,865,494, or 3.11 percent, over last year.

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

	Governmental Activities		Business-Type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Land	\$ 2,249,122	\$ 2,075,962	\$ 37,127	\$ 37,127	\$ 2,286,249	\$ 2,113,089
Construction in progress	12,324,841	15,631,651	-	-	12,324,841	15,631,651
Land improvements	589,968	651,601	-	-	589,968	651,601
Buildings and improvements	13,616,448	13,816,900	1,701,090	1,522,178	15,317,538	15,339,078
Machinery, furniture, and equipment	3,656,263	3,886,381	862,464	615,992	4,518,727	4,502,373
Infrastructure	58,441,621	52,356,783	-	-	58,441,621	52,356,783
Landfill	-	-	1,670,240	1,689,115	1,670,240	1,689,115
Totals	<u>\$ 90,878,263</u>	<u>\$ 88,419,278</u>	<u>\$ 4,270,921</u>	<u>\$ 3,864,412</u>	<u>\$ 95,149,184</u>	<u>\$ 92,283,690</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 remodeling of the 505 South Court Street Building was begun in 2004, with anticipated completion in 2005.

Otter Tail County's fiscal year 2005 capital budget plans for the expenditure of another \$3,022,197 for equipment, vehicles, and remodeling and \$8,011,500 for road construction projects. Remodeling plans for the Courthouse will be considered in 2005 and, if approved, will require the use of available funds within the Capital Improvement Fund and/or the issuance of general obligation debt. The costs associated with completing the 505 South Court Street Building remodeling project are included in the \$3,022,197 figure noted above. 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, 2004, Otter Tail County had \$12,195,000 in bonds and notes outstanding compared with \$11,210,000 as of December 31, 2003--an increase of 8.79 percent--as shown in Table 5.

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

	Governmental Activities		Business-Type Activities		Primary Government	
	2004	2003	2004	2003	2004	2003
Bonds Payable						
General obligation bonds	\$ 2,200,000	\$ 1,215,000	\$ -	\$ -	\$ 2,200,000	\$ 1,215,000
Revenue bonds	9,995,000	9,995,000	-	-	9,995,000	9,995,000
Totals	<u>\$ 12,195,000</u>	<u>\$ 11,210,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,195,000</u>	<u>\$ 11,210,000</u>

Otter Tail County's general obligation bonds are rated an A2 and Otter Tail County's revenue bonds are rated an A3. These rating have been assigned by a national rating agency to Otter Tail County's debt. The state limits the amount of net debt that the 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 \$95,867,804 state-imposed limit.

Other obligations include capital leases, compensated absences, and landfill closure and postclosure 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 2005 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 action by the State of Minnesota has 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.
- The State of Minnesota continues to project a significant budget deficit. This was not resolved in the 2005 regular legislative session. It is anticipated that in 2006 Otter Tail County will see a reduction in County Program Aid by \$80,654 for 2006. The projected level of 2006 County Program Aid is \$2,549,709. This state aid is \$826,018 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. 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 2004 averaged 2.8 percent. Otter Tail County's unemployment rate for 2005 averaged 3.5 percent in October 2005. A modest increase; however, should the unemployment rate continue to increase, there could be an impact the level of services requested by Otter Tail County residents.
- County General Fund expenditures for 2005 are budgeted to increase 9.41 percent over 2004.
- The net property tax levies are planned to increase 12.3 percent from 2004.
- Planning and financing for facility needs and the possibility of a jail expansion project.
- Land development and regulation issues.
- A greater demand for services, which has resulted from the growth that Otter Tail County has been experiencing.
- Settling union contracts and employment-related issues will affect the 2005 budget.
- Reviewing revenues 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.

## **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) or Mitzi Pederson, Accounting Supervisor (218-998-8036), 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, 2004**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 24,694,055	\$ 4,767,425	\$ 29,461,480
Petty cash and change funds	12,100	18,540	30,640
Taxes receivable			
Current - net	208,966	-	208,966
Prior - net	108,368	-	108,368
Special assessments receivable			
Current - net	2,578	-	2,578
Prior - net	2,261	-	2,261
Deferred - net	86,080	-	86,080
Accounts receivable - net	342,988	284,852	627,840
Accrued interest receivable	60,446	-	60,446
Internal balances	118,501	(118,501)	-
Due from other governments	7,156,612	192,758	7,349,370
Inventories	273,842	-	273,842
Restricted assets			
Temporarily restricted			
Cash with escrow	1,518,798	-	1,518,798
Accrued interest receivable	466	-	466
Permanently restricted			
Cash and pooled investments	-	1,017,178	1,017,178
Deferred charges	40,395	-	40,395
Capital assets -			
Non-depreciable	14,573,963	37,127	14,611,090
Depreciable - net of accumulated depreciation	76,304,300	4,233,794	80,538,094
<b>Total Assets</b>	<b>\$ 125,504,719</b>	<b>\$ 10,433,173</b>	<b>\$ 135,937,892</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ 869,343	\$ 123,065	\$ 992,408
Salaries payable	109,035	3,970	113,005
Contracts payable	952,718	22,000	974,718
Due to other governments	211,845	157,214	369,059
Short term capital notes payable	465,000	-	465,000
Accrued interest payable	221,011	-	221,011
Unearned revenue	48,225	-	48,225
Judgment payable	109,779	-	109,779
Long-term liabilities			
Due within one year	1,452,505	55,172	1,507,677
Due in more than one year	14,392,668	999,409	15,392,077
<b>Total Liabilities</b>	<b>\$ 18,832,129</b>	<b>\$ 1,360,830</b>	<b>\$ 20,192,959</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

***EXHIBIT 1***

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2004**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Net Assets</u></b>			
Invested in capital assets - net of related debt	\$ 81,255,345	\$ 4,270,921	\$ 85,526,266
Restricted for			
General government	342,110	-	342,110
Highways and streets	2,811,363	-	2,811,363
Postclosure	-	185,437	185,437
Other purposes	119,340	-	119,340
Unrestricted	22,144,432	4,615,985	26,760,417
<b>Total Net Assets</b>	<b><u>\$ 106,672,590</u></b>	<b><u>\$ 9,072,343</u></b>	<b><u>\$ 115,744,933</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>
<b>Governmental activities</b>		
General government	\$ 8,799,329	\$ 1,373,858
Public safety	7,769,008	895,732
Highways and streets	10,599,157	998,402
Sanitation	-	90,949
Human services	15,517,177	850,170
Health	1,714,076	429,824
Culture and recreation	491,141	-
Conservation of natural resources	542,476	16,891
Economic development	123,955	13,932
Interest	551,179	-
<b>Total governmental activities</b>	<b>\$ 46,107,498</b>	<b>\$ 4,669,758</b>
<b>Business-type activities</b>		
Solid waste	4,596,773	4,655,573
<b>Total</b>	<b>\$ 50,704,271</b>	<b>\$ 9,325,331</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

**Total general revenues**

**Change in net assets**

**Net assets - beginning, as restated (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
\$ 426,125	\$ 3,149	\$ (6,996,197)	\$ -	\$ (6,996,197)
664,703	1,359	(6,207,214)	-	(6,207,214)
10,481,475	-	880,720	-	880,720
-	-	90,949	-	90,949
8,803,175	-	(5,863,832)	-	(5,863,832)
698,590	-	(585,662)	-	(585,662)
82,088	-	(409,053)	-	(409,053)
225,383	-	(300,202)	-	(300,202)
5,678	-	(104,345)	-	(104,345)
-	-	(551,179)	-	(551,179)
<b>\$ 21,387,217</b>	<b>\$ 4,508</b>	<b>\$ (20,046,015)</b>	<b>\$ -</b>	<b>\$ (20,046,015)</b>
298,320	21,768	-	378,888	378,888
<b>\$ 21,685,537</b>	<b>\$ 26,276</b>	<b>\$ (20,046,015)</b>	<b>\$ 378,888</b>	<b>\$ (19,667,127)</b>
		\$ 15,147,833	\$ -	\$ 15,147,833
		982,050	-	982,050
		70,723	-	70,723
		67,148	-	67,148
		159,095	-	159,095
		4,868,176	-	4,868,176
		352,310	44,104	396,414
		679,383	-	679,383
		48,092	(4,111)	43,981
		<b>\$ 22,374,810</b>	<b>\$ 39,993</b>	<b>\$ 22,414,803</b>
		<b>\$ 2,328,795</b>	<b>\$ 418,881</b>	<b>\$ 2,747,676</b>
		<b>104,343,795</b>	<b>8,653,462</b>	<b>112,997,257</b>
		<b>\$ 106,672,590</b>	<b>\$ 9,072,343</b>	<b>\$ 115,744,933</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, 2004**

	<u>General</u>	<u>Road and Bridge</u>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 8,857,080	\$ 2,146,578
Petty cash and change funds	10,850	50
Undistributed cash in agency funds	206,697	19,023
Taxes receivable		
Current	125,684	11,802
Prior	53,768	7,113
Special assessments receivable		
Current	-	-
Prior	-	-
Deferred	-	-
Accounts receivable	139,028	13,422
Accrued interest receivable	60,446	-
Due from other funds	150,774	6,276
Due from other governments	352,703	5,628,154
Inventories	-	273,842
Advances to other funds	106,130	-
Restricted assets		
Temporarily restricted		
Cash and pooled investments	-	-
Accrued interest receivable	-	-
<b>Total Assets</b>	<b>\$ 10,063,160</b>	<b>\$ 8,106,260</b>

**EXHIBIT 3**

<b>Human Services</b>	<b>Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 7,497,333	\$ 4,821,003	\$ 1,001,981	\$ 24,323,975
200	-	1,000	12,100
97,518	17,380	29,462	370,080
61,249	10,231	-	208,966
37,289	9,809	389	108,368
-	229	2,349	2,578
-	1,170	1,091	2,261
-	-	86,080	86,080
188,723	-	1,815	342,988
-	-	-	60,446
-	100,168	66,280	323,498
1,153,955	12,935	8,865	7,156,612
-	-	-	273,842
-	-	-	106,130
-	507,558	1,011,240	1,518,798
-	466	-	466
<b>\$ 9,036,267</b>	<b>\$ 5,480,949</b>	<b>\$ 2,210,552</b>	<b>\$ 34,897,188</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	<u>General</u>	<u>Road and Bridge</u>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 224,916	\$ 114,004
Salaries payable	38,581	61,344
Contracts payable	-	564,632
Due to other funds	103,803	28,004
Due to other governments	20,288	8,192
Short term capital notes payable	-	-
Deferred revenue - unavailable	175,303	4,885,413
Deferred revenue - unearned	-	-
Advance from other funds	-	-
<b>Total Liabilities</b>	<b>\$ 562,891</b>	<b>\$ 5,661,589</b>
<b>Fund Balances</b>		
Reserved for		
Encumbrances	\$ -	\$ -
Inventories	-	273,842
Advances to other funds	106,130	-
Real estate tax shortfall	101,159	-
State aid highway projects	-	232,555
Missing heirs	119,340	-
Recorder's equipment purchases	41,191	-
Veterans' van	-	-
Unreserved		
Designated for cash flows	2,641,319	-
Designated for future expenditures	-	-
Designated for compensated absences	1,826,408	496,401
Designated for interest income generation	3,971,445	-
Designated for property and casualty insurance	197,872	105,952
Designated for equipment replacement	5,495	-
Designated for workers' compensation	86,930	111,735
Designated for veterans' van operations	4,012	-
Designated for E-911	-	-
Undesignated	398,968	1,224,186
Unreserved, reported in nonmajor		
Special revenue funds	-	-
Debt services funds	-	-
<b>Total Fund Balances</b>	<b>\$ 9,500,269</b>	<b>\$ 2,444,671</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 10,063,160</b>	<b>\$ 8,106,260</b>

