

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

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

Year Ended December 31, 2021

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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

Year Ended December 31, 2021



Office of the State Auditor

Audit Practice Division
Office of the State Auditor
State of Minnesota

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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INTRODUCTORY SECTION

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2021

			<u>Term Expires</u>
Elected			
Commissioners			
Board Member	Dan Bucholz	District 1	January 2025
Board Member	Wayne Johnson	District 2	January 2023
Board Member	Kurt Mortenson	District 3	January 2025
Vice Chair	Betty Murphy	District 4	January 2023
Chair	Leland Rogness	District 5	January 2024
Attorney	Michelle Eldien		January 2023
Auditor-Treasurer	Wayne Stein		January 2023
County Recorder*	Carol Schmaltz		January 2023
County Sheriff	Barry Fitzgibbons		January 2023
Appointed			
Assessor	Kevin Scheidecker		March 2024
County Engineer	Charles Grotte		May 2022
Medical Examiner	Dr. Gregory Smith		December 2021
County Administrator	Nicole Hansen		Indefinite
Veterans Service Officer	James Olson		January 2024
Examiner of Titles	Robert Russell		Indefinite
Solid Waste Director	Chris McConn		Indefinite
County Recorder*	Lynn Larson		Indefinite
Human Services Board			
Member	Dan Bucholz		January 2025
Member	Wayne Johnson		January 2023
Member	Kurt Mortenson		January 2025
Vice Chair	Betty Murphy		January 2023
Chair	Leland Rogness		January 2024
Human Services Director	Deb Sjostrom		Indefinite
Probation Officer	Michael Schommer		Indefinite
Public Health Director	Jody Lien		Indefinite

*County Recorder Carol Schmaltz retired March 2021, position changed to Appointed

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

ORGANIZATION
DECEMBER 31, 2021

		<u>Term Expires</u>
Appointed		
Vice Chair	Jeff Ackerson	January 2022
Commissioner	Kurt Mortenson	January 2023
Commissioner	Dena Johnson	January 2022
Commissioner	Val Martin	January 2026
Commissioner	David Ripley	January 2025
Commissioner	Betsy Roder	January 2027
Commissioner	Leland Rogness	January 2026
Chair	David Schornack	January 2024
Commissioner	Greg Swanberg	January 2027
Community Development Director	Amy Baldwin	Indefinite

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Otter Tail County
Fergus Falls, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Otter Tail County, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Otter Tail County, as of December 31, 2021, 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.

We did not audit the financial statements of the Otter Tail County Housing and Redevelopment Authority (HRA), which represent 7.0 percent, 48.5 percent, and 14.6 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the HRA, is based solely on the report of the other auditors.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the

Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; budgetary comparison schedules for the General Fund and major special revenue funds; Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits; PERA retirement plan schedules; and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 Budgetary Comparison Schedules for the Prairie Lakes Municipal Solid Waste Authority and Chemical Dependency Debt Service Funds; the combining nonmajor funds and fiduciary funds financial statements; budgetary comparison schedules for nonmajor funds; Community Development Agency component unit financial statements; Schedule of Deposits and Investments; Balance Sheet – By Ditch – County Ditch Special Revenue Fund; Schedule of Intergovernmental Revenue; and Schedule of Expenditures of Federal Awards and related notes, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional

procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information as identified above 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 December 29, 2022, on our consideration of Otter Tail County's and the Otter Tail County Community Development Agency component unit's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of these reports is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Otter Tail County's or the Otter Tail County Community Development Agency component unit's internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Otter Tail County's and the Otter Tail County Community Development Agency component unit's internal control over financial reporting and compliance.

/s/Julie Blaha

/s/Dianne Syverson

JULIE BLAHA
STATE AUDITOR

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

December 29, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(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, 2021. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Otter Tail County exceeded its liabilities and deferred inflows of resources on December 31, 2021, by \$248,916,901 (net position).
- As of the close of 2021, Otter Tail County's governmental funds reported combined ending fund balances of \$112,129,997 an increase of \$1,225,001 in comparison with 2020. Of this amount, \$24,262,527 was unassigned by Otter Tail County and thus available for spending at the government's discretion.
- Business-type activities' total net position is \$7,625,535 at December 31, 2021. Net investment in capital assets represents \$4,345,511 of the total.
- Otter Tail County's long-term liabilities (due in more than one year) decreased by \$6,361,696, or 6.4 percent, to \$93,157,820 during the current fiscal year. The change is primarily the result of refinancing and retirement of debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Otter Tail County, total net position increased by \$19,342,888 from 2020 to 2021.

Otter Tail County Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 134,765,385	\$ 124,479,946	\$ 7,863,292	\$ 7,651,769	\$ 142,628,677	\$ 132,131,715
Capital assets	216,131,285	203,975,551	4,345,511	3,961,900	220,476,796	207,937,451
Total Assets	\$ 350,896,670	\$ 328,455,497	\$ 12,208,803	\$ 11,613,669	\$ 363,105,473	\$ 340,069,166
Deferred Outflows of Resources						
Deferred amount of refunding	\$ 1,261,998	\$ 284,070	\$ -	\$ -	\$ 1,261,998	\$ 284,070
Deferred pension outflows	14,495,394	3,974,549	773,554	150,907	15,268,948	4,125,456
Deferred other postemployment benefits outflows	389,445	420,897	25,199	27,234	414,644	448,131
Total Deferred Outflows of Resources	\$ 16,146,837	\$ 4,679,516	\$ 798,753	\$ 178,141	\$ 16,945,590	\$ 4,857,657
Liabilities						
Long-term debt outstanding	\$ 95,005,027	\$ 100,913,325	\$ 3,934,559	\$ 3,807,185	\$ 98,939,586	\$ 104,720,510
Other liabilities	11,627,831	6,149,536	504,493	290,327	12,132,324	6,439,863
Total Liabilities	\$ 106,632,858	\$ 107,062,861	\$ 4,439,052	\$ 4,097,512	\$ 111,071,910	\$ 111,160,373
Deferred Inflows of Resources						
Deferred pension inflows	\$ 19,106,694	\$ 4,091,867	\$ 942,155	\$ 83,816	\$ 20,048,849	\$ 4,175,683
Deferred other postemployment benefits inflows	12,589	15,736	814	1,018	13,403	16,754
Total Deferred Outflows of Resources	\$ 19,119,283	\$ 4,107,603	\$ 942,969	\$ 84,834	\$ 20,062,252	\$ 4,192,437
Net Position						
Net investment in capital assets	\$ 184,514,984	\$ 181,746,337	\$ 4,345,511	\$ 3,961,900	\$ 188,860,495	\$ 185,708,237
Restricted	46,523,694	49,391,104	-	-	46,523,694	49,391,104
Unrestricted	10,252,688	(9,172,892)	3,280,024	3,647,564	13,532,712	(5,525,328)
Total Net Position	\$ 241,291,366	\$ 221,964,549	\$ 7,625,535	\$ 7,609,464	\$ 248,916,901	\$ 229,574,013

Net investment in capital assets of \$188,860,495 represents the largest portion of net position (75.9 percent). Otter Tail County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Otter Tail County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

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

Otter Tail County Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues						
Fees, fines, charges, and other	\$ 7,246,723	\$ 9,473,287	\$ 9,491,156	\$ 8,888,635	\$ 16,737,879	\$ 18,361,922
Operating grants and contributions	36,426,258	33,553,134	374,553	262,260	36,800,811	33,815,394
Capital grants and contributions	2,334,529	1,450,427	-	-	2,334,529	1,450,427
General revenues						
Property taxes	43,503,136	42,464,542	-	-	43,503,136	42,464,542
Other taxes	6,374,362	5,977,887	-	-	6,374,362	5,977,887
Grants and contributions	3,181,110	10,857,656	-	-	3,181,110	10,857,656
Other general revenues	1,375,304	1,642,026	11,681	62,106	1,386,985	1,704,132
Transfers	(2,176)	(15,733)	2,176	15,733	-	-
Total Revenues	\$ 100,439,246	\$ 105,403,226	\$ 9,879,566	\$ 9,228,734	\$ 110,318,812	\$ 114,631,960
Expenditures						
Program expenses						
General government	\$ 17,279,776	\$ 17,187,743	\$ -	\$ -	\$ 17,279,776	\$ 17,187,743
Public safety	12,583,078	14,311,149	-	-	12,583,078	14,311,149
Highways and streets	20,130,351	23,785,811	-	-	20,130,351	23,785,811
Sanitation	121,711	89,861	-	-	121,711	89,861
Human services	20,308,704	20,653,015	-	-	20,308,704	20,653,015
Health	3,789,610	3,717,417	-	-	3,789,610	3,717,417
Culture and recreation	1,450,045	882,517	-	-	1,450,045	882,517
Conservation of natural resources	2,495,641	2,753,015	-	-	2,495,641	2,753,015
Economic development	2,208,750	6,392,368	-	-	2,208,750	6,392,368
Interest	744,763	1,764,761	-	-	744,763	1,764,761
Landfill	-	-	9,863,495	9,305,655	9,863,495	9,305,655
Total Program Expenses	\$ 81,112,429	\$ 91,537,657	\$ 9,863,495	\$ 9,305,655	\$ 90,975,924	\$ 100,843,312
Increase (Decrease) in Net Position	\$ 19,326,817	\$ 13,865,569	\$ 16,071	\$ (76,921)	\$ 19,342,888	\$ 13,788,648

Otter Tail County's governmental activities increased the County's net position during 2021 by \$19,326,817.

Business-type activities of the Waste Management Enterprise Fund increased Otter Tail County's net position by \$16,071 during 2021.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of December 31, 2021, Otter Tail County's governmental funds reported combined ending fund balances of \$112,129,997 an increase of \$1,225,001 in comparison with the prior year.

The General Fund is the chief operating fund of the County and is used to account for all financial resources except those to be accounted for in another fund. The fund balance of Otter Tail County's General Fund increased by \$1,220,823 during the current fiscal year.

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

- The Road and Bridge Special Revenue Fund balance decreased by \$2,732,922 in 2021.
- The Human Services Special Revenue Fund balance increased by \$2,064,747 in 2021.
- The Capital Improvement Special Revenue Fund balance increased by \$198,645 in 2021.
- The Construction Capital Projects Fund balance decreased by \$413,986 in 2021.

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

- The Prairie Lakes Municipal Solid Waste Authority Debt Service Fund balance increased by \$6,464,537 in 2021.
- The Chemical Dependency Debt Service Fund balance decreased by \$322,150 in 2021.

The fund balance as of December 31, 2021, for all other governmental funds decreased by \$5,254,693.

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

General Fund Budgetary Highlights

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

Actual revenues for 2021 were \$1,089,413 more than the final budget. Actual expenditures were more than budgeted expenditures by \$71,610 in 2021.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Otter Tail County's investment in capital assets for its governmental and business-type activities as of December 31, 2021, amounts to \$220,476,796 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current fiscal year was 6.0 percent.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Land	\$ 7,359,767	\$ 5,880,466	\$ 187,833	\$ 187,833	\$ 7,547,600	\$ 6,068,299
Construction in progress	11,322,339	3,840,400	-	-	11,322,339	3,840,400
Land improvements	44,743	54,087	-	-	44,743	54,087
Buildings and improvements	25,183,076	26,940,568	2,832,729	2,631,289	28,015,805	29,571,857
Machinery, furniture, vehicles, and equipment	6,206,549	6,395,388	597,991	467,730	6,804,540	6,863,118
Infrastructure	166,014,811	160,864,642	104,191	108,892	166,119,002	160,973,534
Landfill	-	-	622,767	566,156	622,767	566,156
Totals	\$ 216,131,285	\$ 203,975,551	\$ 4,345,511	\$ 3,961,900	\$ 220,476,796	\$ 207,937,451

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

Long-Term Debt

As of December 31, 2021, Otter Tail County had \$69,622,974 in bonds and notes outstanding, compared with \$68,723,399 as of December 31, 2020, an increase of 1.3 percent.

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

Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Bonds payable						
General obligation bonds	\$ 29,055,000	\$ 34,900,000	\$ -	\$ -	\$ 29,055,000	\$ 34,900,000
Revenue bonds	37,310,000	31,290,000	-	-	37,310,000	31,290,000
Plus: unamortized premium	3,319,595	2,603,436	-	-	3,319,595	2,603,436
Less: unamortized discount	(61,621)	(70,037)	-	-	(61,621)	(70,037)
Totals	\$ 69,622,974	\$ 68,723,399	\$ -	\$ -	\$ 69,622,974	\$ 68,723,399

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

Otter Tail County's net tax capacity (tax base) for taxes payable in 2021 was \$106,807,733, which was 5.5 percent more than 2020.

By the end of 2021, Otter Tail County had approved its balanced 2022 revenue and expenditures budgets. The 2022 total levy is \$45,480,456, which is an increase of \$2,044,859, or 4.7 percent, compared to the 2021 levy of \$43,435,597.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
<u>Assets</u>				
Cash and pooled investments	\$ 78,757,175	\$ 3,433,060	\$ 82,190,235	\$ 4,584,367
Taxes receivable – delinquent	824,197	-	824,197	31,220
Special assessments receivable				
Delinquent	9,247	-	9,247	-
Noncurrent	489,518	-	489,518	-
Accounts receivable	77,170	390,240	467,410	207,512
Accrued interest receivable	70,238	-	70,238	-
Internal balances	(1,222)	1,222	-	-
Due from other governments	11,150,729	95,972	11,246,701	12,000
Due from component unit	103,489	-	103,489	-
Due from primary government	-	-	-	210
Lease receivable	342,000	-	342,000	-
Loans receivable	-	-	-	334,236
Assets held for resale	-	-	-	1,051
Inventories	605,955	-	605,955	-
Prepaid items	-	-	-	7,407
Restricted assets				
Cash and pooled investments	-	1,516,062	1,516,062	54,007
Temporarily restricted				
Cash with escrow agent	15,765,116	-	15,765,116	-
Advance to component unit	23,480,000	2,426,736	25,906,736	-
Long-term lease receivable	1,099,000	-	1,099,000	-
Settlement receivable	1,850,737	-	1,850,737	-
Capital assets				
Non-depreciable	18,682,106	187,833	18,869,939	58,479
Depreciable – net of accumulated depreciation	197,449,179	4,157,678	201,606,857	27,707,245
Net pension asset	142,036	-	142,036	-
Total Assets	\$ 350,896,670	\$ 12,208,803	\$ 363,105,473	\$ 32,997,734
<u>Deferred Outflows of Resources</u>				
Deferred amount on refunding	\$ 1,261,998	\$ -	\$ 1,261,998	\$ -
Deferred pension outflows	14,495,394	773,554	15,268,948	804,614
Deferred other postemployment benefits outflows	389,445	25,199	414,644	-
Total Deferred Outflows of Resources	\$ 16,146,837	\$ 798,753	\$ 16,945,590	\$ 804,614

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	<u>Primary Government</u>			Discretely Presented Component Units
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
<u>Liabilities</u>				
Accounts payable	\$ 993,895	\$ 383,364	\$ 1,377,259	\$ 151,508
Salaries payable	1,831,158	117,665	1,948,823	104,590
Contracts payable	2,111,551	-	2,111,551	-
Due to other governments	131,568	3,464	135,032	133,839
Due to component unit	210	-	210	-
Due to primary government	-	-	-	116,437
Accrued interest payable	563,389	-	563,389	134
Security deposits	15,000	-	15,000	9,055
Customer deposits	25,500	-	25,500	-
Employee deposits	250,198	-	250,198	-
Advance from primary government	-	-	-	25,906,736
Unearned revenue	5,705,362	-	5,705,362	1,319
Long-term liabilities				
Due within one year	5,679,020	102,746	5,781,766	144,262
Due in more than one year	70,503,213	2,601,190	73,104,403	347,375
Other postemployment benefits liability	3,179,307	205,716	3,385,023	-
Net pension liability	15,643,487	1,024,907	16,668,394	1,135,939
Total Liabilities	\$ 106,632,858	\$ 4,439,052	\$ 111,071,910	\$ 28,051,194
<u>Deferred Inflows of Resources</u>				
Deferred pension inflows	\$ 19,106,694	\$ 942,155	\$ 20,048,849	\$ 1,054,449
Deferred other postemployment benefits inflows	12,589	814	13,403	-
Total Deferred Inflows of Resources	\$ 19,119,283	\$ 942,969	\$ 20,062,252	1,054,449
<u>Net Position</u>				
Net investment in capital assets	\$ 184,514,984	\$ 4,345,511	\$ 188,860,495	\$ 4,222,161
Restricted for				
General government	1,158,582	-	1,158,582	-
Public safety	842,103	-	842,103	-
Highways and streets	2,848,125	-	2,848,125	-
Human services	-	-	-	-
Conservation of natural resources	1,388,908	-	1,388,908	-
Debt service	40,185,866	-	40,185,866	-
Section 8 HAP	-	-	-	44,952
Held in trust for other purposes	100,110	-	100,110	-
Unrestricted	10,252,688	3,280,024	13,532,712	429,592
Total Net Position	\$ 241,291,366	\$ 7,625,535	\$ 248,916,901	\$ 4,696,705

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Program Revenues Operating Grants and Contributions</u>
<u>Functions/Programs</u>			
Primary Government			
Governmental activities			
General government	\$ 17,279,776	\$ 3,391,403	\$ 543,412
Public safety	12,583,078	387,852	2,579,269
Highways and streets	20,130,351	785,997	17,122,423
Sanitation	121,711	-	-
Human services	20,308,704	995,590	10,682,396
Health	3,789,610	1,178,177	4,130,389
Culture and recreation	1,450,045	34,640	80,719
Conservation of natural resources	2,495,641	299,552	751,919
Economic development	2,208,750	173,512	-
Interest	744,763	-	535,731
Total governmental activities	\$ 81,112,429	\$ 7,246,723	\$ 36,426,258
Business-type activities			
Solid waste	9,863,495	9,491,156	374,553
Total Primary Government	\$ 90,975,924	\$ 16,737,879	\$ 36,800,811
Discretely Presented Component Units	\$ 11,105,164	\$ 9,490,575	\$ 668,665

