

STATE OF MINNESOTA

Office of the State Auditor



Julie Blaha
State Auditor

OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA

YEAR ENDED DECEMBER 31, 2018

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 approximately 600 public pension funds; and

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

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

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

Year Ended December 31, 2018



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

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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FERGUS FALLS, MINNESOTA**

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2018

			<u>Term Expires</u>
Elected			
Commissioners			
Board Member	Douglas Huebsch	District 1	January 2021
Chair	Wayne Johnson	District 2	January 2019
Board Member	John Lindquist	District 3	January 2021
Vice Chair	Roger Froemming	District 4	January 2019
Board Member	Leland Rogness	District 5	January 2021
Attorney	Michelle Eldien		January 2019
Auditor-Treasurer	Wayne Stein		January 2019
County Recorder	Carol Schmaltz		January 2019
County Sheriff	Brian Schlueter		January 2019
Appointed			
Assessor	Doug Walvatne		December 2020
County Engineer	Charles Grotte		May 2022
Medical Examiner	Dr. Gregory Smith		Indefinite
County Administrator	John Dinsmore		Indefinite
Veterans Service Officer	Charlie Kampa		August 2021
Examiner of Titles	Robert Russell		Indefinite
Solid Waste Director	Chris McConn		Indefinite
Human Services Board			
Member	Leland Rogness		January 2021
Member	Douglas Heubsch		January 2019
Member	John Lindquist		January 2021
Chair	Wayne Johnson		January 2021
Vice Chair	Roger Froemming		January 2019
Human Services Director	Deb Sjoström		Indefinite
Probation Officer	Desta K. Lutzwick		Indefinite
Public Health Director	Jody Lien		Indefinite

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JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA

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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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Otter Tail County, Minnesota, as of and for the year ended December 31, 2018, 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Otter Tail County as of December 31, 2018, 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 2018, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, 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 report dated September 19, 2019, on our consideration of Otter Tail County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Otter Tail County's internal control over financial reporting and compliance.

Report on Schedule of Expenditures of Federal Awards Required by 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), 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), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA 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 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

September 19, 2019

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(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, 2018. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is \$198,256,550, of which Otter Tail County has a net investment in capital assets of \$172,341,365, and \$34,880,522 is restricted to specific purposes/uses.
- Business-type activities' total net position is \$6,948,473. Net investment in capital assets represents \$4,765,623 of the total.
- Otter Tail County's net position (governmental activities and business-type activities) totals \$205,205,023 for the year ended December 31, 2018. Net investment in capital assets represents \$177,106,988 of the total, \$34,880,522 of the total net position is restricted for specific uses, and (\$6,782,487) is unrestricted.
- The net cost of Otter Tail County's governmental activities for the year ended December 31, 2018, was \$38,116,398. General property tax revenues and other revenue sources totaling \$48,677,376 funded the total net cost of \$38,116,398.
- Otter Tail County's governmental funds' fund balances increased by \$2,718,540. This increase was the result of
 - a General Fund balance increase of \$1,551,915,
 - a Road and Bridge Special Revenue Fund balance increase of \$327,324,
 - a Human Services Special Revenue Fund balance increase of \$200,853,
 - a Capital Improvement Special Revenue Fund balance increase of \$655,922,
 - a County Ditch Special Revenue Fund Balance increase of \$133,530
 - a Construction Capital Projects Fund balance increase of \$35,336,
 - a Prairie Lakes Municipal Solid Waste Authority Debt Service Fund balance decrease of \$56,267, and
 - a decrease in other governmental funds' fund balances of \$130,073.

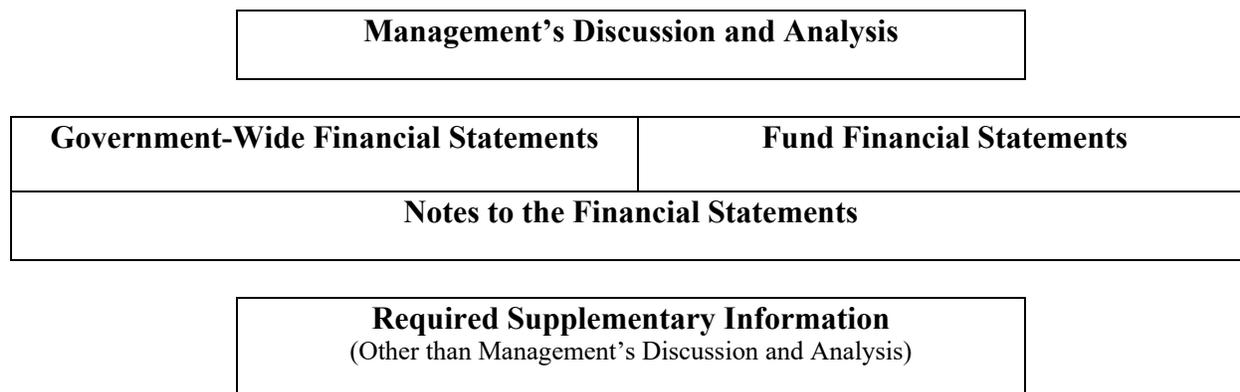
- The General Fund balance increased by \$1,551,915. This increase was due to excess of revenues over expenditures of \$1,631,619, which was offset by an operating transfer to the Public Buildings Debt Service Fund totaling \$83,865 to fund the Viking Library's share of the current debt service, and an operating transfer from the Sheriff's Contingent Special Revenue Fund totaling \$4,161 for excess funds in the Sheriff's Contingent Special Revenue Fund. For the prior year ended December 31, 2017, excess of General Fund revenues over expenditures were \$1,054,016. The \$577,603 increase in excess of revenues over expenditures is due mainly to a \$2,321,377 increase in revenues, which was offset by an \$1,743,774 increase in expenditures. It should be noted that revenues from taxes increased by \$1,329,683, revenues from special assessments increased by \$8,306, revenues from intergovernmental revenues increased by \$645,437, revenues from investment earnings increased by \$223,302, and revenues from miscellaneous other revenue sources increased by \$238,885. However, these increased revenues in the General Fund were offset by decreased revenues from licenses and permits of \$4,993, decreased revenues from charges for services of \$108,650, and decreased revenues from fines and forfeits of \$10,593. General Fund expenditures for general government-related functions/programs increased by \$837,358, expenditures for public safety-related functions/programs increased by \$310,546, expenditures for culture and recreation-related functions/programs increased by \$110,781, expenditures for conservation of natural resource-related functions/programs increased by \$328,972, expenditures for economic development-related functions/programs increased by \$156,025, and expenditures for debt service costs increased by \$92.
- The Road and Bridge Special Revenue Fund balance increased by \$327,324 due to excess of revenues over expenditures of \$342,944 and a decrease in inventories of \$15,620. For the prior year ended December 31, 2017, excess of expenditures over revenues totaled \$5,049,283. The \$5,392,227 increase in excess of revenues over expenditures is due mainly to an increase in revenues from taxes totaling \$804,322, an increase in revenues from miscellaneous revenue sources totaling \$62,970, and a decrease in highways and streets-related expenditures of \$9,766,426. However, the increased revenues and the decreased highways and streets-related expenditures were offset by a decrease in intergovernmental revenue totaling \$4,531,049, a decrease in charges for services revenue totaling \$479,766, and an increase in intergovernmental highways and streets-related expenditures totaling \$230,676.
- The Human Services Special Revenue Fund balance increased by \$200,853 due to excess of revenues over expenditures of \$200,853. For the prior year ended December 31, 2017, excess of expenditures over revenues totaled \$709,056. The \$909,909 increase was due mainly to an increase in revenue from taxes totaling \$547,810, an increase in revenue from intergovernmental revenues totaling \$458,857, a decrease in public safety-related expenditures totaling \$11,337, a decrease in human services-related expenditures totaling \$220,515, and a decrease in public health-related expenditures totaling \$277,635. However, the increased revenues and the decreased expenditures were offset by a decrease in revenues from licenses and permits totaling \$13,414, a decrease in revenues from charges and services totaling \$191,000, a decrease in revenues from gifts and contributions totaling \$23,238, and a decrease in revenues from miscellaneous revenue sources totaling \$378,593.

- The Capital Improvement Special Revenue Fund balance increased by \$655,922 due to excess of revenues over expenditures of \$655,922. For the prior year ended December 31, 2017, excess of revenues over expenditures totaled \$841,428. The \$185,506 decrease in excess of revenues over expenditures was due mainly to decreased revenues from taxes and assessments totaling \$504,917, an increase in general government-related capital expenditures totaling \$696,150, an increase in human services-related capital expenditures totaling \$47,947, an increase in health-related capital expenditures totaling \$31,230, an increase in culture and recreation-related capital expenditures totaling \$4,359, and an increase in conservation of natural resources-related capital expenditures totaling \$956. These decreased revenues and increased expenditures were offset by an increase in intergovernmental revenues of \$122,542, an increase in investment earnings of \$23,154, an increase in miscellaneous revenues of \$83,214, a decrease in public safety-related capital expenditures of \$185,786, and a decrease in highways and streets-related capital expenditures of \$685,357.
- The County Ditch Fund balance increased by \$133,530 due to excess of revenues over expenditures of \$133,530. For the prior year ended December 31, 2017, excess of revenues over expenditures totaled \$88,035. The \$45,495 increase in excess of revenues over expenditures is due to increased special assessment revenues totaling \$22,472 and decreased conservation of natural resources-related expenditures of \$25,602, which was offset by a decrease in miscellaneous revenue sources of \$2,579.
- The Construction Capital Projects Fund balance increased by \$35,336 due to excess of revenues over expenditures of \$35,336. For the prior year ended December 31, 2017, excess of expenditures over revenues totaled \$1,355,073. The increase in excess of revenues over expenditures of \$1,390,409 was due mainly to an increase in intergovernmental revenues of \$5,218,342, a decrease in public safety-related construction expenditures of \$1,279,002, and a decrease in bond issuance costs of \$40,735, which was offset by an increase in conservation of natural resources-related construction expenditures of \$5,147,670. The primary revenue source for the Construction Capital Projects Fund in 2018 was a Department of Natural Resources grant to fund a drainage project in a local lake improvement district. The primary purpose of this fund in 2018 and forward will be to account for the revenues and expenditures associated with this drainage project, as well as any other major capital projects that will be undertaken in the future.
- The Prairie Lakes Municipal Solid Waste Authority Debt Service Fund balance decreased by \$56,267 due to excess of expenditures over revenues of \$1,173,613. For the prior year ended December 31, 2017, excess of expenditures over revenues totaled \$1,085,000. The \$88,613 increase in excess of expenditures over revenues is due to decreased miscellaneous/intergovernmental revenues totaling \$3,705 and an increase in debt service costs (including bond issuance costs) totaling \$84,908.
- The fund balance as of December 31, 2018, for all other governmental funds decreased by \$130,073. This decrease was due mainly to excess of expenditures over revenues of \$209,777 and operating transfers out totaling \$982,238, which was offset by operating transfers-in totaling \$1,061,942.

For the prior year ended December 31, 2017, excess of expenditures over revenues totaled \$4,302,013. The \$4,092,236 decrease in excess of expenditures over revenues is due mainly to increased tax revenues of \$5,307, an increase in revenues from fines and forfeits of \$3,598, a decrease in general government-related expenditures of \$14,460, a decrease in public safety-related expenditures of \$5,934 and a decrease in debt service-related expenditures (principal and interest) of \$4,269,260. These increased revenues and decreased expenditures were offset by a decrease in intergovernmental revenues of \$1,551, and a decrease in investment earnings and miscellaneous revenue sources of \$204,772.

OVERVIEW OF THE FINANCIAL STATEMENTS

Otter Tail County’s MD&A serves as an introduction to the basic financial statements. Otter Tail County’s basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section), certain budgetary comparison schedules, the Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits, and schedules of the County’s proportionate share of net pension liability and of the County’s contributions for the defined benefit pension plans are required to accompany the basic financial statements and, therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are inter-related.



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

Government-Wide Financial Statements—The Statement of Net Position and the Statement of Activities

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

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

These two statements consider all of Otter Tail County’s current year revenues and expenses regardless of when the County receives the revenue or pays the expenditure. The statements also report the County’s net position and changes in it.

You can think of net position—the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources—as one way to measure the County’s financial health or financial position. Over time, increases or decreases in the County’s net position are an indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the property tax base and the general economic conditions of the state and County, to assess the overall health of Otter Tail County.

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

- **Governmental activities**—Otter Tail County reports its basic services in the “Governmental Activities” column of these reports. The activities reported include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, economic development, and interest. Otter Tail County finances the majority of these activities with local property taxes, state-paid aids, fees, charges for services, and federal and state grants.
- **Business-type activities**—Otter Tail County charges a service fee to property owners and customers/users of the waste management facilities to help cover most of the costs to operate these facilities and pay for the services provided. The County reports its solid waste collection and disposal programs, including County-sponsored recycling programs, in the “Business-Type Activities” column.

Fund Financial Statements

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

- Most of Otter Tail County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The County reports these funds in its financial statements using an accounting method called modified accrual accounting. This accounting method measures cash and other financial assets that the County can readily convert to cash. Otter Tail County's governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides.
- Otter Tail County's governmental fund information helps determine whether there are financial resources available that the County can spend in the near future to finance various programs within the County. Otter Tail County has described the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation statement following each governmental fund financial statement.
- Otter Tail County charges both internal and external customers for waste management services and reports the financial activities for those services in a proprietary fund. The County reports its Waste Management Enterprise Fund in the same way that it reports all activities in the Statement of Net Position and the Statement of Activities. In fact, the Waste Management Enterprise Fund is the same as the business-type activities the County reports in the government-wide statements but provides more detail and additional information, such as cash flows.
- Otter Tail County acts as an agent over assets that the County holds for other governmental entities. The County reports all of its fiduciary activities in a separate Statement of Fiduciary Net Position and excludes these assets from the County's other financial statements because the County cannot use these assets to finance its operations. Otter Tail County is responsible for ensuring that the assets reported in these agency funds are used for their intended purposes.

THE COUNTY AS A WHOLE

Otter Tail County's combined net position for the year ended December 31, 2018, was \$205,205,023. The analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the County's governmental and business-type activities.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 91,370,992	\$ 91,987,613	\$ 5,774,965	\$ 5,683,320	\$ 97,145,957	\$ 97,670,933
Capital assets	182,002,980	176,836,614	4,765,623	5,190,485	186,768,603	182,027,099
Total Assets	\$ 273,373,972	\$ 268,824,227	\$ 10,540,588	\$ 10,873,805	\$ 283,914,560	\$ 279,698,032
Deferred Outflows of Resources						
Deferred amount on refunding	\$ 176,288	\$ 206,083	\$ -	\$ -	\$ 176,288	\$ 206,083
Deferred pension outflows	8,243,309	12,151,724	226,745	371,907	8,470,054	12,523,631
Deferred other postemployment benefits outflows	172,071	-	8,486	-	180,557	-
Total Deferred Outflows of Resources	\$ 8,591,668	\$ 12,357,807	\$ 235,231	\$ 371,907	\$ 8,826,899	\$ 12,729,714
Liabilities						
Long-term debt outstanding	\$ 66,848,756	\$ 73,127,616	\$ 3,217,060	\$ 3,577,309	\$ 70,065,816	\$ 76,704,925
Other liabilities	4,956,552	6,253,298	208,947	238,925	5,165,499	6,492,223
Total Liabilities	\$ 71,805,308	\$ 79,380,914	\$ 3,426,007	\$ 3,816,234	\$ 75,231,315	\$ 83,197,148
Deferred Inflows of Resources						
Deferred pension inflows	\$ 11,903,782	\$ 10,294,451	\$ 401,339	\$ 266,537	\$ 12,305,121	\$ 10,560,988
Prepaid property taxes	-	2,585,625	-	-	-	2,585,625
Total Deferred Inflows of Resources	\$ 11,903,782	\$ 12,880,076	\$ 401,339	\$ 266,537	\$ 12,305,121	\$ 13,146,613
Net Position						
Net investment in capital assets	\$ 172,341,365	\$ 166,027,229	\$ 4,765,623	\$ 5,190,485	\$ 177,106,988	\$ 171,217,714
Restricted	34,880,522	34,756,826	-	-	34,880,522	34,756,826
Unrestricted	(8,965,337)	(11,863,011)	2,182,850	1,972,456	(6,782,487)	(9,890,555)
Total Net Position, as reported	\$ 198,256,550	\$ 188,921,044	\$ 6,948,473	\$ 7,162,941	\$ 205,205,023	\$ 196,083,985
Change in Accounting Principles*	-	(1,225,472)	-	2,550	-	(1,222,922)
Net Position, as restated	\$ 198,256,550	\$ 187,695,572	\$ 6,948,473	\$ 7,165,491	\$ 205,205,023	\$ 194,861,063

*The January 1, 2018, net position was decreased by \$1,225,472 in the governmental activities, and increased by \$2,550 in the business-type activities, to adopt new accounting guidance by implementing the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Otter Tail County's total net position for the year ended December 31, 2018, is \$205,205,023. Unrestricted net position totaling (\$6,782,487) is available to finance day-to-day operations. Of the unrestricted net position, (\$8,965,337) is available for governmental activities, and \$2,182,850 is available for business-type activities.

As of December 31, 2017, Otter Tail County's total restated net position was \$194,861,063. The increase of \$10,343,960 is due mainly to an increase in total assets of \$4,216,528, a decrease in total liabilities of \$7,965,833 and a decrease in deferred inflows of resources in the amount of \$841,492, which is offset by a decrease in total deferred outflows of resources in the amount of \$3,902,815. (See the financial statements and the notes to the financial statement for additional information).

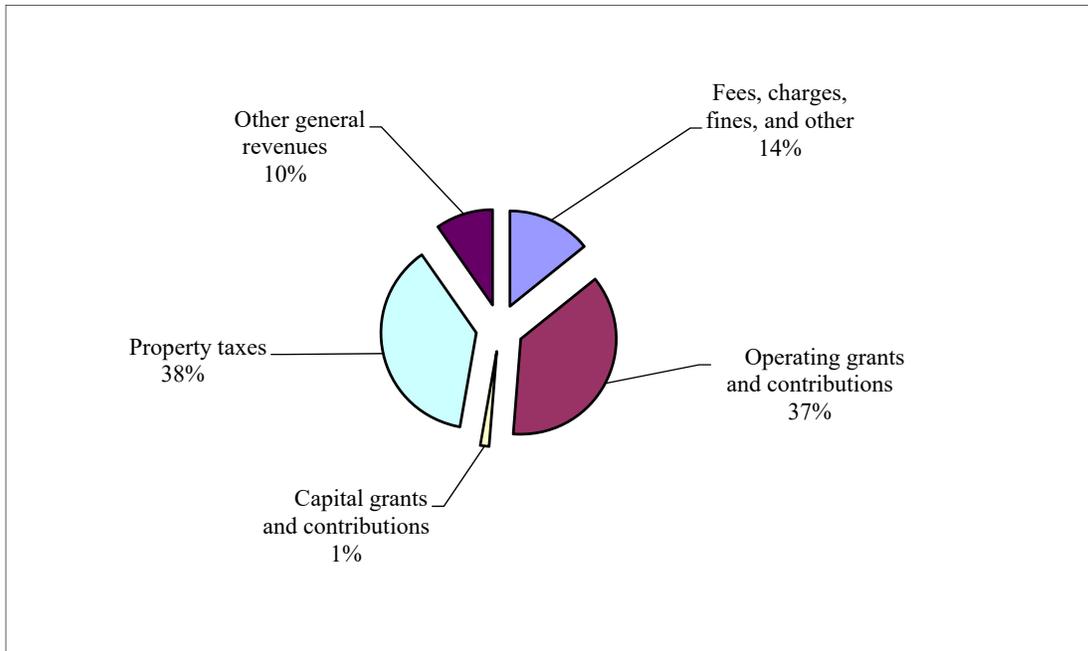
Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Fees, charges, fines, and other	\$ 7,405,414	\$ 8,654,169	\$ 7,234,293	\$ 7,469,014	\$ 14,639,707	\$ 16,123,183
Operating grants and contributions	37,937,665	33,339,688	275,152	452,687	38,212,817	33,792,375
Capital grants and contributions	1,540,675	815,497	-	-	1,540,675	815,497
General revenues						
Property taxes	38,713,047	37,296,924	-	-	38,713,047	37,296,924
Other taxes	5,137,316	4,280,050	-	-	5,137,316	4,280,050
Grants and contributions	3,049,049	2,975,382	-	-	3,049,049	2,975,382
Other general revenues	1,777,964	1,665,716	33,694	1,549	1,811,658	1,667,265
Total Revenues	\$ 95,561,130	\$ 89,027,426	\$ 7,543,139	\$ 7,923,250	\$ 103,104,269	\$ 96,950,676
Expenses						
Program expenses						
General government	\$ 16,836,612	\$ 16,060,008	\$ -	\$ -	\$ 16,836,612	\$ 16,060,008
Public safety	13,020,323	8,911,595	-	-	13,020,323	8,911,595
Highways and streets	18,721,616	26,123,210	-	-	18,721,616	26,123,210
Sanitation	52,346	-	-	-	52,346	-
Human services	20,509,465	21,048,685	-	-	20,509,465	21,048,685
Health	3,884,891	4,351,034	-	-	3,884,891	4,351,034
Culture and recreation	923,001	780,930	-	-	923,001	780,930
Conservation of natural resources	9,360,358	3,810,119	-	-	9,360,358	3,810,119
Economic development	405,940	224,786	-	-	405,940	224,786
Interest	1,285,600	1,368,885	-	-	1,285,600	1,368,885
Landfill	-	-	7,760,157	8,238,550	7,760,157	8,238,550
Total Program Expenses	\$ 85,000,152	\$ 82,679,252	\$ 7,760,157	\$ 8,238,550	\$ 92,760,309	\$ 90,917,802
Increase (Decrease) in Net Position	\$ 10,560,978	\$ 6,348,174	\$ (217,018)	\$ (315,300)	\$ 10,343,960	\$ 6,032,874

Otter Tail County's total revenues for the year ended December 31, 2018, were \$103,104,269, which is an increase over the total revenues for 2017 of \$6,153,593. The total cost of programs and services for the year ended December 31, 2018, were \$92,760,309, which is an increase over the total cost of programs in 2017 of \$1,842,507. In 2017, the net position for governmental activities and business-type activities increased \$6,032,874 and in 2018, the net position for governmental and business-type activities increased \$10,343,960. (Please see the financial statements and the notes to the financial statements for additional information.)

