

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA

YEAR ENDED DECEMBER 31, 2015

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 150 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 700 public pension funds; and

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

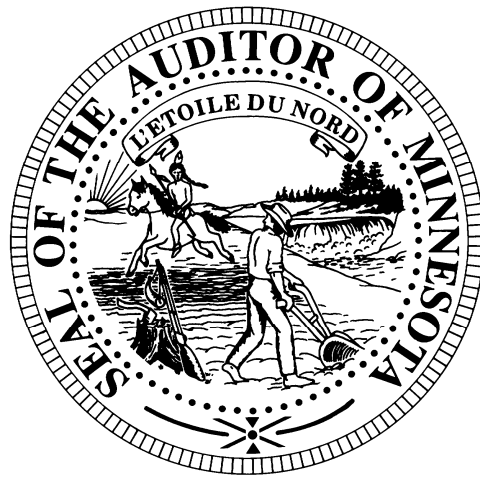
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

Year Ended December 31, 2015



**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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FERGUS FALLS, MINNESOTA**

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2015

		<u>Term Expires</u>
Elected		
Commissioners		
Board Member	Douglas Huebsch	District 1 January 2017
Board Member	Wayne Johnson	District 2 January 2019
Chair	John Lindquist	District 3 January 2017
Board Member	Roger Froemming	District 4 January 2019
Vice Chair	Leland Rogness	District 5 January 2017
Attorney	David Hauser	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 2016
County Engineer	Richard West	May 2018
Medical Examiner	Dr. Gregory Smith	Indefinite
County Administrator	Larry Krohn	Indefinite
Veterans Service Officer	Charlie Kampa	August 2017
Examiner of Titles	Robert Russell	Indefinite
Solid Waste Director	Mike Hanan	Indefinite
Human Services Board		
Chair	John Lindquist	January 2017
Vice Chair	Leland Rogness	January 2017
Member	Roger Froemming	January 2019
Member	Douglas Huebsch	January 2017
Member	Wayne Johnson	January 2019
Human Services Director	Deb Sjostrom	Indefinite
Probation Officer	Charles W. Kitzman	Indefinite
Public Health Director	Diane Thorson	Indefinite

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REBECCA OTTO
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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 82, *Pension Issues*, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 2016, on our consideration of Otter Tail County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Otter Tail County's internal control over financial reporting and compliance.

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

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 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/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 11, 2016

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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, 2015
(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, 2015. 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 \$167,000,848, of which Otter Tail County has a net investment in capital assets of \$131,626,120, and \$14,788,214 is restricted to specific purposes/uses.
- Business-type activities' total net position is \$8,088,614. Net investment in capital assets represents \$6,092,385 of the total, and \$67,870 of the total business-type net position is restricted for specific uses (postclosure care costs).
- Otter Tail County's net position (governmental activities and business-type activities) totals \$175,089,462 for the year ended December 31, 2015. Net investment in capital assets represents \$137,718,505 of the total, \$14,856,084 of the total net position is restricted for specific uses, and \$22,514,873 is unrestricted.
- The net cost of Otter Tail County's governmental activities for the year ended December 31, 2015, was \$25,858,358. General property tax revenues and other revenue sources totaling \$40,589,037 funded the total net cost of \$25,858,358.
- Otter Tail County's governmental funds' fund balances increased by \$7,702,507. This increase was the result of a General Fund balance increase of \$1,255,616, a Road and Bridge Special Revenue Fund balance increase of \$6,506,955, a Human Services Special Revenue Fund balance increase of \$456,884, a Capital Improvement Special Revenue Fund balance increase of \$906,968, a Construction Capital Projects Special Revenue Fund balance increase of \$202,086, a Prairie Lakes Municipal Solid Waste Authority Debt Service Fund balance decrease of \$1,035,950, and a decrease in other governmental funds' fund balances of \$590,052.

- The General Fund balance increased by \$1,255,616. This increase was due to excess revenues over expenditures of \$1,462,009, which was offset by an operating transfer to the Construction Capital Projects Fund and Ethanol Plant Debt Service Fund totaling \$298,129 to cover costs in excess of the bond proceeds for the project and to pay interest earned on invested debt service funds. The excess revenues over expenditure and the operating transfer were offset by proceeds from a capital lease/installment purchase totaling \$90,047 and from the transfer of excess funds in the Sheriff's Contingent Special Revenue Fund totaling \$1,689. For the prior year ended December 31, 2014, excess General Fund revenues over expenditures were \$1,025,274. The \$436,735 increase in excess revenues over expenditures is due mainly to a \$1,268,773 increase in revenues, which was offset by an \$832,038 increase in expenditures. It should be noted that revenues from taxes increased by \$866,058, special assessments increased by \$210, licenses and permits increased by \$45,317, intergovernmental revenues increased by \$456,073, gifts and contributions increased by \$250, investment earnings increased by \$39,296, and miscellaneous other revenues increased by \$193,608; however, these increased revenues in the General Fund were offset by decreased revenues from charges for services of \$327,408 and decreased revenues from fines and forfeits of \$4,631. General Fund expenditures for public safety-related functions/programs increased by \$454,247, expenditures for human services-related functions/programs increased by \$1,761, expenditures for culture and recreation-related functions/programs increased by \$20,948, expenditures for conservation of natural resource-related functions/programs increased by \$359,729, expenditures for economic development-related function/programs increased by \$56,561, and expenditures for debt service costs increased by \$9,551. However, these increased expenditures were offset by a \$70,759 decrease in costs associated with general government-related functions/programs.
- The Road and Bridge Special Revenue Fund balance increased by \$6,506,955 due to excess revenues over expenditures of \$6,399,418 and an increase in inventories of \$107,537. For the prior year ended December 31, 2014, excess expenditures over revenues totaled \$1,463,508. The \$7,862,926 increase in excess revenues over expenditures is due mainly to increased revenues from taxes of \$177,388, increased intergovernmental revenues of \$9,662,491, and increased miscellaneous revenues of \$41,172. However, these increased revenue sources were offset by a decrease in revenues from charges for service totaling \$547,475, an increase in intergovernmental highways and streets-related expenditures of \$65,395, and increased costs associated with highways and streets-related expenditures of \$1,405,255, which were primarily construction-related costs.
- The Human Services Special Revenue Fund balance increased by \$456,884 due to excess revenues over expenditures of \$456,884. For the prior year ended December 31, 2014, excess revenues over expenditures totaled \$1,268,517. The \$811,633 decrease was due mainly to a decrease in revenues for licenses and permits totaling \$7,738, a decrease in miscellaneous revenues totaling \$107,254, an increase in the costs for public safety-related functions/programs totaling \$54,978, an increase in the costs for human services-related functions/programs totaling \$1,318,178 and an increase in the costs for health-related

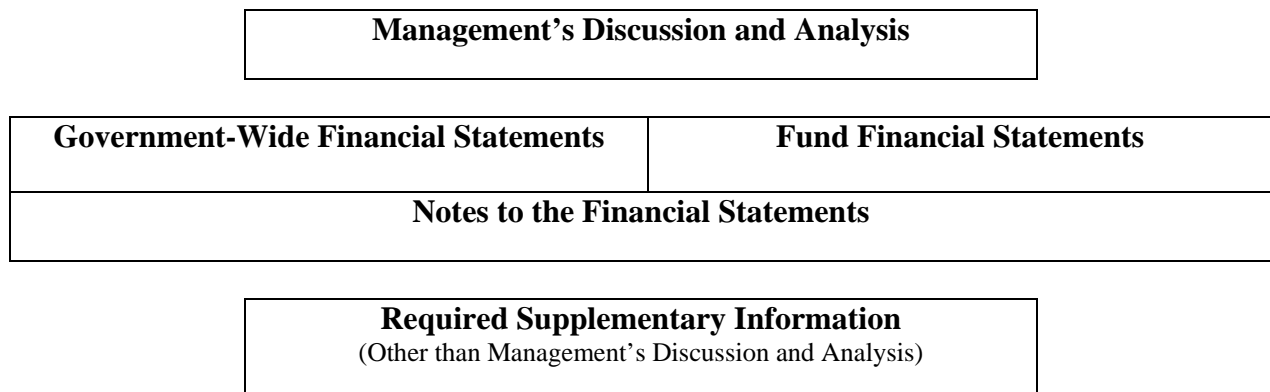
functions/programs totaling \$438,038. However, the increased expenditures were offset by an increase in tax revenues of \$214,897, an increase in intergovernmental revenues of \$717,161, an increase in charges for services revenues of \$176,931, and an increase in gifts and contributions totaling \$5,564.

- The Capital Improvement Special Revenue Fund balance increased by \$906,968 due to excess revenues over expenditures of \$906,968. For the prior year ended December 31, 2014, excess expenditures over revenues totaled \$400,255. The \$1,307,223 increase in excess revenues over expenditures was due mainly to an increase in special assessment revenues of \$10, an increase in intergovernmental revenues of \$25,531, an increase in interest earnings of \$1,544, an increase in other miscellaneous revenues of \$109,115, a decrease in public safety-related capital expenditures of \$178,087, a decrease in highways and streets-related capital expenditures of \$1,188,370, a decrease in culture and recreation-related capital expenditures of \$32,640, a decrease in economic development-related capital expenditures of \$167,446, and a decrease in the costs associated with debt service of \$79,099. These increased revenues and decreased expenditures were offset by decreased revenues from taxes of \$109,517, decreased revenues from charges for services of \$337, increased general government-related capital expenditures of \$362,877, and increased human services-related capital expenditures of \$1,888.
- The Construction Capital Projects Fund balance increased by \$202,086 mainly due to an operating transfer from the General Fund totaling \$297,795, which was offset by excess expenditures over revenues of \$95,709. For the prior year ended December 31, 2014, excess expenditures over revenues totaled \$2,167,980. The decrease in excess expenditures over revenues of \$2,072,271 was due mainly to an increase in intergovernmental revenues of \$185,058 and a decrease in general government-related construction expenditures of \$2,181,983, which was offset by a decrease in interest earnings and other miscellaneous revenues totaling \$33,762 and by an increase in conservation of natural resources-related construction expenditures of \$261,008. The primary revenue sources for the Construction Capital Projects Fund in 2015 and forward is a Department of Natural Resources grant to fund a drainage project in a local lake improvement district. The primary purpose of this fund in 2015 and forward will be to account for the revenues and expenditures associated with this drainage project, as well as any other major capital project that will be undertaken in the future.
- The Prairie Lakes Municipal Solid Waste Authority Debt Service Fund balance decreased by \$1,035,950 due to excess expenditures over revenues of \$1,035,950. For the prior year ended December 31, 2014, excess expenditures over revenues totaled \$392,761. The \$643,189 increase in excess expenditures over revenues is due to decreased interest earnings and miscellaneous revenues totaling \$7,254 and an increase in debt service costs (principal and interest) of \$635,935.

- The fund balance as of December 31, 2015, for all other governmental funds decreased by \$590,052. This decrease was due mainly to excess expenditures over revenues of \$588,697 and a transfer from the Sheriff’s Contingent Special Revenue Fund to the General Fund in the amount of \$1,689, which was offset by a \$334 operating transfer from the General Fund to the Ethanol Plant Debt Service Fund. For the prior year ended December 31, 2014, excess expenditures over revenues totaled \$623,466. The \$34,769 decrease in excess expenditures over revenues is due mainly to an increase in special assessment revenues of \$39,570, an increase in intergovernmental revenues of \$12,772, an increase in revenues from fines and forfeits of \$1,679, an increase in interest earnings and miscellaneous revenues of \$20,208, and a decrease in general government-related expenditures of \$8,137. These increased revenues and decreased expenditures were offset by a decrease in tax revenues of \$5,559, an increase in public safety-related expenditures of \$5,120, an increase in conservation of natural resources-related expenditures of \$30,739, and an increase in debt service costs (principal and interest) of \$6,179.

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 Funding Progress - 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 accrual basis of accounting, which is similar to the accounting method used by most private-sector companies.

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

You can think of net position--the difference between assets and liabilities--as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net position 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, 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, 2015, was \$175,089,462. 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	
	2015	2014	2015	2014	2015	2014
Assets						
Current and other assets	\$ 94,482,974	\$ 85,074,047	\$ 5,232,503	\$ 5,950,912	\$ 99,715,477	\$ 91,024,959
Capital assets	146,468,832	144,131,896	6,092,385	5,816,251	152,561,217	149,948,147
Total Assets	\$ 240,951,806	\$ 229,205,943	\$ 11,324,888	\$ 11,767,163	\$ 252,276,694	\$ 240,973,106
Deferred Outflows of Resources						
Deferred pension outflows	\$ 3,201,029	\$ -	\$ 164,644	\$ -	\$ 3,365,673	\$ -
Liabilities						
Long-term debt outstanding	\$ 71,112,529	\$ 55,493,734	\$ 2,941,467	\$ 1,678,087	\$ 74,053,996	\$ 57,171,821
Other liabilities	4,089,952	4,762,947	351,837	422,890	4,441,789	5,185,837
Total Liabilities	\$ 75,202,481	\$ 60,256,681	\$ 3,293,304	\$ 2,100,977	\$ 78,495,785	\$ 62,357,658
Deferred Inflows of Resources						
Deferred pension inflows	\$ 1,949,506	\$ -	\$ 107,614	\$ -	\$ 2,057,120	\$ -
Net Position						
Invested in capital assets, net of debt	\$ 131,626,120	\$ 127,738,054	\$ 6,092,385	\$ 5,816,251	\$ 137,718,505	\$ 133,554,305
Restricted	14,788,214	4,295,209	67,870	98,047	14,856,084	4,393,256
Unrestricted	20,586,514	36,915,999	1,928,359	3,751,888	22,514,873	40,667,887
Total Net Position, as reported	\$ 167,000,848	\$ 168,949,262	\$ 8,088,614	\$ 9,666,186	\$ 175,089,462	\$ 178,615,448
Change in accounting principle*		(16,679,093)		(1,086,856)		(17,765,949)
Total Net Position, as restated		\$ 152,270,169		\$ 8,579,330		\$ 160,849,499

*This is the first year the County implemented the new pension accounting and financial reporting standards, GASB Statements 68, 71, and 82. The County had to make a prior year change in accounting principles to record the County's net pension liability and related deferred outflows of resources.

Otter Tail County's total net position for the year ended December 31, 2015, is \$175,089,462. Unrestricted net position totaling \$22,514,873 is available to finance day-to-day operations. Of the unrestricted net position, \$20,586,514 is available for governmental activities, and \$1,928,359 is available for business-type activities. As of December 31, 2014, Otter Tail County's total net position was \$178,615,448. The decrease of \$3,525,986 is due mainly to an increase in invested in capital assets, net of debt of \$4,164,200, which resulted from increases in capital assets for buildings and infrastructure and a decrease in debt; an increase in restricted net position of \$10,462,828, which is the result of turn-back funds received by the County's Highway Department from the State of Minnesota; and a decrease in unrestricted of \$18,153,014, mainly due to a change in accounting principles requiring the reporting of pension liabilities and related deferred outflows of resources, which resulted in the restatement of the January 1, 2015, total net position from \$178,615,448 to \$160,849,499. (See the financial statements and the notes to the financial statements for additional information).

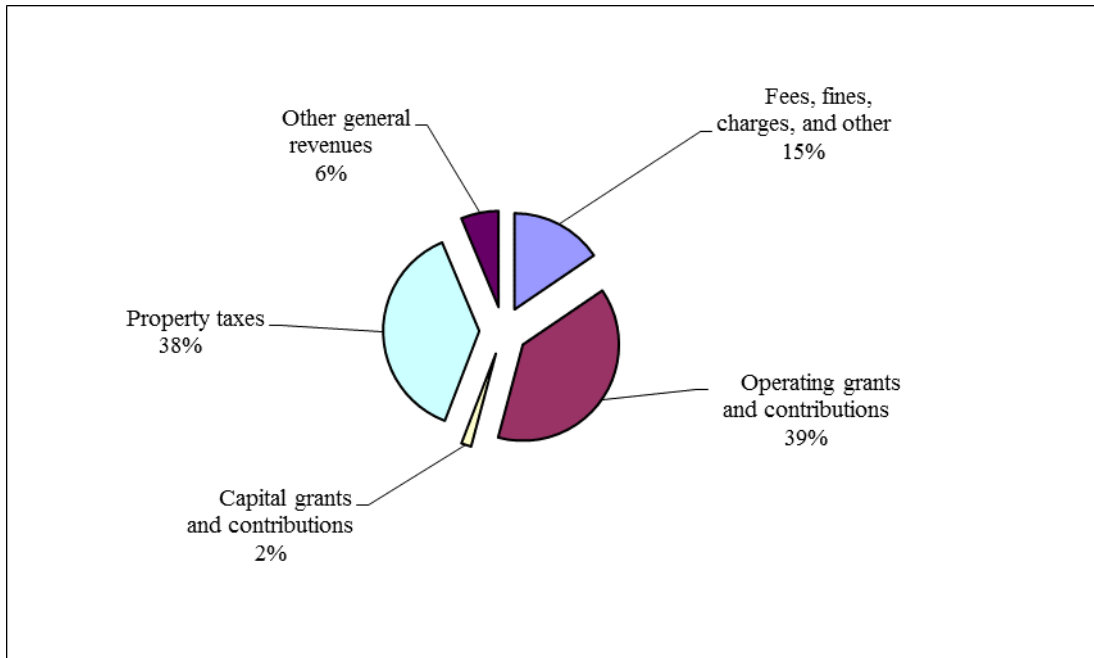
**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Fees, fines, charges, and other	\$ 7,593,108	\$ 8,520,214	\$ 6,657,384	\$ 7,523,057	\$ 14,250,492	\$ 16,043,271
Operating grants and contributions	35,322,976	23,871,053	212,795	196,489	35,535,771	24,067,542
Capital grants and contributions	1,556,956	2,099,864	-	-	1,556,956	2,099,864
General revenues						
Property taxes	34,786,398	33,681,159	-	-	34,786,398	33,681,159
Other taxes	758,097	704,712	-	-	758,097	704,712
Grants and contributions	3,625,080	3,088,750	-	-	3,625,080	3,088,750
Other general revenues	1,419,462	1,205,250	8,988	10,829	1,428,450	1,216,079
Total Revenues	\$ 85,062,077	\$ 73,171,002	\$ 6,879,167	\$ 7,730,375	\$ 91,941,244	\$ 80,901,377
Expenditures						
Program expenses						
General government	\$ 13,646,314	\$ 13,566,494	\$ -	\$ -	\$ 13,646,314	\$ 13,566,494
Public safety	12,685,049	12,128,468	-	-	12,685,049	12,128,468
Highways and streets	18,380,146	15,523,371	-	-	18,380,146	15,523,371
Human services	18,177,390	16,556,039	-	-	18,177,390	16,556,039
Health	3,169,396	2,687,605	-	-	3,169,396	2,687,605
Culture and recreation	752,170	720,722	-	-	752,170	720,722
Conservation of natural resources	1,823,563	1,181,689	-	-	1,823,563	1,181,689
Economic development	87,270	197,944	-	-	87,270	197,944
Interest	1,610,100	1,677,744	-	-	1,610,100	1,677,744
Landfill	-	-	7,369,883	7,904,225	7,369,883	7,904,225
Total Program Expenses	\$ 70,331,398	\$ 64,240,076	\$ 7,369,883	\$ 7,904,225	\$ 77,701,281	\$ 72,144,301
Increase (Decrease) in Net Position	\$ 14,730,679	\$ 8,930,926	\$ (490,716)	\$ (173,850)	\$ 14,239,963	\$ 8,757,076

Otter Tail County's total revenues for the year ended December 31, 2015, were \$91,941,244, which is an increase over the total revenues for 2014 of \$11,039,867. The total cost of programs and services for the year ended December 31, 2015, were \$77,701,281, which is an increase over the total cost of programs in 2014 of \$5,556,980. In 2014, the net position for governmental activities and business-type activities increased \$8,757,076 and, in 2015, the net position for governmental and business-type activities increased \$14,239,963; however, Otter Tail County's total net position decreased between December 31, 2014, and December 31, 2015, due mainly to a change in accounting principles requiring the reporting of pension liabilities. Please see the discussion following Table 1, as well as the financial statements and the notes to the financial statements for additional information.