General Revenues

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

Transfers

Total general revenues and transfers

Change in net position

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

Net Position – Ending

EXHIBIT 2

Net (Expense) Revenue and Change in Net Position				
Capital Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Total	Discretely Presented Component Units
\$ -	\$ (13,344,961)	\$ -	\$ (13,344,961)	
-	(9,615,957)	-	(9,615,957)	
1,773,529	(448,402)	-	(448,402)	
-	(121,711)	-	(121,711)	
-	(8,630,718)	-	(8,630,718)	
-	1,518,956	-	1,518,956	
561,000	(773,686)	-	(773,686)	
-	(1,444,170)	-	(1,444,170)	
-	(2,035,238)	-	(2,035,238)	
-	(209,032)	-	(209,032)	
\$ 2,334,529	\$ (35,104,919)	\$ -	\$ (35,104,919)	
-	-	2,214	2,214	
\$ 2,334,529	\$ (35,104,919)	\$ 2,214	\$ (35,102,705)	
\$ -				\$ (945,924)
	\$ 43,503,136	\$ -	\$ 43,503,136	\$ 1,389,285
	4,772,971	-	4,772,971	-
	259,549	-	259,549	-
	1,341,842	-	1,341,842	-
	3,181,110	-	3,181,110	-
	518,173	-	518,173	663
	47,362	11,681	59,043	3,828
	809,769	-	809,769	14
	(2,176)	2,176	-	-
	\$ 54,431,736	\$ 13,857	\$ 54,445,593	\$ 1,393,790
	\$ 19,326,817	\$ 16,071	\$ 19,342,888	\$ 447,866
	221,964,549	7,609,464	229,574,013	4,248,839
	\$ 241,291,366	\$ 7,625,535	\$ 248,916,901	\$ 4,696,705

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	General	Road and Bridge	Human Services
<u>Assets</u>			
Cash and pooled investments	\$ 36,734,827	\$ 4,509,968	\$ 15,664,706
Petty cash and change funds	4,020	50	200
Taxes receivable – delinquent	430,148	70,750	233,698
Special assessments			
Delinquent	-	577	-
Noncurrent	-	-	-
Accounts receivable	15,423	1,230	60,517
Accrued interest receivable	70,238	-	-
Due from other funds	11,630	1,343,648	-
Due from other governments	236,153	8,592,136	2,318,335
Lease receivable	580,000	-	-
Advance to other funds	1,233,218	-	1,641,356
Inventories	-	605,955	-
Advance to component unit	-	-	-
Settlement receivable	-	-	1,850,737
Restricted assets			
Temporarily restricted			
Cash with escrow agent	-	-	-
Total Assets	\$ 39,315,657	\$ 15,124,314	\$ 21,769,549
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 350,282	\$ 277,487	\$ 122,914
Salaries payable	889,648	249,252	687,240
Contracts payable	-	2,111,551	-
Due to other funds	2,371	942	11,630
Due to other governments	34,847	14,333	81,887
Due to component unit	210	-	-
Deposits payable	250,198	25,500	-
Advance from other funds	-	-	-
Unearned revenue	5,705,362	-	-
Total Liabilities	\$ 7,232,918	\$ 2,679,065	\$ 903,671
Deferred Inflows of Resources			
Unavailable revenue	\$ 302,702	\$ 7,400,673	\$ 2,211,865

EXHIBIT 3

<u>Capital Improvement</u>	<u>Construction Capital Projects</u>	<u>Prairie Lakes Municipal Solid Waste Authority Debt Service</u>	<u>Chemical Dependency Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 7,174,424	\$ 11,528,678	\$ -	\$ -	\$ 3,140,302	\$ 78,752,905
-	-	-	-	-	4,270
48,598	-	-	-	41,003	824,197
-	-	-	-	8,670	9,247
-	-	-	-	489,518	489,518
-	-	-	-	-	77,170
-	-	-	-	-	70,238
1,519	-	-	-	-	1,356,797
-	-	-	-	4,105	11,150,729
-	-	-	861,000	-	1,441,000
-	-	-	-	-	2,874,574
-	-	-	-	-	605,955
-	-	23,480,000	-	-	23,480,000
-	-	-	-	-	1,850,737
-	-	14,294,027	1,471,089	-	15,765,116
<u>\$ 7,224,541</u>	<u>\$ 11,528,678</u>	<u>\$ 37,774,027</u>	<u>\$ 2,332,089</u>	<u>\$ 3,683,598</u>	<u>\$ 138,752,453</u>
\$ -	\$ 61,633	\$ -	\$ -	\$ 181,579	\$ 993,895
-	-	-	-	5,018	1,831,158
-	-	-	-	-	2,111,551
-	-	-	-	1,343,214	1,358,157
-	-	-	-	363	131,430
-	-	-	-	-	210
-	-	-	15,000	-	290,698
-	-	-	1,641,356	1,233,218	2,874,574
-	-	-	-	-	5,705,362
<u>\$ -</u>	<u>\$ 61,633</u>	<u>\$ -</u>	<u>\$ 1,656,356</u>	<u>\$ 2,763,392</u>	<u>\$ 15,297,035</u>
<u>\$ 31,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 861,000</u>	<u>\$ 517,402</u>	<u>\$ 11,325,421</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
(Continued)			
Fund Balances			
Nonspendable			
Inventories	\$ -	\$ 605,955	\$ -
Advance to other funds	1,233,218	-	-
Missing heirs	100,110	-	-
Restricted			
Debt service	532,142	-	-
Law library	-	-	-
Recorder's technology equipment	346,532	-	-
Real estate shortfall	432,279	-	-
E-911	799,874	-	-
Recorder's compliance	269,813	-	-
County state-aid highway system	-	99,361	-
Handgun permits	37,229	-	-
Ditch maintenance and repairs	-	-	-
Sheriff's contingencies	-	-	-
Aquatic invasive species	672,239	-	-
Assigned			
Property and casualty insurance	341,445	152,718	59,234
Workers' compensation	228,104	135,547	68,565
Veteran's van	3,246	-	-
Emergency management	16,002	-	-
General government	-	-	-
Public safety	-	-	2,718,991
Highways and streets	-	4,050,995	-
Human services	-	-	12,012,065
Health	-	-	3,795,158
Capital outlay	-	-	-
Unassigned	26,767,804	-	-
Total Fund Balances	\$ 31,780,037	\$ 5,044,576	\$ 18,654,013
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 39,315,657	\$ 15,124,314	\$ 21,769,549

EXHIBIT 3
(Continued)

<u>Capital Improvement</u>	<u>Construction Capital Projects</u>	<u>Prairie Lakes Municipal Solid Waste Authority Debt Service</u>	<u>Chemical Dependency Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 605,955
-	-	-	-	-	1,233,218
-	-	-	-	-	100,110
-	-	37,774,027	-	1,879,697	40,185,866
-	-	-	-	109,958	109,958
-	-	-	-	-	346,532
-	-	-	-	-	432,279
-	-	-	-	-	799,874
-	-	-	-	-	269,813
-	-	-	-	-	99,361
-	-	-	-	-	37,229
-	-	-	-	716,669	716,669
-	-	-	-	5,000	5,000
-	-	-	-	-	672,239
-	-	-	-	-	553,397
-	-	-	-	-	432,216
-	-	-	-	-	3,246
-	-	-	-	-	16,002
973,181	-	-	-	-	973,181
1,668,002	-	-	-	11,490	4,398,483
4,286,885	-	-	-	-	8,337,880
166,872	-	-	-	-	12,178,937
97,822	-	-	-	-	3,892,980
-	11,467,045	-	-	-	11,467,045
-	-	-	(185,267)	(2,320,010)	24,262,527
<u>\$ 7,192,762</u>	<u>\$ 11,467,045</u>	<u>\$ 37,774,027</u>	<u>\$ (185,267)</u>	<u>\$ 402,804</u>	<u>\$ 112,129,997</u>
<u>\$ 7,224,541</u>	<u>\$ 11,528,678</u>	<u>\$ 37,774,027</u>	<u>\$ 2,332,089</u>	<u>\$ 3,683,598</u>	<u>\$ 138,752,453</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021**

Fund balances – total governmental funds (Exhibit 3)		\$ 112,129,997
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.		216,131,285
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.		11,325,421
Deferred outflows of resources are not available resources, and, therefore are not reported in the governmental funds.		
Deferred amount on refunding	\$ 1,261,998	
Deferred pension outflows	14,495,394	
Deferred other postemployment benefits outflows	<u>389,445</u>	16,146,837
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		103,489
Net pension assets are not available to pay for current period expenditures and, therefore, are not reflected in the governmental funds.		142,036
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	\$ (29,055,000)	
Revenue bonds	(37,310,000)	
Loans	(744,942)	
Bond discounts	61,621	
Bond premiums	(3,319,595)	
Accrued interest payable	(563,389)	
Compensated absences	(5,814,317)	
Other postemployment benefits liability	(3,179,307)	
Net pension liability	<u>(15,643,487)</u>	(95,568,416)
Deferred inflows are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Deferred pension inflows	\$ (19,106,694)	
Deferred other postemployment benefits inflows	<u>(12,589)</u>	<u>(19,119,283)</u>
Net Position of Governmental Activities (Exhibit 1)		<u>\$ 241,291,366</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	General	Road and Bridge	Human Services
Revenues			
Taxes	\$ 23,080,255	\$ 9,819,200	\$ 12,164,412
Special assessments	69,218	-	-
Licenses and permits	538,080	-	173,932
Intergovernmental	5,633,947	16,548,051	14,568,087
Charges for services	1,655,446	761,343	1,610,183
Fines and forfeits	41,392	-	-
Gifts and contributions	10,765	-	34,111
Investment earnings	227,216	-	654
Miscellaneous	2,159,741	349,707	409,693
	\$ 33,416,060	\$ 27,478,301	\$ 28,961,072
Expenditures			
Current			
General government	\$ 15,460,744	\$ -	\$ -
Public safety	11,586,406	-	2,265,101
Highways and streets	-	27,098,249	-
Human services	-	-	20,790,378
Health	-	-	3,878,163
Culture and recreation	289,197	-	-
Conservation of natural resources	2,185,118	-	-
Economic development	2,248,415	-	-
Intergovernmental			
Highways and streets	-	2,295,523	-
Culture and recreation	601,258	-	-
Capital outlay			
Public safety	42,146	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
	\$ 32,413,284	\$ 29,393,772	\$ 26,933,642
Excess of Revenues Over (Under) Expenditures	\$ 1,002,776	\$ (1,915,471)	\$ 2,027,430
Other Financing Sources (Uses)			
Transfers in	\$ 11,844	\$ -	\$ 37,317
Transfers out	(132,240)	(878,925)	-
Loans issued	338,443	-	-
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
	\$ 218,047	\$ (878,925)	\$ 37,317
Net Change in Fund Balance	\$ 1,220,823	\$ (2,794,396)	\$ 2,064,747
Fund Balance – January 1	30,559,214	7,777,498	16,589,266
Increase (decrease) in inventories	-	61,474	-
Fund Balance – December 31	\$ 31,780,037	\$ 5,044,576	\$ 18,654,013

EXHIBIT 5

Capital Improvement	Construction Capital Projects	Prairie Lakes Municipal Solid Waste Authority Debt Service	Chemical Dependency Debt Service	Other Governmental Funds	Total
\$ 2,536,709	\$ -	\$ -	\$ -	\$ 2,280,512	\$ 49,881,088
-	-	-	-	284,435	353,653
-	-	-	-	-	712,012
197,437	-	535,731	-	241,918	37,725,171
-	-	-	-	2,183	4,029,155
-	-	-	-	61,926	103,318
-	-	-	-	-	44,876
17,421	19,542	53,301	26,549	-	344,683
101,474	-	-	151,251	14,007	3,185,873
\$ 2,853,041	\$ 19,542	\$ 589,032	\$ 177,800	\$ 2,884,981	\$ 96,379,829
\$ 264,533	\$ 241,119	\$ -	\$ -	\$ 60,990	\$ 16,027,386
310,764	-	-	-	7,074	14,169,345
1,228,608	90,588	-	-	-	28,417,445
65,389	-	-	-	-	20,855,767
-	-	-	-	-	3,878,163
9,997	-	-	-	3,368,867	3,668,061
-	-	-	-	303,970	2,489,088
-	-	-	-	-	2,248,415
-	-	-	-	-	2,295,523
-	-	-	-	-	601,258
-	-	-	-	-	42,146
-	-	7,615,000	450,000	5,395,000	13,460,000
-	-	1,039,594	49,950	840,527	1,930,071
-	-	121,711	-	-	121,711
\$ 1,879,291	\$ 331,707	\$ 8,776,305	\$ 499,950	\$ 9,976,428	\$ 110,204,379
\$ 973,750	\$ (312,165)	\$ (8,187,273)	\$ (322,150)	\$ (7,091,447)	\$ (13,824,550)
\$ -	\$ -	\$ -	\$ -	\$ 2,311,429	\$ 2,360,590
(775,105)	(101,821)	-	-	(474,675)	(2,362,766)
-	-	-	-	-	338,443
-	-	13,635,000	-	-	13,635,000
-	-	1,016,810	-	-	1,016,810
\$ (775,105)	\$ (101,821)	\$ 14,651,810	\$ -	\$ 1,836,754	\$ 14,988,077
\$ 198,645	\$ (413,986)	\$ 6,464,537	\$ (322,150)	\$ (5,254,693)	\$ 1,163,527
6,994,117	11,881,031	31,309,490	136,883	5,657,497	110,904,996
-	-	-	-	-	61,474
\$ 7,192,762	\$ 11,467,045	\$ 37,774,027	\$ (185,267)	\$ 402,804	\$ 112,129,997

**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, 2021**

Net change in fund balance – total governmental funds (Exhibit 5) \$ 1,163,527

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

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

Deferred inflows of resources – unavailable revenues – December 31	\$ 11,325,421	
Deferred inflows of resources – unavailable revenues – January 1	<u>(7,760,370)</u>	3,565,051

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	\$ 24,001,763	
Net book value of capital assets disposed	(833,978)	
Current year depreciation	<u>(11,012,051)</u>	12,155,734

Change in long-term receivable reported as due from component unit in the statement of activities but not reported in governmental funds.		(40,090)
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Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.

Proceeds of new debt		
Bonds issued	\$ (13,635,000)	
Loans issued	(338,443)	
Premium on bonds issued	<u>(1,016,810)</u>	(14,990,253)
Principal repayments		
General obligation bonds	\$ 5,845,000	
Revenue bonds	<u>7,615,000</u>	13,460,000

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT 6
(Continued)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

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	\$	(84,854)	
Amortization of premiums and discounts		292,235	
Change in compensated absences		34,302	
Change in other postemployment benefits		(87,292)	
Change in net pension asset		142,036	
Change in net pension liability		7,199,306	
Change in deferred pension outflows		10,520,845	
Change in deferred amount on refunding		977,928	
Change in deferred pension inflows		(15,014,827)	
Change in deferred other postemployment benefits outflows		(31,452)	
Change in deferred other postemployment benefits inflows		3,147	
Change in inventories		61,474	
		4,012,848	
Change in Net Position of Governmental Activities (Exhibit 2)			\$ 19,326,817

PROPRIETARY FUND

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FUND NET POSITION
WASTE MANAGEMENT ENTERPRISE FUND
DECEMBER 31, 2021**

Assets

Current assets	
Cash and pooled investments	\$ 3,414,320
Petty cash and change funds	18,740
Accounts receivable	390,240
Due from other funds	1,656
Due from other governments	95,972
	95,972
Total current assets	\$ 3,920,928
Restricted assets	
Cash and pooled investments	\$ 1,516,062
	1,516,062
Noncurrent assets	
Advance to component unit	\$ 2,426,736
Capital assets	
Non-depreciable	187,833
Depreciable – net of accumulated depreciation	4,157,678
	4,157,678
Total noncurrent assets	\$ 6,772,247
Total Assets	\$ 12,209,237

Deferred Outflows of Resources

Deferred pension outflows	\$ 773,554
Deferred other postemployment benefits outflows	25,199
	25,199
Total Deferred Outflows of Resources	\$ 798,753

Liabilities

Current liabilities	
Accounts payable	\$ 383,364
Salaries payable	117,665
Due to other funds	434
Due to other governments	3,464
Compensated absences payable	102,746
	102,746
Total current liabilities	\$ 607,673

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

***EXHIBIT 7
(Continued)***

**STATEMENT OF FUND NET POSITION
WASTE MANAGEMENT ENTERPRISE FUND
DECEMBER 31, 2021**

Liabilities (Continued)

Noncurrent liabilities	
Compensated absences payable	\$ 352,652
Estimated liability for landfill closure/postclosure care	2,248,538
Other postemployment benefits liability	205,716
Net pension liability	<u>1,024,907</u>
Total noncurrent liabilities	\$ <u>3,831,813</u>
Total Liabilities	\$ <u>4,439,486</u>

Deferred Inflows of Resources

Deferred pension inflows	\$ 942,155
Deferred other postemployment benefits inflows	<u>814</u>
Total Deferred Inflows of Resources	\$ <u>942,969</u>

Net Position

Investment in capital assets	\$ 4,345,511
Unrestricted	<u>3,280,024</u>
Total Net Position	\$ <u><u>7,625,535</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, 2021**