The \$6,153,593 increase in revenues from 2017 is due mainly to increases in revenues such as property and other taxes, and capital and operating grants and contributions, which were offset by decreases in program revenues such as fees, charges, fines, and other. The \$1,842,507 increase in program expenses is due to increased general government, public safety, sanitation, culture and recreation, conservation of natural resources, and economic development-related program expenses, which were offset by decreased highways and streets, human services, and health-related program expenses and decreased business-type activities program expenses.

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



Governmental Activities

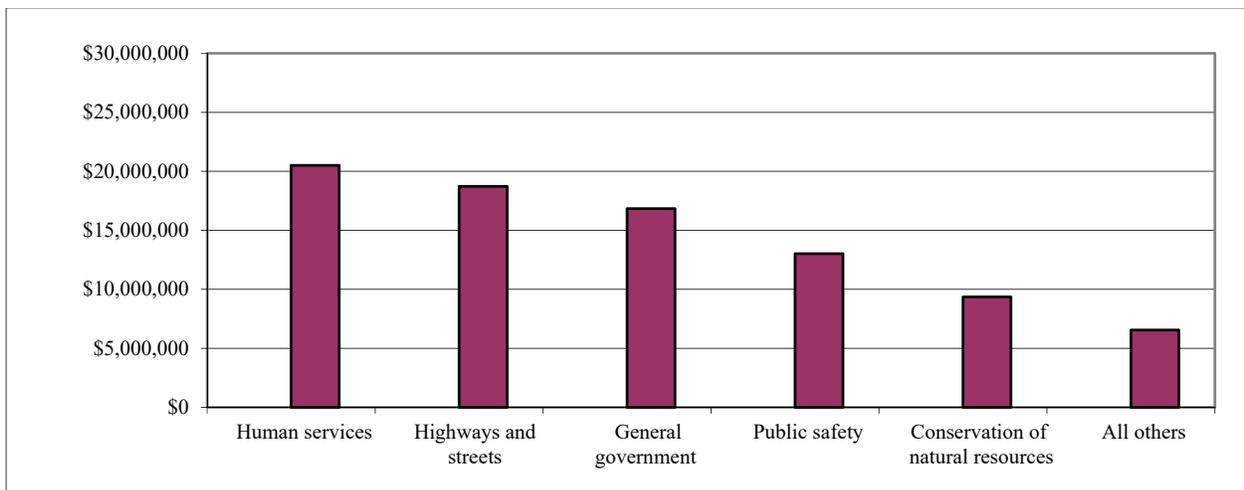
Revenues for Otter Tail County’s governmental activities for the year ended December 31, 2018, were \$95,561,130. Costs for all governmental activities for the year ended December 31, 2018, were \$85,000,152. As shown in the Statement of Activities, the amount that County taxpayers ultimately financed for these governmental activities through local property taxation was \$38,713,047, because \$7,405,414 of the costs were paid by those who directly benefited from the programs, and \$39,478,340 was paid by other governments and organizations that subsidized certain programs with grants and contributions. Otter Tail County paid for the remaining “public benefit” portion of governmental activities with \$9,964,329 in general revenues, primarily grants and contributions not restricted to specific programs, and with other revenues such as investment earnings, mortgage registration tax, deed tax, transportation sales and use tax, and wheelage tax.

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

**Table 3
Governmental Activities**

	Total Cost of Services 2018	Net Cost of Services 2018
Program expenses		
Human services	\$ 20,509,465	\$ 8,850,828
Highways and streets	18,721,616	1,477,127
General government	16,836,612	12,433,396
Public safety	13,020,323	11,637,260
Conservation of natural resources	9,360,358	913,972
All others	6,551,778	2,803,815
Total Program Expenses	\$ 85,000,152	\$ 38,116,398

**Governmental Activities Expenses
2018**



Business-Type Activities

Revenues of Otter Tail County’s business-type activities (see Table 2) for the year ended December 31, 2018, were \$7,543,139. This compares with total operating revenues of \$7,450,646 and total nonoperating revenues of \$472,604 for the year ended December 31, 2017. Operating revenues decreased by \$216,353, and nonoperating revenues decreased by \$163,758, resulting in an overall decrease in revenues of \$380,111 (Exhibit 8).

Expenses of business-type activities (see Table 2) for the year ended December 31, 2018, were \$7,760,157. This compares with total operating expenses of \$8,238,550 for the year ended December 31, 2017. Operating expenses decreased by \$478,393, which is due mainly to decreased SCORE-related expenses of \$4,134, waste management-related expenses of \$12,771, decreased household hazardous-related expenses of \$81,311, decreased depreciation costs of \$40,964 and decreased landfill closure and post-closure care costs of \$350,284, which were offset by increased processing cost-related expenses of \$11,071.

The County's Funds

As Otter Tail County completed the year, its governmental funds, as presented in the balance sheet, reported a combined fund balance of \$78,882,387, which is more than last year's total of \$76,163,847. The increased fund balance of \$2,718,540 is due to an increase in the General Fund balance of \$1,551,915, an increase in the Road and Bridge Special Revenue Fund balance of \$327,324, an increase in the Human Services Special Revenue Fund balance of \$200,853, an increase in the Capital Improvement Special Revenue Fund balance of \$655,922, an increase in the County Ditch Fund balance of \$133,530, an increase in the Construction Capital Projects Fund balance of \$35,336, a decrease in the Prairie Lakes Municipal Solid Waste Authority Debt Service Fund balance of \$56,267, and a decrease in the other governmental funds' fund balances of \$130,073.

As you will note, there were changes within individual funds. The overall fund balance change represented a 3.6 percent increase. The experienced fund balance increase in the Capital Improvement Special Revenue was a planned increase for future anticipated capital projects. The nonmajor governmental funds experienced a total fund balance decrease of \$130,073. The primary reason the nonmajor governmental funds experienced a decrease is the use of available fund balance to service current debt service costs and/or to retire existing debt.

Included in this year's total fund balance is the General Fund balance of \$25,194,220, an increase of \$1,551,915 from 2017. The General Fund balance is classified as either nonspendable – \$1,223,651, restricted for specific purposes – \$2,093,985, assigned to specific uses – \$357,323, or unassigned – \$21,519,261.

General Fund Budgetary Highlights

The Otter Tail County Board of Commissioners, over the course of a budget year, may amend/revise the County's overall operating budget of the General Fund to reflect changes in revenue sources and expenditures that were not anticipated when the budget was established in the prior year. In 2018, the Board of Commissioners did not make any significant budget revisions to the General Fund budget.

If the Board had made significant changes to the budget as originally adopted on Tuesday, December 19, 2017, these budget amendments/revisions would have fallen into one of three categories: new information changing original budget estimations, greater than anticipated revenues or expenditures, or final agreement reached on employee contracts.

In Otter Tail County’s General Fund, the actual revenues exceeded the budgeted revenues by \$194,289. Total actual expenditures in the General Fund were under the budgeted expenditures by \$2,061,384 due primarily to general government related-expenditures being under budget by \$1,275,744 and public safety-related expenditures being under budget by \$972,294. For additional information regarding budget to actual comparisons for the budgeted special revenue funds, please reference the financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, Otter Tail County had \$186,768,603 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment (see Table 4). This amount represents a net increase (including additions and deductions) of \$4,741,504, or a 2.6 percent increase, over last year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 4,965,768	\$ 4,965,768	\$ 195,934	\$ 195,934	\$ 5,161,702	\$ 5,161,702
Construction in progress	20,106,863	8,889,122	-	-	20,106,863	8,889,122
Land improvements	72,777	82,121	-	-	72,777	82,121
Buildings and improvements	29,671,320	29,763,403	2,892,502	3,023,108	32,563,822	32,786,511
Machinery, furniture, vehicles, and equipment	6,159,147	6,842,616	507,635	605,800	6,666,782	7,448,416
Infrastructure	121,027,105	126,293,584	118,293	122,993	121,145,398	126,416,577
Landfill	-	-	1,051,259	1,242,650	1,051,259	1,242,650
Totals	<u>\$ 182,002,980</u>	<u>\$ 176,836,614</u>	<u>\$ 4,765,623</u>	<u>\$ 5,190,485</u>	<u>\$ 186,768,603</u>	<u>\$ 182,027,099</u>

During calendar year 2018, Otter Tail County’s governmental activities’ capital assets, net of depreciation, increased a total of \$5,166,366. This year’s major additions include the addition of machinery, furniture, vehicles, and equipment, and the completion of road and bridge projects for grading, bituminous, bridge construction, and right-of-way purchases, which are reported as infrastructure (see Table 4).

Remodeling/construction plans for the addition of holding cells and an elevator in the detention building have been prepared and approved, and the project was completed in 2018. Other construction plans under consideration are a new highway maintenance building in the Pelican Rapids area, improvements to the Henning Transfer Station, re-purposing parts of the New York Mills Building, and the possibility of an addition to the Ottertail Operations Center. More detailed information about Otter Tail County’s capital assets can be found in Note 3.A.4. to the financial statements.

Bonded Debt

As of December 31, 2018, Otter Tail County had \$38,409,583 in bonds and notes outstanding, compared with \$40,047,974 as of December 31, 2017, a decrease of 4.1 percent—as shown in Table 5.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Bonds payable						
General obligation bonds	\$ 12,340,000	\$ 13,925,000	\$ -	\$ -	\$ 12,340,000	\$ 13,925,000
Revenue bonds	25,445,000	25,500,000	-	-	25,445,000	25,500,000
Plus: Unamortized premium	711,760	722,259	-	-	711,760	722,259
Less: Unamortized discount	(87,177)	(99,285)	-	-	(87,177)	(99,285)
Totals	<u>\$ 38,409,583</u>	<u>\$ 40,047,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 38,409,583</u>	<u>\$ 40,047,974</u>

The state limits the amount of net debt that the County can issue to three percent of the market value of all taxable property. Otter Tail County's outstanding net debt is significantly below this \$308,102,616 state-imposed limit. The County's financial advisor annually reviews the outstanding debt issues to determine which, if any, issues should be considered for refinancing.

Other obligations include capital leases, compensated absences, other postemployment benefits liability, landfill closure and post-closure care costs, and net pension liability. The notes to the financial statements (Notes 3.C.1 through 3.E.2) provide detailed information about the County's long-term liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- Otter Tail County continues to have a very balanced and strong seasonal, residential, commercial/industrial, and agricultural tax base. Keeping this tax base vital and healthy is very important to the County's overall financial health and condition.
- Legislative actions by federal and state governments can have a significant impact on future County budgets. As you will note from Exhibit 5, intergovernmental revenues represent approximately 44 percent of the County's total 2018 revenues. Major revenue sources are state-paid aids and grants. Should the State of Minnesota or the federal government significantly reduce these revenues or pass on costs to Otter Tail County, it would have a significant impact on next year's budget.

- In the recent past, Otter Tail County’s net tax capacity rates have not seen significant change even though the overall net tax levy has continued to increase. The overall County rate for Payable year 2016 was 42.129 percent, for Payable year 2017 the overall County rate was 41.858 percent and for Payable Year 2018 the overall County rate was 42.296 percent.
- The net property tax levy for 2019 is scheduled to increase by 3.9 percent, or approximately \$1,508,892, and will result in a County tax rate of 41.561 percent.
- Otter Tail County’s unemployment rate could impact the level of services requested by residents and on the County’s ability to generate the revenues necessary to pay for these additional services. Otter Tail County is very concerned with providing economic development, growth, and job opportunities to help maintain strong and balanced tax base. Otter Tail County is taking steps to ensure that there is an adequate workforce to fill open industrial jobs and is working to ensure that there is adequate housing for the workforce.
- Future facility and equipment needs will impact the County’s budget and are reviewed annually as operating and capital budgets are developed.
- Outstanding debt issues and refinancing options are reviewed at least annually.
- Repairing and building up the roads to keep the County’s road system open, functional, and safe is very expensive. Adequate funding for these specific highway needs is reviewed during budget preparation and development. To address County road maintenance and construction funding issues, Otter Tail County has implemented the Local Transit Sales and Use Tax, as well as the \$20.00 Vehicle Excise Tax. Funding from these two new sources of revenues will be used to fund projects as identified in Otter Tail County’s 2016-2025 Transportation Program. Additional information regarding the County’s transportation plan can be found at <http://www.co.otter-tail.mn.us/1126/Transportation-Plan>.
- The County will also consider the possible issuance of bonded debt in 2019 to assist with the financing of road maintenance and road reconstruction issues.
- Adequate housing, availability of childcare, broadband availability, and assistance for economic development have been identified as issues that, in some cases, are hindering economic growth. An important consideration when developing future budgets will be a discussion as to the options available to the County that can help minimize these issues. Options that will be considered are economic development tax abatements and tax increment financing. Otter Tail County has hired an economic development and tourism director to help secure other funding sources, etc.
- Other factors considered include:
 - planning and financing for facility needs and the maintenance of existing facilities;

- planning and financing for building security, which is becoming an increasingly important issue;
- planning and financing for the continued delivery of County-provided services given the uncertainty of state funding;
- prioritizing the services provided and the method of delivery;
- the level of funding provided to outside agencies;
- land development and regulation (ordinance) issues, specifically as these regulations relate to the expansion of the County's resort industry and other economic development opportunities;
- the need to develop long-term plans and goals for the County;
- organizational structure (including planning, considering, and discussing with neighboring counties the possibility of shared services and personnel);
- a greater demand for services which has resulted from the growth that Otter Tail County has experienced over the years;
- economic conditions, market conditions, and unemployment rates need to be monitored to ensure that the County's expenditure levels do not exceed its ability to generate the necessary revenues to finance costs;
- legislative changes which impact County programs and services;
- policies and procedures necessary to comply with state and federal rules and regulations;
- reviewing comparative financial data from other Minnesota counties; and
- the need to improve both internal and external administrative and financial reporting to ensure that the most current information is available to the decision makers.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

Otter Tail County's financial report provides citizens, taxpayers, customers, investors, and creditors with a general overview of the County's finances, and it shows accountability for the money it receives and spends. If you have questions about this report, or need additional financial information, contact Wayne Stein, County Auditor-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.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	Primary Government			Prairie Lakes Municipal Solid Waste Authority Component Unit
	Governmental Activities	Business-Type Activities	Total	
<u>Assets</u>				
Cash and pooled investments	\$ 53,535,046	\$ 1,419,393	\$ 54,954,439	\$ 988,740
Taxes receivable – delinquent	776,675	-	776,675	-
Special assessments receivable				
Delinquent	7,698	-	7,698	-
Noncurrent	678,677	-	678,677	-
Accounts receivable	125,438	270,245	395,683	204,404
Accrued interest receivable	142,345	-	142,345	-
Internal balances	117,497	(117,497)	-	-
Due from other governments	8,775,215	69,828	8,845,043	148,680
Due from component unit	157,077	-	157,077	-
Lease receivable	91,924	-	91,924	-
Inventories	427,672	-	427,672	-
Prepaid items	369,003	-	369,003	28,237
Restricted assets				
Permanently restricted				
Cash and pooled investments	-	1,394,107	1,394,107	-
Advance to component unit	25,445,000	2,738,889	28,183,889	-
Long-term lease receivable	721,725	-	721,725	-
Capital assets				
Non-depreciable	25,072,631	195,934	25,268,565	25,489
Depreciable – net of accumulated depreciation	156,930,349	4,569,689	161,500,038	30,754,469
Total Assets	\$ 273,373,972	\$ 10,540,588	\$ 283,914,560	\$ 32,150,019
<u>Deferred Outflows of Resources</u>				
Deferred amount on refunding	\$ 176,288	\$ -	\$ 176,288	\$ -
Deferred pension outflows	8,243,309	226,745	8,470,054	283,949
Deferred other postemployment benefits outflows	172,071	8,486	180,557	-
Total Deferred Outflows of Resources	\$ 8,591,668	\$ 235,231	\$ 8,826,899	\$ 283,949

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	Primary Government			Prairie Lakes Municipal Solid Waste Authority Component Unit
	Governmental Activities	Business-Type Activities	Total	
<u>Liabilities</u>				
Accounts payable	\$ 1,311,115	\$ 108,548	\$ 1,419,663	\$ 60,727
Salaries payable	1,715,837	98,653	1,814,490	93,353
Contracts payable	1,120,597	-	1,120,597	-
Due to other governments	214,628	1,746	216,374	99,097
Due to primary government	-	-	-	157,077
Accrued interest payable	295,889	-	295,889	-
Employee deposits	298,486	-	298,486	-
Advance from primary government	-	-	-	28,183,889
Long-term liabilities				
Due within one year	4,254,244	83,721	4,337,965	73,506
Due in more than one year	39,687,417	1,804,382	41,491,799	279,228
Other postemployment benefits liability	2,705,438	134,781	2,840,219	-
Net pension liability	20,201,657	1,194,176	21,395,833	1,464,564
Total Liabilities	\$ 71,805,308	\$ 3,426,007	\$ 75,231,315	\$ 30,411,441
<u>Deferred Inflows of Resources</u>				
Deferred pension inflows	\$ 11,903,782	\$ 401,339	\$ 12,305,121	\$ 367,345
<u>Net Position</u>				
Net investment in capital assets	\$ 172,341,365	\$ 4,765,623	\$ 177,106,988	\$ 5,334,958
Restricted for				
General government	841,888	-	841,888	-
Public safety	669,058	-	669,058	-
Highways and streets	3,331,502	-	3,331,502	-
Human services	225,494	-	225,494	-
Conservation of natural resources	1,040,005	-	1,040,005	-
Debt service	28,592,441	-	28,592,441	-
Held in trust for other purposes	180,134	-	180,134	-
Unrestricted	(8,965,337)	2,182,850	(6,782,487)	(3,679,776)
Total Net Position	\$ 198,256,550	\$ 6,948,473	\$ 205,205,023	\$ 1,655,182

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<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	\$ 16,836,612	\$ 3,607,026	\$ 796,190
Public safety	13,020,323	309,834	1,073,229
Highways and streets	18,721,616	753,276	14,950,538
Sanitation	52,346	-	-
Human services	20,509,465	1,129,537	10,529,100
Health	3,884,891	1,087,428	1,676,680
Culture and recreation	923,001	11,875	-
Conservation of natural resources	9,360,358	493,851	7,952,535
Economic development	405,940	12,587	-
Interest	1,285,600	-	959,393
Total governmental activities	\$ 85,000,152	\$ 7,405,414	\$ 37,937,665
Business-type activities			
Solid waste	7,760,157	7,234,293	275,152
Total Primary Government	\$ 92,760,309	\$ 14,639,707	\$ 38,212,817
Component unit			
Prairie Lakes Municipal Solid Waste Authority	\$ 8,336,901	\$ 8,174,453	\$ -

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

Total general revenues

Change in net position

Net Position – Beginning, as restated (Note 1.E.)

