

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Otter Tail County
(Including the Otter Tail County Community
Development Agency)
Fergus Falls, Minnesota

Year Ended December 31, 2020

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice – conducts financial and legal compliance audits of local governments;

Government Information – collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations – provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension – monitors investment, financial, and actuarial reporting for Minnesota’s local public pension funds; and

Tax Increment Financing – promotes compliance and accountability in local governments’ use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.osa.state.mn.us

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**Otter Tail County
(Including the Otter Tail County Community
Development Agency)
Fergus Falls, Minnesota**

Year Ended December 31, 2020



Office of the State Auditor

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Introductory Section		
Organization Schedule – Otter Tail County		1
Organization Schedule – Community Development Agency		2
Financial Section		
Independent Auditor’s Report		3
Management’s Discussion and Analysis		6
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	14
Statement of Activities	2	16
Fund Financial Statements		
Governmental Funds		
Balance Sheet	3	18
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position—Governmental Activities	4	22
Statement of Revenues, Expenditures, and Changes in Fund Balance	5	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities—Governmental Activities	6	25
Proprietary Fund		
Waste Management Enterprise Fund		
Statement of Fund Net Position	7	27
Statement of Revenues, Expenses, and Changes in Fund Net Position	8	29
Statement of Cash Flows	9	30
Fiduciary Funds		
Statement of Fiduciary Net Position	10	32
Statement of Changes in Fiduciary Net Position	11	33
Discretely Presented Component Units		
Combining Statement of Net Position	12	34
Combining Statement of Activities	13	36
Notes to the Financial Statements		37

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

TABLE OF CONTENTS

	Exhibit	Page
Financial Section (Continued)		
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	A-1	123
Road and Bridge Special Revenue Fund	A-2	126
Human Services Special Revenue Fund	A-3	127
Capital Improvement Special Revenue Fund	A-4	128
Schedule of Changes in Total OPEB Liability and Related Ratios –		
Other Postemployment Benefits	A-5	130
PERA General Employees Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-6	131
Schedule of Contributions	A-7	132
PERA Public Employees Police and Fire Plan		
Schedule of Proportionate Share of Net Pension Liability	A-8	133
Schedule of Contributions	A-9	134
PERA Public Employees Local Government Correctional Service		
Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-10	135
Schedule of Contributions	A-11	136
Notes to the Required Supplementary Information		
		137
Supplementary Information		
Budgetary Comparison Schedule – Chemical Dependency Debt		
Service Fund	B-1	148
Nonmajor Governmental Funds		
		149
Combining Balance Sheet	C-1	150
Combining Statement of Revenues, Expenditures, and Changes		
in Fund Balance	C-2	151
Combining Balance Sheet – Nonmajor Special Revenue Funds	C-3	152
Combining Statement of Revenues, Expenditures, and Changes		
in Fund Balance – Nonmajor Special Revenue Funds	C-4	153
Combining Balance Sheet – Nonmajor Debt Service Funds	C-5	154
Combining Statement of Revenues, Expenditures, and Changes		
in Fund Balance – Nonmajor Debt Service Funds	C-6	156
Budgetary Comparison Schedules		
County Ditch Special Revenue Fund	C-7	158
Law Library Special Revenue Fund	C-8	159
Sheriff’s Contingent Special Revenue Fund	C-9	160

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Financial Section		
Supplementary Information		
Nonmajor Governmental Funds		
Budgetary Comparison Schedules (Continued)		
Sheriff Operations Debt Service Fund	C-10	161
Highway Construction Debt Service Fund	C-11	162
Master Facility Construction Debt Service Fund	C-12	163
Detention Facility Debt Service Fund	C-13	164
Public Buildings Debt Service Fund	C-14	165
Fiduciary Funds – Custodial Funds		
Combining Statement of Fiduciary Net Position	D-1	166
Combining Statement of Changes in Fiduciary Net Position	D-2	168
Community Development Agency		
General Fund Balance Sheet and Governmental Activities Statement of Net Position	E-1	170
General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and Statement of Activities – Governmental Activities	E-2	171
Other Schedules		
Schedule of Deposits and Investments	F-1	173
Balance Sheet – By Ditch – County Ditch Special Revenue Fund	F-2	174
Schedule of Intergovernmental Revenue	F-3	178
Schedule of Expenditures of Federal Awards	F-4	180
Notes to the Schedule of Expenditures of Federal Awards		184
 Management and Compliance Section		
Otter Tail County		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		186
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance		189
Schedule of Findings and Questioned Costs		192

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Management and Compliance Section (Continued)		
Corrective Action Plan		208
Summary Schedule of Prior Audit Findings		214
Otter Tail County Community Development Agency Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		218

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2020

			<u>Term Expires</u>
Elected			
Commissioners			
Board Member	Douglas Huebsch	District 1	January 2021
Board Member	Wayne Johnson	District 2	January 2023
Board Member	John Lindquist	District 3	January 2021
Vice Chair	Betty Murphy	District 4	January 2023
Chair	Leland Rogness	District 5	January 2021
Attorney	Michelle Eldien		January 2023
Auditor-Treasurer	Wayne Stein		January 2023
County Recorder	Carol Schmaltz		January 2023
County Sheriff	Barry Fitzgibbons		January 2023
Appointed			
Assessor	Doug Walvatne		December 2020
County Engineer	Charles Grotte		May 2022
Medical Examiner	Dr. Gregory Smith		Indefinite
County Administrator	Nicole Hansen		Indefinite
Veterans Service Officer	James Olson		January 2024
Examiner of Titles	Robert Russell		Indefinite
Solid Waste Director	Chris McConn		Indefinite
Human Services Board			
Member	Douglas Huebsch		January 2021
Member	Wayne Johnson		January 2023
Member	John Lindquist		January 2021
Vice Chair	Betty Murphy		January 2023
Chair	Leland Rogness		January 2021
Human Services Director	Deb Sjostrom		Indefinite
Probation Officer	Michael Schommer		Indefinite
Public Health Director	Jody Lien		Indefinite

**OTTER TAIL COUNTY
COMMUNITY DEVELOPMENT AGENCY
FERGUS FALLS, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2020

		<u>Term Expires</u>
Appointed		
Vice Chair	Jeff Ackerson	January 2022
Commissioner	Doug Huebsch	January 2023
Commissioner	Dena Johnson	January 2022
Commissioner	Val Martin	January 2026
Commissioner	David Ripley	January 2025
Commissioner	Betsy Roder	January 2021
Commissioner	Leland Rogness	January 2026
Chair	David Schornack	January 2024
Commissioner	Greg Swanberg	January 2021
Community Development Director	Amy Baldwin	Indefinite



INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Otter Tail County
Fergus Falls, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Otter Tail County, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Otter Tail County, Minnesota, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1.E to the financial statements, in 2020, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Otter Tail County's basic financial statements. The Supplementary Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has

been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 30, 2021, on our consideration of Otter Tail County's and the Otter Tail County Community Development Agency component unit's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is solely 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 effectiveness of Otter Tail County's or the Otter Tail County Community Development Agency component unit's internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Otter Tail County's and the Otter Tail County Community Development Agency component unit's internal control over financial reporting and compliance.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted 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 (SEFA) is presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

November 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(Unaudited)**

INTRODUCTION

Otter Tail County's Management's Discussion and Analysis (MD&A) provides an overview of financial activities for the fiscal year ended December 31, 2020. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Otter Tail County exceeded its liabilities and deferred inflows of resources on December 31, 2020, by \$229,574,013 (net position).
- As of the close of 2020, Otter Tail County's governmental funds reported combined ending fund balances of \$110,904,996, an increase of \$13,768,777 in comparison with 2019. Of this amount, \$25,756,591 was unassigned by Otter Tail County and thus available for spending at the government's discretion.
- Business-type activities' total net position is \$7,609,464 at December 31, 2020. Net investment in capital assets represents \$3,961,900 of the total.
- Otter Tail County's long-term liabilities (due in more than one year) increased by \$16,583,585, or 20.0 percent, to \$99,519,516 during the current fiscal year. This change is primarily the result of the issuance of 2020 Capital Improvement Bonds for the purpose of financing various Capital Improvement projects as identified in the County's 5-year Capital Improvement Plan and 2020 General Obligation Waste Disposal Revenue Bonds on behalf of the Prairie Lakes Municipal Solid Waste Authority Joint Powers Board to finance capital improvements to the Prairie Lakes Municipal Solid Waste facility.

OVERVIEW OF THE FINANCIAL STATEMENTS

Otter Tail County's MD&A serves as an introduction to the basic financial statements. Otter Tail County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains certain other supplementary information.

Government-Wide Financial Statements

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

The statement of net position presents information on all of Otter Tail County's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Otter Tail County is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows only in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of Otter Tail County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of Otter Tail County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, economic development, and interest. Otter Tail County finances the majority of these activities with local property taxes, transportation sales and use tax, state-paid aids, fees, charges for services, and federal and state grants. The County reports its solid waste collection and disposal program, including County-sponsored recycling programs, as a business-type activity.

The government-wide statements include not only the financial data for Otter Tail County itself (known as the primary government), but also the legally separate Prairie Lakes Municipal Solid Waste Authority and Otter Tail County Community Development Agency component units, for which Otter Tail County is financially accountable. Further information for these component units is audited and reported separately from the financial information provided herein for the primary government itself.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Otter Tail County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of Otter Tail County can be divided into three broad categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decision. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Otter Tail County maintains individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, Capital Improvement Special Revenue Fund, Construction Capital Projects Fund, Prairie Lakes Municipal Solid Waste Authority Debt Service Fund and Chemical Dependency Debt Service Fund, all of which are considered to be major funds. Data from the other special revenue and debt service nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in this report.

Otter Tail County adopts an annual appropriated budget. Budgetary comparison schedules have been provided to demonstrate compliance with the fund budgets.

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Otter Tail County maintains one proprietary fund, an enterprise fund, to account for its solid waste and recycling collection and disposal programs. The proprietary fund financial statements provide information for the Waste Management Enterprise Fund, which is considered to be a major fund of Otter Tail County.

Fiduciary funds (trust funds and custodial funds) are reported when the County acts in a trustee capacity or as custodian of funds. All the County's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the County's government-wide financial statements because the County cannot use these assets to finance its operations.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Otter Tail County, total net position increased by \$13,788,648 from 2019 to 2020.

Otter Tail County Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 124,479,946	\$ 111,995,560	\$ 7,651,769	\$ 6,815,196	\$ 132,131,715	\$ 118,810,756
Capital assets	203,975,551	189,585,717	3,961,900	4,261,668	207,937,451	193,847,385
Total Assets	\$ 328,455,497	\$ 301,581,277	\$ 11,613,669	\$ 11,076,864	\$ 340,069,166	\$ 312,658,141
Deferred Outflows of Resources						
Deferred amount of refunding	\$ 284,070	\$ 330,743	\$ -	\$ -	\$ 284,070	\$ 330,743
Deferred pension outflows	3,974,549	4,603,128	150,907	115,925	4,125,456	4,719,053
Deferred other postemployment benefits outflows	420,897	203,449	27,234	10,506	448,131	213,955
Total Deferred Outflows of Resources	\$ 4,679,516	\$ 5,137,320	\$ 178,141	\$ 126,431	\$ 4,857,657	\$ 5,263,751
Liabilities						
Long-term debt outstanding	\$ 100,913,325	\$ 84,219,495	\$ 3,807,185	\$ 2,947,961	\$ 104,720,510	\$ 87,167,456
Other liabilities	6,149,536	5,461,675	290,327	264,341	6,439,863	5,726,016
Total Liabilities	\$ 107,062,861	\$ 89,681,170	\$ 4,097,512	\$ 3,212,302	\$ 111,160,373	\$ 92,893,472
Deferred Inflows of Resources						
Deferred pension inflows	\$ 4,091,867	\$ 8,938,447	\$ 83,816	\$ 304,608	\$ 4,175,683	\$ 9,243,055
Deferred other postemployment benefits inflows	15,736	-	1,018	-	16,754	-
Total Deferred Outflows of Resources	\$ 4,107,603	\$ 8,938,447	\$ 84,834	\$ 304,608	\$ 4,192,437	\$ 9,243,055
Net Position						
Net investment in capital assets	\$ 181,746,337	\$ 174,769,859	\$ 3,961,900	\$ 4,261,668	\$ 185,708,237	\$ 179,031,527
Restricted	49,391,104	43,060,453	-	302,467	49,391,104	43,362,920
Unrestricted	(9,172,892)	(9,731,332)	3,647,564	3,122,250	(5,525,328)	(6,609,082)
Total Net Position	\$ 221,964,549	\$ 208,098,980	\$ 7,609,464	\$ 7,686,385	\$ 229,574,013	\$ 215,785,365

Net investment in capital assets of \$185,708,237 represents the largest portion of net position (80.9 percent). Otter Tail County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Otter Tail County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Otter Tail County's Changes in Net Position is a summary of the County's activity for the year.

Otter Tail County Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Fees, fines, charges, and other	\$ 9,473,287	\$ 7,813,737	\$ 8,888,635	\$ 8,671,121	\$ 18,361,922	\$ 16,484,858
Operating grants and contributions	33,553,134	31,816,667	262,260	258,349	33,815,394	32,075,016
Capital grants and contributions	1,450,427	113,669	-	-	1,450,427	113,669
General revenues						
Property taxes	42,464,542	40,200,562	-	-	42,464,542	40,200,562
Other taxes	5,977,887	5,329,473	-	-	5,977,887	5,329,473
Grants and contributions	10,857,656	2,909,172	-	-	10,857,656	2,909,172
Other general revenues	1,642,026	1,935,841	62,106	59,070	1,704,132	1,994,911
Transfers	(15,733)	-	15,733	-	-	-
Total Revenues	\$ 105,403,226	\$ 90,119,121	\$ 9,228,734	\$ 8,988,540	\$ 114,631,960	\$ 99,107,661
Expenditures						
Program expenses						
General government	\$ 17,187,743	\$ 16,911,544	\$ -	\$ -	\$ 17,187,743	\$ 16,911,544
Public safety	14,311,149	14,481,762	-	-	14,311,149	14,481,762
Highways and streets	23,785,811	18,497,020	-	-	23,785,811	18,497,020
Sanitation	89,861	88,072	-	-	89,861	88,072
Human services	20,653,015	21,659,411	-	-	20,653,015	21,659,411
Health	3,717,417	3,963,215	-	-	3,717,417	3,963,215
Culture and recreation	882,517	934,505	-	-	882,517	934,505
Conservation of natural resources	2,753,015	1,982,305	-	-	2,753,015	1,982,305
Economic development	6,392,368	458,283	-	-	6,392,368	458,283
Interest	1,764,761	1,300,574	-	-	1,764,761	1,300,574
Landfill	-	-	9,305,655	8,250,628	9,305,655	8,250,628
Total Program Expenses	\$ 91,537,657	\$ 80,276,691	\$ 9,305,655	\$ 8,250,628	\$ 100,843,312	\$ 88,527,319
Increase (Decrease) in Net Position	\$ 13,865,569	\$ 9,842,430	\$ (76,921)	\$ 737,912	\$ 13,788,648	\$ 10,580,342

Otter Tail County's governmental activities increased the County's net position during 2020 by \$13,865,569.

Business-type activities of the Waste Management Enterprise Fund decreased Otter Tail County's net position by \$76,921 during 2020.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, Otter Tail County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Otter Tail County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements.

As of December 31, 2020, Otter Tail County's governmental funds reported combined ending fund balances of \$110,904,996, an increase of \$13,768,777 in comparison with the prior year.

The General Fund is the chief operating fund of the County and is used to account for all financial resources except those to be accounted for in another fund. The fund balance of Otter Tail County's General Fund increased by \$3,940,333 during the current fiscal year.

Special revenue governmental funds account for the proceeds of specific revenue that are restricted, committed, or assigned to expenditures for specific purposes.

- The Road and Bridge Special Revenue Fund balance increased by \$740,360 in 2020.
- The Human Services Special Revenue Fund balance increased by \$1,873,141 in 2020.
- The Capital Improvement Special Revenue Fund balance increased by \$674,186 in 2020.
- The Construction Capital Projects Fund balance increased by \$2,789,988 in 2020.

Debt service funds account for the payments of principal, interest, and fiscal charges on long-term obligations of Otter Tail County.

- The Prairie Lakes Municipal Solid Waste Authority Debt Service Fund balance increased by \$674,329 in 2020.
- The Chemical Dependency Debt Service Fund balance decreased by \$394,671 in 2020.

The fund balance as of December 31, 2020, for all other governmental funds increased by \$3,471,111.

Proprietary funds. As previously noted, the Waste Management Enterprise Fund is the County's sole proprietary fund.

General Fund Budgetary Highlights

The Otter Tail County Board of Commissioners, over the course of a budget year, may amend/revise the County's overall operating budget of the General Fund to reflect changes in revenue sources and expenditures that were not anticipated when the budget was established in the prior year.

Actual revenues for 2020 were \$8,631,692 more than the final budget. Actual expenditures were more than budgeted expenditures by \$4,868,840 in 2020.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Otter Tail County's investment in capital assets for its governmental and business-type activities as of December 31, 2020, amounts to \$207,937,451 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current fiscal year was 7.3 percent.

Capital Assets at Year-End (Net of Accumulated Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land	\$ 5,880,466	\$ 5,640,385	\$ 187,833	\$ 195,934	\$ 6,068,299	\$ 5,836,319
Construction in progress	3,840,400	7,236,188	-	-	3,840,400	7,236,188
Land improvements	54,087	63,432	-	-	54,087	63,432
Buildings and improvements	26,940,568	28,415,636	2,631,289	2,761,895	29,571,857	31,177,531
Machinery, furniture, vehicles, and equipment	6,395,388	6,912,577	467,730	441,358	6,863,118	7,353,935
Infrastructure	160,864,642	141,317,499	108,892	113,593	160,973,534	141,431,092
Landfill	-	-	566,156	748,888	566,156	748,888
Totals	\$ 203,975,551	\$ 189,585,717	\$ 3,961,900	\$ 4,261,668	\$ 207,937,451	\$ 193,847,385

More detailed information about Otter Tail County's capital assets can be found in Note 3.A.4 of this report.

Long-Term Debt

As of December 31, 2020, Otter Tail County had \$68,723,399 in bonds and notes outstanding, compared with \$55,993,049 as of December 31, 2019, an increase of 22.7 percent.

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

Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Bonds payable						
General obligation bonds	\$ 34,900,000	\$ 23,550,000	\$ -	\$ -	\$ 34,900,000	\$ 23,550,000
Revenue bonds	31,290,000	30,575,000	-	-	31,290,000	30,575,000
Plus: unamortized premium	2,603,436	1,946,502	-	-	2,603,436	1,946,502
Less: unamortized discount	(70,037)	(78,453)	-	-	(70,037)	(78,453)
Totals	\$ 68,723,399	\$ 55,993,049	\$ -	\$ -	\$ 68,723,399	\$ 55,993,049

Other obligations include loans payable, capital leases, compensated absences, other postemployment benefits liability, landfill closure and postclosure care costs, and net pension liability. The notes to the financial statements (Notes 3.C.2 - 3.E.2 and Note 4) provide detailed information about the County's long-term liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Otter Tail County's budget balances its fiscal responsibility with the need to ensure quality county services. The County's elected and appointed officials consider many factors when setting the budget, tax rates, and fees that will be charged for the business-type activities.

Otter Tail County's net tax capacity (tax base) for taxes payable in 2020 was \$101,254,012, which was 4.2 percent more than 2019.

By the end of 2020, Otter Tail County had approved its balanced 2021 revenue and expenditures budgets. The 2021 total levy is \$43,435,597, which is an increase of \$1,142,661, or 2.7 percent, compared to the 2020 levy of \$42,292,936.

REQUESTS FOR INFORMATION

Otter Tail County's financial report provides citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances, and it shows accountability for the money it receives and spends. If you have questions about this report, or need additional financial information, contact Wayne Stein, County Auditor-Treasurer (218-998-8041), or Kris Vipond, Assistant Finance Director (218-998-8034), at the Otter Tail County Government Services Center, 510 Fir Avenue West, Fergus Falls, Minnesota 56537.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>Assets</u>				
Cash and pooled investments	\$ 73,186,535	\$ 3,005,758	\$ 76,192,293	\$ 4,142,948
Taxes receivable – delinquent	1,002,079	-	1,002,079	11,871
Special assessments receivable				
Delinquent	7,637	-	7,637	-
Noncurrent	529,875	-	529,875	-
Accounts receivable	135,184	411,024	546,208	209,499
Accrued interest receivable	116,963	-	116,963	-
Internal balances	(2,516)	2,516	-	-
Due from other governments	13,853,114	92,312	13,945,426	46
Due from component unit	143,615	130,334	273,949	-
Due from primary government	-	-	-	749
Lease receivable	265,000	-	265,000	-
Inventories	544,481	-	544,481	-
Prepaid items	-	-	-	4,690
Restricted assets				
Permanently restricted				
Cash and pooled investments	-	1,473,089	1,473,089	-
Temporarily restricted				
Cash with escrow agent	8,178,979	-	8,178,979	-
Advance to component unit	25,075,000	2,536,736	27,611,736	-
Long-term lease receivable	1,444,000	-	1,444,000	-
Capital assets				
Non-depreciable	9,720,866	187,833	9,908,699	25,489
Depreciable – net of accumulated depreciation	194,254,685	3,774,067	198,028,752	28,054,742
Total Assets	\$ 328,455,497	\$ 11,613,669	\$ 340,069,166	\$ 32,450,034
<u>Deferred Outflows of Resources</u>				
Deferred amount on refunding	\$ 284,070	\$ -	\$ 284,070	\$ -
Deferred pension outflows	3,974,549	150,907	4,125,456	132,846
Deferred other postemployment benefits outflows	420,897	27,234	448,131	-
Total Deferred Outflows of Resources	\$ 4,679,516	\$ 178,141	\$ 4,857,657	\$ 132,846

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>Liabilities</u>				
Accounts payable	\$ 968,216	\$ 159,984	\$ 1,128,200	\$ 94,653
Salaries payable	1,835,186	114,376	1,949,562	104,101
Contracts payable	2,332,438	-	2,332,438	-
Due to other governments	190,175	15,967	206,142	114,075
Due to component unit	749	-	749	-
Due to primary government	-	-	-	273,949
Accrued interest payable	478,535	-	478,535	237
Security deposits	15,000	-	15,000	-
Employee deposits	329,237	-	329,237	-
Advance from primary government	-	-	-	27,611,736
Long-term liabilities				
Due within one year	5,100,379	100,615	5,200,994	139,832
Due in more than one year	69,878,138	2,127,547	72,005,685	379,606
Other postemployment benefits liability	3,092,015	200,068	3,292,083	-
Net pension liability	22,842,793	1,378,955	24,221,748	1,570,810
Total Liabilities	\$ 107,062,861	\$ 4,097,512	\$ 111,160,373	\$ 30,288,999
<u>Deferred Inflows of Resources</u>				
Deferred pension inflows	\$ 4,091,867	\$ 83,816	\$ 4,175,683	\$ 85,021
Deferred other postemployment benefits inflows	15,736	1,018	16,754	-
Total Deferred Inflows of Resources	\$ 4,107,603	\$ 84,834	\$ 4,192,437	\$ 85,021
<u>Net Position</u>				
Net investment in capital assets	\$ 181,746,337	\$ 3,961,900	\$ 185,708,237	\$ 5,042,473
Restricted for				
General government	1,119,845	-	1,119,845	-
Public safety	778,613	-	778,613	-
Highways and streets	8,493,048	-	8,493,048	-
Human services	47,288	-	47,288	-
Conservation of natural resources	1,272,276	-	1,272,276	-
Debt service	37,537,778	-	37,537,778	-
Held in trust for other purposes	142,256	-	142,256	-
Unrestricted	(9,172,892)	3,647,564	(5,525,328)	(2,833,613)
Total Net Position	\$ 221,964,549	\$ 7,609,464	\$ 229,574,013	\$ 2,208,860

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Program Revenues Operating Grants and Contributions</u>
<u>Functions/Programs</u>			
Primary Government			
Governmental activities			
General government	\$ 17,187,743	\$ 4,804,836	\$ 620,635
Public safety	14,311,149	311,632	1,384,599
Highways and streets	23,785,811	1,780,342	17,316,420
Sanitation	89,861	-	-
Human services	20,653,015	1,056,115	10,688,902
Health	3,717,417	1,102,249	1,715,161
Culture and recreation	882,517	21,347	50,000
Conservation of natural resources	2,753,015	319,118	585,087
Economic development	6,392,368	77,648	281,077
Interest	1,764,761	-	911,253
Total governmental activities	\$ 91,537,657	\$ 9,473,287	\$ 33,553,134
Business-type activities			
Solid waste	9,305,655	8,888,635	262,260
Total Primary Government	\$ 100,843,312	\$ 18,361,922	\$ 33,815,394
Discretely Presented Component Units	\$ 8,801,418	\$ 8,645,401	\$ -

General Revenues

Property taxes
Transportation sales and use tax
Taxes – other
Wheelage taxes
Grants and contributions not restricted to specific programs
Payments in lieu of tax
Investment earnings
Miscellaneous