Operating Revenues	
Charges for services	\$ 8,640,045
Licenses and permits	2,450
Sale of recyclable materials	694,829
Miscellaneous	<u>153,832</u>
Total Operating Revenues	<u>\$ 9,491,156</u>
Operating Expenses	
SCORE	\$ 1,604,916
Waste management	4,388,719
Household hazardous waste	246,138
Processing costs	2,929,296
Depreciation	213,822
Landfill closure and postclosure care costs	<u>480,604</u>
Total Operating Expenses	<u>\$ 9,863,495</u>
Operating Income (Loss)	<u>\$ (372,339)</u>
Nonoperating Revenues (Expenses)	
Intergovernmental	\$ 374,553
Interest income	9,556
Interest income restricted for sanitation	<u>2,125</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 386,234</u>
Income (loss) before contributions and transfers	\$ 13,895
Transfers in	<u>2,176</u>
Change in Net Position	\$ 16,071
Net Position – January 1	<u>7,609,464</u>
Net Position – December 31	<u><u>\$ 7,625,535</u></u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
WASTE MANAGEMENT ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 9,508,280
Payments to suppliers	(6,268,378)
Payments to employees	<u>(2,562,985)</u>
Net cash provided by (used in) operating activities	<u>\$ 676,917</u>
Cash Flows from Noncapital Financing Activities	
Intergovernmental	\$ 374,553
Transfers in	<u>2,176</u>
Net cash provided by (used in) noncapital financing activities	<u>\$ 376,729</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	<u>\$ (597,433)</u>
Cash Flows from Investing Activities	
Investment earnings received	<u>\$ 14,062</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 470,275
Cash and Cash Equivalents at January 1	<u>4,478,847</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 4,949,122</u></u>
Cash and Cash Equivalents – Exhibit 7	
Cash and pooled investments	\$ 3,414,320
Petty cash and change funds	18,740
Restricted cash and pooled investments	<u>1,516,062</u>
Total Cash and Cash Equivalents	<u><u>\$ 4,949,122</u></u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
WASTE MANAGEMENT ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021
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>(372,339)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 213,822
(Increase) decrease in accounts receivable	20,784
(Increase) decrease in due from other governments	(3,660)
(Increase) decrease in due from component unit	130,334
(Increase) decrease in due from other funds	(942)
(Increase) decrease in advance to component unit	110,000
(Increase) decrease in deferred pension outflows	(622,647)
(Increase) decrease in deferred other postemployment benefits outflows	2,035
Increase (decrease) in accounts payable	223,380
Increase (decrease) in salaries payable	3,289
Increase (decrease) in compensated absences – current	2,131
Increase (decrease) in due to other funds	(145)
Increase (decrease) in due to other governments	(12,503)
Increase (decrease) in compensated absences – long-term	(6,961)
Increase (decrease) in other postemployment benefits liability	5,648
Increase (decrease) in deferred other postemployment benefits inflows	(204)
Increase (decrease) in deferred pension inflows	858,339
Increase (decrease) in net pension liability	(354,048)
Increase (decrease) in landfill closure/postclosure care	<u>480,604</u>
Total adjustments	\$ <u>1,049,256</u>
Net Cash Provided by (Used in) Operating Activities	\$ <u><u>676,917</u></u>

FIDUCIARY FUNDS

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
<u>Assets</u>		
Cash and pooled investments	\$ 200,507	\$ 2,223,990
Taxes and special assessments receivable for other governments	-	1,681,746
Due from other funds	-	138
Due from other governments	-	73,680
Total Assets	\$ 200,507	\$ 3,979,554
<u>Liabilities</u>		
Due to other governments	\$ -	\$ 1,595,992
Due to others	2,799	-
Total Liabilities	\$ 2,799	\$ 1,595,992
<u>Net Position</u>		
Restricted for Individuals, organizations, other governments	\$ 197,708	\$ 2,383,562

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021**

	<u>Social Welfare Private-Purpose Trust Fund</u>	<u>Custodial Funds</u>
Additions		
Contributions		
Individuals	\$ 560,788	\$ 952,830
Local collaborative funds from State	-	382,120
Property tax collections for other governments	-	111,846,380
Other taxes collected for other governments	-	2,303,960
Tax forfeited land sales for other governments	-	47,496
License and fees collected for the state	-	2,092,964
	<hr/>	<hr/>
Total Additions	\$ 560,788	\$ 117,625,750
Deductions		
Beneficiary payments to individuals	\$ 513,284	\$ 243,686
Payments of property tax to other governments	-	111,927,729
Payments to state	-	5,120,512
Administrative expense	-	3,973
Payments to other entities	-	388,076
	<hr/>	<hr/>
Total Deductions	\$ 513,284	\$ 117,683,976
Change in net position	\$ 47,504	\$ (58,226)
Net Position – January 1	150,204	2,441,788
	<hr/>	<hr/>
Net Position – December 31	\$ 197,708	\$ 2,383,562
	<hr/> <hr/>	<hr/> <hr/>

DISCRETELY PRESENTED COMPONENT UNITS

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 12

**COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2021**

	<u>Prairie Lakes Municipal Solid Waste Authority</u>	<u>Community Development Agency</u>	<u>Housing and Redevelopment Authority</u>	<u>Total</u>
<u>Assets</u>				
Current assets				
Cash and pooled investments	\$ 2,361,627	\$ 997,716	\$ 1,225,024	\$ 4,584,367
Taxes receivable – delinquent	-	11,946	19,274	31,220
Accounts receivable	204,697	-	2,815	207,512
Due from other governments	12,000	-	-	12,000
Due from primary government	-	210	-	210
Loans receivable – current (net of allowance)	-	-	60,676	60,676
Assets held for resale	-	-	1,051	1,051
Prepaid items	7,407	-	-	7,407
Total current assets	\$ 2,585,731	\$ 1,009,872	\$ 1,308,840	\$ 4,904,443
Noncurrent assets				
Restricted cash and cash equivalents	\$ -	\$ -	\$ 54,007	\$ 54,007
Loans receivable (net of allowance)	-	-	273,560	273,560
Capital assets				
Nondepreciable	25,489	-	32,990	58,479
Depreciable – net	27,060,768	-	646,477	27,707,245
Total noncurrent assets	\$ 27,086,257	\$ -	\$ 1,007,034	\$ 28,093,291
Total Assets	\$ 29,671,988	\$ 1,009,872	\$ 2,315,874	\$ 32,997,734
<u>Deferred Outflows of Resources</u>				
Deferred pension outflows	\$ 804,614	\$ -	\$ -	\$ 804,614
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 129,359	\$ 5,200	\$ 16,949	\$ 151,508
Salaries payable	104,590	-	-	104,590
Due to other governments	133,839	-	-	133,839
Due to primary government	103,489	-	12,948	116,437
Accrued interest payable	134	-	-	134
Advance from primary government – current	1,765,000	-	-	1,765,000
Security deposits	-	-	9,055	9,055
Unearned revenue	-	-	1,319	1,319
Loans payable – current	50,662	-	-	50,662
Compensated absences payable – current	93,600	-	-	93,600
Total current liabilities	\$ 2,380,673	\$ 5,200	\$ 40,271	\$ 2,426,144

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT 12
(Continued)**

**COMBINING STATEMENT OF NET POSITION
DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2021**

	<u>Prairie Lakes Municipal Solid Waste Authority</u>	<u>Community Development Agency</u>	<u>Housing and Redevelopment Authority</u>	<u>Total</u>
<u>Liabilities (Continued)</u>				
Noncurrent liabilities				
Advance from primary government	\$ 24,141,736	\$ -	\$ -	\$ 24,141,736
Loans payable – long-term	12,901	-	-	12,901
Compensated absences payable – long-term	334,474	-	-	334,474
Net pension liability	1,135,939	-	-	1,135,939
Total noncurrent liabilities	\$ 25,625,050	\$ -	\$ -	\$ 25,625,050
Total Liabilities	\$ 28,005,723	\$ 5,200	\$ 40,271	\$ 28,051,194
<u>Deferred Inflows of Resources</u>				
Deferred pension inflows	\$ 1,054,449	\$ -	\$ -	\$ 1,054,449
<u>Net Position</u>				
Net investment in capital assets	\$ 3,542,694	\$ -	\$ 679,467	\$ 4,222,161
Restricted for Section 8 HAP	-	-	44,952	44,952
Unrestricted	(2,126,264)	1,004,672	1,551,184	429,592
Total Net Position	\$ 1,416,430	\$ 1,004,672	\$ 2,275,603	\$ 4,696,705

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Expenses</u>	<u>Program Revenues Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>
Component Units			
Prairie Lakes Municipal Solid Waste Authority	\$ 9,400,019	\$ 9,324,121	\$ -
Community Development Agency	252,146	-	-
Housing and Redevelopment Authority	<u>1,452,999</u>	<u>166,454</u>	<u>668,665</u>
Total Component Units	<u>\$ 11,105,164</u>	<u>\$ 9,490,575</u>	<u>\$ 668,665</u>

General Revenues

Property tax
Payments in lieu of tax
Investment earnings
Miscellaneous

Total general revenues

Change in Net Position

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

Net Position – December 31

EXHIBIT 13

Net (Expense) Revenue and Changes in Net Position			
Prairie Lakes Municipal Solid Waste Authority	Community Development Agency	Housing and Redevelopment Authority	Total
\$ (75,898)	\$ -	\$ -	\$ (75,898)
-	(252,146)	-	(252,146)
<u>-</u>	<u>-</u>	<u>(617,880)</u>	<u>(617,880)</u>
\$ (75,898)	\$ (252,146)	\$ (617,880)	\$ (945,924)
-	537,438	851,847	1,389,285
-	663	-	663
-	2,171	1,657	3,828
<u>-</u>	<u>14</u>	<u>-</u>	<u>14</u>
\$ -	\$ 540,286	\$ 853,504	\$ 1,393,790
\$ (75,898)	\$ 288,140	\$ 235,624	\$ 447,866
<u>1,492,328</u>	<u>716,532</u>	<u>2,039,979</u>	<u>4,248,839</u>
<u>\$ 1,416,430</u>	<u>\$ 1,004,672</u>	<u>\$ 2,275,603</u>	<u>\$ 4,696,705</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

1. Summary of Significant Accounting Policies

The County’s financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2021. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Discretely Presented Component Units

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

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements Available at</u>
Otter Tail County Community Development Agency (CDA)	The County appoints Board members, employs the persons responsible for the day-to-day operations (management), and is financially accountable for the CDA.	The Otter Tail County CDA does not issue separate financial statements.
Otter Tail County Housing and Redevelopment Authority (HRA)	The County appoints Board Members and employs the persons responsible for the-day-to-day operations (management).	Otter Tail County Housing and Redevelopment Authority 500 West Fir Avenue Fergus Falls, Minnesota 56537
Prairie Lakes Municipal Solid Waste Authority (Prairie Lakes)	The County appoints members and is financially accountable for Prairie Lakes.	Prairie Lakes Municipal Solid Waste Authority 115 North Tower Road Fergus Falls, Minnesota 56537

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures and Jointly-Governed Organizations

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

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

The County reports the following major governmental funds:

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

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

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

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

The County reports the following major enterprise fund:

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

The County reports the following nonmajor governmental funds:

<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>
County Ditch	Government Service Center
Law Library	Sheriff's Operations
Sheriff's Contingent	Highway Construction
Parks and Trails	Master Facility Construction
	Detention Facility
	Public Buildings
	Capital Improvement

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at fair value at December 31, 2021, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental, enterprise, and fiduciary funds are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2021 were \$227,216.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” Any residual balances outstanding between the primary government and the component units are reported in the government-wide financial statements as “due to/from primary government” and “due to/due from component unit.”

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

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

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

4. Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments payable in the years 2015 through 2021, and noncurrent special assessments payable in 2022 and after. Special assessments receivable includes a special assessment authorized by the County as a pass-through entity for the St. Paul Port Authority to administer the Property Assessed Clean Energy (PACE) financing program. As part of the

**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

4. Special Assessments Receivable (Continued)

agreement, the County levies special assessments on the parcel each year and sends the payment to the St. Paul Port Authority to pay the debt service. No provision has been made for an estimated uncollectible amount.

5. Advance to Component Unit

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

In 2019, the County issued \$6,365,000 in Taxable General Obligation Disposal System Revenue Refunding Bonds, Series 2019B, for the purpose of effecting an advance crossover refunding of the 2022 through 2030 maturities of the County's \$10,475,000 General Obligation Disposal System Revenue Bonds, Series 2011, and resulted in the County increasing the principal payments owed from Prairie Lakes by \$150,000, but will result in a lower total future cash outlay as the refunding bonds were issued with a lower interest rate than the refunded bonds. The bonds were sold in advance of the call date of the Series 2011 bonds, and proceeds were invested in an escrow account with direct obligations of the U.S. government. The Series 2011 bonds were fully refunded in 2021.

In 2021, the County issued \$13,635,000 in General Obligation Disposal System Revenue Refunding Bonds, Series 2021A, for the purpose of advance refunding the 2022 through 2034 maturities of the County's \$19,380,000 General Obligation Disposal System Revenue Bonds, Series 2013A, resulting in the County increasing the principal payments owed from Prairie Lakes by \$120,000, but will result in a lower total future cash outlay as the refunding bonds were issued with a lower interest rate than the refunded bonds. The bonds were sold in advance of the call date of the Series 2013A bonds, and proceeds were invested in an escrow account with direct obligations of the U.S. government. The County will continue

**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

5. Advance to Component Unit (Continued)

to pay a portion of the debt service on the Series 2013A bonds until the call date. A portion of the interest on the bonds due November 1, 2021, through November 1, 2022, and the 2023-2034 principal will be paid from the escrow account established with proceeds of the bonds. The principal payments on all disposal bonds in 2021 were \$7,615,000.

On December 31, 2015, Otter Tail County agreed to advance funds to cover a cash deficit in the Prairie Lakes Municipal Solid Waste Authority Fund. The amount of the advance was \$2,788,620. Repayment will be through future collection of tipping fees. The principal payments made in 2021 were \$110,000.

6. Inventories and Prepaid Items

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

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

7. Restricted Assets

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

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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.

**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)

9. Compensated Absences

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

10. Long-Term Obligations

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

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

**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)

11. Pension Plan

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

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

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

**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

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

sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with OPEB and pension benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

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

13. Classification of Net Position

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

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

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

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

14. Classification of Fund Balances

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

14. Classification of Fund Balances (Continued)

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, or the County Auditor-Treasurer, who have been delegated that authority by Board resolution.

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

14. Classification of Fund Balances (Continued)

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

15. Minimum Fund Balance

Otter Tail County is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. Otter Tail County has adopted a minimum fund balance policy to address cash flow or working capital needs. The County is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County will maintain an unrestricted fund balance level of no less than five months of the General Fund operating expenditures. At December 31, 2021, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

16. Operating Revenues and Expenses

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

**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)

17. Use of Estimates

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

E. Restatement of Net Position

Activities for the Otter Tail County HRA were included in the County's financial statements beginning on January 1, 2021, as it was considered a discrete component unit as a result of day-to-day operations moving to the County. The net position for the discrete component units was previously reported as \$2,208,860. The net position of the HRA as of January 1, 2021, was \$2,039,979. The beginning net position for the discrete component units as of January 1, 2021, was restated to \$4,248,839.

F. Change in Accounting Estimate

The remaining permitted landfill capacity as of December 31, 2021, was determined to be greater than the previous permitted landfill capacity as of December 31, 2020, based on the reports prepared by an engineering firm. Depreciation expense related to the Landfill capital asset recorded in the Waste Management Enterprise Fund is calculated based on the remaining permitted landfill capacity as of the respective year-end. For the fiscal year end December 31, 2021, the change in estimate resulted in negative depreciation of \$56,611 being recorded for the landfill. See Note 3.A.4 Business-type Activities for the detail.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The County Ditch Special Revenue Fund had a positive fund balance of \$157,108 as of December 31, 2021. The deficits will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

21 ditches with positive fund balances	\$	716,669
38 ditches with deficit fund balances		(559,561)
Net Fund Balance	\$	157,108

The Chemical Dependency Debt Service Fund has a negative fund balance of \$185,267 as of December 31, 2021. The deficit is expected to be eliminated with future lease payments received, along with the potential sale of the leased building to the lessee.

The Parks and Trails Special Revenue Fund has a negative fund balance of \$1,760,449 as of December 31, 2021. The deficit is expected to be eliminated with a combination of future reimbursements from grants and transfers from other County Funds.

B. Excess of Expenditures Over Budget

The following nonmajor funds had expenditures in excess of budget for the year ended December 31, 2021.

	Expenditures	Final Budget	Excess
Special Revenue Funds			
County Ditch	\$ 303,970	\$ 150,000	\$ 153,970
Law Library	60,990	53,830	7,160
Debt Service Funds			
Highway Construction	1,107,450	1,102,475	4,975
Master Facility Construction	4,306,532	679,700	3,626,832
Detention Facility	156,599	156,125	474

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets

1. Deposits and Investments

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

Primary government	
Cash and pooled investments	\$ 82,190,235
Restricted assets	
Cash and pooled investments	1,516,062
Cash with escrow agent	15,765,116
Component units	
Cash and pooled investments	4,584,367
Restricted cash and pooled investments	54,007
Fiduciary assets	
Custodial funds	
Cash and pooled investments	2,223,990
Trust funds	
Cash and pooled investments	200,507
Total Cash and Investments	\$ 106,534,284
Cash and pooled investments held by County	\$ 105,255,253
Cash held by the Otter Tail County HRA	1,279,031
Total Cash and Investments	\$ 106,534,284

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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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, 2021, \$277,468 of the County’s deposits were exposed to custodial credit risk, which is not in compliance with Minn. Stat. § 118A.03 and considered a violation of a finance legal provision.