Net Position – Ending

EXHIBIT 2

Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position			Discretely Presented Component Unit
	Primary Government		Total	
	Governmental Activities	Business-Type Activities		
\$ -	\$ (12,433,396)	\$ -	\$ (12,433,396)	
-	(11,637,260)	-	(11,637,260)	
1,540,675	(1,477,127)	-	(1,477,127)	
-	(52,346)	-	(52,346)	
-	(8,850,828)	-	(8,850,828)	
-	(1,120,783)	-	(1,120,783)	
-	(911,126)	-	(911,126)	
-	(913,972)	-	(913,972)	
-	(393,353)	-	(393,353)	
-	(326,207)	-	(326,207)	
\$ 1,540,675	\$ (38,116,398)	\$ -	\$ (38,116,398)	
-	-	(250,712)	(250,712)	
\$ 1,540,675	\$ (38,116,398)	\$ (250,712)	\$ (38,367,110)	
\$ -				\$ (162,448)
	\$ 38,713,047	\$ -	\$ 38,713,047	\$ -
	3,693,965	-	3,693,965	-
	204,093	-	204,093	-
	1,239,258	-	1,239,258	-
	3,049,049	-	3,049,049	-
	513,470	-	513,470	-
	29,922	33,694	63,616	-
	1,234,572	-	1,234,572	-
	\$ 48,677,376	\$ 33,694	\$ 48,711,070	\$ -
	\$ 10,560,978	\$ (217,018)	\$ 10,343,960	\$ (162,448)
	187,695,572	7,165,491	194,861,063	1,817,630
	\$ 198,256,550	\$ 6,948,473	\$ 205,205,023	\$ 1,655,182

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Road and Bridge	Human Services
<u>Assets</u>			
Cash and pooled investments	\$ 23,958,316	\$ 4,927,340	\$ 13,334,336
Petty cash and change funds	3,900	50	200
Undistributed cash in agency funds	405,243	56,993	175,946
Taxes receivable – delinquent	409,625	70,820	215,622
Special assessments			
Delinquent	-	586	-
Noncurrent	-	-	-
Accounts receivable	12,793	6,606	106,039
Accrued interest receivable	142,345	-	-
Due from other funds	123,927	513,166	80
Due from other governments	116,539	6,619,736	2,021,881
Lease receivable	813,649	-	-
Advance to other funds	674,514	-	-
Inventories	-	427,672	-
Prepaid items	369,003	-	-
Advance to component unit	-	-	-
	\$ 27,029,854	\$ 12,622,969	\$ 15,854,104
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 294,158	\$ 394,722	\$ 616,591
Salaries payable	801,828	216,473	697,536
Contracts payable	-	1,120,597	-
Due to other funds	11,491	-	3,822
Due to other governments	36,850	14,157	162,921
Advance from other funds	-	-	-
Employee deposits	298,486	-	-
	\$ 1,442,813	\$ 1,745,949	\$ 1,480,870
 Deferred Inflows of Resources			
Unavailable revenues	\$ 392,821	\$ 6,029,632	\$ 503,018

EXHIBIT 3

<u>Capital Improvement</u>	<u>County Ditch</u>	<u>Construction Capital Projects</u>	<u>Prairie Lakes Municipal Solid Waste Authority Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 7,281,074	\$ 701,598	\$ 73,970	\$ -	\$ 2,547,918	\$ 52,824,552
-	-	-	-	-	4,150
38,956	6,612	-	-	22,594	706,344
51,507	-	-	-	29,101	776,675
-	7,112	-	-	-	7,698
-	678,677	-	-	-	678,677
-	-	-	-	-	125,438
-	-	-	-	-	142,345
7,730	-	-	-	-	644,903
11,844	-	-	-	5,215	8,775,215
-	-	-	-	-	813,649
-	-	-	-	-	674,514
-	-	-	-	-	427,672
-	-	-	-	-	369,003
-	-	-	25,445,000	-	25,445,000
\$ 7,391,111	\$ 1,393,999	\$ 73,970	\$ 25,445,000	\$ 2,604,828	\$ 92,415,835
\$ 1,227	\$ 608	\$ -	\$ -	\$ 3,809	\$ 1,311,115
-	-	-	-	-	1,715,837
-	-	-	-	-	1,120,597
394,900	116,626	-	1,267	-	528,106
-	-	-	-	-	213,928
-	674,514	-	-	-	674,514
-	-	-	-	-	298,486
\$ 396,127	\$ 791,748	\$ -	\$ 1,267	\$ 3,809	\$ 5,862,583
\$ 39,350	\$ 683,937	\$ -	\$ -	\$ 22,107	\$ 7,670,865

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Road and Bridge	Human Services
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
(Continued)			
Fund Balances			
Nonspendable			
Inventories	\$ -	\$ 427,672	\$ -
Prepaid items	369,003	-	-
Advance to other funds	674,514	-	-
Missing heirs	180,134	-	-
Restricted			
Debt service	736,723	-	-
Law library	-	-	-
Recorder's technology equipment	157,891	-	-
Real estate shortfall	320,688	-	-
E-911	-	-	-
Recorder's compliance	239,375	-	-
County state-aid highway system	-	2,288,106	-
Handgun permits	59,720	-	-
Ditch maintenance and construction	-	-	-
Sheriff's contingencies	-	-	-
Aquatic invasive species	579,588	-	-
Child protection	-	-	225,494
Assigned			
Property and casualty insurance	206,527	124,838	46,871
Workers' compensation	146,373	94,716	52,518
Veteran's van	4,423	-	-
Debt service	-	-	-
General government	-	-	-
Public safety	-	-	1,306,752
Highways and streets	-	1,912,056	-
Human services	-	-	10,506,969
Health	-	-	1,731,612
Culture and recreation	-	-	-
Conservation of natural resources	-	-	-
Capital outlay	-	-	-
Unassigned	21,519,261	-	-
Total Fund Balances	\$ 25,194,220	\$ 4,847,388	\$ 13,870,216
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 27,029,854	\$ 12,622,969	\$ 15,854,104

EXHIBIT 3
(Continued)

<u>Capital Improvement</u>	<u>County Ditch</u>	<u>Construction Capital Projects</u>	<u>Prairie Lakes Municipal Solid Waste Authority Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 427,672
-	-	-	-	-	369,003
-	-	-	-	-	674,514
-	-	-	-	-	180,134
-	-	-	25,443,733	2,411,985	28,592,441
-	-	-	-	123,934	123,934
-	-	-	-	-	157,891
-	-	-	-	-	320,688
604,338	-	-	-	-	604,338
-	-	-	-	-	239,375
-	-	-	-	-	2,288,106
-	-	-	-	-	59,720
-	460,417	-	-	-	460,417
-	-	-	-	5,000	5,000
-	-	-	-	-	579,588
-	-	-	-	-	225,494
-	-	-	-	-	378,236
-	-	-	-	-	293,607
-	-	-	-	-	4,423
-	-	-	-	26,370	26,370
1,140,058	-	-	-	-	1,140,058
1,659,595	-	-	-	11,623	2,977,970
2,706,921	-	-	-	-	4,618,977
384,889	-	-	-	-	10,891,858
433,158	-	-	-	-	2,164,770
15,878	-	-	-	-	15,878
10,797	-	-	-	-	10,797
-	-	73,970	-	-	73,970
-	(542,103)	-	-	-	20,977,158
<u>\$ 6,955,634</u>	<u>\$ (81,686)</u>	<u>\$ 73,970</u>	<u>\$ 25,443,733</u>	<u>\$ 2,578,912</u>	<u>\$ 78,882,387</u>
<u>\$ 7,391,111</u>	<u>\$ 1,393,999</u>	<u>\$ 73,970</u>	<u>\$ 25,445,000</u>	<u>\$ 2,604,828</u>	<u>\$ 92,415,835</u>

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018**

Fund balances – total governmental funds (Exhibit 3)		\$ 78,882,387
Amounts reported for governmental activities in the statement of net position are difference because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		182,002,980
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.		7,670,865
Deferred outflows of resources are not available resources, and, therefore are not reported in the governmental funds.		
Deferred amount on refunding	\$ 176,288	
Deferred pension outflows	8,243,309	
Deferred other postemployment benefits outflows	<u>172,071</u>	8,591,668
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		157,077
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	\$ (12,340,000)	
Revenue bonds	(25,445,000)	
Bond discounts	87,177	
Bond premiums	(711,760)	
Accrued interest payable	(295,889)	
Compensated absences	(5,503,429)	
Capital leases payable	(28,649)	
Other postemployment benefits liability	(2,705,438)	
Net pension liability	<u>(20,201,657)</u>	(67,144,645)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(11,903,782)</u>
Net Position of Governmental Activities (Exhibit 1)		<u><u>\$ 198,256,550</u></u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Revenues			
Taxes	\$ 21,206,041	\$ 8,350,978	\$ 10,650,639
Special assessments	8,306	-	-
Licenses and permits	462,272	-	150,410
Intergovernmental	4,127,120	15,887,833	13,732,935
Charges for services	1,428,476	604,452	1,649,695
Fines and forfeits	8,671	-	-
Gifts and contributions	-	-	17,529
Investment earnings	517,981	-	-
Miscellaneous	2,142,814	188,035	457,808
Total Revenues	\$ 29,901,681	\$ 25,031,298	\$ 26,659,016
Expenditures			
Current			
General government	\$ 14,803,788	\$ -	\$ -
Public safety	10,299,508	-	2,267,718
Highways and streets	-	23,069,891	-
Human services	-	-	20,287,828
Health	-	-	3,902,617
Culture and recreation	882,965	-	-
Conservation of natural resources	1,831,962	-	-
Economic development	400,788	-	-
Intergovernmental			
Highways and streets	-	1,618,463	-
Debt service			
Principal	46,368	-	-
Interest	4,683	-	-
Bond issuance costs	-	-	-
Total Expenditures	\$ 28,270,062	\$ 24,688,354	\$ 26,458,163
Excess of Revenues Over (Under) Expenditures	\$ 1,631,619	\$ 342,944	\$ 200,853
Other Financing Sources (Uses)			
Transfers in	\$ 4,161	\$ -	\$ -
Transfers out	(83,865)	-	-
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
Total Other Financing Sources (Uses)	\$ (79,704)	\$ -	\$ -
Net Change in Fund Balance	\$ 1,551,915	\$ 342,944	\$ 200,853
Fund Balance – January 1	23,642,305	4,520,064	13,669,363
Increase (decrease) in inventories	-	(15,620)	-
Fund Balance – December 31	\$ 25,194,220	\$ 4,847,388	\$ 13,870,216

EXHIBIT 5

Capital Improvement	County Ditch	Construction Capital Projects	Prairie Lakes Municipal Solid Waste Authority Debt Service	Other Governmental Funds	Total
\$ 2,294,402	\$ -	\$ -	\$ -	\$ 1,342,378	\$ 43,844,438
-	432,757	-	-	-	441,063
-	-	-	-	-	612,682
472,699	-	7,269,598	959,393	27,447	42,477,025
-	-	-	-	-	3,682,623
-	-	-	-	69,513	78,184
-	-	-	-	-	17,529
37,770	-	-	423	560	556,734
184,912	-	-	-	342,791	3,316,360
\$ 2,989,783	\$ 432,757	\$ 7,269,598	\$ 959,816	\$ 1,782,689	\$ 95,026,638
\$ 994,892	\$ -	\$ -	\$ -	\$ 49,346	\$ 15,848,026
495,056	-	-	-	4,626	13,066,908
668,722	-	-	-	-	23,738,613
112,915	-	-	-	-	20,400,743
54,848	-	-	-	-	3,957,465
4,359	-	-	-	-	887,324
3,069	299,227	7,234,262	-	-	9,368,520
-	-	-	-	-	400,788
-	-	-	-	-	1,618,463
-	-	-	1,120,000	1,585,000	2,751,368
-	-	-	961,083	353,494	1,319,260
-	-	-	52,346	-	52,346
\$ 2,333,861	\$ 299,227	\$ 7,234,262	\$ 2,133,429	\$ 1,992,466	\$ 93,409,824
\$ 655,922	\$ 133,530	\$ 35,336	\$ (1,173,613)	\$ (209,777)	\$ 1,616,814
\$ -	\$ -	\$ -	\$ -	\$ 1,061,942	\$ 1,066,103
-	-	-	-	(982,238)	(1,066,103)
-	-	-	1,065,000	-	1,065,000
-	-	-	52,346	-	52,346
\$ -	\$ -	\$ -	\$ 1,117,346	\$ 79,704	\$ 1,117,346
\$ 655,922	\$ 133,530	\$ 35,336	\$ (56,267)	\$ (130,073)	\$ 2,734,160
6,299,712	(215,216)	38,634	25,500,000	2,708,985	76,163,847
-	-	-	-	-	(15,620)
\$ 6,955,634	\$ (81,686)	\$ 73,970	\$ 25,443,733	\$ 2,578,912	\$ 78,882,387

**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, 2018**

Net change in fund balance – total governmental funds (Exhibit 5) \$ 2,734,160

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	\$ 7,670,865	
Deferred inflows of resources – unavailable revenues – January 1	<u>(7,130,065)</u>	540,800

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	\$ 14,131,475	
Net book value of capital assets disposed	(210,100)	
Current year depreciation	<u>(8,755,009)</u>	5,166,366

Change in long-term receivable reported as due from component unit in the statement of activities but not reported in governmental funds.		(6,308)
---	--	---------

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	\$ (1,065,000)	
Premium on bonds issued	<u>(52,346)</u>	(1,117,346)

Principal repayments		
General obligation bonds	\$ 1,585,000	
Revenue bonds	1,120,000	
Capital leases	<u>46,368</u>	2,751,368

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	\$ 12,718	
Amortization of premiums and discounts	50,737	
Change in compensated absences	179,805	
Change in other postemployment benefits, as restated	(128,935)	
Change in net pension liability	5,768,703	
Change in deferred pension outflows	(3,908,415)	
Change in deferred amount on refunding	(29,795)	
Change in deferred pension inflows	(1,609,331)	
Change in deferred other postemployment benefits outflows	172,071	
Change in inventories	<u>(15,620)</u>	491,938

Change in Net Position of Governmental Activities (Exhibit 2) \$ 10,560,978

PROPRIETARY FUND

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FUND NET POSITION
WASTE MANAGEMENT ENTERPRISE FUND
DECEMBER 31, 2018**

Assets

Current assets	
Cash and pooled investments	\$ 1,321,816
Petty cash and change funds	18,740
Undistributed cash in agency funds	78,837
Accounts receivable	270,245
Due from other funds	1,403
Due from other governments	69,828
	1,760,869
Total current assets	\$ 1,760,869
Restricted assets	
Cash and pooled investments	\$ 1,394,107
	1,394,107
Noncurrent assets	
Advance to component unit	\$ 2,738,889
Capital assets	
Non-depreciable	195,934
Depreciable – net of accumulated depreciation	4,569,689
	4,765,623
Total noncurrent assets	\$ 7,504,512
Total Assets	\$ 10,659,488

Deferred Outflows of Resources

Deferred pension outflows	\$ 226,745
Deferred other postemployment benefits outflows	8,486
	235,231
Total Deferred Outflows of Resources	\$ 235,231

Liabilities

Current liabilities	
Accounts payable	\$ 108,548
Salaries payable	98,653
Compensated absences payable	83,721
Due to other funds	118,900
Due to other governments	1,746
	411,568
Total current liabilities	\$ 411,568

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT 7
(Continued)**

**STATEMENT OF FUND NET POSITION
WASTE MANAGEMENT ENTERPRISE FUND
DECEMBER 31, 2018**

Liabilities (Continued)

Noncurrent liabilities	
Compensated absences payable	\$ 294,653
Estimated liability for landfill closure/postclosure care	1,509,729
Other postemployment benefits liability	134,781
Net pension liability	<u>1,194,176</u>
Total noncurrent liabilities	\$ <u>3,133,339</u>
Total Liabilities	\$ <u>3,544,907</u>

Deferred Inflows of Resources

Deferred pension inflows	\$ <u>401,339</u>
--------------------------	--------------------------

Net Position

Investment in capital assets	\$ 4,765,623
Unrestricted	<u>2,182,850</u>
Total Net Position	\$ <u><u>6,948,473</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, 2018**

Operating Revenues	
Charges for services	\$ 6,629,526
Licenses and permits	2,430
Sale of recyclable materials	527,959
Miscellaneous	<u>74,378</u>
Total Operating Revenues	\$ 7,234,293
Operating Expenses	
SCORE	\$ 1,512,008
Waste management	3,222,879
Household hazardous waste	124,694
Processing costs	2,493,070
Depreciation	442,852
Landfill closure and postclosure care costs	<u>(35,346)</u>
Total Operating Expenses	\$ 7,760,157
Operating Income (Loss)	\$ (525,864)
Nonoperating Revenues (Expenses)	
Intergovernmental	\$ 275,152
Interest income	20,870
Interest income restricted for sanitation	<u>12,824</u>
Total Nonoperating Revenues (Expenses)	\$ 308,846
Change in Net Position	\$ (217,018)
Net Position – January 1, as restated (Note 1.E.)	<u>7,165,491</u>
Net Position – December 31	<u>\$ 6,948,473</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
WASTE MANAGEMENT ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 7,274,385
Payments to suppliers	(5,234,827)
Payments to employees	<u>(2,142,443)</u>
Net cash provided by (used in) operating activities	<u>\$ (102,885)</u>
Cash Flows from Noncapital Financing Activities	
Intergovernmental	<u>\$ 275,152</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	<u>\$ (17,990)</u>
Cash Flows from Investing Activities	
Investment earnings received	<u>\$ 32,544</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 186,821
Cash and Cash Equivalents at January 1	<u>2,626,679</u>
Cash and Cash Equivalents at December 31	<u>\$ 2,813,500</u>
Cash and Cash Equivalents – Exhibit 7	
Cash and pooled investments	\$ 1,321,816
Petty cash and change funds	18,740
Undistributed cash in agency funds	78,837
Restricted cash and pooled investments	<u>1,394,107</u>
Total Cash and Cash Equivalents	<u>\$ 2,813,500</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
WASTE MANAGEMENT ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018
Increase (Decrease) in Cash and Cash Equivalents**

Reconciliation of Operating Income (Loss) to Net Cash	
Provided by (Used in) Operating Activities	
Operating income (loss)	\$ (525,864)
Adjustments to reconcile operating income (loss) to net cash	
provided by (used in) operating activities	
Depreciation expense	\$ 442,852
(Increase) decrease in accounts receivable	(5,245)
(Increase) decrease in due from other governments	43,860
(Increase) decrease in due from component unit	1,477
(Increase) decrease in advance to component unit	49,731
(Increase) decrease in deferred pension outflows	145,162
(Increase) decrease in other postemployment benefits outflows	(8,486)
Increase (decrease) in accounts payable	(44,626)
Increase (decrease) in salaries payable	13,361
Increase (decrease) in compensated absences – current	(1,065)
Increase (decrease) in due to other funds	6,503
Increase (decrease) in due to other governments	1,287
Increase (decrease) in compensated absences – long-term	(39,300)
Increase (decrease) in other postemployment benefits liability	11,037
Increase (decrease) in deferred pension inflows	134,802
Increase (decrease) in net pension liability	(293,025)
Increase (decrease) in landfill closure/postclosure care	(35,346)
	<hr/>
Total adjustments	\$ 422,979
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Net Cash Provided by (Used in) Operating Activities	\$ (102,885)
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FIDUCIARY FUNDS

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2018**

<u>Assets</u>	
Cash and pooled investments	\$ 2,040,588
Due from other funds	<u>700</u>
Total Assets	<u><u>\$ 2,041,288</u></u>
 <u>Liabilities</u>	
Accounts payable	\$ 10,139
Due to other governments	<u>2,031,149</u>
Total Liabilities	<u><u>\$ 2,041,288</u></u>

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018. 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 Unit

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

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

Joint Ventures and Jointly-Governed Organizations

The County participates in several joint ventures described in Note 7.B. The County also participates in the jointly-governed organizations described in Note 7.C.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and 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 County Ditch Special Revenue Fund is used to account for the financing of repairs to the ditch system that are deemed to benefit the properties against which special assessments are levied.

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 facilities known as the Perham Resource Recovery Facility.

The County reports the following major enterprise fund:

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

Additionally, the County reports the following fund types:

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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.

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

**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)

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, 2018, 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 2018 were \$517,981.

3. Receivables and Payables

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

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

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

No allowance has been made for uncollectible receivables 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.

**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)

4. Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments payable in the years 2012 through 2018, and noncurrent special assessments payable in 2019 and after. No allowance for uncollectible receivables have been provided because such amounts are not expected to be material.

5. Advance to Component Unit

In 2011, 2013, and 2018, Otter Tail County agreed to issue \$10,475,000, \$19,380,000, and \$1,065,000, 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. The principal payments made in 2018 were \$1,120,000. 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 2018 were \$49,731.

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 at the government-wide level are recorded as expenses when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County did not have any capitalized interest.

**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)

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 amount 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 two types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable and delinquent and noncurrent special assessments receivable 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 pension benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

**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)

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.

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.