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

<b>Human Services</b>	<b>Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 491,931	\$ 16,391	\$ 21,928	\$ 869,170
9,110	-	-	109,035
-	388,086	-	952,718
20,420	20,422	32,521	205,170
177,215	-	6,150	211,845
-	465,000	-	465,000
459,249	16,229	87,842	5,624,036
48,225	-	-	48,225
-	-	106,130	106,130
<b>\$ 1,206,150</b>	<b>\$ 906,128</b>	<b>\$ 254,571</b>	<b>\$ 8,591,329</b>
\$ -	\$ 684,677	\$ -	\$ 684,677
-	-	-	273,842
-	-	-	106,130
-	-	-	101,159
-	-	-	232,555
-	-	-	119,340
-	-	-	41,191
-	15,083	-	15,083
-	-	-	2,641,319
-	500,000	-	500,000
1,191,782	-	-	3,514,591
-	-	-	3,971,445
42,889	-	-	346,713
-	-	-	5,495
38,503	-	-	237,168
-	-	-	4,012
-	252,622	-	252,622
6,556,943	3,122,439	-	11,302,536
-	-	(14,061)	(14,061)
-	-	1,970,042	1,970,042
<b>\$ 7,830,117</b>	<b>\$ 4,574,821</b>	<b>\$ 1,955,981</b>	<b>\$ 26,305,859</b>
<b>\$ 9,036,267</b>	<b>\$ 5,480,949</b>	<b>\$ 2,210,552</b>	<b>\$ 34,897,188</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, 2004**

<b>Fund balances - total governmental funds (Exhibit 3)</b>		<b>\$ 26,305,859</b>
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.		90,878,263
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		5,624,036
Judgments payable are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(109,779)
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	\$ (2,200,000)	
Revenue bonds	(9,995,000)	
Capital leases	(135,942)	
Compensated absences	(3,514,231)	
Deferred charges	40,395	
Accrued interest payable	(221,011)	(16,025,789)
<b>Net assets of governmental activities (Exhibit 1)</b>		<b><u>\$ 106,672,590</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Road and Bridge</u>
<b>Revenues</b>		
Taxes	\$ 8,537,749	\$ 899,408
Special assessments	-	-
Licenses and permits	641,328	-
Intergovernmental	3,831,556	10,486,688
Charges for services	1,309,662	853,323
Fines and forfeits	62,613	-
Gifts and contributions	12,650	-
Interest on investments	302,769	-
Miscellaneous	925,415	127,274
<b>Total Revenues</b>	<b>\$ 15,623,742</b>	<b>\$ 12,366,693</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 8,132,190	\$ -
Public safety	6,332,018	-
Highways and streets	-	10,310,904
Human services	-	-
Health	-	-
Culture and recreation	502,128	-
Conservation of natural resources	522,207	-
Economic development	118,450	-
<b>Intergovernmental</b>		
Highways and streets	-	891,841
<b>Capital outlay</b>	-	-
<b>Debt service</b>		
Principal retirement	60,200	-
Interest	8,793	-
Bond issuance costs	-	-
<b>Total Expenditures</b>	<b>\$ 15,675,986</b>	<b>\$ 11,202,745</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (52,244)</b>	<b>\$ 1,163,948</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ -	\$ -
Transfers out	(20,000)	-
Proceeds from sale of capital assets	-	-
Refunding bonds issued	-	-
Compensation for loss of capital assets	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (20,000)</b>	<b>\$ -</b>



**EXHIBIT 5**

<b>Human Services</b>	<b>Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 4,676,691	\$ 1,201,940	\$ 984,088	\$ 16,299,876
-	1,359	35,652	37,011
-	-	-	641,328
11,112,832	364,600	194,502	25,990,178
815,457	-	-	2,978,442
-	-	67,549	130,162
-	1,550	-	14,200
-	52,690	-	355,459
516,374	-	20,643	1,589,706
<b>\$ 17,121,354</b>	<b>\$ 1,622,139</b>	<b>\$ 1,302,434</b>	<b>\$ 48,036,362</b>
\$ -	\$ 224,967	\$ 65,869	\$ 8,423,026
710,569	306,030	8,130	7,356,747
-	886,082	-	11,196,986
15,276,139	47,364	-	15,323,503
1,579,114	41,063	-	1,620,177
-	101,303	-	603,431
-	-	26,754	548,961
-	-	5,505	123,955
-	-	-	891,841
-	837,341	-	837,341
-	28,296	65,000	153,496
-	6,746	536,427	551,966
-	5,500	34,895	40,395
<b>\$ 17,565,822</b>	<b>\$ 2,484,692</b>	<b>\$ 742,580</b>	<b>\$ 47,671,825</b>
<b>\$ (444,468)</b>	<b>\$ (862,553)</b>	<b>\$ 559,854</b>	<b>\$ 364,537</b>
\$ -	\$ 20,000	\$ -	\$ 20,000
-	-	-	(20,000)
-	42,128	-	42,128
-	-	1,050,000	1,050,000
-	5,964	-	5,964
<b>\$ -</b>	<b>\$ 68,092</b>	<b>\$ 1,050,000</b>	<b>\$ 1,098,092</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Road and Bridge</u>
<b>Net Change in Fund Balances</b>	<b>\$ (72,244)</b>	<b>\$ 1,163,948</b>
Fund Balance - January 1, as previously reported	\$ 9,202,976	\$ 1,181,992
Prior period adjustments (Note 1.E)	369,537	97,141
<b>Fund Balance - January 1</b>	<b>\$ 9,572,513</b>	<b>\$ 1,279,133</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>\$ -</b>	<b>\$ 1,590</b>
<b>Fund Balance - December 31</b>	<b>\$ 9,500,269</b>	<b>\$ 2,444,671</b>

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

<b>Human Services</b>	<b>Capital Improvement</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<u>\$ (444,468)</u>	<u>\$ (794,461)</u>	<u>\$ 1,609,854</u>	<u>\$ 1,462,629</u>
\$ 7,948,044	\$ 5,369,282	\$ 346,127	\$ 24,048,421
326,541	-	-	793,219
<u>\$ 8,274,585</u>	<u>\$ 5,369,282</u>	<u>\$ 346,127</u>	<u>\$ 24,841,640</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,590</u>
<u><u>\$ 7,830,117</u></u>	<u><u>\$ 4,574,821</u></u>	<u><u>\$ 1,955,981</u></u>	<u><u>\$ 26,305,859</u></u>

**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, 2004**

**Net change in fund balances - total governmental funds (Exhibit 5)** **\$ 1,462,629**

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	\$ 5,624,036	
Deferred revenue - January 1, as restated	<u>(5,612,171)</u>	11,865

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	\$ 6,443,136	
Current year depreciation	<u>(3,984,151)</u>	2,458,985

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources. Neither transaction, however, has any effect on net assets. Issuance costs are reported as expenditures in the fund in the year incurred and are deferred and amortized in the statement of activities.

Refunding bonds issued	\$ (1,050,000)	
Bond issuance costs	<u>40,395</u>	(1,009,605)

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	\$ 65,000	
Capital lease	<u>88,496</u>	153,496

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	\$ 787	
Change in compensated absences	(641,173)	
Change in judgment payable	(109,779)	
Change in inventories	<u>1,590</u>	<u>(748,575)</u>

**Change in net assets of governmental activities (Exhibit 2)** **\$ 2,328,795**

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 7**

**STATEMENT OF NET ASSETS  
WASTE MANAGEMENT PROPRIETARY FUND  
DECEMBER 31, 2004**

**Assets**

Current assets	
Cash and pooled investments	\$ 4,697,770
Petty cash and change funds	18,540
Undistributed cash in agency funds	69,655
Accounts receivable - net	284,852
Due from other funds	5,402
Due from other governments	192,758
	<hr/>
Total current assets	<b>\$ 5,268,977</b>
Restricted assets	
Cash and pooled investments	<b>\$ 1,017,178</b>
Noncurrent assets	
Capital assets	
Nondepreciable	\$ 37,127
Depreciable - net	4,233,794
	<hr/>
Total noncurrent assets	<b>\$ 4,270,921</b>
<b>Total Assets</b>	<b><u>\$ 10,557,076</u></b>

**Liabilities**

Current liabilities	
Accounts payable	\$ 123,065
Salaries payable	3,970
Compensated absences payable - current	55,172
Contracts payable	22,000
Due to other funds	123,903
Due to other governments	157,214
	<hr/>
Total current liabilities	<b>\$ 485,324</b>
Noncurrent liabilities	
Compensated absences payable - long-term	\$ 167,668
Estimated liability for landfill closure/postclosure	831,741
	<hr/>
Total noncurrent liabilities	<b>\$ 999,409</b>
<b>Total Liabilities</b>	<b><u>\$ 1,484,733</u></b>

**Net Assets**

Invested in capital assets - net of related debt	\$ 4,270,921
Restricted for postclosure	185,437
Unrestricted	4,615,985
	<hr/>
<b>Total Net Assets</b>	<b><u>\$ 9,072,343</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 8**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
WASTE MANAGEMENT PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<b>Operating Revenues</b>	
Charges for services	\$ 4,128,095
Sale of recyclable materials	525,417
Miscellaneous	2,061
	<hr/>
<b>Total Operating Revenues</b>	<b>\$ 4,655,573</b>
	<hr/>
<b>Operating Expenses</b>	
SCORE	\$ 930,181
Waste management	1,402,727
Household hazardous waste	104,916
Processing costs	1,806,398
Depreciation	349,923
Landfill closure and postclosure costs	2,628
	<hr/>
<b>Total Operating Expenses</b>	<b>\$ 4,596,773</b>
	<hr/>
<b>Operating income (loss)</b>	<b>\$ 58,800</b>
	<hr/>
<b>Nonoperating Revenues (Expenses)</b>	
Intergovernmental	\$ 271,639
Interest income	70,785
Gain on sale/disposal of capital assets	(4,111)
Miscellaneous	21,768
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 360,081</b>
	<hr/>
<b>Change in Net Assets</b>	<b>\$ 418,881</b>
	<hr/>
<b>Net Assets - January 1</b>	<b>\$ 8,763,579</b>
<b>Prior period adjustment, Note 1.E.</b>	<b>(110,117)</b>
	<hr/>
<b>Net Assets - January 1 as restated</b>	<b>\$ 8,653,462</b>
	<hr/>
<b>Net Assets - December 31</b>	<b>\$ 9,072,343</b>
	<hr/>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
WASTE MANAGEMENT PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows from Operating Activities</b>	
Receipts from customers and users	\$ 4,614,745
Payments to suppliers	(2,992,482)
Payments to employees	(1,065,904)
	<hr/>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 556,359</b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Intergovernmental	\$ 268,889
	<hr/>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from the sale of capital assets	\$ 21,768
Purchases of capital assets	(781,248)
	<hr/>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ (759,480)</b>
<b>Cash Flows from Investing Activities</b>	
Investment earnings received	\$ 72,769
	<hr/>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 138,537</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>5,664,606</b>
	<hr/>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ 5,803,143</b>
	<hr/>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b>	
Operating income	\$ 58,800
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation expense	\$ 349,923
(Increase) decrease in accounts receivable	(7,074)
(Increase) decrease in due from other funds	1,155
(Increase) decrease in due from other governments	(34,909)
Increase (decrease) in accounts payable	79,152
Increase (decrease) in salaries payable	67
Increase (decrease) in compensated absences - current	2,260
Increase (decrease) in due to other funds	31,413
Increase (decrease) in due to other governments	24,768
Increase (decrease) in compensated absences - long-term	48,176
Increase (decrease) in landfill closure/postclosure costs	2,628
	<hr/>
<b>Total adjustments</b>	<b>\$ 497,559</b>
	<hr/>
<b>Net cash provided by operating activities</b>	<b>\$ 556,359</b>
	<hr/>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

***EXHIBIT 9***  
***(Continued)***

**STATEMENT OF CASH FLOWS  
WASTE MANAGEMENT PROPRIETARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004  
Increase (Decrease) in Cash and Cash Equivalents**

**Cash and Cash Equivalents - Exhibit 7**

Cash and pooled investments	\$ 4,697,770
Petty cash and change funds	18,540
Undistributed cash in agency funds	69,655
Restricted cash and pooled investments	<u>1,017,178</u>
<b>Total Cash and Cash Equivalents</b>	<b><u>\$ 5,803,143</u></b>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

***EXHIBIT 10***

**FIDUCIARY FUNDS  
STATEMENT OF FIDUCIARY NET ASSETS  
DECEMBER 31, 2004**

	<u>Agency</u>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ 1,032,973
Accounts receivable	14,654
Due from other funds	<u>530,378</u>
<b>Total Assets</b>	<b><u>\$ 1,578,005</u></b>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 60,080
Due to other funds	530,205
Due to other governments	<u>987,720</u>
<b>Total Liabilities</b>	<b><u>\$ 1,578,005</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, 2004**

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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) for the year ended December 31, 2004. 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 which are described in Note 8.B. The County also participates in jointly-governed organizations which are 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 activity are offset by program revenues. Direct expenses are those that are 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 that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are 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:

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Otter Tail County considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be 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, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2004, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments 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 2004 were \$430,125.