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

A. Assets

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets

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 does not have a policy on credit risk, but invests only in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2021, 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. The County does not have a policy on the concentration of credit risk, but typically, the County invests in U.S. Treasury securities, U.S. agency securities, and obligations backed by the U.S. Treasury and/or U.S. agency securities without limit.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets

1. Deposits and Investments (Continued)

The following table represents the County's deposit and investment balances at December 31, 2021, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. government agency securities					
U.S. Treasury Note	N/A	N/A		01/31/2022	\$ 1,001,100
U.S. Treasury Note	N/A	N/A		02/15/2022	2,004,540
U.S. Treasury Note	N/A	N/A		03/31/2022	1,501,020
U.S. Treasury Note	N/A	N/A		04/30/2022	2,500,075
U.S. Treasury Note	N/A	N/A		05/31/2022	1,999,680
U.S. Treasury Note	N/A	N/A		06/30/2022	1,007,580
U.S. Treasury Note	N/A	N/A		08/31/2022	2,497,850
U.S. Treasury Bond Strip	N/A	N/A		11/15/2022	996,990
U.S. Treasury Note	N/A	N/A		12/31/2022	3,489,185
Total U.S. Treasury Notes and Bond			46.3%		\$ 16,998,020
Treasury Securities – State and Local Government Series	N/A	N/A	42.9%		15,765,116
Negotiable certificates of deposit	N/A	N/A	10.8%		3,970,757
Total investments					\$ 36,733,893
Deposits					68,498,350
Change funds					23,010
Total Cash and Pooled Investments Held by County					<u>\$ 105,255,253</u>

N/A – Not Applicable

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

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

At December 31, 2021, the County had the following recurring fair value measurements:

	December 31, 2021	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. government agency securities	\$ 16,998,020	\$ -	\$ 16,998,020	\$ -
Treasury Securities – State and Local Government Series	15,765,116	-	15,765,116	-
Negotiable certificates of deposit	<u>3,970,757</u>	<u>-</u>	<u>3,970,757</u>	<u>-</u>
U.S. Investments Included in the Fair Value Hierarchy	<u>\$ 36,733,893</u>	<u>\$ -</u>	<u>\$ 36,733,893</u>	<u>\$ -</u>

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets (Continued)

2. Receivables

The County had receivables scheduled to be collected beyond one year as of December 31, 2021, as follows:

	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Governmental Activities	
Special assessments	\$ 489,518
Advance to component unit	21,715,000
Settlement receivable	<u>1,850,737</u>
Total Governmental Activities	<u>\$ 24,055,255</u>
Business-Type Activities	
Advance to component unit	<u>\$ 2,426,736</u>

3. Leases Receivable

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets

3. Leases Receivable (Continued)

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

Amounts due from the Viking Library System and Northstar Behavioral Health, LLC, have been recorded as lease receivables in the General Fund and Chemical Dependency Debt Service Fund, respectively, at December 31, 2021. The amounts for 2022 are considered current and due within one year. Amounts remaining to be paid are as follows:

Year Due	Viking Library System	Northstar Behavioral Health, LLC
2022	\$ 75,000	\$ 267,000
2023	80,000	279,000
2024	80,000	315,000
2025	80,000	-
2026	85,000	-
2027 - 2028	180,000	-
Total Leases	\$ 580,000	\$ 861,000
Due Within One Year	\$ 75,000	\$ 267,000

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2021, was as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 5,880,466	\$ 1,586,301	\$ 107,000	\$ 7,359,767
Construction in progress	3,840,400	11,322,339	3,840,400	11,322,339
Total capital assets not depreciated	<u>\$ 9,720,866</u>	<u>\$ 12,908,640</u>	<u>\$ 3,947,400</u>	<u>\$ 18,682,106</u>
Capital assets depreciated				
Land improvements	\$ 930,687	\$ -	\$ -	\$ 930,687
Buildings	28,880,008	60,362	972,317	27,968,053
Building improvements	17,896,830	-	-	17,896,830
Machinery, furniture, vehicles, and equipment	20,801,674	1,695,880	874,866	21,622,688
Infrastructure	259,416,162	13,177,281	526,094	272,067,349
Total capital assets depreciated	<u>\$ 327,925,361</u>	<u>\$ 14,933,523</u>	<u>\$ 2,373,277</u>	<u>\$ 340,485,607</u>
Less: accumulated depreciation for				
Land improvements	\$ 876,600	\$ 9,344	\$ -	\$ 885,944
Buildings	14,396,152	682,857	646,186	14,432,823
Building improvements	5,440,118	808,866	-	6,248,984
Machinery, furniture, vehicles, and Equipment	14,406,286	1,831,094	821,241	15,416,139
Infrastructure	98,551,520	7,679,890	178,872	106,052,538
Total accumulated depreciation	<u>\$ 133,670,676</u>	<u>\$ 11,012,051</u>	<u>\$ 1,646,299</u>	<u>\$ 143,036,428</u>
Total capital assets depreciated, net	<u>\$ 194,254,685</u>	<u>\$ 3,921,472</u>	<u>\$ 726,978</u>	<u>\$ 197,449,179</u>
Governmental Activities Capital Assets, Net	<u>\$ 203,975,551</u>	<u>\$ 16,830,112</u>	<u>\$ 4,674,378</u>	<u>\$ 216,131,285</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

A. Assets

4. Capital Assets (Continued)

Business-Type Activities

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 187,833	\$ -	\$ -	\$ 187,833
Capital assets depreciated				
Buildings	\$ 6,658,159	\$ 330,147	\$ -	\$ 6,988,306
Landfill	3,585,738	-	-	3,585,738
Machinery, furniture, vehicles, and equipment	3,165,787	267,286	-	3,433,073
Infrastructure	141,010	-	-	141,010
Total capital assets depreciated	\$ 13,550,694	\$ 597,433	\$ -	\$ 14,148,127
Less: accumulated depreciation for				
Buildings	\$ 4,026,870	\$ 128,707	\$ -	\$ 4,155,577
Landfill	3,019,582	(56,611)	-	2,962,971
Machinery, furniture, vehicles, and equipment	2,698,057	137,025	-	2,835,082
Infrastructure	32,118	4,701	-	36,819
Total accumulated depreciation	\$ 9,776,627	\$ 213,822	\$ -	\$ 9,990,449
Total capital assets depreciated, net	\$ 3,774,067	\$ 383,611	\$ -	\$ 4,157,678
Business-Type Activities Capital Assets, Net	<u>\$ 3,961,900</u>	<u>\$ 383,611</u>	<u>\$ -</u>	<u>\$ 4,345,511</u>

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

Governmental Activities	
General government	\$ 1,300,252
Public safety	756,499
Highways and streets, including depreciation of infrastructure assets	8,841,909
Human services	53,689
Health services	15,142
Culture and recreation	18,509
Conservation of natural resources	22,545
Economic development	3,506
Total Depreciation Expense – Governmental Activities	<u>\$ 11,012,051</u>
Business-Type Activities	
Solid waste	<u>\$ 213,822</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2021, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Human Services Special Revenue Fund	\$ 11,630
Road and Bridge Special Revenue Fund	County Ditch Special Revenue Fund	\$ 1,831
	Parks and Trails Special Revenue Fund	1,341,383
	Waste Management Enterprise Fund	434
Total due to Road and Bridge Special Revenue Fund		\$ 1,343,648
Capital Improvement Special Revenue Fund	General Fund	\$ 1,519
Waste Management Enterprise Fund	General Fund	\$ 714
	Road and Bridge Special Revenue Fund	942
Total due to Waste Management Enterprise Fund		\$ 1,656
Custodial Funds		
State Revenue Fund	General Fund	\$ 8
Family Services Collaborative Fund	General Fund	130
Total due to Custodial Funds		\$ 138
Total Due To/From Other Funds		\$ 1,358,591

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

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

2. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	County Ditch Special Revenue Fund Parks and Trails Special Revenue Fund	\$ 633,218 <hr/> 600,000
Total advance to General Fund		\$ 1,233,218
Human Services Special Revenue Fund	Chemical Dependency Debt Service Fund	<hr/> 1,641,356
Total Advances From/To Other Funds		<hr/> <u>\$ 2,874,574</u>

The General Fund advance is to provide working capital to ditch systems with low reserves and operating costs in excess of revenues. This balance will be paid from future ditch special assessments. An additional advance was made by the General Fund to the Parks and Trails Special Revenue Fund to provide capital for the financial activities of the County's public parks and trails system. This balance is expected to be paid from a combination of future reimbursements from grants and transfers from County Funds. The Human Services Special Revenue Fund advance is to deposit the principle and interest portion of the outstanding Series 2016A Bonds in an irrevocable escrow account. This balance will be paid from future lease revenue.

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2021, consisted of the following:

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

B. Interfund Receivables, Payables, and Transfers

3. Interfund Transfers (Continued)

Transfer to Public Buildings Debt Service Fund from General Fund	\$ 88,450	To transfer funds for bond principal and interest payment.
Transfer to Public Buildings Debt Service Fund from Sheriff Operations Debt Service Fund	474,675	To transfer funds for bond principal and interest payment.
Transfer to Highway Construction Debt Service Fund from Road and Bridge Revenue Fund	878,925	To transfer funds for bond principal and interest payment.
Transfer to Human Services Special Revenue Fund from General Fund	37,317	To transfer Disaster Grant funds.
Transfer to Waste Management Enterprise Fund from General Fund	2,176	To transfer Disaster Grant funds.
Transfer to General Fund from Capital Improvement Fund	11,844	To transfer excess funds.
Transfer to Parks and Trails Special Revenue Fund from Capital Improvement Fund	763,261	To establish Parks and Trails Special Revenue Fund.
Transfer to Parks and Trails Special Revenue Fund from General Fund	3,531	To transfer donations.
Transfer to Capital Improvement Debt Service Fund from Capital Projects Fund	101,821	To transfer for debt service payments.
Transfer to Sheriff's Contingent Special Revenue Fund from General Fund	766	To transfer excess funds.
	<hr/>	
Total Transfers Between Funds	<u>\$ 2,362,766</u>	

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Construction Commitments

The remaining commitment for highway projects are state funded and, therefore, are not obligations of the County at December 31, 2021.

2. Long-Term Debt

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

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2021
General obligation bonds					
2016 Capital Improvement Refunding Bonds	2028	\$65,000 - \$1,020,000	1.05 - 3.00	\$ 6,675,000	\$ 2,940,000
2017 Capital Improvement Bonds	2028	\$115,000 - \$150,000	3.00	1,335,000	975,000
2019 Capital Improvement Bonds	2037	\$585,000 - \$905,000	3.00 - 5.00	12,890,000	12,305,000
2020 Capital Improvement Bonds	2036	\$105,000 - \$1,055,000	1.00 - 3.00	9,560,000	9,560,000
2020 Capital Improvement Refunding Bonds	2025	\$540,000 - \$1,135,000	4.00	<u>3,275,000</u>	<u>3,275,000</u>
Total general obligation bonds				<u>\$ 33,735,000</u>	\$ 29,055,000
Add: unamortized premium					1,991,326
Less: unamortized discount					<u>(10,530)</u>
Total General Obligation Bonds, Net					<u>\$ 31,035,796</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources

2. Long-Term Debt (Continued)

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2021</u>
Revenue bonds					
2013 Disposal System Revenue Bonds	2034	\$630,000 - \$1,970,000	2.00 - 3.75	\$ 19,380,000	\$ 14,600,000
2018 Disposal System Revenue Bonds	2028	\$85,000 - \$125,000	3.00 - 4.00	1,065,000	785,000
2019 Disposal System Revenue Refunding Bonds	2030	\$650,000 - \$805,000	1.85 - 2.45	6,365,000	6,365,000
2020 Disposal System Revenue Bonds	2031	\$170,000 - \$215,000	1.15 - 2.00	2,000,000	2,000,000
2021 Disposal System Revenue Refunding Bonds	2034	\$75,000 - \$1,820,000	1.80 - 4.00	<u>13,635,000</u>	<u>13,560,000</u>
Total revenue bonds				<u>\$ 42,445,000</u>	\$ 37,310,000
Add: unamortized premium					1,328,269
Less: unamortized discount					<u>(51,091)</u>
Total Revenue Bonds, Net					<u>\$ 38,587,178</u>

Loans Payable

In 2020, the County entered into a loan agreement with the Minnesota Pollution Control Agency for financing of the Minnesota Clean Water Partnership Project. These funds are provided to property owners and are secured by special assessments placed on the individual parcels requesting repair of a failing septic system. According to the agreement, the County can borrow as much as \$1,000,000. As of December 31, 2021, the total amount borrowed was \$744,942. Repayment schedules are not currently available for the 2020 loan and are not included in the debt service requirements.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2021, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 2,435,000	\$ 868,802	\$ 1,765,000	\$ 1,085,178
2023	2,565,000	775,477	2,445,000	1,039,000
2024	2,655,000	675,227	2,510,000	966,605
2025	2,035,000	580,277	2,590,000	888,291
2026	1,420,000	508,877	2,670,000	806,579
2027 - 2031	7,995,000	1,662,314	14,240,000	2,762,902
2032 - 2036	9,090,000	605,197	11,090,000	631,110
2037	860,000	12,900	-	-
Total	<u>\$ 29,055,000</u>	<u>\$ 5,689,071</u>	<u>\$ 37,310,000</u>	<u>\$ 8,179,665</u>

4. Current Refunding

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

5. Advance Refunding

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources

5. Advance Refunding (Continued)

In May 2021, the County issued \$13,635,000 General Obligation Waste Disposal Revenue Refunding Bonds, Series 2021A, to advance refund a portion of the \$19,380,000 General Obligation Waste Disposal Revenue Bonds, Series 2013A, to achieve interest cost savings. The refunding results in future debt savings of \$1,224,645.

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2021, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 34,900,000	\$ -	\$ 5,845,000	\$ 29,055,000	\$ 2,435,000
Revenue bonds	31,290,000	13,635,000	7,615,000	37,310,000	1,765,000
Add: unamortized premium	2,603,436	1,016,810	300,651	3,319,595	-
Less: unamortized discount	(70,037)	-	(8,416)	(61,621)	-
Total bonds payable	\$ 68,723,399	\$ 14,651,810	\$ 13,752,235	\$ 69,622,974	\$ 4,200,000
Loans payable	406,499	338,443	-	744,942	-
Compensated absences	5,848,619	3,057,760	3,092,062	5,814,317	1,479,020
Governmental Activities Long-Term Liabilities	<u>\$ 74,978,517</u>	<u>\$ 18,048,013</u>	<u>\$ 16,844,297</u>	<u>\$ 76,182,233</u>	<u>\$ 5,679,020</u>

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Estimated liability for landfill closure/postclosure care costs	\$ 1,767,934	\$ 480,604	\$ -	\$ 2,248,538	\$ -
Compensated absences	460,228	193,518	198,348	455,398	102,746
Business-Type Activities Long-Term Liabilities	<u>\$ 2,228,162</u>	<u>\$ 674,122</u>	<u>\$ 198,348</u>	<u>\$ 2,703,936</u>	<u>\$ 102,746</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources

6. Changes in Long-Term Liabilities (Continued)

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

7. Deferred Inflows of Resources – Unavailable Revenue

Unavailable revenues consist of taxes, special assessments, state and/or federal grants, and state highway users tax allotments, and other receivables not collected soon enough after year-end to pay liabilities of the current period. Unavailable revenue at December 31, 2021, is summarized below by fund:

	<u>Taxes</u>	<u>Special Assessments</u>	<u>Grants and Allotments</u>	<u>Other</u>	<u>Total</u>
Major governmental funds					
General	\$ 275,275	\$ -	\$ 9,639	\$ 17,788	\$ 302,702
Road and Bridge	45,760	377	7,308,852	45,684	7,400,673
Human Services	150,551	-	207,929	1,853,385	2,211,865
Capital Improvement	31,779	-	-	-	31,779
Chemical Dependency	-	-	-	861,000	861,000
Nonmajor governmental funds					
Parks and Trails	4,995	-	-	-	4,995
County Ditch	-	493,905	-	-	493,905
Government Service Center	1,176	-	-	-	1,176
Sheriff Operations	6,056	-	-	-	6,056
Highway Construction	2,129	-	-	-	2,129
Master Facility Construction	7,467	-	-	-	7,467
Detention Facility	1,674	-	-	-	1,674
Total	<u>\$ 526,862</u>	<u>\$ 494,282</u>	<u>\$ 7,526,420</u>	<u>\$ 2,777,857</u>	<u>\$ 11,325,421</u>

D. Other Postemployment Benefits (OPEB)

1. Plan Description

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

D. Other Postemployment Benefits (OPEB)

1. Plan Description (Continued)

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

2. Funding Policy

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

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

Inactive employees or beneficiaries currently receiving benefit payments	30
Active plan participants	<u>450</u>
Total	<u>480</u>

3. Total OPEB Liability

The County's total OPEB liability of \$3,385,023 was determined by an actuarial valuation as of January 1, 2020, and was rolled forward to a measurement date of January 1, 2021. The OPEB liability is liquidated through the General Fund, Road and Bridge Special Revenue Fund, and Human Services Special Revenue Fund. For the business-type activities, the OPEB liability is liquidated by the Waste Management Enterprise Fund.

The total OPEB liability in the fiscal year-end December 31, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

D. Other Postemployment Benefits (OPEB)

3. Total OPEB Liability (Continued)

Actuarial cost method	Entry Age Normal Percent of Pay
Inflation	2.50 percent
Salary increases	Service graded table
Health care cost trend	6.25 percent as of January 1, 2021, grading to 5.00 percent over five years and then to 4.00 percent over the next 47 years

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

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

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

4. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at January 1, 2021	\$ 3,292,083
Changes for the year	
Service cost	\$ 251,344
Interest	99,053
Benefit payments	<u>(257,457)</u>
Net change	\$ 92,940
Balance at December 31, 2021	<u>\$ 3,385,023</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

D. Other Postemployment Benefits (OPEB) (Continued)

5. OPEB Liability Sensitivity

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

	Discount Rate	Total OPEB Liability
1% Decrease	1.90%	\$ 3,595,662
Current	2.90	3,385,023
1% Increase	3.90	3,185,189

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

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 3.00%	\$ 3,057,675
Current	6.25% Decreasing to 4.00%	3,385,023
1% Increase	7.25% Decreasing to 5.00%	3,768,439

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

D. Other Postemployment Benefits (OPEB) (Continued)

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

For the year ended December 31, 2021, the County recognized OPEB expense of \$123,076. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 152,539	\$ -
Changes in actuarial assumptions	-	13,403
Contributions paid subsequent to the measurement date	262,105	-
Total	\$ 414,644	\$ 13,403

The \$262,105 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

7. Changes in Actuarial Methods and Assumptions

There were no changes in actuarial assumptions in 2021.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes (Continued)

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description

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

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

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

b. Benefits Provided

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

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

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

The benefit provisions stated in the following paragraph of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits, but are not yet receiving them, are bound by the provisions in effect at the time they last terminated their public service.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

c. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. Rates did not change from 2020.

In 2021, the County and members were required to contribute the following percentages of annual covered salary:

	<u>Member Required Contribution</u>	<u>Employer Required Contribution</u>
General Employees Plan – Coordinated Plan members	6.50%	7.50%
Police and Fire Plan	11.80	17.70
Correctional Plan	5.83	8.75

The County's contributions for the year ended December 31, 2021, to the pension plans were:

General Employees Plan	\$	1,898,933
Police and Fire Plan		540,340
Correctional Plan		178,452

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

d. Pension Costs

General Employees Plan

At December 31, 2021, the County reported a liability of \$14,703,152 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.3443 percent. It was 0.3394 percent measured as of June 30, 2020. The County recognized pension expense of \$307,805 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized \$36,226 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's expense related to its contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031.