The \$11,039,867 increase in revenues from 2014 is due mainly to increases in operating grants and contributions, property and other taxes, grants and contributions, and other miscellaneous revenues, which were offset by decreases in revenues from fees, fines, charges for services, and capital grants and contributions. The \$5,556,980 increase in program expenses is due to increased general government, public safety, highways and streets, human services, health, culture and recreation, and conservation of natural resources-related program expenses, which were offset slightly by decreased economic development, interest, and business-type activities program expenses.

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



Governmental Activities

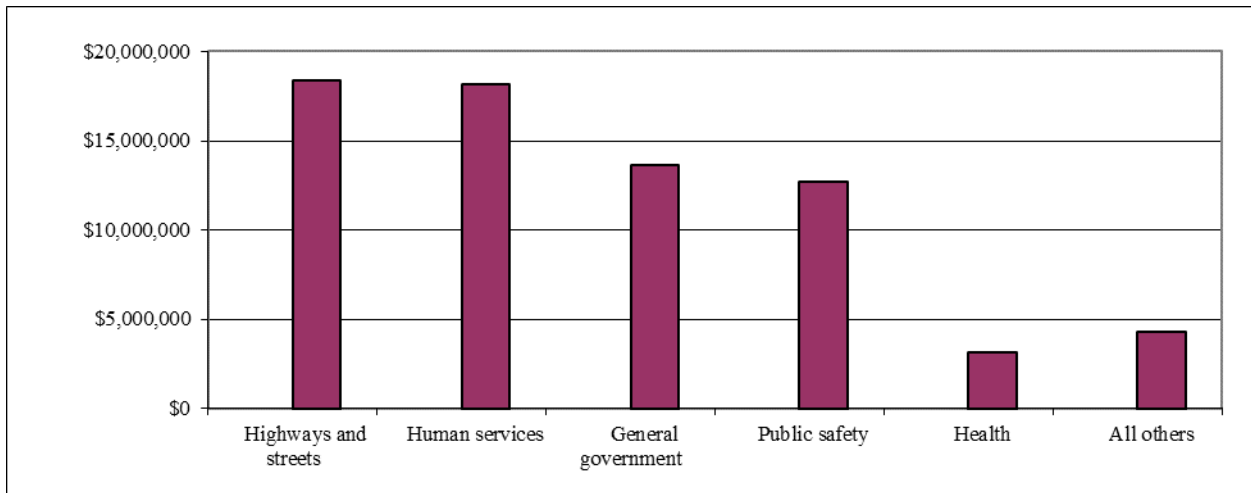
Revenues for Otter Tail County’s governmental activities for the year ended December 31, 2015, were \$85,062,077. Costs for all governmental activities for the year ended December 31, 2015, were \$70,331,398. As shown in the Statement of Activities, the amount that County taxpayers ultimately financed for these governmental activities through local property taxation was \$34,786,398, because \$7,593,108 of the costs were paid by those who directly benefited from the programs, and \$36,879,932 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 \$5,802,639 in general revenues, primarily grants and contributions not restricted to specific programs or services, and with other revenues such as investment income, mortgage registration tax, and deed tax.

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

**Table 3
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost (Revenue) of Services</u>
Program expenses		
Highways and streets	\$ 18,380,146	\$ (6,495,043)
Human services	18,177,390	7,680,925
General government	13,646,314	8,651,113
Public safety	12,685,049	11,588,161
Health	3,169,396	729,784
All others	<u>4,273,103</u>	<u>3,703,418</u>
 Total Program Expenses	 <u>\$ 70,331,398</u>	 <u>\$ 25,858,358</u>

**Governmental Activities Expenses
2015**



Business-Type Activities

Revenues of Otter Tail County’s business-type activities (see Table 2) for the year ended December 31, 2015, were \$6,879,167. This compares with total operating revenues of \$7,523,057 and total nonoperating revenues of \$207,318 for the year ended December 31, 2014. Operating revenues decreased by \$865,673, and nonoperating revenues increased by \$14,465, resulting in an overall decrease in revenues of \$851,208.

Expenses of business-type activities (see Table 2) for the year ended December 31, 2015, were \$7,369,883. This compares with total operating expenses of \$7,892,057 and total nonoperating expenses of \$12,168 for the year ended December 31, 2014. Operating expenses decreased by \$526,129, and nonoperating expenses decreased by \$8,112, resulting in an overall decrease in expenses of \$534,241, which is due mainly to decreased waste management-related expenditures of \$655,607, decreased SCORE-related expenditures of \$1,095, decreased landfill closure and postclosure care costs of \$53,261, and decreased interest expense of \$8,112; which were offset by increased household hazardous waste-related expenditures of \$40,118, processing costs-related expenditures of \$86,830, and increased depreciation expense of \$56,886.

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 \$83,526,824, which is more than last year's total of \$75,824,317. The increased fund balance of \$7,702,507 is due to an increase in the General Fund balance of \$1,255,616, an increase in the Road and Bridge Special Revenue Fund balance of \$6,506,955, an increase in the Human Services Special Revenue Fund balance of \$456,884, an increase in the Capital Improvement Special Revenue Fund balance of \$906,968, an increase in the Construction Capital Projects Fund balance of \$202,086, a decrease in the Prairie Lakes Municipal Solid Waste Authority Debt Service Fund balance of \$1,035,950, and a decrease in the other governmental funds' fund balances of \$590,052.

As you will note, there were changes within individual funds. The overall fund balance change represented a 10.2 percent increase. The Road and Bridge Special Revenue Fund balance experienced a significant increase of \$6,506,955, which accounts for 84.5 percent of the total fund balance increase and resulted mainly from turn-back funds received from the Minnesota Department of Transportation. The experienced fund balance increase in the Capital Improvement Special Revenue was a planned increase for future anticipated capital projects. The other nonmajor governmental funds experienced a total fund balance decrease of \$590,052. The primary reason for that change is excess expenditures over revenues in the County's special revenue and debt service funds; primarily, the Ethanol Plant Debt Service Fund, which pays current debt service obligation (principal and interest) with funds previously collected through a bankruptcy action.

Included in this year's total fund balance is the General Fund balance of \$21,736,502, an increase of \$1,255,616 from 2014. The General Fund balance is classified as either nonspendable - \$646,244, restricted for specific purposes - \$1,475,049, assigned to specific uses - \$364,279, or unassigned - \$19,250,930.

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 2015, 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 16, 2014, 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 \$503,822. Total actual expenditures in the General Fund were under the budgeted expenditures by \$641,355. The actual operating transfers out exceeded the budgeted operating transfers out by \$296,248. The actual other financing sources were \$91,736 and exceeded the budgeted amount because of an unplanned capital lease/installment purchase and unanticipated excess funds in the Sheriff's Contingent Special Revenue Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2015, Otter Tail County had \$152,561,217 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 \$2,613,070, or a 1.74 percent increase, over last year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 4,414,001	\$ 4,347,933	\$ 195,934	\$ 195,934	\$ 4,609,935	\$ 4,543,867
Construction in progress	258,986	11,426,646	-	319,803	258,986	11,746,449
Land improvements	111,057	97,839	-	-	111,057	97,839
Buildings and improvements	32,228,300	21,594,711	3,319,318	3,530,604	35,547,618	25,125,315
Machinery, furniture, and equipment	5,629,022	5,025,200	818,727	718,986	6,447,749	5,744,186
Infrastructure	103,827,466	101,639,567	136,310	-	103,963,776	101,639,567
Landfill	-	-	1,622,096	1,050,924	1,622,096	1,050,924
Totals	<u>\$ 146,468,832</u>	<u>\$ 144,131,896</u>	<u>\$ 6,092,385</u>	<u>\$ 5,816,251</u>	<u>\$ 152,561,217</u>	<u>\$ 149,948,147</u>

During calendar year 2015, Otter Tail County's governmental activities' capital assets, net of depreciation, increased a total of \$2,336,936. This year's major additions include the addition of machinery, furniture, 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 original Courthouse structure, Government Services Center, New York Mills office building, dispatch center, and building security issues have been prepared. A number of these projects were started in late 2012/early 2013, with substantial completion for all of these projects in 2015. More detailed information about Otter Tail County's capital assets can be found in Note 3.A.4. to the financial statements.

In the future, Otter Tail County will be considering plans for the expansion of the detention facility, upgrades to County highway maintenance structures, and improvements to the Henning Transfer Station.

Bonded Debt

As of December 31, 2015, Otter Tail County had \$45,347,519 in bonds and notes outstanding, compared with \$48,629,184 as of December 31, 2014, a decrease of 6.75 percent--as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Bonds payable						
General obligation bonds	\$ 10,240,000	\$ 11,760,000	\$ -	\$ -	\$ 10,240,000	\$ 11,760,000
Revenue bonds	31,455,000	32,860,000	-	-	31,455,000	32,860,000
Lease revenue bonds	3,420,000	3,770,000	-	-	3,420,000	3,770,000
Plus: Unamortized premium	387,904	410,254	-	-	387,904	410,254
Less: Unamortized discount	(155,385)	(171,070)	-	-	(155,385)	(171,070)
Totals	<u>\$ 45,347,519</u>	<u>\$ 48,629,184</u>	<u>\$ -</u>	<u>\$ -</u>	<u>45,347,519</u>	<u>\$ 48,629,184</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 \$268,860,219 state-imposed limit. The County's financial advisor annually reviews the outstanding debt issues to determine which, if any, issues should be considered for refinancing.

Other obligations include capital leases, compensated absences, other postemployment benefits liability, and landfill closure and postclosure care costs. The notes to the financial statements (Notes 3.C.3-7) provide detailed information about the County's long-term liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- Otter Tail County continues to have a very balanced and strong seasonal, residential, commercial/industrial, and agricultural tax base. Keeping this tax base vital and healthy is very important to the County's overall financial health and condition.
- Cost of fuel for vehicles, heating, and any related petroleum products used for highway maintenance and construction projects varies from year to year. Significant increases will impact a number of departmental budgets, as well as potentially influence which projects and the number of projects will be undertaken in any given year.
- Otter Tail County uses technology whenever possible to reduce employee travel and time away from work attending meetings.
- Otter Tail County has undertaken a number of building projects in the recent past to make the County's facilities more energy efficient.
- 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 46 percent of the County's total 2015 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. It should be noted that the Pay 2015 net levy was \$1,178,306 more than the Pay 2014 net levy, which was a 3.51 percent increase. The overall County rate for Pay 2015 is 41.517 percent, which is an approximate 1.00 percent decrease over the Pay 2014 County rate of 41.945. The Pay 2015 net tax capacity rate has held fairly constant due to a 4.6 percent increase in the County's total taxable net tax capacity.
- The possible imposition of levy limitations for future taxes payable years will require that the County carefully review its current financial position to ensure that Otter Tail County has adequate funding to provide the desired level of services and to meet the demands of the public. Consideration and discussions regarding the availability of special levies, the issuance of debt, and/or capital notes will be an important part of the overall budget review and levy adoption process. Limitations on the availability of property tax revenue can result in increasing fees charged for services and/or reducing the level of service provided.

- In addition to possible state-imposed levy limitations, other legislative changes and current economic conditions require that, as the County operates under the adopted budget for 2016 and develops the 2017 budget, a careful review must be made of revenue sources other than property taxes, as well as reviewing current and proposed expenditures and how services and programs are delivered to the public to help ensure that meaningful services and programs are delivered in the most cost-effective manner possible and that the County maintains a sound financial position.
- The net property tax levy for 2016 is scheduled to increase by 4.68 percent, or approximately \$1,623,905, and will result in a County tax rate of 42.129 percent.
- Otter Tail County's unemployment rate for 2016 averaged 5.02 percent through June 30, 2016. However, it should be noted that the unemployment rate for the month of June was 3.9 percent. The County's unemployment rate for 2015 averaged 4.2 percent, 2014 averaged 4.7 percent, 2013 averaged 5.3 percent, 2012 averaged 5.6 percent, 2011 averaged 6.3 percent, 2010 averaged 7.2 percent, 2009 averaged 8.3 percent, 2008 averaged 6.1 percent, and 2007 averaged 5.4 percent. An increasing unemployment rate could impact the level of services requested by residents and on the County's ability to generate the revenues necessary to pay for these additional services.
- Settling union contracts and employment-related cost/issues are carefully considered as they can, and will, significantly impact future budgets. Providing health coverage for employees and the ever increasing cost of health care is a budgetary concern for County officials. Employee health coverage will undergo significant review in 2016.
- The cross-training of current staff, determining the appropriate level for future staffing needs, and continuing to transition the current organizational structure to the divisional organization structure has played, and will continue to play, an important role in the budget development process.
- Developing, training, and staffing the Finance Division to properly manage (budget, accounting, and timely internal/external reporting) the County's growing programs and functions will be critical to the future financial success of the County.
- Reviewing revenue sources and considering cost-effective and efficient means for the delivery of programs and services will influence the development of future budgets.
- Future facility needs will impact the County's budget and are reviewed annually as operating and capital budgets are developed.
- With limited financial resources and the desire by the Otter Tail County Board of Commissioners to minimize the increase in local property taxation, the prioritization and review of programs and services will be extremely important as future budgets are developed and efforts are made to control expenditures.

- Outstanding debt issues and refinancing options are reviewed.
- Past high water issues in many parts of Otter Tail County have identified to administration the need to redetermine the benefits of many of the County's drainage systems, the need to complete minor maintenance/repairs to a number of these drainage systems, the need to levy assessments to cover these maintenance/repair costs, and to build a maintenance fund for future maintenance/repairs to these drainage systems. Addressing issues related to the various drainage systems is time consuming and often costly. The repair and maintenance of drainage systems and the financial management of those costs may require additional staffing to meet the ever increasing demand. Drainage system projects generally are paid for by the benefited properties through special assessments; however, budgetary consideration needs to be given as to how the upfront (development, repair and/or construction) costs of these projects are financed prior to the special assessments being levied to reimburse the County for the costs of the projects.
- 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 to assist with the financing of road maintenance and road reconstruction issues.
- The implementation of new technology, the costs associated with implementation, and the costs associated with training staff in the proper use of technology are important factors considered when allocating budgetary resources. The County is currently involved with a project to rewrite its existing assessment and property tax software, which will allow the County to use existing technology more effectively. This project is approximately 18 months behind schedule, and the delay would result in added cost to maintain the existing system. Conversion to the new software is anticipated to begin in mid-to-late 2017 and should be completed by early 2018.
- Adequate housing, availability of childcare, 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.

- Otter Tail County has a significant investment in the Perham Resource Recovery Facility, which is managed by the Prairie Lakes Municipal Solid Waste Authority. The Prairie Lakes Municipal Solid Waste Authority is a joint powers organization consisting of five counties. The Perham Resource Recovery Facility is an essential component in the management of Otter Tail County's solid waste and a significant supplier of energy to local businesses. The future financial success of the Perham Resource Recovery Facility is important to the repayment of Otter Tail County's investment.
- Other factors considered include:
 - planning and financing for facility needs and the maintenance of existing facilities;
 - planning and financing for building security;
 - planning and financing for the continued delivery of County-provided services given the uncertainty of state funding;
 - prioritizing the services provided and the method of delivery;
 - the level of funding provided to outside agencies;
 - land development and regulation (ordinance) issues, specifically as these regulations relate to the expansion of the County's resort industry;
 - organizational structure (including planning, considering, and discussing with neighboring counties the possibility of shared services and personnel);
 - a greater demand for services which has resulted from the growth that Otter Tail County has experienced over the years;
 - economic conditions, market conditions, and unemployment rates need to be monitored to ensure that the County expenditure levels do not exceed its ability to generate the necessary revenues to finance costs;
 - legislative changes which impact County programs and services;
 - policies and procedures necessary to comply with state and federal rules and regulations;
 - reviewing comparative financial data from other Minnesota counties; and
 - the need to improve both internal and external administrative and financial reporting to ensure that the most current information is available to the decision makers.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Primary Government			Prairie Lakes Municipal Solid Waste Authority Component Unit
	Governmental Activities	Business-Type Activities	Total	
<u>Assets</u>				
Cash and pooled investments	\$ 55,138,297	\$ 1,152,953	\$ 56,291,250	\$ -
Taxes receivable - prior	945,358	-	945,358	-
Special assessments receivable				
Prior	5,227	-	5,227	-
Noncurrent	255,756	-	255,756	-
Accounts receivable	379,937	237,506	617,443	87,096
Accrued interest receivable	45,747	-	45,747	-
Internal balances	303,888	(303,888)	-	-
Due from other governments	7,722,364	68,798	7,791,162	181,164
Due from component unit	165,614	1,210	166,824	-
Due from primary government	-	-	-	179,989
Lease receivable	90,041	-	90,041	-
Inventories	505,946	-	505,946	-
Restricted assets				
Temporarily restricted				
Cash with escrow agent	304,547	-	304,547	-
Permanently restricted				
Cash and pooled investments	-	1,287,304	1,287,304	-
Advance to component unit	27,645,000	2,788,620	30,433,620	-
Long-term lease receivable	975,252	-	975,252	-
Capital assets				
Non-depreciable	4,672,987	195,934	4,868,921	29,369,269
Depreciable - net of accumulated depreciation	141,795,845	5,896,451	147,692,296	4,369,288
Total Assets	\$ 240,951,806	\$ 11,324,888	\$ 252,276,694	\$ 34,186,806
<u>Deferred Outflows of Resources</u>				
Deferred pension outflows	\$ 3,201,029	\$ 164,644	\$ 3,365,673	\$ 448,459

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Primary Government			Prairie Lakes Municipal Solid Waste Authority Component Unit
	Governmental Activities	Business-Type Activities	Total	
<u>Liabilities</u>				
Accounts payable	\$ 956,535	\$ 74,523	\$ 1,031,058	\$ 198,212
Salaries payable	1,457,180	87,705	1,544,885	81,800
Contracts payable	640,206	15,390	655,596	473,701
Due to other governments	421,151	-	421,151	50,490
Due to component unit	5,770	174,219	179,989	-
Due to primary government	-	-	-	166,824
Accrued interest payable	350,463	-	350,463	-
Unearned revenue	23,729	-	23,729	-
Employee deposits	234,918	-	234,918	-
Advance from primary government	-	-	-	1,060,000
Long-term liabilities				
Due within one year	4,695,879	88,536	4,784,415	108,774
Due in more than one year	46,690,535	1,567,167	48,257,702	29,542,443
Other postemployment benefits	1,181,315	104,253	1,285,568	-
Net pension liability	18,544,800	1,181,511	19,726,311	1,290,446
Total Liabilities	\$ 75,202,481	\$ 3,293,304	\$ 78,495,785	\$ 32,972,690
<u>Deferred Inflows of Resources</u>				
Deferred pension inflows	\$ 1,949,506	\$ 107,614	\$ 2,057,120	\$ 65,060
<u>Net Position</u>				
Net investment in capital assets	\$ 131,626,120	\$ 6,092,385	\$ 137,718,505	\$ 8,162,702
Restricted for				
General government	1,247,050	-	1,247,050	-
Public safety	549,928	-	549,928	-
Highways and streets	12,194,127	-	12,194,127	-
Human services	130,479	-	130,479	-
Postclosure care	-	67,870	67,870	-
Conservation of natural resources	490,513	-	490,513	-
Held in trust for other purposes	176,117	-	176,117	-
Unrestricted	20,586,514	1,928,359	22,514,873	(6,565,187)
Total Net Position	\$ 167,000,848	\$ 8,088,614	\$ 175,089,462	\$ 1,597,515

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Expenses	Fees, Charges, Fines, and Other	Program Revenues Operating Grants and Contributions
<u>Functions/Programs</u>			
Primary Government			
Governmental activities			
General government	\$ 13,646,314	\$ 4,478,834	\$ 516,367
Public safety	12,685,049	313,507	783,381
Highways and streets	18,380,146	412,096	22,969,502
Human services	18,177,390	1,496,494	8,947,304
Health	3,169,396	697,037	1,731,877
Culture and recreation	752,170	-	-
Conservation of natural resources	1,823,563	195,140	374,545
Economic development	87,270	-	-
Interest	1,610,100	-	-
	\$ 70,331,398	\$ 7,593,108	\$ 35,322,976
Business-type activities			
Solid waste	7,369,883	6,657,384	212,795
	\$ 77,701,281	\$ 14,250,492	\$ 35,535,771
Component unit			
Prairie Lakes Municipal Solid Waste Authority	\$ 6,939,952	\$ 5,563,727	\$ -

General Revenues

Property taxes
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 (Notes 1.E. and 9.A.4.)