**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)

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.

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.

**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)

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.

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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

E. Change in Accounting Principles

During the year ended December 31, 2018, the County adopted new accounting guidance by implementing the provisions of GASB Statement 75. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, changes standards for recognizing and measuring other postemployment benefit (OPEB) liabilities and related deferred outflows of resources, deferred inflows of resources, and OPEB expense. This statement also requires additional note disclosures and a schedule in the required supplementary information. Beginning net position has been restated to reflect this change.

	Governmental Activities	Business-Type Activities
Net Position, January 1, 2018, as previously reported	\$ 188,921,044	\$ 7,162,941
Change in accounting principles	(1,225,472)	2,550
Net Position, January 1, 2018, as restated	\$ 187,695,572	\$ 7,165,491

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The County Ditch Special Revenue Fund has a deficit fund balance of \$81,686. The deficit will be eliminated with future special assessment levies against benefited properties. The following is a summary of the individual ditch systems:

19 ditches with positive fund balances	\$ 460,417
34 ditches with deficit fund balances	(542,103)
Total Fund Balance	\$ (81,686)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

B. Excess of Expenditures Over Budget

The following nonmajor funds had expenditures in excess of budget for the year ended December 31, 2018.

	Expenditures	Final Budget	Excess
Debt Service Funds			
Chemical Dependency	\$ 422	\$ -	\$ 422
Government Service Center	714,660	714,000	660
Sheriff Operations	422	-	422
Master Facility Construction	113,547	112,650	897
Detention Facility	47,597	46,725	872
Public Buildings	1,061,846	1,061,396	450

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Primary government	
Cash and pooled investments	\$ 54,954,439
Restricted assets	
Cash and pooled investments	1,394,107
Component unit	
Cash and pooled investments	988,740
Fiduciary assets	
Agency funds	
Cash and pooled investments	2,040,588
Total Cash and Investments	\$ 59,377,874

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution 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, 2018, the County's deposits were not exposed to custodial credit risk.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

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 on All Funds

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, 2018, none of the County's investments were exposed to custodial credit risk.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. 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, 2018, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration	Interest Rate	Carrying (Fair) Value
	Credit Rating	Rating Agency	Risk Over 5 Percent of Portfolio	Risk Maturity Date	
U.S. government agency securities					
U.S. Treasury Note	N/A	N/A		01/15/2019	\$ 999,590
U.S. Treasury Note	N/A	N/A		02/28/2019	1,497,855
U.S. Treasury Note	N/A	N/A		03/15/2019	1,994,400
U.S. Treasury Note	N/A	N/A		04/30/2019	2,492,975
U.S. Treasury Note	N/A	N/A		05/31/2019	1,989,760
U.S. Treasury Note	N/A	N/A		06/30/2019	995,470
U.S. Treasury Note	N/A	N/A		07/15/2019	2,476,075
U.S. Treasury Note	N/A	N/A		08/31/2019	2,477,450
U.S. Treasury Note	N/A	N/A		09/15/2019	1,481,490
U.S. Treasury Note	N/A	N/A		11/30/2019	2,480,375
U.S. Treasury Note	N/A	N/A		12/15/2019	1,976,180
Total U.S. Treasury Notes			74.3%		\$ 20,861,620
U.S. Treasury Bonds – Stripped	N/A	N/A	<5.0%	08/15/2019	\$ 37,407
Municipal Bond	Aa3	Moody's	<5.0%	07/01/2021	\$ 1,110,450
Commercial paper	Aa3	Moody's		02/19/2019	\$ 1,993,388
Commercial paper	Aa3	Moody's		06/04/2019	988,992
Total commercial paper			10.6%		\$ 2,982,380

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Negotiable certificates of deposit	N/A	N/A	11.0%		\$ 3,082,269
Total investments					\$ 28,074,126
Deposits					31,280,858
Change funds					22,890
Total Cash and Investments					<u>\$ 59,377,874</u>

N/A - Not Applicable

b. 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:* Quotes 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 on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

At December 31, 2018, the County had the following recurring fair value measurements:

	December 31, 2018	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. Treasury securities	\$ 20,899,027	\$ -	\$ 20,899,027	\$ -
Municipal bond	1,110,450	-	1,110,450	-
Commercial paper	2,982,380	-	2,982,380	-
Negotiable certificates of deposit	3,082,269	-	3,082,269	-
U.S. Investments Included in the Fair Value Hierarchy	<u>\$ 28,074,126</u>	<u>\$ -</u>	<u>\$ 28,074,126</u>	<u>\$ -</u>

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 on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2018, for the County's governmental activities and business-type activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 776,675	\$ -
Special assessments	686,375	331,278
Accounts	125,438	-
Accrued interest	142,345	-
Due from other governments	8,775,215	-
Due from component unit	157,077	-
Advance to component unit	25,445,000	24,210,000
Total Governmental Activities	\$ 36,108,125	\$ 24,541,278
Business-Type Activities		
Accounts	\$ 270,245	\$ -
Due from other governments	69,828	-
Advance to component unit	2,738,889	2,738,889
Total Business-Type Activities	\$ 3,078,962	\$ 2,738,889

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 on All Funds

A. Assets

3. Leases Receivable (Continued)

Otter Tail County has leased eight vehicles for use by the West Central Minnesota Drug and Violent Crime Task Force. The vehicles were then subleased to the Task Force. The Task Force is responsible for making the quarterly lease payments on behalf of the County.

Amounts due from the Viking Library System and the West Central Minnesota Drug and Violent Crime Task Force have been recorded as leases receivable in the General Fund at December 31, 2018. The amounts for 2019 are considered current and due within one year. Amounts remaining to be paid are as follows:

Year Due	Viking Library System	Drug and Violent Crime Task Force
2019	\$ 65,000	\$ 26,924
2020	70,000	1,725
2021	70,000	-
2022	75,000	-
2023	80,000	-
2024 – 2028	425,000	-
Total leases	\$ 785,000	\$ 28,649
Due Within One Year	\$ 65,000	\$ 26,924

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2018, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Transfer to Business-Type Activities	Ending Balance
Capital assets not depreciated					
Land	\$ 4,965,768	\$ -	\$ -	\$ -	\$ 4,965,768
Construction in progress	8,889,122	12,451,777	1,234,036	-	20,106,863
Total capital assets not depreciated	\$ 13,854,890	\$ 12,451,777	\$ 1,234,036	\$ -	\$ 25,072,631
Capital assets depreciated					
Land improvements	\$ 930,687	\$ -	\$ -	\$ -	\$ 930,687
Buildings	28,579,756	34,842	-	-	28,614,598
Building improvements	16,517,946	1,372,630	-	-	17,890,576
Machinery, furniture, vehicles, and equipment	20,763,562	1,052,442	2,426,913	28,805	19,360,286
Infrastructure	205,425,848	453,820	-	-	205,879,668
Total capital assets depreciated	\$ 272,217,799	\$ 2,913,734	\$ 2,426,913	\$ 28,805	\$ 272,675,815
Less: accumulated depreciation for					
Land improvements	\$ 848,566	\$ 9,344	\$ -	\$ -	\$ 857,910
Buildings	12,317,137	694,331	-	-	13,011,468
Building improvements	3,017,162	805,224	-	-	3,822,386
Machinery, furniture, vehicles, and equipment	13,920,946	1,525,811	2,216,813	28,805	13,201,139
Infrastructure	79,132,264	5,720,299	-	-	84,852,563
Total accumulated depreciation	\$ 109,236,075	\$ 8,755,009	\$ 2,216,813	\$ 28,805	\$ 115,745,466
Total capital assets depreciated, net	\$ 162,981,724	\$ (5,841,275)	\$ 210,100	\$ -	\$ 156,930,349
Governmental Activities Capital Assets, Net	\$ 176,836,614	\$ 6,610,502	\$ 1,444,136	\$ -	\$ 182,002,980

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

4. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Transfer from Governmental Activities	Decrease	Ending Balance
Capital assets not depreciated					
Land	\$ 195,934	\$ -	\$ -	\$ -	\$ 195,934
Capital assets depreciated					
Buildings	\$ 6,678,982	\$ -	\$ -	\$ -	\$ 6,678,982
Landfill	3,566,924	-	-	-	3,566,924
Machinery, furniture, vehicles, and equipment	3,121,142	17,990	28,805	-	3,167,937
Infrastructure	141,010	-	-	-	141,010
Total capital assets depreciated	\$ 13,508,058	\$ 17,990	\$ 28,805	\$ -	\$ 13,554,853
Less: accumulated depreciation for					
Buildings	\$ 3,655,874	\$ 130,606	\$ -	\$ -	\$ 3,786,480
Landfill	2,324,274	191,391	-	-	2,515,665
Machinery, furniture, vehicles, and equipment	2,515,342	116,155	28,805	-	2,660,302
Infrastructure	18,017	4,700	-	-	22,717
Total accumulated depreciation	\$ 8,513,507	\$ 442,852	\$ 28,805	\$ -	\$ 8,985,164
Total capital assets depreciated, net	\$ 4,994,551	\$ (424,862)	\$ -	\$ -	\$ 4,569,689
Business-Type Activities Capital Assets, Net	\$ 5,190,485	\$ (424,862)	\$ -	\$ -	\$ 4,765,623

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

Governmental Activities	
General government	\$ 1,293,344
Public safety	742,046
Highways and streets, including depreciation of infrastructure assets	6,608,405
Human services	73,943
Culture and recreation	12,880
Conservation of natural resources	19,966
Economic development	4,425
Total Depreciation Expense – Governmental Activities	<u>\$ 8,755,009</u>
Business-Type Activities	
Solid waste	<u>\$ 442,852</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2018, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Human Services Special Revenue Fund	\$ 3,822
	Waste Management Enterprise Fund	118,838
	Prairie Lakes Municipal Solid Waste Authority Debt Service Fund	1,267
		123,927
Total due to General Fund		\$ 123,927
Road and Bridge Special Revenue Fund	County Ditch Special Revenue Fund	\$ 116,626
	General Fund	1,618
	Capital Improvement Special Revenue Fund	394,900
	Waste Management Enterprise Fund	22
		513,166
Total due to Road and Bridge Fund		\$ 513,166
Human Services Special Revenue Fund	General Fund	\$ 40
	Waste Management Enterprise Fund	40
		80
Total due to Human Services Fund		\$ 80
Capital Improvement Special Revenue Fund	General Fund	\$ 7,730
Waste Management Enterprise Fund	General Fund	\$ 1,403
Agency Funds		
State Revenue Fund	General Fund	\$ 42
Family Services Collaborative Fund	General Fund	658
		700
Total due to Agency Funds		\$ 700
Total Due To/From Other Funds		\$ 647,006

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 on All Funds

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

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	County Ditch Special Revenue Fund	<u>\$ 674,514</u>

The 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.

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2018, consisted of the following:

Transfer to Public Buildings Debt Service Fund from General Fund	\$ 83,865	To transfer funds for bond principal and interest payment.
Transfer to Public Buildings Debt Service Fund from Chemical Dependency Debt Service Fund	504,855	To transfer funds for bond interest payment.
Transfer to Public Buildings Debt Service Fund from Sheriff Operations Debt Service Fund	473,126	To transfer funds for bond interest payment.
Transfer to Government Service Center Debt Service Fund from Veterans Home Debt Service Fund	96	To transfer excess funds.
Transfer to General Fund From Sheriff's Contingent Special Revenue Fund	<u>4,161</u>	To transfer excess funds.
Total Transfers Between Funds	<u>\$ 1,066,103</u>	

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2018, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	\$ 1,311,115	\$ 108,548
Salaries	1,715,837	98,653
Contracts	1,120,597	-
Due to other governments	214,628	1,746
Accrued interest	295,889	-
Employee deposits	298,486	-
Total Payables	\$ 4,956,552	\$ 208,947

2. Construction Commitments

The remaining commitment for highway projects are state-funded and, therefore, are not obligations of the County at December 31, 2018.

3. Capital Leases

The County has entered into lease agreements as a lessee for financing eight vehicles for the West Central Minnesota Drug and Violent Crime Task Force. These capital leases consist of the following at December 31, 2018:

Lease	Maturity	Installment	Payment Amount	Original Amount	Balance
Governmental Activities					
2014 Task Force vehicles	2019	Quarterly	\$ 7,516	\$ 126,725	\$ 7,378
2015 Task Force vehicles	2019	Quarterly	3,384	60,262	12,945
2015 Task Force vehicles	2020	Quarterly	1,757	29,785	8,326
Total Governmental Activities					\$ 28,649

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Capital Leases (Continued)

The future minimum lease obligations as of December 31, 2018, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2019	\$ 26,924
2020	<u>1,725</u>
Total Payments	<u>\$ 28,649</u>

As shown in Note 3.A.3., the West Central Minnesota Drug and Violent Crime Task Force pays lease amounts to the County that equal the annual debt service (principal plus interest). To offset this receivable, the County liability is shown as the total of the scheduled payments rather than the present value of their future lease payments.

4. Long-Term Debt

Governmental Activities

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt

Governmental Activities (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2018
General obligation bonds					
2011 Capital Improvement Bonds	2019	\$500,000 – \$850,000	0.50 – 1.75	\$ 5,400,000	\$ 500,000
2012 Courthouse and Jail Improvement Bonds	2025	\$170,000 – \$1,215,000	2.00 – 2.65	4,780,000	4,780,000
2016 Capital Improvement Refunding Bonds	2028	\$65,000 – \$1,020,000	1.05 – 3.00	6,675,000	5,725,000
2017 Capital Improvement Bonds	2028	\$115,000 – \$150,000	3.00	1,335,000	1,335,000
Total general obligation bonds				<u>\$ 18,190,000</u>	<u>\$ 12,340,000</u>
Add: unamortized premium					347,648
Less: unamortized discount					<u>(18,735)</u>
Total General Obligation Bonds, Net					<u>\$ 12,668,913</u>
Revenue bonds					
2011 Disposal System Revenue Bonds	2030	\$405,000 – \$1,475,000	3.00 – 5.00	\$ 10,475,000	\$ 7,615,000
2013 Disposal System Revenue Bonds	2034	\$630,000 – \$1,970,000	2.00 – 3.75	19,380,000	16,765,000
2018 Disposal System Revenue Bonds	2028	\$85,000 – \$125,000	3.00 – 4.00	1,065,000	1,065,000
Total revenue bonds				<u>\$ 30,920,000</u>	<u>\$ 25,445,000</u>
Add: unamortized premium					364,112
Less: unamortized discount					<u>(68,442)</u>
Total Revenue Bonds, Net					<u>\$ 25,740,670</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Debt Service Requirements

Debt service requirements at December 31, 2018, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 1,680,000	\$ 311,975	\$ 1,235,000	\$ 933,243
2020	1,485,000	270,650	1,285,000	893,261
2021	1,670,000	228,425	1,325,000	850,474
2022	1,720,000	182,880	1,370,000	805,124
2023	1,775,000	134,866	1,420,000	757,096
2024 – 2028	4,010,000	158,134	7,925,000	2,935,619
2029 – 2033	-	-	8,915,000	1,322,880
2034	-	-	1,970,000	73,875
Total	<u>\$ 12,340,000</u>	<u>\$ 1,286,930</u>	<u>\$ 25,445,000</u>	<u>\$ 8,571,572</u>

Year Ending December 31	Capital Leases	
	Principal	Interest
2019	\$ 26,924	\$ 1,157
2020	1,725	31
Total	<u>\$ 28,649</u>	<u>\$ 1,188</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 13,925,000	\$ -	\$ 1,585,000	\$ 12,340,000	\$ 1,680,000
Revenue bonds	25,500,000	1,065,000	1,120,000	25,445,000	1,235,000
Add: unamortized premium	722,259	52,346	62,845	711,760	-
Less: unamortized discount	(99,285)	-	(12,108)	(87,177)	-
Total bonds payable	\$ 40,047,974	\$ 1,117,346	\$ 2,755,737	\$ 38,409,583	\$ 2,915,000
Capital leases	75,017	-	46,368	28,649	26,924
Compensated absences	5,683,234	2,798,034	2,977,839	5,503,429	1,312,320
Governmental Activities Long-Term Liabilities	<u>\$ 45,806,225</u>	<u>\$ 3,915,380</u>	<u>\$ 5,779,944</u>	<u>\$ 43,941,661</u>	<u>\$ 4,254,244</u>

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Estimated liability for landfill closure/postclosure care costs	\$ 1,545,075	\$ -	\$ 35,346	\$ 1,509,729	\$ -
Compensated absences	418,739	158,407	198,772	378,374	83,721
Business-Type Activities Long-Term Liabilities	<u>\$ 1,963,814</u>	<u>\$ 158,407</u>	<u>\$ 234,118</u>	<u>\$ 1,888,103</u>	<u>\$ 83,721</u>

For the governmental activities, compensated absences are liquidated by the General Fund, the Road and Bridge Special Revenue Fund, and the Human Services Special Revenue Fund. For the business-type activities, compensated absences are liquidated by the Waste Management Enterprise Fund.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

7. Deferred Inflows of Resources-Unavailable Revenue

Unavailable revenues consists 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, 2018, is summarized below by fund:

	<u>Taxes</u>	<u>Special Assessments</u>	<u>Grants and Allotments</u>	<u>Other</u>	<u>Total</u>
Major governmental funds					
General	\$ 304,715	\$ -	\$ -	\$ 88,106	\$ 392,821
Road and Bridge	53,159	313	5,890,461	85,699	6,029,632
Human Services	160,937	-	338,482	3,599	503,018
Capital Improvement	39,350	-	-	-	39,350
County Ditch	5,260	678,677	-	-	683,937
Nonmajor governmental funds					
Government Service Center	9,543	-	-	-	9,543
Sheriff Operations	7,845	-	-	-	7,845
Master Facility Construction	3,338	-	-	-	3,338
Detention Facility	1,381	-	-	-	1,381
Total	\$ 585,528	\$ 678,990	\$ 6,228,943	\$ 177,404	\$ 7,670,865

D. Other Postemployment Benefits (OPEB)

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 on All Funds

D. Other Postemployment Benefits (OPEB) (Continued)

Funding Policy

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

As of the January 1, 2018, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	20
Active plan participants	<u>431</u>
Total	<u>451</u>

Total OPEB Liability

The County's total OPEB liability of \$2,840,219 was measured as of January 1, 2018, and was determined by an actuarial valuation as of that date. The OPEB liability is liquidated through the General Fund, Road and Bridge and Human Services Special Revenue Funds. For the business-type activities, the OPEB liability is liquidated through the Waste Management Enterprise Fund.

The total OPEB liability in the fiscal year-end December 31, 2018, 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	3.00 percent
Health care cost trend	6.50 percent, grading to 5.00 percent over 6 years

The current year discount rate is 3.30 percent. For the current valuation, the discount rate is equal to the 20-Year Municipal Bond Yield.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

Total OPEB Liability (Continued)

Mortality rates used are recent tables developed and recommended by the Society of Actuaries, (SOA) RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).

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.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2018, restated	\$ 2,700,247
Changes for the year	
Service cost	\$ 189,402
Interest	93,027
Benefit payments	(142,457)
Net change	\$ 139,972
Balance at December 31, 2018	\$ 2,840,219

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 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Discount Rate	Total OPEB Liability
1% Decrease	2.30%	\$ 3,031,915
Current	3.30	2,840,219
1% Increase	4.30	2,659,874

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

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 1.00 percentage point lower or 1.00 percentage point higher than the current health care cost trend rate:

	Health Care Trend Rate		Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	\$	2,585,875
Current	6.50% Decreasing to 5.00%		2,840,219
1% Increase	7.50% Decreasing to 6.00%		3,136,184

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

For the year ended December 31, 2018, the County recognized OPEB expense of (\$40,585). At December 31, 2018, the County reported no deferred inflows of resources, and \$180,557 in deferred outflows of resources resulting from County contributions subsequent to the measurement date and will be recognized as a reduction of the OPEB liability in the year ended December 31, 2019.

Changes in Actuarial Assumptions

The following changes in actuarial 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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

Changes in Actuarial Assumptions (Continued)

- 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% to 3.30%.
- The retirement and withdrawal tables for all employees were updated.

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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

a. 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 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 5.00 percent for each year of service until fully vested after 20 years.

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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

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. Increases are related to the funding ratio of the plan. General Employees Plan and Police and Fire Plan benefit recipients receive a future annual 1.00 percent for the post-retirement benefit increase, while Correctional Plan benefit recipients receive 2.50 percent. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will be 2.50 percent. If, after reverting to a 2.50 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.00 percent.

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.

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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

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.

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 2018. Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2018. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2018.