The County's proportionate share of the net pension liability	\$ 14,703,152
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>448,986</u>
Total	<u>\$ 15,152,138</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 85,662	\$ 449,217
Changes in actuarial assumptions	8,977,440	316,740
Difference between projected and actual investment earnings	-	12,741,339
Changes in proportion	590,808	61,023
Contributions paid to PERA subsequent to the measurement date	959,376	-
Total	\$ 10,613,286	\$ 13,568,319

The \$959,376 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, 2022. 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
2022	\$ (417,340)
2023	24,219
2024	(48,182)
2025	(3,473,106)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Police and Fire Plan

At December 31, 2021, the County reported a liability of \$1,965,242 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.2546 percent. It was 0.2751 percent measured as of June 30, 2020. The County recognized pension expense of (\$147,667) for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed \$18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation required the State of Minnesota to pay direct state aid of \$9 million on October 1, 2020, and to pay \$9 million by October 1 of each subsequent year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional \$16,093 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The County's proportionate share of the net pension liability	\$	1,965,242
State of Minnesota's proportionate share of the net pension liability associated with the County		88,370
Total	\$	2,053,612

Legislation also requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized \$22,714 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 386,470	\$ -
Changes in actuarial assumptions	2,888,391	1,141,023
Difference between projected and actual investment earnings	-	3,727,477
Changes in proportion	104,056	369,349
Contributions paid to PERA subsequent to the measurement date	292,757	-
Total	\$ 3,671,674	\$ 5,237,849

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The \$292,757 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, 2022. 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
2022	\$ (1,446,087)
2023	(261,851)
2024	(280,740)
2025	(457,543)
2026	587,289

Correctional Plan

At December 31, 2021, the County reported an asset of \$142,036 for its proportionate share of the Correctional Plan's net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The County's proportion of the net pension asset was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.8646 percent. It was 0.9105 percent measured as of June 30, 2020. The County recognized pension expense of (\$409,634) for its proportionate share of the Correctional Plan's pension expense.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 83,983
Changes in actuarial assumptions	889,111	14,019
Difference between projected and actual investment earnings	-	1,135,174
Changes in proportion	34	9,505
Contributions paid to PERA subsequent to the measurement date	94,843	-
Total	\$ 983,988	\$ 1,242,681

The \$94,843 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, 2022. 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
2022	\$ (52,009)
2023	(11,164)
2024	19,601
2025	(309,964)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2021, was (\$249,496).

e. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

	<u>General Employees Fund</u>	<u>Police and Fire Fund</u>	<u>Correctional Fund</u>
Inflation	2.25% per year	2.25% per year	2.25% per year
Active Member Payroll Growth	3.00% per year	3.00% per year	3.00% per year
Investment Rate of Return	6.50%	6.50%	6.50%

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated July 14, 2020. The experience study for the Correctional Plan was dated July 10, 2020. For all plans a review of inflation and investment assumptions dated June 24, 2021, was utilized.

The long-term expected rate of return on pension plan investments is 6.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	33.50%	5.10%
International equities	16.50	5.30
Fixed income	25.00	0.75
Private markets	25.00	5.90

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

f. Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent in 2021, which is a decrease of one percent from 2020. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net positions of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2021:

General Employees Plan

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions (Continued)

Police and Fire Plan

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary rate increases.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

Police and Fire Plan (Continued)

- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married from active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

Correctional Plan

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

Correctional Plan (Continued)

- Assumed rates of salary increase were modified as recommended in the July 10, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 10, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed as recommended in the July 10, 2020, experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).
- Assumed rates of disability were lowered.
- Assumed percent married for active members was lowered from 85 percent to 75 percent.
- Minor changes to form of payment assumptions were applied.

h. Pension Liability Sensitivity

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

h. Pension Liability Sensitivity (Continued)

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability (Asset)	Discount Rate	Net Pension Liability (Asset)
1% Decrease	5.50%	\$ 29,986,926	5.50%	\$ 6,239,312	5.50%	\$ 1,478,215
Current	6.50	14,703,152	6.50	1,965,242	6.50	(142,036)
1% Increase	7.50	2,161,884	7.50	(1,538,436)	7.50	(1,427,878)

i. Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

2. Defined Contribution Plan

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes

E. Pension Plans

2. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by Otter Tail County during the year ended December 31, 2021, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 7,584	\$ 7,584
Percentage of covered payroll	5.00%	5.00%

4. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,248,538 landfill closure and postclosure care liability at December 31, 2021, represents the cumulative amount reported to date based on the use of 87 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$153,669 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2021. The County expects to close the landfill in 2034 or later. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. At December 31, 2021, investments of \$1,516,062 are held for these purposes. These are reported as restricted assets on the statement of net position. The County is underfunded in this account by \$732,476 at December 31, 2021. Otter Tail County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

5. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2021 and 2022. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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**

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

B. Joint Ventures

Northwest Regional Development Commission

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

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

Financing is provided by appropriations from member parties and by state and federal grants. During 2021, Otter Tail County provided \$13,322 to the Northwest Regional Development Commission.

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

West Central Minnesota Drug and Violent Crime Task Force

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

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

Fiscal agent responsibilities for the Task Force are with Douglas County, which reports the Task Force as a custodial fund. Financing and equipment will be provided by the full-time and associate member agencies. Otter Tail County contributed \$5,000 to the Task Force in 2021.

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

Pomme de Terre River Association

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Pomme de Terre River Association (Continued)

Control is vested in a Joint Powers Board, comprised of one representative of each County Board of Commissioners and one representative from each soil and water conservation district Board of Supervisors included within the agreement. During 2021, Otter Tail County did not contribute any funds to the Joint Powers Board.

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

Central Minnesota Emergency Services Board

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

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

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2021, Otter Tail County contributed \$11,965 to the City of St. Cloud for the Central Minnesota Emergency Services Board.

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

Otter Tail County Family Services Collaborative

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

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

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

Financing is provided by state and federal grants and cash and in-kind contributions from its member parties. Otter Tail County, in a fiduciary capacity, reports the transactions of the Collaborative as a custodial fund on its financial statements. During 2021, the County contributed \$3,625 in funds to the Collaborative.

**OTTER TAIL COUNTY
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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Otter Tail County Family Services Collaborative (Continued)

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

Partnership4Health Community Health Board

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

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

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

The financial activities of Partnership4Health are accounted for in a custodial fund by Clay County. The individuals who administer the activities of Partnership4Health are considered to be employees of Clay County Public Health. During 2021, Otter Tail County did not contribute to Partnership4Health Community Health Board.

**OTTER TAIL COUNTY
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6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Viking Library System

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

The Viking Library System is governed by a governing board which consists of 19 members. Each County Board appoints a resident of the County, each member library board appoints a representative, and any libraries with a service area population over 15,000 have an additional representative. Currently, Fergus Falls and Douglas County have additional representatives. During 2021, Otter Tail County provided \$601,258 to the Viking Library System.

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

C. Jointly-Governed Organizations

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

District IV Transportation Planning

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

**OTTER TAIL COUNTY
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6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Buffalo-Red River Watershed District

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

Control of the District is vested in the Buffalo-Red River Watershed District Board of Managers, which is composed of seven members having staggered terms of three years each, with one appointed by the Becker County Board, three appointed by the Clay County Board, one appointed by the Otter Tail County Board and two appointed by the Wilkin County Board. Tax settlements of \$70,388 were distributed to the Buffalo-Red River Watershed District in 2021.

Region Four – West Central Minnesota Homeland Security Emergency Management Organization

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

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties created the Minnesota Counties Computer Cooperative (MCCC) to facilitate services and training, provide software and related cost-effective measures to substantially reduce technology costs for the counties. During the year, Otter Tail County expended \$286,938 to the MCCC for services received. The County has no operational or financial control over the MCCC.

**OTTER TAIL COUNTY
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6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Sentencing to Service

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

MAHUBE-OTWA Community Action Partnership, Inc.

MAHUBE Community Council, Inc., was incorporated as a private, non-profit organization in July 1965 (serving Mahnomen, Hubbard, and Becker Counties). In April 2012, MAHUBE Community Council became MAHUBE-OTWA Community Action Partnership, Inc., serving the five-county area of Mahnomen, Hubbard, Becker, Otter Tail, and Wadena Counties. The 18-member Board composition includes members from three sectors: low-income, private organizations, and elected public offices from the five-county area. Board Director's terms of office are three years. MAHUBE-OTWA provides services for low-income and elderly persons living in the five-county area. In order to reduce poverty in its community, this community action agency works to better focus available local, state, private, and federal resources to assist low-income individuals and families to acquire useful skills and knowledge, gain access to new opportunities, and achieve economic self-sufficiency. During 2021, Otter Tail County made payments of \$180,779 to MAHUBE-OTWA.

Minnesota Inter-County Association

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

**OTTER TAIL COUNTY
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6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Minnesota Inter-County Association (Continued)

quality information on issues of concern to its members and their residents, increase public understanding of county government, and facilitate cooperation among counties in areas of mutual interest. The MICA Board of Directors is the policy-setting body. Member counties are represented on the Board by two Commissioners chosen by their respective County Boards. During 2021, Otter Tail County did not expend anything to MICA.

Lakeland Mental Health Center

Lakeland Mental Health Center was formed pursuant to Minn. Stat. ch. 317A as a 501(c)(3) non-profit corporation on February 10, 1961, and includes Becker, Clay, Douglas, Grant, Otter Tail and Pope Counties. The purpose of Lakeland Mental Health Center is to promote healthy individuals, families, and communities by providing high quality accessible mental health services. The management of Lakeland Mental Health Center is vested in a Board of Directors consisting of one Commissioner and one community-at-large representative from each member county, plus one human service director, or equivalent position, rotated between the member counties. Services are provided to the member counties through purchase of service agreements. A member county may lose its membership by action of the Board of Directors if it fails to have a signed contract with Lakeland Mental Health Center. Otter Tail County paid \$1,350,597 in 2021 for services purchased through Lakeland Mental Health Center.

West Central Regional Juvenile Center

The West Central Regional Juvenile Center functions as a coed 32-bed secure facility, as well as a coed 15-bed non-secure care program. The center is located in Moorhead, Minnesota, and provides services for juveniles with behavioral, protection, dependency, and delinquency issues. Counties who have signed a cooperative service agreement with the West Central Regional Juvenile Center include: Becker, Cass, Clay, Douglas, Grant, Otter Tail, Stevens, Todd, Traverse, Wadena, and Wilkin. Otter Tail County paid \$658,212 in 2021 for services provided by the West Central Regional Juvenile Center.

**OTTER TAIL COUNTY
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6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Lakes Country Service Cooperative

Lakes Country Service Cooperative (LCSC) was established in May 1976. LCSC is a public, nonprofit agency dedicated to providing quality, innovative services that help make their members successful. Services include Finance and Human Resources, Leadership and Employee Professional Development, Communications, Technology, Cooperative Purchasing, Health and Safety, Community Wellness, Insurance Wellness, and Education. LCSC serves school districts, cities, counties, and other governmental agencies in the nine-county area that includes Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse and Wilkin Counties. Otter Tail County paid \$128,936 in 2021 for services provided by Lakes Country Service Cooperative.

Otter Tail Lakes Country Association

Otter Tail Lakes Country Association is a regional 501(c)(6) non-profit marketing and economic development organization that was formed in 1976. Membership is comprised of businesses, organizations, and communities. The Board of Directors consists of up to 12 directors serving three-year terms: four representing communities, four representing hospital/tourism-related industries, and four from other businesses or industries who have a shared interest in the economic growth and development of Otter Tail County. The Otter Tail County Board of Commissioners shall appoint no more than two individuals to serve as ex-officio members. Ex-officio members shall count toward quorum, possess full Director privileges, and do not have term limits. Otter Tail County provided \$108,917 to this organization in 2021.

7. Tax Abatements

Otter Tail County enters into property tax abatement agreements with local businesses under Minn. Stat. §§ 469.1812 through 469.1815, which meets the criteria for disclosure under GASB Statement No. 77, *Tax Abatement Disclosures*. Under this statute, the County may grant property tax abatements not to exceed (1) ten percent of the net tax capacity of the political subdivision for the taxes payable year to which the abatement applies, or (2) \$200,000, whichever is greater. The abatements may be granted to any business located within or promises to relocate to the County. For fiscal year 2021, Otter Tail County had the following abatements:

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7. Tax Abatements (Continued)

Battle Lake Hotel Partners, LLC

The County entered into a property tax abatement with Battle Lake Hotel Partners, LLC, in March 2015, for a period of ten years effective in years 2016 through 2026, to abate \$56,390 of property taxes for the purposes of economic development. For 2021, the total tax abated was \$2,078.

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

Thumper Pond Resort, LLC

The County entered into a property tax abatement with Thumper Pond Resort, LLC, in August 2016, for a period of ten years effective in years 2017 through 2027, to abate \$149,900 of property taxes for the purposes of economic development. For 2021, the total tax abated was \$2,880.

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

Grow Perham, LLC

The County entered into a property tax abatement with Grow Perham, LLC, in October 2014, for a period of nine years effective in years 2015 through 2024, to abate \$30,939 of property taxes for the purposes of housing to support economic development. For 2021, the total tax abated was \$3,235.

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FERGUS FALLS, MINNESOTA**

7. Tax Abatements

Grow Perham, LLC (Continued)

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

The County entered into a property tax abatement with Grow Perham, LLC, in May 2016, for a period of 15 years effective in years 2017 through 2031, to abate \$93,552 of property taxes for the purposes of housing to support economic development. For 2021, the total tax abated was \$11,607.

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

Fergus Care Center, LLC

The County entered into a property tax abatement with Fergus Care Center, LLC, in November 2018, for a period of six years effective in years 2020 through 2025, to abate \$60,000 of property taxes for the purposes of health care and to support jobs and economic development. For 2021, the total tax abated was \$6,969.

**OTTER TAIL COUNTY
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7. Tax Abatements

Fergus Care Center, LLC (Continued)

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

Northstar Behavioral Health

The County entered into a property tax abatement with Northstar Behavioral Health in September of 2019, for ten years effective in years 2021 through 2030, to abate \$265,380 of property taxes for the purposes of healthcare and to support jobs and economic development. For 2021, the total tax abated was \$25,716.

Colony Housing, LLC

The County entered into a property tax abatement with Colony Housing, LLC, in August of 2019, for 15 years effective in years 2021 through 2035, to abate \$194,827 of property taxes for the purposes to support jobs and economic development. For 2021, the total tax abated was \$1,576.

The County has not entered into any tax increment financing agreements which meet the criteria for disclosure under GASB Statement No. 77, *Tax Abatement Disclosures*. The Cities of Battle Lake, Fergus Falls, Henning, New York Mills, Ottertail, Pelican Rapids, Perham, and Wadena have entered into tax increment financing agreements which meet the criteria for disclosure under GASB Statement No. 77, *Tax Abatement Disclosures*. The cities' authority to enter into these agreements come from Minn. Stat. §§ 469.1812 through 469.1815 for the purpose of encouraging private development, redevelopment, renovation and renewal, growth in low-to-moderate income housing, and economic development within a city. During 2021, there were 31 pay-as-you-go tax increment financing districts within these various cities. The tax increment collection during 2021 associated with these tax increment districts totaled \$1,244,495. The captured net tax capacity of these 31 districts is \$1,112,944, which represents 1.0420 percent of the County's total net tax capacity, or approximately \$446,679 in County property taxes.

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FERGUS FALLS, MINNESOTA**

8. Subsequent Events

Bond Issuance

In December 2022, the Otter Tail County Board of Commissioners authorized the issuance of \$4,750,000 General Obligation Solid Waste Revenue Bonds, Series 2022A to finance various 2023-2024 solid waste capital improvement projects and equipment.

Settlement Receivable

During 2022, final settlement agreements were reached with pharmaceutical companies and distributors as part of the National Prescription Opiate Litigation. For Otter Tail County, the amount to be received as a result of this litigation is \$1,850,737 to be received over 18 years, which has been recorded as an accounts receivable in the current year. The Minnesota Opioids State-Subdivision Memorandum of Agreement was signed January 24, 2022.

9. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

1. Reporting Entities

Prairie Lakes Municipal Solid Waste Authority (Prairie Lakes)

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

**OTTER TAIL COUNTY
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9. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

1. Reporting Entities

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

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

Otter Tail County Community Development Agency (CDA)

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

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

Otter Tail County Housing and Redevelopment Authority (HRA)

The HRA is a separate legal entity formed by Otter Tail County, Minnesota, under the State of Minnesota statutes. The HRA was formed to own and operate housing for low-income clients. The HRA has an agreement with the Department of Housing and Urban Development (HUD) to help individuals and families procure decent and affordable housing by subsidizing their rent payments (Housing Choice Vouchers Program).

**OTTER TAIL COUNTY
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9. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

1. Reporting Entities

Otter Tail County Housing and Redevelopment Authority (HRA) (Continued)

The HRA, a component unit of Otter Tail County, Minnesota, was established in 1972 and is governed by a six-member Board of Commissioners who are appointed by the Otter Tail County Board of Commissioner.

The HRA is a component unit of Otter Tail County because the County appoints Board members and employs the persons responsible for the day-to-day operations (management). The HRA has no employees. The HRA issues separate financial statements.

2. Basic Financial Statements

Prairie Lakes

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

CDA

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

**OTTER TAIL COUNTY
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9. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

2. Basic Financial Statements (Continued)

HRA

The funds of the HRA are presented as proprietary funds. Proprietary funds are used to account for operations financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating revenues include intergovernmental revenue and property taxes. Operating expenses for proprietary funds include the cost of service agreement fees, contract services, housing assistance payments, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

3. Measurement Focus and Basis of Accounting

Prairie Lakes

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

**OTTER TAIL COUNTY
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9. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

3. Measurement Focus and Basis of Accounting

Prairie Lakes (Continued)

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.

CDA

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

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

HRA

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

4. Assets, Liabilities, and Net Position or Equity

Cash and Cash Equivalents, Deposits and Investments

Prairie Lakes

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

CDA

All cash and investments of the Otter Tail County CDA are on deposit with the County and are considered to be cash on hand. The CDA cash is pooled and invested with Otter Tail County and is treated as cash on hand because the CDA can deposit or effectively withdraw cash at any time without prior notice or penalty. The County obtains collateral to cover the deposits in excess of insurance coverage.

HRA

The HRA's cash and cash equivalents consist of savings and checking accounts, cash on hand, and certificates of deposit. Restricted cash is shown separately from cash and cash equivalents. The HRA obtains collateral to cover the deposits in excess of insurance coverage. The cash and cash equivalents of the HRA are not subject to custodial credit risk.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

Property Taxes

CDA

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

HRA

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

Restricted Assets

HRA

Certain funds of the HRA 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**

9. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

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

Capital Assets

Prairie Lakes

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

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

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

HRA

Capital assets, which include buildings and furniture, equipment, and machinery are reported in the financial statements. Capital assets are defined by the HRA as assets with an initial, individual cost of more than \$1,000 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 acquisition value.