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		
\$ -	\$ (8,651,113)	\$ -	\$ (8,651,113)	
-	(11,588,161)	-	(11,588,161)	
1,493,591	6,495,043	-	6,495,043	
52,667	(7,680,925)	-	(7,680,925)	
10,698	(729,784)	-	(729,784)	
-	(752,170)	-	(752,170)	
-	(1,253,878)	-	(1,253,878)	
-	(87,270)	-	(87,270)	
-	(1,610,100)	-	(1,610,100)	
\$ 1,556,956	\$ (25,858,358)	\$ -	\$ (25,858,358)	
-	-	(499,704)	(499,704)	
\$ 1,556,956	\$ (25,858,358)	\$ (499,704)	\$ (26,358,062)	
\$ -				\$ (1,376,225)
	\$ 34,786,398	\$ -	\$ 34,786,398	\$ -
	180,695	-	180,695	-
	32,980	-	32,980	-
	3,625,080	-	3,625,080	-
	544,422	-	544,422	-
	(29,016)	8,988	(20,028)	-
	1,448,478	-	1,448,478	-
	\$ 40,589,037	\$ 8,988	\$ 40,598,025	\$ -
	\$ 14,730,679	\$ (490,716)	\$ 14,239,963	\$ (1,376,225)
	152,270,169	8,579,330	160,849,499	2,973,740
	\$ 167,000,848	\$ 8,088,614	\$ 175,089,462	\$ 1,597,515

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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, 2015**

	General	Road and Bridge	Human Services
<u>Assets</u>			
Cash and pooled investments	\$ 20,608,292	\$ 10,824,246	\$ 13,545,149
Petty cash and change funds	3,400	50	200
Undistributed cash in agency funds	379,492	55,742	162,691
Taxes receivable - prior	472,133	87,416	262,688
Special assessments			
Prior	-	398	-
Noncurrent	-	-	-
Accounts receivable	148,191	1,718	230,028
Accrued interest receivable	45,747	-	-
Due from other funds	136,755	86,947	6,719
Due from other governments	104,278	6,012,479	1,589,480
Lease receivable	1,065,293	-	-
Advance to other funds	470,127	-	-
Inventories	-	505,946	-
Advance to component unit	-	-	-
Restricted assets			
Temporarily restricted			
Cash with escrow agent	47,858	-	-
Total Assets	\$ 23,481,566	\$ 17,574,942	\$ 15,796,955
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 247,400	\$ 127,349	\$ 525,875
Salaries payable	745,989	181,900	529,291
Contracts payable	-	640,206	-
Due to other funds	8,311	-	5,783
Due to other governments	92,725	12,212	316,122
Due to component unit	5,770	-	-
Unearned revenues	-	1,742	21,987
Advance from other funds	-	-	-
Employee deposits	234,918	-	-
Total Liabilities	\$ 1,335,113	\$ 963,409	\$ 1,399,058
Deferred Inflows of Resources			
Unavailable revenues	\$ 409,951	\$ 5,896,524	\$ 386,172

EXHIBIT 3

<u>Capital Improvement</u>	<u>Construction Capital Projects</u>	<u>Prairie Lakes Municipal Solid Waste Authority Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,153,848	\$ -	\$ -	\$ 5,324,384	\$ 54,455,919
-	-	-	-	3,650
47,534	-	-	33,269	678,728
73,575	-	-	49,546	945,358
-	-	-	4,829	5,227
-	-	-	255,756	255,756
-	-	-	-	379,937
-	-	-	-	45,747
882	-	392	-	231,695
11,844	-	-	4,283	7,722,364
-	-	-	-	1,065,293
-	-	-	-	470,127
-	-	-	-	505,946
-	-	27,645,000	-	27,645,000
-	-	-	256,689	304,547
<u>\$ 4,287,683</u>	<u>\$ -</u>	<u>\$ 27,645,392</u>	<u>\$ 5,928,756</u>	<u>\$ 94,715,294</u>
\$ 693	\$ 46,293	\$ 1,000	\$ 7,925	\$ 956,535
-	-	-	-	1,457,180
-	-	-	-	640,206
-	29,656	-	86,947	130,697
-	-	-	-	421,059
-	-	-	-	5,770
-	-	-	-	23,729
-	-	-	267,329	267,329
-	-	-	-	234,918
<u>\$ 693</u>	<u>\$ 75,949</u>	<u>\$ 1,000</u>	<u>\$ 362,201</u>	<u>\$ 4,137,423</u>
<u>\$ 58,645</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 299,755</u>	<u>\$ 7,051,047</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	General	Road and Bridge	Human Services
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
(Continued)			
Fund Balances			
Nonspendable			
Inventories	\$ -	\$ 505,946	\$ -
Advances to other funds	470,127	-	-
Missing heirs	176,117	-	-
Restricted			
Debt service	-	-	-
Law library	-	-	-
Recorder's technology equipment	478,615	-	-
Real estate shortfall	266,432	-	-
E-911	-	-	-
Recorder's compliance	374,241	-	-
Veteran's van	14,366	-	-
County state-aid highway system	-	51,033	-
Handgun permits	57,123	-	-
Ditch maintenance and construction	-	-	-
Sheriff's contingencies	-	-	-
Snowmobile trails	46,418	-	-
Emergency management	12,953	-	-
Aquatic invasive species	224,901	-	-
County turnback	-	8,600,000	-
Child protection	-	-	130,479
Assigned			
Property and casualty insurance	235,824	107,573	52,097
Workers' compensation	128,455	111,987	53,719
Debt service	-	-	-
General government	-	-	-
Public safety	-	-	43,626
Highways and streets	-	1,338,470	-
Human services	-	-	12,462,932
Health	-	-	1,268,872
Culture and recreation	-	-	-
Unassigned	19,250,930	-	-
Total Fund Balances	\$ 21,736,502	\$ 10,715,009	\$ 14,011,725
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 23,481,566	\$ 17,574,942	\$ 15,796,955

EXHIBIT 3
(Continued)

<u>Capital Improvement</u>	<u>Construction Capital Projects</u>	<u>Prairie Lakes Municipal Solid Waste Authority Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 505,946
-	-	-	-	470,127
-	-	-	-	176,117
-	-	27,644,392	4,994,846	32,639,238
-	-	-	113,396	113,396
-	-	-	-	478,615
-	-	-	-	266,432
428,434	-	-	-	428,434
-	-	-	-	374,241
-	-	-	-	14,366
-	-	-	-	51,033
-	-	-	-	57,123
-	-	-	265,612	265,612
-	-	-	5,000	5,000
-	-	-	-	46,418
-	-	-	-	12,953
-	-	-	-	224,901
-	-	-	-	8,600,000
-	-	-	-	130,479
-	-	-	-	395,494
-	-	-	-	294,161
-	-	-	94,830	94,830
514,508	-	-	-	514,508
1,094,755	-	-	10,661	1,149,042
1,990,392	-	-	-	3,328,862
131,097	-	-	-	12,594,029
50,159	-	-	-	1,319,031
19,000	-	-	-	19,000
-	(75,949)	-	(217,545)	18,957,436
<u>\$ 4,228,345</u>	<u>\$ (75,949)</u>	<u>\$ 27,644,392</u>	<u>\$ 5,266,800</u>	<u>\$ 83,526,824</u>
<u><u>\$ 4,287,683</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 27,645,392</u></u>	<u><u>\$ 5,928,756</u></u>	<u><u>\$ 94,715,294</u></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, 2015**

Fund balances - total governmental funds (Exhibit 3)		\$ 83,526,824
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		146,468,832
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		3,201,029
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.		7,051,047
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		165,614
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	\$ (10,240,000)	
Revenue bonds	(31,455,000)	
Other postemployment benefits	(1,181,315)	
Facility lease revenue bonds	(3,420,000)	
Bond discount	155,385	
Bond premiums	(387,904)	
Accrued interest payable	(350,463)	
Compensated absences	(4,925,748)	
Capital leases payable	(1,113,147)	
Net pension liability	<u>(18,544,800)</u>	(71,462,992)
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>(1,949,506)</u>
Net Position of Governmental Activities (Exhibit 1)		<u><u>\$ 167,000,848</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, 2015**

	General	Road and Bridge	Human Services
Revenues			
Taxes	\$ 17,866,800	\$ 3,264,424	\$ 9,435,659
Special assessments	891	-	-
Licenses and permits	481,817	-	-
Intergovernmental	3,691,959	22,190,240	11,891,195
Charges for services	1,349,349	288,332	1,626,801
Fines and forfeits	12,906	-	-
Gifts and contributions	250	-	73,365
Investment earnings	133,754	-	-
Miscellaneous	2,277,217	161,980	694,969
	\$ 25,814,943	\$ 25,904,976	\$ 23,721,989
Expenditures			
Current			
General government	\$ 12,793,529	\$ -	\$ -
Public safety	9,337,712	-	2,292,410
Highways and streets	-	18,172,908	-
Human services	1,761	-	17,850,568
Health	-	-	3,122,127
Culture and recreation	731,405	-	-
Conservation of natural resources	1,317,639	-	-
Economic development	85,440	-	-
Intergovernmental			
Highways and streets	-	1,332,650	-
Debt service			
Principal	85,448	-	-
Interest	-	-	-
	\$ 24,352,934	\$ 19,505,558	\$ 23,265,105
Excess of Revenues Over (Under) Expenditures	\$ 1,462,009	\$ 6,399,418	\$ 456,884
Other Financing Sources (Uses)			
Transfers in	\$ 1,689	\$ -	\$ -
Transfers out	(298,129)	-	-
Capital lease/installment purchase	90,047	-	-
	\$ (206,393)	\$ -	\$ -
Net Change in Fund Balance	\$ 1,255,616	\$ 6,399,418	\$ 456,884
Fund Balance - January 1	20,480,886	4,208,054	13,554,841
Increase (decrease) in inventories	-	107,537	-
Fund Balance - December 31	\$ 21,736,502	\$ 10,715,009	\$ 14,011,725

EXHIBIT 5

<u>Capital Improvement</u>	<u>Construction Capital Projects</u>	<u>Prairie Lakes Municipal Solid Waste Authority Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 2,759,892	\$ -	\$ -	\$ 1,676,111	\$ 35,002,886
10	-	-	218,673	219,574
-	-	-	-	481,817
407,945	185,058	-	39,659	38,406,056
1,346	-	-	-	3,265,828
-	-	-	68,743	81,649
-	-	-	-	73,615
8,688	-	-	488	142,930
276,690	-	1,017,756	581,563	5,010,175
\$ 3,454,571	\$ 185,058	\$ 1,017,756	\$ 2,585,237	\$ 82,684,530
\$ 420,217	\$ 19,759	\$ -	\$ 54,562	\$ 13,288,067
498,069	-	-	5,864	12,134,055
1,554,643	-	-	-	19,727,551
72,380	-	-	-	17,924,709
-	-	-	-	3,122,127
675	-	-	-	732,080
-	261,008	-	249,641	1,828,288
1,619	-	-	-	87,059
-	-	-	-	1,332,650
-	-	1,035,000	2,240,000	3,360,448
-	-	1,018,706	623,867	1,642,573
\$ 2,547,603	\$ 280,767	\$ 2,053,706	\$ 3,173,934	\$ 75,179,607
\$ 906,968	\$ (95,709)	\$ (1,035,950)	\$ (588,697)	\$ 7,504,923
\$ -	\$ 297,795	\$ -	\$ 334	\$ 299,818
-	-	-	(1,689)	(299,818)
-	-	-	-	90,047
\$ -	\$ 297,795	\$ -	\$ (1,355)	\$ 90,047
\$ 906,968	\$ 202,086	\$ (1,035,950)	\$ (590,052)	\$ 7,594,970
3,321,377	(278,035)	28,680,342	5,856,852	75,824,317
-	-	-	-	107,537
\$ 4,228,345	\$ (75,949)	\$ 27,644,392	\$ 5,266,800	\$ 83,526,824

**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, 2015**

Net change in fund balance - total governmental funds (Exhibit 5) \$ 7,594,970

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 - December 31	\$ 7,051,047	
Deferred inflows of resources - January 1	<u>(4,693,315)</u>	2,357,732

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	\$ 9,278,957	
Current year depreciation	<u>(6,942,021)</u>	2,336,936

Expenditures in the statement of activities are not reported as expenditures in the funds.		(4,125)
--	--	---------

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		
Capital lease/installment purchase issued		(90,047)

Principal repayments		
General obligation bonds	\$ 1,520,000	
Revenue bonds	1,405,000	
Facility lease revenue bonds	350,000	
Capital leases	<u>85,448</u>	3,360,448

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	\$ 25,808	
Amortization of premiums and discounts	6,665	
Change in compensated absences	(252,119)	
Change in other postemployment benefits	(98,942)	
Change in net pension liability, as restated	(966,226)	
Change in deferred outflows of resources, as restated	2,301,548	
Change in deferred inflows of resources	(1,949,506)	
Change in inventories	<u>107,537</u>	<u>(825,235)</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 14,730,679

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

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, 2015**

Assets

Current assets	
Cash and pooled investments	\$ 1,067,288
Petty cash and change funds	18,740
Undistributed cash in agency funds	66,925
Accounts receivable	237,506
Due from other funds	226
Due from other governments	68,798
Due from component unit	1,210
Total current assets	<u>\$ 1,460,693</u>
Restricted assets	
Cash and pooled investments	<u>\$ 1,287,304</u>
Noncurrent assets	
Advance to component unit	\$ 2,788,620
Capital assets	
Nondepreciable	195,934
Depreciable - net	5,896,451
Total noncurrent assets	<u>\$ 8,881,005</u>
Total Assets	<u>\$ 11,629,002</u>

Deferred Outflows of Resources

Deferred pension outflows	<u>\$ 164,644</u>
---------------------------	--------------------------

Liabilities

Current liabilities	
Accounts payable	\$ 74,523
Salaries payable	87,705
Contracts payable	15,390
Compensated absences payable	88,536
Due to other funds	101,316
Due to component unit	174,219
Advance from other funds	202,798
Total current liabilities	<u>\$ 744,487</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT 7
(Continued)**

**STATEMENT OF FUND NET POSITION
WASTE MANAGEMENT ENTERPRISE FUND
DECEMBER 31, 2015**

Liabilities (Continued)

Noncurrent liabilities	
Compensated absences payable	\$ 347,733
Estimated liability for landfill closure/postclosure care	1,219,434
Other postemployment benefits liability	104,253
Net pension liability	<u>1,181,511</u>
Total noncurrent liabilities	\$ <u>2,852,931</u>
Total Liabilities	\$ <u>3,597,418</u>

Deferred Inflows of Resources

Deferred pension inflows	<u>\$ 107,614</u>
--------------------------	-------------------

Net Position

Investment in capital assets	\$ 6,092,385
Restricted for postclosure care costs	67,870
Unrestricted	<u>1,928,359</u>
Total Net Position	\$ <u><u>8,088,614</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, 2015**

Operating Revenues	
Charges for services	\$ 6,067,938
Licenses and permits	2,640
Sale of recyclable materials	579,249
Miscellaneous	4,392
	<hr/>
Total Operating Revenues	\$ 6,654,219
Operating Expenses	
SCORE	\$ 1,362,882
Waste management	3,548,418
Household hazardous waste	208,493
Processing costs	1,741,716
Depreciation	470,673
Landfill closure and postclosure care costs	33,746
	<hr/>
Total Operating Expenses	\$ 7,365,928
Operating Income (Loss)	\$ (711,709)
Nonoperating Revenues (Expenses)	
Intergovernmental	\$ 212,795
Interest income	8,988
Interest income restricted for sanitation	3,266
Interest expense	(4,056)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ 220,993
Change in Net Position	\$ (490,716)
Net Position - January 1, as restated (Note 1.E.)	8,579,330
	<hr/>
Net Position - December 31	\$ 8,088,614
	<hr/> <hr/>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
WASTE MANAGEMENT ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 6,819,333
Payments to suppliers	(4,947,026)
Payments to employees	(1,920,322)
	<hr/>
Net cash provided by (used in) operating activities	\$ (48,015)
Cash Flows from Noncapital Financing Activities	
Intergovernmental	\$ 212,795
	<hr/>
Cash Flows from Capital and Related Financing Activities	
Advance to component unit	\$ (2,788,620)
Purchases of capital assets	(740,664)
Interest paid on advance	(4,056)
	<hr/>
Net cash provided by (used in) capital and related financing activities	\$ (3,533,340)
Cash Flows from Investing Activities	
Investment earnings received	\$ 13,281
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (3,355,279)
Cash and Cash Equivalents at January 1	<hr/>5,795,536
Cash and Cash Equivalents at December 31	<hr/><hr/>2,440,257
Cash and Cash Equivalents - Exhibit 7	
Cash and pooled investments	\$ 1,067,288
Petty cash and change funds	18,740
Undistributed cash in agency funds	66,925
Restricted cash and pooled investments	1,287,304
	<hr/>
Total Cash and Cash Equivalents	<hr/><hr/>\$ 2,440,257

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
WASTE MANAGEMENT ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015
Increase (Decrease) in Cash and Cash Equivalents**

Reconciliation of Operating Income (Loss) to Net Cash

Provided by (Used in) Operating Activities

Operating income (loss)	\$ <u>(711,709)</u>
--------------------------------	----------------------------

Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities

Depreciation expense	\$ 470,673
(Increase) decrease in accounts receivable	119,528
(Increase) decrease in due from other governments	42,800
(Increase) decrease in due from component unit	904
(Increase) decrease in due from other funds	1,882
(Increase) decrease in deferred pension outflows	(164,644)
Increase (decrease) in accounts payable	(42,809)
Increase (decrease) in salaries payable	6,947
Increase (decrease) in compensated absences - current	2,302
Increase (decrease) in due to other funds	(14,391)
Increase (decrease) in due to other governments	(8,455)
Increase (decrease) in due to component unit	(32,879)
Increase (decrease) in compensated absences - long-term	31,857
Increase (decrease) in other postemployment benefits liability	13,964
Increase (decrease) in deferred pension inflows	107,614
Increase (decrease) in net pension liability (inclusive of prior period adjustment)	94,655
Increase (decrease) in landfill closure/postclosure care costs	<u>33,746</u>

Total adjustments	\$ <u>663,694</u>
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Net Cash Provided by (Used in) Operating Activities	\$ <u><u>(48,015)</u></u>
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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, 2015**

<u>Assets</u>	
Cash and pooled investments	\$ 1,671,925
Due from other funds	7,863,881
Due from other governments	<u>129</u>
Total Assets	<u><u>\$ 9,535,935</u></u>
 <u>Liabilities</u>	
Accounts payable	\$ 3,969
Due to other funds	7,863,789
Due to other governments	<u>1,668,177</u>
Total Liabilities	<u><u>\$ 9,535,935</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, 2015

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2015. 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

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

**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 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 will be provided by a tax levy and appropriations from other County funds.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

C. Measurement Focus and Basis of Accounting

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at fair value at December 31, 2015, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. Investment earnings on business-type activities are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2015 were \$156,238.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables

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

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

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

No allowance has been made for uncollectible receivables.