In 2018, 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	16.20
Correctional Plan	8.75

The employee and employer contribution rates did not change from the previous year.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

The County's contributions for the year ended December 31, 2018, to the pension plans were:

General Employees Plan	\$	1,689,742
Police and Fire Plan		484,217
Correctional Plan		164,241

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

d. Pension Costs

General Employees Plan

At December 31, 2018, the County reported a liability of \$18,301,499 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.3299 percent. It was 0.3328 percent measured as of June 30, 2017. The County recognized pension expense of \$1,903,966 for its proportionate share of the General Employees Plan's pension expense.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The County also recognized \$139,985 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 for the fiscal years ended June 30, 2018 and 2019, and \$6 million thereafter, through calendar year 2031.

The County's proportionate share of the net pension liability	\$	18,301,499
State of Minnesota's proportionate share of the net pension liability associated with the County		600,284
Total	\$	18,901,783

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	\$ 488,477	\$ 526,493
Changes in actuarial assumptions	1,724,409	2,068,743
Difference between projected and actual investment earnings	-	1,933,093
Changes in proportion	385,544	144,940
Contributions paid to PERA subsequent to the measurement date	852,986	-
Total	\$ 3,451,416	\$ 4,673,269

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The \$852,986 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, 2019. 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>
2019	\$ 757,436
2020	(911,138)
2021	(1,539,154)
2022	(381,983)

Police and Fire Plan

At December 31, 2018, the County reported a liability of \$2,944,008 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.2762 percent. It was 0.2680 percent measured as of June 30, 2017. The County recognized pension expense of \$346,774 for its proportionate share of the Police and Fire Plan's pension expense.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The County also recognized \$24,858 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. Legislation 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.

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	\$ 116,621	\$ 712,468
Changes in actuarial assumptions	3,644,231	4,208,218
Difference between projected and actual investment earnings	-	598,114
Changes in proportion	186,589	187,282
Contributions paid to PERA subsequent to the measurement date	253,673	-
Total	\$ 4,201,114	\$ 5,706,082

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The \$253,673 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, 2019. 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
2019	\$ (28,682)
2020	(160,332)
2021	(402,880)
2022	(1,175,492)
2023	8,745

Correctional Plan

At December 31, 2018, the County reported a liability of \$150,326 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.914 percent. It was 0.910 percent measured as of June 30, 2017. The County recognized pension expense of (\$176,558) for its proportionate share of the Correctional Plan's pension expense.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

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	\$ 7,828	\$ 15,999
Changes in actuarial assumptions	698,247	1,736,796
Difference between projected and actual investment earnings	-	168,724
Changes in proportion	26,815	4,251
Contributions paid to PERA subsequent to the measurement date	84,634	-
Total	\$ 817,524	\$ 1,925,770

The \$84,634 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, 2019. 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
2019	\$ 71,545
2020	(655,850)
2021	(577,102)
2022	(31,473)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

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, 2018, was \$2,074,182.

e. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, 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.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. 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. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

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 arithmetic 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>
Domestic stocks	36%	5.10%
International stocks	17	5.30
Bonds (fixed income)	20	0.75
Alternative assets (private markets)	25	5.90
Cash	2	0.00

f. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2018, which remained consistent with 2017. 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 position 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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2018:

General Employees Plan

- 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.

Police and Fire Plan

- 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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and plan provisions

Police and Fire Plan (Continued)

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

Correctional Plan

- 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.

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 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	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 (Asset)
1% Decrease	6.50%	\$ 29,742,280	6.50%	\$ 6,312,137	6.50%	\$ 1,286,528
Current	7.50	18,301,499	7.50	2,944,008	7.50	150,326
1% Increase	8.50	8,857,462	8.50	158,705	8.50	(758,602)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

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

Four 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 5.00 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 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by Otter Tail County during the year ended December 31, 2018, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 10,576	\$ 10,576
Percentage of covered payroll	5.00%	5.00%

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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 \$1,509,729 landfill closure and postclosure care liability at December 31, 2018, represents the cumulative amount reported to date based on the use of 83 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$151,072 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2018. 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, 2018, investments of \$1,394,107 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 \$115,622 at December 31, 2018. 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.

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). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. 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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

5. Risk Management (Continued)

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 2018 and 2019. 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. Conduit Debt

In 2005, Productive Alternatives, Inc., issued a \$775,000 Health Care Facilities Revenue Note, Series 2005, to refinance the financing on the Willows Day Program building in order to build a new facility to operate its detox operations for the benefit of Otter Tail County as well as other counties. The project is deemed to be in the public interest. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the accompanying financial statements. As of December 31, 2018, the outstanding principal amount payable was \$506,044.

During the year the outstanding principal amount payable at January 1, 2018, of \$418,266 related to the \$6,000,000 Health Care Facilities Revenue Note, Series 2001, issued by the Lake Region Healthcare Corporation, was paid in full.

7. 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**

7. 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 a 21-county service area in Northwest and West Central Minnesota. This combined area on aging was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the 21-county area.

Control is vested in the Northwest Regional Development Commission Board. The Board consists of one Commissioner from each of the counties. Each member of the Board is appointed by the County Commissioners of the county represented. 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 of the two areas on aging continue to meet monthly to make decisions affecting their local counties.

Financing is provided by the appropriations from member parties and by state and federal grants. During 2018, Otter Tail County contributed \$12,192 to the Northwest Regional Development Commission. Complete financial information can be obtained from: Northwest Regional Development Commission, 109 South Minnesota Street, Warren, Minnesota 56762.

West Central Minnesota Drug Task Force

The West Central Minnesota Drug Task Force was established in 1996 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, 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 coordinate and strengthen efforts to identify, apprehend, and prosecute drug-related offenders.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

West Central Minnesota Drug Task Force (Continued)

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

Fiscal agent responsibilities for the Task Force are with Douglas County, which reports the Task Force as an agency fund. Financing and equipment will be provided by the full-time and associate member agencies. Otter Tail County contributed \$21,500 to the Task Force in 2018.

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

Pomme de Terre River Association

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

7. 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 2018, Otter Tail County did not contribute funds to the Joint Powers Board.

Complete financial information can be obtained from: 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 their respective County Board and one City Council member from each city appointed by their respective City Council, as provided in the Central Minnesota Emergency Services Board's by-laws.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

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

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2018, Grant County did not contribute any funds to the Joint Powers Board.

Complete financial information can be obtained from: Central Minnesota Emergency Services Board, City of St. Cloud, Office of the Mayor, City Hall, 400 Second Street South, St. Cloud, Minnesota 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 Board of Directors comprised of one representative from each participating agency. The representatives come from the elected board of the governmental entities and from the boards of the private agencies.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Otter Tail County Family Services Collaborative (Continued)

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

Financing is provided by state and federal grants and cash and in-kind contributions from its member parties. Otter Tail County, in an agent capacity, reports the cash transactions of the Collaborative as an agency fund on its financial statements. During 2018, the County contributed \$2,900 in funds to the Collaborative.

Complete financial information can be obtained from: Otter Tail County, 520 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, Ottertail, 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 Boards 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'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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Partnership4Health Community Health Board (Continued)

Control is vested in Partnership4Health's Board, which consists of five members comprised of four County Commissioners and one community member. Members of the Board serve an annual term, with no term limit.

The financial activities of Partnership4Health are accounted for in an agency fund by Clay County. The individuals who administer the activities of Partnership4Health are considered to be employees of Clay County Public Health and Otter Tail County Public Health.

During 2018, Otter Tail County did not contribute to Partnership4Health Community Health Board.

Separate financial information can be obtained from: Partnership4Health Community Health Board, 300 Fifth Street South, Breckenridge, Minnesota 56520.

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 2018, Otter Tail County provided \$572,300 to the Viking Library System.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Viking Library System (Continued)

Complete financial information can be obtained from: 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:

Minnesota River Board

The Minnesota River Board (formerly the Minnesota River Basin Joint Powers Board) was established July 12, 1995, by an agreement among Otter Tail County and 37 other counties. The agreement was made to promote orderly water quality improvement and management of the Minnesota River Watershed. Each county is responsible for its proportionate share of the administrative budget and for its share of benefits from any special project.

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

Control is vested in an executive committee of one executive director and four officers elected from the membership of the Minnesota River Board, consisting of one representative from each of the member County Board of Commissioners included in this agreement. During 2018, Otter Tail County did not make any payments to the Board.

Separate financial information can be obtained from: Minnesota River Board, Administration Building No. 14, 600 East 4th Street, Chaska, Minnesota 55318.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

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.

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.

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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Minnesota Counties Computer Cooperative (MCCC)

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Otter Tail County expended \$78,377 to the MCCC.

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, the County made no payments to the joint powers.

Minnesota Red River Basin of the North Joint Powers Agreement

The Minnesota Red River Basin of the North Joint Powers Board was established November 29, 1999, by an agreement between Otter Tail County and 17 other counties. The agreement was made to serve as a focal point for land and water concerns for those counties surrounding the Minnesota Red River Basin. Each county is responsible for its proportionate share of the administrative budget.

Control is vested in a Joint Powers Board comprised of one Commissioner from each member county. Each member of the Board is appointed by the County Commissioners of the county he or she represents.

In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. During 2018, the County did not contribute any funding to the Joint Powers Board.

Complete financial statements can be obtained from: International Coalition for Land – Water Stewardship in the Red River Basin, 119 – 5th Street South, Moorhead, Minnesota 56561.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

7. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Aitkin, Beltrami, Clay, Clearwater, Douglas, Grant, Itasca, Kittson, Koochiching, Lake of the Woods, Mahnomen, Marshall, McLeod, Mille Lacs, Norman, Otter Tail, Pennington, Polk, Pope, Red Lake, Redwood, Roseau, Stevens, Todd, Traverse, and Wadena Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee, which is composed of ten directors, each with an alternate, who are appointed annually by each respective County Board. The County's responsibility does not extend beyond making this appointment.

Western Area City/County Co-Op

Otter Tail County and 24 other cities and counties entered into a joint powers agreement to establish the Western Area City/County Co-Op (WACCO) Joint Powers Board, effective September 5, 1995, and empowered under Minn. State § 471.59. The purpose of WACCO is to establish a resource network that identifies common needs of the individual governmental units and reduces the financial burden on each of its members through the cooperative sharing of existing resources. The management and control of WACCO shall be vested in a Board of Directors composed of a representative appointed by each member city and county. The County did not contribute to WACCO during 2018.

8. Subsequent Event

Bond Issue

On April 9, 2019, the County issued General Obligation Capital Improvement Bonds, Series 2019A, of \$12,890,000. The purpose of the bonds is to finance various highway resurfacing and construction projects and construction of a new public works garage facility.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

A. Summary of Significant Accounting Policies

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

1. Financial Reporting Entity

Prairie Lakes is a joint enterprise operation of Becker, Clay, Otter Tail, Todd, and Wadena Counties (the Counties). Prairie Lakes was originally established by a Joint Powers Agreement dated May 4, 2010, pursuant to Minn. Stat. § 471.59, Joint Powers Act, and included the Counties of Becker, Otter Tail, Todd, and Wadena. The original Joint Powers Agreement was later amended effective October 21, 2014, to include Clay County as a member.

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

Prairie Lakes is governed by a 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. Contribution percentages for the Counties were set up in the Joint Powers Agreement as follows: Becker – 22 percent; Clay – 15 percent; Otter Tail – 39 percent; Todd – 14 percent; and Wadena – 10 percent.

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

A. Summary of Significant Accounting Policies (Continued)

2. Basic Financial Statements

The accounts of Prairie Lakes are organized as an enterprise fund. Operating revenues, such as charges for services, result from exchange transactions associated with 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.

3. Measurement Focus and Basis of Accounting

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.

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

Cash and Cash Equivalents

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

A. Summary of Significant Accounting Policies

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

Prepaid Items

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

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements. Prairie Lakes does not have a formal policy in place to define capital assets. Instead, it currently uses the capital asset listing developed by the City of Perham at the time of the sale of the facility from the City of Perham to the Counties. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. During the current period, Prairie Lakes did not have any capitalized interest.

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

A. Summary of Significant Accounting Policies

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

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. The current portion consists of amounts earned in a one-year period. The noncurrent portion consists of the remaining amount of vacation and vested sick leave.

Long-Term Obligations

Long-term liabilities consist of advances from the primary government.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Prairie Lakes has one item, deferred pension outflows, that qualifies for reporting in this category.

In addition to liabilities, the statement of net 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 so will not be recognized as an inflow of resources (revenue) until that time. Prairie Lakes has one item, deferred pension inflows that qualifies for reporting in this category.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

A. Summary of Significant Accounting Policies

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

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.

Equity Classifications

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."

5. 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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

1. Assets

Deposits

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

Cash and cash equivalents	\$ 988,740
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Prairie Lakes is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. Prairie Lakes is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, Prairie Lakes' deposits may not be returned to it. Prairie Lakes does not have a deposit policy for custodial credit risk. Prairie Lakes pools its deposits with Otter Tail County. Otter Tail County, in a fiscal agent capacity, carries collateral to cover deposits in excess of FDIC coverage.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

1. Assets (Continued)

Receivables

Receivables as of December 31, 2018, are as follows:

	Total Receivables
Accounts	\$ 204,404
Due from other governments	148,680
Total receivables	\$ 353,084

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

Capital Assets

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 25,489	\$ -	\$ -	\$ 25,489
Capital assets depreciated				
Buildings	\$ 34,477,221	\$ -	\$ -	\$ 34,477,221
Machinery, furniture, and equipment	1,548,682	1,208,570	-	2,757,252
Total capital assets depreciated	\$ 36,025,903	\$ 1,208,570	\$ -	\$ 37,234,473
Less: accumulated depreciation for				
Buildings	\$ 4,008,992	\$ 1,427,412	\$ -	\$ 5,436,404
Machinery, furniture, and equipment	828,407	215,193	-	1,043,600
Total accumulated depreciation	\$ 4,837,399	\$ 1,642,605	\$ -	\$ 6,480,004
Total capital assets depreciated, net	\$ 31,188,504	\$ (434,035)	\$ -	\$ 30,754,469
Capital Assets, Net	\$ 31,213,993	\$ (434,035)	\$ -	\$ 30,779,958

Depreciation expense for the year was \$1,642,605.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes (Continued)

2. Liabilities

Payables

Payables at December 31, 2018, were as follows:

Accounts	\$ 60,727
Salaries	93,353
Due to other governments	99,097
Due to primary government	<u>157,077</u>
Total Payables	<u>\$ 410,254</u>

Advance from Primary Government

The Prairie Lakes Municipal Solid Waste Authority has entered into an advance arrangement with Otter Tail County. The County issued \$10,475,000 in General Obligation Disposal System Revenue Bonds, \$19,380,000 in General Obligation Waste Disposal Revenue Bonds, and \$1,065,000 in General Obligation Waste Disposal Revenue Bonds in order to finance the acquisition/expansion and improvements of the facility. The 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. On December 31, 2015, Otter Tail County advanced funds to Prairie Lakes to zero out a negative pooled cash balance.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

2. Liabilities

Advance from Primary Government (Continued)

The advance balance consists of the following at December 31, 2018:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original</u>	<u>Balance</u>
Advance from primary government – 2011	2030	\$405,000 – \$755,000	3.00 to 5.00	\$ 10,475,000	\$ 7,615,000
Advance from primary government – 2013	2034	\$630,000 – \$1,970,000	2.00 to 3.80	19,380,000	16,765,000
Advance from primary government – 2015	-	Varies	0.25	2,788,620	2,738,889
Advance from primary government – 2018	2028	\$85,000 – \$125,000	3.00 to 4.00	<u>1,065,000</u>	<u>1,065,000</u>
Total Advance from Primary Government				<u>\$ 33,708,620</u>	<u>\$ 28,183,889</u>

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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

2. Liabilities

Advance from Primary Government (Continued)

The future minimum obligations as of December 31, 2018, were as follows:

Year Ending December 31	Future Minimum Obligations
2019	\$ 2,168,243
2020	2,178,261
2021	2,175,474
2022	2,175,124
2023	2,177,096
2024 – 2028	10,860,618
2029 – 2033	10,237,880
2034	2,043,875
Total future minimum advance payments	\$ 34,016,571
Less: amount representing interest	(8,571,571)
Advance Balance	\$ 25,445,000

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Advance from primary government	\$ 28,288,620	\$ 1,065,000	\$ 1,169,731	\$ 28,183,889	\$ 1,235,000
Compensated absences	340,850	153,683	141,799	352,734	73,506
Long-Term Liabilities	\$ 28,629,470	\$ 1,218,683	\$ 1,311,530	\$ 28,536,623	\$ 1,308,506

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes (Continued)

3. Defined Benefit Pension Plan

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.

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.

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. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.00 percent for the post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will be 2.50 percent. If, after reverting to a 2.50 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.00 percent.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

3. Defined Benefit Pension Plan

Benefits Provided (Continued)

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.

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. 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 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. Disability benefits are available for vested members and are based on years of service and average high-five salary.

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 2018.

In 2018, Prairie Lakes was required to contribute 7.50 percent of annual covered salary. The employee and employer contribution rates did not change from the previous year.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

3. Defined Benefit Pension Plan

Contributions (Continued)

Prairie Lakes' contributions for the General Employees Plan for the year ended December 31, 2018, were \$136,013. The contributions are equal to the contractually required contributions as set by state statute.

Pension Costs

At December 31, 2018, Prairie Lakes reported a liability of \$1,464,564 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, Prairie Lakes' proportion was 0.0264 percent. It was 0.0265 percent measured as of June 30, 2017. Prairie Lakes recognized pension expense of \$267,932 for its proportionate share of the General Employees Plan's pension expense.

Prairie Lakes also recognized \$11,176 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 for the fiscal years ended June 30, 2018 and 2019, and \$6 million thereafter, through calendar year 2031.

Prairie Lakes' proportionate share of the net pension liability	\$ 1,464,564
State of Minnesota's proportionate share of the net pension liability associated with Prairie Lakes	<u>47,924</u>
Total	<u>\$ 1,512,488</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

3. Defined Benefit Pension Plan

Pension Costs (Continued)

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	\$ 38,905	\$ 41,744
Changes in actuarial assumptions	136,724	164,986
Difference between projected and actual investment earnings	-	155,827
Changes in proportion	40,079	4,788
Contributions paid to PERA subsequent to the measurement date	68,241	-
Total	\$ 283,949	\$ 367,345

The \$68,241 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, 2019. 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
2019	\$ 68,407
2020	(68,773)
2021	(120,704)
2022	(30,567)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

3. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

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 arithmetic real rates of return for each major asset class are summarized in the following table:

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

3. Defined Benefit Pension Plan

Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	36%	5.10%
International stocks	17	5.30
Bonds (fixed income)	20	0.75
Alternative assets (private markets)	25	5.90
Cash	2	0.00

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2018, which remained consistent with 2017. 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 position of the General Employees Plan was 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.

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

3. Defined Benefit Pension Plan (Continued)

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 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Proportionate Share of the	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 2,380,104
Current	7.50	1,464,564
1% Increase	8.50	708,812

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.

C. Risk Management

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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

C. Risk Management (Continued)

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 2018 and 2019. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess Prairie Lakes in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and Prairie Lakes 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 Prairie Lakes in a method and amount to be determined by MCIT.