Transfers

Total general revenues

Change in net position

Net Position – Beginning

Net Position – Ending

EXHIBIT 2

<u>Net (Expense) Revenue and Change in Net Position</u>				
<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Primary Government Business-Type Activities</u>	<u>Total</u>	<u>Discretely Presented Component Units</u>
\$ -	\$ (11,762,272)	\$ -	\$ (11,762,272)	
-	(12,614,918)	-	(12,614,918)	
1,450,427	(3,238,622)	-	(3,238,622)	
-	(89,861)	-	(89,861)	
-	(8,907,998)	-	(8,907,998)	
-	(900,007)	-	(900,007)	
-	(811,170)	-	(811,170)	
-	(1,848,810)	-	(1,848,810)	
-	(6,033,643)	-	(6,033,643)	
-	(853,508)	-	(853,508)	
\$ 1,450,427	\$ (47,060,809)	\$ -	\$ (47,060,809)	
-	-	(154,760)	(154,760)	
\$ 1,450,427	\$ (47,060,809)	\$ (154,760)	\$ (47,215,569)	
\$ -				\$ (156,017)
	\$ 42,464,542	\$ -	\$ 42,464,542	\$ 572,480
	4,478,829	-	4,478,829	-
	238,323	-	238,323	-
	1,260,735	-	1,260,735	-
	10,857,656	-	10,857,656	-
	520,513	-	520,513	792
	127,904	62,106	190,010	6,321
	993,609	-	993,609	4
	(15,733)	15,733	-	-
	\$ 60,926,378	\$ 77,839	\$ 61,004,217	\$ 579,597
	\$ 13,865,569	\$ (76,921)	\$ 13,788,648	\$ 423,580
	208,098,980	7,686,385	215,785,365	1,785,280
	\$ 221,964,549	\$ 7,609,464	\$ 229,574,013	\$ 2,208,860

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Road and Bridge	Human Services
<u>Assets</u>			
Cash and pooled investments	\$ 30,373,298	\$ 3,851,620	\$ 13,582,782
Petty cash and change funds	3,900	50	200
Taxes receivable – delinquent	529,918	86,304	292,095
Special assessments			
Delinquent	-	801	-
Noncurrent	-	-	-
Accounts receivable	46,547	1,892	86,745
Accrued interest receivable	116,963	-	-
Due from other funds	13,570	162,331	-
Due from other governments	232,646	11,269,098	2,342,920
Due from component unit	36	-	-
Lease receivable	650,000	-	-
Advance to other funds	536,136	-	1,808,725
Inventories	-	544,481	-
Advance to component unit	-	-	-
Restricted assets			
Temporarily restricted			
Cash with escrow agent	-	-	-
	-	-	-
Total Assets	\$ 32,503,014	\$ 15,916,577	\$ 18,113,467
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 286,879	\$ 352,527	\$ 143,319
Salaries payable	876,379	256,596	702,211
Contracts payable	-	2,332,438	-
Due to other funds	13,431	230	13,340
Due to other governments	56,997	76,388	56,091
Due to component unit	749	-	-
Advance from other funds	-	-	-
Security deposit	-	-	-
Employee deposits	314,487	14,750	-
	-	-	-
Total Liabilities	\$ 1,548,922	\$ 3,032,929	\$ 914,961
Deferred Inflows of Resources			
Unavailable revenues	\$ 394,878	\$ 5,106,150	\$ 609,240

EXHIBIT 3

<u>Capital Improvement</u>	<u>Construction Capital Projects</u>	<u>Prairie Lakes Municipal Solid Waste Authority Debt Service</u>	<u>Chemical Dependency Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 6,961,708	\$ 11,881,031	\$ -	\$ 16,119	\$ 6,515,827	\$ 73,182,385
-	-	-	-	-	4,150
62,708	-	-	-	31,054	1,002,079
-	-	-	-	6,836	7,637
-	-	-	-	529,875	529,875
-	-	-	-	-	135,184
-	-	-	-	-	116,963
7,358	-	-	-	-	183,259
-	-	-	-	8,450	13,853,114
-	-	-	-	-	36
-	-	-	1,059,000	-	1,709,000
-	-	-	-	-	2,344,861
-	-	-	-	-	544,481
-	-	25,075,000	-	-	25,075,000
-	-	6,234,490	1,944,489	-	8,178,979
<u>\$ 7,031,774</u>	<u>\$ 11,881,031</u>	<u>\$ 31,309,490</u>	<u>\$ 3,019,608</u>	<u>\$ 7,092,042</u>	<u>\$ 126,867,003</u>
\$ -	\$ -	\$ -	\$ -	\$ 185,491	\$ 968,216
-	-	-	-	-	1,835,186
-	-	-	-	-	2,332,438
-	-	-	-	159,473	186,474
-	-	-	-	-	189,476
-	-	-	-	-	749
-	-	-	1,808,725	536,136	2,344,861
-	-	-	15,000	-	15,000
-	-	-	-	-	329,237
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,823,725</u>	<u>\$ 881,100</u>	<u>\$ 8,201,637</u>
<u>\$ 37,657</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,059,000</u>	<u>\$ 553,445</u>	<u>\$ 7,760,370</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Road and Bridge	Human Services
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
(Continued)			
Fund Balances			
Nonspendable			
Inventories	\$ -	\$ 544,481	\$ -
Advance to other funds	536,136	-	1,808,725
Missing heirs	142,256	-	-
Restricted			
Debt service	672,143	-	-
Law library	-	-	-
Recorder's technology equipment	286,773	-	-
Real estate shortfall	410,044	-	-
E-911	743,006	-	-
Recorder's compliance	307,152	-	-
County state-aid highway system	-	80,955	-
Handgun permits	30,607	-	-
Ditch maintenance and repairs	-	-	-
Sheriff's contingencies	-	-	-
Aquatic invasive species	631,346	-	-
Child protection	-	-	47,288
Assigned			
Property and casualty insurance	272,518	172,518	58,167
Workers' compensation	185,288	113,374	55,633
Veteran's van	1,867	-	-
General government	-	-	-
Public safety	-	-	2,131,457
Highways and streets	-	6,866,170	-
Human services	-	-	9,557,600
Health	-	-	2,930,396
Culture and recreation	-	-	-
Capital outlay	-	-	-
Unassigned	26,340,078	-	-
Total Fund Balances	\$ 30,559,214	\$ 7,777,498	\$ 16,589,266
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 32,503,014	\$ 15,916,577	\$ 18,113,467

EXHIBIT 3
(Continued)

<u>Capital Improvement</u>	<u>Construction Capital Projects</u>	<u>Prairie Lakes Municipal Solid Waste Authority Debt Service</u>	<u>Chemical Dependency Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 544,481
-	-	-	-	-	2,344,861
-	-	-	-	-	142,256
-	-	31,309,490	136,883	5,419,262	37,537,778
-	-	-	-	115,876	115,876
-	-	-	-	-	286,773
-	-	-	-	-	410,044
-	-	-	-	-	743,006
-	-	-	-	-	307,152
-	-	-	-	-	80,955
-	-	-	-	-	30,607
-	-	-	-	640,930	640,930
-	-	-	-	5,000	5,000
-	-	-	-	-	631,346
-	-	-	-	-	47,288
-	-	-	-	-	503,203
-	-	-	-	-	354,295
-	-	-	-	-	1,867
775,902	-	-	-	-	775,902
1,644,684	-	-	-	10,944	3,787,085
3,392,769	-	-	-	-	10,258,939
276,676	-	-	-	-	9,834,276
182,354	-	-	-	-	3,112,750
721,732	-	-	-	48,972	770,704
-	11,881,031	-	-	-	11,881,031
-	-	-	-	(583,487)	25,756,591
<u>\$ 6,994,117</u>	<u>\$ 11,881,031</u>	<u>\$ 31,309,490</u>	<u>\$ 136,883</u>	<u>\$ 5,657,497</u>	<u>\$ 110,904,996</u>
<u>\$ 7,031,774</u>	<u>\$ 11,881,031</u>	<u>\$ 31,309,490</u>	<u>\$ 3,019,608</u>	<u>\$ 7,092,042</u>	<u>\$ 126,867,003</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2020**

Fund balances – total governmental funds (Exhibit 3)		\$ 110,904,996
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		203,975,551
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		7,760,370
Deferred outflows of resources are not available resources, and, therefore are not reported in the governmental funds.		
Deferred amount on refunding	\$ 284,070	
Deferred pension outflows	3,974,549	
Deferred other postemployment benefits outflows	<u>420,897</u>	4,679,516
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		143,579
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	\$ (34,900,000)	
Revenue bonds	(31,290,000)	
Loans	(406,499)	
Bond discounts	70,037	
Bond premiums	(2,603,436)	
Accrued interest payable	(478,535)	
Compensated absences	(5,848,619)	
Other postemployment benefits liability	(3,092,015)	
Net pension liability	<u>(22,842,793)</u>	(101,391,860)
Deferred inflows are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Deferred pension inflows	\$ (4,091,867)	
Deferred other postemployment benefits inflows	<u>(15,736)</u>	<u>(4,107,603)</u>
Net Position of Governmental Activities (Exhibit 1)		<u>\$ 221,964,549</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Revenues			
Taxes	\$ 22,902,508	\$ 9,271,725	\$ 12,322,032
Special assessments	88,469	-	-
Licenses and permits	558,730	-	174,369
Intergovernmental	12,436,998	22,380,204	13,759,185
Charges for services	1,554,489	1,361,450	1,557,624
Fines and forfeits	10,564	-	-
Gifts and contributions	17,000	-	43,226
Investment earnings	587,374	-	1,687
Miscellaneous	2,168,034	87,367	372,680
Total Revenues	\$ 40,324,166	\$ 33,100,746	\$ 28,230,803
Expenditures			
Current			
General government	\$ 15,833,853	\$ -	\$ -
Public safety	11,219,560	-	2,612,093
Highways and streets	-	30,189,009	-
Human services	-	-	20,623,594
Health	-	-	3,683,566
Culture and recreation	337,329	-	-
Conservation of natural resources	2,293,158	-	-
Economic development	6,456,985	-	-
Intergovernmental			
Highways and streets	-	1,682,854	-
Culture and recreation	601,384	-	-
Debt service			
Principal	1,725	-	-
Interest	31	-	-
Bond issuance costs	-	-	-
Total Expenditures	\$ 36,744,025	\$ 31,871,863	\$ 26,919,253
Excess of Revenues Over (Under) Expenditures	\$ 3,580,141	\$ 1,228,883	\$ 1,311,550
Other Financing Sources (Uses)			
Transfers in	\$ 668,864	\$ 46,290	\$ 561,591
Transfers out	(715,171)	(546,423)	-
Loans issued	406,499	-	-
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
Total Other Financing Sources (Uses)	\$ 360,192	\$ (500,133)	\$ 561,591
Net Change in Fund Balance	\$ 3,940,333	\$ 728,750	\$ 1,873,141
Fund Balance – January 1	26,618,881	7,037,138	14,716,125
Increase (decrease) in inventories	-	11,610	-
Fund Balance – December 31	\$ 30,559,214	\$ 7,777,498	\$ 16,589,266

EXHIBIT 5

<u>Capital Improvement</u>	<u>Construction Capital Projects</u>	<u>Prairie Lakes Municipal Solid Waste Authority Debt Service</u>	<u>Chemical Dependency Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 2,626,592	\$ -	\$ -	\$ -	\$ 1,239,154	\$ 48,362,011
-	-	-	-	303,817	392,286
-	-	-	-	-	733,099
196,647	-	911,253	-	23,301	49,707,588
-	-	-	-	216	4,473,779
-	-	-	-	49,524	60,088
-	-	-	-	50,000	110,226
89,006	117,318	95,413	23,287	-	914,085
24,024	-	-	90,000	10,000	2,752,105
\$ 2,936,269	\$ 117,318	\$ 1,006,666	\$ 113,287	\$ 1,676,012	\$ 107,505,267
\$ 427,923	\$ -	\$ -	\$ -	\$ 54,305	\$ 16,316,081
679,178	-	-	-	5,250	14,516,081
479,857	7,118,548	-	-	-	37,787,414
-	-	-	-	-	20,623,594
6,261	-	-	-	-	3,689,827
-	-	-	-	1,244	338,573
-	-	-	-	456,573	2,749,731
-	-	-	-	-	6,456,985
-	-	-	-	-	1,682,854
-	-	-	-	-	601,384
-	-	1,285,000	440,000	1,045,000	2,771,725
-	-	1,030,182	63,300	873,051	1,966,564
-	139,038	89,861	4,500	37,610	271,009
\$ 1,593,219	\$ 7,257,586	\$ 2,405,043	\$ 507,800	\$ 2,473,033	\$ 109,771,822
\$ 1,343,050	\$ (7,140,268)	\$ (1,398,377)	\$ (394,513)	\$ (797,021)	\$ (2,266,555)
\$ -	\$ -	\$ -	\$ -	\$ 1,112,146	\$ 2,388,891
(668,864)	-	-	(158)	(474,008)	(2,404,624)
-	-	-	-	-	406,499
-	9,560,000	2,000,000	-	3,275,000	14,835,000
-	370,256	72,706	-	354,994	797,956
\$ (668,864)	\$ 9,930,256	\$ 2,072,706	\$ (158)	\$ 4,268,132	\$ 16,023,722
\$ 674,186	\$ 2,789,988	\$ 674,329	\$ (394,671)	\$ 3,471,111	\$ 13,757,167
6,319,931	9,091,043	30,635,161	531,554	2,186,386	97,136,219
-	-	-	-	-	11,610
\$ 6,994,117	\$ 11,881,031	\$ 31,309,490	\$ 136,883	\$ 5,657,497	\$ 110,904,996

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

Net change in fund balance – total governmental funds (Exhibit 5) \$ 13,757,167

Amounts reported for governmental activities in the statement of activities are different because:

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.

Deferred inflows of resources – unavailable revenues – December 31	\$ 7,760,370	
Deferred inflows of resources – unavailable revenues – January 1	<u>(9,841,521)</u>	(2,081,151)

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	\$ 25,064,721	
Net book value of capital assets disposed	(114,082)	
Current year depreciation	<u>(10,560,805)</u>	14,389,834

Change in long-term receivable reported as due from component unit in the statement of activities but not reported in governmental funds.		(6,971)
---	--	---------

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.

Proceeds of new debt		
Bonds issued	\$ (14,835,000)	
Loans issued	(406,499)	
Premium on bonds issued	<u>(797,956)</u>	(16,039,455)

Principal repayments		
General obligation bonds	\$ 1,485,000	
Revenue bonds	1,285,000	
Capital leases	<u>1,725</u>	2,771,725

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

***EXHIBIT 6
(Continued)***

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

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	\$	115,870	
Amortization of premiums and discounts		132,606	
Change in compensated absences		(437,727)	
Change in other postemployment benefits		(285,009)	
Change in net pension liability		(2,835,970)	
Change in deferred pension outflows		(628,579)	
Change in deferred amount on refunding		(46,673)	
Change in deferred pension inflows		4,846,580	
Change in deferred other postemployment benefits outflows		217,448	
Change in deferred other postemployment benefits inflows		(15,736)	
Change in inventories		11,610	1,074,420
		<hr/>	<hr/>
Change in Net Position of Governmental Activities (Exhibit 2)			<u>\$ 13,865,569</u>

PROPRIETARY FUND

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FUND NET POSITION
WASTE MANAGEMENT ENTERPRISE FUND
DECEMBER 31, 2020**

Assets

Current assets	
Cash and pooled investments	\$ 2,987,018
Petty cash and change funds	18,740
Accounts receivable	411,024
Due from other funds	3,095
Due from other governments	92,312
Due from component unit	130,334
	130,334
Total current assets	\$ 3,642,523
Restricted assets	
Cash and pooled investments	\$ 1,473,089
	1,473,089
Noncurrent assets	
Advance to component unit	\$ 2,536,736
Capital assets	
Non-depreciable	187,833
Depreciable – net of accumulated depreciation	3,774,067
	3,774,067
Total noncurrent assets	\$ 6,498,636
Total Assets	\$ 11,614,248

Deferred Outflows of Resources

Deferred pension outflows	\$ 150,907
Deferred other postemployment benefits outflows	27,234
	27,234
Total Deferred Outflows of Resources	\$ 178,141

Liabilities

Current liabilities	
Accounts payable	\$ 159,984
Salaries payable	114,376
Due to other funds	579
Due to other governments	15,967
Compensated absences payable	100,615
	100,615
Total current liabilities	\$ 391,521

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

***EXHIBIT 7
(Continued)***

**STATEMENT OF FUND NET POSITION
WASTE MANAGEMENT ENTERPRISE FUND
DECEMBER 31, 2020**

Liabilities (Continued)

Noncurrent liabilities	
Compensated absences payable	\$ 359,613
Estimated liability for landfill closure/postclosure care	1,767,934
Other postemployment benefits liability	200,068
Net pension liability	<u>1,378,955</u>
Total noncurrent liabilities	\$ <u>3,706,570</u>
Total Liabilities	\$ <u>4,098,091</u>

Deferred Inflows of Resources

Deferred pension inflows	\$ 83,816
Deferred other postemployment benefits inflows	<u>1,018</u>
Total Deferred Inflows of Resources	\$ <u>84,834</u>

Net Position

Investment in capital assets	\$ 3,961,900
Unrestricted	<u>3,647,564</u>
Total Net Position	\$ <u><u>7,609,464</u></u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
WASTE MANAGEMENT ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

Operating Revenues	
Charges for services	\$ 8,424,927
Licenses and permits	2,290
Sale of recyclable materials	378,434
Miscellaneous	82,984
	<hr/>
Total Operating Revenues	\$ 8,888,635
Operating Expenses	
SCORE	\$ 1,583,868
Waste management	3,503,035
Household hazardous waste	267,587
Processing costs	2,891,649
Depreciation	438,020
Landfill closure and postclosure care costs	621,496
	<hr/>
Total Operating Expenses	\$ 9,305,655
Operating Income (Loss)	\$ (417,020)
Nonoperating Revenues (Expenses)	
Intergovernmental	\$ 262,260
Interest income	49,034
Interest income restricted for sanitation	13,072
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ 324,366
Income (loss) before contributions and transfers	\$ (92,654)
Transfers in	<hr/> 15,733
Change in Net Position	\$ (76,921)
Net Position – January 1	<hr/> 7,686,385
Net Position – December 31	\$ 7,609,464

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
WASTE MANAGEMENT ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 8,804,610
Payments to suppliers	(5,846,619)
Payments to employees	<u>(2,427,286)</u>
Net cash provided by (used in) operating activities	<u>\$ 530,705</u>
Cash Flows from Noncapital Financing Activities	
Intergovernmental	\$ 262,260
Transfers in	<u>15,733</u>
Net cash provided by (used in) noncapital financing activities	<u>\$ 277,993</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	<u>\$ (138,252)</u>
Cash Flows from Investing Activities	
Investment earnings received	<u>\$ 61,330</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 731,776
Cash and Cash Equivalents at January 1	<u>3,747,071</u>
Cash and Cash Equivalents at December 31	<u>\$ 4,478,847</u>
Cash and Cash Equivalents – Exhibit 7	
Cash and pooled investments	\$ 2,987,018
Petty cash and change funds	18,740
Restricted cash and pooled investments	<u>1,473,089</u>
Total Cash and Cash Equivalents	<u>\$ 4,478,847</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
WASTE MANAGEMENT ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020
Increase (Decrease) in Cash and Cash Equivalents**

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	\$ <u>(417,020)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 438,020
(Increase) decrease in accounts receivable	(82,856)
(Increase) decrease in due from other governments	(1,169)
(Increase) decrease in due from component unit	(130,334)
(Increase) decrease in advance to component unit	110,000
(Increase) decrease in deferred pension outflows	(34,982)
(Increase) decrease in deferred other postemployment benefits outflows	(16,728)
Increase (decrease) in accounts payable	1,935
Increase (decrease) in salaries payable	12,004
Increase (decrease) in compensated absences – current	8,602
Increase (decrease) in due to other funds	338
Increase (decrease) in due to other governments	12,047
Increase (decrease) in compensated absences – long-term	40,242
Increase (decrease) in other postemployment benefits liability	55,118
Increase (decrease) in deferred other postemployment benefits inflows	1,018
Increase (decrease) in deferred pension inflows	(220,792)
Increase (decrease) in net pension liability	133,766
Increase (decrease) in landfill closure/postclosure care	<u>621,496</u>
Total adjustments	\$ <u>947,725</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u><u>530,705</u></u>

FIDUCIARY FUNDS

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
<u>Assets</u>		
Cash and pooled investments	\$ 160,477	\$ 2,105,653
Taxes and special assessments receivable for other governments	-	1,729,360
Due from other funds	-	699
Due from other governments	-	79,259
	\$ 160,477	\$ 3,914,971
<u>Liabilities</u>		
Due to other governments	\$ -	\$ 1,473,183
Due to others	10,273	-
	\$ 10,273	\$ 1,473,183
<u>Net Position</u>		
Restricted for Individuals, organizations, other governments	\$ 150,204	\$ 2,441,788

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Additions		
Contributions		
Individuals	\$ 614,388	\$ 734,017
Local collaborative funds from State	-	343,457
Property tax collections for other governments	-	109,018,445
Other taxes collected for other governments	-	2,099,341
Tax forfeited land sales for other governments	-	47,200
License and fees collected for the state	-	2,164,153
	\$ 614,388	\$ 114,406,613
Deductions		
Beneficiary payments to individuals	\$ 595,376	\$ 243,836
Payments of property tax to other governments	-	108,779,298
Payments to state	-	4,722,755
Administrative expense	-	9,349
Payments to other entities	-	409,784
	\$ 595,376	\$ 114,165,022
Change in net position	\$ 19,012	\$ 241,591
Net Position – January 1, as restated (Note 1.E)	131,192	2,200,197
Net Position – December 31	\$ 150,204	\$ 2,441,788

DISCRETELY PRESENTED COMPONENT UNITS

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 12

**COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2020**

	Prairie Lakes Municipal Solid Waste Authority	Community Development Agency	Total
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ 3,437,953	\$ 704,995	\$ 4,142,948
Taxes receivable – delinquent	-	11,871	11,871
Accounts receivable	209,499	-	209,499
Due from other governments	46	-	46
Due from primary government	-	749	749
Prepaid items	4,690	-	4,690
Total current assets	\$ 3,652,188	\$ 717,615	\$ 4,369,803
Noncurrent assets			
Capital assets			
Nondepreciable	\$ 25,489	\$ -	\$ 25,489
Depreciable – net	28,054,742	-	28,054,742
Total noncurrent assets	\$ 28,080,231	\$ -	\$ 28,080,231
Total Assets	\$ 31,732,419	\$ 717,615	\$ 32,450,034
<u>Deferred Outflows of Resources</u>			
Deferred pension outflows	\$ 132,846	\$ -	\$ 132,846
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 94,653	\$ -	\$ 94,653
Salaries payable	104,101	-	104,101
Due to other governments	112,992	1,083	114,075
Due to primary government	273,949	-	273,949
Accrued interest payable	237	-	237
Advance from primary government – current	1,325,000	-	1,325,000
Loans payable – current	49,195	-	49,195
Compensated absences payable – current	90,637	-	90,637
Total current liabilities	\$ 2,050,764	\$ 1,083	\$ 2,051,847
Noncurrent liabilities			
Advance from primary government	\$ 26,286,736	\$ -	\$ 26,286,736
Loans payable – long-term	63,563	-	63,563
Compensated absences payable – long-term	316,043	-	316,043
Net pension liability	1,570,810	-	1,570,810
Total noncurrent liabilities	\$ 28,237,152	\$ -	\$ 28,237,152
Total Liabilities	\$ 30,287,916	\$ 1,083	\$ 30,288,999

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

Page 34

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT 12
(Continued)**

**COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2020**

	<u>Prairie Lakes Municipal Solid Waste Authority</u>	<u>Community Development Agency</u>	<u>Total</u>
<u>Deferred Inflows of Resources</u>			
Deferred pension inflows	\$ 85,021	\$ -	\$ 85,021
<u>Net Position</u>			
Net investment in capital assets	\$ 5,042,473	\$ -	\$ 5,042,473
Unrestricted	<u>(3,550,145)</u>	<u>716,532</u>	<u>(2,833,613)</u>
Total Net Position	<u>\$ 1,492,328</u>	<u>\$ 716,532</u>	<u>\$ 2,208,860</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 13

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Expenses</u>	<u>Program Revenues Fees, Charges, Fines, and Other</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
			<u>Prairie Lakes Municipal Solid Waste Authority</u>	<u>Community Development Agency</u>	<u>Total</u>
Component Units					
Prairie Lakes Municipal Solid Waste Authority	\$ 8,506,852	\$ 8,585,401	\$ 78,549	\$ -	\$ 78,549
Community Development Agency	294,566	60,000	-	(234,566)	(234,566)
Total Component Units	\$ 8,801,418	\$ 8,645,401	\$ 78,549	\$ (234,566)	\$ (156,017)
General Revenues					
Property tax			-	572,480	572,480
Payments in lieu of tax			-	792	792
Investment earnings			-	6,321	6,321
Miscellaneous			-	4	4
Total general revenues			\$ -	\$ 579,597	\$ 579,597
Change in Net Position			\$ 78,549	\$ 345,031	\$ 423,580
Net Position – January 1			1,413,779	371,501	1,785,280
Net Position – December 31			\$ 1,492,328	\$ 716,532	\$ 2,208,860

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

1. Summary of Significant Accounting Policies

The County’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2020. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

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.

Discretely Presented Component Units

While part of the reporting entity, the discretely presented component units are presented in separate columns in the government-wide financial statements to emphasize that they are legally separate from the County. The following component units of Otter Tail County are discretely presented:

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements Available at</u>
Otter Tail County Community Development Agency (CDA)	The County appoints Board members, employs the persons responsible for the day-to-day operations (management), and is financially accountable for the CDA.	The Otter Tail County CDA does not issue separate financial statements.
Prairie Lakes Municipal Solid Waste Authority (Prairie Lakes)	The County appoints members and is financially accountable for Prairie Lakes.	Prairie Lakes Municipal Solid Waste Authority 115 North Tower Road Fergus Falls, Minnesota 56537

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures and Jointly-Governed Organizations

The County participates in several joint ventures described in Note 6.B. The County also participates in the jointly-governed organizations described in Note 6.C.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the County (the primary government) and its component units. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

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

The County reports the following major governmental funds:

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

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways. Revenues include property taxes, intergovernmental assistance, and charges for services.