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

4. Special Assessments Receivable

Special assessments receivable consist of prior special assessments and noncurrent special assessments. All special assessments receivable are shown net of an allowance for uncollectibles.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Advance to Component Unit

In 2011 and 2013, Otter Tail County agreed to issue \$10,475,000 and \$19,380,000, respectively, in General Obligation Disposal System Revenue Bonds in order to finance the acquisition/expansion of the 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 2015 were \$1,035,000. 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. No principal payments were made in 2015.

6. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories in proprietary funds and at the government-wide level are recorded as expenses when consumed.

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

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.

**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)

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. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

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

The County landfill is depreciated based on capacity used.

9. Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

**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. Compensated Absences

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. 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 pension liability is liquidated through the General Fund and other governmental funds that have personal services. For the business-type activities, the pension liability is liquidated by the Waste Management Enterprise Fund.

13. Deferred Outflows/Inflows of Resources and Unearned Revenue

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 a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County has one item, deferred pension outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date, pension plan changes in proportionate share, and also the differences between projected and actual earnings on pension plan investments 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 so 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 prior taxes receivable, prior and noncurrent special assessments receivable and for amounts that are not

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

13. Deferred Outflows/Inflows of Resources and Unearned Revenue (Continued)

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 has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

14. 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.

**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. Classification of Fund Balances

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

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

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

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

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

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

**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

15. Classification of Fund Balances (Continued)

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.

16. 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.

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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Change in Accounting Principles

During the year ended December 31, 2015, the County adopted new accounting guidance by implementing the provisions of GASB Statements 68, 71, and 82. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27*, requires governments providing defined benefit pensions to employees through pension plans administered through trusts to record their proportionate share of the net pension obligation as a liability on their financial statements along with related

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Change in Accounting Principles (Continued)

deferred outflows of resources, deferred inflows of resources, and pension expense. This statement also requires additional note disclosures and schedules in the required supplementary information.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, addresses an issue regarding amounts associated with contributions made to a pension plan after the measurement date of the net pension liability.

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*, modifies the measure of payroll that is presented in the required supplementary information schedules.

GASB Statements 68 and 71 require the County to report its proportionate share of the PERA total employers' unfunded pension liability. As a result, beginning net position has been restated to record the County's net pension liability and related deferred outflows of resources.

	Governmental Activities	Business-Type Activities
Net Position, January 1, 2015, as previously reported	\$ 168,949,262	\$ 9,666,186
Change in accounting principles	(16,679,093)	(1,086,856)
Net Position, January 1, 2015, as restated	\$ 152,270,169	\$ 8,579,330

2. Stewardship, Compliance, and Accountability

A. Ditch Fund Deficits

Of 45 drainage systems, 27 have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balances of the County Ditch Special Revenue Fund as of December 31, 2015.

Account balances	\$ 265,591
Account deficits	(217,524)
Fund Balance	\$ 48,067

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

B. Excess of Expenditures Over Budget

The following is a summary of individual funds that had expenditures in excess of budget for the year ended December 31, 2015.

	Expenditures	Final Budget	Excess
County Ditch Special Revenue Fund	\$ 249,641	\$ 151,500	\$ 98,141
Debt Service Funds			
Chemical Dependency	552,291	547,670	4,621
Ethanol Plant	695,985	695,313	672
Government Service Center	882,780	882,108	672
Sheriff Operations	494,472	493,800	672
Veterans Home	122,017	121,695	322
Master Facility Construction	116,322	112,650	3,672

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

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		\$ 56,291,250
Restricted assets		
Cash with escrow agent		304,547
Cash and pooled investments		1,287,304
Fiduciary assets		
Agency funds		
Cash and pooled investments		1,671,925
Total Cash and Investments		\$ 59,555,026

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

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, 2015, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2015, none of the County's investments were exposed to custodial credit risk.

Concentration of Credit Risk

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

The following table represents the County's deposit and investment balances at December 31, 2015, 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		09/30/2016	\$ 998,400
U.S. Treasury Note	N/A	N/A		10/31/2016	996,910
U.S. Treasury Note	N/A	N/A		11/30/2016	2,493,350
U.S. Treasury Note	N/A	N/A		12/15/2016	998,440
U.S. Treasury Note	N/A	N/A		12/31/2016	998,320
U.S. Treasury Note	N/A	N/A		05/31/2017	2,488,975
U.S. Treasury Note	N/A	N/A		06/30/2017	2,492,200
U.S. Treasury Note	N/A	N/A		08/15/2017	3,492,195
U.S. Treasury Note	N/A	N/A		09/15/2017	2,498,525
U.S. Treasury Note	N/A	N/A		11/30/2017	2,479,300
U.S. Treasury Note	N/A	N/A		12/15/2017	998,630
Total U.S. Treasury Notes			99.8%		<u>\$ 20,935,245</u>
U.S. Treasury Bond - Stripped	N/A	N/A		08/15/2017	\$ 15,756
U.S. Treasury Bond - Stripped	N/A	N/A		08/15/2019	35,855
Total U.S. Treasury Bonds - Stripped			<5.0%		<u>\$ 51,611</u>
Total investments					\$ 20,986,856
Deposits					38,241,233
Cash with escrow agent					304,547
Change funds					22,390
Total Cash and Investments					<u>\$ 59,555,026</u>

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

2. Receivables

Receivables as of December 31, 2015, 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	\$ 945,358	\$ -
Special assessments	260,983	-
Accounts	379,937	-
Interest	45,747	-
Due from other governments	7,722,364	-
Due from component unit	165,614	-
Advance to component unit	27,645,000	26,585,000
Total Governmental Activities	\$ 37,165,003	\$ 26,585,000
Business-Type Activities		
Accounts	\$ 237,506	\$ -
Due from other governments	68,798	-
Due from component unit	1,210	-
Advance to component unit	2,788,620	2,788,620
Total Business-Type Activities	\$ 3,096,134	\$ 2,788,620

3. Leases Receivable

Otter Tail County has provided funding to the Viking Library System for the purpose of constructing a new headquarters office building for the Library. The Viking Library System pays lease amounts to the County that equal the annual debt service (principal plus interest) for the Public Purpose Lease Revenue Bonds, Series 2009A.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Leases Receivable (Continued)

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

Amounts due from the Viking Library System and the West Central Minnesota Narcotics Task Force have been recorded as leases receivable in the General Fund at December 31, 2015. The amounts for 2016 are considered current and due within one year. Amounts remaining to be paid are as follows:

<u>Year Due</u>	<u>Viking Library System</u>	<u>Narcotics Task Force</u>
2016	\$ 50,000	\$ 40,041
2017	50,000	43,089
2018	50,000	46,368
2019	55,000	26,924
2020	60,000	1,729
2021 - 2025	340,000	-
2026 - 2028	350,000	-
Total leases	\$ 955,000	\$ 158,151
Funds in escrow	(47,858)	-
Total Leases Receivable	<u>\$ 907,142</u>	<u>\$ 158,151</u>
Due Within One Year	<u>\$ 50,000</u>	<u>\$ 40,041</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 4,347,933	\$ 66,068	\$ -	\$ 4,414,001
Construction in progress	11,426,646	300,983	11,468,643	258,986
Total capital assets not depreciated	<u>\$ 15,774,579</u>	<u>\$ 367,051</u>	<u>\$ 11,468,643</u>	<u>\$ 4,672,987</u>
Capital assets depreciated				
Land improvements	\$ 924,757	\$ 21,900	\$ -	\$ 946,657
Buildings	28,270,644	2,054	-	28,272,698
Building improvements	4,999,361	11,468,643	-	16,468,004
Machinery, furniture, and equipment	16,985,044	2,016,042	1,189,751	17,811,335
Infrastructure	165,331,472	6,871,910	164,910	172,038,472
Total capital assets depreciated	<u>\$ 216,511,278</u>	<u>\$ 20,380,549</u>	<u>\$ 1,354,661</u>	<u>\$ 235,537,166</u>
Less: accumulated depreciation for				
Land improvements	\$ 826,918	\$ 8,682	\$ -	\$ 835,600
Buildings	10,302,883	676,631	-	10,979,514
Building improvements	1,372,411	160,477	-	1,532,888
Machinery, furniture, and equipment	11,959,844	1,412,220	1,189,751	12,182,313
Infrastructure	63,691,905	4,684,011	164,910	68,211,006
Total accumulated depreciation	<u>\$ 88,153,961</u>	<u>\$ 6,942,021</u>	<u>\$ 1,354,661</u>	<u>\$ 93,741,321</u>
Total capital assets depreciated, net	<u>\$ 128,357,317</u>	<u>\$ 13,438,528</u>	<u>\$ -</u>	<u>\$ 141,795,845</u>
Governmental Activities Capital Assets, Net	<u>\$ 144,131,896</u>	<u>\$ 13,805,579</u>	<u>\$ 11,468,643</u>	<u>\$ 146,468,832</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

4. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 195,934	\$ -	\$ -	\$ 195,934
Construction in progress	319,803	6,143	325,946	-
Total capital assets not depreciated	\$ 515,737	\$ 6,143	\$ 325,946	\$ 195,934
Capital assets depreciated				
Buildings	\$ 6,678,982	\$ -	\$ -	\$ 6,678,982
Landfill	2,883,578	636,601	-	3,520,179
Machinery, furniture, and equipment	2,938,973	289,000	97,218	3,130,755
Infrastructure	-	141,010	-	141,010
Total capital assets depreciated	\$ 12,501,533	\$ 1,066,611	\$ 97,218	\$ 13,470,926
Less: accumulated depreciation for				
Buildings	\$ 3,148,378	\$ 211,286	\$ -	\$ 3,359,664
Landfill	1,832,654	65,429	-	1,898,083
Machinery, furniture, and equipment	2,219,987	189,259	97,218	2,312,028
Infrastructure	-	4,700	-	4,700
Total accumulated depreciation	\$ 7,201,019	\$ 470,674	\$ 97,218	\$ 7,574,475
Total capital assets depreciated, net	\$ 5,300,514	\$ 595,937	\$ -	\$ 5,896,451
Business-Type Activities				
Capital Assets, Net	\$ 5,816,251	\$ 602,080	\$ 325,946	\$ 6,092,385

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

Governmental Activities	
General government	\$ 669,250
Public safety	649,359
Highways and streets, including depreciation of infrastructure assets	5,570,363
Human services	38,395
Culture and recreation	14,515
Health	139
Total Depreciation Expense - Governmental Activities	\$ 6,942,021
Business-Type Activities	
Solid waste	\$ 470,674

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

5. Deferred Outflows of Resources

Deferred outflows of resources - deferred pension outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date, pension plan changes in proportionate share, and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position. Deferred pension outflows for the year ended December 31, 2015, were \$3,365,673.

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2015, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Human Services Special Revenue Fund	\$ 5,783
	Construction Capital Projects Fund	29,656
	Waste Management Enterprise Fund	101,316
Total due to General Fund		<u>\$ 136,755</u>
Road and Bridge Special Revenue Fund	County Ditch Special Revenue Fund	<u>\$ 86,947</u>
Human Services Special Revenue Fund	General Fund	<u>\$ 6,719</u>
Capital Improvement Special Revenue Fund	General Fund	<u>\$ 882</u>
Prairie Lakes Municipal Solid Waste Authority Debt Service Fund	General Fund	<u>\$ 392</u>
Waste Management Enterprise Fund	General Fund	<u>\$ 226</u>
Agency Funds		
State Revenue	General Fund	\$ 9
	Taxes and Penalties Fund	7,863,789
Total due to State Revenue Fund		<u>\$ 7,863,798</u>
Family Services Collaborative Fund	General Fund	<u>83</u>
Total due to Agency Funds		<u>\$ 7,863,881</u>
Total Due To/From Other Funds		<u>\$ 8,095,802</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

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

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	County Ditch Special Revenue Fund Waste Management Enterprise Fund	\$ 267,329 202,798
Total General Fund		\$ 470,127

The County Ditch Special Revenue Fund advance is to provide working capital to ditch systems with low reserves and operating costs in excess of revenues. This balance will be paid from future ditch special assessments.

The Waste Management Enterprise Fund advance is to partially fund the Fergus Falls transfer station project. This balance will be paid back with annual principal and semi-annual interest payments through July 1, 2016.

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2015, consisted of the following:

Transfer to Construction Capital Projects Fund from General Fund	\$ 297,795	To cover remodel costs in excess of bond proceeds.
Transfer to Ethanol Plant Debt Service Fund from General Fund	334	To pay interest earned.
Transfer to General Fund from Sheriff's Contingent Special Revenue Fund	1,689	To transfer excess funds.
Total Transfers Between Funds	\$ 299,818	

**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, 2015, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	\$ 956,535	\$ 74,523
Salaries	1,457,180	87,705
Contracts	640,206	15,390
Due to other governments	421,151	-
Due to component unit	5,770	174,219
Interest	350,463	-
Employee deposits	234,918	-
	\$ 4,066,223	\$ 351,837

2. Construction Commitments

Otter Tail County has active construction projects as of December 31, 2015.

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Crack filling	\$ 58,317	\$ 23,394
Road striping	305,655	6,241
	\$ 363,972	\$ 29,635

3. Other Postemployment Benefits - Retirees

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Other Postemployment Benefits - Retirees (Continued)

As of year-end, the County has three eligible participants. The County finances the plan on a pay-as-you-go basis. During 2015, the County expended \$2,694 for these benefits.

4. Capital Leases

The County has entered into lease agreements as a lessee for financing the acquisition of a new headquarters office building for the Viking Library System and for eight vehicles for the West Central Minnesota Narcotics Task Force. These capital leases consist of the following at December 31, 2015.

Lease	Maturity	Installment	Payment Amount	Original Amount	Balance
Governmental Activities					
2010 Viking Library System	2029	Annually	\$40,000 - \$95,000	\$ 1,200,000	\$ 955,000
2014 Task Force vehicles	2019	Quarterly	\$7,516	126,725	86,001
2015 Task Force vehicles	2019	Quarterly	\$3,384	60,262	46,638
2015 Task Force vehicles	2020	Quarterly	\$1,757	29,785	25,508
Total Governmental Activities					<u>\$ 1,113,147</u>

The future minimum lease obligations as of December 31, 2015, were as follows:

Year Ending December 31	Governmental Activities
2016	\$ 90,041
2017	93,089
2018	96,368
2019	81,924
2020	61,725
2021 - 2025	340,000
2026 - 2028	350,000
Total Payments	<u>\$ 1,113,147</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Capital Leases (Continued)

As shown in Note 3.A.3., the Viking Library System and the West Central Minnesota Narcotics Task Force pay lease amounts to the County that equal the annual debt service (principal plus interest). To offset these receivables, the County liability is shown as the total of the scheduled payments rather than the present value of their future lease payments.

5. Long-Term Debt

Governmental Activities

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

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2015</u>
General obligation bonds					
2004 Veterans Home Refunding Bonds	2016	\$115,000 - \$125,000	2.05 - 3.70	\$ 1,050,000	\$ 125,000
2007 Tax Abatement Bonds	2019	\$565,000 - \$640,000	4.05 - 5.00	5,245,000	2,440,000
2011 Capital Improvement Bonds	2019	\$500,000 - \$850,000	0.50 - 1.75	5,400,000	2,895,000
2012 Courthouse and Jail Improvement	2025	\$170,000 - \$1,215,000	2.00 - 2.65	4,780,000	4,780,000
Total general obligation bonds				\$ 16,475,000	\$ 10,240,000
Add: unamortized premium					4,417
Less: unamortized discount					(37,708)
Total General Obligation Bonds, Net					\$ 10,206,709

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

5. Long-Term Debt

Governmental Activities (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2015
Revenue bonds					
2007 Public Project Housing and Redevelopment Authority Revenue Bonds	2024	\$250,000 - \$515,000	3.40 - 4.50	\$ 6,140,000	\$ 3,810,000
2011 Disposal System Revenue Bonds	2030	\$405,000 - \$1,475,000	3.00 - 5.00	10,475,000	8,895,000
2013 Disposal System Revenue Bonds	2034	\$630,000 - \$1,970,000	2.00 - 3.75	<u>19,380,000</u>	<u>18,750,000</u>
Total revenue bonds				<u>\$ 35,995,000</u>	\$ 31,455,000
Add: unamortized premium					376,184
Less: unamortized discount					<u>(117,677)</u>
Total Revenue Bonds, Net					<u>\$ 31,713,507</u>
Lease revenue bonds					
2007 Law Enforcement Lease Housing and Redevelopment Authority Revenue Bonds	2023	\$350,000 - \$495,000	4.00	<u>\$ 5,590,000</u>	\$ 3,420,000
Add: unamortized premium					<u>7,303</u>
Total Lease Revenue Bonds, Net					<u>\$ 3,427,303</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Debt Service Requirements

Debt service requirements at December 31, 2015, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 1,560,000	\$ 254,607	\$ 1,445,000	\$ 1,150,701
2017	1,465,000	214,337	1,485,000	1,109,801
2018	1,340,000	172,400	1,535,000	1,060,627
2019	1,265,000	130,200	1,585,000	1,008,803
2020	435,000	104,900	1,640,000	953,934
2021 - 2025	4,175,000	308,155	8,305,000	3,832,397
2026 - 2030	-	-	7,950,000	2,282,994
2031 - 2034	-	-	7,510,000	676,470
Total	<u>\$ 10,240,000</u>	<u>\$ 1,184,599</u>	<u>\$ 31,455,000</u>	<u>\$ 12,075,727</u>

Year Ending December 31	Lease Revenue Bonds		Capital Leases	
	Principal	Interest	Principal	Interest
2016	\$ 365,000	\$ 129,500	\$ 90,041	\$ 10,588
2017	380,000	114,600	93,089	7,540
2018	400,000	99,000	96,368	4,261
2019	415,000	82,700	81,924	1,157
2020	435,000	65,700	61,725	31
2021 - 2025	1,425,000	87,100	340,000	-
2026 - 2029	-	-	350,000	-
Total	<u>\$ 3,420,000</u>	<u>\$ 578,600</u>	<u>\$ 1,113,147</u>	<u>\$ 23,577</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 11,760,000	\$ -	\$ 1,520,000	\$ 10,240,000	\$ 1,560,000
Revenue bonds	32,860,000	-	1,405,000	31,455,000	1,445,000
Lease revenue bonds	3,770,000	-	350,000	3,420,000	365,000
Add: unamortized premium	410,254	-	22,350	387,904	-
Less: unamortized discount	(171,070)	-	(15,685)	(155,385)	-
Total bonds payable	\$ 48,629,184	\$ -	\$ 3,281,665	\$ 45,347,519	\$ 3,370,000
Capital leases	1,108,548	90,047	85,448	1,113,147	90,041
Compensated absences	4,673,629	2,414,757	2,162,638	4,925,748	1,235,838
Governmental Activities Long-Term Liabilities	<u>\$ 54,411,361</u>	<u>\$ 2,504,804</u>	<u>\$ 5,529,751</u>	<u>\$ 51,386,414</u>	<u>\$ 4,695,879</u>

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Estimated liability for landfill closure/postclosure care costs	\$ 1,185,688	\$ 33,746	\$ -	\$ 1,219,434	\$ -
Compensated absences	402,110	156,110	121,951	436,269	88,536
Business-Type Activities Long-Term Liabilities	<u>\$ 1,587,798</u>	<u>\$ 189,856</u>	<u>\$ 121,951</u>	<u>\$ 1,655,703</u>	<u>\$ 88,536</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)

8. Unearned Revenues/Deferred Inflows of Resources

Unearned revenues consist of state and/or federal grants received but not earned. Deferred inflows of resources - unavailable revenue 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.