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
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

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 non-current portion of interfund loans).

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

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

No allowance has been made for uncollectible receivables.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on 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.



**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)

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 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 asset's 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 is depreciated using the straight-line method over the following estimated useful lives:

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

7. Compensated Absences

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

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 to be 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

Fund balances/net assets at January 1, 2004, were restated to correct errors in the prior year financial statements. Compensated absences are reported in the governmental fund statements to the extent they have matured as a result of employee resignations and retirements. Depreciation on the landfill was incorrectly calculated in the prior year.

In the government-wide statements, unearned federal disaster aid revenues were reported as revenue in the prior year.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Prior Period Adjustment (Continued)

Restatements to beginning fund balance and fund net assets are as follows:

	Previously Reported December 31, 2003	Compensated Absences	Landfill Depreciation	As Restated, January 1, 2004
Fund Balance				
General Fund	\$ 9,202,976	\$ 369,537	\$ -	\$ 9,572,513
Road and Bridge Fund	1,181,992	97,141	-	1,279,133
Human Services Fund	7,948,044	326,541	-	8,274,585
Other governmental funds	5,715,409	-	-	5,715,409
Total Fund Balance	<u>\$ 24,048,421</u>	<u>\$ 793,219</u>	<u>\$ -</u>	<u>\$ 24,841,640</u>
Waste Management Fund	<u>\$ 8,763,579</u>	<u>\$ -</u>	<u>\$ (110,117)</u>	<u>\$ 8,653,462</u>

Restatements to the government-wide statements as of January 1, 2004 are as follows:

	Governmental Activities	Business-Type Activities	Total
Net Assets, previously reported	\$ 104,702,156	\$ 8,763,579	\$ 113,465,735
Landfill depreciation	-	(110,117)	(110,117)
Unearned disaster aid revenue	<u>(358,361)</u>	<u>-</u>	<u>(358,361)</u>
Net Assets, as restated	<u>\$ 104,343,795</u>	<u>\$ 8,653,462</u>	<u>\$ 112,997,257</u>

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The following fund had a deficit fund balance as of December 31, 2004:

County Ditch Special Revenue Fund \$ 49,928

The County Ditch Fund's deficit will be eliminated with future special assessment levies against the benefited properties.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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2. Stewardship, Compliance, and Accountability (Continued)

B. Excess of Expenditures Over Budget

The following is a summary of individual funds which had expenditures in excess of budget for the year ended December 31, 2004.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 15,675,986	\$ 15,491,627	\$ 184,359
Special Revenue Funds			
Capital Improvement	2,484,692	2,047,413	437,279
Law Library	65,869	44,000	21,869
Debt Service Fund			
Veterans Home	176,307	143,633	32,674

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County's total cash and investments are reported as follows:

Cash and pooled investments	\$ 29,461,480
Change funds	30,640
Restricted assets	
Cash and pooled investments	1,017,178
Agency funds	<u>1,032,973</u>
Total Cash and Investments	<u>\$ 31,542,271</u>

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the County Treasurer. At December 31, 2004, the carrying amount of the County's deposits totaled \$14,804,649. The bank balance deposit amount was \$16,465,079. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Following is a summary of the deposits covered by insurance or collateral at December 31, 2004.

	<u>Bank Balance</u>
Covered Deposits	
Insured, or collateralized with securities held by the County or its agent in the County's name	\$ 1,594,387
Collateralized with securities held by the pledging financial institution's agent in the County's name	<u>14,870,692</u>
Total covered deposits	\$ 16,465,079
Uncollateralized	<u>-</u>
Total	<u><u>\$ 16,465,079</u></u>

Three levels of custodial credit risk for securities are defined by generally accepted accounting principles:

- (1) securities that are insured or registered, or for which the securities are held by the County or its agent in the County's name;
- (2) securities that are uninsured and unregistered and are held by the counterparty's trust department or agent in the County's name; and
- (3) securities that are uninsured and unregistered and are held by the counterparty, or by its trust department or agent, but not in the County's name.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Following is a summary of the fair values of the County's investments, categorized into the aforementioned levels of risk, at December 31, 2004:

	Category			Fair Value
	1	2	3	
U.S. government securities	\$ 184,162	\$ -	\$ 3,234,183	\$ 3,418,345
Negotiable certificates of deposit				
Commercial paper	468,653	-	529,597	998,250
U.S. Treasury bonds	31,347	-	35,423	66,770
U.S. Treasury bills	53,616	-	941,584	995,200
U.S. Treasury notes	262,222	-	4,605,043	4,867,265
Total Investments	<u>\$ 1,000,000</u>	<u>\$ -</u>	<u>\$ 9,345,830</u>	\$ 10,345,830
Add				
Money market mutual funds				6,361,152
Minnesota Association of Governments Investing for Counties (MAGIC)				
Cash on hand				30,640
Deposits				<u>14,804,649</u>
Total Cash and Investments				<u>\$ 31,542,271</u>

2. Receivables

Receivables as of December 31, 2004, year-end 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	\$ 317,334	\$ -
Special assessments	90,919	52,983
Accounts	342,988	-
Interest	60,446	-
Due from other governments	7,156,612	-
Total Governmental Activities	<u>\$ 7,968,299</u>	<u>\$ 52,983</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Business-Type Activities		
Accounts	\$ 284,852	\$ -
Due from other governments	192,758	-
Total Business-Type Activities	<u>\$ 477,610</u>	<u>\$ -</u>

3. Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not depreciated				
Land	\$ 2,075,962	\$ 173,160	\$ -	\$ 2,249,122
Construction in progress	15,631,651	5,702,066	9,008,876	12,324,841
Total capital assets not depreciated	<u>\$ 17,707,613</u>	<u>\$ 5,875,226</u>	<u>\$ 9,008,876</u>	<u>\$ 14,573,963</u>
Capital assets depreciated				
Land improvements	\$ 759,074	\$ 8,301	\$ -	\$ 767,375
Buildings	16,385,964	241,913	-	16,627,877
Building improvements	1,878,551	11,016	-	1,889,567
Machinery, furniture, and equipment	10,403,094	721,753	484,870	10,639,977
Infrastructure	78,700,504	8,593,803	-	87,294,307
Total capital assets depreciated	<u>\$ 108,127,187</u>	<u>\$ 9,576,786</u>	<u>\$ 484,870</u>	<u>\$ 117,219,103</u>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Governmental Activities (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Land improvements	\$ 107,473	\$ 69,934	\$ -	\$ 177,407
Buildings	4,246,268	406,036	-	4,652,304
Building improvements	201,347	47,345	-	248,692
Machinery, furniture, and equipment	6,516,713	951,871	484,870	6,983,714
Infrastructure	26,343,721	2,508,965	-	28,852,686
Total accumulated depreciation	\$ 37,415,522	\$ 3,984,151	\$ 484,870	\$ 40,914,803
Total capital assets depreciated, net	\$ 70,711,665	\$ 5,592,635	\$ -	\$ 76,304,300
Governmental Activities Capital Assets, Net	\$ 88,419,278	\$ 11,467,861	\$ 9,008,876	\$ 90,878,263

Business-Type Activities

	Beginning Balance (Restated)	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 37,127	\$ -	\$ -	\$ 37,127
Capital assets depreciated				
Buildings	\$ 2,641,803	\$ 317,209	\$ -	\$ 2,959,012
Landfill	2,433,770	60,330	-	2,494,100
Machinery, furniture, and equipment	1,247,375	383,005	97,024	1,533,356
Total capital assets depreciated	\$ 6,322,948	\$ 760,544	\$ 97,024	\$ 6,986,468
Less: accumulated depreciation for				
Buildings	\$ 1,119,625	\$ 138,297	\$ -	\$ 1,257,922
Landfill	744,655	79,205	-	823,860
Machinery, furniture, and equipment	631,383	132,421	92,912	670,892
Total accumulated depreciation	\$ 2,495,663	\$ 349,923	\$ 92,912	\$ 2,752,674
Total capital assets depreciated, net	\$ 3,827,285	\$ 410,621	\$ 4,112	\$ 4,233,794
Business-Type Activities Capital Assets, Net	\$ 3,864,412	\$ 410,621	\$ 4,112	\$ 4,270,921

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities	
General government	\$ 601,086
Public safety	372,155
Highways and streets, including depreciation of infrastructure assets	2,945,732
Human services	58,006
Culture and recreation	2,681
Health	4,491
	<hr/>
Total Depreciation Expense - Governmental Activities	\$ 3,984,151
	<hr/>
Business-Type Activities	
Solid waste	\$ 349,923
	<hr/>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2004, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Human Services	\$ 20,420
	Ditch	12,727
	Solid Waste	117,627
		<hr/>
Total Due to General Fund		\$ 150,774
		<hr/>
Road and Bridge	Solid Waste	\$ 6,276
		<hr/>
Capital Improvement	General	\$ 97,168
	Road and Bridge	3,000
		<hr/>
Total Due to Capital Improvement Fund		\$ 100,168
		<hr/>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other Governmental	General	\$ 1,064
	Road and Bridge	25,000
	Capital Improvement	20,422
	Other governmental funds	<u>19,794</u>
Total Due to Other Governmental Funds		<u>\$ 66,280</u>
Waste Management	General	\$ 5,398
	Road and Bridge	<u>4</u>
Total Due to Waste Management Fund		<u>\$ 5,402</u>
Agency Funds		
School Districts	Taxes and Penalties	\$ 209,898
Hospital Districts	Taxes and Penalties	2,660
Otter Tail County Sewer District	Taxes and Penalties	982
State Tax Revenue	Taxes and Penalties	86,609
Towns and Cities	Taxes and Penalties	229,371
Special Education District	Taxes and Penalties	4
Watershed Districts	Taxes and Penalties	681
Collaborative	General	<u>173</u>
Total Due to Agency Funds		<u>\$ 530,378</u>
Total Due To/From Other Funds		<u><u>\$ 859,278</u></u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

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

2. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	County Ditch	\$ 106,130

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2004, consisted of the following:

Transfers to Capital Improvement Fund from General Fund	\$ 20,000	Provide County share of funding for E-911
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C. Liabilities

1. Payables

Payables at December 31, 2004, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts	\$ 869,343	\$ 123,065
Salaries	109,035	3,970
Contracts	952,718	22,000
Due to other governments	211,845	157,214
Total Payables	\$ 2,142,941	\$ 306,249

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Deferred Revenue

Deferred revenue as of December 31, 2004, year-end for the County's governmental activities are as follows:

	<u>Deferred Unavailable</u>	<u>Deferred Unearned</u>
Governmental Activities		
Taxes	\$ 312,272	\$ -
State-aid highway allotments	4,498,845	-
Charges for services	65,220	-
Grants	697,284	48,225
Other	<u>50,415</u>	<u>-</u>
Total Governmental Activities	<u>\$ 5,624,036</u>	<u>\$ 48,225</u>

3. Construction Commitments

The government has active construction projects as of December 31, 2004. The projects include the following (amounts in thousands):

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
505 Remodeling Projects	<u>\$ 618,825</u>	<u>\$ 684,677</u>

4. Other Postemployment Benefits

Retirees

The County provides post-retirement health care benefits for employees who retire or resign in good standing. Seventy-five percent of the employees' accumulated sick leave may be applied toward health insurance premiums. Benefits start from the date they leave the County's employment until death or the balance of their sick leave is depleted, whichever comes first. The rates are based on the County's

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

4. Other Postemployment Benefits

Retirees (Continued)

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 13 eligible participants. The County finances the plan on a pay-as-you-go basis. During 2004, the County expended \$47,236 for these benefits.