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

The Capital Improvement Special Revenue Fund is used to finance equipment acquisition or repair of buildings and other capital improvements. Financing is provided by a tax levy and intergovernmental revenue.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Construction Capital Projects Fund is used to account for the costs associated with remodeling, renovations, and improvements to the Otter Tail County Courthouse, the Government Services Center, and various lake improvement projects.

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

The Chemical Dependency Debt Service Fund is used to account for the retirement of bonds issued for the construction of the Chemical Dependency Facility.

The County reports the following major enterprise fund:

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

The County reports the following nonmajor governmental funds:

Special Revenue Funds

County Ditch
Law Library
Sheriff's Contingent
Parks and Trails

Debt Service Funds

Government Service Center
Sheriff's Operations
Highway Construction
Master Facility Construction
Detention Facility
Public Buildings

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following funds:

The Social Welfare Private-Purpose Trust Fund accounts for funds the County is holding in trust on behalf of individuals receiving social welfare assistance.

Custodial funds are custodial in nature. These funds account for activity that the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the full 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 and are available.

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the full 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 and are available.

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at fair value at December 31, 2020, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental, enterprise, and fiduciary funds 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 2020 were \$587,374.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position 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 noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” Any residual balances outstanding between the primary government and the component units are reported in the government-wide financial statements as “due to/from primary government” and “due to/due from component unit.”

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

No allowance for uncollectible receivables has been provided because such amounts are not expected to be material.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as prior taxes receivable. No provision has been made for an estimated uncollectible amount.

4. Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments payable in the years 2014 through 2020, and noncurrent special assessments payable in 2021 and after. No provision has been made for an estimated uncollectible amount.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Advance to Component Unit

In 2011, 2013, 2018, and 2020, Otter Tail County agreed to issue \$10,475,000, \$19,380,000, \$1,065,000, \$2,000,000, respectively, in General Obligation Disposal System Revenue Bonds in order to finance the acquisition/expansion of the Perham Resource Recovery Facility, which is owned by the Prairie Lakes Municipal Solid Waste Authority component unit. The proceeds from the sale of these bonds were recognized by the County. The annual payments on the advance are essentially the principal payments due on the bonds each year.

In 2019 the County issued \$6,365,000 in Taxable General Obligation Disposal System Revenue Refunding Bonds, Series 2019B, for the purpose of effecting an advance crossover refunding of the 2022 through 2030 maturities of the County's \$10,475,000 General Obligation Disposal System Revenue Bonds, Series 2011, and resulted in the County increasing the principal payments owed from Prairie Lakes by \$150,000, but will result in a lower total future cash outlay as the refunding bonds were issued with a lower interest rate than the refunded bonds. The bonds were sold in advance of the call date of the Series 2011 bonds, and proceeds were invested in an escrow account with direct obligations of the U.S. government. The County will continue to pay debt service on the Series 2011 bonds until the call date. Interest on the bonds due November 14, 2019, through May 1, 2020, will be paid from the escrow account established with proceeds of the bonds. The principal payments made in 2020 were \$1,285,000.

On December 31, 2015, Otter Tail County agreed to advance funds to cover a cash deficit in the Prairie Lakes Municipal Solid Waste Authority Fund. The amount of the advance was \$2,788,620. Repayment will be through future collection of tipping fees. The principal payments made in 2020 were \$110,000.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. Inventories and Prepaid Items

All inventories are valued at cost using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories in the proprietary fund 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.

7. Restricted Assets

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

8. 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 and the proprietary fund financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than the capitalization threshold and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value (entry price) on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. During the current period, the County did not have any capitalized interest.

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

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

The County landfill is depreciated based on capacity used.

9. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred 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. The government-wide statement of net position reports both the current and noncurrent portion of compensated absences. The current portion consists of an amount based on the vacation each employee accrues in one year.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

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 an other financing source. Premiums received on debt issuances are reported as an other financing source, while discounts on debt issuances are reported as an other financing use. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments, and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. For the governmental activities, the net pension liability is liquidated through the General Fund and other governmental funds that have personnel services. For the business-type activities, the net pension liability is liquidated by the Waste Management Enterprise Fund.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans, other postemployment benefits (OPEB), and amounts deferred on refunding and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The County has three types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and noncurrent special assessments receivable, grants and allotments, and other for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with OPEB and pension benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

13. Classification of Net Position

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

Net investment in capital assets – the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

13. Classification of Net Position (Continued)

Restricted – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – the amount of net position that does not meet the definition of restricted or net investment in capital assets.

14. Classification of Fund Balances

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

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

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

14. Classification of Fund Balances (Continued)

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

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

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

15. Minimum Fund Balance

Otter Tail County is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. Otter Tail County has adopted a minimum fund balance policy to address cash flow or working capital needs. The County is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County will maintain an unrestricted fund balance level of no less than five months of the General Fund operating expenditures. At December 31, 2020, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

16. Operating Revenues and Expenses

The Waste Management Enterprise Fund’s statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing services. Nonexchange revenues, including investment income and grants, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide services. Expenses not meeting this definition are reported as nonoperating expenses.

17. 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, deferred outflows of resources, liabilities, and deferred inflows of resources; 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. Change in Accounting Principles

During the year ended December 31, 2020, the County adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by recording the Social Welfare Private-Purpose Trust Fund that was not previously reported and including accruals and ending net position to custodial funds not previously required. Beginning net position has been restated to reflect this change.

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Net Position, January 1, 2020, as previously reported	\$ -	\$ -
Change in accounting principles	131,192	2,200,197
Net Position, January 1, 2020, as restated	\$ 131,192	\$ 2,200,197

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The County Ditch Special Revenue Fund had a positive fund balance of \$57,443 as of December 31, 2020. The deficits will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

21 ditches with positive fund balances	\$	640,930
38 ditches with deficit fund balances		(583,487)
Net Fund Balance	\$	57,443

B. Excess of Expenditures Over Budget

The following nonmajor funds had expenditures in excess of budget for the year ended December 31, 2020.

	Expenditures	Final Budget	Excess
Special Revenue Funds			
Ditch	\$ 456,573	\$ 150,000	\$ 306,573
Law Library	54,305	53,830	475
Debt Service Funds			
Highway Construction	653,776	653,300	476
Master Facility Construction	577,985	539,900	38,085
Detention Facility	159,025	154,800	4,225

3. Detailed Notes

A. Assets

1. Deposits and Investments

Reconciliation of the County's total cash and investments to the basic financial statements follows:

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets

1. Deposits and Investments (Continued)

Primary government	
Cash and pooled investments	\$ 76,192,293
Restricted assets	
Cash and pooled investments	1,473,089
Cash with escrow agent	8,178,979
Component units	
Cash and pooled investments	4,142,948
Fiduciary assets	
Custodial funds	
Cash and pooled investments	2,105,653
Trust funds	
Cash and pooled investments	<u>160,477</u>
Total Cash and Investments	<u>\$ 92,253,439</u>

a. Deposits

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

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

Custodial Credit Risk for Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2020, \$455,373 of the County's deposits were exposed to custodial credit risk.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets

1. Deposits and Investments (Continued)

b. Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. While the County does not have a policy on interest rate risk, the County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County does not have a policy on credit risk, but invests only in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2020, none of the County's investments were exposed to custodial credit risk.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. The County does not have a policy on the concentration of credit risk, but typically, the County invests in U.S. Treasury securities, U.S. agency securities, and obligations backed by the U.S. Treasury and/or U.S. agency securities without limit.

The following table represents the County's deposit and investment balances at December 31, 2020, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. government agency securities					
U.S. Treasury Note	N/A	N/A		01/31/2021	\$ 1,000,910
U.S. Treasury Bill	N/A	N/A		02/25/2021	1,999,800
U.S. Treasury Note	N/A	N/A		02/28/2021	1,502,220
U.S. Treasury Bill	N/A	N/A		04/22/2021	2,499,400
U.S. Treasury Note	N/A	N/A		05/31/2021	2,010,320
U.S. Treasury Note	N/A	N/A		06/30/2021	1,005,000
U.S. Treasury Bill	N/A	N/A		07/15/2021	2,498,875
U.S. Treasury Note	N/A	N/A		08/31/2021	2,517,000
U.S. Treasury Note	N/A	N/A		10/31/2021	1,009,300
U.S. Treasury Note	N/A	N/A		11/30/2021	2,491,260
U.S. Treasury Note	N/A	N/A		12/15/2021	1,023,790
Total U.S. Treasury Notes and Bills			59.4%		\$ 19,557,875
Municipal Bond	N/A	N/A	<5.0%	07/01/2021	1,127,343

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Treasury Securities – State and Local Government Series	N/A	N/A	24.9%		8,178,979
Negotiable certificates of deposit	N/A	N/A	12.3%		4,038,041
Total investments					\$ 32,902,238
Deposits					59,328,311
Change funds					22,890
Total Cash and Investments					\$ 92,253,439

N/A – Not Applicable

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

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments (Continued)

At December 31, 2020, the County had the following recurring fair value measurements:

	December 31, 2020	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. government agency securities	\$ 19,557,875	\$ -	\$ 19,557,875	\$ -
Municipal bond	1,127,343	-	1,127,343	-
Treasury Securities – State and Local Government Series	8,178,979	-	8,178,979	-
Negotiable certificates of deposit	4,038,041	-	4,038,041	-
	<u>32,902,238</u>	<u>-</u>	<u>32,902,238</u>	<u>-</u>
U.S. Investments Included in the Fair Value Hierarchy	\$ 32,902,238	\$ -	\$ 32,902,238	\$ -

Level 2 debt securities are valued using a matrix yield-based pricing technique based on the securities' relationship to benchmark quoted prices.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets (Continued)

2. Receivables

The County had receivables scheduled to be collected beyond one year as of December 31, 2020, as follows:

	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities	
Special assessments	\$ 529,875
Advance to component unit	<u>23,600,000</u>
Total Governmental Activities	<u>\$ 24,129,875</u>
Business-Type Activities	
Advance to component unit	<u>\$ 2,536,736</u>

3. Leases Receivable

Otter Tail County has provided funding to the Viking Library System for the purpose of constructing a new headquarters office building for the Library. The Viking Library System pays lease amounts to the County that equal the annual debt service (principal plus interest) for the Public Purpose Lease Revenue Bonds, Series 2009A. In December 2016, the County issued General Obligation Capital Improvement Refunding Bonds, Series 2016A. A portion of these bonds were used to pay off the Series 2009A bonds. The new payments from the Viking Library reflect the portion of the annual debt service (principal plus interest) for the General Obligation Capital Improvement Refunding Bonds, Series 2016A, that relate to the payoff of the Series 2009A bonds.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets

3. Leases Receivable (Continued)

Otter Tail County entered into a lease agreement with Northstar Behavioral Health, LLC, for space to provide chemical dependency treatment and mental health services. Included in the lease agreement is an option to purchase through December 31, 2024.

Amounts due from the Viking Library System and Northstar Behavioral Health, LLC, have been recorded as lease receivables in the General Fund and Chemical Dependency Debt Service Fund, respectively, at December 31, 2020. The amounts for 2021 are considered current and due within one year. Amounts remaining to be paid are as follows:

Year Due	Viking Library System	Northstar Behavioral Health, LLC
2021	\$ 70,000	\$ 195,000
2022	75,000	282,000
2023	80,000	267,000
2024	80,000	315,000
2025	80,000	-
2026 - 2028	265,000	-
Total Leases	\$ 650,000	\$ 1,059,000
Due Within One Year	\$ 70,000	\$ 195,000

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 5,640,385	\$ 240,081	\$ -	\$ 5,880,466
Construction in progress	7,236,188	3,323,253	6,719,041	3,840,400
Total capital assets not depreciated	<u>\$ 12,876,573</u>	<u>\$ 3,563,334</u>	<u>\$ 6,719,041</u>	<u>\$ 9,720,866</u>
Capital assets depreciated				
Land improvements	\$ 930,687	\$ -	\$ -	\$ 930,687
Buildings	28,852,708	27,300	-	28,880,008
Building improvements	17,896,830	-	-	17,896,830
Machinery, furniture, vehicles, and equipment	20,169,653	1,312,054	680,033	20,801,674
Infrastructure	232,618,803	26,881,074	83,715	259,416,162
Total capital assets depreciated	<u>\$ 300,468,681</u>	<u>\$ 28,220,428</u>	<u>\$ 763,748</u>	<u>\$ 327,925,361</u>
Less: accumulated depreciation for				
Land improvements	\$ 867,255	\$ 9,345	\$ -	\$ 876,600
Buildings	13,702,650	693,502	-	14,396,152
Building improvements	4,631,252	808,866	-	5,440,118
Machinery, furniture, vehicles, and Equipment	13,257,076	1,715,161	565,951	14,406,286
Infrastructure	91,301,304	7,333,931	83,715	98,551,520
Total accumulated depreciation	<u>\$ 123,759,537</u>	<u>\$ 10,560,805</u>	<u>\$ 649,666</u>	<u>\$ 133,670,676</u>
Total capital assets depreciated, net	<u>\$ 176,709,144</u>	<u>\$ 17,659,623</u>	<u>\$ 114,082</u>	<u>\$ 194,254,685</u>
Governmental Activities Capital Assets, Net	<u>\$ 189,585,717</u>	<u>\$ 21,222,957</u>	<u>\$ 6,833,123</u>	<u>\$ 203,975,551</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets

4. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 195,934	\$ -	\$ 8,101	\$ 187,833
Capital assets depreciated				
Buildings	\$ 6,678,982	\$ -	\$ 20,823	\$ 6,658,159
Landfill	3,585,738	-	-	3,585,738
Machinery, furniture, vehicles, and equipment	3,112,579	251,211	198,003	3,165,787
Infrastructure	141,010	-	-	141,010
Total capital assets depreciated	\$ 13,518,309	\$ 251,211	\$ 218,826	\$ 13,550,694
Less: accumulated depreciation for				
Buildings	\$ 3,917,087	\$ 130,606	\$ 20,823	\$ 4,026,870
Landfill	2,836,850	182,732	-	3,019,582
Machinery, furniture, vehicles, and equipment	2,671,221	119,981	93,145	2,698,057
Infrastructure	27,417	4,701	-	32,118
Total accumulated depreciation	\$ 9,452,575	\$ 438,020	\$ 113,968	\$ 9,776,627
Total capital assets depreciated, net	\$ 4,065,734	\$ (186,809)	\$ 104,858	\$ 3,774,067
Business-Type Activities Capital Assets, Net	\$ 4,261,668	\$ (186,809)	\$ 112,959	\$ 3,961,900

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

Governmental Activities		
General government		\$ 1,287,183
Public safety		706,231
Highways and streets, including depreciation of infrastructure assets		8,455,518
Human services		52,238
Health services		17,450
Culture and recreation		16,957
Conservation of natural resources		20,498
Economic development		4,730
		\$ 10,560,805
Total Depreciation Expense – Governmental Activities		
Business-Type Activities		
Solid waste		\$ 438,020

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2020, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Human Services Special Revenue Fund Road and Bridge Special Revenue Fund	\$ 13,340 230
Total due to General Fund		\$ 13,570
Road and Bridge Special Revenue Fund	County Ditch Special Revenue Fund General Fund Waste Management Enterprise Fund	\$ 159,473 2,279 579
Total due to Road and Bridge Special Revenue Fund		\$ 162,331
Capital Improvement Special Revenue Fund	General Fund	\$ 7,358
Waste Management Enterprise Fund	General Fund	\$ 3,095
Custodial Funds		
State Revenue Fund	General Fund	\$ 41
Family Services Collaborative Fund	General Fund	658
Total due to Custodial Funds		\$ 699
Total Due To/From Other Funds		\$ 187,053

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

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 Fund	County Ditch Special Revenue Fund	\$ 536,136
Human Services Special Revenue Fund	Chemical Dependency Debt Service Fund	1,808,725
Total Advances From/To Other Funds		<u>\$ 2,344,861</u>

The General Fund advance is to provide working capital to ditch systems with low reserves and operating costs in excess of revenues. This balance will be paid from future ditch special assessments. The Human Services Special Revenue Fund advance is to deposit the principle and interest portion of the outstanding Series 2016A Bonds in an irrevocable escrow account. This balance will be paid from future lease revenue.

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2020, consisted of the following:

Transfer to Public Buildings Debt Service Fund from General Fund	\$ 90,709	To transfer funds for bond principal and interest payment.
Transfer to Public Buildings Debt Service Fund from Chemical Dependency Debt Service Fund	158	To transfer funds for bond interest payment.
Transfer to Public Buildings Debt Service Fund from Sheriff Operations Debt Service Fund	474,008	To transfer funds for bond principal and interest payment.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

B. Interfund Receivables, Payables, and Transfers

3. Interfund Transfers (Continued)

Transfer to Highway Construction Debt Service Fund from Road and Bridge Revenue Fund	546,423	To transfer funds for bond principal and interest payment.
Transfer to Road and Bridge Special Revenue Fund from General Fund	46,290	To transfer CARES funds.
Transfer to Human Services Special Revenue Fund from General Fund	561,591	To transfer CARES funds.
Transfer to Waste Management Enterprise Fund from General Fund	15,733	To transfer CARES funds.
Transfer to General Fund from Capital Improvement Fund	668,864	To transfer E-911 funds.
Transfer to Sheriff Contingent Special Revenue Fund from General Fund	<u>848</u>	To transfer excess funds.
Total Transfers Between Funds	<u>\$ 2,404,624</u>	

C. Liabilities and Deferred Inflows of Resources

1. Construction Commitments

The remaining commitment for highway projects are state funded and, therefore, are not obligations of the County at December 31, 2020.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Long-Term Debt

Bond payments are typically made from the various debt service funds. Information on individual bonds payable was as follows:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2020
General obligation bonds					
2012 Courthouse and Jail Improvement Bonds	2025	\$170,000 - \$1,215,000	2.00 - 2.65	\$ 4,780,000	\$ 4,175,000
2016 Capital Improvement Refunding Bonds	2028	\$65,000 - \$1,020,000	1.05 - 3.00	6,675,000	3,900,000
2017 Capital Improvement Bonds	2028	\$115,000 - \$150,000	3.00	1,335,000	1,100,000
2019 Capital Improvement Bonds	2037	\$585,000 - \$905,000	3.00 - 5.00	12,890,000	12,890,000
2020 Capital Improvement Bonds	2036	\$105,000 - \$1,055,000	1.00 - 3.00	9,560,000	9,560,000
2020 Capital Improvement Refunding Bonds	2025	\$540,000 - \$1,135,000	4.00	3,275,000	3,275,000
Total general obligation bonds				<u>\$ 38,515,000</u>	\$ 34,900,000
Add: unamortized premium					2,216,463
Less: unamortized discount					<u>(13,162)</u>
Total General Obligation Bonds, Net					<u>\$ 37,103,301</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources

2. Long-Term Debt (Continued)

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2020</u>
Revenue bonds					
2011 Disposal System Revenue Bonds	2030	\$405,000 - \$1,475,000	3.00 - 5.00	\$ 10,475,000	\$ 6,695,000
2013 Disposal System Revenue Bonds	2034	\$630,000 - \$1,970,000	2.00 - 3.75	19,380,000	15,345,000
2018 Disposal System Revenue Bonds	2028	\$85,000 - \$125,000	3.00 - 4.00	1,065,000	885,000
2019 Disposal System Revenue Refunding Bonds	2030	\$650,000 - \$805,000	1.85 - 2.45	6,365,000	6,365,000
2020 Disposal System Revenue Bonds	2031	\$170,000 - \$215,000	1.15 - 2.00	2,000,000	2,000,000
Total revenue bonds				\$ 39,285,000	\$ 31,290,000
Add: unamortized premium					386,973
Less: unamortized discount					(56,875)
Total Revenue Bonds, Net					\$ 31,620,098

Loans Payable

In 2020, the County entered into a loan agreement with the Minnesota Pollution Control Agency for financing of the Minnesota Clean Water Partnership Project. These funds are provided to property owners and are secured by special assessments placed on the individual parcels requesting repair of a failing septic system. According to the agreement, the County can borrow as much as \$1,000,000. As of December 31, 2020, the total amount borrowed was \$406,499. Repayment schedules are not currently available for the 2020 loan and are not included in the debt service requirements.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2020, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 2,255,000	\$ 924,027	\$ 1,325,000	\$ 1,018,666
2022	3,030,000	951,108	2,190,000	970,102
2023	3,190,000	843,894	2,280,000	892,094
2024	3,810,000	721,863	2,340,000	827,661
2025	3,250,000	596,376	2,410,000	764,090
2026 - 2030	7,700,000	1,942,463	13,020,000	2,574,184
2031 - 2035	8,915,000	787,970	7,725,000	677,921
2036 - 2037	2,750,000	58,874	-	-
Total	<u>\$ 34,900,000</u>	<u>\$ 6,826,575</u>	<u>\$ 31,290,000</u>	<u>\$ 7,724,718</u>

4. Current Refunding

On December 30, 2020, the County issued \$3,275,000 General Obligation Refunding Bonds, Series 2020C, with an interest rate of 4.00 percent for a current refunding of \$3,590,000 of the 2012 Courthouse and Jail Improvement Bonds. This current refunding reduced total debt service payments over the next five years by \$198,584 and resulted in an economic gain of \$196,742. The refunded bonds were retired in January 2021.

5. Advance Refunding

In November 2019, the County issued \$6,365,000 Taxable General Obligation Disposal System Revenue Refunding Bonds, Series 2019B, to advance refund a portion of the \$10,475,000 General Obligation Disposal System Revenue Bonds, Series 2011, to achieve interest cost savings. The refunding results in future debt savings of \$687,285.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable					
General obligation bonds	\$ 23,550,000	\$ 12,835,000	\$ 1,485,000	\$ 34,900,000	\$ 2,255,000
Revenue bonds	30,575,000	2,000,000	1,285,000	31,290,000	1,325,000
Add: unamortized premium	1,946,502	797,956	141,022	2,603,436	-
Less: unamortized discount	(78,453)	-	(8,416)	(70,037)	-
Total bonds payable	<u>\$ 55,993,049</u>	<u>\$ 15,632,956</u>	<u>\$ 2,902,606</u>	<u>\$ 68,723,399</u>	<u>\$ 3,580,000</u>
Loans payable	-	406,499	-	406,499	-
Capital leases	1,725	-	1,725	-	-
Compensated absences	<u>5,410,892</u>	<u>3,051,490</u>	<u>2,613,763</u>	<u>5,848,619</u>	<u>1,520,379</u>
Governmental Activities Long-Term Liabilities	<u>\$ 61,405,666</u>	<u>\$ 19,090,945</u>	<u>\$ 5,518,094</u>	<u>\$ 74,978,517</u>	<u>\$ 5,100,379</u>

Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Estimated liability for landfill closure/postclosure care costs	\$ 1,146,438	\$ 621,496	\$ -	\$ 1,767,934	\$ -
Compensated absences	<u>411,384</u>	<u>193,229</u>	<u>144,385</u>	<u>460,228</u>	<u>100,615</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 1,557,822</u>	<u>\$ 814,725</u>	<u>\$ 144,385</u>	<u>\$ 2,228,162</u>	<u>\$ 100,615</u>

For the governmental activities, compensated absences are liquidated through the General Fund and other governmental funds that have personal services. For the business-type activities, compensated absences are liquidated by the Waste Management Enterprise Fund.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources (Continued)

7. Deferred Inflows of Resources – Unavailable Revenue

Unavailable revenues consist of taxes, special assessments, state and/or federal grants, and state highway users tax allotments, and other receivables not collected soon enough after year-end to pay liabilities of the current period. Unavailable revenue at December 31, 2020, is summarized below by fund:

	Taxes	Special Assessments	Grants and Allotments	Other	Total
Major governmental funds					
General	\$ 316,078	\$ -	\$ -	\$ 78,800	\$ 394,878
Road and Bridge	52,414	550	4,682,449	370,737	5,106,150
Human Services	174,398	-	433,909	933	609,240
Capital Improvement	37,657	-	-	-	37,657
Chemical Dependency	-	-	-	1,059,000	1,059,000
Nonmajor governmental funds					
County Ditch	-	534,322	-	-	534,322
Government Service Center	2,928	-	-	-	2,928
Sheriff Operations	6,604	-	-	-	6,604
Highway Construction	1,405	-	-	-	1,405
Master Facility Construction	6,692	-	-	-	6,692
Detention Facility	1,494	-	-	-	1,494
Total	\$ 599,670	\$ 534,872	\$ 5,116,358	\$ 1,509,470	\$ 7,760,370

D. Other Postemployment Benefits (OPEB)

1. Plan Description

Otter Tail County administers an other postemployment benefits plan, a single-employer defined benefit health care plan, to eligible retirees and their spouses.

The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

D. Other Postemployment Benefits (OPEB) (Continued)

2. Funding Policy

No assets have been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75. The OPEB plan does not issue a stand-alone financial report.

As of the January 1, 2020, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	30
Active plan participants	450
Total	480

3. Total OPEB Liability

The County's total OPEB liability of \$3,292,083 was measured as of January 1, 2020, and was determined by an actuarial valuation as of that date. The OPEB liability is liquidated through the General Fund and other governmental funds that have personal services. For the business-type activities, the OPEB liability is liquidated by the Waste Management Enterprise Fund.