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

4. Assets, Liabilities, and Net Position or Equity

Capital Assets

HRA (Continued)

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 - 50
Furniture, equipment, and machinery	5 - 10

Long-Term Obligations

Prairie Lakes

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

Equity Classifications

Prairie Lakes

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

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

CDA

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

4. Assets, Liabilities, and Net Position or Equity

Equity Classifications (Continued)

HRA

Equity is classified as net position.

Net investment in capital assets represents capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

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

Prior Period Adjustment

HRA

Prior period adjustments were made to net position to correct ending balances in the prior year related to the accounts in the following table.

Net Position, January 1, 2021, as previously reported	\$ 2,030,846
Restatement of net position:	
Loans receivable	<u>9,133</u>
Net Position, January 1, 2021, as restated	<u>\$ 2,039,979</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures (Continued)

B. Detailed Notes

1. Assets

Deposits and Investments

Prairie Lakes

Prairie Lakes pools its deposits and investments with Otter Tail County, which acts in a fiscal agent capacity and carries collateral to cover deposits in excess of Federal Deposit Insurance Corporation (FDIC) coverage. Prairie Lakes follows the County's investment policy for credit risk. At December 31, 2021, Prairie Lakes' investments were not subject to custodial credit risk.

CDA

The CDA pools its deposits and investments with Otter Tail County, which acts in a fiscal agent capacity and carries collateral to cover deposits in excess of FDIC coverage. The CDA follows the County's investment policy for credit risk. At December 31, 2021, the CDA's investments were not subject to custodial credit risk.

HRA

In accordance with Minnesota statutes, the HRA maintains deposits at those depository banks and brokerages authorized by the HRA's Commission, all of which are covered by Federal Depository Insurance. Statutes require that all HRA deposits be protected by insurance, collateral, or surety bonds. The market value of the collateral pledged must be equal to or greater than 110 percent of the deposits not covered by insurance or bonds.

At December 31, 2021, the carrying amount of the HRA's deposits was \$1,279,031 and the bank balance was \$1,328,216.

The entire bank balance was covered by the Federal Depository Insurance Corporation (FDIC) and pledged collateral at December 31, 2021.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

B. Detailed Notes

1. Assets (Continued)

Restricted Cash

HRA

Restricted cash consists of \$9,055 in tenant security deposits and \$44,952 restricted for HUD vouchers

Loans Receivable

HRA

The HRA offers several loan programs through its General & State/Local Fund. The loans due are from homeowners and landlords for assistance purchasing or rehabilitating properties.

Homeowner rehab loans are “deferred loans” that are completely forgiven after ten years if all conditions are met. It is estimated that conditions are likely to be met by the borrower, and an allowance for the full amount of outstanding homeowner rehab loans has been recognized to offset the loan balance.

Rental rehab loans are required to be paid back by the landlords in monthly payments, typically over ten years with a zero percent interest rate. Loans may have a forgivable portion, typically 25 percent, which will be forgiven after the first five years of loan compliance. The initial loan is reduced by the 25 percent forgivable portion when recorded on the books at inception.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

B. Detailed Notes

1. Assets

Loans Receivable

HRA (Continued)

Down payment assistance loans are written for the term of the original mortgage on the home. The loans have a zero percent interest rate. The loans are to be repaid at final payment of original mortgage, upon loan refinancing, or upon sale or transfer of the property. The HRA records the loan at face value at inception, and it remains at that value until paid or written-off.

Tax levy rehab loans are “deferred loans” that are forgivable at ten percent each year and completely forgiven after ten years, if all conditions are met. It is estimated that conditions are likely to be met by the borrower, and an allowance for the full amount of outstanding tax levy rehab loans has been recognized to offset the loan balance.

Loans receivable activity for the year ended December 31, 2021, was as follows:

	(As Restated) Beginning Balance 01/01/2021	Additions	Retirements	Ending Balance 12/31/2021	Due Within One Year
Loans receivable					
Homeowner rehab	\$ 629,281	\$ -	\$ -	\$ 629,281	\$ -
Rental rehab	293,983	-	(48,885)	245,098	33,276
Down payment assistance	89,138	-	-	89,138	27,400
Tax levy rehab provision	392,372	-	(61,361)	331,011	-
Total	\$ 1,404,774	\$ -	\$ (110,246)	\$ 1,294,528	\$ 60,676
Allowance for homeowner rehab loan	\$ (629,281)	\$ -	\$ -	\$ (629,281)	\$ -
Allowance for tax levy rehab loan	(392,372)	-	61,361	(331,011)	-
Total allowances	\$ (1,021,653)	\$ -	\$ 61,361	\$ (960,292)	\$ -
Business-Type Activities					
Loans Receivable, Net	\$ 383,121	\$ -	\$ (48,885)	\$ 334,236	\$ 60,676

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

B. Detailed Notes

1. Assets (Continued)

Capital Assets

Prairie Lakes

Capital asset activity for the year ended December 31, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 25,489	\$ -	\$ -	\$ 25,489
Capital assets depreciated				
Buildings	\$ 34,477,221	\$ -	\$ -	\$ 34,477,221
Machinery, furniture, and equipment	3,506,076	804,679	(56,955)	4,253,800
Total capital assets depreciated	\$ 37,983,297	\$ 804,679	\$ (56,955)	\$ 38,731,021
Less: accumulated depreciation for				
Buildings	\$ 8,291,228	\$ 1,427,412	\$ -	\$ 9,718,640
Machinery, furniture, and equipment	1,637,327	368,018	(53,732)	1,951,613
Total accumulated depreciation	\$ 9,928,555	\$ 1,795,430	\$ (53,732)	\$ 11,670,253
Total capital assets depreciated, net	\$ 28,054,742	\$ (990,751)	\$ (3,223)	\$ 27,060,768
Capital Assets, Net	\$ 28,080,231	\$ (990,751)	\$ (3,223)	\$ 27,086,257

Depreciation expense for the year was \$1,795,430.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

B. Detailed Notes

1. Assets

Capital Assets (Continued)

HRA

Capital asset activity for the year ended December 31, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 32,990	\$ -	\$ -	\$ 32,990
Capital assets depreciated				
Buildings and improvements	\$ 1,688,010	\$ -	\$ -	\$ 1,688,010
Furniture, equipment, and machinery	21,133	-	-	21,133
Total capital assets depreciated	\$ 1,709,143	\$ -	\$ -	\$ 1,709,143
Less: accumulated depreciation for				
Buildings and improvements	\$ 1,003,635	\$ 40,941	\$ -	\$ 1,044,576
Furniture, equipment, and machinery	15,166	2,924	-	18,090
Total accumulated depreciation	\$ 1,018,801	\$ 43,865	\$ -	\$ 1,062,666
Total capital assets depreciated, net	\$ 690,342	\$ (43,865)	\$ -	\$ 646,477
Capital Assets, Net	\$ 723,332	\$ (43,865)	\$ -	\$ 679,467

Depreciation expense for the year was \$43,865.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

B. Detailed Notes (Continued)

2. Liabilities

Loans Payable

Prairie Lakes

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

The future minimum obligations as of December 31, 2021, were as follows:

Year Ending December 31	Future Minimum Obligations
2022	\$ 51,979
2023	12,995
Total future minimum loan payments	\$ 64,974
Less: amount representing interest	(1,411)
Loan Payable Balance	\$ 63,563

Advance from Primary Government

Prairie Lakes

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

B. Detailed Notes

2. Liabilities

Advance from Primary Government

Prairie Lakes (Continued)

proceeds from the sale of these bonds were recognized by Otter Tail County. Prairie Lakes' repayment of the advance for these bond issues to the County is essentially equal to the principal and interest on the bonds for the year. During 2019, Otter Tail County issued \$6,365,000 in Taxable General Obligation Disposal Revenue Refunding Bonds that will refund the \$10,475,000 General Obligation Disposal System Revenue Bonds, and resulted in Prairie Lakes increasing the principal payments owed to Otter Tail County by \$150,000, but will result in a lower total future cash outlay, as the refunding bonds were issued with a lower interest rate than the refunded bonds. During 2021, Otter Tail County issued \$13,635,000 in General Obligation Waste Disposal Revenue Refunding Bonds, to advance refund the \$19,380,000 General Obligation Waste Disposal Revenue Bonds, Series 2013A, which resulted in Prairie Lakes decreasing the principal payments owed to Otter Tail County by \$270,000, due to a premium received on the refunding bonds. This will also result in a lower future cash outlay, as the refunding bonds were issued with a lower interest rate than the refunded bonds. On December 31, 2015, Otter Tail County advanced funds to Prairie Lakes to zero out a negative pooled cash balance. The advance balance consists of the following at December 31, 2021:

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

B. Detailed Notes

2. Liabilities

Advance from Primary Government

Prairie Lakes (Continued)

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original</u>	<u>Balance</u>
Advance from primary government – 2013	2034	\$630,000 - \$1,970,000	2.00 - 3.75	\$ 19,110,000	\$ 14,330,000
Advance from primary government – 2015	-	Varies	0.25	2,788,620	2,426,736
Advance from primary government – 2018	2028	\$85,000 - \$125,000	3.00 - 4.00	1,065,000	785,000
Advance from primary government – 2019	2030	\$650,000 - \$805,000	1.85 - 2.45	6,365,000	6,365,000
Advance from primary government – 2020	2031	\$170,000 - \$215,000	1.15 - 2.00	2,000,000	2,000,000
Total Advance from Primary Government				<u>\$ 31,328,620</u>	<u>\$ 25,906,736</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

B. Detailed Notes

2. Liabilities

Advance from Primary Government

Prairie Lakes (Continued)

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

The future minimum obligations as of December 31, 2021, were as follows:

Year Ending December 31	Future Minimum Obligations
2022	\$ 2,376,223
2023	2,220,045
2024	2,211,350
2025	2,215,746
2026	2,212,594
2027 - 2031	10,680,218
2032 - 2034	5,581,875
Total future minimum advance payments	\$ 27,498,051
Less: amount representing interest	(4,018,051)
Advance Balance	\$ 23,480,000

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

B. Detailed Notes

2. Liabilities (Continued)

Changes in Long-Term Liabilities

Prairie Lakes

Long-term liability activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loan	\$ 112,758	\$ -	\$ 49,195	\$ 63,563	\$ 50,662
Advance from primary government	27,611,736	-	1,705,000	25,906,736	1,765,000
Compensated absences	406,680	183,177	161,783	428,074	93,600
Business-Type Activities Long-Term Liabilities	<u>\$ 28,131,174</u>	<u>\$ 183,177</u>	<u>\$ 1,915,978</u>	<u>\$ 26,938,373</u>	<u>\$ 1,909,262</u>

3. Defined Benefit Pension Plan

Prairie Lakes

Plan Description

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan

Prairie Lakes

Plan Description (Continued)

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

Contributions

Prairie Lakes' contributions for the General Employees Plan for the year ended December 31, 2021, were \$143,580. The contributions are equal to the contractually required contributions as set by state statute.

Pension Costs

At December 31, 2021, Prairie Lakes reported a liability of \$1,135,939 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Prairie Lakes' proportion of the net pension liability was based on Prairie Lakes' contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, Prairie Lakes'

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan

Prairie Lakes

Pension Costs (Continued)

proportion was 0.0266 percent. It was 0.0262 percent measured as of June 30, 2020. Prairie Lakes recognized pension expense of \$9,168 for its proportionate share of the General Employees Plan's pension expense.

Prairie Lakes also recognized \$2,798 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's expense related to its contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031.

Prairie Lakes' proportionate share of the net pension liability	\$	1,135,939
State of Minnesota's proportionate share of the net pension liability associated with Prairie Lakes		34,674
Total	\$	1,170,613

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 6,743	\$ 34,702
Changes in actuarial assumptions	693,581	24,600
Difference between projected and actual investment earnings	-	985,439
Changes in proportion	31,808	9,708
Contributions paid to PERA subsequent to the measurement date	72,482	-
Total	\$ 804,614	\$ 1,054,449

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan

Prairie Lakes

Pension Costs (Continued)

The \$72,482 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, 2022. 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
2022	\$ (45,905)
2023	(4,653)
2024	(3,433)
2025	(268,326)

Pension Liability Sensitivity

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

	Proportionate Share of the	
	Discount Rate	Net Pension Liability
1% Decrease	5.50%	\$ 2,316,736
Current	6.50	1,135,939
1% Increase	7.50	167,023

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

B. Detailed Notes

3. Defined Benefit Pension Plan

Prairie Lakes

Pension Liability Sensitivity (Continued)

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

C. Risk Management

Prairie Lakes

Prairie Lakes is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees, or natural disasters. Prairie Lakes has entered into a joint powers agreement with Minnesota entities to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. Prairie Lakes is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, Prairie Lakes carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

Prairie Lakes retains the risk for the deductible portion of the policies, which is considered immaterial to the financial statements. At December 31, 2021, there are no other claims liabilities reported in the financial statements based on the requirements of GASB Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures

C. Risk Management (Continued)

CDA

The Otter Tail Community Development Agency is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters, for which the CDA carries commercial insurance. To manage these risks, the CDA has entered into a joint powers agreement with Minnesota counties (through Otter Tail County) to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The CDA is a member of the MCIT Property and Casualty Division. The amount of settlements did not exceed insurance coverage.

The CDA retains the risk for the deductible portion of the policies, which is considered immaterial to the financial statements. At December 31, 2021, 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.

HRA

The HRA is exposed to various risks of losses including general liability, property damage and employee bodily injury. The insurance coverage is considered to be adequate to cover unexpected claims against the HRA. The HRA retains the responsibility to cover any settlements exceeding the specific coverage. There was no reduction in coverage from the prior year and settlements have not exceeded insurance coverage in the past three years.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

9. Discretely Presented Component Unit Disclosures (Continued)

D. Other Items

Operating Budgets

Prairie Lakes

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues	\$ 8,511,800	\$ 9,051,323	\$ 539,523
Operating Expenses	<u>6,131,899</u>	<u>8,626,234</u>	<u>(2,494,335)</u>
Operating Income (Loss)	\$ 2,379,901	\$ 425,089	\$ (1,954,812)
Nonoperating Revenues (Expenses)	<u>(2,309,474)</u>	<u>(500,987)</u>	<u>1,808,487</u>
Change in Net Position	<u>\$ 70,427</u>	<u>\$ (75,898)</u>	<u>\$ (146,325)</u>

CDA

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues	\$ 544,800	\$ 540,286	\$ (4,514)
Expenditures	<u>452,727</u>	<u>252,146</u>	<u>200,581</u>
Change in Fund Balance	<u>\$ 92,073</u>	<u>\$ 288,140</u>	<u>\$ 196,067</u>

E. Subsequent Events

CDA/HRA

On August 9, 2022, the County Board approved a resolution to transfer all HRA assets and assign all of the HRA's obligations to the CDA, to grant the CDA full powers of a housing and redevelopment authority in addition to its already existing powers of an economic development authority, and to dissolve the HRA prior to January 1, 2024.

REQUIRED SUPPLEMENTARY INFORMATION

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 24,125,657	\$ 24,125,657	\$ 23,080,255	\$ (1,045,402)
Special assessments	294,021	294,021	69,218	(224,803)
Licenses and permits	493,425	493,425	538,080	44,655
Intergovernmental	3,721,180	3,721,180	5,633,947	1,912,767
Charges for services	1,511,122	1,511,122	1,655,446	144,324
Fines and forfeits	23,400	23,400	41,392	17,992
Gifts and contributions	-	-	10,765	10,765
Investment earnings	650,000	650,000	227,216	(422,784)
Miscellaneous	1,507,842	1,507,842	2,159,741	651,899
Total Revenues	\$ 32,326,647	\$ 32,326,647	\$ 33,416,060	\$ 1,089,413
Expenditures				
Current				
General government				
Commissioners	\$ 518,994	\$ 518,994	\$ 438,876	\$ 80,118
Courts	335,000	335,000	245,132	89,868
County coordinator	888,481	888,481	906,867	(18,386)
County auditor	1,051,835	1,051,835	988,793	63,042
Motor vehicle	494,464	494,464	509,748	(15,284)
County treasurer	343,963	343,963	327,604	16,359
County assessor	1,410,799	1,410,799	1,404,138	6,661
Elections	63,600	63,600	59,320	4,280
Accounting and auditing	88,166	88,166	73,673	14,493
Board of Adjustments	26,900	26,900	21,017	5,883
Information technology	1,643,872	1,643,872	1,609,736	34,136
Attorney	1,894,222	1,894,222	1,822,018	72,204
Recorder	650,665	650,665	823,992	(173,327)
Planning and zoning	29,750	29,750	18,537	11,213
Land and resource	1,349,294	1,349,294	1,255,159	94,135
Facilities operations	2,488,833	2,488,833	2,365,861	122,972
Geographical information survey	364,683	364,683	299,932	64,751
Veterans service officer	439,484	439,484	416,096	23,388
Land trust	-	-	9,270	(9,270)
Unallocated	2,265,196	2,265,196	1,864,975	400,221
Total general government	\$ 16,348,201	\$ 16,348,201	\$ 15,460,744	\$ 887,457

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 7,464,137	\$ 7,464,137	\$ 7,247,035	\$ 217,102
Boat and water safety	163,225	163,225	168,179	(4,954)
Coroner	153,510	153,510	164,296	(10,786)
County jail	3,938,351	3,938,351	3,429,806	508,545
Humane society	73,180	73,180	83,180	(10,000)
Snowmobile account	200,000	200,000	196,142	3,858
Enhanced 911	-	-	166,948	(166,948)
Emergency management	171,061	171,061	130,820	40,241
Total public safety	\$ 12,163,464	\$ 12,163,464	\$ 11,586,406	\$ 577,058
Culture and recreation				
Historical society	\$ 90,000	\$ 90,000	\$ 90,000	\$ -
History museum	147,170	147,170	147,170	-
County fairs	52,000	52,000	52,000	-
Phelps Mill Park	-	-	27	(27)
Total culture and recreation	\$ 289,170	\$ 289,170	\$ 289,197	\$ (27)
Conservation of natural resources				
County extension	\$ 472,175	\$ 472,175	\$ 438,094	\$ 34,081
Soil and water conservation	441,305	441,305	448,647	(7,342)
Septic system loan program	100,000	100,000	338,443	(238,443)
Lake improvement districts	513,009	513,009	526,190	(13,181)
Aquatic invasive species	514,082	514,082	433,744	80,338
Total conservation of natural resources	\$ 2,040,571	\$ 2,040,571	\$ 2,185,118	\$ (144,547)
Economic development				
Red River Valley Development Association	\$ 1,800	\$ 1,800	\$ 1,800	\$ -
West Central Minnesota Initiative	22,500	22,500	22,500	-
Tourism	862,471	862,471	824,374	38,097
Missing heirs account	-	-	42,287	(42,287)
Veteran's van	2,000	2,000	344	1,656
Housing assistance	-	-	1,198,782	(1,198,782)
Housing and redevelopment	-	-	157,367	(157,367)
Wellness account	2,900	2,900	961	1,939
Total economic development	\$ 891,671	\$ 891,671	\$ 2,248,415	\$ (1,356,744)