5. Short-Term Capital Notes

In March 2004, the county issued \$465,000 General Obligation Capital Notes. The proceeds of the notes are to be used for the purchase of capital equipment. Repayment of the notes will be financed by taxes levied as part of the general property taxes of the county. The only principal payment is due on March 25, 2005.

Balance, January 1	\$ -
Additions	465,000
Reductions	<u>-</u>
Balance, December 31	<u>\$ 465,000</u>

6. 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, 2004:

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

6. Capital Leases (Continued)

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Governmental Activities					
1995 building	2006	Monthly	\$ 4,880	\$ 500,000	\$ 105,773
2002 two patrol vehicles	2005	Yearly	9,367	34,452	9,159
2002 telephone system	2005	Monthly	570	17,300	565
2002 four radar units	2005	Monthly	299	9,181	1,170
2002 dictaphone equipment	2006	Yearly	8,273	35,193	15,469
2003 Assessor vehicle	2005	Yearly	4,018	11,427	3,806
Total Governmental Activities Capital Leases					<u>\$ 135,942</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2004, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2005	\$ 81,985
2006	<u>61,953</u>
Total minimum lease payments	\$ 143,938
Less: amount representing interest	<u>7,996</u>
Present Value of Minimum Lease Payments	<u>\$ 135,942</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

7. Long-Term Debt

Governmental Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2004
General obligation bonds					
1996 G.O. Veterans Home Bonds	2016	\$50,000 - \$130,000	5.50 - 6.00	\$ 1,500,000	\$ 1,150,000
2004 Veterans Home Refunding Bonds	2016	\$90,000 - \$125,000	2.05 - 3.70	1,050,000	1,050,000
Total General Obligation Bonds				<u>\$ 2,550,000</u>	<u>\$ 2,200,000</u>
Revenue bonds					
2002 Government Services Building Lease HRA Revenue Bonds	2019	\$490,000 - \$930,000	4.9431	<u>\$ 9,995,000</u>	<u>\$ 9,995,000</u>

8. Debt Service Requirements

Debt service requirements at December 31, 2004, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2005	\$ 70,000	\$ 86,298	\$ 490,000	\$ 443,963
2006	75,000	92,983	450,000	425,163
2007	175,000	87,747	530,000	405,563
2008	170,000	81,298	555,000	383,863
2009	180,000	74,365	580,000	360,438
2010 - 2014	1,040,000	243,538	3,260,000	1,397,914
2015 - 2019	490,000	24,308	4,130,000	534,894
Total	<u>\$ 2,200,000</u>	<u>\$ 690,537</u>	<u>\$ 9,995,000</u>	<u>\$ 3,951,798</u>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

9. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2004, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 1,215,000	\$ 1,050,000	\$ 65,000	\$ 2,200,000	\$ 70,000
Revenue bonds	9,995,000	-	-	9,995,000	490,000
Total bonds payable	\$ 11,210,000	\$ 1,050,000	\$ 65,000	\$ 12,195,000	\$ 560,000
Capital leases	224,438	-	88,496	135,942	75,853
Compensated absences	2,873,058	2,039,769	1,398,596	3,514,231	816,652
Governmental Activity Long-Term Liabilities	<u>\$ 14,307,496</u>	<u>\$ 3,089,769</u>	<u>\$ 1,552,092</u>	<u>\$ 15,845,173</u>	<u>\$ 1,452,505</u>

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	<u>\$ 172,404</u>	<u>\$ 113,503</u>	<u>\$ 63,067</u>	<u>\$ 222,840</u>	<u>\$ 55,172</u>

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

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.

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.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

That report may be obtained on the web at [mnpera.org](http://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 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 5.10 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 6.20 percent of their annual covered salary. 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:

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	5.53
Public Employees Police and Fire Fund	9.30
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2004, 2003, and 2002, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund
2004	\$ 733,288	\$ 146,049	\$ 114,758
2003	724,675	141,971	110,241
2002	670,514	138,909	100,027

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 \$831,741 landfill closure and postclosure care liability at December 31, 2004, represents the cumulative amount reported to date based on the use of 68 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$193,552 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2004. The Board expects to close the landfill in 2113. 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, 2004, investments of \$1,017,178 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 for which the County carries commercial insurance. 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.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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6. Risk Management (Continued)

The Workers' Compensation Division of the 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. The MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$720,000 and \$760,000 per claim in 2004 and 2005, respectively. Should the MCIT Workers' Compensation Division liabilities exceed assets, the MCIT may assess the County in a method and amount to be determined by the MCIT.

The Property and Casualty Division of the MCIT is self-sustaining, and the County pays an annual premium to cover current and future losses. The MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, the MCIT may assess the County in a method and amount to be determined by the 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 Perham solid waste facility. Under this agreement, the County has agreed to make 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 liability in the accompanying financial statements. As of December 31, 2004, the outstanding principal amount payable was \$5,646,248.

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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 possibility 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 litigations; it is expected that the final settlement of these matters will not materially affect the financial statements of the county.

B. Joint Ventures

West Central Area Agency on Aging

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

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

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.

**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)

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 alternative from each county Board of Commissioners included in this agreement.

During 2004, Otter Tail County did not contribute any funds to the Joint Powers Board.

Separate financial information can be obtained from:

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

West Central Minnesota Drug Task Force

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

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

Beginning January 1, 2003, fiscal agent responsibilities for the Task Force were transferred to Douglas County from Otter Tail 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 2004.

Pomme de Terre River Association

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



**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, in conjunction with other governmental entities and various private organizations, have formed the jointly-governed organizations listed below:

District IV Transportation Planning

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

Otter Tail County Family Services Collaborative

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

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

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

**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)

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 2003, the County did not contribute any funds to the Collaborative.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<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	\$ 11,421,972	\$ 10,181,957	\$ 8,537,749	\$ (1,644,208)
Licenses and permits	293,675	293,675	641,328	347,653
Intergovernmental	930,366	2,273,081	3,831,556	1,558,475
Charges for services	1,568,025	1,568,025	1,309,662	(258,363)
Fines and forfeits	31,000	31,000	62,613	31,613
Gifts and contributions	-	-	12,650	12,650
Investment earnings	428,094	428,094	302,769	(125,325)
Miscellaneous	604,227	604,227	925,415	321,188
<b>Total Revenues</b>	<b>\$ 15,277,359</b>	<b>\$ 15,380,059</b>	<b>\$ 15,623,742</b>	<b>\$ 243,683</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 265,102	\$ 265,102	\$ 256,922	\$ 8,180
Courts	61,529	61,529	45,554	15,975
Public defender	86,000	86,000	89,159	(3,159)
County coordinator	366,677	368,177	360,921	7,256
County auditor	693,223	693,223	706,827	(13,604)
Motor vehicle	261,733	261,733	249,651	12,082
County treasurer	310,096	310,096	288,879	21,217
County assessor	802,709	802,709	782,326	20,383
Elections	110,000	110,000	100,564	9,436
Accounting and auditing	47,000	47,000	77,322	(30,322)
Board of adjustments	28,318	28,318	26,390	1,928
Data processing	681,848	681,848	690,664	(8,816)
Attorney	908,543	908,543	849,135	59,408
Recorder	270,539	270,539	321,534	(50,995)
Planning and zoning	756,858	859,558	702,043	157,515
Planning commission	45,667	45,667	29,191	16,476
Buildings and plant	1,349,783	1,349,783	1,347,057	2,726
Veterans service officer	282,945	282,945	288,886	(5,941)
Other general government	-	-	2,961	(2,961)
Unallocated	726,183	726,183	916,204	(190,021)
<b>Total general government</b>	<b>\$ 8,054,753</b>	<b>\$ 8,158,953</b>	<b>\$ 8,132,190</b>	<b>\$ 26,763</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<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	\$ 3,293,767	\$ 3,293,767	\$ 3,291,733	\$ 2,034
Boat and water safety	77,421	77,421	71,853	5,568
Coroner	80,460	80,460	62,087	18,373
E-911 system	-	-	1,824	(1,824)
County jail	2,316,389	2,316,389	2,387,082	(70,693)
Victim assistance	-	-	2,250	(2,250)
DARE program	-	-	20,643	(20,643)
Civil defense	79,016	79,016	153,397	(74,381)
Geographical information survey	343,284	343,284	335,814	7,470
Other public safety	-	-	5,335	(5,335)
<b>Total public safety</b>	<b>\$ 6,190,337</b>	<b>\$ 6,190,337</b>	<b>\$ 6,332,018</b>	<b>\$ (141,681)</b>
<b>Culture and recreation</b>				
Historical society	\$ 40,700	\$ 40,700	\$ 40,700	\$ -
Tourism	5,250	5,250	5,250	-
County fairs	18,000	18,000	18,000	-
Parks	24,300	24,300	11,336	12,964
Humane society	28,579	28,579	28,579	-
Regional library	320,156	320,156	320,156	-
Snowmobile trails	-	-	78,107	(78,107)
<b>Total culture and recreation</b>	<b>\$ 436,985</b>	<b>\$ 436,985</b>	<b>\$ 502,128</b>	<b>\$ (65,143)</b>
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 282,000	\$ 282,000	\$ 406,793	\$ (124,793)
Soil and water conservation	75,000	75,000	75,000	-
Predator control	12,000	12,000	8,712	3,288
Other	125,140	125,140	31,702	93,438
<b>Total conservation of natural resources</b>	<b>\$ 494,140</b>	<b>\$ 494,140</b>	<b>\$ 522,207</b>	<b>\$ (28,067)</b>
<b>Economic development</b>				
Community development	\$ 11,212	\$ 11,212	\$ 11,212	\$ -
Housing authority	200,000	200,000	-	200,000
Other	-	-	107,238	(107,238)
<b>Total economic development</b>	<b>\$ 211,212</b>	<b>\$ 211,212</b>	<b>\$ 118,450</b>	<b>\$ 92,762</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<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 retirement	\$ -	\$ -	\$ 60,200	\$ (60,200)
Interest	\$ -	\$ -	\$ 8,793	\$ (8,793)
<b>Total Expenditures</b>	<b>\$ 15,387,427</b>	<b>\$ 15,491,627</b>	<b>\$ 15,675,986</b>	<b>\$ (184,359)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (110,068)</b>	<b>\$ (111,568)</b>	<b>\$ (52,244)</b>	<b>\$ 59,324</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(4,932)	(4,932)	(20,000)	(15,068)
<b>Net Change in Fund Balance</b>	<b>\$ (115,000)</b>	<b>\$ (116,500)</b>	<b>\$ (72,244)</b>	<b>\$ 44,256</b>
<b>Fund Balance - January 1</b>	<b>\$ 9,202,976</b>	<b>\$ 9,202,976</b>	<b>\$ 9,202,976</b>	<b>\$ -</b>
<b>Prior period adjustment</b>	<b>-</b>	<b>-</b>	<b>369,537</b>	<b>369,537</b>
<b>Fund Balance - January 1 as restated</b>	<b>\$ 9,202,976</b>	<b>\$ 9,202,976</b>	<b>\$ 9,572,513</b>	<b>\$ 369,537</b>
<b>Fund Balance - December 31</b>	<b>\$ 9,087,976</b>	<b>\$ 9,086,476</b>	<b>\$ 9,500,269</b>	<b>\$ 413,793</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 2**