The total OPEB liability in the fiscal year-end December 31, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age Normal Percent of Pay
Inflation	2.50 percent
Salary increases	Service graded table
Health care cost trend	6.50 percent as of January 1, 2020, grading to 5.00 percent over six years and then to 4.00 percent over the next 48 years

The current year discount rate is 2.90 percent. For the current valuation, the discount rate is equal to the 20-Year Municipal Bond Yield.

Mortality rates used are based on Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

D. Other Postemployment Benefits (OPEB)

3. Total OPEB Liability (Continued)

Retirement and withdrawal assumptions used are similar to those used to value pension liabilities for Minnesota public employees. The state pension plans base their assumptions on periodic experience studies.

4. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2019	\$ 2,951,956
Changes for the year	
Service cost	\$ 243,432
Interest	101,946
Assumption changes	(20,105)
Differences between expected and actual experience	228,809
Benefit payments	(213,955)
Net change	\$ 340,127
Balance at December 31, 2020	\$ 3,292,083

5. OPEB Liability Sensitivity

The following presents the total OPEB liability of the County, calculated using the discount rate previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	Discount Rate	Total OPEB Liability
1% Decrease	1.90%	\$ 3,492,309
Current	2.90	3,292,083
1% Increase	3.90	3,101,652

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

D. Other Postemployment Benefits (OPEB)

5. OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rate:

	Health Care Trend Rate		Total OPEB Liability
1% Decrease	5.50% Decreasing to 3.00%	\$	3,008,375
Current	6.50% Decreasing to 4.00%		3,292,083
1% Increase	7.50% Decreasing to 5.00%		3,622,214

6. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2020, the County recognized OPEB expense of \$122,705. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic Experience	\$ 190,674	\$ -
Changes in actuarial assumptions	-	16,754
Contributions paid subsequent to the measurement date	257,457	-
Total	\$ 448,131	\$ 16,754

The \$257,457 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

D. Other Postemployment Benefits (OPEB)

6. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Year Ended December 31	OPEB Expense Amount
2021	\$ 34,784
2022	34,784
2023	34,784
2024	34,784
2025	34,784

7. Changes in Actuarial Methods and Assumptions

The following changes in actuarial assumptions occurred in 2020:

- The discount rate was changed from 3.30 percent to 2.90 percent.
- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 Mortality tables (Blue Collar for Public Safety, White Collar for Others) with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and employee classification

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes (Continued)

E. Pension Plans

1. Defined Benefit 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). PERA administers the General Employees Retirement Plan (the General Employees Plan), the Public Employees Police and Fire Plan (the Police and Fire Plan), and the Public Employees Local Government Correctional Service Retirement Plan (the Correctional Plan), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, and the Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No Otter Tail County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing five percent for each year of service until fully vested after 20 years.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Correctional Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years.

b. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January.

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

Police and Fire Plan benefit recipients will receive a 1.00 percent post-retirement increase. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Correctional Plan benefit recipients will receive a post-retirement increase equal to 100 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 2.50 percent. If the Correctional Plan's funding status declines to 85 percent or below for two consecutive years or 80 percent for one year, the maximum will be lowered from 2.50 percent to 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

The benefit provisions stated in the following paragraph 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 their public service.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive 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 Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Police and Fire Plan and Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

c. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2020. Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in 2020. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2020.

In 2020, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	17.70
Correctional Plan	8.75

The Police and Fire Plan member and employer contribution rates increased 0.50 percent and 0.75 percent, respectively, from 2019.

The County's contributions for the year ended December 31, 2020, to the pension plans were:

General Employees Plan	\$	1,840,315
Police and Fire Plan		558,273
Correctional Plan		167,973

The contributions are equal to the statutorily required contributions as set by state statute.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

d. Pension Costs

General Employees Plan

At December 31, 2020, the County reported a liability of \$20,348,581 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the County's proportion was 0.3394 percent. It was 0.3265 percent measured as of June 30, 2019. The County recognized pension expense of \$1,129,238 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized \$54,615 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's expense related to its contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031.

The County's proportionate share of the net pension liability	\$ 20,348,581
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>627,539</u>
Total	<u>\$ 20,976,120</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The County reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 178,551	\$ 76,989
Changes in actuarial assumptions	-	740,423
Difference between projected and actual investment earnings	387,976	-
Changes in proportion	562,647	168,330
Contributions paid to PERA subsequent to the measurement date	919,609	-
Total	\$ 2,048,783	\$ 985,742

The \$919,609 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2021	\$ (1,034,699)
2022	122,472
2023	564,030
2024	491,629

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Police and Fire Plan

At December 31, 2020, the County reported a liability of \$3,626,112 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the County's proportion was 0.2751 percent. It was 0.2888 percent measured as of June 30, 2019. The County recognized pension expense of \$490,830 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation required the State of Minnesota to pay direct state aid of \$4.5 million on October 1, 2019, and to pay \$9 million by October 1 of each subsequent year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional \$26,283 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The County's proportionate share of the net pension liability	\$ 3,626,112
State of Minnesota's proportionate share of the net pension liability associated with the County	85,431
Total	\$ 3,711,543

Legislation also requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized \$24,759 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan.

The County reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 160,781	\$ 172,138
Changes in actuarial assumptions	1,214,744	2,209,092
Difference between projected and actual investment earnings	118,184	-
Changes in proportion	161,936	215,330
Contributions paid to PERA subsequent to the measurement date	285,335	-
Total	\$ 1,940,980	\$ 2,596,560

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The \$285,335 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2021	\$ (237,718)
2022	(1,010,331)
2023	173,905
2024	155,016
2025	(21,787)

Correctional Plan

At December 31, 2020, the County reported a liability of \$247,055 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the County's proportion was 0.9105 percent. It was 0.9100 percent measured as of June 30, 2019. The County recognized pension expense of (\$451,893) for its proportionate share of the Correctional Plan's pension expense.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

The County reported its proportionate share of the Correctional Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,325	\$ 90,906
Changes in actuarial assumptions	-	502,147
Difference between projected and actual investment earnings	46,805	-
Changes in proportion	2,902	328
Contributions paid to PERA subsequent to the measurement date	83,661	-
Total	\$ 135,693	\$ 593,381

The \$83,661 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2021	\$ (572,676)
2022	(27,046)
2023	13,804
2024	44,569

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2020, was \$1,168,175.

e. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

	<u>General Employees Fund</u>	<u>Police and Fire Fund</u>	<u>Correctional Fund</u>
Inflation	2.25% per year	2.50% per year	2.50% per year
Active Member Payroll Growth	3.00% per year	3.25% per year	3.25% per year
Investment Rate of Return	7.50%	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality Table for the General Employees Plan and the RP-2014 mortality tables for the Police and Fire and the Correctional Plans, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by state statute.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated August 30, 2016. The experience study for the Correctional Plan was dated February 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study. Inflation and investment assumptions for all plans were reviewed in the experience study report for the General Employees Plan.

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equities	35.50%	5.10%
Broad international stock pool	17.50	5.30
Bond pool	20.00	0.75
Alternatives	25.00	5.90
Cash equivalents	2.00	0.00

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

f. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2020, which remained consistent with 2019. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net positions of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2020:

General Employees Plan

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

General Employees Plan (Continued)

- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The changes result in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

General Employees Plan (Continued)

- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Plan

- The mortality projection scale was changed from MP-2018 to MP-2019.

Correctional Plan

- The mortality projection scale was changed from MP-2018 to MP-2019.

h. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

h. Pension Liability Sensitivity (Continued)

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 32,611,717	6.50%	\$ 7,227,364	6.50%	\$ 1,535,422
Current	7.50	20,348,581	7.50	3,626,112	7.50	247,055
1% Increase	8.50	10,232,479	8.50	646,708	8.50	(784,478)

i. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

2. Defined Contribution Plan

Five elected officials of Otter Tail County are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the state legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and 0.25 percent of the assets in each member account annually.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

2. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by Otter Tail County during the year ended December 31, 2020, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 13,377	\$ 13,377
Percentage of covered payroll	5.00%	5.00%

4. 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 County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,767,934 landfill closure and postclosure care liability at December 31, 2020, represents the cumulative amount reported to date based on the use of 88 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$100,877 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2020. The County expects to close the landfill in 2034 or later. Actual costs 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. At December 31, 2020, investments of \$1,473,089 are held for these purposes. These are reported as restricted assets on the statement of net position. The County is underfunded in this account by \$294,845 at December 31, 2020. 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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

5. 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. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2020 and 2021. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities (Continued)

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

B. Joint Ventures

Northwest Regional Development Commission

The Northwest Regional Development Commission provides services to Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties in Northwest and West Central Minnesota. Through the Dancing Sky Area Agency on Aging program, the Northwest Regional Development Commission serves 21 counties in Regions I, II, and IV. This combined area on aging was established to administer all aspects of the Older Americans Act by providing programs to meet the needs to the elderly in the 21-county area.

Control is vested in the Northwest Regional Development Commission Board. The Board consists of one Commissioner from each of the seven counties. Each member of the Board is appointed by the County Commissioners of the county he or she represents. The Northwest Regional Development Commission Board meets quarterly to discuss and approve major items such as the area plan and dollar allocations, while the advisory councils and joint powers boards continue to meet monthly to make decisions affecting their local counties.

Financing is provided by appropriations from member parties and by state and federal grants. During 2020, Otter Tail County provided \$12,935 to the Northwest Regional Development Commission.

Complete financial information can be obtained from the Northwest Regional Development Commission, 109 South Minnesota Street, Warren, Minnesota 56762.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

West Central Minnesota Drug and Violent Crime Task Force

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

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

Fiscal agent responsibilities for the Task Force are with Douglas County, which reports the Task Force as a custodial fund. Financing and equipment will be provided by the full-time and associate member agencies. Otter Tail County contributed \$5,000 to the Task Force in 2020.

Separate financial information can be obtained from the Douglas County Courthouse, 305 – 8th Avenue West, Alexandria, Minnesota 56308.

Pomme de Terre River Association

The Pomme de Terre River Association Joint Powers Board was established August 11, 1981, by an agreement between Otter Tail County and five other counties and their respective soil and water conservation districts. The agreement was made to develop and implement plans to protect property from damage of flooding; control erosion of land; protect streams and lakes from sedimentation and pollution; and maintain or improve the quality of water in the streams, lakes, and ground water lying within the boundaries of the watershed of the Pomme de Terre River. Administrative costs are apportioned equally to the soil and water conservation districts based on actual costs. An amended and restated joint powers agreement was approved on March 19, 2013.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Pomme de Terre River Association (Continued)

Control is vested in a Joint Powers Board, comprised of one representative of each County Board of Commissioners and one representative from each soil and water conservation district Board of Supervisors included within the agreement. During 2020, Otter Tail County did not contribute any funds to the Joint Powers Board.

Complete financial information can be obtained from the Pomme de Terre River Association Joint Powers Board, 12 Highway 28 East, Suite 2, Morris, Minnesota 56267.

Central Minnesota Emergency Services Board

The Central Minnesota Regional Radio Board was established in 2007, under the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39. As of June 1, 2011, the Central Minnesota Regional Radio Board changed its name to the Central Minnesota Emergency Services Board. Members include the City of St. Cloud and the Counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Mille Lacs, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

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

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2020, Otter Tail County contributed \$16,187 to the City of St. Cloud for the Central Minnesota Emergency Services Board.

Complete financial information can be obtained from the Central Minnesota Emergency Services Board, City of St. Cloud, Office of the Mayor, City Hall, 400 Second Street South, St. Cloud, Minnesota 56301.

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 Collaborative Leadership Council comprised of one representative from each participating agency and a Board of Directors comprised of representatives from the elected board of the governmental entities and from the boards of the private agencies.

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

Financing is provided by state and federal grants and cash and in-kind contributions from its member parties. Otter Tail County, in a fiduciary capacity, reports the cash transactions of the Collaborative as a custodial fund on its financial statements. During 2020, the County contributed \$3,625 in funds to the Collaborative.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Otter Tail County Family Services Collaborative (Continued)

Complete financial information can be obtained from Otter Tail County, 510 Fir Avenue West, Fergus Falls, Minnesota 56537.

Partnership4Health Community Health Board

Partnership4Health Community Health Board was originally established July 1, 2014, by a joint powers agreement among Becker, Clay, Otter Tail, and Wilkin Counties, pursuant to Minn. Stat. ch. 145A, and pursuant to Minn. Stat. § 471.59, for the purpose of transitioning grant contracts. The Community Health Board became operational as of January 1, 2015. The joint powers agreement remains in force until any single county provides a resolution of withdrawal, duly passed by its governing board, to the County Board and the auditor of the other counties participating in the agreement, and the Commissioner of Health for the State of Minnesota, at least one year before the beginning of the calendar year in which it takes effect.

Partnership4Health Community Health Board's purpose is to engage in activities designed to protect and promote the health of the general population within a community health service area by emphasizing the prevention of disease, injury, disability, and preventable death through the promotion of effective coordination and use of community resources, and by extending health services into the community.

Control is vested in Partnership4Health's Board, which consists of five members comprised of four County Commissioners and one community member. Terms for County Commissioners on the Community Health Board shall be for one year with no term limits. The term for the at-large community member shall be a three-year term rotated among the four counties.

The financial activities of Partnership4Health are accounted for in a custodial fund by Clay County. The individuals who administer the activities of Partnership4Health are considered to be employees of Clay County Public Health. During 2020, Otter Tail County did not contribute to Partnership4Health Community Health Board.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Viking Library System

Otter Tail County, along with ten cities and five other counties, participates in the Viking Library System in order to establish, continue, strengthen, and improve library services in the participating cities and counties. The Viking Library System was created as a public library service in 1975 by Douglas, Grant, Otter Tail, and Stevens Counties, along with the cities of Alexandria, Elbow Lake, Fergus Falls, Hancock, and Morris. Additions to the Library System included Wheaton, Browns Valley, Glenwood, New York Mills, and Perham in 1976, Pope County in 1981, Traverse County in 1983, and Pelican Rapids in 1988. In 1992, the Alexandria Library became the Douglas County library.

The Viking Library System is governed by a governing board which consists of 19 members. Each County Board appoints a resident of the County, each member library board appoints a representative, and any libraries with a service area population over 15,000 have an additional representative. Currently, Fergus Falls and Douglas County have additional representatives. During 2020, Otter Tail County provided \$601,384 to the Viking Library System.

Complete financial information can be obtained from the Viking Library System, 1915 Fir Avenue West, Fergus Falls, Minnesota 56537.

C. Jointly-Governed Organizations

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

District IV Transportation Planning

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Buffalo-Red River Watershed District

The Buffalo-Red River Watershed District was formed pursuant to Minn. Stat. § 103D.201, effective June 17, 1963, and includes land within Becker, Clay, Otter Tail and Wilkin Counties. The purpose of the District is to conserve the natural resources of the state by land-use planning, flood control, and other conservation projects by using sound scientific principles for the protection of the public health and welfare and the provident use of natural resources.

Control of the District is vested in the Buffalo-Red River Watershed District Board of Managers, which is composed of seven members having staggered terms of three years each, with one appointed by the Becker County Board, three appointed by the Clay County Board, one appointed by the Otter Tail County Board and two appointed by the Wilkin County Board. Tax settlements of \$64,500 were distributed to the Buffalo-Red River Watershed District in 2020.

Region Four – West Central Minnesota Homeland Security Emergency Management Organization

The Region Four – West Central Minnesota Homeland Security Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Otter Tail County's responsibility does not extend beyond making this appointment.

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties created the Minnesota Counties Computer Cooperative (MCCC) to facilitate services and training, provide software and related cost-effective measures to substantially reduce technology costs for the counties. During the year, Otter Tail County expended \$284,124 to the MCCC for services received. The County has no operational or financial control over the MCCC.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Sentencing to Service

Otter Tail County, in conjunction with other local governments, participates in the State of Minnesota's Sentencing to Service (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiatives, as well as the Department of Corrections and Natural Resources provide the funds needed to operate the STS program. The County receives payment for reimbursement and services performed under this agreement.

MAHUBE-OTWA Community Action Partnership, Inc.

MAHUBE Community Council, Inc., was incorporated as a private, non-profit organization in July 1965 (serving Mahnomens, Hubbard, and Becker Counties). In April 2012, MAHUBE Community Council became MAHUBE-OTWA Community Action Partnership, Inc., serving the five-county area of Mahnomens, Hubbard, Becker, Otter Tail, and Wadena Counties. The 18-member Board composition includes members from three sectors: low-income, private organizations, and elected public offices from the five-county area. Board Director's terms of office are three years. MAHUBE-OTWA provides services for low-income and elderly persons living in the five-county area. In order to reduce poverty in its community, this community action agency works to better focus available local, state, private, and federal resources to assist low-income individuals and families to acquire useful skills and knowledge, gain access to new opportunities, and achieve economic self-sufficiency. During 2020, Otter Tail County made payments of \$179,787 to MAHUBE-OTWA.

Minnesota Inter-County Association

The Minnesota Inter-County Association (MICA) is a voluntary organization of 14 Minnesota counties – Benton, Blue Earth, Carver, Crow Wing, Dakota, Olmsted, Otter Tail, Rice, Scott, Sherburne, St. Louis, Stearns, Washington, and Winona. The 14 members are growing counties that comprise a major portion of Minnesota's population and economy. MICA works on behalf of its members to influence regional and state programs to solve problems common to its members, produce and share high

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Minnesota Inter-County Association (Continued)

quality information on issues of concern to its members and their residents, increase public understanding of county government, and facilitate cooperation among counties in areas of mutual interest. The MICA Board of Directors is the policy-setting body. Member counties are represented on the Board by two Commissioners chosen by their respective County Boards. During 2020, Otter Tail County expended \$200 to MICA.

Lakeland Mental Health Center

Lakeland Mental Health Center was formed pursuant to Minn. Stat. ch. 317A as a 501(c)(3) non-profit corporation on February 10, 1961, and includes Becker, Clay, Douglas, Grant, Otter Tail and Pope Counties. The purpose of Lakeland Mental Health Center is to promote healthy individuals, families, and communities by providing high quality accessible mental health services. The management of Lakeland Mental Health Center is vested in a Board of Directors consisting of one Commissioner and one community-at-large representative from each member county, plus one human service director, or equivalent position, rotated between the member counties. Services are provided to the member counties through purchase of service agreements. A member county may lose its membership by action of the Board of Directors if it fails to have a signed contract with Lakeland Mental Health Center. Otter Tail County paid \$1,233,228 in 2020 for services purchased through Lakeland Mental Health Center.

West Central Regional Juvenile Center

The West Central Regional Juvenile Center functions as a coed 32-bed secure facility, as well as a coed 15-bed non-secure care program. The center is located in Moorhead, Minnesota, and provides services for juveniles with behavioral, protection, dependency, and delinquency issues. Counties who have signed a cooperative service agreement with the West Central Regional Juvenile Center include: Becker, Cass, Clay, Douglas, Grant, Otter Tail, Stevens, Todd, Traverse, Wadena, and Wilkin. Otter Tail County paid \$775,007 in 2020 for services provided by the West Central Regional Juvenile Center.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Lakes Country Service Cooperative

Lakes Country Service Cooperative (LCSC) was established in May 1976. LCSC is a public, nonprofit agency dedicated to providing quality, innovative services that help make their members successful. Services include Finance and Human Resources, Leadership and Employee Professional Development, Communications, Technology, Cooperative Purchasing, Health and Safety, Community Wellness, Insurance Wellness, and Education. LCSC serves school districts, cities, counties, and other governmental agencies in the nine-county area that includes Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse and Wilkin Counties. Otter Tail County paid \$149,621 in 2020 for services provided by Lakes Country Service Cooperative.

Otter Tail Lakes Country Association

Otter Tail Lakes Country Association is a regional 501(c)(6) non-profit marketing and economic development organization that was formed in 1976. Membership is comprised of businesses, organizations, and communities. The Board of Directors consists of up to 12 directors serving three-year terms: four representing communities, four representing hospital/tourism-related industries, and four from other businesses or industries who have a shared interest in the economic growth and development of Otter Tail County. The Otter Tail County Board of Commissioners shall appoint no more than two individuals to serve as ex-officio members. Ex-officio members shall count toward quorum, possess full Director privileges, and do not have term limits. Otter Tail County provided \$110,377 to this organization in 2020.

7. Tax Abatements

Otter Tail County enters into property tax abatement agreements with local businesses under Minn. Stat. §§ 469.1812 through 469.1815, which meets the criteria for disclosure under GASB Statement No. 77, *Tax Abatement Disclosures*. Under this statute, the County may grant property tax abatements not to exceed (1) ten percent of the net tax capacity of the political subdivision for the taxes payable year to which the abatement applies, or (2) \$200,000, whichever is greater. The abatements may be granted to any business located within or promises to relocate to the County. For fiscal year 2020, Otter Tail County had the following abatements:

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

7. Tax Abatements (Continued)

Battle Lake Hotel Partners, LLC

The County entered into a property tax abatement with Battle Lake Hotel Partners, LLC, in March 2015, for a period of ten years effective in years 2016 through 2026, to abate \$56,390 of property taxes for the purposes of economic development. For 2020, the total tax abated was \$1,790, with the first half rebated on June 26, 2020, and the second half rebated on December 18, 2020.

Battle Lake Hotel Partners, LLC, agreed to create one full-time job paying not less than the higher of state or federal minimum wage; maintain the business for at least ten years from the date of the agreement; keep real estate taxes and all city fees current for the duration of the agreement; complete stated improvements no later than March 31, 2016; and utilize all structures located on the parcels included in the abatement for seasonal recreational use and not for long-term rentals.

Thumper Pond Resort, LLC

The County entered into a property tax abatement with Thumper Pond Resort, LLC, in August 2016, for a period of ten years effective in years 2017 through 2027, to abate \$149,900 of property taxes for the purposes of economic development. For 2020, the total tax abated was \$18,056.

Thumper Pond Resort, LLC, agreed to keep real estate taxes current for the duration of the agreement, provide the County with documentation of the demonstrated loss of business and physical damage, notify the County if an insurance settlement is reached, and not transfer the project or any part thereof or any interest therein.

Grow Perham, LLC

The County entered into a property tax abatement with Grow Perham, LLC, in October 2014, for a period of nine years effective in years 2015 through 2024, to abate \$30,939 of property taxes for the purposes of housing to support economic development. For 2020, the total tax abated was \$3,322, with the first half rebated on July 31, 2020, and the second half rebated on February 5, 2021.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

7. Tax Abatements

Grow Perham, LLC (Continued)

Grow Perham, LLC, agreed to operate, maintain, preserve, and keep the project in good repair and condition during the life of the agreement; that the project and any further additions, modifications, or replacements shall at times be connected to and utilize city-owned utilities; to comply with income requirements such as at least 40 percent of the residential units in the project must be occupied or available for occupancy by persons whose incomes at the time of initial occupancy do not exceed 80 percent of the greater of state or area median income, and this requirement must be for the duration of the agreement; the developer must deliver or cause to be delivered to the City a Compliance Certificate executed by the developer covering the preceding 12 months together with written evidence satisfactory to the City of compliance with income requirements; and the project will be completed by June 30, 2015.

The County entered into a property tax abatement with Grow Perham, LLC, in May 2016, for a period of 15 years effective in years 2017 through 2031, to abate \$93,552 of property taxes for the purposes of housing to support economic development. For 2020, the total tax abated was \$11,918, with the first half rebated on July 31, 2020, and the second half rebated on February 5, 2021.

Grow Perham, LLC, agreed to operate, maintain, preserve, and keep the project in good repair and condition during the life of the agreement; the project and any further additions, modifications, or replacements shall at times be connected to and utilize City-owned utilities; the project will be completed by December 31, 2016; prior to the termination date of this agreement, the developer shall not transfer the project or any part thereof or any interest therein without the prior written approval of the city, county, and school; and the developer will pay all real property taxes during the life of the agreement.

Fergus Care Center, LLC

The County entered into a property tax abatement with Fergus Care Center, LLC, in November 2018, for a period of six years effective in years 2020 through 2025, to abate \$60,000 of property taxes for the purposes of health care and to support jobs and economic development. For 2020, the total tax abated was \$5,000, with the first half rebated on July 31, 2020, and the second half rebated on February 5, 2021.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

7. Tax Abatements

Fergus Care Center, LLC (Continued)

Fergus Care Center, LLC, agrees to the requirements of the property tax abatement as it relates to damage and destruction, change of use and transfer and assignment of the project as developed. Fergus Falls Center, LLC, agrees, so long as this agreement remains in effect, to pay all real property taxes with respect to all parts of the tax abatement property owned by it which are payable pursuant to any statutory or contractual duty. Fergus Care Center, LLC agrees that it will not challenge the market value of the tax abatement property with respect to the project.

The County has not entered into any tax increment financing agreements which meet the criteria for disclosure under GASB Statement No. 77, *Tax Abatement Disclosures*. The Cities of Battle Lake, Fergus Falls, Henning, New York Mills, Ottertail, Pelican Rapids, Perham, and Wadena have entered into tax increment financing agreements which meet the criteria for disclosure under GASB Statement No. 77, *Tax Abatement Disclosures*. The cities' authority to enter into these agreements come from Minn. Stat. § 469 for the purpose of encouraging private development, redevelopment, renovation and renewal, growth in low-to-moderate income housing, and economic development within a city. During 2020, there were 34 pay-as-you-go tax increment financing districts within these various cities. The tax increment collection during 2020 associated with these tax increment districts totaled \$1,288,155. The captured net tax capacity of these 34 districts is \$1,128,802, which represents 1.0992 percent of the County's total net tax capacity, or approximately \$464,900 in County property taxes.