	<u>Taxes</u>	<u>Special Assessments</u>	<u>Grants and Allotments</u>	<u>Other</u>	<u>Total</u>
Major governmental funds					
General	\$ 377,890	\$ -	\$ -	\$ 32,061	\$ 409,951
Road and Bridge	70,022	-	5,775,779	52,465	5,898,266
Human Services	210,698	-	181,069	16,392	408,159
Capital Improvement	58,645	-	-	-	58,645
Nonmajor governmental funds					
Ditch	3,908	255,756	-	-	259,664
Ethanol Plant	2,594	-	-	-	2,594
Government Services Center	21,005	-	-	-	21,005
Sheriff Operations	11,358	-	-	-	11,358
Veterans Home	3,047	-	-	-	3,047
Master Facility Construction	2,087	-	-	-	2,087
Total	<u>\$ 761,254</u>	<u>\$ 255,756</u>	<u>\$ 5,956,848</u>	<u>\$ 100,918</u>	<u>\$ 7,074,776</u>
Liability					
Unearned revenue	\$ -	\$ -	\$ 21,987	\$ 1,742	\$ 23,729
Deferred inflows of resources					
Unavailable revenue	<u>761,254</u>	<u>255,756</u>	<u>5,934,861</u>	<u>99,176</u>	<u>7,051,047</u>
Total	<u>\$ 761,254</u>	<u>\$ 255,756</u>	<u>\$ 5,956,848</u>	<u>\$ 100,918</u>	<u>\$ 7,074,776</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of Otter Tail County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 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 Public Employees Correctional Fund. For members hired after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

2. 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 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 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 1.0 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 five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

For General Employees Retirement Fund 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 Public Employees Police and Fire Fund and Public Employees Correctional Fund members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 55. Disability benefits are available for vested members and are based on years of service and average high-five salary.

3. 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 Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015. Public Employees Police and Fire Fund members were required to contribute 10.80 percent of their annual covered salary in 2015. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary in 2015.

In 2015, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Public Employees Police and Fire Fund	16.20
Public Employees Correctional Fund	8.75

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

3. Contributions (Continued)

The General Employees Retirement Fund Coordinated Plan member and employer contribution rates each reflect a 0.25 percent increase from 2014. The Public Employees Police and Fire Fund member and employer contribution rates increased 0.60 percent and 0.90 percent, respectively, from 2014.

The County's contributions for the year ended December 31, 2015, to the pension plans were:

General Employees Retirement Fund	\$ 1,442,294
Public Employees Police and Fire Fund	408,632
Public Employees Correctional Fund	151,474

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

4. Pension Costs

General Employees Retirement Fund

At December 31, 2015, the County reported a liability of \$16,547,783 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.3193 percent. It was 0.3384 percent measured as of June 30, 2014. The County recognized pension expense of \$1,976,097 for its proportionate share of the General Employees Retirement Fund's pension expense.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Fund (Continued)

The County reported its proportionate share of the General Employees Retirement Fund'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	\$ -	\$ 834,289
Difference between projected and actual investment earnings	1,566,502	-
Changes in proportion	-	672,917
Contributions paid to PERA subsequent to the measurement date	739,439	-
Total	\$ 2,305,941	\$ 1,507,206

The \$739,439 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, 2016. 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
2016	\$ ((110,777)
2017	(110,777)
2018	(110,777)
2049	391,627

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Police and Fire Fund

At December 31, 2015, the County reported a liability of \$3,022,382 for its proportionate share of the Public Employees Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.266 percent. It was 0.254 percent measured as of June 30, 2014. The County recognized pension expense of \$542,546 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

The County also recognized \$23,940 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 Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute \$9 million to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90 percent funded.

The County reported its proportionate share of the Public Employees Police and Fire Fund'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	\$ -	\$ 490,132
Difference between projected and actual investment earnings	526,600	-
Changes in proportion	108,004	-
Contributions paid to PERA subsequent to the measurement date	218,346	-
Total	\$ 852,950	\$ 490,132

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

The \$218,346 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, 2016. 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>
2016	\$ 55,224
2017	55,224
2018	55,224
2019	55,224
2020	(76,424)

Public Employees Correctional Fund

At December 31, 2015, the County reported a liability of \$156,146 for its proportionate share of the Public Employees Correctional Fund's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 1.01 percent. It was 0.98 percent measured as of June 30, 2014. The County recognized pension expense of \$169,074 for its proportionate share of the Public Employees Correctional Fund's pension expense.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Fund (Continued)

The County reported its proportionate share of the Public Employees Correctional Fund'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	\$ -	\$ 59,782
Difference between projected and actual investment earnings	130,159	-
Changes in proportion	1,697	-
Contributions paid to PERA subsequent to the measurement date	74,926	-
Total	\$ 206,782	\$ 59,782

The \$74,926 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, 2016. 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
2016	\$ 13,179
2017	13,179
2018	13,179
2019	32,537

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2015, was \$2,687,717.

5. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.75 percent per year
Active member payroll growth	3.50 percent per year
Investment rate of return	7.90 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Fund and the Public Employees Police and Fire Fund, cost of living benefit increases for retirees are assumed to be 1.0 percent effective every January 1 through 2035 and 2037, respectively, and 2.5 percent thereafter. Cost of living benefit increases for retirees are assumed to be 2.5 percent for all years for the Public Employees Correctional Fund.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for the Public Employees Police and Fire Fund was for the period July 1, 2004, through June 30, 2009. The experience study for the Public Employees Correctional Fund was for the period July 1, 2006, through June 30, 2011.

In 2015, an updated experience study was done for PERA's General Employees Retirement Fund for the six-year period ending June 30, 2014, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2016, estimate of pension liability.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.9 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	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

6. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The discount rate did not change since the prior measurement date. 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, each of the pension plan's fiduciary net position 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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

7. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 26,018,997	\$ 16,547,783	\$ 8,726,016
Public Employees Police and Fire Fund net pension liability	5,890,655	3,022,382	652,690
Public Employees Correctional Fund net pension liability (asset)	1,087,427	156,146	(589,254)

8. 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.

B. Defined Contribution Plan

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

B. Defined Contribution Plan (Continued)

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 the County during the year ended December 31, 2015, were:

	Employee	Employer
Contribution amount	\$ 9,078	\$ 9,078
Percentage of covered payroll	5%	5%

C. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

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

This results in the retirees receiving an implicit rate subsidy. For 2014, there were approximately 408 participants in the plan, including 26 retirees and surviving spouses.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Funding Policy (Continued)

For the governmental activities, contributions for the implicit rate subsidy are made by the General Fund, the Road and Bridge Special Revenue Fund, and the Human Services Special Revenue Fund. For the business-type activities, contributions are made by the Waste Management Enterprise Fund.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$ 304,822
Interest on net OPEB obligation	52,770
Adjustment to ARC	<u>(74,585)</u>
Annual OPEB cost (expense)	\$ 283,007
Contributions made during the year	<u>(170,101)</u>
Increase in net OPEB obligation	\$ 112,906
Net OPEB Obligation - Beginning of Year	<u>1,172,662</u>
Net OPEB Obligation - End of Year	<u>\$ 1,285,568</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for the years ended December 31, 2013, 2014, and 2015, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2013	\$ 346,938	\$ 217,468	62.7%	\$ 1,046,271
December 31, 2014	286,120	159,729	55.8	1,172,662
December 31, 2015	283,007	170,101	60.1	1,285,568

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$2,454,105, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,454,105. The covered payroll (annual payroll of active employees covered by the plan) was \$18,272,690, and the ratio of the UAAL to the covered payroll was 13.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Otter Tail County's implicit rate of return on the General Fund. The annual health care cost trend is 7.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 10 years. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2015, was 22 years.

5. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Board reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,219,434 landfill closure and postclosure care liability at December 31, 2015, represents the cumulative amount reported to date based on the use of 80 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$176,591 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2015. The Board expects to close the landfill in 2035 or later. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

5. Landfill Closure and Postclosure Care Costs (Continued)

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Board is in compliance with these requirements. At December 31, 2015, investments of \$1,287,304 are held for these purposes. These are reported as restricted assets on the statement of net position. Otter Tail County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

6. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$490,000 per claim in 2015 and \$500,000 per claim in 2016. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

7. Conduit Debt

In 2005, Productive Alternatives, Inc., issued a \$775,000 Health Care Facilities Revenue Note, Series 2005, to refinance the financing on the Willows Day Program building in order to build a new facility to operate its detox operations for the benefit of Otter Tail County as well as other counties. The project is deemed to be in the public interest. Neither the County, the state, nor any political subdivision thereof is obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the accompanying financial statements. As of December 31, 2015, the outstanding principal amount payable was \$586,149.

In 2001, the Lake Region Healthcare Corporation issued a \$6,000,000 Health Care Facilities Revenue Note, Series 2001, to finance the remodeling and equipping of the Corporation's nursing home and 108-bed hospital and the remodeling of a portion of the Corporation's nursing home for use as an inpatient rehabilitation unit. The project is deemed to be in the public interest. The note is secured by the property financed through a series of loan agreements and is payable solely from revenues of the entity. Neither the County, the state, nor any political subdivision thereof is obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the accompanying financial statements. As of December 31, 2015, the outstanding principal amount payable was \$1,460,057.

8. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Joint Ventures

West Central Area Agency on Aging

The West Central Area Agency on Aging was established June 2, 1992, by a joint powers agreement among Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin Counties. In 2005, the Area Agency on Aging became part of a larger planning and service area covering 21 counties. This is a partnership between the Northwest Regional Development Commission, the 5-county service area of Region 2, and the West Central Area Agency on Aging. The combined area on aging, known as the Land of the Dancing Sky Area on Aging, was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the 21-county area. Each county may be assessed a proportional share of the 25 percent of the administrative costs incurred in carrying out this agreement. Each county's proportional share of this 25 percent of the administrative costs will be based upon the number of persons age 60 or older living within that county.

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

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

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

Complete financial information can be obtained from:

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

West Central Minnesota Drug Task Force

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

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

Fiscal agent responsibilities for the Task Force are with Douglas County, which reports the Task Force as an agency fund. Financing and equipment will be provided by the full-time and associate member agencies. Otter Tail County did not contribute to this organization in 2015.

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**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Pomme de Terre River Association (Continued)

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

During 2015, Otter Tail County did not contribute any funds to the Joint Powers Board.

Complete financial information can be obtained from:

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

Central Minnesota Emergency Services Board

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

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

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

The Central Minnesota Regional Radio Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2015, Otter Tail County did not contribute to the Joint Powers Board.

Complete financial information can be obtained from:

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

Otter Tail County Family Services Collaborative

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Otter Tail County Family Services Collaborative (Continued)

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

Financing is provided by state and federal grants and cash and in-kind contributions from its member parties. Otter Tail County, in an agent capacity, reports the cash transactions of the Collaborative as an agency fund on its financial statements. During 2015, Otter Tail County did not contribute to the Collaborative.

Separate financial information can be obtained from:

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

Partnership4Health Community Health Board

Partnership4Health Community Health Board was originally established July 1, 2014, by a joint powers agreement among Becker, Clay, Otter Tail, and Wilkin Counties, pursuant to Minn. Stat. ch. 145A, and pursuant to Minn. Stat. § 471.59, for the purpose of transitioning grant contracts. The Community Health Board became operational as of January 1, 2015. The joint powers agreement remains in force until any single county provides a resolution of withdrawal, duly passed by its governing board, to the County 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 Community Health Board's purpose is to engage in activities designed to protect and promote the health of the general population within a community health service area by emphasizing the prevention of disease, injury, disability, and preventable death through the promotion of effective coordination and use of community resources, and by extending health services into the community.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

8. 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.

During 2015, Otter Tail County did not contribute to Partnership4Health Community Health Board.

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 2015, Otter Tail County did not make any payments to the Board.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Minnesota River Board (Continued)

Separate financial information can be obtained from:

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

District IV Transportation Planning

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

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 Becker, Otter Tail, Todd, and Wadena Counties. 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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

A. Summary of Significant Accounting Policies

1. Financial Reporting Entity (Continued)

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.

2. Basic Financial Statements

The accounts of Prairie Lakes are organized as an enterprise fund. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activities of Prairie Lakes. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as interest income, result from nonexchange transactions or incidental activities. Prairie Lakes' net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

3. Measurement Focus and Basis of Accounting

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

A. Summary of Significant Accounting Policies

3. Measurement Focus and Basis of Accounting (Continued)

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

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

Cash and Cash Equivalents

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

Receivables

All receivables are shown net of an allowance for uncollectibles.

Capital Assets

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

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

**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 or Equity

Capital Assets (Continued)

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

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

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

Compensated Absences

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

Long-Term Obligations

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

**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 or Equity (Continued)

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 so 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. These outflows consist of pension plan contributions paid subsequent to the measurement date and also the differences between projected and actual earnings on pension plan investments.

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. These inflows consist of differences between expected and actual pension plan economic experience.

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.

**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 or Equity (Continued)

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.”

Operating Revenues and Expenses

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

Use of Estimates

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

**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 or Equity (Continued)

Change in Accounting Principles

During the year ended December 31, 2015, Prairie Lakes adopted new accounting guidance by implementing the provisions of GASB Statements 68, 71, and 82. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27*, requires governments providing defined benefit pensions to employees through pension plans administered through trusts to record their proportionate share of the net pension obligation as a liability on their financial statements along with related deferred outflows of resources, deferred inflows of resources, and pension expense. This statement also requires additional note disclosures and schedules in the required supplementary information.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, addresses an issue regarding amounts associated with contributions made to a pension plan after the measurement date of the net pension liability.

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statement No. 67, No. 68, and No. 73*, modifies the measure of payroll that is presented in the required supplementary information schedules.

GASB Statements 68 and 71 require Prairie Lakes to report its proportionate share of the PERA total employers' unfunded pension liability. As a result, beginning net position has been restated to record the net pension liability and related deferred outflows of resources.

Net Position, January 1, 2015, as previously reported	\$ 3,735,564
Change in accounting principles	<u>(761,824)</u>
Net Position, January 1, 2015, as restated	<u>\$ 2,973,740</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

1. Assets and Deferred Outflows of Resources

Deposits and Investments

Prairie Lakes did not report any cash or cash equivalents at December 31, 2015.

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. As of December 31, 2015, Otter Tail County's deposits were not exposed to custodial credit risk.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

1. Assets and Deferred Outflows of Resources (Continued)

Receivables

Receivables as of December 31, 2015, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Accounts	\$ 87,096	\$ -
Due from other governments	181,164	-
Due from primary government	179,989	-
Total	\$ 448,249	\$ -

Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 25,489	\$ -	\$ -	\$ 25,489
Construction in progress	27,904,269	1,439,511	-	29,343,780
Total capital assets not depreciated	\$ 27,929,758	\$ 1,439,511	\$ -	\$ 29,369,269
Capital assets depreciated				
Buildings	\$ 5,563,415	\$ -	\$ -	\$ 5,563,415
Machinery, furniture, and equipment	1,548,682	-	-	1,548,682
Total capital assets depreciated	\$ 7,112,097	\$ -	\$ -	\$ 7,112,097

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

1. Assets and Deferred Outflows of Resources

Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less: accumulated depreciation for				
Buildings	\$ 1,657,513	\$ 462,562	\$ -	\$ 2,120,075
Machinery, furniture, and equipment	515,966	106,768	-	622,734
Total accumulated depreciation	<u>\$ 2,173,479</u>	<u>\$ 569,330</u>	<u>\$ -</u>	<u>\$ 2,742,809</u>
Total capital assets depreciated, net	<u>\$ 4,938,618</u>	<u>\$ (569,330)</u>	<u>\$ -</u>	<u>\$ 4,369,288</u>
Capital Assets, Net	<u><u>\$ 32,868,376</u></u>	<u><u>\$ 870,181</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 33,738,557</u></u>

Depreciation expense for the year was \$569,330.

Deferred Outflows of Resources

Deferred outflows of resources consist of pension plan contributions paid subsequent to the measurement date and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position. Deferred pension outflows for the year ended December 31, 2015, were \$448,459.

2. Liabilities and Deferred Inflows of Resources

Payables

Payables at December 31, 2015, were as follows:

Accounts	\$ 198,212
Salaries	81,800
Contracts	473,701
Due to other governments	50,490
Due to primary government	<u>166,824</u>
Total Payables	<u><u>\$ 971,027</u></u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

2. Liabilities and Deferred Inflows of Resources (Continued)

Construction and Other Significant Commitments

Prairie Lakes has active construction project commitments as of December 31, 2015.

	Spent-to-Date	Remaining Commitment
WTE expansion	\$ 13,609,222	\$ 45,970

Advance From Primary Government

Prairie Lakes Municipal Solid Waste Authority has entered into an advance arrangement with Otter Tail County. The County issued \$10,475,000 in General Obligation Disposal System Revenue Bonds and \$19,380,000 in General Obligation Waste Disposal Revenue Bonds in order to finance the acquisition/expansion of the facility. The proceeds from the sale of these bonds were recognized by Otter Tail County. Prairie Lakes' advance payment back to the County is essentially equal to the principal and interest on the bonds for the year. On December 31, 2015, Otter Tail County advanced funds to Prairie Lakes to eliminate a negative pooled cash balance. The advance balance consists of the following at December 31, 2015:

Type of Indebtedness	Maturity	Installment Amounts	Interest Rate (%)	Original	Balance
Advance from primary government - 2011	2030	\$405,000 - \$755,000	3.0 to 5.0	\$ 10,475,000	\$ 8,895,000
Advance from primary government - 2013	2034	\$630,000 - \$1,970,000	2.0 to 3.8	19,380,000	18,750,000
Advance from primary government - 2015	-	Varies	0.25	2,788,620	2,788,620
Total Advance from Primary Government				\$ 32,643,620	\$ 30,433,620

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

2. Liabilities and Deferred Inflows of Resources

Advance From Primary Government (Continued)

The outstanding balance of the Advance From Primary Government - 2015 represents funds paid by Otter Tail County to cover a negative pooled cash balance at December 31, 2015. Repayment of this advance 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 items. Because of the variable repayment amounts, a final debt payment schedule is not available. The following payment schedule does not include the debt service applicable to this advance.

The future minimum obligations as of December 31, 2015, were as follows:

Year Ending December 31	Future Minimum Obligations
2016	\$ 2,047,461
2017	2,046,961
2018	2,049,187
2019	2,044,793
2020	2,048,411
2021 - 2025	10,235,078
2026 - 2030	10,232,994
2031 - 2034	8,186,470
Total future minimum advance payments	\$ 38,891,355
Less: amount representing interest	(11,246,355)
Advance Balance	\$ 27,645,000

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

2. Liabilities and Deferred Inflows of Resources (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Advance from primary government	\$ 28,680,000	\$ 2,788,620	\$ 1,035,000	\$ 30,433,620	\$ 1,060,000
Compensated absences	249,036	150,911	122,350	277,597	108,774
Long-Term Liabilities	<u>\$ 28,929,036</u>	<u>\$ 2,939,531</u>	<u>\$ 1,157,350</u>	<u>\$ 30,711,217</u>	<u>\$ 1,168,774</u>

C. Pension Plans

Defined Benefit Pension Plans

Plan Description

All full-time and certain part-time employees of Prairie Lakes are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund, 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 plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

C. Pension Plans

Defined Benefit Pension Plans (Continued)

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 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 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 1.0 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 five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Fund Coordinated Plan and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service.