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

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Intergovernmental				
Culture and recreation	\$ 601,258	\$ 601,258	\$ 601,258	\$ -
Capital outlay				
Public safety	\$ -	\$ -	\$ 42,146	\$ (42,146)
Debt service				
Principal	\$ 6,548	\$ 6,548	\$ -	\$ 6,548
Interest	791	791	-	791
Total debt service	\$ 7,339	\$ 7,339	\$ -	\$ 7,339
Total Expenditures	\$ 32,341,674	\$ 32,341,674	\$ 32,413,284	\$ (71,610)
Excess of Revenues Over (Under) Expenditures	\$ (15,027)	\$ (15,027)	\$ 1,002,776	\$ 1,017,803
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 11,844	\$ 11,844
Transfers out	(89,604)	(89,604)	(132,240)	(42,636)
Loans issued	100,000	100,000	338,443	238,443
Total Other Financing Sources (Uses)	\$ 10,396	\$ 10,396	\$ 218,047	\$ 207,651
Net Change in Fund Balance	\$ (4,631)	\$ (4,631)	\$ 1,220,823	\$ 1,225,454
Fund Balance – January 1	30,559,214	30,559,214	30,559,214	-
Fund Balance – December 31	\$ 30,554,583	\$ 30,554,583	\$ 31,780,037	\$ 1,225,454

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 8,764,526	\$ 8,764,526	\$ 9,819,200	\$ 1,054,674
Intergovernmental	24,332,164	24,332,164	16,548,051	(7,784,113)
Charges for services	1,854,500	1,854,500	761,343	(1,093,157)
Miscellaneous	72,500	72,500	349,707	277,207
Total Revenues	\$ 35,023,690	\$ 35,023,690	\$ 27,478,301	\$ (7,545,389)
Expenditures				
Current				
Highways and streets				
Administration	\$ (1,018,300)	\$ (1,018,300)	\$ 799,691	\$ (1,817,991)
Maintenance	5,277,910	5,277,910	5,303,186	(25,276)
Construction	26,748,965	26,748,965	19,443,620	7,305,345
Equipment maintenance and shop	4,897,500	4,897,500	1,547,926	3,349,574
Materials and services for resale	10,000	10,000	3,826	6,174
Total highways and streets	\$ 35,916,075	\$ 35,916,075	\$ 27,098,249	\$ 8,817,826
Intergovernmental				
Highways and streets	1,455,500	1,455,500	2,295,523	(840,023)
Total Expenditures	\$ 37,371,575	\$ 37,371,575	\$ 29,393,772	\$ 7,977,803
Excess of Revenues Over (Under)				
Expenditures	\$ (2,347,885)	\$ (2,347,885)	\$ (1,915,471)	\$ 432,414
Other Financing Sources (Uses)				
Transfers in	\$ 825,000	\$ 825,000	\$ -	\$ (825,000)
Transfers out	(880,000)	(880,000)	(878,925)	1,075
Total Other Financing Sources (Uses)	\$ (55,000)	\$ (55,000)	\$ (878,925)	\$ (823,925)
Net Change in Fund Balance	\$ (2,402,885)	\$ (2,402,885)	\$ (2,794,396)	\$ (391,511)
Fund Balance – January 1	7,777,498	7,777,498	7,777,498	-
Increase (decrease) in inventories	-	-	61,474	61,474
Fund Balance – December 31	\$ 5,374,613	\$ 5,374,613	\$ 5,044,576	\$ (330,037)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 12,362,294	\$ 12,362,294	\$ 12,164,412	\$ (197,882)
Licenses and permits	157,000	157,000	173,932	16,932
Intergovernmental	14,336,870	14,336,870	14,568,087	231,217
Charges for services	1,541,380	1,541,380	1,610,183	68,803
Gifts and contributions	45,600	45,600	34,111	(11,489)
Investment earnings	-	-	654	654
Miscellaneous	418,000	418,000	409,693	(8,307)
Total Revenues	\$ 28,861,144	\$ 28,861,144	\$ 28,961,072	\$ 99,928
Expenditures				
Current				
Public safety				
Community corrections	\$ 2,835,582	\$ 2,835,582	\$ 2,265,101	\$ 570,481
Human services				
Income maintenance	\$ 6,126,132	\$ 6,126,132	\$ 6,133,095	\$ (6,963)
Social services	15,921,509	15,921,509	14,657,283	1,264,226
Total human services	\$ 22,047,641	\$ 22,047,641	\$ 20,790,378	\$ 1,257,263
Health				
Nursing service	\$ 3,995,095	\$ 3,995,095	\$ 3,878,163	\$ 116,932
Total Expenditures	\$ 28,878,318	\$ 28,878,318	\$ 26,933,642	\$ 1,944,676
Excess of Revenues Over (Under) Expenditures	\$ (17,174)	\$ (17,174)	\$ 2,027,430	\$ 2,044,604
Other Financing Sources (Uses)				
Transfers in	202,250	202,250	37,317	(164,933)
Net Change in Fund Balance	\$ 185,076	\$ 185,076	\$ 2,064,747	\$ 1,879,671
Fund Balance – January 1	16,589,266	16,589,266	16,589,266	-
Fund Balance – December 31	\$ 16,774,342	\$ 16,774,342	\$ 18,654,013	\$ 1,879,671

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,584,395	\$ 2,584,395	\$ 2,536,709	\$ (47,686)
Intergovernmental	295,980	295,980	197,437	(98,543)
Investment earnings	75,000	75,000	17,421	(57,579)
Miscellaneous	30,000	30,000	101,474	71,474
Total Revenues	\$ 2,985,375	\$ 2,985,375	\$ 2,853,041	\$ (132,334)
Expenditures				
Current				
General government				
County treasurer	\$ 28,500	\$ 28,500	\$ 28,484	\$ 16
County assessor	25,000	25,000	23,961	1,039
Data processing	300,000	300,000	97,074	202,926
Elections	307,600	307,600	-	307,600
Facilities operations	104,500	104,500	100,951	3,549
Land and resource	70,000	70,000	-	70,000
Other general government	-	-	144	(144)
Chemical dependency facility	-	-	13,919	(13,919)
Total general government	\$ 835,600	\$ 835,600	\$ 264,533	\$ 571,067
Public safety				
Sheriff	\$ 531,145	\$ 531,145	\$ 283,494	\$ 247,651
County jail	34,000	34,000	27,270	6,730
Emergency management	34,520	34,520	-	34,520
Total public safety	\$ 599,665	\$ 599,665	\$ 310,764	\$ 288,901
Highways and streets				
Maintenance	\$ 5,068,243	\$ 5,068,243	\$ 1,228,608	\$ 3,839,635
Human services				
Social services	\$ 85,000	\$ 85,000	\$ 65,389	\$ 19,611
Culture and recreation				
Phelps Mill Park	\$ 6,500	\$ 6,500	\$ 9,997	\$ (3,497)
Total Expenditures	\$ 6,595,008	\$ 6,595,008	\$ 1,879,291	\$ 4,715,717

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-4
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenues Over (Under) Expenditures	\$ (3,609,633)	\$ (3,609,633)	\$ 973,750	\$ 4,583,383
Other Financing Sources (Uses)				
Transfers out	<u>(3,862,443)</u>	<u>(3,862,443)</u>	<u>(775,105)</u>	<u>3,087,338</u>
Net Change in Fund Balance	\$ (7,472,076)	\$ (7,472,076)	\$ 198,645	\$ 7,670,721
Fund Balance – January 1	<u>6,994,117</u>	<u>6,994,117</u>	<u>6,994,117</u>	<u>-</u>
Fund Balance – December 31	<u>\$ (477,959)</u>	<u>\$ (477,959)</u>	<u>\$ 7,192,762</u>	<u>\$ 7,670,721</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 251,344	\$ 243,432	\$ 195,084	\$ 189,402
Interest	99,053	101,946	97,210	93,027
Differences between expected and actual experience	-	228,809	-	-
Changes of assumption or other inputs	-	(20,105)	-	-
Benefit payments	<u>(257,457)</u>	<u>(213,955)</u>	<u>(180,557)</u>	<u>(142,457)</u>
Net change in total OPEB liability	\$ 92,940	\$ 340,127	\$ 111,737	\$ 139,972
Total OPEB Liability – Beginning	<u>3,292,083</u>	<u>2,951,956</u>	<u>2,840,219</u>	<u>2,700,247</u>
Total OPEB Liability – Ending	<u>\$ 3,385,023</u>	<u>\$ 3,292,083</u>	<u>\$ 2,951,956</u>	<u>\$ 2,840,219</u>
Covered-employee payroll	\$ 30,376,391	\$ 29,420,233	\$ 26,782,914	\$ 26,002,829
Total OPEB liability (asset) as a percentage of covered-employee payroll	11.14%	11.19%	11.02%	10.92%

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2021**

Measurement Date	Employer's Proportion of the Net Pension Liability / Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Otter Tail County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.3443 %	\$ 14,703,152	\$ 448,986	\$ 15,152,138	\$ 24,788,880	59.31 %	87.00 %
2020	0.3394	20,348,581	627,539	20,976,120	24,207,613	84.06	79.06
2019	0.3265	18,051,454	560,976	18,612,430	23,104,080	78.13	80.23
2018	0.3299	18,301,499	600,284	18,901,783	22,159,080	82.59	79.53
2017	0.3328	21,245,732	267,174	21,512,906	21,436,853	99.11	75.90
2016	0.3254	26,420,866	345,119	26,765,985	20,189,156	130.87	68.91
2015	0.3193	16,547,783	N/A	16,547,783	18,763,471	88.19	78.19

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

N/A – Not Applicable

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2021**

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)
2021	\$ 1,898,933	\$ 1,898,933	\$ -	\$ 25,319,107	7.50 %
2020	1,840,315	1,840,315	-	24,537,533	7.50
2019	1,774,685	1,774,685	-	23,662,467	7.50
2018	1,689,742	1,689,742	-	22,529,893	7.50
2017	1,636,875	1,636,875	-	21,825,001	7.50
2016	1,570,812	1,570,812	-	20,944,156	7.50
2015	1,442,294	1,442,294	-	19,230,587	7.50

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2021**

Measurement Date	Employer's Proportion of the Net Pension Liability / Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Otter Tail County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.2546 %	\$ 1,965,242	\$ 88,370	\$ 2,053,612	\$ 3,009,277	65.31 %	93.66 %
2020	0.2751	3,626,112	85,431	3,711,543	3,104,654	116.80	87.19
2019	0.2888	3,074,568	N/A	3,074,568	3,047,847	100.88	89.26
2018	0.2762	2,944,008	N/A	2,944,008	2,894,963	101.69	88.84
2017	0.2680	3,618,319	N/A	3,618,319	2,747,296	131.70	85.43
2016	0.2750	11,036,229	N/A	11,036,229	2,653,923	415.85	63.88
2015	0.2660	3,022,382	N/A	3,022,382	2,439,613	123.89	86.61

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2021**

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)
2021	\$ 540,340	\$ 540,340	\$ -	\$ 3,052,768	17.70 %
2020	558,273	558,273	-	3,154,085	17.70
2019	516,059	516,059	-	3,044,596	16.95
2018	484,217	484,217	-	2,988,994	16.20
2017	459,024	459,024	-	2,833,481	16.20
2016	436,067	436,067	-	2,691,774	16.20
2015	408,632	408,632	-	2,522,420	16.20

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2021**

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
2021	0.8646 %	\$ (142,036)	\$ 1,911,646	(7.43) %	101.61 %
2020	0.9105	247,055	1,981,303	12.47	96.67
2019	0.9100	125,990	1,941,109	6.49	98.17
2018	0.9140	150,326	1,866,789	8.05	97.64
2017	0.9100	2,593,510	1,825,989	142.03	67.89
2016	0.9000	3,287,826	1,695,796	193.88	58.16
2015	1.0100	156,146	1,812,160	8.62	96.95

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-11

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2021**

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)
2021	\$ 178,452	\$ 178,452	\$ -	\$ 2,039,451	8.75 %
2020	167,973	167,973	-	1,919,691	8.75
2019	174,265	174,265	-	1,991,600	8.75
2018	164,241	164,241	-	1,877,040	8.75
2017	163,871	163,871	-	1,872,811	8.75
2016	153,096	153,096	-	1,749,674	8.75
2015	151,474	151,474	-	1,731,131	8.75

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

1. Budgetary Information

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

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

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

2. Excess of Expenditures Over Budget

The following major funds had expenditures in excess of budget for the year ended December 31, 2021.

	Expenditures	Final Budget	Excess
General Fund	\$ 32,413,284	\$ 32,341,674	\$ 71,610
Chemical Dependency Debt Service Fund	499,950	-	499,950

3. Other Postemployment Benefits Funded Status

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

No changes in actuarial methods or assumptions occurred in 2021.

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

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

No changes in actuarial methods or assumptions occurred in 2019.

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

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

General Employees Retirement Plan

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The mortality improvement scale was changed from MP-2019 to Scale MP-2020.

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

General Employees Retirement Plan

2020 (Continued)

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

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

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

General Employees Retirement Plan

2018 (Continued)

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

General Employees Retirement Plan

2017 (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21 million in calendar years 2017 and 2018 and returns to \$31 million through calendar year 2031. The state's required contribution is \$16 million in PERA's fiscal years 2018 and 2019 and returns to \$6 million annually through calendar year 2031.

2016

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

Public Employees Police and Fire Plan

2021

- The investment return and single discount rates were changed from 7.50 percent to percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

Public Employees Police and Fire Plan

2021 (Continued)

- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary rate increases.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25 - 44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

Public Employees Police and Fire Plan (Continued)

2019

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

2018

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

2017

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

Public Employees Police and Fire Plan

2017 (Continued)

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

Public Employees Police and Fire Plan (Continued)

2016

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

Public Employees Local Government Correctional Service Retirement Plan

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 10, 2020, experience study. The overall impact is a decrease in gross salary increase rates.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

Public Employees Local Government Correctional Service Retirement Plan

2021 (Continued)

- Assumed rates of retirement were changed as recommended in the July 10, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed as recommended in the July 10, 2020, experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).
- Assumed rates of disability were lowered.
- Assumed percent married for active members was lowered from 85 percent to 75 percent.
- Minor changes to form of payment assumptions were applied.

2020

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

2019

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

2018

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

Public Employees Local Government Correctional Service Retirement Plan

2018 (Continued)

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

2017

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

Public Employees Local Government Correctional Service Retirement Plan

2017 (Continued)

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 35 percent for vested members and 1.00 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

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

SUPPLEMENTARY INFORMATION

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
PRAIRIE LAKES MUNICIPAL SOLID WASTE AUTHORITY DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 2,167,399	\$ 2,167,399	\$ 535,731	\$ (1,631,668)
Investment earnings	-	-	53,301	53,301
Total Revenues	\$ 2,167,399	\$ 2,167,399	\$ 589,032	\$ (1,578,367)
Expenditures				
Debt service				
Principal	\$ 1,325,000	\$ 1,325,000	\$ 7,615,000	\$ (6,290,000)
Interest	842,399	842,399	1,039,594	(197,195)
Bond issuance costs	-	-	121,711	(121,711)
Total Expenditures	\$ 2,167,399	\$ 2,167,399	\$ 8,776,305	\$ (6,608,906)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (8,187,273)	\$ (8,187,273)
Other Financing Sources (Uses)				
Bonds issued	\$ -	\$ -	\$ 13,635,000	\$ 13,635,000
Premium on bonds issued	-	-	1,016,810	1,016,810
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 14,651,810	\$ 14,651,810
Net Change in Fund Balance	\$ -	\$ -	\$ 6,464,537	\$ 6,464,537
Fund Balance – January 1	31,309,490	31,309,490	31,309,490	-
Fund Balance – December 31	\$ 31,309,490	\$ 31,309,490	\$ 37,774,027	\$ 6,464,537

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-2

**BUDGETARY COMPARISON SCHEDULE
CHEMICAL DEPENDENCY DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Investment earnings	\$ 26,549	\$ 26,549	\$ 26,549	\$ -
Miscellaneous	202,250	202,250	151,251	(50,999)
Total Revenues	\$ 228,799	\$ 228,799	\$ 177,800	\$ (50,999)
Expenditures				
Debt service				
Principal	\$ -	\$ -	\$ 450,000	\$ (450,000)
Interest	-	-	49,950	(49,950)
Total Expenditures	\$ -	\$ -	\$ 499,950	\$ (499,950)
Excess of Revenues Over (Under) Expenditures	\$ 228,799	\$ 228,799	\$ (322,150)	\$ (550,949)
Other Financing Sources (Uses)				
Transfers out	(702,200)	(702,200)	-	702,200
Net Change in Fund Balance	\$ (473,401)	\$ (473,401)	\$ (322,150)	\$ 151,251
Fund Balance – January 1	136,883	136,883	136,883	-
Fund Balance – December 31	\$ (336,518)	\$ (336,518)	\$ (185,267)	\$ 151,251

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

DEBT SERVICE FUNDS

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

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

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

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

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS (Continued)