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<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	\$ 1,057,398	\$ 1,057,398	\$ 899,408	\$ (157,990)
Intergovernmental	9,779,602	9,779,602	10,486,688	707,086
Charges for services	400,000	400,000	853,323	453,323
Miscellaneous	115,000	115,000	127,274	12,274
<b>Total Revenues</b>	<b>\$ 11,352,000</b>	<b>\$ 11,352,000</b>	<b>\$ 12,366,693</b>	<b>\$ 1,014,693</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 500,000	\$ 500,000	\$ 390,770	\$ 109,230
Maintenance	3,223,500	3,223,500	2,905,940	317,560
Construction	6,467,000	6,467,000	6,602,015	(135,015)
Equipment maintenance and shop	461,500	461,500	399,407	62,093
Material and services for resale	211,000	211,000	12,772	198,228
<b>Total highways and streets</b>	<b>\$ 10,863,000</b>	<b>\$ 10,863,000</b>	<b>\$ 10,310,904</b>	<b>\$ 552,096</b>
<b>Intergovernmental</b>				
Highways and streets	830,000	830,000	891,841	(61,841)
<b>Total Expenditures</b>	<b>\$ 11,693,000</b>	<b>\$ 11,693,000</b>	<b>\$ 11,202,745</b>	<b>\$ 490,255</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (341,000)</b>	<b>\$ (341,000)</b>	<b>\$ 1,163,948</b>	<b>\$ 1,504,948</b>
<b>Fund Balance - January 1</b>	<b>\$ 1,181,992</b>	<b>\$ 1,181,992</b>	<b>\$ 1,181,992</b>	<b>\$ -</b>
<b>Prior period adjustment</b>	<b>-</b>	<b>-</b>	<b>97,141</b>	<b>97,141</b>
<b>Fund Balance - January 1 as restated</b>	<b>\$ 1,181,992</b>	<b>\$ 1,181,992</b>	<b>\$ 1,279,133</b>	<b>\$ 97,141</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,590</b>	<b>\$ 1,590</b>
<b>Fund Balance - December 31</b>	<b>\$ 840,992</b>	<b>\$ 840,992</b>	<b>\$ 2,444,671</b>	<b>\$ 1,603,679</b>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 3**

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<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	\$ 5,388,690	\$ 5,388,690	\$ 4,676,691	\$ (711,999)
Intergovernmental	10,397,731	10,297,332	11,112,832	815,500
Charges for services	699,264	695,010	815,457	120,447
Miscellaneous	333,028	410,978	516,374	105,396
<b>Total Revenues</b>	<b>\$ 16,818,713</b>	<b>\$ 16,792,010</b>	<b>\$ 17,121,354</b>	<b>\$ 329,344</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Community corrections	\$ 692,484	\$ 692,484	\$ 710,569	\$ (18,085)
<b>Human Services</b>				
Income maintenance	\$ 2,969,759	\$ 2,969,759	\$ 3,534,046	\$ (564,287)
Social services	11,709,159	11,771,961	11,058,522	713,439
Fuel assistance	615,195	615,195	683,571	(68,376)
<b>Total human services</b>	<b>\$ 15,294,113</b>	<b>\$ 15,356,915</b>	<b>\$ 15,276,139</b>	<b>\$ 80,776</b>
<b>Health</b>				
Nursing service	\$ 1,672,144	\$ 1,582,639	\$ 1,579,114	\$ 3,525
<b>Total Expenditures</b>	<b>\$ 17,658,741</b>	<b>\$ 17,632,038</b>	<b>\$ 17,565,822</b>	<b>\$ 66,216</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (840,028)</b>	<b>\$ (840,028)</b>	<b>\$ (444,468)</b>	<b>\$ 395,560</b>
<b>Fund Balance - January 1</b>	<b>\$ 7,948,044</b>	<b>\$ 7,948,044</b>	<b>\$ 7,948,044</b>	<b>\$ -</b>
<b>Prior period adjustment</b>	<b>-</b>	<b>-</b>	<b>326,541</b>	<b>326,541</b>
<b>Fund Balance - January 1 as restated</b>	<b>\$ 7,948,044</b>	<b>\$ 7,948,044</b>	<b>\$ 8,274,585</b>	<b>\$ 326,541</b>
<b>Fund Balance - December 31</b>	<b>\$ 7,108,016</b>	<b>\$ 7,108,016</b>	<b>\$ 7,830,117</b>	<b>\$ 722,101</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 4  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<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	\$ 1,400,208	\$ 1,400,208	\$ 1,201,940	\$ (198,268)
Special assessments	-	-	1,359	1,359
Intergovernmental	126,257	126,257	364,600	238,343
Gifts and contributions	-	-	1,550	1,550
Investment earnings	80,000	80,000	52,690	(27,310)
Miscellaneous	50,000	50,000	-	(50,000)
<b>Total Revenues</b>	<b>\$ 1,656,465</b>	<b>\$ 1,656,465</b>	<b>\$ 1,622,139</b>	<b>\$ (34,326)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 5,330	\$ 5,330	\$ -	\$ 5,330
County coordinator	7,000	7,000	2,500	4,500
County auditor	19,968	19,968	-	19,968
County treasurer	2,000	2,000	-	2,000
County assessor	18,019	18,019	11,669	6,350
Elections	66,000	66,000	61,160	4,840
Motor vehicle	13,257	13,257	-	13,257
Data processing	190,000	190,000	100,393	89,607
Attorney	29,071	29,071	6,105	22,966
Planning and zoning	-	-	34,481	(34,481)
Buildings and plant	150,000	150,000	2,741	147,259
Veterans service officer	22,586	22,586	5,313	17,273
Other general government	-	-	605	(605)
<b>Total general government</b>	<b>\$ 523,231</b>	<b>\$ 523,231</b>	<b>\$ 224,967</b>	<b>\$ 298,264</b>
<b>Public safety</b>				
Sheriff	\$ 280,968	\$ 280,968	\$ 172,347	\$ 108,621
Boat and water safety	30,766	30,766	16,377	14,389
E-911 system	-	-	40,493	(40,493)
Community corrections	52,057	52,057	33,607	18,450
Civil defense	27,068	27,068	-	27,068
Geographical information survey	45,000	45,000	43,206	1,794
Other public safety	24,823	24,823	-	24,823
<b>Total public safety</b>	<b>\$ 460,682</b>	<b>\$ 460,682</b>	<b>\$ 306,030</b>	<b>\$ 154,652</b>
<b>Highways and streets</b>				
Maintenance	\$ -	\$ -	\$ 886,082	\$ (886,082)
Construction	200,000	200,000	-	200,000
Equipment and maintenance shops	335,500	335,500	-	335,500
Other - highways and streets	409,500	409,500	-	409,500
<b>Total highways and streets</b>	<b>\$ 945,000</b>	<b>\$ 945,000</b>	<b>\$ 886,082</b>	<b>\$ 58,918</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<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	\$ 60,000	\$ 60,000	\$ 47,364	\$ 12,636
<b>Health</b>				
Nursing service	\$ 25,000	\$ 25,000	\$ 41,063	\$ (16,063)
<b>Culture and recreation</b>				
Phelps Mill Park	\$ 3,500	\$ 3,500	\$ 101,303	\$ (97,803)
<b>Conservation of natural resources</b>				
Other	\$ 30,000	\$ 30,000	\$ -	\$ 30,000
<b>Capital Outlay</b>	\$ -	\$ -	\$ 837,341	\$ (837,341)
<b>Debt service</b>				
Principal retirement	\$ -	\$ -	\$ 28,296	\$ (28,296)
Interest	\$ -	\$ -	\$ 6,746	\$ (6,746)
Bond issuance costs	\$ -	\$ -	\$ 5,500	\$ (5,500)
<b>Total Expenditures</b>	\$ 2,047,413	\$ 2,047,413	\$ 2,484,692	\$ (437,279)
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ (390,948)	\$ (390,948)	\$ (862,553)	\$ (471,605)
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 20,000	\$ 20,000
Loans issued	500,000	500,000	-	(500,000)
Proceeds from sale of assets	50,000	50,000	42,128	(7,872)
Compensation for the loss of capital assets	-	-	5,964	5,964
<b>Total Other Financing Sources (Uses)</b>	\$ 550,000	\$ 550,000	\$ 68,092	\$ (481,908)
<b>Net Change in Fund Balance</b>	\$ 159,052	\$ 159,052	\$ (794,461)	\$ (953,513)
<b>Fund Balance - January 1</b>	5,369,282	5,369,282	5,369,282	-
<b>Fund Balance - December 31</b>	\$ 5,528,334	\$ 5,528,334	\$ 4,574,821	\$ (953,513)

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004**

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1. Budgetary Information

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

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

The appropriated budget is prepared by fund, function, and department. The County's department head may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made no budgetary amendments.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures over Budget

Encumbrances (for example, purchase orders, 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.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 15,675,986	\$ 15,491,627	\$ 184,359
Capital Improvement Special Revenue Fund	2,484,692	2,047,413	437,279

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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.