For General Employees Retirement Fund 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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

C. Pension Plans

Defined Benefit Pension Plans

Benefits Provided (Continued)

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. Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015.

In 2015, Prairie Lakes was required to contribute the following percentages of annual covered salary:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.50

The Coordinated Plan member and employer contribution rates each reflect a 0.25 percent increase from 2014.

Prairie Lakes' contributions for the General Employees Retirement Fund for the year ended December 31, 2015, were \$115,685. The contributions are equal to the contractually required contributions as set by state statute.

Pension Costs

At December 31, 2015, Prairie Lakes reported a liability of \$1,290,446 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, 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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

C. Pension Plans

Defined Benefit Pension Plans

Pension Costs (Continued)

liability was based on its contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, Prairie Lakes' proportion was 0.0249 percent. It was 0.0173 percent measured as of June 30, 2014. Prairie Lakes' recognized pension expense of \$260,907 for its proportionate share of the General Employees Retirement Fund's pension expense.

Prairie Lakes reported its proportionate share of the General Employees Retirement Fund'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	\$ -	\$ 65,060
Difference between projected and actual investment earnings	389,918	-
Contributions paid to PERA subsequent to the measurement date	58,541	-
Total	\$ 448,459	\$ 65,060

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

C. Pension Plans

Defined Benefit Pension Plans

Pension Costs (Continued)

The \$58,541 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, 2016. 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>
2016	\$ 98,106
2017	98,106
2018	98,106
2019	30,540

Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.75 percent per year
Active member payroll growth	3.50 percent per year
Investment rate of return	7.90 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. The cost of living benefit increases for retirees was assumed to be 1.0 percent effective every January 1 through 2035, and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

C. Pension Plans

Defined Benefit Pension Plans

Actuarial Assumptions (Continued)

In 2015, an updated experience study was done for PERA's General Employees Retirement Fund for the six-year period ending June 30, 2014, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2016, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.9 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	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The discount rate did not change since the prior measurement date. 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, each of the pension plan's fiduciary net position 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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

C. Pension Plans

Defined Benefit Pension Plans (Continued)

Pension Liability Sensitivity

The following presents Prairie Lakes' proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what Prairie Lakes' proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 2,029,042	\$ 1,290,447	\$ 680,482

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.

D. Risk Management

Prairie Lakes purchases commercial insurance coverage through Western National Mutual Insurance Company. Prairie Lakes pays an annual premium for its insurance coverage. Prairie Lakes retains the risk for the deductible portion of the policies, which is considered immaterial to the financial statements. At December 31, 2015, there are no other claims liabilities reported in the financial statements based on the requirements of GASB Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

E. Other Items

Operating Budgets

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues	\$ 7,406,001	\$ 5,563,727	\$ (1,842,274)
Operating Expenses	<u>4,962,235</u>	<u>5,925,471</u>	<u>(963,236)</u>
Operating Income (Loss)	\$ 2,443,766	\$ (361,744)	\$ (2,805,510)
Nonoperating Revenues (Expenses) and Contributions	<u>(2,400,347)</u>	<u>(1,014,481)</u>	<u>1,385,866</u>
Change in Net Position	<u>\$ 43,419</u>	<u>\$ (1,376,225)</u>	<u>\$ (1,419,644)</u>

Subsequent Event

At the March 3, 2016, meeting of the Prairie Lakes Board, the Board passed a resolution requesting that the member counties contribute funds based on their participating percentages to cover the bond principal and interest due in May 2016. This was necessary due to a drop in recycling revenues and operational difficulties along with overruns on the expansion project. The Board felt that the facility has not generated sufficient revenues nor built a large enough net position to cover the payment on its own.

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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, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 18,576,100	\$ 18,576,100	\$ 17,866,800	\$ (709,300)
Special assessments	15,650	15,650	891	(14,759)
Licenses and permits	423,105	423,105	481,817	58,712
Intergovernmental	2,796,289	2,796,289	3,691,959	895,670
Charges for services	1,209,422	1,209,422	1,349,349	139,927
Fines and forfeits	28,000	28,000	12,906	(15,094)
Gifts and contributions	-	-	250	250
Investment earnings	140,500	140,500	133,754	(6,746)
Miscellaneous	2,122,055	2,122,055	2,277,217	155,162
Total Revenues	\$ 25,311,121	\$ 25,311,121	\$ 25,814,943	\$ 503,822
Expenditures				
Current				
General government				
Commissioners	\$ 399,377	\$ 399,377	\$ 378,865	\$ 20,512
Courts	215,000	215,000	276,527	(61,527)
County coordinator	756,590	756,590	754,900	1,690
County auditor	877,234	877,234	789,922	87,312
Motor vehicle	441,989	441,989	438,204	3,785
County treasurer	339,510	339,510	323,586	15,924
County assessor	1,128,169	1,128,169	1,143,288	(15,119)
Elections	52,100	52,100	45,713	6,387
Accounting and auditing	100,000	100,000	98,284	1,716
Board of Adjustments	25,100	25,100	24,608	492
Information technology	1,156,647	1,156,647	1,004,776	151,871
Attorney	1,552,264	1,552,264	1,543,757	8,507
Recorder	527,908	527,908	715,112	(187,204)
Planning and zoning	27,550	27,550	29,831	(2,281)
Land and resource	1,105,527	1,105,527	1,083,197	22,330
Facilities operations	1,956,614	1,956,614	1,743,953	212,661
Geographical information survey	562,305	562,305	542,323	19,982
Veterans service officer	338,544	338,544	334,655	3,889
Forfeited tax sale	-	-	94,515	(94,515)
Unallocated	1,767,774	1,767,774	1,427,513	340,261
Total general government	\$ 13,330,202	\$ 13,330,202	\$ 12,793,529	\$ 536,673

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<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	\$ 5,856,945	\$ 5,856,945	\$ 5,648,278	\$ 208,667
Boat and water safety	129,544	129,544	113,734	15,810
Coroner	90,411	90,411	134,634	(44,223)
County jail	3,339,398	3,339,398	3,068,579	270,819
Humane society	63,126	63,126	63,126	-
Snowmobile account	-	-	179,107	(179,107)
Emergency management	164,491	164,491	130,254	34,237
Total public safety	\$ 9,643,915	\$ 9,643,915	\$ 9,337,712	\$ 306,203
Human services				
Parents Forever	\$ -	\$ -	\$ 1,761	\$ (1,761)
Culture and recreation				
Historical society	\$ 60,000	\$ 60,000	\$ 60,000	\$ -
History museum	69,971	69,971	69,971	-
County fairs	40,000	40,000	40,000	-
Phelps Mill Park	41,624	41,624	32,564	9,060
Viking Library	528,870	528,870	528,870	-
Total culture and recreation	\$ 740,465	\$ 740,465	\$ 731,405	\$ 9,060
Conservation of natural resources				
County extension	\$ 367,754	\$ 367,754	\$ 404,849	\$ (37,095)
Soil and water conservation	339,900	339,900	361,125	(21,225)
Lake improvement districts	329,210	329,210	330,972	(1,762)
Aquatic invasive species	27,796	27,796	220,693	(192,897)
Total conservation of natural resources	\$ 1,064,660	\$ 1,064,660	\$ 1,317,639	\$ (252,979)
Economic development				
Red River Valley Development Association	\$ 800	\$ 800	\$ 800	\$ -
West Central Minnesota Initiative	20,000	20,000	20,000	-
Rural life outreach	100,000	100,000	56,976	43,024
Veteran's van	2,153	2,153	1,744	409
Wellness account	-	-	5,920	(5,920)
Total economic development	\$ 122,953	\$ 122,953	\$ 85,440	\$ 37,513

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<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	\$ 45,000	\$ 45,000	\$ 85,448	\$ (40,448)
Interest	47,094	47,094	-	47,094
Total debt service	\$ 92,094	\$ 92,094	\$ 85,448	\$ 6,646
Total Expenditures	\$ 24,994,289	\$ 24,994,289	\$ 24,352,934	\$ 641,355
Excess of Revenues Over (Under)				
Expenditures	\$ 316,832	\$ 316,832	\$ 1,462,009	\$ 1,145,177
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 1,689	\$ 1,689
Transfers out	(1,881)	(1,881)	(298,129)	(296,248)
Capital lease/installment purchase	-	-	90,047	90,047
Total Other Financing Sources (Uses)	\$ (1,881)	\$ (1,881)	\$ (206,393)	\$ (204,512)
Net Change in Fund Balance	\$ 314,951	\$ 314,951	\$ 1,255,616	\$ 940,665
Fund Balance - January 1	20,480,886	20,480,886	20,480,886	-
Fund Balance - December 31	\$ 20,795,837	\$ 20,795,837	\$ 21,736,502	\$ 940,665

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,299,755	\$ 3,299,755	\$ 3,264,424	\$ (35,331)
Intergovernmental	25,512,710	25,512,710	22,190,240	(3,322,470)
Charges for services	1,562,900	1,562,900	288,332	(1,274,568)
Miscellaneous	26,000	26,000	161,980	135,980
Total Revenues	\$ 30,401,365	\$ 30,401,365	\$ 25,904,976	\$ (4,496,389)
Expenditures				
Current				
Highways and streets				
Administration	\$ 638,190	\$ 638,190	\$ 702,909	\$ (64,719)
Maintenance	5,478,601	5,478,601	4,656,477	822,124
Construction	21,613,033	21,613,033	11,619,317	9,993,716
Equipment maintenance and shop	1,403,541	1,403,541	1,187,914	215,627
Materials and services for resale	6,000	6,000	6,291	(291)
Total highways and streets	\$ 29,139,365	\$ 29,139,365	\$ 18,172,908	\$ 10,966,457
Intergovernmental				
Highways and streets	1,262,000	1,262,000	1,332,650	(70,650)
Total Expenditures	\$ 30,401,365	\$ 30,401,365	\$ 19,505,558	\$ 10,895,807
Net Change in Fund Balance	\$ -	\$ -	\$ 6,399,418	\$ 6,399,418
Fund Balance - January 1	4,208,054	4,208,054	4,208,054	-
Increase (decrease) in inventories	-	-	107,537	107,537
Fund Balance - December 31	\$ 4,208,054	\$ 4,208,054	\$ 10,715,009	\$ 6,506,955

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 9,617,778	\$ 9,617,778	\$ 9,435,659	\$ (182,119)
Licenses and permits	225,000	225,000	-	(225,000)
Intergovernmental	11,092,092	11,092,092	11,891,195	799,103
Charges for services	1,634,101	1,634,101	1,626,801	(7,300)
Gifts and contributions	51,500	51,500	73,365	21,865
Miscellaneous	695,000	695,000	694,969	(31)
Total Revenues	\$ 23,315,471	\$ 23,315,471	\$ 23,721,989	\$ 406,518
Expenditures				
Current				
Public safety				
Community corrections	\$ 2,118,182	\$ 2,118,182	\$ 2,292,410	\$ (174,228)
Human services				
Income maintenance	\$ 5,173,565	\$ 5,173,565	\$ 5,189,672	\$ (16,107)
Social services	12,650,577	12,650,577	12,660,896	(10,319)
Total human services	\$ 17,824,142	\$ 17,824,142	\$ 17,850,568	\$ (26,426)
Health				
Nursing service	\$ 3,373,147	\$ 3,373,147	\$ 3,122,127	\$ 251,020
Total Expenditures	\$ 23,315,471	\$ 23,315,471	\$ 23,265,105	\$ 50,366
Net Change in Fund Balance	\$ -	\$ -	\$ 456,884	\$ 456,884
Fund Balance - January 1	13,554,841	13,554,841	13,554,841	-
Fund Balance - December 31	\$ 13,554,841	\$ 13,554,841	\$ 14,011,725	\$ 456,884

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,820,201	\$ 2,820,201	\$ 2,759,892	\$ (60,309)
Special assessments	-	-	10	10
Intergovernmental	320,755	320,755	407,945	87,190
Charges for services	1,500	1,500	1,346	(154)
Investment earnings	9,500	9,500	8,688	(812)
Miscellaneous	86,160	86,160	276,690	190,530
Total Revenues	\$ 3,238,116	\$ 3,238,116	\$ 3,454,571	\$ 216,455
Expenditures				
Current				
General government				
County assessor	\$ 25,000	\$ 25,000	\$ 24,069	\$ 931
Data processing	521,000	521,000	33,302	487,698
Facilities operations	165,900	165,900	275,831	(109,931)
Land and resource	109,100	109,100	54,770	54,330
Geographical information survey	35,000	35,000	32,245	2,755
Total general government	\$ 856,000	\$ 856,000	\$ 420,217	\$ 435,783
Public safety				
Sheriff	\$ 285,750	\$ 285,750	\$ 400,700	\$ (114,950)
Boat and water safety	-	-	24,500	(24,500)
Radio board	-	-	53,982	(53,982)
County jail	94,500	94,500	17,619	76,881
Community corrections	29,000	29,000	1,268	27,732
Total public safety	\$ 409,250	\$ 409,250	\$ 498,069	\$ (88,819)
Highways and streets				
Maintenance	\$ 1,338,400	\$ 1,338,400	\$ 1,554,643	\$ (216,243)
Human services				
Social services	\$ 86,000	\$ 86,000	\$ 72,380	\$ 13,620
Health				
Nursing service	\$ 14,000	\$ 14,000	\$ -	\$ 14,000
Culture and recreation				
Phelps Mill Park	\$ -	\$ -	\$ 675	\$ (675)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-4
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Economic development				
Chemical dependency facility	\$ -	\$ -	\$ 1,619	\$ (1,619)
Total Expenditures	<u>\$ 2,703,650</u>	<u>\$ 2,703,650</u>	<u>\$ 2,547,603</u>	<u>\$ 156,047</u>
Net Change in Fund Balance	\$ 534,466	\$ 534,466	\$ 906,968	\$ 372,502
Fund Balance - January 1	<u>3,321,377</u>	<u>3,321,377</u>	<u>3,321,377</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 3,855,843</u></u>	<u><u>\$ 3,855,843</u></u>	<u><u>\$ 4,228,345</u></u>	<u><u>\$ 372,502</u></u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Governmental Activities

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2010	\$ -	\$ 2,566,299	\$ 2,566,299	0.0%	\$ 18,471,873	13.89%
January 1, 2012	-	2,989,407	2,989,407	0.0	18,297,611	16.34
January 1, 2014	-	2,330,908	2,330,908	0.0	17,159,945	13.58

Business-Type Activities

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2010	\$ -	\$ 101,202	\$ 101,202	0.0%	\$ 947,178	10.68%
January 1, 2012	-	141,251	141,251	0.0	1,012,109	13.96
January 1, 2014	-	123,197	123,197	0.0	1,112,745	11.07

See Note 4.C., Other Postemployment Benefits, for more information.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

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
2015	0.3193%	\$ 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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

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)
2015	\$ 1,442,294	\$ 1,442,294	-	\$ 19,230,587	7.50%

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015**

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
2015	0.266%	\$ 3,022,382	\$ 2,439,613	123.89%	86.61%

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015**

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)
2015	\$ 408,632	\$ 408,632	-	\$ 2,522,420	16.20%

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND
DECEMBER 31, 2015**

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
2015	1.01%	\$ 156,146	\$ 1,812,160	8.62%	96.95%

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-11

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND
DECEMBER 31, 2015**

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)
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, 2015**

1. Budgetary Information

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

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

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

2. Other Postemployment Benefits Funded Status

Otter Tail County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31, 2008. See Note 4.C. to the financial statements for more information.

GASB Statement 45 requires a Schedule of Funding Progress - Other Postemployment Benefits for the three most recent valuations and accompanying notes to describe factors that significantly affect the trends in the amounts reported.

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SUPPLEMENTARY INFORMATION

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

DEBT SERVICE FUNDS

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

Ethanol Plant - to account for the retirement of bonds issued for the construction of the ethanol plant and road.

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

Sheriff Operations - to account for the retirement of bonds issued for the construction of a Sheriff's Operations Center.

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	Special Revenue (Exhibit B-3)	Debt Service (Exhibit B-5)	Total (Exhibit 3)
<u>Assets</u>			
Cash and pooled investments	\$ 527,623	\$ 4,796,761	\$ 5,324,384
Undistributed cash in agency funds	4,298	28,971	33,269
Taxes receivable - prior	-	49,546	49,546
Special assessments receivable			
Prior	4,829	-	4,829
Noncurrent	255,756	-	255,756
Due from other governments	4,283	-	4,283
Restricted assets			
Temporarily restricted			
Cash with escrow agent	-	256,689	256,689
Total Assets	\$ 796,789	\$ 5,131,967	\$ 5,928,756
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 5,725	\$ 2,200	\$ 7,925
Due to other funds	86,947	-	86,947
Advance from other funds	267,329	-	267,329
Total Liabilities	\$ 360,001	\$ 2,200	\$ 362,201
Deferred Inflows of Resources			
Unavailable revenues	\$ 259,664	\$ 40,091	\$ 299,755
Fund Balances			
Restricted			
Debt service	\$ -	\$ 4,994,846	\$ 4,994,846
Law library	113,396	-	113,396
Ditch maintenance and construction	265,612	-	265,612
Sheriff's contingencies	5,000	-	5,000
Assigned			
Public safety	10,661	-	10,661
Debt service	-	94,830	94,830
Unassigned	(217,545)	-	(217,545)
Total Fund Balances	\$ 177,124	\$ 5,089,676	\$ 5,266,800
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 796,789	\$ 5,131,967	\$ 5,928,756

**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, 2015**

	Special Revenue (Exhibit B-4)	Debt Service (Exhibit B-6)	Total (Exhibit 5)
Revenues			
Taxes	\$ -	\$ 1,676,111	\$ 1,676,111
Special assessments	218,673	-	218,673
Intergovernmental	-	39,659	39,659
Fines and forfeits	68,743	-	68,743
Investment earnings	-	488	488
Miscellaneous	33,700	547,863	581,563
	\$ 321,116	\$ 2,264,121	\$ 2,585,237
Expenditures			
Current			
General government	\$ 54,562	\$ -	\$ 54,562
Public safety	5,864	-	5,864
Conservation of natural resources	249,641	-	249,641
Debt service			
Principal	-	2,240,000	2,240,000
Interest	-	623,867	623,867
	\$ 310,067	\$ 2,863,867	\$ 3,173,934
Excess of Revenues Over (Under)			
Expenditures	\$ 11,049	\$ (599,746)	\$ (588,697)
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ 334	\$ 334
Transfers out	(1,689)	-	(1,689)
	\$ (1,689)	\$ 334	\$ (1,355)
Net Change in Fund Balance	\$ 9,360	\$ (599,412)	\$ (590,052)
Fund Balance - January 1	167,764	5,689,088	5,856,852
Fund Balance - December 31	\$ 177,124	\$ 5,089,676	\$ 5,266,800

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2015**

	County Ditch	Law Library	Sheriff's Contingent	Total
<u>Assets</u>				
Cash and pooled investments	\$ 397,124	\$ 115,078	\$ 15,421	\$ 527,623
Undistributed cash in agency funds	4,298	-	-	4,298
Special assessments receivable				
Prior	4,829	-	-	4,829
Noncurrent	255,756	-	-	255,756
Due from other governments	-	3,650	633	4,283
	\$ 662,007	\$ 118,728	\$ 16,054	\$ 796,789
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ -	\$ 5,332	\$ 393	\$ 5,725
Due to other funds	86,947	-	-	86,947
Advance from other funds	267,329	-	-	267,329
	\$ 354,276	\$ 5,332	\$ 393	\$ 360,001
 Deferred Inflows of Resources				
Deferred revenue - unavailable	\$ 259,664	\$ -	\$ -	\$ 259,664
 Fund Balances				
Restricted				
Law library	\$ -	\$ 113,396	\$ -	\$ 113,396
Ditch maintenance and construction	265,612	-	-	265,612
Sheriff's contingencies	-	-	5,000	5,000
Assigned				
Public safety	-	-	10,661	10,661
Unassigned	(217,545)	-	-	(217,545)
	\$ 48,067	\$ 113,396	\$ 15,661	\$ 177,124
Total Fund Balances	\$ 48,067	\$ 113,396	\$ 15,661	\$ 177,124
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 662,007	\$ 118,728	\$ 16,054	\$ 796,789