8. Subsequent Events

On March 11, 2021, the President of the United States signed an amended version of the COVID Relief Package, the American Rescue Plan, which includes \$65.1 billion in direct, flexible aid for counties in America. The U.S. Department of the Treasury will oversee and administer payments of the State and Local Coronavirus Recovery Funds to state and local governments, for which every county is eligible to receive a direct allocation from the Treasury. Counties will receive funds in two tranches – 50 percent in 2021 and the remaining 50 percent no earlier than 12 months from the first payment. The U.S. Treasury is required to pay the first tranche to counties no later than 60 days after enactment. Otter Tail County's projected allocation of the State and Local Coronavirus Recovery Funds is \$11,410,722.

On June 3, 2021, the County issued General Obligation Waste Disposal Revenue Refunding Bonds, Series 2021A, of \$13,635,000. The purpose of the bonds is to refund the Series 2013A General Obligation Waste Disposal Revenue Bonds.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

In addition to those identified in Note 1, Otter Tail County's discretely presented component units have the following significant accounting policies.

1. Reporting Entities

Prairie Lakes Municipal Solid Waste Authority (Prairie Lakes)

Prairie Lakes is governed by a six-member Board of Directors—one member appointed from Becker, Clay, Todd, and Wadena Counties, and two from Otter Tail County. Receipts and disbursements are recorded in the Prairie Lakes Municipal Solid Waste Authority Fund by Otter Tail County.

Prairie Lakes is a component unit of Otter Tail County because Otter Tail County is financially accountable for Prairie Lakes. Prairie Lakes issues separate financial statements.

Otter Tail County Community Development Agency (CDA)

On December 11, 2018, Otter Tail County, acting through its Board of Commissioners, adopted an enabling resolution establishing the CDA pursuant to Minn. Stat. §§ 469.09 through 469.108 for the purpose of providing community development services in connection with market rate housing programming activities to the Otter Tail County, Minnesota, area. The CDA is governed by a nine-member Board of Directors: two are County Commissioners and seven are appointed by the Commissioners.

The CDA is a component unit of Otter Tail County because the County appoints Board members, employs the persons responsible for the day-to-day operations (management), and is financially accountable for the CDA. The first year of operations was 2019. The CDA's financial statements are included as supplementary information in this report. The CDA has no employees.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

2. Basic Financial Statements

Prairie Lakes

The accounts of Prairie Lakes are organized as an enterprise fund. Operating revenues, such as charges for services, result from exchange transactions associated with providing services. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as interest income, grants, and member county appropriations result from nonexchange transactions or incidental activities. Operating expenses are all expenses incurred to provide services. Expenses not meeting this definition are reported as nonoperating expenses. Prairie Lakes' net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

CDA

The accounts of the CDA are organized in a governmental fund, reported as its General Fund. The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance both include a reconciliation to convert the governmental fund to governmental activities. At the governmental activities level, net position is reported as restricted for economic development.

3. Measurement Focus and Basis of Accounting

Prairie Lakes

Prairie Lakes' financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

3. Measurement Focus and Basis of Accounting (Continued)

CDA

The CDA's governmental activities are reported using the economic resources measurement focus and the full accrual basis of accounting. The General Fund is reported using the current financial measurement focus and the modified accrual basis of accounting.

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

4. Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents, Deposits and Investments

Prairie Lakes

For the purposes of the statement of cash flows, cash and cash equivalents include cash and pooled investments. Prairie Lakes' cash is pooled and invested with Otter Tail County and is treated as a cash equivalent because Prairie Lakes can deposit or effectively withdraw cash at any time without prior notice or penalty. Interest is credited to the Prairie Lakes Municipal Solid Waste Authority Fund. Otter Tail County obtains collateral to cover the deposits in excess of insurance coverage. The cash and pooled investments of Prairie Lakes are not subject to custodial credit risk.

CDA

All cash and investments of the Otter Tail County CDA are on deposit with the County and are considered to be cash on hand. CDA cash is pooled and invested with Otter Tail County and is treated as cash on hand because the CDA can deposit or effectively withdraw cash at any time without prior notice or penalty. The County obtains collateral to cover the deposits in excess of insurance coverage. The cash and pooled investments of the CDA are not subject to custodial credit risk.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

4. Assets, Liabilities, and Net Position or Equity

Property Taxes

CDA

The CDA Board annually adopts a levy and certifies it to the County for collection. The County is responsible for collecting all property taxes for the CDA. Real property taxes are paid by taxpayers of the County in two equal installments on May 15 and October 15. The County provides tax settlements to the CDA throughout the year.

Capital Assets

Prairie Lakes

Capital assets, which include property, plant, and equipment, are reported in the financial statements. Prairie Lakes does not have a formal policy in place to define capital assets. Instead, it currently uses the capital asset listing developed by the City of Perham at the time of the sale of the facility from the City of Perham to the counties.

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

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

Long-Term Obligations

Prairie Lakes

Long-term liabilities consist of advances from Otter Tail County and a bank loan payable.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

4. Assets, Liabilities, and Net Position or Equity (Continued)

Equity Classifications

Prairie Lakes

Equity is classified as net position. Net investment in capital assets represents capital assets, net of accumulated depreciation, reduced by debt attributed to the acquisition, construction, or improvement of the assets.

Unrestricted net position is net position that does not meet the definition of “restricted” or “net investment in capital assets.”

CDA

The CDA’s fund balance is reported as restricted for economic development.

B. Detailed Notes

1. Assets

Deposits and Investments

Prairie Lakes

Prairie Lakes pools its deposits and investments with Otter Tail County, which acts in a fiscal agent capacity and carries collateral to cover deposits in excess of Federal Deposit Insurance Corporation (FDIC) coverage. Prairie Lakes follows the County’s investment policy for credit risk. At December 31, 2020, Prairie Lakes’ investments were not subject to custodial credit risk.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

B. Detailed Notes

1. Assets

Deposits and Investments (Continued)

CDA

The CDA pools its deposits and investments with Otter Tail County, which acts in a fiscal agent capacity and carries collateral to cover deposits in excess of FDIC coverage. The CDA follows the County's investment policy for credit risk. At December 31, 2020, the CDA's investments were not subject to custodial credit risk.

Capital Assets

Prairie Lakes

Capital asset activity for the year ended December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 25,489	\$ -	\$ -	\$ 25,489
Capital assets depreciated				
Buildings	\$ 34,477,221	\$ -	\$ -	\$ 34,477,221
Machinery, furniture, and equipment	3,401,367	107,709	3,000	3,506,076
Total capital assets depreciated	\$ 37,878,588	\$ 107,709	\$ 3,000	\$ 37,983,297
Less: accumulated depreciation for				
Buildings	\$ 6,863,816	\$ 1,427,412	\$ -	\$ 8,291,228
Machinery, furniture, and equipment	1,305,227	332,100	-	1,637,327
Total accumulated depreciation	\$ 8,169,043	\$ 1,759,512	\$ -	\$ 9,928,555
Total capital assets depreciated, net	\$ 29,709,545	\$ (1,651,803)	\$ 3,000	\$ 28,054,742
Capital Assets, Net	<u>\$ 29,735,034</u>	<u>\$ (1,651,803)</u>	<u>\$ 3,000</u>	<u>\$ 28,080,231</u>

Depreciation expense for the year was \$1,759,512.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

B. Detailed Notes (Continued)

2. Liabilities

Loans Payable

Prairie Lakes

In 2019, Prairie Lakes entered into a loan agreement with United Community Bank for the financing of a 2019 front-end wheel loader. The total amount received by the Prairie Lakes Municipal Solid Waste Authority was \$195,318. Repayment began in 2019.

The future minimum obligations as of December 31, 2020, were as follows:

Year Ending December 31	Future Minimum Obligations
2021	\$ 51,979
2022	51,979
2023	12,995
Total future minimum loan payments	\$ 116,953
Less: amount representing interest	(4,195)
Loan Payable Balance	\$ 112,758

Advance from Primary Government

Prairie Lakes

Prairie Lakes has entered into an advance arrangement with Otter Tail County. The County issued \$10,475,000 in General Obligation Disposal System Revenue Bonds, \$19,380,000 in General Obligation Waste Disposal Revenue Bonds, \$1,065,000 in General Obligation Waste Disposal Revenue Bonds, and \$2,000,000 in General Obligation Waste Disposal Revenue Bonds in order to finance the acquisition/expansion and improvements of the facility. The

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

B. Detailed Notes

2. Liabilities

Advance from Primary Government

Prairie Lakes (Continued)

proceeds from the sale of these bonds were recognized by Otter Tail County. Prairie Lakes' repayment of the advance for these bond issues to the County is essentially equal to the principal and interest on the bonds for the year. During 2019, Otter Tail County issued \$6,365,000 in Taxable General Obligation Disposal Revenue Refunding Bonds that will refund the \$10,475,000 General Obligation Disposal System Revenue Bonds, and resulted in Prairie Lakes increasing the principal payments owed to Otter Tail County by \$150,000, but will result in a lower total future cash outlay, as the refunding bonds were issued with a lower interest rate than the refunded bonds. On December 31, 2015, Otter Tail County advanced funds to Prairie Lakes to zero out a negative pooled cash balance. The advance balance consists of the following at December 31, 2020:

Type of Indebtedness	Maturity	Installment Amounts	Interest Rate (%)	Original	Balance
Advance from primary government – 2011	2030	\$405,000 - \$755,000	3.00 - 5.00	\$ 10,475,000	\$ 480,000
Advance from primary government – 2013	2034	\$630,000 - \$1,970,000	2.00 - 3.75	19,380,000	15,345,000
Advance from primary government – 2015	-	Varies	0.25	2,788,620	2,536,736
Advance from primary government – 2018	2028	\$85,000 - \$125,000	3.00 - 4.00	1,065,000	885,000
Advance from primary government – 2019	2030	\$650,000 - \$805,000	1.85 - 2.45	6,365,000	6,365,000
Advance from primary government – 2020	2031	\$170,000 - \$215,000	1.15 - 2.00	2,000,000	2,000,000
Total Advance from Primary Government				<u>\$ 42,073,620</u>	<u>\$ 27,611,736</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

B. Detailed Notes

2. Liabilities

Advance from Primary Government

Prairie Lakes (Continued)

Repayment of the advance from primary government – 2015 will be through a combination of \$1 per ton of waste received at the Prairie Lakes facility as well as 50 percent of any revenues above expenses at the end of each year, exclusive of the first \$200,000 set aside as major capital expenses. Because of the variable repayment amounts, a final debt payment schedule is not available. The following payment schedule does not include the debt service applicable to this advance.

The future minimum obligations as of December 31, 2020, were as follows:

Year Ending December 31	Future Minimum Obligations
2021	\$ 2,274,923
2022	2,378,983
2023	2,400,805
2024	2,396,010
2025	2,391,296
2026 - 2030	10,900,625
2031 - 2034	8,402,921
Total future minimum advance payments	\$ 31,145,563
Less: amount representing interest	(6,070,563)
Advance Balance	\$ 25,075,000

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

B. Detailed Notes

2. Liabilities (Continued)

Changes in Long-Term Liabilities

Prairie Lakes

Long-term liability activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loan	\$ 160,515	\$ -	\$ 47,757	\$ 112,758	\$ 49,195
Advance from primary government	27,006,736	2,000,000	1,395,000	27,611,736	1,325,000
Compensated absences	390,652	147,443	131,415	406,680	90,637
Business-Type Activities Long-Term Liabilities	<u>\$ 27,557,903</u>	<u>\$ 2,147,443</u>	<u>\$ 1,574,172</u>	<u>\$ 28,131,174</u>	<u>\$ 1,464,832</u>

3. Defined Benefit Pension Plan

Prairie Lakes

Plan Description

All full-time and certain part-time employees of Prairie Lakes are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan), which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan

Prairie Lakes

Plan Description (Continued)

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No Prairie Lakes employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

Contributions

Prairie Lakes' contributions for the General Employees Plan for the year ended December 31, 2020, were \$143,185. The contributions are equal to the contractually required contributions as set by state statute.

Pension Costs

At December 31, 2020, Prairie Lakes reported a liability of \$1,570,810 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Prairie Lakes' proportion of the net pension liability was based on Prairie Lakes' contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, Prairie Lakes'

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan

Prairie Lakes

Pension Costs (Continued)

proportion was 0.0262 percent. It was 0.0257 percent measured as of June 30, 2019. Prairie Lakes recognized pension expense of \$75,968 for its proportionate share of the General Employees Plan's pension expense.

Prairie Lakes also recognized \$4,192 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually.

Prairie Lakes' proportionate share of the net pension liability	\$	1,570,810
State of Minnesota's proportionate share of the net pension liability associated with Prairie Lakes		48,424
Total	\$	1,619,234

Prairie Lakes reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 14,064	\$ 5,943
Changes in actuarial assumptions	-	58,066
Difference between projected and actual investment earnings	25,728	-
Changes in proportion	20,733	21,012
Contributions paid to PERA subsequent to the measurement date	72,321	-
Total	\$ 132,846	\$ 85,021

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan

Prairie Lakes

Pension Costs (Continued)

The \$72,321 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2021	\$ (94,656)
2022	(4,522)
2023	36,731
2024	37,951

Pension Liability Sensitivity

The following presents Prairie Lakes' proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what Prairie Lakes' proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	Proportionate Share of the	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 2,517,463
Current	7.50	1,570,810
1% Increase	8.50	789,897

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan

Prairie Lakes

Pension Liability Sensitivity (Continued)

Additional pension information regarding benefits provided, contributions, actuarial assumptions, discount rate, and pension plan fiduciary net position can be found in Note 3.E.1.

C. Risk Management

Prairie Lakes

Prairie Lakes 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. Prairie Lakes has entered into a joint powers agreement with Minnesota entities to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. Prairie Lakes is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, Prairie Lakes 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.

Prairie Lakes retains the risk for the deductible portion of the policies, which is considered immaterial to the financial statements. At December 31, 2020, there are no other claims liabilities reported in the financial statements based on the requirements of GASB Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

C. Risk Management (Continued)

CDA

The Otter Tail Community Development Agency 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 CDA carries commercial insurance. To manage these risks, the CDA has entered into a joint powers agreement with Minnesota counties (through Otter Tail County) to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The CDA is a member of the MCIT Property and Casualty Division. The amount of settlements did not exceed insurance coverage.

The CDA retains the risk for the deductible portion of the policies, which is considered immaterial to the financial statements. At December 31, 2020, there are no other claims liabilities reported in the financial statements based on the requirements of GASB Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated.

D. Other Items

Operating Budgets

Prairie Lakes

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues	\$ 8,684,942	\$ 8,581,209	\$ (103,733)
Operating Expenses	<u>5,627,056</u>	<u>7,578,118</u>	<u>(1,951,062)</u>
Operating Income (Loss)	\$ 3,057,886	\$ 1,003,091	\$ (2,054,795)
Nonoperating Revenues (Expenses)	<u>(2,357,333)</u>	<u>(924,542)</u>	<u>1,432,791</u>
Change in Net Position	<u>\$ 700,553</u>	<u>\$ 78,549</u>	<u>\$ (622,004)</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

D. Other Items

Operating Budgets (Continued)

CDA

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues	\$ 541,800	\$ 639,597	\$ 97,797
Expenditures	<u>139,526</u>	<u>294,566</u>	<u>(155,040)</u>
Change in Fund Balance	<u>\$ 402,274</u>	<u>\$ 345,031</u>	<u>\$ (57,243)</u>

REQUIRED SUPPLEMENTARY INFORMATION

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 23,754,781	\$ 23,754,781	\$ 22,902,508	\$ (852,273)
Special assessments	130,101	130,101	88,469	(41,632)
Licenses and permits	488,095	488,095	558,730	70,635
Intergovernmental	3,551,253	3,551,253	12,436,998	8,885,745
Charges for services	1,430,722	1,430,722	1,554,489	123,767
Fines and forfeits	23,400	23,400	10,564	(12,836)
Gifts and contributions	-	-	17,000	17,000
Investment earnings	600,000	600,000	587,374	(12,626)
Miscellaneous	1,714,122	1,714,122	2,168,034	453,912
Total Revenues	\$ 31,692,474	\$ 31,692,474	\$ 40,324,166	\$ 8,631,692
Expenditures				
Current				
General government				
Commissioners	\$ 535,300	\$ 535,300	\$ 525,731	\$ 9,569
Courts	357,000	357,000	229,153	127,847
County coordinator	1,023,037	1,023,037	924,574	98,463
County auditor	1,255,112	1,255,112	1,149,325	105,787
Motor vehicle	474,776	474,776	462,055	12,721
County treasurer	372,704	372,704	388,558	(15,854)
County assessor	1,409,817	1,409,817	1,391,795	18,022
Elections	235,245	235,245	383,301	(148,056)
Accounting and auditing	60,000	60,000	69,323	(9,323)
Board of Adjustments	26,300	26,300	27,345	(1,045)
Information technology	1,567,861	1,567,861	1,642,736	(74,875)
Attorney	1,949,501	1,949,501	1,809,075	140,426
Recorder	685,583	685,583	797,931	(112,348)
Planning and zoning	29,750	29,750	20,348	9,402
Land and resource	1,297,968	1,297,968	1,257,047	40,921
Facilities operations	2,481,167	2,481,167	2,189,039	292,128
Geographical information survey	429,491	429,491	389,241	40,250
Veterans service officer	402,316	402,316	385,414	16,902
Forfeited tax sale	-	-	8,635	(8,635)
Land trust	-	-	973	(973)
Unallocated	2,043,318	2,043,318	1,782,254	261,064
Total general government	\$ 16,636,246	\$ 16,636,246	\$ 15,833,853	\$ 802,393

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 7,059,174	\$ 7,059,174	\$ 6,849,432	\$ 209,742
Boat and water safety	165,857	165,857	133,446	32,411
Coroner	142,710	142,710	181,203	(38,493)
County jail	3,954,945	3,954,945	3,436,133	518,812
Humane society	73,180	73,180	73,180	-
Snowmobile account	155,000	155,000	278,617	(123,617)
Enhanced 911	-	-	69,376	(69,376)
COVID-19 assistance	-	-	14,571	(14,571)
Emergency management	167,250	167,250	183,602	(16,352)
Total public safety	\$ 11,718,116	\$ 11,718,116	\$ 11,219,560	\$ 498,556
Culture and recreation				
Historical society	\$ 90,000	\$ 90,000	\$ 90,000	\$ -
History museum	147,170	147,170	147,170	-
County fairs	52,000	52,000	52,000	-
Phelps Mill Park	63,619	63,619	48,159	15,460
Total culture and recreation	\$ 352,789	\$ 352,789	\$ 337,329	\$ 15,460
Conservation of natural resources				
County extension	\$ 491,493	\$ 491,493	\$ 443,335	\$ 48,158
Soil and water conservation	433,241	433,241	440,583	(7,342)
Septic system loan program	-	-	406,499	(406,499)
Lake improvement districts	363,914	363,914	534,433	(170,519)
Aquatic invasive species	456,489	456,489	468,308	(11,819)
Total conservation of natural resources	\$ 1,745,137	\$ 1,745,137	\$ 2,293,158	\$ (548,021)
Economic development				
Red River Valley Development Association	\$ 1,800	\$ 1,800	\$ 1,800	\$ -
West Central Minnesota Initiative	22,500	22,500	22,500	-
Tourism	774,656	674,656	535,061	139,595
Productive Alternatives	-	100,000	100,000	-
Missing heirs account	12,341	12,341	-	12,341
Veteran's van	3,000	3,000	4,112	(1,112)
Small business assistance	-	-	5,540,015	(5,540,015)
Housing assistance	-	-	252,040	(252,040)
Wellness account	-	-	1,457	(1,457)
Total economic development	\$ 814,297	\$ 814,297	\$ 6,456,985	\$ (5,642,688)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Intergovernmental				
Culture and recreation	\$ 601,258	\$ 601,258	\$ 601,384	\$ (126)
Debt service				
Principal	\$ 6,419	\$ 6,419	\$ 1,725	\$ 4,694
Interest	923	923	31	892
Total debt service	\$ 7,342	\$ 7,342	\$ 1,756	\$ 5,586
Total Expenditures	\$ 31,875,185	\$ 31,875,185	\$ 36,744,025	\$ (4,868,840)
Excess of Revenues Over (Under) Expenditures	\$ (182,711)	\$ (182,711)	\$ 3,580,141	\$ 3,762,852
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 668,864	\$ 668,864
Transfers out	(92,397)	(92,397)	(715,171)	(622,774)
Loans issued	-	-	406,499	406,499
Total Other Financing Sources (Uses)	\$ (92,397)	\$ (92,397)	\$ 360,192	\$ 452,589
Net Change in Fund Balance	\$ (275,108)	\$ (275,108)	\$ 3,940,333	\$ 4,215,441
Fund Balance – January 1	26,618,881	26,618,881	26,618,881	-
Fund Balance – December 31	\$ 26,343,773	\$ 26,343,773	\$ 30,559,214	\$ 4,215,441

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 8,672,734	\$ 8,672,734	\$ 9,271,725	\$ 598,991
Intergovernmental	23,645,848	23,645,848	22,380,204	(1,265,644)
Charges for services	2,133,105	2,133,105	1,361,450	(771,655)
Miscellaneous	141,000	141,000	87,367	(53,633)
Total Revenues	\$ 34,592,687	\$ 34,592,687	\$ 33,100,746	\$ (1,491,941)
Expenditures				
Current				
Highways and streets				
Administration	\$ 934,350	\$ 934,350	\$ 881,365	\$ 52,985
Maintenance	5,062,852	5,062,852	5,546,962	(484,110)
Construction	31,395,309	31,395,309	22,064,051	9,331,258
Equipment maintenance and shop	3,592,000	3,592,000	1,269,072	2,322,928
Materials and services for resale	10,000	10,000	427,559	(417,559)
Total highways and streets	\$ 40,994,511	\$ 40,994,511	\$ 30,189,009	\$ 10,805,502
Intergovernmental	1,600,899	1,600,899	1,682,854	(81,955)
Total Expenditures	\$ 42,595,410	\$ 42,595,410	\$ 31,871,863	\$ 10,723,547
Excess of Revenues Over (Under) Expenditures	\$ (8,002,723)	\$ (8,002,723)	\$ 1,228,883	\$ 9,231,606
Other Financing Sources (Uses)				
Transfers in	\$ 3,126,485	\$ 3,126,485	\$ 46,290	\$ (3,080,195)
Transfers out	(546,423)	(546,423)	(546,423)	-
Total Other Financing Sources (Uses)	\$ 2,580,062	\$ 2,580,062	\$ (500,133)	\$ (3,080,195)
Net Change in Fund Balance	\$ (5,422,661)	\$ (5,422,661)	\$ 728,750	\$ 6,151,411
Fund Balance – January 1	7,037,138	7,037,138	7,037,138	-
Increase (decrease) in inventories	-	-	11,610	11,610
Fund Balance – December 31	\$ 1,614,477	\$ 1,614,477	\$ 7,777,498	\$ 6,163,021

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 12,505,570	\$ 12,505,570	\$ 12,322,032	\$ (183,538)
Licenses and permits	185,000	185,000	174,369	(10,631)
Intergovernmental	13,920,147	13,920,147	13,759,185	(160,962)
Charges for services	1,505,217	1,505,217	1,557,624	52,407
Gifts and contributions	54,500	54,500	43,226	(11,274)
Investment earnings	-	-	1,687	1,687
Miscellaneous	419,000	419,000	372,680	(46,320)
Total Revenues	\$ 28,589,434	\$ 28,589,434	\$ 28,230,803	\$ (358,631)
Expenditures				
Current				
Public safety				
Community corrections	\$ 2,818,741	\$ 2,818,741	\$ 2,612,093	\$ 206,648
Human services				
Income maintenance	\$ 6,297,895	\$ 6,297,895	\$ 6,348,987	\$ (51,092)
Social services	15,664,491	15,664,491	14,274,607	1,389,884
Total human services	\$ 21,962,386	\$ 21,962,386	\$ 20,623,594	\$ 1,338,792
Health				
Nursing service	\$ 3,817,307	\$ 3,817,307	\$ 3,683,566	\$ 133,741
Total Expenditures	\$ 28,598,434	\$ 28,598,434	\$ 26,919,253	\$ 1,679,181
Excess of Revenues Over (Under)				
Expenditures	\$ (9,000)	\$ (9,000)	\$ 1,311,550	\$ 1,320,550
Other Financing Sources (Uses)				
Transfers in	90,000	90,000	561,591	471,591
Net Change in Fund Balance	\$ 81,000	\$ 81,000	\$ 1,873,141	\$ 1,792,141
Fund Balance – January 1	14,716,125	14,716,125	14,716,125	-
Fund Balance – December 31	\$ 14,797,125	\$ 14,797,125	\$ 16,589,266	\$ 1,792,141

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,674,576	\$ 2,674,576	\$ 2,626,592	\$ (47,984)
Intergovernmental	1,632,156	1,632,156	196,647	(1,435,509)
Investment earnings	50,000	50,000	89,006	39,006
Miscellaneous	41,500	41,500	24,024	(17,476)
Total Revenues	\$ 4,398,232	\$ 4,398,232	\$ 2,936,269	\$ (1,461,963)
Expenditures				
Current				
General government				
County auditor	\$ 28,500	\$ 28,500	\$ -	\$ 28,500
County treasurer	-	-	28,484	(28,484)
County assessor	25,000	25,000	23,780	1,220
Data processing	172,000	172,000	120,566	51,434
Facilities operations	67,500	67,500	65,201	2,299
Land and resource	70,000	70,000	57,077	12,923
Other general government	-	-	303	(303)
Chemical dependency facility	-	-	132,512	(132,512)
Total general government	\$ 363,000	\$ 363,000	\$ 427,923	\$ (64,923)
Public safety				
Sheriff	\$ 558,020	\$ 558,020	\$ 526,507	\$ 31,513
Radio board	100,000	100,000	-	100,000
County jail	89,000	89,000	90,420	(1,420)
Emergency management	40,000	40,000	37,140	2,860
Community corrections	30,000	30,000	25,111	4,889
Total public safety	\$ 817,020	\$ 817,020	\$ 679,178	\$ 137,842
Highways and streets				
Maintenance	\$ 3,327,000	\$ 3,327,000	\$ 479,857	\$ 2,847,143
Human services				
Social services	\$ 114,000	\$ 114,000	\$ -	\$ 114,000
Health				
Nursing service	\$ 75,080	\$ 75,080	\$ 6,261	\$ 68,819
Culture and recreation				
Phelps Mill Park	\$ 1,637,000	\$ 1,637,000	\$ -	\$ 1,637,000
Total Expenditures	\$ 6,333,100	\$ 6,333,100	\$ 1,593,219	\$ 4,739,881

The notes to the required supplementary information are an integral part of this schedule.