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, 2004**

	Special Revenue (Statement B-1)	Debt Service (Statement C-1)	Total Nonmajor Governmental Funds (EXHIBIT 3)
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 91,028	\$ 910,953	\$ 1,001,981
Petty cash and change funds	1,000	-	1,000
Undistributed cash in agency funds	2,058	27,404	29,462
Taxes receivable			
Prior	-	389	389
Special assessments receivable			
Current	2,349	-	2,349
Prior	1,091	-	1,091
Deferred	86,080	-	86,080
Accounts receivable	1,815	-	1,815
Due from other funds	26,064	40,216	66,280
Due from other governments	8,865	-	8,865
Restricted cash held in escrow - temporary	-	1,011,240	1,011,240
<b>Total Assets</b>	<b>\$ 220,350</b>	<b>\$ 1,990,202</b>	<b>\$ 2,210,552</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 21,928	\$ -	\$ 21,928
Due to other funds	12,727	19,794	32,521
Due to other governments	6,150	-	6,150
Deferred revenue - unavailable	87,476	366	87,842
Advance from other funds	106,130	-	106,130
<b>Total Liabilities</b>	<b>\$ 234,411</b>	<b>\$ 20,160</b>	<b>\$ 254,571</b>
<b>Fund Balances</b>			
Unreserved			
Designated for debt service	\$ -	\$ 1,970,042	\$ 1,970,042
Undesignated	(14,061)	-	(14,061)
<b>Total Fund Balances</b>	<b>\$ (14,061)</b>	<b>\$ 1,970,042</b>	<b>\$ 1,955,981</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 220,350</b>	<b>\$ 1,990,202</b>	<b>\$ 2,210,552</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, 2004**

	Special Revenue (Statement B-2)	Debt Service (Statement C-2)	Total Nonmajor Governmental Funds (EXHIBIT 5)
<b>Revenues</b>			
Taxes	\$ -	\$ 984,088	\$ 984,088
Special assessments	35,652	-	35,652
Intergovernmental	5,678	188,824	194,502
Fines and forfeits	67,549	-	67,549
Miscellaneous	20,643	-	20,643
<b>Total Revenues</b>	<b>\$ 129,522</b>	<b>\$ 1,172,912</b>	<b>\$ 1,302,434</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 65,869	\$ -	\$ 65,869
Public safety	8,130	-	8,130
Conservation of natural resources	26,754	-	26,754
Economic development	5,505	-	5,505
<b>Debt service</b>			
Principal retirement	-	65,000	65,000
Interest	-	536,427	536,427
Bond issuance costs	-	34,895	34,895
<b>Total Expenditures</b>	<b>\$ 106,258</b>	<b>\$ 636,322</b>	<b>\$ 742,580</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 23,264</b>	<b>\$ 536,590</b>	<b>\$ 559,854</b>
<b>Other Financing Sources (Uses)</b>			
Refunding bonds issued	-	1,050,000	1,050,000
<b>Net Change in Fund Balances</b>	<b>\$ 23,264</b>	<b>\$ 1,586,590</b>	<b>\$ 1,609,854</b>
<b>Fund Balance - January 1</b>	<b>(37,325)</b>	<b>383,452</b>	<b>346,127</b>
<b>Fund Balance - December 31</b>	<b>\$ (14,061)</b>	<b>\$ 1,970,042</b>	<b>\$ 1,955,981</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement B-1**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2004**

	<b>County Ditch</b>	<b>Law Library</b>	<b>Lead Hazard</b>	<b>Sheriff's Contingent</b>	<b>Total (Statement A-1)</b>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 55,153	\$ 21,630	\$ -	\$ 14,245	\$ 91,028
Petty cash and change funds	-	-	-	1,000	1,000
Undistributed cash in agency funds	2,058	-	-	-	2,058
Special assessments receivable					
Current	2,349	-	-	-	2,349
Prior	1,091	-	-	-	1,091
Deferred	86,080	-	-	-	86,080
Accounts receivable	-	1,815	-	-	1,815
Due from other funds	25,000	-	1,064	-	26,064
Due from other governments	-	3,917	4,614	334	8,865
<b>Total Assets</b>	<b><u>\$ 171,731</u></b>	<b><u>\$ 27,362</u></b>	<b><u>\$ 5,678</u></b>	<b><u>\$ 15,579</u></b>	<b><u>\$ 220,350</u></b>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 9,176	\$ 7,240	\$ 5,505	\$ 7	\$ 21,928
Due to other funds	12,727	-	-	-	12,727
Due to other governments	6,150	-	-	-	6,150
Deferred revenue - unavailable	87,476	-	-	-	87,476
Advance from other funds	106,130	-	-	-	106,130
<b>Total Liabilities</b>	<b>\$ 221,659</b>	<b>\$ 7,240</b>	<b>\$ 5,505</b>	<b>\$ 7</b>	<b>\$ 234,411</b>
<b>Fund Balances</b>					
Unreserved					
Undesignated	(49,928)	20,122	173	15,572	(14,061)
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 171,731</u></b>	<b><u>\$ 27,362</u></b>	<b><u>\$ 5,678</u></b>	<b><u>\$ 15,579</u></b>	<b><u>\$ 220,350</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement B-2**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>County Ditch</u>	<u>Law Library</u>	<u>Lead Hazard</u>	<u>Sheriff's Contingent</u>	<u>Total (Statement A-2)</u>
<b>Revenues</b>					
Special assessments	\$ 35,652	\$ -	\$ -	\$ -	\$ 35,652
Intergovernmental	-	-	5,678	-	5,678
Fines and forfeits	-	60,734	-	6,815	67,549
Miscellaneous	6,123	14,520	-	-	20,643
<b>Total Revenues</b>	<b>\$ 41,775</b>	<b>\$ 75,254</b>	<b>\$ 5,678</b>	<b>\$ 6,815</b>	<b>\$ 129,522</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ -	\$ 65,869	\$ -	\$ -	\$ 65,869
Public safety	-	-	-	8,130	8,130
Conservation of natural resources	26,754	-	-	-	26,754
Economic development	-	-	5,505	-	5,505
<b>Total Expenditures</b>	<b>\$ 26,754</b>	<b>\$ 65,869</b>	<b>\$ 5,505</b>	<b>\$ 8,130</b>	<b>\$ 106,258</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 15,021</b>	<b>\$ 9,385</b>	<b>\$ 173</b>	<b>\$ (1,315)</b>	<b>\$ 23,264</b>
<b>Fund Balance - January 1</b>	<b>(64,949)</b>	<b>10,737</b>	<b>-</b>	<b>16,887</b>	<b>(37,325)</b>
<b>Fund Balance - December 31</b>	<b>\$ (49,928)</b>	<b>\$ 20,122</b>	<b>\$ 173</b>	<b>\$ 15,572</b>	<b>\$ (14,061)</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement C-1**

**COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS  
DECEMBER 31, 2004**

	<b>Government Service Center</b>	<b>Veterans Home</b>	<b>Total (Statement A-1)</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 780,433	\$ 130,520	\$ 910,953
Undistributed cash in agency funds	21,712	5,692	27,404
Taxes receivable			
Prior	-	389	389
Due from other funds	20,422	19,794	40,216
Restricted cash held in escrow - temporary	-	1,011,240	1,011,240
<b>Total Assets</b>	<b><u>\$ 822,567</u></b>	<b><u>\$ 1,167,635</u></b>	<b><u>\$ 1,990,202</u></b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Due to other funds	\$ 19,794	\$ -	\$ 19,794
Deferred revenue - unavailable	-	366	366
<b>Total Liabilities</b>	<b><u>\$ 19,794</u></b>	<b><u>\$ 366</u></b>	<b><u>\$ 20,160</u></b>
<b>Fund Balances</b>			
Unreserved			
Designated for debt service	802,773	1,167,269	1,970,042
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 822,567</u></b>	<b><u>\$ 1,167,635</u></b>	<b><u>\$ 1,990,202</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, 2004**

	<u>Government Service Center</u>	<u>Veterans Home</u>	<u>Total (Statement A-2)</u>
<b>Revenues</b>			
Taxes	\$ 849,242	\$ 134,846	\$ 984,088
Intergovernmental	168,315	20,509	188,824
<b>Total Revenues</b>	<b>\$ 1,017,557</b>	<b>\$ 155,355</b>	<b>\$ 1,172,912</b>
<b>Expenditures</b>			
<b>Debt service</b>			
Principal retirement	\$ -	\$ 65,000	\$ 65,000
Interest	460,015	76,412	536,427
Bond issuance costs	-	34,895	34,895
<b>Total Expenditures</b>	<b>\$ 460,015</b>	<b>\$ 176,307</b>	<b>\$ 636,322</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 557,542</b>	<b>\$ (20,952)</b>	<b>\$ 536,590</b>
<b>Other Financing Sources (Uses)</b>			
Refunding bonds issued	-	1,050,000	1,050,000
<b>Net Change in Fund Balances</b>	<b>\$ 557,542</b>	<b>\$ 1,029,048</b>	<b>\$ 1,586,590</b>
<b>Fund Balance - January 1</b>	<b>245,231</b>	<b>138,221</b>	<b>383,452</b>
<b>Fund Balance - December 31</b>	<b>\$ 802,773</b>	<b>\$ 1,167,269</b>	<b>\$ 1,970,042</b>



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 5**

**BUDGETARY COMPARISON SCHEDULES  
COUNTY DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<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	\$ 194,000	\$ 194,000	\$ 35,652	\$ (158,348)
Miscellaneous	-	-	6,123	6,123
<b>Total Revenues</b>	<b>\$ 194,000</b>	<b>\$ 194,000</b>	<b>\$ 41,775</b>	<b>\$ (152,225)</b>
<b>Expenditures</b>				
<b>Current</b>				
Conservation of natural resources				
Drainage ditches	194,000	194,000	26,754	167,246
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ -	\$ -	\$ 15,021	\$ 15,021
<b>Fund Balance - January 1</b>	<b>(64,949)</b>	<b>(64,949)</b>	<b>(64,949)</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ (64,949)</b>	<b>\$ (64,949)</b>	<b>\$ (49,928)</b>	<b>\$ 15,021</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 6**

**BUDGETARY COMPARISON SCHEDULE  
LAW LIBRARY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<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	\$ 44,000	\$ 44,000	\$ 60,734	\$ 16,734
Miscellaneous	-	-	14,520	14,520
<b>Total Revenues</b>	<b>\$ 44,000</b>	<b>\$ 44,000</b>	<b>\$ 75,254</b>	<b>\$ 31,254</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Law library	44,000	44,000	65,869	(21,869)
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ -	\$ -	\$ 9,385	\$ 9,385
<b>Fund Balance - January 1</b>	<b>10,737</b>	<b>10,737</b>	<b>10,737</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 10,737</b>	<b>\$ 10,737</b>	<b>\$ 20,122</b>	<b>\$ 9,385</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 7**

**BUDGETARY COMPARISON SCHEDULE  
SHERIFF'S CONTINGENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<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	\$ 5,568	\$ 5,568	\$ 6,815	\$ 1,247
<b>Expenditures</b>				
<b>Current</b>				
Public safety				
Sheriff	10,500	10,500	8,130	2,370
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ (4,932)	\$ (4,932)	\$ (1,315)	\$ 3,617
<b>Other Financing Sources (Uses)</b>				
Transfers in	4,932	4,932	-	(4,932)
<b>Net Change in Fund Balance</b>	\$ -	\$ -	\$ (1,315)	\$ (1,315)
<b>Fund Balance - January 1</b>	16,887	16,887	16,887	-
<b>Fund Balance - December 31</b>	<u>\$ 16,887</u>	<u>\$ 16,887</u>	<u>\$ 15,572</u>	<u>\$ (1,315)</u>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 8**

**BUDGETARY COMPARISON SCHEDULE  
GOVERNMENT SERVICE CENTER DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<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	\$ 994,429	\$ 994,429	\$ 849,242	\$ (145,187)
Intergovernmental	-	-	168,315	168,315
<b>Total Revenues</b>	<b>\$ 994,429</b>	<b>\$ 994,429</b>	<b>\$ 1,017,557</b>	<b>\$ 23,128</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal retirement	\$ 495,000	\$ 495,000	\$ -	\$ 495,000
Interest	442,526	442,526	460,015	(17,489)
<b>Total Expenditures</b>	<b>\$ 937,526</b>	<b>\$ 937,526</b>	<b>\$ 460,015</b>	<b>\$ 477,511</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 56,903</b>	<b>\$ 56,903</b>	<b>\$ 557,542</b>	<b>\$ 500,639</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(56,903)	(56,903)	-	56,903
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 557,542</b>	<b>\$ 557,542</b>
<b>Fund Balance - January 1</b>	<b>245,231</b>	<b>245,231</b>	<b>245,231</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 245,231</b>	<b>\$ 245,231</b>	<b>\$ 802,773</b>	<b>\$ 557,542</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 9**