Prairie Lakes retains the risk for the deductible portion of the policies, which is considered immaterial to the financial statements. At December 31, 2018, 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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues	\$ 7,853,553	\$ 8,163,277	\$ 309,724
Operating Expenses	<u>5,221,948</u>	<u>7,368,547</u>	<u>(2,146,599)</u>
Operating Income (Loss)	\$ 2,631,605	\$ 794,730	\$ (1,836,875)
Nonoperating Revenues (Expenses)	<u>(2,447,958)</u>	<u>(957,178)</u>	<u>1,490,780</u>
Change in Net Position	<u>\$ 183,647</u>	<u>\$ (162,448)</u>	<u>\$ (346,095)</u>

REQUIRED SUPPLEMENTARY INFORMATION

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 22,077,832	\$ 22,077,832	\$ 21,206,041	\$ (871,791)
Special assessments	26,735	26,735	8,306	(18,429)
Licenses and permits	473,460	473,460	462,272	(11,188)
Intergovernmental	3,256,678	3,256,678	4,127,120	870,442
Charges for services	1,581,944	1,581,944	1,428,476	(153,468)
Fines and forfeits	25,400	25,400	8,671	(16,729)
Investment earnings	335,500	335,500	517,981	182,481
Miscellaneous	1,929,843	1,929,843	2,142,814	212,971
Total Revenues	\$ 29,707,392	\$ 29,707,392	\$ 29,901,681	\$ 194,289
Expenditures				
Current				
General government				
Commissioners	\$ 512,829	\$ 512,829	\$ 457,371	\$ 55,458
Courts	352,000	352,000	323,146	28,854
County coordinator	855,128	929,834	916,943	12,891
County auditor	1,353,892	1,353,892	968,852	385,040
Motor vehicle	480,116	480,116	490,835	(10,719)
County treasurer	334,108	334,108	335,255	(1,147)
County assessor	1,340,425	1,340,425	1,320,304	20,121
Elections	213,693	213,693	197,727	15,966
Accounting and auditing	60,000	60,000	93,725	(33,725)
Board of Adjustments	26,800	26,800	26,293	507
Information technology	1,296,161	1,296,161	1,155,036	141,125
Attorney	1,927,320	1,927,320	1,849,241	78,079
Recorder	823,716	823,716	768,571	55,145
Planning and zoning	29,750	29,750	23,372	6,378
Land and resource	1,222,479	1,222,479	1,195,769	26,710
Facilities operations	2,317,512	2,317,512	2,085,875	231,637
Geographical information survey	622,335	622,335	613,513	8,822
Veterans service officer	383,932	383,932	391,206	(7,274)
Forfeited tax sale	-	-	23,070	(23,070)
Land trust	-	-	417	(417)
Unallocated	1,852,630	1,852,630	1,567,267	285,363
Total general government	\$ 16,004,826	\$ 16,079,532	\$ 14,803,788	\$ 1,275,744

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<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	\$ 6,810,331	\$ 6,810,331	\$ 6,262,315	\$ 548,016
Boat and water safety	156,876	156,876	119,708	37,168
Coroner	125,210	125,210	144,348	(19,138)
County jail	3,756,329	3,756,329	3,387,237	369,092
Humane society	68,980	68,980	68,980	-
Snowmobile account	175,000	175,000	194,332	(19,332)
Emergency management	179,076	179,076	122,588	56,488
Total public safety	\$ 11,271,802	\$ 11,271,802	\$ 10,299,508	\$ 972,294
Culture and recreation				
Historical society	\$ 110,000	\$ 110,000	\$ 110,000	\$ -
History museum	110,270	110,270	110,270	-
County fairs	50,000	50,000	50,000	-
Phelps Mill Park	47,606	47,606	40,395	7,211
Viking Library	572,300	572,300	572,300	-
Total culture and recreation	\$ 890,176	\$ 890,176	\$ 882,965	\$ 7,211
Conservation of natural resources				
County extension	\$ 481,911	\$ 481,911	\$ 489,093	\$ (7,182)
Soil and water conservation	462,813	462,813	470,154	(7,341)
Lake improvement districts	323,702	323,702	328,858	(5,156)
Aquatic invasive species	440,218	440,218	543,857	(103,639)
Total conservation of natural resources	\$ 1,708,644	\$ 1,708,644	\$ 1,831,962	\$ (123,318)
Economic development				
Red River Valley Development Association	\$ 800	\$ 800	\$ 800	\$ -
West Central Minnesota Initiative	20,000	20,000	20,000	-
Rural life outreach	424,628	349,922	346,464	3,458
Veteran's van	3,229	3,229	30,525	(27,296)
Wellness account	-	-	2,999	(2,999)
Total economic development	\$ 448,657	\$ 373,951	\$ 400,788	\$ (26,837)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

***EXHIBIT A-1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Debt service				
Principal	\$ 6,168	\$ 6,168	\$ 46,368	\$ (40,200)
Interest	1,173	1,173	4,683	(3,510)
Total debt service	\$ 7,341	\$ 7,341	\$ 51,051	\$ (43,710)
Total Expenditures	\$ 30,331,446	\$ 30,331,446	\$ 28,270,062	\$ 2,061,384
Excess of Revenues Over (Under)				
Expenditures	\$ (624,054)	\$ (624,054)	\$ 1,631,619	\$ 2,255,673
Other Financing Sources (Uses)				
Transfers in	\$ 3,240	\$ 3,240	\$ 4,161	\$ 921
Transfers out	(168,865)	(168,865)	(83,865)	85,000
Total Other Financing Sources (Uses)	\$ (165,625)	\$ (165,625)	\$ (79,704)	\$ 85,921
Net Change in Fund Balance	\$ (789,679)	\$ (789,679)	\$ 1,551,915	\$ 2,341,594
Fund Balance – January 1	23,642,305	23,642,305	23,642,305	-
Fund Balance – December 31	\$ 22,852,626	\$ 22,852,626	\$ 25,194,220	\$ 2,341,594

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 7,410,006	\$ 7,410,006	\$ 8,350,978	\$ 940,972
Intergovernmental	19,497,944	19,497,944	15,887,833	(3,610,111)
Charges for services	2,166,400	2,166,400	604,452	(1,561,948)
Miscellaneous	65,000	65,000	188,035	123,035
Total Revenues	\$ 29,139,350	\$ 29,139,350	\$ 25,031,298	\$ (4,108,052)
Expenditures				
Current				
Highways and streets				
Administration	\$ 784,700	\$ 784,700	\$ 867,175	\$ (82,475)
Maintenance	5,292,010	5,292,010	5,131,867	160,143
Construction	27,098,800	27,098,800	15,590,123	11,508,677
Equipment maintenance and shop	1,150,840	1,150,840	1,387,529	(236,689)
Materials and services for resale	3,000	3,000	93,197	(90,197)
Total highways and streets	\$ 34,329,350	\$ 34,329,350	\$ 23,069,891	\$ 11,259,459
Intergovernmental				
Highways and streets	1,410,000	1,410,000	1,618,463	(208,463)
Total Expenditures	\$ 35,739,350	\$ 35,739,350	\$ 24,688,354	\$ 11,050,996
Excess of Revenues Over (Under) Expenditures	\$ (6,600,000)	\$ (6,600,000)	\$ 342,944	\$ 6,942,944
Other Financing Sources (Uses)				
Bonds issued	6,600,000	6,600,000	-	(6,600,000)
Net Change in Fund Balance	\$ -	\$ -	\$ 342,944	\$ 342,944
Fund Balance – January 1	4,520,064	4,520,064	4,520,064	-
Increase (decrease) in inventories	-	-	(15,620)	(15,620)
Fund Balance – December 31	\$ 4,520,064	\$ 4,520,064	\$ 4,847,388	\$ 327,324

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 10,826,357	\$ 10,826,357	\$ 10,650,639	\$ (175,718)
Licenses and permits	265,000	265,000	150,410	(114,590)
Intergovernmental	13,100,426	13,100,426	13,732,935	632,509
Charges for services	1,775,447	1,775,447	1,649,695	(125,752)
Gifts and contributions	50,000	50,000	17,529	(32,471)
Miscellaneous	568,547	568,547	457,808	(110,739)
Total Revenues	\$ 26,585,777	\$ 26,585,777	\$ 26,659,016	\$ 73,239
Expenditures				
Current				
Public safety				
Community corrections	\$ 2,492,762	\$ 2,492,762	\$ 2,267,718	\$ 225,044
Human services				
Income maintenance	\$ 5,953,500	\$ 5,953,500	\$ 6,207,622	\$ (254,122)
Social services	14,630,760	14,630,760	14,080,206	550,554
Total human services	\$ 20,584,260	\$ 20,584,260	\$ 20,287,828	\$ 296,432
Health				
Nursing service	\$ 3,781,435	\$ 3,781,435	\$ 3,902,617	\$ (121,182)
Total Expenditures	\$ 26,858,457	\$ 26,858,457	\$ 26,458,163	\$ 400,294
Net Change in Fund Balance	\$ (272,680)	\$ (272,680)	\$ 200,853	\$ 473,533
Fund Balance – January 1	13,669,363	13,669,363	13,669,363	-
Fund Balance – December 31	\$ 13,396,683	\$ 13,396,683	\$ 13,870,216	\$ 473,533

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,331,878	\$ 2,331,878	\$ 2,294,402	\$ (37,476)
Intergovernmental	671,453	671,453	472,699	(198,754)
Investment earnings	13,000	13,000	37,770	24,770
Miscellaneous	73,160	73,160	184,912	111,752
Total Revenues	\$ 3,089,491	\$ 3,089,491	\$ 2,989,783	\$ (99,708)
Expenditures				
Current				
General government				
County auditor	\$ 25,000	\$ 25,000	\$ -	\$ 25,000
County treasurer	20,000	20,000	21,363	(1,363)
County assessor	26,000	26,000	21,898	4,102
Data processing	220,000	220,000	225,719	(5,719)
Elections	664,718	664,718	475,261	189,457
Attorney	118,000	118,000	85,244	32,756
Facilities operations	95,130	95,130	98,491	(3,361)
Land and resource	70,000	70,000	60,321	9,679
Chemical dependency facility	-	-	6,595	(6,595)
Total general government	\$ 1,238,848	\$ 1,238,848	\$ 994,892	\$ 243,956
Public safety				
Sheriff	\$ 425,150	\$ 425,150	\$ 360,256	\$ 64,894
Radio board	-	-	61,119	(61,119)
County jail	48,000	48,000	43,575	4,425
Community corrections	71,000	71,000	30,106	40,894
Total public safety	\$ 544,150	\$ 544,150	\$ 495,056	\$ 49,094
Highways and streets				
Maintenance	\$ 1,339,600	\$ 1,339,600	\$ 668,722	\$ 670,878
Human services				
Social services	\$ 96,000	\$ 96,000	\$ 112,915	\$ (16,915)
Health				
Nursing service	\$ 80,600	\$ 80,600	\$ 54,848	\$ 25,752
Culture and recreation				
Phelps Mill Park	\$ 11,000	\$ 11,000	\$ 4,359	\$ 6,641

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

***EXHIBIT A-4
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Conservation of natural resources				
County extension	\$ 6,000	\$ 6,000	\$ 3,069	\$ 2,931
Total Expenditures	<u>\$ 3,316,198</u>	<u>\$ 3,316,198</u>	<u>\$ 2,333,861</u>	<u>\$ 982,337</u>
Net Change in Fund Balance	\$ (226,707)	\$ (226,707)	\$ 655,922	\$ 882,629
Fund Balance – January 1	<u>6,299,712</u>	<u>6,299,712</u>	<u>6,299,712</u>	<u>-</u>
Fund Balance – December 31	<u>\$ 6,073,005</u>	<u>\$ 6,073,005</u>	<u>\$ 6,955,634</u>	<u>\$ 882,629</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-5

**BUDGETARY COMPARISON SCHEDULE
COUNTY DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 322,700	\$ 322,700	\$ 432,757	\$ 110,057
Miscellaneous	2,500	2,500	-	(2,500)
Total Revenues	\$ 325,200	\$ 325,200	\$ 432,757	\$ 107,557
Expenditures				
Current				
Conservation of natural resources				
Drainage ditches	176,750	176,750	299,227	(122,477)
Net Change in Fund Balance	\$ 148,450	\$ 148,450	\$ 133,530	\$ (14,920)
Fund Balance – January 1	(215,216)	(215,216)	(215,216)	-
Fund Balance – December 31	\$ (66,766)	\$ (66,766)	\$ (81,686)	\$ (14,920)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2018**

	2018
Total OPEB Liability	
Service cost	\$ 189,402
Interest	93,027
Benefit payments	(142,457)
Net change in total OPEB liability	\$ 139,972
Total OPEB Liability – Beginning, as restated	2,700,247
Total OPEB Liability – Ending	\$ 2,840,219
Covered-employee payroll	\$ 26,002,829
Total OPEB liability (asset) as a percentage of covered-employee payroll	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-7

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018**

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
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-8

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018**

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)
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-9

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2018**

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
2018	0.2762 %	\$ 2,944,008	\$ 2,894,963	101.69 %	88.84 %
2017	0.2680	3,618,319	2,747,296	131.70	85.43
2016	0.2750	11,036,229	2,653,923	415.85	63.88
2015	0.2660	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-10

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2018**

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)
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-11

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2018**

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
2018	0.914 %	\$ 150,326	\$ 1,866,789	8.05 %	97.64 %
2017	0.910	2,593,510	1,825,989	142.03	67.89
2016	0.900	3,287,826	1,695,796	193.88	58.16
2015	1.010	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-12

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2018**

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)
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.

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Prairie Lakes Municipal Solid Waste Authority Debt Service Fund, Veterans Home 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 fund had expenditures in excess of budget for the year ended December 31, 2018.

	Expenditures	Final Budget	Excess
County Ditch Special Revenue Fund	\$ 299,227	\$ 176,750	\$ 122,477

3. Other Postemployment Benefits

In 2018, Otter Tail County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 3.D. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

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

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.

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

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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

General Employees Retirement Plan (Continued)

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.
- 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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

Public Employees Police and Fire Plan

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 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

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.

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).

**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 CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.00 percent for non-vested members.
- 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.

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SUPPLEMENTARY INFORMATION

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

DEBT SERVICE FUNDS

Chemical Dependency – to account for the retirement of bonds issued for the construction of the Chemical Dependency Facility.

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.

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

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 B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	Special Revenue (Exhibit B-3)	Debt Service (Exhibit B-5)	Total (Exhibit 3)
<u>Assets</u>			
Cash and pooled investments	\$ 139,151	\$ 2,408,767	\$ 2,547,918
Undistributed cash in agency funds	-	22,594	22,594
Taxes receivable – delinquent	-	29,101	29,101
Due from other governments	5,215	-	5,215
Total Assets	\$ 144,366	\$ 2,460,462	\$ 2,604,828
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 3,809	\$ -	\$ 3,809
 Deferred Inflows of Resources			
Unavailable revenues	\$ -	\$ 22,107	\$ 22,107
 Fund Balances			
Restricted			
Debt service	\$ -	\$ 2,411,985	\$ 2,411,985
Law library	123,934	-	123,934
Sheriff's contingencies	5,000	-	5,000
Assigned			
Debt service	-	26,370	26,370
Public safety	11,623	-	11,623
Total Fund Balances	\$ 140,557	\$ 2,438,355	\$ 2,578,912
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 \$ 144,366	 \$ 2,460,462	 \$ 2,604,828

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Special Revenue (Exhibit B-4)	Debt Service (Exhibit B-6)	Total (Exhibit 5)
Revenues			
Taxes	\$ -	\$ 1,342,378	\$ 1,342,378
Intergovernmental	-	27,447	27,447
Fines and forfeits	69,513	-	69,513
Investment earnings	-	560	560
Miscellaneous	1,266	341,525	342,791
	\$ 70,779	\$ 1,711,910	\$ 1,782,689
Expenditures			
Current			
General government	\$ 49,346	\$ -	\$ 49,346
Public safety	4,626	-	4,626
Debt service			
Principal	-	1,585,000	1,585,000
Interest	-	353,494	353,494
	\$ 53,972	\$ 1,938,494	\$ 1,992,466
Excess of Revenues Over (Under) Expenditures	\$ 16,807	\$ (226,584)	\$ (209,777)
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ 1,061,942	\$ 1,061,942
Transfers out	(4,161)	(978,077)	(982,238)
	\$ (4,161)	\$ 83,865	\$ 79,704
Net Change in Fund Balance	\$ 12,646	\$ (142,719)	\$ (130,073)
Fund Balance – January 1	127,911	2,581,074	2,708,985
Fund Balance – December 31	\$ 140,557	\$ 2,438,355	\$ 2,578,912

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2018**

	Law Library	Sheriff's Contingent	Total
<u>Assets</u>			
Cash and pooled investments	\$ 122,127	\$ 17,024	\$ 139,151
Due from other governments	3,966	1,249	5,215
Total Assets	\$ 126,093	\$ 18,273	\$ 144,366
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 2,159	\$ 1,650	\$ 3,809
Fund Balances			
Restricted			
Law library	\$ 123,934	\$ -	\$ 123,934
Sheriff's contingencies	-	5,000	5,000
Assigned			
Public safety	-	11,623	11,623
Total Fund Balances	\$ 123,934	\$ 16,623	\$ 140,557
Total Liabilities and Fund Balances	\$ 126,093	\$ 18,273	\$ 144,366

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-4

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Law Library	Sheriff's Contingent	Total
Revenues			
Fines and forfeits	\$ 58,779	\$ 10,734	\$ 69,513
Miscellaneous	1,266	-	1,266
Total Revenues	\$ 60,045	\$ 10,734	\$ 70,779
Expenditures			
Current			
General government	\$ 49,346	\$ -	\$ 49,346
Public safety	-	4,626	4,626
Total Expenditures	\$ 49,346	\$ 4,626	\$ 53,972
Excess of Revenues Over (Under) Expenditures	\$ 10,699	\$ 6,108	\$ 16,807
Other Financing Sources (Uses)			
Transfers out	-	(4,161)	(4,161)
Net Change in Fund Balance	\$ 10,699	\$ 1,947	\$ 12,646
Fund Balance – January 1	113,235	14,676	127,911
Fund Balance – December 31	\$ 123,934	\$ 16,623	\$ 140,557

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2018**

	<u>Chemical Dependency</u>	<u>Government Service Center</u>
<u>Assets</u>		
Cash and pooled investments	\$ 484,251	\$ 870,124
Undistributed cash in agency funds	-	7,537
Taxes receivable – delinquent	-	11,868
Total Assets	<u><u>\$ 484,251</u></u>	<u><u>\$ 889,529</u></u>
 <u>Deferred Inflows of Resources and Fund Balances</u>		
Deferred Inflows of Resources		
Unavailable revenues	<u>\$ -</u>	<u>\$ 9,543</u>
Fund Balances		
Restricted for		
Debt service	\$ 484,251	\$ 879,986
Assigned for		
Debt service	<u>-</u>	<u>-</u>
Total Fund Balances	<u><u>\$ 484,251</u></u>	<u><u>\$ 879,986</u></u>
Total Deferred Inflows of Resources and Fund Balances	<u><u>\$ 484,251</u></u>	<u><u>\$ 889,529</u></u>

EXHIBIT B-5

<u>Sheriff Operations</u>	<u>Master Facility Construction</u>	<u>Detention Facility</u>	<u>Total</u>
\$ 661,520	\$ 255,481	\$ 137,391	\$ 2,408,767
8,130	4,539	2,388	22,594
<u>10,376</u>	<u>4,743</u>	<u>2,114</u>	<u>29,101</u>
<u>\$ 680,026</u>	<u>\$ 264,763</u>	<u>\$ 141,893</u>	<u>\$ 2,460,462</u>
<u>\$ 7,845</u>	<u>\$ 3,338</u>	<u>\$ 1,381</u>	<u>\$ 22,107</u>
\$ 672,181	\$ 261,425	\$ 114,142	\$ 2,411,985
-	-	26,370	26,370
<u>\$ 672,181</u>	<u>\$ 261,425</u>	<u>\$ 140,512</u>	<u>\$ 2,438,355</u>
<u>\$ 680,026</u>	<u>\$ 264,763</u>	<u>\$ 141,893</u>	<u>\$ 2,460,462</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, 2018**

	Chemical Dependency	Government Service Center
Revenues		
Taxes	\$ -	\$ 407,252
Intergovernmental	-	8,248
Investment earnings	8	552
Miscellaneous	341,525	-
	\$ 341,533	\$ 416,052
Expenditures		
Debt service		
Principal	\$ -	\$ 700,000
Interest	422	14,660
	\$ 422	\$ 714,660
Excess of Revenues Over (Under) Expenditures	\$ 341,111	\$ (298,608)
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ 96
Transfers out	(504,855)	-
	\$ (504,855)	\$ 96
Net Change in Fund Balance	\$ (163,744)	\$ (298,512)
Fund Balance – January 1	647,995	1,178,498
Fund Balance – December 31	\$ 484,251	\$ 879,986

EXHIBIT B-6

<u>Sheriff Operations</u>	<u>Veterans Home</u>	<u>Master Facility Construction</u>	<u>Detention Facility</u>	<u>Public Buildings</u>	<u>Total</u>
\$ 486,432	\$ -	\$ 290,229	\$ 158,465	\$ -	\$ 1,342,378
9,951	-	5,974	3,274	-	27,447
-	-	-	-	-	560
-	-	-	-	-	341,525
\$ 496,383	\$ -	\$ 296,203	\$ 161,739	\$ -	\$ 1,711,910
\$ -	\$ -	\$ -	\$ -	\$ 885,000	\$ 1,585,000
422	-	113,547	47,597	176,846	353,494
\$ 422	\$ -	\$ 113,547	\$ 47,597	\$ 1,061,846	\$ 1,938,494
\$ 495,961	\$ -	\$ 182,656	\$ 114,142	\$ (1,061,846)	\$ (226,584)
\$ -	\$ -	\$ -	\$ -	\$ 1,061,846	\$ 1,061,942
(473,126)	(96)	-	-	-	(978,077)
\$ (473,126)	\$ (96)	\$ -	\$ -	\$ 1,061,846	\$ 83,865
\$ 22,835	\$ (96)	\$ 182,656	\$ 114,142	\$ -	\$ (142,719)
649,346	96	78,769	26,370	-	2,581,074
\$ 672,181	\$ -	\$ 261,425	\$ 140,512	\$ -	\$ 2,438,355