**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, 2015**

	<u>County Ditch</u>	<u>Law Library</u>	<u>Sheriff's Contingent</u>	<u>Total</u>
Revenues				
Special assessments	\$ 218,673	\$ -	\$ -	\$ 218,673
Fines and forfeits	-	62,568	6,175	68,743
Miscellaneous	33,700	-	-	33,700
	<u>33,700</u>	<u>-</u>	<u>-</u>	<u>33,700</u>
Total Revenues	\$ 252,373	\$ 62,568	\$ 6,175	\$ 321,116
Expenditures				
Current				
General government	\$ -	\$ 54,562	\$ -	\$ 54,562
Public safety	-	-	5,864	5,864
Conservation of natural resources	249,641	-	-	249,641
	<u>249,641</u>	<u>-</u>	<u>-</u>	<u>249,641</u>
Total Expenditures	\$ 249,641	\$ 54,562	\$ 5,864	\$ 310,067
Excess of Revenues Over (Under) Expenditures	\$ 2,732	\$ 8,006	\$ 311	\$ 11,049
Other Financing Sources (Uses)				
Transfers out	-	-	(1,689)	(1,689)
	<u>-</u>	<u>-</u>	<u>(1,689)</u>	<u>(1,689)</u>
Net Change in Fund Balance	\$ 2,732	\$ 8,006	\$ (1,378)	\$ 9,360
Fund Balance - January 1	45,335	105,390	17,039	167,764
	<u>45,335</u>	<u>105,390</u>	<u>17,039</u>	<u>167,764</u>
Fund Balance - December 31	\$ 48,067	\$ 113,396	\$ 15,661	\$ 177,124
	<u>48,067</u>	<u>113,396</u>	<u>15,661</u>	<u>177,124</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2015**

	Chemical Dependency	Ethanol Plant
<u>Assets</u>		
Cash and pooled investments	\$ 163,569	\$ 2,728,105
Undistributed cash in agency funds	-	207
Taxes receivable - prior	-	2,896
Restricted assets		
Temporarily restricted		
Cash with escrow agent	256,689	-
Total Assets	\$ 420,258	\$ 2,731,208
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 2,200	\$ -
Deferred Inflows of Resources		
Unavailable revenues	\$ -	\$ 2,594
Fund Balances		
Restricted for		
Debt service	\$ 418,058	\$ 2,683,083
Assigned for		
Debt service	-	45,531
Total Fund Balances	\$ 418,058	\$ 2,728,614
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 420,258	\$ 2,731,208

EXHIBIT B-5

Government Service Center	Sheriff Operations	Veterans Home	Master Facility Construction	Total
\$ 1,104,784	\$ 559,371	\$ 173,589	\$ 67,343	\$ 4,796,761
15,650	8,860	2,296	1,958	28,971
26,023	14,179	3,774	2,674	49,546
-	-	-	-	256,689
<u>\$ 1,146,457</u>	<u>\$ 582,410</u>	<u>\$ 179,659</u>	<u>\$ 71,975</u>	<u>\$ 5,131,967</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,200</u>
<u>\$ 21,005</u>	<u>\$ 11,358</u>	<u>\$ 3,047</u>	<u>\$ 2,087</u>	<u>\$ 40,091</u>
\$ 1,125,452	\$ 571,052	\$ 127,313	\$ 69,888	\$ 4,994,846
-	-	49,299	-	94,830
<u>\$ 1,125,452</u>	<u>\$ 571,052</u>	<u>\$ 176,612</u>	<u>\$ 69,888</u>	<u>\$ 5,089,676</u>
<u>\$ 1,146,457</u>	<u>\$ 582,410</u>	<u>\$ 179,659</u>	<u>\$ 71,975</u>	<u>\$ 5,131,967</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, 2015**

	<u>Chemical Dependency</u>	<u>Ethanol Plant</u>
Revenues		
Taxes	\$ -	\$ 1,051
Intergovernmental	-	-
Investment earnings	-	488
Miscellaneous	547,813	-
	<u>547,813</u>	<u>-</u>
Total Revenues	\$ 547,813	\$ 1,539
Expenditures		
Debt service		
Principal	\$ 370,000	\$ 565,000
Interest	182,291	130,985
	<u>552,291</u>	<u>695,985</u>
Total Expenditures	\$ 552,291	\$ 695,985
Excess of Revenues Over (Under) Expenditures	\$ (4,478)	\$ (694,446)
Other Financing Sources (Uses)		
Transfer in	-	334
	<u>-</u>	<u>334</u>
Net Change in Fund Balance	\$ (4,478)	\$ (694,112)
Fund Balance - January 1	422,536	3,422,726
	<u>422,536</u>	<u>3,422,726</u>
Fund Balance - December 31	\$ 418,058	\$ 2,728,614
	<u>418,058</u>	<u>2,728,614</u>

EXHIBIT B-6

Government Service Center	Sheriff Operations	Veterans Home	Master Facility Construction	Total
\$ 909,386	\$ 516,620	\$ 133,291	\$ 115,763	\$ 1,676,111
21,526	12,233	3,156	2,744	39,659
-	-	-	-	488
-	-	50	-	547,863
\$ 930,912	\$ 528,853	\$ 136,497	\$ 118,507	\$ 2,264,121
\$ 840,000	\$ 350,000	\$ 115,000	\$ -	\$ 2,240,000
42,780	144,472	7,017	116,322	623,867
\$ 882,780	\$ 494,472	\$ 122,017	\$ 116,322	\$ 2,863,867
\$ 48,132	\$ 34,381	\$ 14,480	\$ 2,185	\$ (599,746)
-	-	-	-	334
\$ 48,132	\$ 34,381	\$ 14,480	\$ 2,185	\$ (599,412)
1,077,320	536,671	162,132	67,703	5,689,088
\$ 1,125,452	\$ 571,052	\$ 176,612	\$ 69,888	\$ 5,089,676

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-7

**BUDGETARY COMPARISON SCHEDULE
COUNTY DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 223,900	\$ 223,900	\$ 218,673	\$ (5,227)
Miscellaneous	-	-	33,700	33,700
Total Revenues	\$ 223,900	\$ 223,900	\$ 252,373	\$ 28,473
Expenditures				
Current				
Conservation of natural resources				
Drainage ditches	151,500	151,500	249,641	(98,141)
Net Change in Fund Balance	\$ 72,400	\$ 72,400	\$ 2,732	\$ (69,668)
Fund Balance - January 1	45,335	45,335	45,335	-
Fund Balance - December 31	\$ 117,735	\$ 117,735	\$ 48,067	\$ (69,668)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-8

**BUDGETARY COMPARISON SCHEDULE
LAW LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeits	\$ 58,000	\$ 58,000	\$ 62,568	\$ 4,568
Expenditures				
Current				
General government				
Law library	59,800	59,800	54,562	5,238
Net Change in Fund Balance	\$ (1,800)	\$ (1,800)	\$ 8,006	\$ 9,806
Fund Balance - January 1	105,390	105,390	105,390	-
Fund Balance - December 31	\$ 103,590	\$ 103,590	\$ 113,396	\$ 9,806

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-9

**BUDGETARY COMPARISON SCHEDULE
SHERIFF'S CONTINGENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeits	\$ 5,500	\$ 5,500	\$ 6,175	\$ 675
Expenditures				
Current				
Public safety				
Sheriff	7,500	7,500	5,864	1,636
Excess of Revenues Over (Under)				
Expenditures	<u>\$ (2,000)</u>	<u>\$ (2,000)</u>	<u>\$ 311</u>	<u>\$ 2,311</u>
Other Financing Sources (Uses)				
Transfers in	\$ 1,881	\$ 1,881	\$ -	\$ (1,881)
Transfers out	-	-	(1,689)	(1,689)
Total Other Financing Sources (Uses)	<u>\$ 1,881</u>	<u>\$ 1,881</u>	<u>\$ (1,689)</u>	<u>\$ (3,570)</u>
Net Change in Fund Balance	\$ (119)	\$ (119)	\$ (1,378)	\$ (1,259)
Fund Balance - January 1	<u>17,039</u>	<u>17,039</u>	<u>17,039</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 16,920</u>	<u>\$ 16,920</u>	<u>\$ 15,661</u>	<u>\$ (1,259)</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-10

**BUDGETARY COMPARISON SCHEDULE
CHEMICAL DEPENDENCY DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ 547,813	\$ 547,813	\$ 547,813	\$ -
Expenditures				
Debt service				
Principal	\$ 370,000	\$ 370,000	\$ 370,000	\$ -
Interest	177,670	177,670	182,291	(4,621)
Total Expenditures	\$ 547,670	\$ 547,670	\$ 552,291	\$ (4,621)
Net Change in Fund Balance	\$ 143	\$ 143	\$ (4,478)	\$ (4,621)
Fund Balance - January 1	422,536	422,536	422,536	-
Fund Balance - December 31	\$ 422,679	\$ 422,679	\$ 418,058	\$ (4,621)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-11

**BUDGETARY COMPARISON SCHEDULE
ETHANOL PLANT DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ -	\$ -	\$ 1,051	\$ 1,051
Investment earnings	-	-	488	488
Total Revenues	\$ -	\$ -	\$ 1,539	\$ 1,539
Expenditures				
Debt service				
Principal	\$ 565,000	\$ 565,000	\$ 565,000	\$ -
Interest	130,313	130,313	130,985	(672)
Total Expenditures	\$ 695,313	\$ 695,313	\$ 695,985	\$ (672)
Excess of Revenues Over (Under) Expenditures	\$ (695,313)	\$ (695,313)	\$ (694,446)	\$ 867
Other Financing Sources (Uses)				
Transfers in	-	-	334	334
Net Change in Fund Balance	\$ (695,313)	\$ (695,313)	\$ (694,112)	\$ 1,201
Fund Balance - January 1	3,422,726	3,422,726	3,422,726	-
Fund Balance - December 31	\$ 2,727,413	\$ 2,727,413	\$ 2,728,614	\$ 1,201

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-12

**BUDGETARY COMPARISON SCHEDULE
GOVERNMENT SERVICE CENTER DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 927,935	\$ 927,935	\$ 909,386	\$ (18,549)
Intergovernmental	-	-	21,526	21,526
Total Revenues	\$ 927,935	\$ 927,935	\$ 930,912	\$ 2,977
Expenditures				
Debt service				
Principal	\$ 840,000	\$ 840,000	\$ 840,000	\$ -
Interest	42,108	42,108	42,780	(672)
Total Expenditures	\$ 882,108	\$ 882,108	\$ 882,780	\$ (672)
Net Change in Fund Balance	\$ 45,827	\$ 45,827	\$ 48,132	\$ 2,305
Fund Balance - January 1	1,077,320	1,077,320	1,077,320	-
Fund Balance - December 31	\$ 1,123,147	\$ 1,123,147	\$ 1,125,452	\$ 2,305

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-13

**BUDGETARY COMPARISON SCHEDULE
SHERIFF OPERATIONS DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 526,890	\$ 526,890	\$ 516,620	\$ (10,270)
Intergovernmental	-	-	12,233	12,233
Total Revenues	\$ 526,890	\$ 526,890	\$ 528,853	\$ 1,963
Expenditures				
Debt service				
Principal	\$ 350,000	\$ 350,000	\$ 350,000	\$ -
Interest	143,800	143,800	144,472	(672)
Total Expenditures	\$ 493,800	\$ 493,800	\$ 494,472	\$ (672)
Net Change in Fund Balance	\$ 33,090	\$ 33,090	\$ 34,381	\$ 1,291
Fund Balance - January 1	536,671	536,671	536,671	-
Fund Balance - December 31	\$ 569,761	\$ 569,761	\$ 571,052	\$ 1,291

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-14

**BUDGETARY COMPARISON SCHEDULE
VETERANS HOME DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 136,200	\$ 136,200	\$ 133,291	\$ (2,909)
Intergovernmental	-	-	3,156	3,156
Miscellaneous	-	-	50	50
Total Revenues	\$ 136,200	\$ 136,200	\$ 136,497	\$ 297
Expenditures				
Debt service				
Principal	\$ 115,000	\$ 115,000	\$ 115,000	\$ -
Interest	6,695	6,695	7,017	(322)
Total Expenditures	\$ 121,695	\$ 121,695	\$ 122,017	\$ (322)
Net Change in Fund Balance	\$ 14,505	\$ 14,505	\$ 14,480	\$ (25)
Fund Balance - January 1	162,132	162,132	162,132	-
Fund Balance - December 31	\$ 176,637	\$ 176,637	\$ 176,612	\$ (25)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-15

**BUDGETARY COMPARISON SCHEDULE
MASTER FACILITY CONSTRUCTION DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 118,283	\$ 118,283	\$ 115,763	\$ (2,520)
Intergovernmental	-	-	2,744	2,744
Total Revenues	\$ 118,283	\$ 118,283	\$ 118,507	\$ 224
Expenditures				
Debt service				
Interest	112,650	112,650	116,322	(3,672)
Net Change in Fund Balance	\$ 5,633	\$ 5,633	\$ 2,185	\$ (3,448)
Fund Balance - January 1	67,703	67,703	67,703	-
Fund Balance - December 31	\$ 73,336	\$ 73,336	\$ 69,888	\$ (3,448)

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, 2015**

	Balance January 1	Additions	Deductions	Balance December 31
<u>FAMILY SERVICES COLLABORATIVE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 373,505	\$ 319,856	\$ 301,710	\$ 391,651
Due from other funds	77	83	77	83
Total Assets	\$ 373,582	\$ 319,939	\$ 301,787	\$ 391,734
<u>Liabilities</u>				
Accounts payable	\$ 48,948	\$ 3,969	\$ 48,948	\$ 3,969
Due to other governments	324,634	315,970	252,839	387,765
Total Liabilities	\$ 373,582	\$ 319,939	\$ 301,787	\$ 391,734
 <u>MORTGAGE REGISTRATION FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 137,960	\$ 979,971	\$ 1,044,968	\$ 72,963
<u>Liabilities</u>				
Due to other governments	\$ 137,960	\$ 979,971	\$ 1,044,968	\$ 72,963
 <u>STATE REVENUE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ (3,440,636)	\$ 14,293,822	\$ 18,540,586	\$ (7,687,400)
Due from other funds	3,571,752	7,863,798	3,571,752	7,863,798
Total Assets	\$ 131,116	\$ 22,157,620	\$ 22,112,338	\$ 176,398
<u>Liabilities</u>				
Due to other governments	\$ 131,116	\$ 22,157,620	\$ 22,112,338	\$ 176,398

**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, 2015**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 4,559,284	\$ 91,388,719	\$ 87,053,292	\$ 8,894,711
Due from other governments	-	129	-	129
Total Assets	\$ 4,559,284	\$ 91,388,848	\$ 87,053,292	\$ 8,894,840
<u>Liabilities</u>				
Due to other funds	\$ 3,571,743	\$ 7,863,789	\$ 3,571,743	\$ 7,863,789
Due to other governments	987,541	83,525,059	83,481,549	1,031,051
Total Liabilities	\$ 4,559,284	\$ 91,388,848	\$ 87,053,292	\$ 8,894,840
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,630,113	\$ 106,982,368	\$ 106,940,556	\$ 1,671,925
Due from other funds	3,571,829	7,863,881	3,571,829	7,863,881
Due from other governments	-	129	-	129
Total Assets	\$ 5,201,942	\$ 114,846,378	\$ 110,512,385	\$ 9,535,935
<u>Liabilities</u>				
Accounts payable	\$ 48,948	\$ 3,969	\$ 48,948	\$ 3,969
Due to other funds	3,571,743	7,863,789	3,571,743	7,863,789
Due to other governments	1,581,251	106,978,620	106,891,694	1,668,177
Total Liabilities	\$ 5,201,942	\$ 114,846,378	\$ 110,512,385	\$ 9,535,935

OTHER SCHEDULES

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2015**

	<u>Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
Cash and Pooled Investments				
Noninterest-bearing checking	-	-	Continuous	\$ 50,000
Interest-bearing checking	Six	Varies	Continuous	21,966,995
Certificates of deposit	Forty	0.15 to 1.35	January 12, 2016 to September 22, 2020	14,981,374
Money market savings	Seven	0.05 to 0.20	Continuous	1,242,864
U.S. Treasury notes	Eleven	0.38 to 1.00	September 30, 2016 to December 15, 2017	20,935,245
U.S. Treasury bonds - stripped interest payment	Two	-	August 15, 2017 to August 15, 2019	<u>51,611</u>
Total Cash and Pooled Investments				<u>\$ 59,228,089</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET - BY DITCH
COUNTY DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2015**

	<u>Assets</u>				
	<u>Cash and Pooled Investments</u>	<u>Undistributed Cash</u>	<u>Special Assessments Receivable</u>		<u>Total</u>
			<u>Prior</u>	<u>Noncurrent</u>	
Judicial Ditches					
2	\$ 57,235	\$ 148	\$ 14	\$ 7,778	\$ 65,175
3	92	-	-	-	92
County Ditches					
4	45,830	971	2,030	6,000	54,831
5	9,982	-	21	-	10,003
8	277	-	-	-	277
11	10,311	-	-	1,200	11,511
12	25,924	79	-	2,000	28,003
14	1,837	-	-	-	1,837
15/28	10,398	-	-	33,670	44,068
16	30,427	382	1,225	34,850	66,884
17	986	-	-	-	986
18	1,520	-	-	-	1,520
21	25,705	180	72	10,000	35,957
23	3,007	-	-	-	3,007
25	10,034	-	-	62,617	72,651
28	-	-	-	-	-
29	11,826	82	107	5,000	17,015
30	2,274	-	-	-	2,274
32	49	-	-	-	49
36	210	-	-	-	210
37	6,415	173	66	10,436	17,090
38	11,704	1,092	819	20,000	33,615
39	4,993	-	-	4,950	9,943
41/65	12,909	667	457	22,062	36,095
43	10,589	-	18	4,390	14,997
44	6,062	-	-	-	6,062
45	560	-	-	-	560
46	241	-	-	-	241
47	182	-	-	-	182
48	1,535	-	-	-	1,535
50	548	-	-	-	548
51	73	-	-	-	73
52	9,763	164	-	3,000	12,927
53	29,143	-	-	5,000	34,143
54	91	-	-	-	91
56	8,358	125	-	6,000	14,483
57	256	-	-	-	256
58	5,152	-	-	-	5,152
59	146	-	-	-	146
62	154	-	-	-	154