**BUDGETARY COMPARISON SCHEDULE  
VETERANS HOME DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<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	\$ 143,633	\$ 143,633	\$ 134,846	\$ (8,787)
Intergovernmental	-	-	20,509	20,509
<b>Total Revenues</b>	<b>\$ 143,633</b>	<b>\$ 143,633</b>	<b>\$ 155,355</b>	<b>\$ 11,722</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal retirement	\$ 65,000	\$ 65,000	\$ 65,000	\$ -
Interest	78,633	78,633	76,412	2,221
Bond issuance costs	-	-	34,895	(34,895)
<b>Total Expenditures</b>	<b>\$ 143,633</b>	<b>\$ 143,633</b>	<b>\$ 176,307</b>	<b>\$ (32,674)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (20,952)</b>	<b>\$ (20,952)</b>
<b>Other Financing Sources (Uses)</b>				
Refunding bonds issued	-	-	1,050,000	1,050,000
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,029,048</b>	<b>\$ 1,029,048</b>
<b>Fund Balance - January 1</b>	<b>138,221</b>	<b>138,221</b>	<b>138,221</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 138,221</b>	<b>\$ 138,221</b>	<b>\$ 1,167,269</b>	<b>\$ 1,029,048</b>

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## **FIDUCIARY FUNDS**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Statement D-1**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>ASSURANCE FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 284	\$ 284	\$ -
Accounts receivable	48	35	48	35
<b>Total Assets</b>	<b>\$ 48</b>	<b>\$ 319</b>	<b>\$ 332</b>	<b>\$ 35</b>
<b><u>Liabilities</u></b>				
Due from other governments	\$ 48	\$ 319	\$ 332	\$ 35
<b><u>FAMILY SERVICES COLLABORATIVE FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 825,430	\$ 786,985	\$ 1,408,521	\$ 203,894
Due from other funds	701	173	701	173
<b>Total Assets</b>	<b>\$ 826,131</b>	<b>\$ 787,158</b>	<b>\$ 1,409,222</b>	<b>\$ 204,067</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ -	\$ 60,080	\$ -	\$ 60,080
Due to other governments	826,131	727,078	1,409,222	143,987
<b>Total Liabilities</b>	<b>\$ 826,131</b>	<b>\$ 787,158</b>	<b>\$ 1,409,222</b>	<b>\$ 204,067</b>
<b><u>GAME AND FISH FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 600	\$ -	\$ 600
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 600	\$ -	\$ 600

**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, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>HOSPITAL DISTRICTS FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 162,207	\$ 162,207	\$ -
Due from other funds	6,269	2,660	6,269	2,660
<b>Total Assets</b>	<b><u>\$ 6,269</u></b>	<b><u>\$ 164,867</u></b>	<b><u>\$ 168,476</u></b>	<b><u>\$ 2,660</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	<b><u>\$ 6,269</u></b>	<b><u>\$ 164,867</u></b>	<b><u>\$ 168,476</u></b>	<b><u>\$ 2,660</u></b>
<b><u>MORTGAGE REGISTRATION FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b><u>\$ 99,489</u></b>	<b><u>\$ 1,332,498</u></b>	<b><u>\$ 1,312,062</u></b>	<b><u>\$ 119,925</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	<b><u>\$ 99,489</u></b>	<b><u>\$ 1,332,498</u></b>	<b><u>\$ 1,312,062</u></b>	<b><u>\$ 119,925</u></b>
<b><u>OTTER TAIL LAKES AREA SEWER DISTRICT FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 16,065	\$ 16,065	\$ -
Due from other funds	1,072	982	1,072	982
<b>Total Assets</b>	<b><u>\$ 1,072</u></b>	<b><u>\$ 17,047</u></b>	<b><u>\$ 17,137</u></b>	<b><u>\$ 982</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	<b><u>\$ 1,072</u></b>	<b><u>\$ 17,047</u></b>	<b><u>\$ 17,137</u></b>	<b><u>\$ 982</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, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>SCHOOL DISTRICT FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 7,659,519	\$ 7,659,519	\$ -
Due from other funds	193,633	209,898	193,633	209,898
<b>Total Assets</b>	<b>\$ 193,633</b>	<b>\$ 7,869,417</b>	<b>\$ 7,853,152</b>	<b>\$ 209,898</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 193,633</b>	<b>\$ 7,869,417</b>	<b>\$ 7,853,152</b>	<b>\$ 209,898</b>
<b><u>SPECIAL EDUCATION DISTRICT FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 6	\$ 6	\$ -
Due from other funds	-	4	-	4
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 10</b>	<b>\$ 6</b>	<b>\$ 4</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ -</b>	<b>\$ 10</b>	<b>\$ 6</b>	<b>\$ 4</b>
<b><u>STATE TAX FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 126,155	\$ 7,649,318	\$ 7,624,583	\$ 150,890
Accounts receivable	12,347	14,619	12,347	14,619
Due from other funds	69,333	86,609	69,333	86,609
<b>Total Assets</b>	<b>\$ 207,835</b>	<b>\$ 7,750,546</b>	<b>\$ 7,706,263</b>	<b>\$ 252,118</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 207,835</b>	<b>\$ 7,750,546</b>	<b>\$ 7,706,263</b>	<b>\$ 252,118</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, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>TAX INCREMENT FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 53,400	\$ 53,400	\$ -
Due from other funds	31,019	-	31,019	-
<b>Total Assets</b>	<b><u>\$ 31,019</u></b>	<b><u>\$ 53,400</u></b>	<b><u>\$ 84,419</u></b>	<b><u>\$ -</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	<b><u>\$ 31,019</u></b>	<b><u>\$ 53,400</u></b>	<b><u>\$ 84,419</u></b>	<b><u>\$ -</u></b>
<b><u>TAXES AND PENALTIES FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 524,244	\$ 44,658,447	\$ 44,625,032	\$ 557,659
Accounts receivable	13,765	-	13,765	-
<b>Total Assets</b>	<b><u>\$ 538,009</u></b>	<b><u>\$ 44,658,447</u></b>	<b><u>\$ 44,638,797</u></b>	<b><u>\$ 557,659</u></b>
<b><u>Liabilities</u></b>				
Due to other funds	\$ 503,807	\$ 18,212,163	\$ 18,185,765	\$ 530,205
Due to other governments	34,202	26,446,284	26,453,032	27,454
<b>Total Liabilities</b>	<b><u>\$ 538,009</u></b>	<b><u>\$ 44,658,447</u></b>	<b><u>\$ 44,638,797</u></b>	<b><u>\$ 557,659</u></b>
<b><u>TOWNS AND CITIES FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 7	\$ 11,992,171	\$ 11,992,173	\$ 5
Due from other funds	201,440	229,371	201,440	229,371
<b>Total Assets</b>	<b><u>\$ 201,447</u></b>	<b><u>\$ 12,221,542</u></b>	<b><u>\$ 12,193,613</u></b>	<b><u>\$ 229,376</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	<b><u>\$ 201,447</u></b>	<b><u>\$ 12,221,542</u></b>	<b><u>\$ 12,193,613</u></b>	<b><u>\$ 229,376</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, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>WATERSHED DISTRICT FUND</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 27,218	\$ 27,218	\$ -
Due from other funds	1,082	681	1,082	681
<b>Total Assets</b>	<b><u>\$ 1,082</u></b>	<b><u>\$ 27,899</u></b>	<b><u>\$ 28,300</u></b>	<b><u>\$ 681</u></b>
<b><u>Liabilities</u></b>				
Due to other governments	<b><u>\$ 1,082</u></b>	<b><u>\$ 27,899</u></b>	<b><u>\$ 28,300</u></b>	<b><u>\$ 681</u></b>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,575,325	\$ 74,338,718	\$ 74,881,070	\$ 1,032,973
Accounts receivable	26,160	14,654	26,160	14,654
Due from other funds	504,549	530,378	504,549	530,378
<b>Total Assets</b>	<b><u>\$ 2,106,034</u></b>	<b><u>\$ 74,883,750</u></b>	<b><u>\$ 75,411,779</u></b>	<b><u>\$ 1,578,005</u></b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ -	\$ 60,080	\$ -	\$ 60,080
Due to other funds	503,807	18,212,163	18,185,765	530,205
Due to other governments	1,602,227	56,611,507	57,226,014	987,720
<b>Total Liabilities</b>	<b><u>\$ 2,106,034</u></b>	<b><u>\$ 74,883,750</u></b>	<b><u>\$ 75,411,779</u></b>	<b><u>\$ 1,578,005</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, 2004**

	<b>Interest Rate (%)</b>	<b>Maturity Date</b>	<b>Fair Value</b>
<b>Cash and Pooled Investments</b>			
Non-interest checking	-	Continuous	\$ 100,000
Interest bearing checking (6)	Varies	Continuous	7,318,782
Money market savings (5)	0.50 - 1.75	Continuous	934,465
Certificates of deposit (26)	0.25 - 2.50	January 12, 2005 to December 12, 2005	6,451,402
Mutual fund	Varies	Continuous	6,361,152
Commercial paper (2)	1.13 - 1.15	January 11, 2005 to February 7, 2005	998,250
U.S. Treasury notes (5)	1.25 - 5.88	May 31, 2005 to November 30, 2006	4,867,265
U.S. Treasury bonds - Stripped interest payment (3)	-	May 15, 2005 to August 15, 2019	66,770
U.S. Treasury bill	-	March 24, 2005	995,200
Federal National Mortgage Association (3)	4.50 - 7.50	August 25, 2018 to June 25, 2022	1,448,505
Federal Home Loan Mortgage Corporation (2)	5.50	March 1, 2005 to June 15, 2033	1,969,840
<b>Total Cash and Pooled Investments</b>			<b><u>\$ 31,511,631</u></b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET - BY DITCH  
COUNTY DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2004**

	Assets							
	Cash	Undistributed Cash	Due From Other Funds	Special Assessments Receivable			Total	
				Current	Delinquent	Deferred		
Judicial Ditches								
2	\$ 9,039	\$ 110	\$ 25,000	\$ 12	\$ -	\$ 11,486	\$ 45,647	
3	92	-	-	-	-	-	92	
County Ditches								
4	7,564	559	-	1,642	1,068	30,438	41,271	
5	1,691	3	-	-	-	897	2,591	
8	162	-	-	-	-	-	162	
11	716	-	-	-	-	-	716	
12	32	19	-	37	4	3,000	3,092	
14	68	-	-	-	-	-	68	
17	475	-	-	-	-	-	475	
19	240	-	-	-	-	-	240	
21	2,547	40	-	18	-	2,268	4,873	
25	337	-	-	-	-	-	337	
29	2,131	20	-	100	14	1,574	3,839	
37	6,524	1,299	-	1	-	1,954	9,778	
38	-	-	-	-	-	500	500	
39	164	-	-	-	-	-	164	
41	3,760	-	-	-	-	-	3,760	
43	481	8	-	-	-	732	1,221	
44	15	-	-	-	-	-	15	
45	225	-	-	-	-	-	225	
48	25	-	-	-	-	-	25	
52	525	-	-	-	-	750	1,275	
53	8,171	-	-	538	-	28,625	37,334	
54	92	-	-	-	-	-	92	
56	3,794	-	-	-	-	2,856	6,650	
59	146	-	-	-	-	-	146	
62	154	-	-	-	-	-	154	
63	3,506	-	-	1	5	1,000	4,512	
64	11	-	-	-	-	-	11	
68	2,113	-	-	-	-	-	2,113	
70	353	-	-	-	-	-	353	
Total	\$ 55,153	\$ 2,058	\$ 25,000	\$ 2,349	\$ 1,091	\$ 86,080	\$ 171,731	