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-7

**BUDGETARY COMPARISON SCHEDULE
LAW LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeits	\$ 54,000	\$ 54,000	\$ 58,779	\$ 4,779
Miscellaneous	-	-	1,266	1,266
Total Revenues	\$ 54,000	\$ 54,000	\$ 60,045	\$ 6,045
Expenditures				
Current				
General government				
Law library	55,130	55,130	49,346	5,784
Net Change in Fund Balance	\$ (1,130)	\$ (1,130)	\$ 10,699	\$ 11,829
Fund Balance – January 1	113,235	113,235	113,235	-
Fund Balance – December 31	\$ 112,105	\$ 112,105	\$ 123,934	\$ 11,829

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-8

**BUDGETARY COMPARISON SCHEDULE
SHERIFF'S CONTINGENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeits	\$ 9,500	\$ 9,500	\$ 10,734	\$ 1,234
Expenditures				
Current				
Public safety				
Sheriff	6,500	6,500	4,626	1,874
Excess of Revenues Over (Under) Expenditures	\$ 3,000	\$ 3,000	\$ 6,108	\$ 3,108
Other Financing Sources (Uses)				
Transfers out	(3,240)	(3,240)	(4,161)	(921)
Net Change in Fund Balance	\$ (240)	\$ (240)	\$ 1,947	\$ 2,187
Fund Balance – January 1	14,676	14,676	14,676	-
Fund Balance – December 31	\$ 14,436	\$ 14,436	\$ 16,623	\$ 2,187

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-9

**BUDGETARY COMPARISON SCHEDULE
CHEMICAL DEPENDENCY DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ -	\$ -	\$ 8	\$ 8
Miscellaneous	547,083	547,083	341,525	(205,558)
Total Revenues	\$ 547,083	\$ 547,083	\$ 341,533	\$ (205,550)
Expenditures				
Debt service				
Interest	-	-	422	(422)
Excess of Revenues Over (Under) Expenditures	\$ 547,083	\$ 547,083	\$ 341,111	\$ (205,972)
Other Financing Sources (Uses)				
Transfers out	(504,855)	(504,855)	(504,855)	-
Net Change in Fund Balance	\$ 42,228	\$ 42,228	\$ (163,744)	\$ (205,972)
Fund Balance – January 1	647,995	647,995	647,995	-
Fund Balance – December 31	\$ 690,223	\$ 690,223	\$ 484,251	\$ (205,972)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-10

**BUDGETARY COMPARISON SCHEDULE
GOVERNMENT SERVICE CENTER DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 410,202	\$ 410,202	\$ 407,252	\$ (2,950)
Intergovernmental	-	-	8,248	8,248
Investment earnings	-	-	552	552
Total Revenues	\$ 410,202	\$ 410,202	\$ 416,052	\$ 5,850
Expenditures				
Debt service				
Principal	\$ 700,000	\$ 700,000	\$ 700,000	\$ -
Interest	14,000	14,000	14,660	(660)
Total Expenditures	\$ 714,000	\$ 714,000	\$ 714,660	\$ (660)
Excess of Revenues Over (Under) Expenditures	\$ (303,798)	\$ (303,798)	\$ (298,608)	\$ 5,190
Other Financing Sources (Uses)				
Transfers in	-	-	96	96
Net Change in Fund Balance	\$ (303,798)	\$ (303,798)	\$ (298,512)	\$ 5,286
Fund Balance – January 1	1,178,498	1,178,498	1,178,498	-
Fund Balance – December 31	\$ 874,700	\$ 874,700	\$ 879,986	\$ 5,286

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-11

**BUDGETARY COMPARISON SCHEDULE
SHERIFF OPERATIONS DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 494,078	\$ 494,078	\$ 486,432	\$ (7,646)
Intergovernmental	-	-	9,951	9,951
Total Revenues	\$ 494,078	\$ 494,078	\$ 496,383	\$ 2,305
Expenditures				
Debt service				
Interest	-	-	422	(422)
Excess of Revenues Over (Under) Expenditures	\$ 494,078	\$ 494,078	\$ 495,961	\$ 1,883
Other Financing Sources (Uses)				
Transfers out	(472,676)	(472,676)	(473,126)	(450)
Net Change in Fund Balance	\$ 21,402	\$ 21,402	\$ 22,835	\$ 1,433
Fund Balance – January 1	649,346	649,346	649,346	-
Fund Balance – December 31	\$ 670,748	\$ 670,748	\$ 672,181	\$ 1,433

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-12

**BUDGETARY COMPARISON SCHEDULE
MASTER FACILITY CONSTRUCTION DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 296,782	\$ 296,782	\$ 290,229	\$ (6,553)
Intergovernmental	-	-	5,974	5,974
Total Revenues	\$ 296,782	\$ 296,782	\$ 296,203	\$ (579)
Expenditures				
Debt service				
Interest	112,650	112,650	113,547	(897)
Net Change in Fund Balance	\$ 184,132	\$ 184,132	\$ 182,656	\$ (1,476)
Fund Balance – January 1	78,769	78,769	78,769	-
Fund Balance – December 31	\$ 262,901	\$ 262,901	\$ 261,425	\$ (1,476)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-13

**BUDGETARY COMPARISON SCHEDULE
DETENTION FACILITY DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 162,803	\$ 162,803	\$ 158,465	\$ (4,338)
Intergovernmental	-	-	3,274	3,274
Total Revenues	\$ 162,803	\$ 162,803	\$ 161,739	\$ (1,064)
Expenditures				
Debt service				
Interest	46,725	46,725	47,597	(872)
Net Change in Fund Balance	\$ 116,078	\$ 116,078	\$ 114,142	\$ (1,936)
Fund Balance – January 1	26,370	26,370	26,370	-
Fund Balance – December 31	\$ 142,448	\$ 142,448	\$ 140,512	\$ (1,936)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-14

**BUDGETARY COMPARISON SCHEDULE
PUBLIC BUILDINGS DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Debt service				
Principal	\$ 885,000	\$ 885,000	\$ 885,000	\$ -
Interest	176,396	176,396	176,846	(450)
Total Expenditures	\$ 1,061,396	\$ 1,061,396	\$ 1,061,846	\$ (450)
Other Financing Sources (Uses)				
Transfers in	\$ 1,061,396	\$ 1,061,396	\$ 1,061,846	\$ 450
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -
Fund Balance – January 1	-	-	-	-
Fund Balance – December 31	\$ -	\$ -	\$ -	\$ -

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FIDUCIARY FUNDS

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance January 1	Additions	Deductions	Balance December 31
<u>FAMILY SERVICES COLLABORATIVE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 489,707	\$ 403,172	\$ 272,722	\$ 620,157
Due from other funds	104	658	104	658
Total Assets	\$ 489,811	\$ 403,830	\$ 272,826	\$ 620,815
<u>Liabilities</u>				
Accounts payable	\$ 11,632	\$ 10,139	\$ 11,632	\$ 10,139
Due to other governments	478,179	393,691	261,194	610,676
Total Liabilities	\$ 489,811	\$ 403,830	\$ 272,826	\$ 620,815
 <u>MORTGAGE REGISTRATION FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 77,787	\$ 1,461,891	\$ 1,465,804	\$ 73,874
<u>Liabilities</u>				
Due to other governments	\$ 77,787	\$ 1,461,891	\$ 1,465,804	\$ 73,874
 <u>STATE REVENUE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 312,229	\$ 10,454,408	\$ 10,493,816	\$ 272,821
Due from other funds	8	42	8	42
Total Assets	\$ 312,237	\$ 10,454,450	\$ 10,493,824	\$ 272,863
<u>Liabilities</u>				
Due to other governments	\$ 312,237	\$ 10,454,450	\$ 10,493,824	\$ 272,863

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT C-1
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES FUND</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 3,427,517</u>	<u>\$ 98,266,699</u>	<u>\$ 100,620,480</u>	<u>\$ 1,073,736</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 3,427,517</u>	<u>\$ 98,266,699</u>	<u>\$ 100,620,480</u>	<u>\$ 1,073,736</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 4,307,240	\$ 110,586,170	\$ 112,852,822	\$ 2,040,588
Due from other funds	112	700	112	700
Total Assets	<u>\$ 4,307,352</u>	<u>\$ 110,586,870</u>	<u>\$ 112,852,934</u>	<u>\$ 2,041,288</u>
<u>Liabilities</u>				
Accounts payable	\$ 11,632	\$ 10,139	\$ 11,632	\$ 10,139
Due to other governments	4,295,720	110,576,731	112,841,302	2,031,149
Total Liabilities	<u>\$ 4,307,352</u>	<u>\$ 110,586,870</u>	<u>\$ 112,852,934</u>	<u>\$ 2,041,288</u>

OTHER SCHEDULES

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2018**

	<u>Number of Items</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
Cash and Pooled Investments				
Noninterest-bearing checking	One	-	Continuous	\$ 2,269
Interest-bearing checking	Seven	Varies	Continuous	14,061,199
Credit Union Share/Savings	One	-	Continuous	5
Certificates of deposit	Forty-two	0.65 to 2.25	January 23, 2019 to September 14, 2021	15,082,774
Money market savings	Seven	0.05 to 0.90	Continuous	2,134,611
U.S. Treasury notes	Eleven	0.75 to 2.41	January 15, 2019 to December 15, 2019	20,861,620
U.S. Treasury bonds - stripped interest payment	One	-	August 15, 2019	37,407
Commercial Paper	Two	1.10 to 2.00	February 19, 2019 to June 4, 2019	2,982,380
Municipal Bond	One	2.64	July 1, 2021	1,110,450
Negotiable certificate of deposit	Fourteen	1.45 to 3.10	January 30, 2019 to March 27, 2023	<u>3,082,269</u>
Total Cash and Pooled Investments, Excluding Change Funds				<u>\$ 59,354,984</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET - BY DITCH
COUNTY DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2018**

	Assets				
	Cash and Pooled Investments	Undistributed Cash	Special Assessments Receivable		Total
			Delinquent	Noncurrent	
Judicial Ditches					
1	\$ -	\$ -	\$ -	\$ -	\$ -
2	31,060	58	40	9,148	40,306
3	-	-	-	-	-
County Ditches					
1	-	-	-	-	-
2	-	-	-	-	-
3	92	-	-	-	92
4	55,367	255	1,179	6,000	62,801
5/36/68	16,686	370	685	20,760	38,501
8	-	-	-	33,132	33,132
10	-	-	-	-	-
11	12,947	-	-	1,200	14,147
12	28,982	14	28	2,000	31,024
14	-	-	-	-	-
15/28	65,616	410	394	19,996	86,416
16	55,898	350	735	19,998	76,981
17	-	-	-	-	-
18/37	15,104	370	182	23,050	38,706
19	-	-	-	-	-
20	-	-	-	-	-
21	39,976	105	158	10,000	50,239
23	53,587	1,053	399	26,110	81,149
25	30,907	877	701	19,991	52,476
29	993	-	-	10,448	11,441
30	15,133	35	80	9,164	24,412
31	-	-	-	-	-
32	-	-	-	-	-
35	-	-	-	-	-
38	52,058	1,113	985	20,000	74,156
39	3,458	-	-	3,234	6,692
40	-	-	-	-	-
41/65	-	250	488	14,942	15,680
42	-	-	-	-	-
43	17,849	6	9	4,390	22,254
44	14,374	253	396	15,545	30,568
45	-	-	-	-	-
46	-	-	-	-	-
47	-	-	-	-	-
48	3,518	-	-	33,582	37,100
49	-	-	-	-	-
50	-	-	-	-	-
51	-	-	-	-	-
52	2,122	-	-	-	2,122
53	42,163	21	-	5,000	47,184
54	-	-	-	-	-
55	-	-	-	-	-
56	3,730	213	53	6,000	9,996

EXHIBIT D-2

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		
\$ -	\$ 69	\$ 515	\$ -	\$ 584	\$ (584)	\$ -	
-	8,096	3,563	9,183	20,842	19,464	40,306	
-	-	373	-	373	(373)	-	
-	948	76	-	1,024	(1,024)	-	
-	347	42	-	389	(389)	-	
-	-	-	-	-	92	92	
-	7,755	-	7,178	14,933	47,868	62,801	
-	2,356	6,358	21,116	29,830	8,671	38,501	
-	18,134	33,840	33,131	85,105	(51,973)	33,132	
-	183	3,198	-	3,381	(3,381)	-	
-	-	-	1,200	1,200	12,947	14,147	
-	503	-	2,028	2,531	28,493	31,024	
-	1,993	9,222	-	11,215	(11,215)	-	
-	457	557	20,279	21,293	65,123	86,416	
-	2,802	467	20,638	23,907	53,074	76,981	
608	5,868	12,103	-	18,579	(18,579)	-	
-	1,113	2,095	23,051	26,259	12,447	38,706	
-	1,610	761	-	2,371	(2,371)	-	
-	-	805	-	805	(805)	-	
-	1,254	-	10,100	11,354	38,885	50,239	
-	1,185	435	26,372	27,992	53,157	81,149	
-	5,483	37,526	20,648	63,657	(11,181)	52,476	
-	2,473	1,620	10,448	14,541	(3,100)	11,441	
-	358	2,185	9,244	11,787	12,625	24,412	
-	962	1,561	-	2,523	(2,523)	-	
-	68	709	-	777	(777)	-	
-	55	88	-	143	(143)	-	
-	6,194	-	20,428	26,622	47,534	74,156	
-	-	1,494	3,234	4,728	1,964	6,692	
-	-	479	-	479	(479)	-	
-	5,826	6,095	15,359	27,280	(11,600)	15,680	
-	70	96	-	166	(166)	-	
-	5,113	-	4,390	9,503	12,751	22,254	
-	4,183	19,128	15,912	39,223	(8,655)	30,568	
-	258	1,043	-	1,301	(1,301)	-	
-	70	291	-	361	(361)	-	
-	-	212	-	212	(212)	-	
-	9,752	32,300	33,582	75,634	(38,534)	37,100	
-	-	65	-	65	(65)	-	
-	-	768	-	768	(768)	-	
-	114	579	-	693	(693)	-	
-	3,275	-	-	3,275	(1,153)	2,122	
-	-	-	5,000	5,000	42,184	47,184	
-	115	401	-	516	(516)	-	
-	7,062	33,295	-	40,357	(40,357)	-	
-	730	243	6,000	6,973	3,023	9,996	

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET - BY DITCH
COUNTY DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2018**

	<u>Assets</u>				<u>Total</u>
	<u>Cash and Pooled Investments</u>	<u>Undistributed Cash</u>	<u>Special Assessments Receivable</u>		
			<u>Delinquent</u>	<u>Noncurrent</u>	
County Ditches (Continued)					
57	-	-	-	-	-
58	18,682	58	-	20,987	39,727
59	137	-	-	-	137
62	143	-	-	-	143
63	-	-	-	-	-
64	-	-	-	-	-
70	121,016	801	600	344,000	466,417
Total	<u>\$ 701,598</u>	<u>\$ 6,612</u>	<u>\$ 7,112</u>	<u>\$ 678,677</u>	<u>\$ 1,393,999</u>

EXHIBIT D-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	
-	-	661	-	661	(661)	-
-	1,925	18,315	20,988	41,228	(1,501)	39,727
-	70	-	-	70	67	137
-	95	-	-	95	48	143
-	666	5,220	-	5,886	(5,886)	-
-	3,017	11,318	-	14,335	(14,335)	-
-	4,019	424,412	344,428	772,859	(306,442)	466,417
\$ 608	\$ 116,626	\$ 674,514	\$ 683,937	\$ 1,475,685	\$ (81,686)	\$ 1,393,999

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT D-3

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Governmental Funds	Enterprise Fund	All Funds
Appropriations and Shared Revenue			
State			
Highway users tax	\$ 15,503,156	\$ -	\$ 15,503,156
County program aid	2,092,576	-	2,092,576
PERA rate reimbursement	64,946	-	64,946
PERA pension contributions	155,709	9,134	164,843
Police aid	318,279	-	318,279
Local government aid	8,166	-	8,166
Market value credit	714,397	-	714,397
Disparity reduction aid	13,255	-	13,255
Aquatic invasive species aid	462,425	-	462,425
SCORE	-	164,638	164,638
E-911	142,132	-	142,132
Riparian aid	200,000	-	200,000
Out of home placement aid	11,891	-	11,891
	\$ 19,686,932	\$ 173,772	\$ 19,860,704
Total appropriations and shared revenue			
Reimbursement for Services			
State			
Minnesota Department of Human Services	\$ 2,700,409	\$ -	\$ 2,700,409
Payments			
Local			
Payments in lieu of taxes	\$ 513,470	\$ -	\$ 513,470
Payments for interest on bonds	959,393	-	959,393
	\$ 1,472,863	\$ -	\$ 1,472,863
Total Payments			
Grants			
State			
Minnesota Department/Board of			
Agriculture	\$ -	\$ -	\$ -
Corrections	290,033	-	290,033
Public Safety	169,079	-	169,079
Transportation	5,000	-	5,000
Health	277,728	-	277,728
Veterans Affairs	12,500	-	12,500
Natural Resources	7,588,951	-	7,588,951
Human Services	3,472,500	-	3,472,500
Water and Soil Resources	211,800	-	211,800
Supreme Court	-	-	-
Peace Officer Standards and Training Board	34,452	-	34,452
Minnesota Pollution Control Agency	-	101,380	101,380
	\$ 12,062,043	\$ 101,380	\$ 12,163,423
Total state			

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

*EXHIBIT D-3
(Continued)*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Governmental Funds	Enterprise Fund	All Funds
Grants (Continued)			
Federal			
Department of			
Agriculture	\$ 824,727	\$ -	\$ 824,727
Interior	25,000	-	25,000
Transportation	204,481	-	204,481
Education	1,615	-	1,615
Health and Human Services	5,487,580	-	5,487,580
Homeland Security	11,375	-	11,375
	\$ 6,554,778	\$ -	\$ 6,554,778
Total federal	\$ 6,554,778	\$ -	\$ 6,554,778
Total state and federal grants	\$ 18,616,821	\$ 101,380	\$ 18,718,201
Total Intergovernmental Revenue	\$ 42,477,025	\$ 275,152	\$ 42,752,177

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT D-4

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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	\$ 301,418	\$ -
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	182MN101S2514	509,666	-
Passed Through Minnesota Department of Agriculture WIC Farmers' Market Nutrition Program (FMNP)	10.572	62125	<u>500</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>\$ 811,584</u>	<u>\$ -</u>
U.S. Department of the Interior				
Passed Through Minnesota Department of Natural Resources Fish and Wildlife Management Assistance	15.608	127574	<u>\$ 25,000</u>	<u>\$ -</u>
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	1030056	\$ 1,540,675	-
Passed Through Minnesota Department of Public Safety Highway Safety Cluster				
State and Community Highway Safety	20.600	F-SAFE18-2018-OTTERPH-2706	3,956	-
State and Community Highway Safety	20.600	F-SAFE18-2018-OTTERPH-2838	5,775	-
State and Community Highway Safety	20.600	F-SAFE18-2018-OTTERPH-2963	6,348	-
State and Community Highway Safety	20.600	F-SAFE18-2018-OTTERPH-3110	4,791	-
State and Community Highway Safety	20.600	F-ENFRC18-2018-OTTERSD-2703	1,039	505
State and Community Highway Safety	20.600	F-ENFRC18-2018-OTTERSD-2837	166	36
State and Community Highway Safety	20.600	F-ENFRC18-2018-OTTERSD-2949	75	41
State and Community Highway Safety (Total State and Community Highway Safety 20.600 \$29,974)	20.600	F-ENFRC18-2018-OTTERSD-3091	7,824	4,083

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT D-4
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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-ENFRC18-2018- OTTERSD-2703	10,270	4,990
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC18-2018- OTTERSD-2837	2,645	569
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC18-2018- OTTERSD-2949	7,823	4,271
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC18-2018- OTTERSD-3091	9,639	5,031
(Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$156,161)				
Passed Through Minnesota Trial Courts				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	Not Provided	125,784	-
(Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$156,161)				
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
National Priority Safety Programs	20.616	F-ENFRC18-2018- OTTERSD-2949	7,798	4,258
National Priority Safety Programs	20.616	F-ENFRC18-2018- OTTERSD-3091	4,471	2,334
(Total National Priority Safety Programs 20.616 \$12,269)				
Total U.S. Department of Transportation			\$ 1,739,079	\$ 26,118
U.S. Department of Education				
Passed Through Partnership4Health Community Health Board				
Special Education – Grants for Infants and Families	84.181	87630	\$ 1,615	\$ -
U.S. Department of Health and Human Services				
Passed Through Land of the Dancing Sky Area Agency on Aging				
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	90858	24,856	-
Food and Drug Administration – Research	93.103	G-SP-1810-06350	2,500	-