Page 128

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-4
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenues Over (Under) Expenditures	\$ (1,934,868)	\$ (1,934,868)	\$ 1,343,050	\$ 3,277,918
Other Financing Sources (Uses)				
Transfers in	\$ 2,000,000	\$ 2,000,000	\$ -	\$ (2,000,000)
Transfers out	-	-	(668,864)	(668,864)
Total Other Financing Sources (Uses)	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ (668,864)</u>	<u>\$ (2,668,864)</u>
Net Change in Fund Balance	\$ 65,132	\$ 65,132	\$ 674,186	\$ 609,054
Fund Balance – January 1	<u>6,319,931</u>	<u>6,319,931</u>	<u>6,319,931</u>	<u>-</u>
Fund Balance – December 31	<u>\$ 6,385,063</u>	<u>\$ 6,385,063</u>	<u>\$ 6,994,117</u>	<u>\$ 609,054</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 243,432	\$ 195,084	\$ 189,402
Interest	101,946	97,210	93,027
Differences between expected and actual experience	228,809	-	-
Changes of assumption or other inputs	(20,105)	-	-
Benefit payments	<u>(213,955)</u>	<u>(180,557)</u>	<u>(142,457)</u>
Net change in total OPEB liability	\$ 340,127	\$ 111,737	\$ 139,972
Total OPEB Liability – Beginning	<u>2,951,956</u>	<u>2,840,219</u>	<u>2,700,247</u>
Total OPEB Liability – Ending	<u><u>\$ 3,292,083</u></u>	<u><u>\$ 2,951,956</u></u>	<u><u>\$ 2,840,219</u></u>
Covered-employee payroll	\$ 29,420,233	\$ 26,782,914	\$ 26,002,829
Total OPEB liability (asset) as a percentage of covered-employee payroll	11.19%	11.02%	10.92%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2020**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Otter Tail County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.3394 %	\$ 20,348,581	\$ 627,539	\$ 20,976,120	\$ 24,207,613	84.06 %	79.06 %
2019	0.3265	18,051,454	560,976	18,612,430	23,104,080	78.13	80.23
2018	0.3299	18,301,499	600,284	18,901,783	22,159,080	82.59	79.53
2017	0.3328	21,245,732	267,174	21,512,906	21,436,853	99.11	75.90
2016	0.3254	26,420,866	345,119	26,765,985	20,189,156	130.87	68.91
2015	0.3193	16,547,783	N/A	16,547,783	18,763,471	88.19	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A – Not Applicable

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2020**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2020	\$ 1,840,315	\$ 1,840,315	\$ -	\$ 24,537,533	7.50 %
2019	1,774,685	1,774,685	-	23,662,467	7.50
2018	1,689,742	1,689,742	-	22,529,893	7.50
2017	1,636,875	1,636,875	-	21,825,001	7.50
2016	1,570,812	1,570,812	-	20,944,156	7.50
2015	1,442,294	1,442,294	-	19,230,587	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2020**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Otter Tail County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.2751 %	\$ 3,626,112	\$ 85,431	\$ 3,711,543	\$ 3,104,654	116.80 %	87.19 %
2019	0.2888	3,074,568	N/A	3,074,568	3,047,847	100.88	89.26
2018	0.2762	2,944,008	N/A	2,944,008	2,894,963	101.69	88.84
2017	0.2680	3,618,319	N/A	3,618,319	2,747,296	131.70	85.43
2016	0.2750	11,036,229	N/A	11,036,229	2,653,923	415.85	63.88
2015	0.2660	3,022,382	N/A	3,022,382	2,439,613	123.89	86.61

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2020**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b – a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2020	\$ 558,273	\$ 558,273	\$ -	\$ 3,154,085	17.70 %
2019	516,059	516,059	-	3,044,596	16.95
2018	484,217	484,217	-	2,988,994	16.20
2017	459,024	459,024	-	2,833,481	16.20
2016	436,067	436,067	-	2,691,774	16.20
2015	408,632	408,632	-	2,522,420	16.20

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2020**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.9105 %	\$ 247,055	\$ 1,981,303	12.47 %	96.67 %
2019	0.9100	125,990	1,941,109	6.49	98.17
2018	0.9140	150,326	1,866,789	8.05	97.64
2017	0.9100	2,593,510	1,825,989	142.03	67.89
2016	0.9000	3,287,826	1,695,796	193.88	58.16
2015	1.0100	156,146	1,812,160	8.62	96.95

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-11

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2020**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b – a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2020	\$ 167,973	\$ 167,973	\$ -	\$ 1,919,691	8.75 %
2019	174,265	174,265	-	1,991,600	8.75
2018	164,241	164,241	-	1,877,040	8.75
2017	163,871	163,871	-	1,872,811	8.75
2016	153,096	153,096	-	1,749,674	8.75
2015	151,474	151,474	-	1,731,131	8.75

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Parks and Trails Special Revenue Fund, Prairie Lakes Municipal Solid Waste Authority Debt Service Fund, Government Service Center Debt Service Fund, and the Construction Capital Projects Fund. All annual appropriations lapse at fiscal year-end.

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

The appropriated budget is prepared by fund, function, and department. The County's department head may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

2. Excess of Expenditures Over Budget

The following major funds had expenditures in excess of budget for the year ended December 31, 2020.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 36,744,025	\$ 31,875,185	\$ 4,868,840
Chemical Dependency Debt Service Fund	507,800	-	507,800

3. Other Postemployment Benefits Funded Status

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Other Postemployment Benefits – Changes in Significant Actuarial Methods and Assumptions

The following changes in actuarial methods and assumptions occurred in 2020:

- The discount rate was changed from 3.30 percent to 2.90 percent.
- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and employee classification.

No changes in actuarial methods or assumptions occurred in 2019.

The following changes in actuarial methods and assumptions occurred in 2018:

- The actuarial cost method used changed from the Projected Unit Credit to Entry Age Normal Percent of Pay.
- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (with blue collar adjustment for police and fire personnel) to the RP-2014 White Collar Mortality Tables (de-trended to 2006) and then projected beyond the valuation date using scale MP-2017 (with blue collar adjustment for police and fire personnel).
- The discount rate was changed from 3.50 percent to 3.30 percent.
- The retirement and withdrawal tables for all employees were updated.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the fiscal year June 30:

General Employees Retirement Plan

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2020 (Continued)

- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023 and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2018 (Continued)

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2017 (Continued)

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21 million in calendar years 2017 and 2018 and returns to \$31 million through calendar year 2031. The state's required contribution is \$16 million in PERA's fiscal years 2018 and 2019 and returns to \$6 million annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2020

- The mortality projection scale was changed from MP-2018 to MP-2019.

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan (Continued)

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2017 (Continued)

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 33 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan (Continued)

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Local Government Correctional Service Retirement Plan

2020

- The mortality projection scale was changed from MP-2018 to MP-2019.

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from MP-2016 to MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Local Government Correctional Service Retirement Plan

2018 (Continued)

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Post-retirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 35 percent for vested members and 1.00 percent for non-vested members.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Local Government Correctional Service Retirement Plan

2017 (Continued)

- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

SUPPLEMENTARY INFORMATION

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
CHEMICAL DEPENDENCY DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ 23,291	\$ 23,291	\$ 23,287	\$ (4)
Miscellaneous	90,000	90,000	90,000	-
Total Revenues	\$ 113,291	\$ 113,291	\$ 113,287	\$ (4)
Expenditures				
Debt service				
Principal	\$ -	\$ -	\$ 440,000	\$ (440,000)
Interest	-	-	63,300	(63,300)
Bond issuance costs	-	-	4,500	(4,500)
Total Expenditures	\$ -	\$ -	\$ 507,800	\$ (507,800)
Excess of Revenues Over (Under) Expenditures	\$ 113,291	\$ 113,291	\$ (394,513)	\$ (507,804)
Other Financing Sources (Uses)				
Transfers out	(593,300)	(593,300)	(158)	593,142
Net Change in Fund Balance	\$ (480,009)	\$ (480,009)	\$ (394,671)	\$ 85,338
Fund Balance – January 1	531,554	531,554	531,554	-
Fund Balance – December 31	\$ 51,545	\$ 51,545	\$ 136,883	\$ 85,338

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

County Ditch – to account for the financing of repairs to the ditch system that are deemed to benefit the properties against which special assessments are levied.

Law Library – to account for the financial activities relating to the operation of the County’s Law Library. Financing is provided by a charge for services levied on cases in district and County court. Expenditures for Law Library books and periodicals are made from the Law Library Fund upon approval of the Law Library Board of Trustees.

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

Parks and Trails – to account for the financial activities relating to the operation of the County’s public parks and trails system.

DEBT SERVICE FUNDS

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

Sheriff Operations – to account for the retirement of bonds issued for the construction of the Sheriff’s Operations Center.

Highway Construction – to account for the retirement of bonds issued for the construction of the public works garage facility and various county highway resurfacing, reconstruction, and bridge projects.

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

Detention Facility – to account for the retirement of bonds issued for the construction of additional holding cells and an additional elevator in the detention facility.

Public Buildings – to account for the retirement of bonds issued for the purpose of refunding previously issued bonds to fund the Ottertail Operations Center, the library project, and the CARE building.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	Special Revenue (Exhibit C-3)	Debt Service (Exhibit C-5)	Total (Exhibit 3)
<u>Assets</u>			
Cash and pooled investments	\$ 1,108,496	\$ 5,407,331	\$ 6,515,827
Taxes receivable – delinquent	-	31,054	31,054
Special assessments receivable			
Delinquent	6,836	-	6,836
Noncurrent	529,875	-	529,875
Due from other governments	8,450	-	8,450
Total Assets	\$ 1,653,657	\$ 5,438,385	\$ 7,092,042
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 185,491	\$ -	\$ 185,491
Due to other funds	159,473	-	159,473
Advance from other funds	536,136	-	536,136
Total Liabilities	\$ 881,100	\$ -	\$ 881,100
Deferred Inflows of Resources			
Unavailable revenues	\$ 534,322	\$ 19,123	\$ 553,445
Fund Balances			
Restricted			
Debt service	\$ -	\$ 5,419,262	\$ 5,419,262
Law library	115,876	-	115,876
Ditch maintenance and repairs	640,930	-	640,930
Sheriff's contingencies	5,000	-	5,000
Assigned			
Public safety	10,944	-	10,944
Culture and recreation	48,972	-	48,972
Unassigned	(583,487)	-	(583,487)
Total Fund Balances	\$ 238,235	\$ 5,419,262	\$ 5,657,497
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,653,657	\$ 5,438,385	\$ 7,092,042

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Special Revenue (Exhibit C-4)	Debt Service (Exhibit C-6)	Total (Exhibit 5)
Revenues			
Taxes	\$ -	\$ 1,239,154	\$ 1,239,154
Special assessments	303,817	-	303,817
Intergovernmental	-	23,301	23,301
Charges for services	216	-	216
Fines and forfeits	49,524	-	49,524
Gifts and contributions	50,000	-	50,000
Miscellaneous	10,000	-	10,000
	\$ 413,557	\$ 1,262,455	\$ 1,676,012
Expenditures			
Current			
General government	\$ 54,305	\$ -	\$ 54,305
Public safety	5,250	-	5,250
Culture and recreation	1,244	-	1,244
Conservation of natural resources	456,573	-	456,573
Debt service			
Principal	-	1,045,000	1,045,000
Interest	-	873,051	873,051
Bond issuance costs	-	37,610	37,610
	\$ 517,372	\$ 1,955,661	\$ 2,473,033
Excess of Revenues Over (Under)			
Expenditures	\$ (103,815)	\$ (693,206)	\$ (797,021)
Other Financing Sources (Uses)			
Transfers in	\$ 848	\$ 1,111,298	\$ 1,112,146
Transfers out	-	(474,008)	(474,008)
Bonds issued	-	3,275,000	3,275,000
Premium on bonds issued	-	354,994	354,994
	\$ 848	\$ 4,267,284	\$ 4,268,132
Net Change in Fund Balance	\$ (102,967)	\$ 3,574,078	\$ 3,471,111
Fund Balance – January 1	341,202	1,845,184	2,186,386
Fund Balance – December 31	\$ 238,235	\$ 5,419,262	\$ 5,657,497

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2020**

	<u>County Ditch</u>	<u>Law Library</u>	<u>Sheriff's Contingent</u>	<u>Parks and Trails</u>	<u>Total</u>
<u>Assets</u>					
Cash and pooled investments	\$ 930,661	\$ 112,885	\$ 14,734	\$ 50,216	\$ 1,108,496
Special assessments receivable					
Delinquent	6,836	-	-	-	6,836
Noncurrent	529,875	-	-	-	529,875
Due from other governments	-	7,240	1,210	-	8,450
Total Assets	\$ 1,467,372	\$ 120,125	\$ 15,944	\$ 50,216	\$ 1,653,657
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 179,998	\$ 4,249	\$ -	\$ 1,244	\$ 185,491
Due to other funds	159,473	-	-	-	159,473
Advance from other funds	536,136	-	-	-	536,136
Total Liabilities	\$ 875,607	\$ 4,249	\$ -	\$ 1,244	\$ 881,100
Deferred Inflows of Resources					
Unavailable revenues	\$ 534,322	\$ -	\$ -	\$ -	\$ 534,322
Fund Balances					
Restricted					
Law library	\$ -	\$ 115,876	\$ -	\$ -	\$ 115,876
Ditch maintenance and repairs	640,930	-	-	-	640,930
Sheriff's contingencies	-	-	5,000	-	5,000
Assigned					
Public safety	-	-	10,944	-	10,944
Culture and recreation	-	-	-	48,972	48,972
Unassigned	(583,487)	-	-	-	(583,487)
Total Fund Balances	\$ 57,443	\$ 115,876	\$ 15,944	\$ 48,972	\$ 238,235
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,467,372	\$ 120,125	\$ 15,944	\$ 50,216	\$ 1,653,657

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-4

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>County Ditch</u>	<u>Law Library</u>	<u>Sheriff's Contingent</u>	<u>Parks and Trails</u>	<u>Total</u>
Revenues					
Special assessments	\$ 303,817	\$ -	\$ -	\$ -	\$ 303,817
Charges for services	-	-	-	216	216
Fines and forfeits	-	44,193	5,331	-	49,524
Gifts and contributions	-	-	-	50,000	50,000
Miscellaneous	10,000	-	-	-	10,000
Total Revenues	\$ 313,817	\$ 44,193	\$ 5,331	\$ 50,216	\$ 413,557
Expenditures					
Current					
General government	\$ -	\$ 54,305	\$ -	\$ -	\$ 54,305
Public safety	-	-	5,250	-	5,250
Culture and recreation	-	-	-	1,244	1,244
Conservation of natural resources	456,573	-	-	-	456,573
Total Expenditures	\$ 456,573	\$ 54,305	\$ 5,250	\$ 1,244	\$ 517,372
Excess of Revenues Over (Under) Expenditures	\$ (142,756)	\$ (10,112)	\$ 81	\$ 48,972	\$ (103,815)
Other Financing Sources (Uses)					
Transfers in	-	-	848	-	848
Net Change in Fund Balance	\$ (142,756)	\$ (10,112)	\$ 929	\$ 48,972	\$ (102,967)
Fund Balance – January 1	200,199	125,988	15,015	-	341,202
Fund Balance – December 31	\$ 57,443	\$ 115,876	\$ 15,944	\$ 48,972	\$ 238,235

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2020**

	Government Service Center	Sheriff Operations
<u>Assets</u>		
Cash and pooled investments	\$ 9,050	\$ 733,440
Taxes receivable – delinquent	3,094	10,366
	\$ 12,144	\$ 743,806
 <u>Deferred Inflows of Resources and Fund Balances</u>		
Deferred Inflows of Resources		
Unavailable revenues	\$ 2,928	\$ 6,604
 Fund Balances		
Restricted for Debt service	9,216	737,202
	\$ 12,144	\$ 743,806

EXHIBIT C-5

<u>Highway Construction</u>	<u>Master Facility Construction</u>	<u>Detention Facility</u>	<u>Total</u>
\$ 191,883	\$ 4,315,867	\$ 157,091	\$ 5,407,331
3,035	11,861	2,698	31,054
<u>\$ 194,918</u>	<u>\$ 4,327,728</u>	<u>\$ 159,789</u>	<u>\$ 5,438,385</u>
\$ 1,405	\$ 6,692	\$ 1,494	\$ 19,123
193,513	4,321,036	158,295	5,419,262
<u>\$ 194,918</u>	<u>\$ 4,327,728</u>	<u>\$ 159,789</u>	<u>\$ 5,438,385</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Government Service Center	Sheriff Operations
Revenues		
Taxes	\$ 2,376	\$ 384,712
Intergovernmental	446	6,771
Total Revenues	\$ 2,822	\$ 391,483
Expenditures		
Debt service		
Principal	\$ -	\$ -
Interest	-	-
Bond issuance costs	-	-
Total Expenditures	\$ -	\$ -
Excess of Revenues Over (Under) Expenditures	\$ 2,822	\$ 391,483
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ -
Transfers out	-	(474,008)
Bonds issued	-	-
Premium on bonds issued	-	-
Total Other Financing Sources (Uses)	\$ -	\$ (474,008)
Net Change in Fund Balance	\$ 2,822	\$ (82,525)
Fund Balance – January 1	6,394	819,727
Fund Balance – December 31	\$ 9,216	\$ 737,202

EXHIBIT C-6

Highway Construction	Master Facility Construction	Detention Facility	Public Buildings	Total
\$ 179,832	\$ 546,009	\$ 126,225	\$ -	\$ 1,239,154
3,411	10,292	2,381	-	23,301
\$ 183,243	\$ 556,301	\$ 128,606	\$ -	\$ 1,262,455
\$ -	\$ 435,000	\$ 120,000	\$ 490,000	\$ 1,045,000
653,776	105,375	39,025	74,875	873,051
-	37,610	-	-	37,610
\$ 653,776	\$ 577,985	\$ 159,025	\$ 564,875	\$ 1,955,661
\$ (470,533)	\$ (21,684)	\$ (30,419)	\$ (564,875)	\$ (693,206)
\$ 546,423	\$ -	\$ -	\$ 564,875	\$ 1,111,298
-	-	-	-	(474,008)
-	3,275,000	-	-	3,275,000
-	354,994	-	-	354,994
\$ 546,423	\$ 3,629,994	\$ -	\$ 564,875	\$ 4,267,284
\$ 75,890	\$ 3,608,310	\$ (30,419)	\$ -	\$ 3,574,078
117,623	712,726	188,714	-	1,845,184
\$ 193,513	\$ 4,321,036	\$ 158,295	\$ -	\$ 5,419,262

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-7

**BUDGETARY COMPARISON SCHEDULE
COUNTY DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 350,000	\$ 350,000	\$ 303,817	\$ (46,183)
Miscellaneous	-	-	10,000	10,000
Total Revenues	\$ 350,000	\$ 350,000	\$ 313,817	\$ (36,183)
Expenditures				
Current				
Conservation of natural resources				
Drainage ditches	150,000	150,000	456,573	(306,573)
Net Change in Fund Balance	\$ 200,000	\$ 200,000	\$ (142,756)	\$ (342,756)
Fund Balance – January 1	200,199	200,199	200,199	-
Fund Balance – December 31	\$ 400,199	\$ 400,199	\$ 57,443	\$ (342,756)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-8

**BUDGETARY COMPARISON SCHEDULE
LAW LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeits	\$ 57,000	\$ 57,000	\$ 44,193	\$ (12,807)
Expenditures				
Current				
General government				
Law library	53,830	53,830	54,305	(475)
Net Change in Fund Balance	\$ 3,170	\$ 3,170	\$ (10,112)	\$ (13,282)
Fund Balance – January 1	125,988	125,988	125,988	-
Fund Balance – December 31	\$ 129,158	\$ 129,158	\$ 115,876	\$ (13,282)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-9

**BUDGETARY COMPARISON SCHEDULE
SHERIFF'S CONTINGENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeits	\$ 9,600	\$ 9,600	\$ 5,331	\$ (4,269)
Expenditures				
Current				
Public safety				
Sheriff	7,500	7,500	5,250	2,250
Excess of Revenues Over (Under) Expenditures	\$ 2,100	\$ 2,100	\$ 81	\$ (2,019)
Other Financing Sources (Uses)				
Transfers in	1,847	1,847	848	(999)
Net Change in Fund Balance	\$ 3,947	\$ 3,947	\$ 929	\$ (3,018)
Fund Balance – January 1	15,015	15,015	15,015	-
Fund Balance – December 31	\$ 18,962	\$ 18,962	\$ 15,944	\$ (3,018)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-10

**BUDGETARY COMPARISON SCHEDULE
SHERIFF OPERATIONS DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 389,919	\$ 389,919	\$ 384,712	\$ (5,207)
Intergovernmental	-	-	6,771	6,771
Total Revenues	\$ 389,919	\$ 389,919	\$ 391,483	\$ 1,564
Other Financing Sources (Uses)				
Transfers out	<u>(467,100)</u>	<u>(467,100)</u>	<u>(474,008)</u>	<u>(6,908)</u>
Net Change in Fund Balance	\$ (77,181)	\$ (77,181)	\$ (82,525)	\$ (5,344)
Fund Balance – January 1	<u>819,727</u>	<u>819,727</u>	<u>819,727</u>	<u>-</u>
Fund Balance – December 31	<u>\$ 742,546</u>	<u>\$ 742,546</u>	<u>\$ 737,202</u>	<u>\$ (5,344)</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-11

**BUDGETARY COMPARISON SCHEDULE
HIGHWAY CONSTRUCTION DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 184,133	\$ 184,133	\$ 179,832	\$ (4,301)
Intergovernmental	-	-	3,411	3,411
Total Revenues	\$ 184,133	\$ 184,133	\$ 183,243	\$ (890)
Expenditures				
Debt service				
Interest	653,300	653,300	653,776	(476)
Excess of Revenues Over (Under) Expenditures	\$ (469,167)	\$ (469,167)	\$ (470,533)	\$ (1,366)
Other Financing Sources (Uses)				
Transfers in	546,423	546,423	546,423	-
Net Change in Fund Balance	\$ 77,256	\$ 77,256	\$ 75,890	\$ (1,366)
Fund Balance – January 1	117,623	117,623	117,623	-
Fund Balance – December 31	\$ 194,879	\$ 194,879	\$ 193,513	\$ (1,366)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-12

**BUDGETARY COMPARISON SCHEDULE
MASTER FACILITY CONSTRUCTION DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 555,968	\$ 555,968	\$ 546,009	\$ (9,959)
Intergovernmental	-	-	10,292	10,292
Total Revenues	\$ 555,968	\$ 555,968	\$ 556,301	\$ 333
Expenditures				
Debt service				
Principal	\$ 435,000	\$ 435,000	\$ 435,000	\$ -
Interest	104,900	104,900	105,375	(475)
Bond issuance costs	-	-	37,610	(37,610)
Total Expenditures	\$ 539,900	\$ 539,900	\$ 577,985	\$ (38,085)
Excess of Revenues Over (Under) Expenditures	\$ 16,068	\$ 16,068	\$ (21,684)	\$ (37,752)
Other Financing Sources (Uses)				
Bonds issued	\$ -	\$ -	\$ 3,275,000	\$ 3,275,000
Premium on bonds issued	-	-	354,994	354,994
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 3,629,994	\$ 3,629,994
Net Change in Fund Balance	\$ 16,068	\$ 16,068	\$ 3,608,310	\$ 3,592,242
Fund Balance – January 1	712,726	712,726	712,726	-
Fund Balance – December 31	\$ 728,794	\$ 728,794	\$ 4,321,036	\$ 3,592,242

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-13

**BUDGETARY COMPARISON SCHEDULE
DETENTION FACILITY DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 128,135	\$ 128,135	\$ 126,225	\$ (1,910)
Intergovernmental	-	-	2,381	2,381
Total Revenues	\$ 128,135	\$ 128,135	\$ 128,606	\$ 471
Expenditures				
Debt service				
Principal	\$ 120,000	\$ 120,000	\$ 120,000	\$ -
Interest	34,800	34,800	39,025	(4,225)
Total Expenditures	\$ 154,800	\$ 154,800	\$ 159,025	\$ (4,225)
Net Change in Fund Balance	\$ (26,665)	\$ (26,665)	\$ (30,419)	\$ (3,754)
Fund Balance – January 1	188,714	188,714	188,714	-
Fund Balance – December 31	\$ 162,049	\$ 162,049	\$ 158,295	\$ (3,754)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-14

**BUDGETARY COMPARISON SCHEDULE
PUBLIC BUILDINGS DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Debt service				
Principal	\$ 930,000	\$ 930,000	\$ 490,000	\$ 440,000
Interest	130,950	130,950	74,875	56,075
Total Expenditures	\$ 1,060,950	\$ 1,060,950	\$ 564,875	\$ 496,075
Other Financing Sources (Uses)				
Transfers in	<u>1,060,950</u>	<u>1,060,950</u>	<u>564,875</u>	<u>(496,075)</u>
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -
Fund Balance – January 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance – December 31	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