**Schedule 11**

<b>Liabilities</b>						<b>Fund Balances</b>	<b>Total Liabilities and Fund Balances</b>
<b>Accounts Payable</b>	<b>Due to Other Fund</b>	<b>Due to other Governments</b>	<b>Deferred Revenue</b>	<b>Advance from Other Funds</b>	<b>Total</b>	<b>Unreserved Undesignated</b>	
\$ -	\$ 12,727	\$ 6,150	\$ 11,499	\$ 15,974	\$ 46,350	\$ (703)	\$ 45,647
-	-	-	-	-	-	92	92
-	-	-	31,193	36,385	67,578	(26,307)	41,271
-	-	-	897	-	897	1,694	2,591
-	-	-	-	-	-	162	162
9,106	-	-	-	-	9,106	(8,390)	716
-	-	-	3,041	698	3,739	(647)	3,092
-	-	-	-	-	-	68	68
-	-	-	-	-	-	475	475
-	-	-	-	-	-	240	240
70	-	-	2,283	-	2,353	2,520	4,873
-	-	-	-	-	-	337	337
-	-	-	1,601	1,639	3,240	599	3,839
-	-	-	1,955	-	1,955	7,823	9,778
-	-	-	500	15,916	16,416	(15,916)	500
-	-	-	-	-	-	164	164
-	-	-	-	-	-	3,760	3,760
-	-	-	732	-	732	489	1,221
-	-	-	-	-	-	15	15
-	-	-	-	-	-	225	225
-	-	-	-	-	-	25	25
-	-	-	750	-	750	525	1,275
-	-	-	29,163	35,518	64,681	(27,347)	37,334
-	-	-	-	-	-	92	92
-	-	-	2,856	-	2,856	3,794	6,650
-	-	-	-	-	-	146	146
-	-	-	-	-	-	154	154
-	-	-	1,006	-	1,006	3,506	4,512
-	-	-	-	-	-	11	11
-	-	-	-	-	-	2,113	2,113
-	-	-	-	-	-	353	353
<b>\$ 9,176</b>	<b>\$ 12,727</b>	<b>\$ 6,150</b>	<b>\$ 87,476</b>	<b>\$ 106,130</b>	<b>\$ 221,659</b>	<b>\$ (49,928)</b>	<b>\$ 171,731</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 12**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Governmental Funds</b>	<b>Enterprise Fund</b>	<b>All Funds</b>
<b>Shared Revenue</b>			
<b>State</b>			
Highway users tax	\$ 8,778,853	\$ -	\$ 8,778,853
HACA	2,239,201	-	2,239,201
PERA rate reimbursement	64,946	-	64,946
Disparity reduction aid	13,729	-	13,729
Market value credit - real property	2,537,249	-	2,537,249
Market value credit - mobile home	13,004	-	13,004
<b>Total Shared Revenue</b>	<b>\$ 13,646,982</b>	<b>\$ -</b>	<b>\$ 13,646,982</b>
<b>Reimbursement for Services</b>			
<b>State</b>			
Minnesota Department of Human Services	\$ 3,410,106	\$ -	\$ 3,410,106
<b>Payments</b>			
<b>Local</b>			
Other	\$ 47	\$ -	\$ 47
Payments in lieu of taxes	159,095	-	159,095
<b>Total Payments</b>	<b>\$ 159,142</b>	<b>\$ -</b>	<b>\$ 159,142</b>
<b>Grants</b>			
<b>State</b>			
Minnesota Department/Board of			
Administration	\$ 72,063	\$ -	\$ 72,063
Agriculture	96,875	-	96,875
Revenue	141,971	-	141,971
Corrections	274,529	-	274,529
Public Safety	56,861	-	56,861
Health	351,018	-	351,018
Natural Resources	376,206	-	376,206
Human Services	3,430,298	-	3,430,298
Soil and Water Resources	102,700	-	102,700
Office of Environmental Assistance	-	271,639	271,639
Peace Officers Board	9,669	-	9,669
<b>Total State</b>	<b>\$ 4,912,190</b>	<b>\$ 271,639</b>	<b>\$ 5,183,829</b>

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 12  
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Governmental Funds</b>	<b>Enterprise Fund</b>	<b>All Funds</b>
<b>Grants (Continued)</b>			
<b>Federal</b>			
Department of			
Agriculture	\$ 178,381	\$ -	\$ 178,381
Housing and Urban Development	5,678	-	5,678
Justice	41,933	-	41,933
Transportation	1,188,559	-	1,188,559
Environmental Protection Agency	2,066	-	2,066
Health and Human Services	2,373,556	-	2,373,556
Homeland Security	71,585	-	71,585
<b>Total Federal</b>	<b>\$ 3,861,758</b>	<b>\$ -</b>	<b>\$ 3,861,758</b>
<b>Total State and Federal Grants</b>	<b>\$ 8,773,948</b>	<b>\$ 271,639</b>	<b>\$ 9,045,587</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 25,990,178</b>	<b>\$ 271,639</b>	<b>\$ 26,261,817</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, 2004**

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

- A. Our report expresses an unqualified opinion on the financial statements of Otter Tail County.
- B. Reportable conditions 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*." None were material weaknesses.
- 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 program 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 program 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:

Temporary Assistance for Needy Families	CFDA #93.558
Child Care Mandatory and Matching Funds	CFDA #93.596
Social Services Block Grant – Title XX	CFDA #93.667
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Otter Tail County was 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.

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 a new 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.

**PREVIOUSLY REPORTED ITEM RESOLVED**

**County Treasurer's Cashbook (03-1)**

During our audit, we noted several errors in the Treasurer's cashbook balance for investment-related transactions. To preserve good internal control over cash and investments, it is essential to maintain current and accurate records. Necessary adjustments should be made in the proper period.

**Resolution**

Based on our review of the investment activity, the investment records and the cashbook entries are accurate and necessary adjustments are made timely.

**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 **Pledged Collateral**

Minn. Stat. § 118A.03, subd. 3, requires counties to obtain pledged collateral for amounts on deposit in excess of federal deposit insurance. This statute requires the collateral to be accompanied by an assignment to the municipality from the depository that states that, upon default, the financial institution shall release to the

government entity on demand, free of exchange or any other charge, the collateral pledged. Under Minn Stat. § 118A.03, subd. 7, collateral must be placed in safekeeping in an appropriate account at a Federal Reserve Bank or financial institution, and the selection must be approved by the government entity. Written documentation of the safekeeping of collateral is the safekeeping receipt.

During our review of the pledged collateral we noted:

- For two depositories, documentation could not be located to determine if the ratings of the securities were sufficient to meet the requirements of Minn. Stat. § 118A.03, subd. 2
- For three depositories, the written assignment provided that upon default, the depositor is to provide the bank at least three business days prior written notice and opportunity to cure the default.
- For one depository, a copy of the bank resolution dated December 13, 2000, approving securities identified in the written assignment, was on file, but the written assignment could not be located.
- For two depositories, the collateral on hand at December 31, 2004 could not be traced to an assignment due to missing safekeeping or substitution receipts.

We recommend that the County Treasurer monitor the collateral pledged and maintain files with sufficient documentation to ensure compliance with Minn. Stat. § 118A.03.

02-3

Depository Pledge Agreement

In 2001, Wells Fargo Bank changed its procedures for the assignment and substitution of collateral pledged to secure deposits. The new procedures are described in the depository pledge agreement. This agreement provides that if the aggregate market value of collateral held by the custodian (Federal Reserve Bank of Minneapolis) exceeds the required collateral value (Minn. Stat. § 118A.03, subd. 3), Wells Fargo may withdraw any excess collateral by providing the custodian with a

withdrawal notice signed by authorized representatives of Wells Fargo and the County. Additionally, Wells Fargo may substitute eligible securities for any of the collateral held by the custodian at any time by providing the custodian with a substitution notice signed only by an authorized representative of Wells Fargo, provided that the market value of the collateral following such substitution would equal or exceed the required collateral value. Substitutions of securities not of like par value does require the County Treasurer's written confirmation.

When the amount of collateral increases, Wells Fargo does not provide documentation that the Board of Directors or Loan Committee has approved the pledging of additional securities. The County Treasurer receives only a monthly collateral pledge report from the Federal Reserve Bank of Minneapolis verifying the balance of collateral.

We recommend that the County Treasurer obtain documentation from Wells Fargo that shows assignments of additional securities have been approved by the Board of Directors or Loan Committee. We further recommend that the County Treasurer obtain notification for the substitution of collateral prior to the substitution.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-14 Individual Ditch Systems

Six of the 31 individual ditch systems had deficit unreserved, undesignated fund balances at December 31, 2004, totaling \$79,310, the largest being \$27,347. These individual ditch system deficits resulted in the Ditch Special Revenue Fund having a net fund balance deficit of \$49,928 at December 31, 2004.

Minn. Stat. § 103E.735, subd. 1, provides that a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$40,000, whichever is larger.

We recommend the County Board improve the financial condition of the ditch systems by levying assessments pursuant to Minn. Stat. § 103E.735, which permits the creation of a repair fund to provide for the repair and maintenance costs of a ditch system.



# STATE OF MINNESOTA

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PATRICIA ANDERSON  
STATE AUDITOR

### **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, 2004, and have issued our report thereon dated September 22, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 96-6 and 96-7.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the

financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable conditions indicated above are material weaknesses.

### 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 instance 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 main 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.

This report is intended solely for the information and use of the Board and management and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

PATRICIA ANDERSON  
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: September 22, 2005





# STATE OF MINNESOTA

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PATRICIA ANDERSON  
STATE AUDITOR

### **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, 2004. The 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, 2004.

### Internal Control Over Compliance

The management of Otter Tail County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of Otter Tail County as of and for the year ended December 31, 2004, and have issued our report thereon dated September 22, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management, and 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/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: September 22, 2005

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 14**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<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	\$ 163,672
Passed Through Minnesota Department of Human Services State Administrative Matching Grant for the Food Stamp Program	10.561	14,709
<b>Total U.S. Department of Agriculture</b>		<b>\$ 178,381</b>
<b>U.S. Department of Housing and Urban Development</b>		
Passed Through Minnesota Department of Employment and Economic Development Lead-Based Paint Hazard Control Program	14.900	<b>\$ 5,678</b>
<b>U.S. Department of Justice</b>		
Direct Public Safety Partnership and Community Policing Grants	16.710	<b>\$ 41,933</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 348,523
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	20,154
Safety Incentives for Seat Belt Use	20.604	658
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	1,914
<b>Total U.S. Department of Transportation</b>		<b>\$ 371,249</b>
<b>U.S. Environmental Protection Agency</b>		
Passed Through Minnesota Department of Health Capitalization Grant for Clean Water	66.458	<b>\$ 2,066</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Commerce Low-Income Home Energy Assistance	93.568	\$ 674,848
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	21,989
Temporary Assistance for Needy Families	93.558	373,614
Child Care Mandatory and Matching Funds	93.596	495,355

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Schedule 14  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<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 Human Services (Continued)		
Children's Justice Grants to States	93.643	2,000
Foster Care Title IV-E	93.658	156,506
Social Services Block Grant Title XX	93.667	451,118
Chafee Foster Care Independent Living	93.674	11,544
Community Mental Health Services Block Grants	93.958	14,408
Passed Through Minnesota Department of Health		
Center for Disease Control and Prevention	93.283	73,556
Maternal and Child Health Services Block Grant	93.994	71,283
Passed Through Minnesota Supreme Court		
Children's Justice Grants to States	93.643	2,800
Passed Through West Central Area Agency on Aging		
Title III-B Special Programs for the Aging	93.044	58,211
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 2,407,232</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety		
State Domestic Preparedness Equipment Support Grant	97.004	\$ 57,498
Public Assistance Grants	97.036	2,936
Emergency Management Performance Grants	97.042	11,151
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 71,585</b>
<b>Total Federal Awards</b>		<b>\$ 3,078,124</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.
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.