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT D-4
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 Partnership4Health Community Health Board (Continued)				
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds TANF Cluster	93.539	Not Provided	5,650	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$563,595)	93.558	Not Provided	75,831	-
Maternal and Child Health Services Block Grant to the States	93.994	Not Provided	65,793	-
Passed Through Minnesota Department of Health TANF Cluster				
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$563,595)	93.558	Not Provided	1,677	-
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families TANF Cluster	93.556	G-1701MNF PSS	17,299	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$563,595)	93.558	1801MNTANF	486,087	-
Child Support Enforcement	93.563	1804MNCSES	301,325	-
Child Support Enforcement (Total Child Support Enforcement 93.563 \$1,192,805)	93.563	1804MNCES	891,480	-
Community-Based Child Abuse Prevention Grants CCDF Cluster	93.590	G-1702MNF RPG	10,017	-
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1801MNC CDF	9,169	-
Affordable Care Act: Testing Experience and Functional Assessment Tools	93.627	Not Provided	427,399	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1701MNC WSS	12,574	-
Foster Care – Title IV-E	93.658	1801MNF OST	570,346	-
Social Services Block Grant	93.667	G-1801MNS OSR	399,192	-
Chafee Foster Care Independence Program	93.674	G-1801MNC ILP	6,500	-
Children's Health Insurance Program Medicaid Cluster	93.767	1805MN5R21	549	-
Medical Assistance Program	93.778	1805MN5ADM	2,212,045	-
Medical Assistance Program (Total Medical Assistance Program 93.778 \$2,226,864)	93.778	1805MN5MAP	14,819	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Not Provided	1,000	-

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT D-4
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 (Continued)				
Passed Through Polk-Norman-Mahnomen Community Health Board Maternal, Infant, and Early Childhood Home Visiting Cluster Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	118491	134,714	-
Total U.S. Department of Health and Human Services			\$ 5,698,547	\$ -
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	140033	\$ 11,375	\$ -
Total Federal Awards			\$ 8,287,200	\$ 26,118
Totals by Cluster				
Total expenditures for SNAP Cluster			\$ 509,666	
Total expenditures for Highway Planning and Construction Cluster			1,540,675	
Total expenditures for Highway Safety Cluster			42,243	
Total expenditures for Aging Cluster			27,725	
Total expenditures for TANF Cluster			563,595	
Total expenditures for CCDF Cluster			9,169	
Total expenditures for Medicaid Cluster			2,226,864	
Total expenditures for Maternal, Infant, and Early Childhood Home Visiting Cluster			134,714	

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Otter Tail County under programs of the federal government for the year ended December 31, 2018. 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.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 6,554,778
Grants received more than 60 days after year-end, unavailable revenue in 2018	
Special Supplemental Nutrition Program for Women, Infants, and Children	80,926
Highway Planning and Construction	1,623,453
Public Health Emergency Preparedness	6,212
Promoting Safe and Stable Families	4,700
Temporary Assistance for Needy Families	115,776
Community-Based Child Abuse Prevention Grants	10,017
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	1,000
Stephanie Tubbs Jones Child Welfare Services Program	4,271
Chafee Foster Care Independence Program	1,625
Maternal and Child Health Services Block Grant to the States	468
Federal awards passed through the Family Services Collaborative for the Local Collaborative Time Study	353,162
Unavailable in 2017, recognized as revenue in 2018	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	(94,069)
Highway Planning and Construction	(88,855)
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	(1,400)
Promoting Safe and Stable Families	(6,600)
Temporary Assistance for Needy Families	(144,028)
Community-Based Child Abuse Prevention Grants	(6,452)
Child Support Enforcement	(121,054)
Stephanie Tubbs Jones Child Welfare Services Program	(5,105)
Chafee Foster Care Independence Program	(1,625)
	8,287,200
Expenditures Per Schedule of Expenditures of Federal Awards	\$ 8,287,200

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JULIE BLAHA
STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Otter Tail County
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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Otter Tail County, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 19, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify a deficiency in internal control over financial reporting that we consider to be a material weakness and deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 to be a material weakness and items 1996-006 and 2008-001 to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that Otter Tail County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Questioned Costs as item 2017-007. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Other Matters

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

Otter Tail County's Response to Findings

Otter Tail County's responses to the internal control, legal compliance, and management practices findings identified in our audit 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

September 19, 2019

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Otter Tail County
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, 2018. 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 Medical Assistance Program (CFDA No. 93.778)

As described in the accompanying Schedule of Findings and Questioned Costs, Otter Tail County did not comply with requirements regarding CFDA No. 93.778, Medical Assistance Program, as described in finding number 2017-003 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on Medical Assistance Program (CFDA No. 93.778)

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 the Medical Assistance Program for the year ended December 31, 2018.

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, 2018.

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 2017-004 and 2017-005. 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 a certain deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-003, that we consider to be a material weakness, and deficiencies 2017-004 and 2017-005, 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.

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 19, 2019

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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? **Yes**
- 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 Medicaid Cluster, 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:

Highway Planning and Construction Cluster	
Highway Planning and Construction	CFDA No. 20.205
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, 2018

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 1996-006

Segregation of Duties

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

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

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

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

Cause: The County informed us that it is not practical to collect fees for services provided in various departments only at one collection point. Having collection points within the departments provides a convenience to the customer and cost savings to the County, which otherwise would have to establish a billing system for collecting fees for services provided throughout the County. In departments that collect larger amounts of fees, such as Motor

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 2008-001

Documenting and Monitoring Internal Controls

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

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

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 2016-001

Audit Adjustments

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

Condition: A material audit adjustment was identified that resulted in significant changes to the County's financial statements.

Context: The inability to detect misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The adjustment was found in the audit; however, independent auditors cannot be considered part of the County's internal control.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Effect: The following audit adjustment was reviewed and approved by the appropriate staff and is reflected in the financial statements: in the Prairie Lakes Municipal Solid Waste Authority Debt Service Fund, bonds issued was increased by \$1,065,000 and advance to component unit was increased by \$1,065,000 to properly account for bonds issued by the County on behalf of the Prairie Lakes Municipal Solid Waste Authority.

Cause: The County erroneously recorded the bond proceeds in the fund that accounts for transactions for the Prairie Lakes Municipal Solid Waste Authority, a discrete component unit of Otter Tail County.

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

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 2017-003

Eligibility

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), 1805MN5ADM and 1805MN5MAP, 2018

Pass-Through Agency: Minnesota Department of Human Services

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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

Condition: The Minnesota Department of Human Services (DHS) maintains the computer system, MAXIS, which is used by the 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 other circumstances, information was not updated in MAXIS. The following instances were noted in the sample of 40 cases tested:

- Six instances were found where assets were either not properly verified or the incorrect amount was input into MAXIS.
- Two instances were found where income was either not properly verified or the incorrect amount was input into MAXIS.
- Three instances were found where there was no documentation of the availability of other health insurance requirements or there was no documentation of a cost-effective insurance determination.
- Three instances were found where there was no documentation of authority for an application signed by an authorized representative.
- One instance was found where there was no documentation of annual application or eligibility re-determination.
- One instance was found where there was no judicial determination or voluntary placement agreement for Foster Care.

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

Context: The state of Minnesota contracts with the County to perform the “intake function” (meeting with the social services client to determine income and categorical eligibility), while the Minnesota DHS maintains MAXIS, which supports 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*.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Effect: The lack of updated information in MAXIS and verification of eligibility-determining factors 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 system did not ensure all required information was input or updated in MAXIS correctly or that all required information was obtained and/or retained.

Recommendation: We recommend the County implement additional review procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations exists and is properly input or updated in MAXIS and maintained in case files, 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 2017-004

Uniform Guidance Written Procurement Policies and Procedures

Programs: U.S. Department of Transportation's Highway Planning and Construction (CFDA No. 20.205), Award No. 1030056, 2018; and U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1805MN5ADM, 2018

Pass-Through Agencies: Minnesota Department of Transportation (CFDA No. 20.205) and Minnesota Department of Human Services (CFDA No. 93.778)

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.318 states that the non-federal entity must use its own documented procurement procedures which reflect applicable state, local, and tribal laws and regulations, provided that the procurements conform with applicable federal law and the standards identified in this regulation.

Condition: Otter Tail County has written procurement policies; however, these policies do not include all of the required components of a procurement policy in accordance with Title 2 U.S. *Code of Federal Regulations* § 200.318.

Questioned Costs: Not applicable.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Context: This issue was discovered during the audit of the major federal programs; however, it impacts federal programs county-wide. Written policies that reflect the specific components of federal regulations improve controls to ensure compliance with federal award requirements.

Effect: Written policies and procedures that are not updated to reflect the Uniform Guidance procurement requirements increase the risk of noncompliance with federal requirements.

Cause: The County did not include specific procurement policy language required by the Uniform Guidance when preparing the County's procurement policy.

Recommendation: We recommend the County include the specific components of the Uniform Guidance requirement in its written procurement policies and procedures.

View of Responsible Official: Acknowledged

Finding Number 2017-005

Procurement, Suspension and Debarment

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1805MN5ADM, 2018

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.318(i) states that the non-federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, the basis for the contract price, and documentation demonstrating that there was full and open competition. Non-federal entities must follow further federal guidance over verifying debarment, suspension, and exclusions as provided in Title 2 U.S. *Code of Federal Regulations* §§ 180.300, 200.213, and 200.318(h).

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

Condition: The following items were noted for the contracts tested:

- For two of the 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.
- For all four contracts tested, the County lacked documentation demonstrating that it reviewed vendors for suspension or debarment prior to entering into the contracts.

Questioned Costs: None.

Context: The sample sizes were based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*. Four of the 35 procurement transactions over \$3,000 were tested for compliance with federal regulations, all of which were covered transactions over \$25,000.

Effect: The County is not in compliance with federal regulations.

Cause: County staff were not aware of the specific documentation requirements applicable to transactions that were funded by federal grants.

Recommendation: We recommend the County document the history of procurement transactions, including contract selection, in accordance with federal regulations. The County should verify vendors are not debarred or suspended, or that other exclusions apply, prior to entering into the contract and maintain that documentation.

View of Responsible Official: Acknowledged

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2017-007

Publication of Board Minutes

Criteria: Pursuant to Minn. Stat. § 375.12, within 30 days of each meeting, the County Board must have the official proceedings of its sessions or a summary published in a qualified newspaper of general circulation in the County.

Condition: We reviewed the affidavits of publication related to the publishing of a summary of Board minutes for 2018 and found that not all of the summaries were published in the County's official newspaper within the 30-day requirement.

Context: Of the 33 published summaries reviewed, 8 were not published within the 30-day requirement.

Effect: Noncompliance with Minn. Stat. §375.12.

Cause: We were informed that County staff was not always diligent in tracking the requirement of publishing in 30 days and staff was in transition. There were also times when the County only had two meetings in a month and they did not publish until approval of the Commissioner Board minutes which reduced the time to get them published.

Recommendation: We recommend the County publish its summaries of the County Board minutes in compliance with Minn. Stat. § 375.12.

View of Responsible Official: Concur

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2009-002

Ditch Fund Balance Deficits

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

Condition: As of December 31, 2018, the County had individual ditch systems where liabilities exceeded assets, resulting in individual deficit fund balance amounts.

Context: Thirty-four of the 53 individual ditch systems had deficit fund balances as of December 31, 2018, totaling \$542,103. Five of the ditch systems have sufficient current levies to cover the deficit; however, the other 29 ditch systems do not. Negative ditch fund balances are not unusual.

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
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

V. PREVIOUSLY REPORTED ITEM RESOLVED

2011-001 Network/Application Password Controls
2017-001 Capital Asset Reporting Process
2017-002 Journal Entry Approval
2017-006 LCTS Reporting



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REPRESENTATION OF OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2018

Finding Number: 1996-006

Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Finance Division Director and/or Assistant Finance Division 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:

Formalizing written policies and procedures - Ongoing
Internal Audits - Ongoing

Finding Number: 2008-001

Finding Title: Documenting and Monitoring Internal Controls

Name of Contact Person Responsible for Corrective Action:

Finance Division Director and/or Assistant Finance Division Director

Corrective Action Planned:

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.

Anticipated Completion Date:

Risk Assessment - Ongoing
Development and Implementation of Changes - Ongoing

Finding Number: 2016-001

Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Assistant Finance Division Director along with all members of the financial management team.

Corrective Action Planned:

Internal controls focusing on the posting of journal entries will be reviewed and updated as necessary. The Assistant Finance Director will take the lead role in a monthly review of the receipt, disbursement, and journal entries posted to the County's general ledger to determine that all transactions have been properly coded and posted. Transactions that are identified as having been incorrectly posted will be reviewed, policies and procedures will be reviewed, the issue will be discussed with staff and general ledger corrections will be authorized by a supervisor within the finance division.

Anticipated Completion Date:

December 2019

Finding Number: 2017-003

Finding Title: Eligibility

Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Financial Assistance Supervisors

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:

Ongoing

Finding Number: 2017-004

Finding Title: Uniform Guidance Written Procurement Policies and Procedures

Programs: Highway Planning and Construction (CFDA No. 20.205) and Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Finance Division Director and/or Assistant Finance Division Director, Public Works Division Director, Human Services Fiscal Manager

Corrective Action Planned:

The County will review the written procurement policies and include specific language components required by Uniform Guidance in accordance with Title 2 U.S. *Code of Federal Regulations* § 200.318.

Anticipated Completion Date:

December 2019

Finding Number: 2017-005

**Finding Title: Procurement, Suspension and Debarment
Program: Medical Assistance Program (CFDA No. 93.778)**

Name of Contact Person Responsible for Corrective Action:

Finance Division Director and/or Assistant Finance Division Director, Public Works Division Director, Human Services Fiscal Manager

Corrective Action Planned:

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.

Anticipated Completion Date:

Ongoing

Finding Number: 2017-007

Finding Title: Publication of Board Minutes

Name of Contact Person Responsible for Corrective Action:

County Administrator

Corrective Action Planned:

Appropriate staff members will be trained on the requirements so that Board minutes will be published within the 30-day requirement to be in compliance with Minn. Stat. §375.12.

Anticipated Completion Date:

Issue was resolved immediately following notification.

Finding Number: 2009-002

Finding Title: Ditch Fund Balance Deficits

Name of Contact Person Responsible for Corrective Action:

Finance Division Director

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:

Ongoing

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REPRESENTATION OF OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

Finding Number: 1996-006

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

Status: Not Corrected. As previously noted, limited personnel in many departments does not allow for the level of segregation of financial accounting and reporting functions that would provide the desired level of internal accounting control. Otter Tail County's financial management previously noted that an effort would be made to formalize existing oversight procedures and to develop and implement additional oversight procedures where necessary and appropriate to help ensure that financial policies and procedures intended to protect Otter Tail County's financial assets and resource are followed as directed. Progress has been made to address this concern, but additional efforts to formalize existing policies and procedures in written formats that can be shared with all staff to inform them of the County's expectations needs to be undertaken in the 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.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2008-001

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 work with other financial management team members to, at least annually, 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 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 related to audit findings will be evaluated immediately.

Status: Not Corrected. 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.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2011-001

Finding Title: Network/Application Password Controls

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

Summary of Corrective Action Previously Reported: Migration of the County’s financial software from the AS400 platform to a server-based platform will provide the County with additional security opportunities that are not available when using the AS400 platform. This will also allow for the implementation of other password security measures, such as mandatory changing of passwords.

Status: Corrected. Password security measures have been implemented.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2016-001

Finding Title: Audit Adjustments

Summary of Condition: Material adjustments were identified by auditors that resulted in significant changes to the County’s financial statements. In addition to the material items identified, numerous additional audit adjustments were made that resulted in changes to the financial statements.

Summary of Corrective Action Previously Reported: Internal controls focusing on the posting of journal entries will be reviewed and updated as necessary. It will also be recommended that at least quarterly a review by members of the financial management team of the receipt, disbursement, and journal entries posted to the County’s general ledger be completed to determine that all transactions have been properly coded and posted. Transactions that are identified as having been incorrectly posted will be reviewed, policies and procedures will be reviewed, the issue will be discussed with staff and general ledger corrections will be authorized by a supervisor within the finance division.

Status: Not Corrected. Otter Tail County hired an additional staff person who began employment midway through 2018, which should allow for ongoing review of all general ledger entries. The Assistant Finance Director will take the lead role in a monthly review of the receipt, disbursement, and journal entries posted to the County’s general ledger to determine that all transactions have been properly coded and posted. Transactions that are identified as having been incorrectly posted will be reviewed, policies and procedures will be reviewed, the issue will be discussed with staff and general ledger corrections will be authorized by a supervisor within the finance division.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2017-001

Finding Title: Capital Asset Reporting Process

Summary of Condition: Several discrepancies were identified by the auditors during their audit of the capital asset system. Primarily the County's capital asset records did not agree with the amounts in the audited financial statements as of December 31, 2016. Furthermore, not all purchases made by the County during 2017 were recorded in the County's capital asset records.

Summary of Corrective Action Previously Reported: New capital asset software has been purchased which should provide better reporting of all assets and inventory. Due to the inaccuracy of the current software, no conversion will take place. All assets as of December 31, 2017, will be individually added, and then departments will be asked to review for accuracy. Internal controls will be reviewed, and procedures will be designed and implemented to improve internal controls over the recordkeeping of capital assets and related depreciation to ensure that capital asset records are complete and accurately prepared.

Status: Corrected. During 2018 the County began using new capital asset software which provided better reporting. Procedures were implemented to ensure that capital asset records are complete and accurately prepared. Review of internal controls will be ongoing.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2017-002

Finding Title: Journal Entry Approval

Summary of Condition: During the auditor's review of journal entries, 13 of the 25 journal entries tested were not properly reviewed and approved.

Summary of Corrective Action Previously Reported: Internal controls will be implemented to ensure that all journal entries are reviewed and approved by management before being posted to the general ledger. The review and approval will be documented by signature and date.

Status: Corrected. In 2018 the Assistant Finance Director began reviewing and approving all journal entries.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2017-003

Finding Title: Eligibility

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA # 93.778)

Summary of Condition: The Minnesota Department of Human Services (DHS) maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. In a sample of 40 case files reviewed for eligibility: Six instances were found where assets were either not properly verified or the incorrect amount was input into MAXIS; Two instances were found where income was either not properly verified or the incorrect amount was input into MAXIS; Two instances were found where there was no documentation of the availability of other health insurance requirements; and one instance was found where there was no documentation of authority for an application signed by an authorized representative.

Summary of Corrective Action Previously Reported: The agency will complete case reviews monthly 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: 2017-004

Finding Title: Uniform Guidance Written Procurement Policies and Procedures

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA # 93.778)

Summary of Condition: The County has written procurement policies; however, these policies do not include the required components of a procurement policy in accordance with Title 2 U.S. *Code of Federal Regulations* §200.318.

Summary of Corrective Action Previously Reported: The County will review the written procurement policies and include specific language components required by Uniform Guidance in accordance with Title 2 U.S. *Code of Federal Regulations* §200.318.

Status: Not Corrected. The County will review the written procurement policies and include specific language components required by Uniform Guidance in accordance with Title 2 U.S. *Code of Federal Regulations* §200.318.

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 County lacked the documentation demonstrating that it reviewed vendors for suspension and debarment prior to entering into the contracts and the County did not have a history of procurement including documentation for the rationale of selecting the vendor and the basis for the price.

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.

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 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.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2017-006

Finding Title: LCTS Reporting

**Program: U.S. Department of Health and Human Services' Medical Assistance Program
(CFDA # 93.778)**

Summary of Condition: The County did not receive quarterly Local Collaborative Time Study (LCTS) reports prepared by its Collaborative to be able to review and ensure the reports were accurate and properly reported to the State. Someone independent of the preparer did not review the quarterly Probation LCTS Cost Schedules or the LCTS Annual Spending Report. In addition, written evidence that the quarterly LCTS Cost Schedules submitted by the County's Public Health Department being reviewed were not maintained on file.

Summary of Corrective Action Previously Reported: Contact will be made with Collaborative entities requesting that LCTS preparers provide a copy of their quarterly reports and supporting

documentation for review to the Otter Tail County fiscal manager prior to the submission deadline. The reports will be reviewed, dated and maintained on file at the County.

Status: Corrected. LCTS reports are being reviewed by the County.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2017-007

Finding Title: Publication of Board Minutes

Summary of Condition: Not all summaries of the Board of County Commissioner meetings held in 2017 were published in the County's official newspaper within the 30-day requirement in accordance with Minn. Stat. §375.12.

Summary of Corrective Action Previously Reported: Board minutes will be published within the 30-day requirement to be in compliance with Minn. Stat. §375.12.

Status: Not Corrected. Appropriate staff members will be trained on the requirements so that Board minutes will be published within the 30-day requirement to be in compliance with Minn. Stat. §375.12.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2009-002

Finding Title: Ditch Fund Balance Deficits

Summary of Condition: As of December 31, 2017, the County had individual ditch systems where liabilities and deferred inflows of resources 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