EXHIBIT D-2

Liabilities and Deferred Inflows of Resources					Total Liabilities, Deferred Inflows of Resources, and Fund Balance	
Due to Other Funds	Advance from Other Funds	Unavailable Revenue	Total	Fund Balance		
\$ 89	\$ -	\$ 7,788	\$ 7,877	\$ 57,298	\$ 65,175	
-	-	-	-	92	92	
916	-	8,011	8,927	45,904	54,831	
540	-	21	561	9,442	10,003	
277	311	-	588	(311)	277	
-	-	1,200	1,200	10,311	11,511	
83	-	2,000	2,083	25,920	28,003	
1,936	2,037	-	3,973	(2,136)	1,837	
2,491	19,542	33,670	55,703	(11,635)	44,068	
2,061	40,702	35,893	78,656	(11,772)	66,884	
986	1,109	-	2,095	(1,109)	986	
1,520	7,157	-	8,677	(7,157)	1,520	
5,199	-	10,002	15,201	20,756	35,957	
3,007	17,193	-	20,200	(17,193)	3,007	
10,457	77,659	62,617	150,733	(78,082)	72,651	
2,947	-	-	2,947	(2,947)	-	
740	-	5,000	5,740	11,275	17,015	
2,477	3,327	-	5,804	(3,530)	2,274	
49	55	-	104	(55)	49	
507	4,796	-	5,303	(5,093)	210	
6,415	37,996	10,436	54,847	(37,757)	17,090	
3,198	-	20,433	23,631	9,984	33,615	
666	3,002	4,950	8,618	1,325	9,943	
9,687	8,449	22,432	40,568	(4,473)	36,095	
254	-	4,408	4,662	10,335	14,997	
6,108	13,875	-	19,983	(13,921)	6,062	
560	630	-	1,190	(630)	560	
241	272	-	513	(272)	241	
182	204	-	386	(204)	182	
1,753	2,677	-	4,430	(2,895)	1,535	
548	617	-	1,165	(617)	548	
73	83	-	156	(83)	73	
44	-	3,000	3,044	9,883	12,927	
789	-	5,000	5,789	28,354	34,143	
-	-	-	-	91	91	
1,823	-	6,000	7,823	6,660	14,483	
256	288	-	544	(288)	256	
5,152	6,243	-	11,395	(6,243)	5,152	
-	-	-	-	146	146	
-	-	-	-	154	154	

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET - BY DITCH
COUNTY DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2015**

	<u>Assets</u>				<u>Total</u>
	<u>Cash and Pooled Investments</u>	<u>Undistributed Cash</u>	<u>Special Assessments Receivable</u>		
			<u>Prior</u>	<u>Noncurrent</u>	
County Ditches (Continued)					
63	3,057	-	-	-	3,057
64	701	-	-	-	701
65	-	-	-	-	-
68	54	-	-	-	54
70	36,514	235	-	16,803	53,552
Total	<u>\$ 397,124</u>	<u>\$ 4,298</u>	<u>\$ 4,829</u>	<u>\$ 255,756</u>	<u>\$ 662,007</u>

EXHIBIT D-2
(Continued)

Liabilities and Deferred Inflows of Resources					Total Liabilities, Deferred Inflows of Resources, and Fund Balance
Due to Other Funds	Advance from Other Funds	Unavailable Revenue	Total	Fund Balance	
3,057	296	-	3,353	(296)	3,057
701	788	-	1,489	(788)	701
32	-	-	32	(32)	-
171	7,888	-	8,059	(8,005)	54
8,955	10,133	16,803	35,891	17,661	53,552
\$ 86,947	\$ 267,329	\$ 259,664	\$ 613,940	\$ 48,067	\$ 662,007

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT D-3

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>All Funds</u>
Shared Revenue			
State			
Highway users tax	\$ 10,908,076	\$ -	\$ 10,908,076
County program aid	2,022,467	-	2,022,467
PERA rate reimbursement	64,946	-	64,946
Police aid	251,232	-	251,232
Market value credit	760,312	-	760,312
Disparity reduction aid	13,254	-	13,254
Aquatic invasive species aid	488,929	-	488,929
Total shared revenue	\$ 14,509,216	\$ -	\$ 14,509,216
Reimbursement for Services			
State			
Minnesota Department of Human Services	\$ 2,042,498	\$ -	\$ 2,042,498
Payments			
Local			
Payments in lieu of taxes	\$ 544,422	\$ -	\$ 544,422
Grants			
State			
Minnesota Department/Board of			
Agriculture	\$ 62,003	\$ -	\$ 62,003
Corrections	277,600	-	277,600
Public Safety	142,132	-	142,132
Transportation	9,410,315	-	9,410,315
Health	306,356	-	306,356
Trial Courts	150	-	150
Veterans Affairs	15,000	-	15,000
Natural Resources	417,322	-	417,322
Human Services	3,740,840	-	3,740,840
Water and Soil Resources	106,259	-	106,259
MNsure	420	-	420
Peace Officer Standards and Training Board	11,695	-	11,695
Minnesota Pollution Control Agency	21,225	212,795	234,020
Total state	\$ 14,511,317	\$ 212,795	\$ 14,724,112

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

*EXHIBIT D-3
(Continued)*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Governmental Funds	Enterprise Fund	All Funds
Grants (Continued)			
Federal			
Department of			
Agriculture	\$ 645,668	\$ -	\$ 645,668
Transportation	1,803,858	-	1,803,858
Education	2,009	-	2,009
Health and Human Services	4,247,335	-	4,247,335
Homeland Security	99,733	-	99,733
	\$ 6,798,603	\$ -	\$ 6,798,603
Total federal	\$ 6,798,603	\$ -	\$ 6,798,603
Total state and federal grants	\$ 21,309,920	\$ 212,795	\$ 21,522,715
Total Intergovernmental Revenue	\$ 38,406,056	\$ 212,795	\$ 38,618,851

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT D-4

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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	\$ 196,258	\$ -
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514	449,410	-
Total U.S. Department of Agriculture			\$ 645,668	\$ -
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	00056	\$ 1,274,567	\$ -
Highway Planning and Construction	20.205	10000649	177,320	177,320
Highway Planning and Construction	20.205	06446	12,904	12,904
Highway Planning and Construction	20.205	06447	12,400	12,400
Highway Planning and Construction (Total Highway Planning and Construction 20.205 \$1,493,591)	20.205	1000667	16,400	16,400
Passed Through Minnesota Department of Public Safety				
State and Community Highway Safety	20.600	F-SAFE15-2015- OTTERPH-0916	3,825	-
State and Community Highway Safety	20.600	F-SAFE15-2015- OTTERPH-1005	4,388	-
State and Community Highway Safety	20.600	F-SAFE15-2015- OTTERPH-1189	6,719	-
State and Community Highway Safety	20.600	F-SAFE15-2015- OTTERPH-1287	4,485	-
State and Community Highway Safety	20.600	F-ENFRC15-2015- OTTERS-933	5,673	-
State and Community Highway Safety	20.600	F-ENFRC15-2015- OTTERS-970	183	-
State and Community Highway Safety	20.600	F-ENFRC15-2015- OTTERS-1145	13,001	-
State and Community Highway Safety (Total State and Community Highway Safety 20.600 \$48,733)	20.600	F-ENFRC15-2015- OTTERS-1283	10,459	-

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT D-4
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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-ENFRC15-2015- OTTERSD-933	11,930	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC15-2015- OTTERSD-970	3,697	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC15-2015- OTTERSD-1145	7,673	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC15-2015- OTTERSD-1283	14,135	-
Passed Through Minnesota Trial Courts				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated (Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$170,943)	20.608	A-DGCT15-2015- 7TH-JD-00009	<u>133,508</u>	<u>-</u>
Total U.S. Department of Transportation			<u>\$ 1,713,267</u>	<u>\$ 219,024</u>
U.S. Department of Education				
Passed Through Partnership4Health Community Health Board				
Special Education - Grants for Infants and Families	84.181	Not Provided	<u>\$ 2,009</u>	<u>\$ -</u>
U.S. Department of Health and Human Services				
Passed Through West Central Area Agency on Aging Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers				
	93.044	Not Provided	\$ 28,725	\$ -
Passed Through Minnesota Department of Health				
State Rural Hospital Flexibility Program (Total State Rural Hospital Flexibility Program 93.241 \$19,830)	93.241	85200	2,863	-
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance (Total ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance 93.624 \$195,910)	93.624	3000028340	2,755	-

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT D-4
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 Partnership4Health Community Health Board				
Public Health Emergency Preparedness Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.069	90858	18,550	-
State Rural Hospital Flexibility Program (Total State Rural Hospital Flexibility Program 93.241 \$19,830)	93.074	Not Provided	325	-
Immunization Cooperative Agreements	93.241	85200	16,967	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.268	58583	2,120	-
PPHF National Public Health Improvement Initiative	93.314	Not Provided	1,200	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$524,836)	93.507	Not Provided	5,893	-
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance (Total ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance 93.624 \$195,910)	93.558	1502MNTANF	51,091	-
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.624	3000028340	193,155	-
Maternal and Child Health Services Block Grants to the States	93.757	Not Provided	67,239	-
Passed Through MNsure State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.994	Not Provided	70,390	-
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.525	Not Provided	70	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$524,836)	93.556	G-1601MNFPS	12,849	-
Child Support Enforcement	93.558	1601MFTANF	473,745	-
Child Support Enforcement (Total Child Support Enforcement 93.563 \$1,122,482)	93.563	1604MNCSES	96,170	-
Refugee and Entrant Assistance - State-Administered Programs	93.563	1604MNCES	1,026,312	-
	93.566	1601MNCMA	740	-

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT D-4
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Human Services (Continued)				
Child Care and Development Block Grant	93.575	G1601MNCCDF	10,175	-
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFRRPG	9,227	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	8,469	-
Foster Care - Title IV-E	93.658	1601MNFPOST	300,239	-
Social Services Block Grant	93.667	1501MNSOSR	406,628	-
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	5,454	-
Children's Health Insurance Program	93.767	1605MN5021	111	-
Medical Assistance Program	93.778	05-1605MN5ADM	1,687,237	-
Medical Assistance Program (Total Medical Assistance Program 93.778 \$1,708,415)	93.778	05-1605MN5MAP	21,178	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	TI010027-15	960	-
Total U.S. Department of Health and Human Services			\$ 4,520,837	\$ -
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	91923	\$ 11,375	\$ -
Boating Safety Financial Assistance	97.012	87982	20,500	-
Boating Safety Financial Assistance (Total Boating Safety Financial Assistance 93.778 \$56,375)	97.012	101344	24,500	-
Passed Through Minnesota Department of Public Safety				
Emergency Management Performance Grants	97.042	F-EMPG-2014-OTTERCO-0777	17,746	-
Emergency Management Performance Grants (Total Emergency Management Performance Grants 97.042 \$43,358)	97.042	F-EMPG-2015-OTTERCO-1179	25,612	-
Total U.S. Department of Homeland Security			\$ 99,733	\$ -
Total Federal Awards			\$ 6,981,514	\$ 219,024

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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, 2015**

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 basic 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, 2015. 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, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in 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 10 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	\$ 6,798,603
Grants received more than 60 days after year-end, deferred in 2015	
Highway Planning and Construction	258,932
Child Support Enforcement	32,400
Federal awards passed through the Family Services Collaborative for the Local Collaborative Time Study	242,052
Grants deferred in 2014, recognized as revenue in 2015	
Highway Planning and Construction	(349,523)
Child Care and Development Block Grant	(950)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 6,981,514</u>

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

The major programs are:

Highway Planning and Construction	CFDA No. 20.205
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**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1996-006

Segregation of Duties

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

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

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

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

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

Client's Response:

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

Finding 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. Risks, documentation, and monitoring internal controls related to credit card purchases was discussed during the division directors' meeting held on December 24, 2015.

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

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

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

Client's Response:

Otter Tail County's management is aware of the significance and importance of routinely reviewing and monitoring internal controls in our accounting system for the purposes of identifying weaknesses, assessing the risk of any weaknesses identified within our existing accounting procedures and policies, establishing procedures and policies to address identified internal control weakness and monitoring if changes are necessary due to staffing changes, technology and/or legal compliance changes. Otter Tail County's management also realizes that documenting and monitoring the County's internal controls will help to address other issues within your report - for example, audit finding 1996-006.

The Otter Tail County Auditor-Treasurer's Office does meet to review the internal control procedures and policies within the Auditor's Office, and how those procedures and policies relate to our processes both internally and when working with other departments regarding accounting and financial record keeping and reporting.

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

As a first step to resolving this audit finding, the Division Directors at their December 21, 2015, meeting held a discussion regarding documenting and monitoring internal controls. The financial process that was specifically addressed and reviewed was employee-issued credit cards. The discussion centered around the following topics: (1) who is responsible for determining if an employee requires a County-issued credit card, (2) credit card use (how, when and where), and (3) who reviews the credit card purchases before the credit card statement is paid and who determines the appropriateness of the expenditure. Division Directors were requested to review the controls in place regarding credit card use within their division.

Finding 2011-001

Network/Application Password Controls

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

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

Context: The IFS-PI application is the general ledger for Otter Tail County. Detailed receipt and disbursement transactions, as well as budget information, are maintained on the IFS-PI application throughout the year. This information is used by management to monitor the resources available and make decisions based on the available resources. At or near year-end, certain accrual information is also recorded in the application. The information maintained within the IFS-PI application is the key source of information used for the preparation of the County's annual financial statements. Otter Tail County uses other web-based applications that should also be considered; however, those applications are not key applications for financial statement reporting.

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

Cause: Otter Tail County updated to the IFS-PI application software. Although County management was made aware of some of the password implications of this change during the previous audit, the County could not provide assurance that web-based application controls and network controls were reviewed.

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

Client's Response:

Otter Tail County's management agrees with this State Audit Finding and will review the password controls currently in place to assure that these controls are adequate to protect and limit access to County web-based software applications, specifically the IFS application and where weaknesses are identified appropriate corrective measures will be taken to ensure that all County web-based software applications and related data are protected and access is limited to those individuals requiring access and at the level necessary for the performance of their duties and responsibilities. Otter Tail County will also seek an opportunity to work with our web-based software application providers for the development of additional application password controls that will help limit access to the County's web-based software applications. The Otter Tail County Auditor-Treasurer's Office will also work with the County's IT Department to assist with the development of proper controls for network applications.

PREVIOUSLY REPORTED ITEMS RESOLVED

Audit Adjustments (2006-002)

Material audit adjustments were identified in the General Fund, Road and Bridge Special Revenue Fund, Capital Improvement Special Revenue Fund, Ditch Special Revenue Fund, Government Service Center Debt Service Fund, Prairie Lakes Municipal Solid Waste Authority Debt Service Fund, Construction Capital Projects Fund, and the Waste Management Enterprise Fund that resulted in significant changes to the County's financial statements.

Resolution

No material audit adjustments were identified in the current year.

Jail Departmental Control Procedures (2013-001)

The Otter Tail County Jail implemented the TurnKey Corrections system in 2007. Collections for inmates are placed in the TurnKey Corrections system to be used for booking fees, canteen purchases, over-the-counter medications, nursing visits, haircuts, and other miscellaneous items. Periodically, the collections are removed from the Turnkey Corrections' system and deposited at Security State Bank. During our 2013 audit, we noted jail personnel were not reconciling the bank balance to the Turnkey Corrections system or subsidiary ledgers. The balance in the account at Security State Bank had accumulated to \$94,504, and there were a large number of outstanding checks dating back to 2008.

Resolution

In 2014 and 2015, the jail made several large remittances of booking fees to the County Treasurer to catch up for the years in which reconciliations were not performed and booking fees were not remitted. In November 2015, the Jail remitted \$2,302 to the Minnesota Department of Commerce as unclaimed property for old outstanding checks. The January 31, 2016, bank balance matched the monthly Statement Reconciliation Report from the TurnKey Corrections system balance in the amount of \$15,019. For the months reviewed in 2016, it appears the Jail is now remitting fees to the County Treasurer in a timely manner.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEMS RESOLVED

Davis-Bacon Act (CFDA No. 20.205) (2014-001)

During our tests of compliance for the Highway Planning and Construction program, we noted Otter Tail County received certified payroll reports from contractors and subcontractors; however, for six of the seven projects tested, the certified payrolls were not reviewed by County staff, ensuring compliance with the Davis-Bacon Act. Some of the personnel assigned to monitor compliance for the road construction projects funded by the Highway Planning and Construction program were unaware of the requirement.

Resolution

During our tests of compliance for the Highway Planning and Construction program (CFDA No. 20.205) for 2015, we noted certified payroll reports tested were signed and dated as reviewed by County staff, ensuring compliance with the Davis-Bacon Act.

Eligibility Testing (CFDA No. 93.778) (2014-002)

The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility process. During our previous audit of the Medical Assistance program, in our sample of 40 case files, we noted 2 case files contained conflicting information with the data entered into MAXIS, 1 case file had no documentation that the bank balance shown in MAXIS was ever verified, and 1 case file did not contain an application, therefore, no information entered into MAXIS based on the application could be verified.

Resolution

During the 2015 audit, we tested a sample of 40 cases. Information input into the MAXIS system was consistent with the information maintained in the case files.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS RESOLVED

Unclaimed Funds (2013-005)

At December 31, 2014, the Otter Tail County Jail was holding uncashed checks written from March 18, 2008, through December 31, 2011, that the County had not reported as unclaimed property to the Commissioner of the Minnesota Department of Commerce as required by Minn. Stat. §§ 345.41-.43.

Resolution

The County issued a check to the Minnesota Department of Commerce on November 10, 2015, in the amount of \$2,302 to submit the unclaimed property as required by Minn. Stat. §§ 345.41-.43.

Fund Cash Balance Deficits (2014-003)

At December 31, 2014, the Prairie Lakes Municipal Solid Waste Authority Debt Service Fund had a cash deficit of \$511,461, and the State Revenue Agency Fund had a deficit cash balance of \$3,440,636. The deficit cash balance in the Prairie Lakes Municipal Solid Waste Authority Debt Service Fund resulted from the County not billing the Prairie Lakes component unit for the second half of 2014 debt payments until 2015. For the State Revenue Agency Fund, the County distributed delinquent tax collections from the fund, but a corresponding transfer of the collections was not made from the Taxes and Penalties Agency Fund until January 2015.

Resolution

In 2015, the County billed the Prairie Lakes component unit timely for the debt payments. Although the State Revenue Agency Fund had a cash deficit at December 31, 2015, of \$7,687,400, the cash was available in the Taxes and Penalties Agency Fund. The County made a transfer in January 2016 to correct the deficit.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2009-002

Ditch Fund Balance Deficits

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

Condition: As of December 31, 2015, the County had individual ditch systems where liabilities exceeded assets, resulting in individual deficit fund balance amounts.

Context: Twenty-seven of the 45 individual ditch systems had deficit fund balances as of December 31, 2015, totaling \$217,524. Three of the ditch systems have sufficient current levies to cover the deficit; however, the other 24 ditch systems do not.

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

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

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

Client's Response:

Otter Tail County Management is aware of the provisions of Minn. Stat. § 103E.735, subd. 1. Otter Tail County has implemented annual maintenance assessments on a number of drainage systems and will continue to levy an annual assessment for the purpose of establishing individual drainage accounts with funds sufficient to finance normal and routine repair and maintenance costs. The drainage systems referenced in the above comment are systems that are in the process of undergoing benefit redeterminations and/or major repairs and in some situations have not had an annual maintenance assessment established or have just recently had annual maintenance assessments established and are in the process of being billed. Project assessments were levied on three drainage systems in January of 2016 and were billed spring of 2016. The County also adopted significantly increased maintenance assessments for Payable Year 2014, 2015, and 2016, which will help reduce the number of systems with deficit fund balances. Once project assessments are in place, the policy of the County is to continue with annual maintenance assessments and to review those assessments annually. However, it should be noted that many drainage systems did not have significant maintenance for a number of years or levied assessments and, based on current needs and staffing levels, it will take a period of time to make the necessary adjustments to eliminate all ditch fund balance deficits.



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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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 11, 2016.

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.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 1996-006, 2008-001, and 2011-001, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Otter Tail County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 has no tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Otter Tail County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. 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

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

Otter Tail County's Response to Findings

Otter Tail County's responses to the internal control and management practices findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for 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/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 11, 2016

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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, 2015. 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 with those requirements.

Opinion on Each Major Federal Program

In our opinion, Otter Tail County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 11, 2016