FIDUCIARY FUNDS

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
DECEMBER 31, 2020**

	Forfeited Tax	Jail Inmate	Recoveries
<u>Assets</u>			
Cash and pooled investments	\$ 31,396	\$ 31,278	\$ 83,724
Taxes and special assessments receivable for other governments	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
	\$ 31,396	\$ 31,278	\$ 83,724
<u>Liabilities</u>			
Due to other governments	\$ 31,396	\$ -	\$ 83,724
<u>Net Position</u>			
Restricted for Individuals, organizations, other governments	\$ -	\$ 31,278	\$ -

EXHIBIT D-1

Family Services Collaborative	Mortgage Registration	State Revenue	Taxes and Penalties	Total Custodial Funds
\$ 619,902	\$ 276,835	\$ 425,811	\$ 636,707	\$ 2,105,653
-	-	181,022	1,548,338	1,729,360
658	-	41	-	699
79,259	-	-	-	79,259
\$ 699,819	\$ 276,835	\$ 606,874	\$ 2,185,045	\$ 3,914,971
\$ 18,669	\$ 276,835	\$ 425,852	\$ 636,707	\$ 1,473,183
\$ 681,150	\$ -	\$ 181,022	\$ 1,548,338	\$ 2,441,788

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
DECEMBER 31, 2020**

	<u>Forfeited Tax</u>	<u>Jail Inmate</u>	<u>Recoveries</u>
Additions			
Contributions			
Individuals	\$ -	\$ 257,533	\$ 476,484
Local collaborative funds from State	-	-	-
Property tax collections for other governments	-	-	-
Other taxes collected for other governments	-	-	-
Tax forfeited land sales for other governments	47,200	-	-
License and fees collected for the state	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Additions	<u>\$ 47,200</u>	<u>\$ 257,533</u>	<u>\$ 476,484</u>
Deductions			
Beneficiary payments to individuals	\$ -	\$ 243,836	\$ -
Payments of property tax to other governments	37,851	-	-
Payments to state	-	-	476,484
Administrative expense	9,349	-	-
Payments to other entities	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Deductions	<u>\$ 47,200</u>	<u>\$ 243,836</u>	<u>\$ 476,484</u>
Change in net position	\$ -	\$ 13,697	\$ -
Net Position – January 1, restated	<u>-</u>	<u>17,581</u>	<u>-</u>
Net Position – December 31	<u>\$ -</u>	<u>\$ 31,278</u>	<u>\$ -</u>

EXHIBIT D-2

<u>Family Services Collaborative</u>	<u>Mortgage Registration</u>	<u>State Revenue</u>	<u>Taxes and Penalties</u>	<u>Total Custodial Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 734,017
343,457	-	-	-	343,457
-	-	-	109,018,445	109,018,445
-	-	2,099,341	-	2,099,341
-	-	-	-	47,200
-	2,164,153	-	-	2,164,153
\$ 343,457	\$ 2,164,153	\$ 2,099,341	\$ 109,018,445	\$ 114,406,613
\$ -	\$ -	\$ -	\$ -	\$ 243,836
-	-	-	108,741,447	108,779,298
-	2,164,153	2,082,118	-	4,722,755
-	-	-	-	9,349
409,784	-	-	-	409,784
\$ 409,784	\$ 2,164,153	\$ 2,082,118	\$ 108,741,447	\$ 114,165,022
\$ (66,327)	\$ -	\$ 17,223	\$ 276,998	\$ 241,591
747,477	-	163,799	1,271,340	2,200,197
\$ 681,150	\$ -	\$ 181,022	\$ 1,548,338	\$ 2,441,788

COMMUNITY DEVELOPMENT AGENCY

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT E-1

**GENERAL FUND BALANCE SHEET
AND GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
COMMUNITY DEVELOPMENT AGENCY
DECEMBER 31, 2020**

	General Fund	Reconciliation	Governmental Activities
<u>Assets</u>			
Current assets			
Cash	\$ 704,995	\$ -	\$ 704,995
Taxes receivable – delinquent	11,871	-	11,871
Due from primary government	749	-	749
Total Assets	\$ 717,615	\$ -	\$ 717,615
<u>Liabilities and Fund Balance/Net Position</u>			
Current liabilities			
Due to other governments	\$ 1,083	\$ -	\$ 1,083
Fund Balance			
Restricted for economic development	716,532	(716,532)	
Net Position			
Restricted for economic development		716,532	716,532
Total Liabilities and Fund Balance/Net Position	\$ 717,615	\$ -	\$ 717,615

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT E-2

**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
AND STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
COMMUNITY DEVELOPMENT AGENCY
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>General Fund</u>	<u>Reconciliation</u>	<u>Governmental Activities</u>
Revenues			
Taxes	\$ 572,480	\$ -	\$ 572,480
Intergovernmental	792	-	792
Charges for services	60,000	-	60,000
Investment earnings	6,321	-	6,321
Miscellaneous	4	-	4
	<hr/>	<hr/>	<hr/>
Total Revenues	\$ 639,597	\$ -	\$ 639,597
Expenditures/Expenses			
Current			
Economic development	294,566	-	294,566
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance/Change in Net Position	\$ 345,031	\$ -	\$ 345,031
Fund Balance/Net Position – January 1	371,501	-	371,501
	<hr/>	<hr/>	<hr/>
Fund Balance/Net Position – December 31	\$ 716,532	\$ -	\$ 716,532
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

OTHER SCHEDULES

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT F-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2020**

	<u>Number of Items</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
Cash and Pooled Investments				
Noninterest-bearing checking	Five	-	Continuous	\$ 4,586,069
Interest-bearing checking	Nine	Varies	Continuous	12,888,244
Credit Union Share/Savings	One	0.00	Continuous	5
Certificates of deposit	Forty-four	0.50 to 1.99	January 5, 2021 to August 12, 2022	15,833,843
Money market savings	Sixteen	0.01 to 1.34	Continuous	26,020,150
U.S. Treasury notes	Eight	1.13 to 2.63	January 31, 2021 to December 15, 2021	12,559,800
U.S. Treasury bills	Three	0.00	February 25, 2021 to July 15, 2021	6,998,075
Treasury Securities – State and Local Government Series	Eight	1.55 to 1.58	February 1, 2021 to February 1, 2024	8,178,979
Municipal Bond	One	2.64	July 1, 2021	1,127,343
Negotiable certificates of deposit	Sixteen	0.35 to 3.10	September 27, 2021 to October 30, 2025	<u>4,038,041</u>
Total Cash and Pooled Investments, Excluding Change Funds				<u>\$ 92,230,549</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET – BY DITCH
COUNTY DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2020**

	Assets			
	Cash and Pooled Investments	Special Assessments Receivable		Total
		Delinquent	Noncurrent	
Judicial Ditches				
1	\$ -	\$ -	\$ -	\$ -
2	179,381	23	13,722	193,126
3	-	-	-	-
4	-	-	-	-
5	-	-	-	-
County Ditches				
1	-	-	-	-
2	-	-	-	-
3	(91)	-	-	(91)
4	47,288	865	6,000	54,153
5/36/68	28,047	293	14,699	43,039
8	7,140	33	20,752	27,925
10	(900)	-	-	(900)
11	15,353	-	1,200	16,553
12	26,543	154	2,000	28,697
13	(605)	-	-	(605)
14	-	-	-	-
15/28	94,381	392	4,999	99,772
16	81,159	537	10,011	91,707
17	(6,425)	-	-	(6,425)
18/37	35,015	294	14,155	49,464
19	(38,671)	-	-	(38,671)
20	-	-	-	-
21	46,294	73	10,000	56,367
23	89,585	404	4,993	94,982
25	(1,348)	-	-	(1,348)
25	23,462	532	19,992	43,986
27	-	-	-	-
29	8,270	58	6,816	15,144
30	20,987	-	-	20,987
31	-	-	-	-
32	-	-	-	-
35	-	-	-	-
38	70,952	541	20,000	91,493
39	8,371	-	3,234	11,605
40	-	-	-	-
41/65	14,429	1,104	14,942	30,475
42	(1,750)	-	-	(1,750)
43	5,991	-	4,390	10,381
44	14,879	257	10,000	25,136
45	(5,882)	-	-	(5,882)
46	-	-	-	-
47	-	-	-	-
48	19,775	677	15,526	35,978
49	(408)	-	-	(408)
50	-	-	-	-
51	-	-	-	-
52	(23,883)	-	-	(23,883)
53	51,872	-	5,000	56,872

Liabilities and Deferred Inflows of Resources						Fund Balance	Total Liabilities, Deferred Inflows of Resources, and Fund Balance
Accounts Payable	Due to Other Funds	Advance from Other Funds	Unavailable Revenue	Total			
\$ -	\$ 195	\$ 584	\$ -	\$ 779	\$ (779)	\$ -	
179,998	3,123	3,563	13,744	200,428	(7,302)	193,126	
-	-	373	-	373	(373)	-	
-	-	519	-	519	(519)	-	
-	-	1,977	-	1,977	(1,977)	-	
-	114	1,050	-	1,164	(1,164)	-	
-	298	42	-	340	(340)	-	
-	100	-	-	100	(191)	(91)	
-	7,339	-	6,793	14,132	40,021	54,153	
-	4,477	787	14,890	20,154	22,885	43,039	
-	4,277	24,233	20,759	49,269	(21,344)	27,925	
-	278	3,617	-	3,895	(4,795)	(900)	
-	438	-	1,200	1,638	14,915	16,553	
-	195	-	2,088	2,283	26,414	28,697	
-	4,949	-	-	4,949	(5,554)	(605)	
-	-	12,323	-	12,323	(12,323)	-	
-	108	557	5,177	5,842	93,930	99,772	
-	4,995	467	10,489	15,951	75,756	91,707	
-	3,940	31,343	-	35,283	(41,708)	(6,425)	
-	20,180	1,412	14,161	35,753	13,711	49,464	
-	12,353	2,413	-	14,766	(53,437)	(38,671)	
-	322	6,268	-	6,590	(6,590)	-	
-	6,062	-	10,031	16,093	40,274	56,367	
-	-	435	5,106	5,541	89,441	94,982	
-	2,424	-	-	2,424	(3,772)	(1,348)	
-	1,811	5,673	20,300	27,784	16,202	43,986	
-	307	1,504	-	1,811	(1,811)	-	
-	2,675	-	6,847	9,522	5,622	15,144	
-	2,018	133	-	2,151	18,836	20,987	
-	407	2,674	-	3,081	(3,081)	-	
-	-	777	-	777	(777)	-	
-	-	143	-	143	(143)	-	
-	7,374	-	20,349	27,723	63,770	91,493	
-	-	-	3,234	3,234	8,371	11,605	
-	-	479	-	479	(479)	-	
-	2,819	694	16,001	19,514	10,961	30,475	
-	14,339	166	-	14,505	(16,255)	(1,750)	
-	14,754	-	4,390	19,144	(8,763)	10,381	
-	6,095	555	10,150	16,800	8,336	25,136	
-	3,604	15,910	-	19,514	(25,396)	(5,882)	
-	318	361	-	679	(679)	-	
-	-	212	-	212	(212)	-	
-	2,245	21,562	16,112	39,919	(3,941)	35,978	
-	1,102	65	-	1,167	(1,575)	(408)	
-	-	1,389	-	1,389	(1,389)	-	
-	-	693	-	693	(693)	-	
-	7,824	20,015	-	27,839	(51,722)	(23,883)	
-	-	-	5,000	5,000	51,872	56,872	

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET – BY DITCH
COUNTY DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2020**

	Assets			
	Cash and Pooled Investments	Special Assessments Receivable		Total
		Delinquent	Noncurrent	
County Ditches (Continued)				
54	-	-	-	-
55	20,935	223	23,952	45,110
56	14,646	-	6,000	20,646
57	-	-	-	-
58	18,896	1	10,001	28,898
59	67	-	-	67
62	48	-	-	48
63	-	-	-	-
64	-	-	-	-
70	56,858	375	287,491	344,724
71	10,000	-	-	10,000
Total	\$ 930,661	\$ 6,836	\$ 529,875	\$ 1,467,372

EXHIBIT F-2
(Continued)

Liabilities and Deferred Inflows of Resources						Total Liabilities, Deferred Inflows of Resources, and Fund Balance
Accounts Payable	Due to Other Funds	Advance from Other Funds	Unavailable Revenue	Total	Fund Balance	
-	203	601	-	804	(804)	-
-	1,182	31,076	24,009	56,267	(11,157)	45,110
-	2,090	-	6,000	8,090	12,556	20,646
-	-	661	-	661	(661)	-
-	1,638	250	10,001	11,889	17,009	28,898
-	114	-	-	114	(47)	67
-	-	-	-	-	48	48
-	1,447	6,019	-	7,466	(7,466)	-
-	321	15,827	-	16,148	(16,148)	-
-	8,619	316,734	287,491	612,844	(268,120)	344,724
-	-	-	-	-	10,000	10,000
\$ 179,998	\$ 159,473	\$ 536,136	\$ 534,322	\$ 1,409,929	\$ 57,443	\$ 1,467,372

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT F-3

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Governmental Funds	Enterprise Fund	All Funds
Appropriations and Shared Revenue			
State			
Highway users tax	\$ 20,478,669	\$ -	\$ 20,478,669
County program aid	2,297,595	-	2,297,595
PERA pension contributions	100,142	3,701	103,843
Police aid	358,352	-	358,352
Local government aid	8,223	-	8,223
Market value credit	703,072	-	703,072
Disparity reduction aid	13,255	-	13,255
Aquatic invasive species aid	462,950	-	462,950
SCORE	-	167,672	167,672
E-911	142,132	-	142,132
Riparian aid	160,000	-	160,000
Out of home placement aid	1,447	-	1,447
	\$ 24,725,837	\$ 171,373	\$ 24,897,210
Total appropriations and shared revenue			
Reimbursement for Services			
State			
Minnesota Department of Human Services	\$ 2,988,889	\$ -	\$ 2,988,889
Local			
Payments in lieu of taxes	\$ 520,513	\$ -	\$ 520,513
Payments for interest on bonds	911,253	-	911,253
Local contributions	-	9,000	9,000
	\$ 1,431,766	\$ 9,000	\$ 1,440,766
Total local			
Grants			
State			
Minnesota Department/Board of			
Corrections	\$ 294,876	\$ -	\$ 294,876
Transportation	526,016	-	526,016
Health	593,012	-	593,012
Veterans Affairs	12,500	-	12,500
Natural Resources	335,360	-	335,360
Human Services	3,302,984	-	3,302,984
Water and Soil Resources	121,387	-	121,387
Supreme Court	66,352	-	66,352
Peace Officer Standards and Training Board	35,755	-	35,755
Minnesota Pollution Control Agency	-	81,887	81,887
	\$ 5,288,242	\$ 81,887	\$ 5,370,129
Total state			

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

***EXHIBIT F-3
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Governmental Funds	Enterprise Fund	All Funds
Grants (Continued)			
Federal			
Department of			
Agriculture	\$ 854,342	\$ -	\$ 854,342
Justice	1,900	-	1,900
Transportation	1,279,577	-	1,279,577
Treasury	8,045,522	-	8,045,522
Education	2,568	-	2,568
Election Assistance Commission	78,914	-	78,914
Health and Human Services	4,955,034	-	4,955,034
Homeland Security	54,997	-	54,997
	\$ 15,272,854	\$ -	\$ 15,272,854
Total federal	\$ 15,272,854	\$ -	\$ 15,272,854
Total state and federal grants	\$ 20,561,096	\$ 81,887	\$ 20,642,983
Total Intergovernmental Revenue	\$ 49,707,588	\$ 262,260	\$ 49,969,848

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT F-4

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through Partnership4Health Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Not Provided	\$ 339,759	\$ -
Passed Through Minnesota Department of Human Services SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	192MN101S2514	440,633	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 \$513,833)	10.561	202MN101S2514	73,200	-
Passed Through Minnesota Department of Agriculture WIC Farmers' Market Nutrition Program (FMNP)	10.572	62125	<u>750</u>	<u>-</u>
Total U.S. Department of Agriculture			\$ 854,342	\$ -
U.S. Department of Justice				
Passed Through Minnesota Department of Public Safety Missing Children's Assistance	16.543	Not Provided	\$ 1,900	\$ -
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	1030056	\$ 1,103,181	\$ -
Passed Through Minnesota Department of Public Safety Highway Safety Cluster				
State and Community Highway Safety	20.600	F-ENFRC20-2020-OTTERSD-3847	216	188
State and Community Highway Safety	20.600	F-ENFRC20-2020-OTTERSD-4016	100	67
State and Community Highway Safety	20.600	F-ENFRC20-2020-OTTERSD-4123	6,902	5,083
State and Community Highway Safety	20.600	F-ENFRC20-2020-OTTERSD-4420	6,169	4,740
State and Community Highway Safety	20.600	F-SAFE20-2020-OTTERPH-3916	9,475	-
State and Community Highway Safety	20.600	F-SAFE20-2020-OTTERPH-4067	4,031	-
State and Community Highway Safety	20.600	F-SAFE20-2020-OTTERPH-4212	158	-
State and Community Highway Safety (Total State and Community Highway Safety 20.600 \$28,556)	20.600	F-SAFE20-2020-OTTERPH-4351	1,505	-

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT F-4
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation				
Passed Through Minnesota Department of Public Safety (Continued)				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC20-2020- OTTERSD-3847	6,379	5,556
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC20-2020- OTTERSD-4016	2,875	1,937
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC20-2020- OTTERSD-4123	5,818	4,284
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC20-2020- OTTERSD-4420	5,854	4,498
(Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$141,583)				
Passed Through Minnesota Trial Courts				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	Not Provided	120,657	-
(Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$141,583)				
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
National Priority Safety Programs	20.616	F-ENFRC20-2020- OTTERSD-3847	1,811	1,578
National Priority Safety Programs	20.616	F-ENFRC20-2020- OTTERSD-4016	719	484
National Priority Safety Programs	20.616	F-ENFRC20-2020- OTTERSD-4123	1,455	1,071
National Priority Safety Programs	20.616	F-ENFRC20-2020- OTTERSD-4420	2,272	1,746
(Total National Priority Safety Programs 20.616 \$6,257)			<u>2,272</u>	<u>1,746</u>
Total U.S. Department of Transportation			<u>\$ 1,279,577</u>	<u>\$ 31,232</u>
U.S. Department of the Treasury				
Passed Through Minnesota Management and Budget				
COVID-19 – Coronavirus Relief Fund	21.019	SLT0016	\$ 7,732,108	\$ 1,850,000
Passed Through Minnesota Housing Finance Agency				
COVID-19 – Coronavirus Relief Fund	21.019	Not Provided	281,077	-
Passed Through Partnership4Health Community Health Board				
COVID-19 – Coronavirus Relief Fund	21.019	Not Provided	32,337	-
(Total COVID-19 – Coronavirus Relief Fund 21.019 \$8,045,522)			<u>32,337</u>	<u>-</u>
Total U.S. Department of the Treasury			<u>\$ 8,045,522</u>	<u>\$ 1,850,000</u>

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT F-4
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Education				
Passed Through Partnership4Health Community Health Board Special Education – Grants for Infants and Families	84.181	Not Provided	\$ 2,568	\$ -
U.S. Election Assistance Commission				
Passed Through Minnesota Secretary of State COVID-19 – 2018 HAVA Election Security Grants	90.404	Not Provided	\$ 78,914	\$ -
U.S. Department of Health and Human Services				
Passed Through Northwest Regional Development Commission Aging Cluster Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	93.044	Not Provided	\$ 27,725	\$ -
Passed Through Partnership4Health Community Health Board Public Health Emergency Preparedness	93.069	NU90TP922026	18,564	-
Early Hearing Detection and Intervention	93.251	Not Provided	75	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	Not Provided	150	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$534,504)	93.558	1801MNTANF	79,568	-
Maternal and Child Health Services Block Grant to the States	93.994	Not Provided	66,592	-
Passed Through Minnesota Department of Human Services Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	H79SM080155	88,569	-
Promoting Safe and Stable Families	93.556	2001MNFPS	20,841	-
Promoting Safe and Stable Families (Total Promoting Safe and Stable Families 93.556 \$32,165)	93.556	2001MNPKN	11,324	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$534,504)	93.558	2001MNTANF	454,936	-
Child Support Enforcement	93.563	2001MNCEST	1,030,629	-
Child Support Enforcement (Total Child Support Enforcement 93.563 \$1,223,569)	93.563	2001MNCSES	192,940	-
Refugee and Entrant Assistance – State Administered Programs	93.566	2001MNRCA	661	-
CCDF Cluster Child Care and Development Block Grant	93.575	2001MNCCDF	8,771	-
Community-Based Child Abuse Prevention Grants	93.590	1901MNBCAP	4,725	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWSS	11,124	-
Foster Care – Title IV-E	93.658	2001MNFOST	474,742	-
Social Services Block Grant	93.667	2001MNSOSR	390,181	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2001MNCILP	7,949	-

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT F-4
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Human Services (Continued)				
Children's Health Insurance Program Medicaid Cluster	93.767	2005MN5021	1,168	-
Medical Assistance Program	93.778	2005MN5ADM	2,125,908	-
Medical Assistance Program (Total Medical Assistance Program 93.778 \$2,151,729)	93.778	2005MN5MAP	25,821	-
Passed Through Polk-Norman-Mahnomen Community Health Board Maternal, Infant and Early Childhood Home Visiting Grant				
	93.870	118491	<u>199,344</u>	<u>-</u>
Total U.S. Department of Health and Human Services			\$ 5,242,307	\$ -
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	102220	\$ 12,000	\$ -
Passed Through Minnesota Department of Public Safety Disaster Grants – Public Assistance (Presidentially Declared Disasters)				
	97.036	Not Provided	39,125	-
Emergency Management Performance Grants	97.042	F-EMPG-2018- OTTERCO-3094	<u>3,872</u>	<u>-</u>
Total U.S. Department of Homeland Security			\$ 54,997	\$ -
Total Federal Awards			\$ 15,560,127	\$ 1,881,232
Totals by Cluster				
Total expenditures for SNAP Cluster			\$ 513,833	
Total expenditures for Highway Planning and Construction Cluster			1,103,181	
Total expenditures for Highway Safety Cluster			34,813	
Total expenditures for Aging Cluster			27,725	
Total expenditures for CCDF Cluster			8,771	
Total expenditures for Medicaid Cluster			2,151,729	

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Otter Tail County under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Otter Tail County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Otter Tail County.

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. De Minimis Cost Rate

Otter Tail County has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 15,272,854
Grants received more than 60 days after year-end, unavailable revenue in 2020	
Promoting Safe and Stable Families	5,712
Temporary Assistance for Needy Families	118,432
Stephanie Tubbs Jones Child Welfare Services Program	2,339
Federal awards passed through the Family Services Collaborative for the Local Collaborative Time Study	380,454
Grants with reporting delayed until 2021 by the grantor agency	
Provider Relief Funds	(13,662)
Unavailable in 2019, recognized as revenue in 2020	
Public Health Emergency Preparedness	(162)
Food and Drug Administration – Research	(2,947)
Promoting Safe and Stable Families	(3,066)
Temporary Assistance for Needy Families	(100,378)
Community-Based Child Abuse Prevention Grants	(3,775)
Child Care and Development Block Grant	(898)
Stephanie Tubbs Jones Child Welfare Services Program	(2,462)
Foster Care – Title IV-E	(36,688)
John H. Chafee Foster Care Program for Successful Transition to Adulthood	(1,625)
Maternal, Infant and Early Childhood Home Visiting Grant	(46,501)
Maternal and Child Health Services Block Grant to the States	(7,500)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 15,560,127

OTTER TAIL COUNTY



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

Independent Auditor's Report

Board of County Commissioners
Otter Tail County
Fergus Falls, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Otter Tail County, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 30, 2021. This report does not include the results of our audit testing of the Otter Tail County Community Development Agency component unit's internal control over financial reporting or compliance and other matters that are reported on separately within the Management and Compliance Section.

Internal Control Over Financial Reporting

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

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

significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2020-001, 2020-002, and 2020-003, that we consider to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, we noted that Otter Tail County failed to comply with the provisions of the deposits and investments section of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Questioned Costs as item 2020-008 and another matter reported as 2020-009. Also, in connection with our audit, nothing came to our attention that caused us to believe that Otter Tail County failed to comply with the provisions of the contracting and bidding, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Other Matters

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

Otter Tail County's Response to Findings

Otter Tail County's responses to the internal control, legal compliance, and management practices findings identified in our audit are described in the Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

November 30, 2021



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

Independent Auditor's Report

Board of County Commissioners
Otter Tail County
Fergus Falls, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Otter Tail County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2020. Otter Tail County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Otter Tail County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Otter Tail County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019)

As described in the accompanying Schedule of Findings and Questioned Costs, Otter Tail County did not comply with requirements regarding CFDA No. 21.019, COVID-19 – Coronavirus Relief Fund, as described in finding number 2020-004 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Reporting and finding number 2020-005 for Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Otter Tail County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on COVID-19 – Coronavirus Relief Fund for the year ended December 31, 2020.

Unmodified Opinion on the Other Major Federal Program

In our opinion, Otter Tail County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-006 and 2020-007. Our opinion on each major federal program is not modified with respect to these matters.

Otter Tail County's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of Otter Tail County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform

Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2020-004 and 2020-005 that we consider to be material weaknesses, and deficiencies 2020-006 and 2020-007 that we consider to be significant deficiencies.

Otter Tail County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

November 30, 2021

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

I. SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

Type of auditor’s report issued on compliance for major federal programs: **Unmodified, except for the COVID-19 – Coronavirus Relief Fund, which is qualified.**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The major federal programs are:

COVID-19 – Coronavirus Relief Fund	CFDA No. 21.019
Medicaid Cluster	
Medical Assistance Program	CFDA No. 93.778

The threshold for distinguishing between Types A and B programs was \$750,000.

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

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

INTERNAL CONTROL

Finding Number: 2020-001

Prior Year Finding Number: 2019-001

Repeat Finding Since: 1996

Segregation of Duties

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

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

Context: This is not unusual in operations the size of Otter Tail County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

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

View of Responsible Official: Acknowledged

Finding Number: 2020-002

Prior Year Finding Number: 2019-002

Repeat Finding Since: 2008

Documenting and Monitoring Internal Controls

Criteria: County management is responsible for the County's internal control over financial reporting. This responsibility requires performing an assessment of existing controls over significant functions used to produce financial information for the Board, management, and for external financial reporting. The risk assessment is intended to determine if the internal controls that have been established by County management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Condition: Otter Tail County maintains narratives to document the controls in place over its significant transaction cycles; however, there is no formal risk assessment process in place to determine if the internal controls that have been established by County management are still effective or if changes are needed to maintain a sound internal control structure.

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

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

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

Recommendation: Otter Tail County management should document the significant internal controls in its accounting system, including an assessment of risk and the processes used to minimize the risks. A formal plan should be developed that calls for monitoring the internal control structure on a regular basis, no less than annually. The monitoring activity should also be documented to show the results of the review, any changes required, and who performed the work.

View of Responsible Official: Concur

Finding Number: 2020-003

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Social Welfare Private-Purpose Trust Fund Internal Controls

Criteria: Management is responsible for establishing and maintaining internal control. This responsibility includes the internal control over accounting procedures.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Condition: During the review of the Social Welfare Private-Purpose Trust Fund, several internal control deficiencies were noted:

- Twenty of the 25 disbursements tested did not have supporting documentation.
- For 21 of the 25 disbursements tested, the individual requesting the disbursement on behalf of the beneficiary was not documented nor was there documentation of the approval of the disbursement.
- There is a lack of segregation of duties between receipting to and disbursing from the Trust Fund.
- Bank reconciliations for the Trust Fund are not being reviewed by someone other than the preparer, the Human Services Accounting Specialist.

In addition, the Otter Tail County bank account that holds funds on behalf of the Social Welfare beneficiaries is registered as “Ottertail County Human Service Board Social Welfare”.

Context: The establishment and oversight of internal control procedures is particularly important because limited staffing generally causes a lack of proper segregation of duties, which increases the risk of errors or fraud. By titling the bank account properly, the County can maintain the adequate insurance and collateral coverage for the beneficiaries’ funds on deposit with the bank.

Effect: Internal control procedures that are missing, assumed to be in place, or not working as intended to ensure accounting records are properly maintained and compared with the underlying items they represent increase the risk that errors or fraud may occur and not be detected timely. For the deposits with the bank, there is the potential that the beneficiaries’ funds on deposit will not be properly insured or collateralized.

Cause: Lack of policies and procedures designed and implemented to provide oversight and safeguards for the activities within the Social Welfare Private-Purpose Trust Fund. The County was not aware of the need for the bank account to be titled in a specific manner.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Recommendation: Otter Tail County management should implement oversight and monitoring procedures to ensure that internal control policies and procedures are being implemented by staff. Furthermore, the County should contact the bank holding the funds on behalf of the Social Welfare clients and revise the registration of the bank account.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

Finding Number: 2020-004

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Reporting

Program: U.S. Department of the Treasury's COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019), Award No. SLT0016, 2020

Pass-Through Agency: Minnesota Management and Budget

Criteria: Title 2 U.S. *Code of Federal Regulations* §200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Section 5001 (d) of the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) provides the eligible purposes for which Coronavirus Relief Fund payments may be used and generally requires that payments are necessary expenditures incurred due to the public health emergency during the covered period.

Additionally, the State of Minnesota Office of Management and Budget *FAQs for Local Governments receiving Coronavirus Relief Funds (CRF) from the State of Minnesota* (dated October 20, 2020) states in question 11 that, for counties: "...any amount of aid

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

remaining unexpended by an eligible county by December 1, 2020, must be returned to Minnesota Management and Budget by December 10, 2020.” It also lists two exceptions, one of which is “CRF eligible payroll expenses incurred through Dec. 1 (for counties) are allowed, even if not paid until after Dec. 1 (for counties).” The other exception is “Eligible items ordered for delivery prior to Dec. 1 (for Counties) that have not yet been received due to supply chain disruption are allowed, even if not paid until after Dec. 1 for counties.”

Condition: The County claimed payroll costs of \$38,114 and expenditures of \$599,616 paid outside the period of availability on the revised November Local Government Expenditure Report.

Questioned Costs: \$637,730 relating to payroll and grant expenditures reported.

Context: The County identified additional payroll expenditures related to the County’s Public Health and Public Safety employees which were not reported as grant expenditures, but were eligible. It is likely this unreported amount exceeded the known and likely questioned costs. For items that were outside the period of performance, the County could not provide documentation of a supply chain disruption.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: The County reported expenditures as relating to the CRF program which are not in compliance with the activities allowed or unallowed, allowable costs/cost principles, and period of performance requirements.

Cause: The inclusion of payroll costs and expenditures for December 2020 was an oversight by County staff. The cities and towns in Otter Tail County remitted \$541,460 of unexpended CRF funds to Otter Tail County in November 2020. The County attempted to spend the remitted funds within the time constraints, however, payments related to these funds did not occur until December 2020.

Recommendation: We recommend the County implement procedures to follow the guidance related to the CRF, CFDA No. 21.019 and claim costs expended under the grant within the covered period.

View of Responsible Official: Acknowledged

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Finding Number: 2020-005

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Subrecipient Monitoring

Program: U.S. Department of the Treasury's COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019), Award No. SLT0016, 2020

Pass-Through Agency: Minnesota Management and Budget

Criteria: Title 2 U.S. *Code of Federal Regulations* §200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Also, the County must comply with the requirements for pass-through entities as identified in Title 2 U.S. *Code of Federal Regulations* § 200.332, such as clearly identifying the award to the subrecipient; evaluating the subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the award; monitoring the activities of the subrecipient; and verifying the subrecipient is audited, if required.

Condition: The following exceptions were noted in the three subrecipients tested:

- The County did not document risk assessment procedures performed over its subrecipients, nor are there documented policies and procedures for subrecipient monitoring.
- The three subrecipients did not have sufficient monitoring procedures performed over them.
- One subrecipient expended over \$750,000 of the federal award during its fiscal year and did not obtain an audit of its financial statements or single audit.

Questioned Costs: None.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Context: Otter Tail County passed funds to local organizations, which the County is familiar with, who have been operating for many years. Funding was provided to subrecipients after detailed listings of proposed expenditures were submitted for review.

Effect: The County is not meeting federal regulations pertaining to subrecipient monitoring. Also, the County cannot be assured that its subrecipients are administering federal awards in compliance with all applicable federal requirements.

Cause: Otter Tail County does not generally provide federal awards to subrecipients and, therefore, did not have policies and procedures in place for subrecipient monitoring activities. Additionally, the County was not aware of the full extent of requirements for subrecipient monitoring.

Recommendation: We recommend the County Administrator's office work with departments that pass funds through to subrecipients to identify responsibilities such as completing risk assessments over federal programs, as well as creating and maintaining proper documentation to meet the requirements of federal programs. This would include documenting the monitoring procedures performed (such as on-site visits and review of the subrecipients' audit findings) and any related follow-up on findings, and performing and documenting a risk assessment of subrecipients. We also recommend the County develop and document policies and procedures for monitoring all federal awards passed through to subrecipients.

View of Responsible Official: Concur

Finding Number: 2020-006

Prior Year Finding Number: 2019-003

Repeat Finding Since: 2017

Eligibility

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 2005MN5ADM and 2005MN5MAP, 2020

Pass-Through Agency: Minnesota Department of Human Services (DHS)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal awards.

Condition: The Minnesota DHS maintains the computer systems, MAXIS and METS, which are used by Otter Tail County to support the eligibility determination process. When performing the case file review for eligibility, there were circumstances where information was not correctly updated or input in MAXIS or METS. The following instances were noted in the sample of 80 MAXIS and METS case files tested:

- Two instances where the income per documentation received was incorrectly input into METS.
- Two instances where the account balance per the bank statement submitted was incorrectly input into MAXIS.

Questioned Costs: Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

Context: Pursuant to Minnesota statutes, the County performs any “intake function” needed for this program, while the state maintains the MAXIS and METS systems, which support the eligibility determination process and actually pays the benefits to the participants.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: The lack of updated information in MAXIS or METS increases the risk that a program participant will receive benefits when they are not eligible.

Cause: County program personnel entering case information into the MAXIS or METS systems did not ensure all required information was input or updated in MAXIS or METS correctly.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Recommendation: We recommend the County implement additional review procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is properly input or updated in MAXIS or METS, and that issues are followed up on in a timely manner. In addition, consideration should be given to providing additional training to program personnel.

View of Responsible Official: Concur

Finding Number: 2020-007

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Reporting

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 2005MN5ADM and 2005MN5MAP, 2020

Pass-Through Agency: Minnesota Department of Human Services (DHS)

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

For federal awards received from the Minnesota Department of Human Services (DHS), internal control should also be established and maintained to provide assurance that program reports submitted to DHS are completed in accordance with DHS reporting instructions. As part of the County's reporting requirements, the County submits the Local Collaborative Time Study (LCTS) Cost Schedule DHS-3220 reports on a quarterly basis and the LCTS Annual Report Spending Report annually.

Condition: The following instances were noted in the sample of reports tested:

- One DHS-3220 report and the LCTS Annual Spending Report tested did not have documentation of review.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

- The LCTS Annual Spending report was submitted after the due date.
- The LCTS Annual Spending report used incorrect amounts for expenditures and revenue received.

Questioned Costs: None.

Context: The type of financial information on the LCTS Annual Spending report changed, but it was filled out by the County using the same methodology as the prior year. The County believed the LCTS Annual Spending report had been submitted by a previous employee who had retired. When the County became aware that this was not the case, they submitted the report. The County does not have a written policy documenting the review process of the LCTS.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: Lack of a review and approval process increases the risk that reports will not be submitted as required, timely, or will not be correct. Untimely submission and errors on the annual report can result in the County receiving either more or less federal funding than can be justified based on the actual underlying activity. Revenues on the LCTS Annual Spending Report were overstated by \$123,110 and expenditures were overstated by \$12,311.

Cause: The employee who was responsible for submitting the LCTS Annual Spending Report retired during the year. The County's controls over preparation of the reports were not sufficient to identify the revenues and expenditures were not properly reported and the controls over the review of the DHS-3220 reports and the LCTS Annual Spending Report were not properly communicated to new staff.

Recommendation: We recommend the County implement supervisory review procedures for all reports prior to submission and document evidence of this review. In addition, we recommend the County implement procedures to ensure reports are submitted timely and that the County implement controls that ensure that all eligible expenditures and revenues are reported in a manner that is consistent with DHS guidance.

View of Responsible Official: Concur

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

Finding Number: 2020-008

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Insufficient Collateral

Criteria: Government entities are required by Minn. Stat. § 118A.03, subd. 3, to obtain collateral to secure deposits to the extent funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit, unless the collateral is an irrevocable letter of credit issued by Federal Home Loan Banks, which requires an amount at least equal to the amount on deposit.

Condition: The fair market value of collateral pledged to secure uninsured deposits was not sufficient to meet the 110 percent requirement for May, October, and December of 2020.

Context: In the months of May and October of 2020, deposits were in excess of Federal Deposit Insurance Corporation (FDIC) Coverage and pledged collateral by \$272,317 and \$869,914 respectively. Additionally, while pledged collateral at December 31, 2020, was for a sufficient amount, some securities included as pledged did not meet the requirements of Minn. Stat. § 118A.04. This resulted in deposits exceeding FDIC and pledged collateral by \$455,373.

Effect: When a County has insufficient collateral with a bank, the County may not receive all deposits, including those being held for other entities in a fiduciary capacity, in the event of bank default.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Cause: When deposits at the bank were under collateralized in May and October, deposits were unusually high as a result of including funds for an upcoming payroll, in addition to online property tax payments. In the other instance, staff were unaware of the legal requirements for pledged collateral.

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

View of Responsible Official: Concur

Finding Number: 2020-009

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Ditch Special Revenue Fund – Cash Deficits

Criteria: Pursuant to Minn. Stat. § 103E.655, drainage system costs must be paid from the ditch system account for which the costs are being incurred. If money is not available in the drainage system account on which the warrant is drawn, loans can be made from ditch systems with surplus funds or from the General Fund. Such loans must be paid back with interest computed for the time the money is actually needed at the same rate charged on drainage liens and assessments.

Condition: Ten of the 59 individual drainage systems had deficit cash balances totaling \$79,963.

Context: If the County transfers money from one account or fund to a drainage system account, the money, plus accrued interest, must be reimbursed from the proceeds of the drainage system that received the transfer.

Effect: The County is not in compliance with Minnesota statutes, and ditch systems maintaining deficit cash balances are effectively receiving an interest-free loan from ditch systems with surplus funds and/or the County General Fund.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Cause: Ditch expenditures were necessary; the ditch levies were not sufficient, and no additional loans were formally made between ditches or other County funds to cover the cash deficits.

Recommendation: We recommend Otter Tail County eliminate the ditch system cash deficits by borrowing from an eligible fund with a surplus cash balance and by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus balance to provide for the repair and maintenance costs of a ditch system.

View of Responsible Official: Concur

B. MANAGEMENT PRACTICES

Finding Number: 2020-010

Prior Year Finding Number: 2019-004

Repeat Finding Since: 2009

Ditch Fund Balance Deficits

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

Condition: As of December 31, 2020, the County had individual ditch systems where liabilities exceeded assets, resulting in individual deficit fund balance amounts.

Context: Thirty-eight of the 59 individual ditch systems had deficit fund balances as of December 31, 2020, totaling \$583,487.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

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

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

View of Responsible Official: Concur



OTTER TAIL COUNTY
AUDITOR - TREASURER'S OFFICE
FINANCIAL SERVICES DIVISION
WWW.CO.OTTER-TAIL.MN.US
wstein@co.ottertail.mn.us

GOVERNMENT SERVICES CENTER
510 WEST FIR AVENUE
FERGUS FALLS, MN 56537

OFFICE - 218-998-8030
DIRECT - 218-998-8041
Fax - 218-998-8042

REPRESENTATION OF OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2020

Finding Number: 2020-001
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Wayne Stein, Auditor-Treasurer and Kris Vipond, Assistant Finance Director

Corrective Action Planned:

Progress has been made to address this concern; however, additional efforts to formalize existing policy and procedures in written format that can be shared with all staff to inform them of the County's expectations needs to be undertaken in upcoming fiscal years. In addition, the County's financial management team needs to develop procedures and a practice to internally audit those departments with limited personnel where the level of segregation is not as adequate as desired and if significant weaknesses are identified implement reasonable and practical changes to address those weaknesses.

Anticipated Completion Date:

12/31/2025

Finding Number: 2020-002

Finding Title: Documenting and Monitoring Internal Controls

Name of Contact Person Responsible for Corrective Action:

Kris Vipond, Assistant Finance Director

Corrective Action Planned:

The assistant finance division director will take the lead role to update narratives annually and work with other financial management team members to perform a risk assessment of existing internal controls over the procedures, policies and significant functions which are used to produce financial information for both internal and external reporting. If the assessment indicates that existing internal controls are no longer adequate, members of the financial management team will work to develop and implement the necessary changes to ensure that a sound internal control structure is being maintained. Internal controls directly relating to audit findings will be evaluated immediately.

Anticipated Completion Date:

12/31/2025

Finding Number: 2020-003

Finding Title: Social Welfare Private-Purpose Trust Fund Internal Controls

Name of Contact Person Responsible for Corrective Action:

Kendra Huseh, Human Services Finance Manager

Corrective Action Planned:

Policies and procedures related to handling the social welfare private-purpose trust fund will be created to include requirements for documentation, monitoring, segregation of duties and bank reconciliation tasks. The bank will be contacted related to the registration of the account.

Anticipated Completion Date:

11/29/2021

Finding Number 2020-004

Finding Title: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Period of Performance, and Reporting

Program: COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019)

Name of Contact Person Responsible for Corrective Action:

Kris Vipond, Assistant Finance Director

Corrective Action Planned:

Otter Tail County will revise the CARES report if required by the State of Minnesota and substitute eligible costs for those that are considered out of compliance.

Anticipated Completion Date:

12/31/2021

Finding Number 2020-005

Finding Title: Subrecipient Monitoring

Program: COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019)

Name of Contact Person Responsible for Corrective Action:

Nicole Hansen, County Administrator

Corrective Action Planned:

The County Administrator's office will work to create policies and procedures related to the pass-through of federal funds to subrecipients, including documentation of risk assessments and subrecipient monitoring to ensure compliance with federal regulations.

Anticipated Completion Date:

12/31/2022

Finding Number 2020-006

Finding Title: Eligibility

Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Deborah Sjostrom, Human Services Director and Stephanie Swenson, Financial Assistance Supervisor

Corrective Action Planned:

The agency will complete case reviews with emphasis on accurate data entry. The agency will also review with staff the importance of ensuring the information entered into the system is accurate and consistent with the information provided by the client on the application and consistent with any verifications provided.

Anticipated Completion Date:

12/31/2021

Finding Number 2020-007

Finding Title: Reporting

Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Deb Sjostrom, Human Services Director and Kendra Huseh, Human Services Finance Manager

Corrective Action Planned:

The agency will create a policy regarding the review process of the LCTS and a document listing submission dates will be created to ensure timely reporting.

Anticipated Completion Date:

9/30/2021

Finding Number: 2020-008
Finding Title: Insufficient Collateral

Name of Contact Person Responsible for Corrective Action:

Wayne Stein, Auditor-Treasurer and Lori Gilbertson, Chief Deputy Treasurer

Corrective Action Planned:

The County will request additional collateral from the bank and the Chief Deputy Treasurer will monitor all County deposits to determine there is adequate collateral pledged to secure deposits.

Anticipated Completion Date:

12/31/2021

Finding Number: 2020-009
Finding Title: Ditch Fund – Cash Deficits

Name of Contact Person Responsible for Corrective Action:

Wayne Stein, Auditor-Treasurer

Corrective Action Planned:

The County will review individual drainage system cash balances and borrow from an eligible fund with a surplus cash balance.

Anticipated Completion Date:

12/31/2021

Finding Number: 2020-010

Finding Title: Ditch Fund Balance Deficits

Name of Contact Person Responsible for Corrective Action:

Wayne Stein, Auditor-Treasurer

Corrective Action Planned:

Ditch system benefits are being re-determined and assessments are being levied annually; however, time to fully resolve this concern will be needed as there is significant cost associated with the redetermination process which also leads to repair and maintenance costs being incurred prior to having assessments placed on each system. Also, annually levied assessments are not always adequate to cover past cost and the cost that might occur in the current year due to various unknowns. However, the Otter Tail County Board of Commissioners is fully committed to the redetermination process and to levying assessments against each system to establishing a fund for future costs, which over time will resolve this issue.

Anticipated Completion Date:

12/31/2028



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REPRESENTATION OF OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

Finding Number: 2019-001
Repeat Finding Since: 1996
Finding Title: Segregation of Duties

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

Summary of Corrective Action Previously Reported:

Progress has been made to address this concern; however, additional efforts to formalize existing policy and procedures in written format that can be shared with all staff to inform them of the County's expectations needs to be undertaken in upcoming fiscal years. In addition, the County's financial management team needs to develop procedures and a practice to internally audit those departments with limited personnel where the level of segregation is not as adequate as desired and if significant weaknesses are identified implement reasonable and practical changes to address those weaknesses.

Status: Not Corrected. The County's financial management team is aware of areas that have been identified as lacking segregation of accounting duties and responsibilities. County management continues to evaluate to ensure segregation of duties is in place where possible and feasible. Management will document and implement formal policies and procedures with additional supervisory review where needed.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2019-002

Repeat Finding Since: 2008

Finding Title: Documenting and Monitoring Internal Controls

Summary of Condition: Otter Tail County maintains narratives to document the controls in place over its significant transaction cycles; however, there is no formal risk assessment process in place to determine if the internal controls that have been established by County management are still effective or if changes are needed to maintain a sound internal control structure.

Summary of Corrective Action Previously Reported: The Finance Division Director and/or the Assistant Finance Division Director will take the lead role to update narratives annually and work with other financial management team members to perform a risk assessment of existing internal controls over the procedures, policies and significant functions which are used to produce financial information for both internal and external reporting. If the assessment indicates that existing internal controls are no longer adequate, members of the financial management team will work to develop and implement the necessary changes to ensure that a sound internal control structure is being maintained. Internal controls directly relating to audit findings will be evaluated immediately.

Status: Not Corrected. The finance division director and/or the assistant finance division director has taken the lead role to update narratives annually and will continue to work with other financial management team members to perform a risk assessment of existing internal controls over the procedures, policies and significant functions which are used to produce financial information for both internal and external reporting. If the assessment indicates that existing internal controls are no longer adequate, members of the financial management team will work to develop and implement the necessary changes to ensure that a sound internal control structure is being maintained.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2017-005

Finding Title: Procurement, Suspension and Debarment

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA # 93.778)

Summary of Condition: The following items were noted for the contracts tested: for two of four contracts tested, the County did not have a history of procurement including documentation for the rationale of selecting the vendor and the basis for the price, and for all four contracts tested, the County lacked documentation demonstrating that is reviewed vendors for suspension or debarment prior to entering in to the contracts.

Summary of Corrective Action Previously Reported: Directors in departments receiving federal funding will document the history of procurement transactions, including contract selection and rationale, in accordance with federal regulations. They will also verify vendors are not debarred or suspended, or that other exclusions apply prior to entering into contracts and will maintain the appropriate documentation. In addition, they will work with other internal County departments that may purchase on their behalf to document and verify in a similar manner.

Status: Not corrected. Directors in departments receiving federal funding will document the history of procurement transactions, including contract selection and rationale, in accordance with federal regulations. They will also verify vendors are not debarred or suspended, or that other exclusions apply prior to entering into contracts and maintain the appropriate documentation. In addition, they will work with other internal County departments that may purchase on their behalf to document and verify in a similar manner.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2019-003

Repeat Finding Since: 2008

Finding Title: Eligibility

Program: Medical Assistance Program (CFDA # 93.778)

Summary of Condition: The Minnesota Department of Human Services (DHS) maintains the computer systems, MAXIS and METS, which are used by Otter Tail County to support the eligibility determination process. When performing the case file review for eligibility, not all documentation was available to support participant eligibility in MAXIS or METS. In other circumstances, information was not updated or input in MAXIS or METS. The following instances were noted in the sample of 50 MAXIS and METS case files tested:

One instance where there was no documentation to support the income amount entered into MAXIS. One instance where the income per documentation received was incorrectly input into MAXIS. Three instances where current bank statements were not maintained to support the account balances that were input into MAXIS. One instance where the account balance per the bank statement submitted was incorrectly input into MAXIS. One instance where the client's social security number was not input into METS. One instance where the client's citizenship was not verified in METS. One instance where monthly income was not input into METS.

Summary of Corrective Action Previously Reported: The agency will complete case reviews with emphasis on accurate data entry. The agency will also review with staff the importance of ensuring the information entered into the system is accurate and consistent with the information provided by the client on the application and consistent with any verifications provided.

Status: Not Corrected. The County will continue to train staff regarding the importance of ensuring the information entered into the system is accurate and consistent with any verification provided. The agency will complete case reviews with an emphasis on accurate data entry.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2019-004

Prior Year Finding Number: 2009

Finding Title: Ditch Fund Balance Deficits

Summary of Condition: As of December 31, 2019, the County had individual ditch systems where liabilities exceeded assets, resulting in individual deficit fund balance amounts.

Summary of Corrective Action Previously Reported: Ditch system benefits are being re-determined and assessments are being levied annually; however, time to fully resolve this concern will be needed as there is significant cost associated with the redetermination process which also leads to repair and maintenance costs being incurred prior to having assessments placed on each system. Also, annually levied assessments are not always adequate to cover past cost and the cost that might occur in the current year due to various unknowns. However, the Otter Tail County Board of Commissioners is fully committed to the redetermination process and to levying assessments against each system to establish a fund for future costs, which over time will resolve this issue.

Status: Not Corrected. As previously noted, this is an ongoing correction that will take many years to fully resolve. The Otter Tail County Board of Commissioners is committed to re-determining the benefits for all of Otter Tail County existing drainage systems and upon completion of the redetermination process to build maintenance funds for each system which under normal operating conditions will eliminate the deficit fund balances. The Otter Tail County Board of Commissioners, for those systems that have had their benefits re-determined, adopts annually a maintenance assessment which is intended to reduce the deficit fund balances and to build a fund for future maintenance of the system.

The ditch fund balance deficits will be eliminated by the assessments that are currently being levied and by those assessments that will be levied in the future; however, under existing conditions it will not happen in a single fiscal year.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

**OTTER TAIL COUNTY
COMMUNITY DEVELOPMENT AGENCY**



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

Independent Auditor's Report

Board of Commissioners
Otter Tail County Community Development Agency
Fergus Falls, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Otter Tail County, Minnesota, which includes as Supplementary Information, the financial statements of the Otter Tail County Community Development Agency (CDA), a discretely presented component unit, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated November 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CDA's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CDA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the CDA's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the CDA's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

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

Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the CDA failed to comply with the provisions of the deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the CDA's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

November 30, 2021