Capital Improvement – to account for the retirement of bonds issued for the purpose of financing capital improvement projects as identified in the County’s Capital Improvement Plan.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	Special Revenue (Exhibit C-3)	Debt Service (Exhibit C-5)	Total (Exhibit 3)
<u>Assets</u>			
Cash and pooled investments	\$ 1,271,891	\$ 1,868,411	\$ 3,140,302
Taxes receivable – delinquent	11,215	29,788	41,003
Special assessments receivable			
Delinquent	8,670	-	8,670
Noncurrent	489,518	-	489,518
Due from other governments	4,105	-	4,105
Total Assets	\$ 1,785,399	\$ 1,898,199	\$ 3,683,598
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 181,579	\$ -	\$ 181,579
Salaries payable	5,018	-	5,018
Due to other funds	1,343,214	-	1,343,214
Due to other governments	363	-	363
Advance from other funds	1,233,218	-	1,233,218
Total Liabilities	\$ 2,763,392	\$ -	\$ 2,763,392
Deferred Inflows of Resources			
Unavailable revenues	\$ 498,900	\$ 18,502	\$ 517,402
Fund Balances			
Restricted			
Debt service	\$ -	\$ 1,879,697	\$ 1,879,697
Law library	109,958	-	109,958
Ditch maintenance and repairs	716,669	-	716,669
Sheriff's contingencies	5,000	-	5,000
Assigned			
Public safety	11,490	-	11,490
Unassigned	(2,320,010)	-	(2,320,010)
Total Fund Balances	\$ (1,476,893)	\$ 1,879,697	\$ 402,804
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,785,399	\$ 1,898,199	\$ 3,683,598

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Special Revenue (Exhibit C-4)</u>	<u>Debt Service (Exhibit C-6)</u>	<u>Total (Exhibit 5)</u>
Revenues			
Taxes	\$ 683,119	\$ 1,597,393	\$ 2,280,512
Special assessments	284,435	-	284,435
Intergovernmental	212,545	29,373	241,918
Charges for services	2,183	-	2,183
Fines and forfeits	61,926	-	61,926
Miscellaneous	14,007	-	14,007
Total Revenues	<u>\$ 1,258,215</u>	<u>\$ 1,626,766</u>	<u>\$ 2,884,981</u>
Expenditures			
Current			
General government	\$ 60,990	\$ -	\$ 60,990
Public safety	7,074	-	7,074
Culture and recreation	3,368,867	-	3,368,867
Conservation of natural resources	303,970	-	303,970
Debt service			
Principal	-	5,395,000	5,395,000
Interest	-	840,527	840,527
Total Expenditures	<u>\$ 3,740,901</u>	<u>\$ 6,235,527</u>	<u>\$ 9,976,428</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (2,482,686)</u>	<u>\$ (4,608,761)</u>	<u>\$ (7,091,447)</u>
Other Financing Sources (Uses)			
Transfers in	\$ 767,558	\$ 1,543,871	\$ 2,311,429
Transfers out	-	(474,675)	(474,675)
Total Other Financing Sources (Uses)	<u>\$ 767,558</u>	<u>\$ 1,069,196</u>	<u>\$ 1,836,754</u>
Net Change in Fund Balance	<u>\$ (1,715,128)</u>	<u>\$ (3,539,565)</u>	<u>\$ (5,254,693)</u>
Fund Balance – January 1	<u>238,235</u>	<u>5,419,262</u>	<u>5,657,497</u>
Fund Balance – December 31	<u><u>\$ (1,476,893)</u></u>	<u><u>\$ 1,879,697</u></u>	<u><u>\$ 402,804</u></u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2021**

	<u>County Ditch</u>	<u>Law Library</u>	<u>Sheriff's Contingent</u>	<u>Parks and Trails</u>	<u>Total</u>
<u>Assets</u>					
Cash and pooled investments	\$ 787,874	\$ 109,946	\$ 16,265	\$ 357,806	\$ 1,271,891
Taxes receivable – delinquent	-	-	-	11,215	11,215
Special assessments receivable					
Delinquent	8,670	-	-	-	8,670
Noncurrent	489,518	-	-	-	489,518
Due from other governments	-	3,880	225	-	4,105
Total Assets	\$ 1,286,062	\$ 113,826	\$ 16,490	\$ 369,021	\$ 1,785,399
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ -	\$ 3,868	\$ -	\$ 177,711	\$ 181,579
Salaries payable	-	-	-	5,018	5,018
Due to other funds	1,831	-	-	1,341,383	1,343,214
Due to other governments	-	-	-	363	363
Advance from other funds	633,218	-	-	600,000	1,233,218
Total Liabilities	\$ 635,049	\$ 3,868	\$ -	\$ 2,124,475	\$ 2,763,392
Deferred Inflows of Resources					
Unavailable revenues	\$ 493,905	\$ -	\$ -	\$ 4,995	\$ 498,900
Fund Balances					
Restricted					
Law library	\$ -	\$ 109,958	\$ -	\$ -	\$ 109,958
Ditch maintenance and repairs	716,669	-	-	-	716,669
Sheriff's contingencies	-	-	5,000	-	5,000
Assigned					
Public safety	-	-	11,490	-	11,490
Unassigned	(559,561)	-	-	(1,760,449)	(2,320,010)
Total Fund Balances	\$ 157,108	\$ 109,958	\$ 16,490	\$ (1,760,449)	\$ (1,476,893)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,286,062	\$ 113,826	\$ 16,490	\$ 369,021	\$ 1,785,399

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-4

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>County Ditch</u>	<u>Law Library</u>	<u>Sheriff's Contingent</u>	<u>Parks and Trails</u>	<u>Total</u>
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ 683,119	\$ 683,119
Special assessments	284,435	-	-	-	284,435
Intergovernmental	119,200	-	-	93,345	212,545
Charges for services	-	-	-	2,183	2,183
Fines and forfeits	-	55,072	6,854	-	61,926
Miscellaneous	-	-	-	14,007	14,007
Total Revenues	\$ 403,635	\$ 55,072	\$ 6,854	\$ 792,654	\$ 1,258,215
Expenditures					
Current					
General government	\$ -	\$ 60,990	\$ -	\$ -	\$ 60,990
Public safety	-	-	7,074	-	7,074
Culture and recreation	-	-	-	3,368,867	3,368,867
Conservation of natural resources	303,970	-	-	-	303,970
Total Expenditures	\$ 303,970	\$ 60,990	\$ 7,074	\$ 3,368,867	\$ 3,740,901
Excess of Revenues Over (Under) Expenditures	\$ 99,665	\$ (5,918)	\$ (220)	\$ (2,576,213)	\$ (2,482,686)
Other Financing Sources (Uses)					
Transfers in	-	-	766	766,792	767,558
Net Change in Fund Balance	\$ 99,665	\$ (5,918)	\$ 546	\$ (1,809,421)	\$ (1,715,128)
Fund Balance – January 1	57,443	115,876	15,944	48,972	238,235
Fund Balance – December 31	\$ 157,108	\$ 109,958	\$ 16,490	\$ (1,760,449)	\$ (1,476,893)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2021**

	Government Service Center	Sheriff Operations
<u>Assets</u>		
Cash and pooled investments	\$ 10,679	\$ 765,313
Taxes receivable – delinquent	218	9,378
Total Assets	\$ 10,897	\$ 774,691
 <u>Deferred Inflows of Resources and Fund Balances</u>		
Deferred Inflows of Resources		
Unavailable revenues	\$ 1,176	\$ 6,056
Fund Balances		
Restricted for Debt service	9,721	768,635
Total Deferred Inflows of Resources and Fund Balances	\$ 10,897	\$ 774,691

EXHIBIT C-5

<u>Highway Construction</u>	<u>Master Facility Construction</u>	<u>Detention Facility</u>	<u>Total</u>
\$ 203,873	\$ 725,909	\$ 162,637	\$ 1,868,411
4,196	13,072	2,924	29,788
<u>\$ 208,069</u>	<u>\$ 738,981</u>	<u>\$ 165,561</u>	<u>\$ 1,898,199</u>
\$ 2,129	\$ 7,467	\$ 1,674	\$ 18,502
<u>205,940</u>	<u>731,514</u>	<u>163,887</u>	<u>1,879,697</u>
<u>\$ 208,069</u>	<u>\$ 738,981</u>	<u>\$ 165,561</u>	<u>\$ 1,898,199</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, 2021**

	<u>Government Service Center</u>	<u>Sheriff Operations</u>	<u>Highway Construction</u>
Revenues			
Taxes	\$ 505	\$ 496,972	\$ 236,597
Intergovernmental	-	9,136	4,355
Total Revenues	\$ 505	\$ 506,108	\$ 240,952
Expenditures			
Debt service			
Principal	\$ -	\$ -	\$ 585,000
Interest	-	-	522,450
Total Expenditures	\$ -	\$ -	\$ 1,107,450
Excess of Revenues Over (Under) Expenditures	\$ 505	\$ 506,108	\$ (866,498)
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ -	\$ 878,925
Transfers out	-	(474,675)	-
Total Other Financing Sources (Uses)	\$ -	\$ (474,675)	\$ 878,925
Net Change in Fund Balance	\$ 505	\$ 31,433	\$ 12,427
Fund Balance – January 1	9,216	737,202	193,513
Fund Balance – December 31	\$ 9,721	\$ 768,635	\$ 205,940

EXHIBIT C-6

Master Facility Construction	Detention Facility	Public Buildings	Capital Improvement	Total
\$ 704,058 12,952	\$ 159,261 2,930	\$ - -	\$ - -	\$ 1,597,393 29,373
\$ 717,010	\$ 162,191	\$ -	\$ -	\$ 1,626,766
\$ 4,175,000 131,532	\$ 125,000 31,599	\$ 510,000 53,125	\$ - 101,821	\$ 5,395,000 840,527
\$ 4,306,532	\$ 156,599	\$ 563,125	\$ 101,821	\$ 6,235,527
\$ (3,589,522)	\$ 5,592	\$ (563,125)	\$ (101,821)	\$ (4,608,761)
\$ - -	\$ - -	\$ 563,125 -	\$ 101,821 -	\$ 1,543,871 (474,675)
\$ -	\$ -	\$ 563,125	\$ 101,821	\$ 1,069,196
\$ (3,589,522)	\$ 5,592	\$ -	\$ -	\$ (3,539,565)
4,321,036	158,295	-	-	5,419,262
\$ 731,514	\$ 163,887	\$ -	\$ -	\$ 1,879,697

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-7

**BUDGETARY COMPARISON SCHEDULE
COUNTY DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 350,000	\$ 350,000	\$ 284,435	\$ (65,565)
Intergovernmental	-	-	119,200	119,200
Total Revenues	\$ 350,000	\$ 350,000	\$ 403,635	\$ 53,635
Expenditures				
Current				
Conservation of natural resources				
Drainage ditches	150,000	150,000	303,970	(153,970)
Net Change in Fund Balance	\$ 200,000	\$ 200,000	\$ 99,665	\$ (100,335)
Fund Balance – January 1	57,443	57,443	57,443	-
Fund Balance – December 31	\$ 257,443	\$ 257,443	\$ 157,108	\$ (100,335)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-8

**BUDGETARY COMPARISON SCHEDULE
LAW LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeits	\$ 57,000	\$ 57,000	\$ 55,072	\$ (1,928)
Expenditures				
Current				
General government				
Law library	<u>53,830</u>	<u>53,830</u>	<u>60,990</u>	<u>(7,160)</u>
Net Change in Fund Balance	\$ 3,170	\$ 3,170	\$ (5,918)	\$ (9,088)
Fund Balance – January 1	<u>115,876</u>	<u>115,876</u>	<u>115,876</u>	<u>-</u>
Fund Balance – December 31	<u>\$ 119,046</u>	<u>\$ 119,046</u>	<u>\$ 109,958</u>	<u>\$ (9,088)</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-9

**BUDGETARY COMPARISON SCHEDULE
SHERIFF'S CONTINGENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeits	\$ 7,000	\$ 7,000	\$ 6,854	\$ (146)
Expenditures				
Current				
Public safety				
Sheriff	8,000	8,000	7,074	926
Excess of Revenues Over (Under) Expenditures	\$ (1,000)	\$ (1,000)	\$ (220)	\$ 780
Other Financing Sources (Uses)				
Transfers in	1,154	1,154	766	(388)
Net Change in Fund Balance	\$ 154	\$ 154	\$ 546	\$ 392
Fund Balance – January 1	15,944	15,944	15,944	-
Fund Balance – December 31	<u>\$ 16,098</u>	<u>\$ 16,098</u>	<u>\$ 16,490</u>	<u>\$ 392</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-10

**BUDGETARY COMPARISON SCHEDULE
PARKS AND TRAILS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 700,000	\$ 700,000	\$ 683,119	\$ (16,881)
Intergovernmental	2,837,820	2,837,820	93,345	(2,744,475)
Charges for services	500	500	2,183	1,683
Miscellaneous	560,000	560,000	14,007	(545,993)
Total Revenues	\$ 4,098,320	\$ 4,098,320	\$ 792,654	\$ (3,305,666)
Expenditures				
Current				
Culture and recreation				
Parks and trails	8,724,024	8,724,024	3,368,867	5,355,157
Excess of Revenues Over (Under) Expenditures	\$ (4,625,704)	\$ (4,625,704)	\$ (2,576,213)	\$ 2,049,491
Other Financing Sources (Uses)				
Transfers in	3,862,443	3,862,443	766,792	(3,095,651)
Net Change in Fund Balance	\$ (763,261)	\$ (763,261)	\$ (1,809,421)	\$ (1,046,160)
Fund Balance – January 1	48,972	48,972	48,972	-
Fund Balance – December 31	\$ (714,289)	\$ (714,289)	\$ (1,760,449)	\$ (1,046,160)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-11

**BUDGETARY COMPARISON SCHEDULE
SHERIFF OPERATIONS DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 506,730	\$ 506,730	\$ 496,972	\$ (9,758)
Intergovernmental	-	-	9,136	9,136
Total Revenues	\$ 506,730	\$ 506,730	\$ 506,108	\$ (622)
Other Financing Sources (Uses)				
Transfers out	<u>(474,200)</u>	<u>(474,200)</u>	<u>(474,675)</u>	<u>(475)</u>
Net Change in Fund Balance	\$ 32,530	\$ 32,530	\$ 31,433	\$ (1,097)
Fund Balance – January 1	<u>737,202</u>	<u>737,202</u>	<u>737,202</u>	<u>-</u>
Fund Balance – December 31	<u>\$ 769,732</u>	<u>\$ 769,732</u>	<u>\$ 768,635</u>	<u>\$ (1,097)</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-12

**BUDGETARY COMPARISON SCHEDULE
HIGHWAY CONSTRUCTION DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 241,553	\$ 241,553	\$ 236,597	\$ (4,956)
Intergovernmental	-	-	4,355	4,355
Total Revenues	\$ 241,553	\$ 241,553	\$ 240,952	\$ (601)
Expenditures				
Debt service				
Principal	\$ 585,000	\$ 585,000	\$ 585,000	\$ -
Interest	517,475	517,475	522,450	(4,975)
Total Expenditures	\$ 1,102,475	\$ 1,102,475	\$ 1,107,450	\$ (4,975)
Excess of Revenues Over (Under) Expenditures	\$ (860,922)	\$ (860,922)	\$ (866,498)	\$ (5,576)
Other Financing Sources (Uses)				
Transfers in	878,925	878,925	878,925	-
Net Change in Fund Balance	\$ 18,003	\$ 18,003	\$ 12,427	\$ (5,576)
Fund Balance – January 1	193,513	193,513	193,513	-
Fund Balance – December 31	\$ 211,516	\$ 211,516	\$ 205,940	\$ (5,576)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-13

**BUDGETARY COMPARISON SCHEDULE
MASTER FACILITY CONSTRUCTION DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 718,043	\$ 718,043	\$ 704,058	\$ (13,985)
Intergovernmental	-	-	12,952	12,952
Total Revenues	\$ 718,043	\$ 718,043	\$ 717,010	\$ (1,033)
Expenditures				
Debt service				
Principal	\$ 585,000	\$ 585,000	\$ 4,175,000	\$ (3,590,000)
Interest	94,700	94,700	131,532	(36,832)
Total Expenditures	\$ 679,700	\$ 679,700	\$ 4,306,532	\$ (3,626,832)
Net Change in Fund Balance	\$ 38,343	\$ 38,343	\$ (3,589,522)	\$ (3,627,865)
Fund Balance – January 1	4,321,036	4,321,036	4,321,036	-
Fund Balance – December 31	\$ 4,359,379	\$ 4,359,379	\$ 731,514	\$ (3,627,865)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-14

**BUDGETARY COMPARISON SCHEDULE
DETENTION FACILITY DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 161,963	\$ 161,963	\$ 159,261	\$ (2,702)
Intergovernmental	-	-	2,930	2,930
Total Revenues	\$ 161,963	\$ 161,963	\$ 162,191	\$ 228
Expenditures				
Debt service				
Principal	\$ 125,000	\$ 125,000	\$ 125,000	\$ -
Interest	31,125	31,125	31,599	(474)
Total Expenditures	\$ 156,125	\$ 156,125	\$ 156,599	\$ (474)
Net Change in Fund Balance	\$ 5,838	\$ 5,838	\$ 5,592	\$ (246)
Fund Balance – January 1	158,295	158,295	158,295	-
Fund Balance – December 31	\$ 164,133	\$ 164,133	\$ 163,887	\$ (246)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-15

**BUDGETARY COMPARISON SCHEDULE
PUBLIC BUILDINGS DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Debt service				
Principal	\$ 960,000	\$ 960,000	\$ 510,000	\$ 450,000
Interest	102,600	102,600	53,125	49,475
Total Expenditures	\$ 1,062,600	\$ 1,062,600	\$ 563,125	\$ 499,475
Other Financing Sources (Uses)				
Transfers in	<u>1,062,600</u>	<u>1,062,600</u>	<u>563,125</u>	<u>(499,475)</u>
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -
Fund Balance – January 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance – December 31	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

FIDUCIARY FUNDS – CUSTODIAL FUNDS

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
DECEMBER 31, 2021**

	Forfeited Tax	Jail Inmate	Recoveries
<u>Assets</u>			
Cash and pooled investments	\$ 35,061	\$ 26,622	\$ 102,140
Taxes and special assessments receivable for other governments	-	-	-
Due from other funds	-	-	-
Due from other governments	-	-	-
	\$ 35,061	\$ 26,622	\$ 102,140
<u>Liabilities</u>			
Due to other governments	\$ 35,061	\$ -	\$ 102,140
<u>Net Position</u>			
Restricted for Individuals, organizations, other governments	\$ -	\$ 26,622	\$ -

EXHIBIT D-1

Family Services Collaborative	Mortgage Registration	State Revenue	Taxes and Penalties	Total Custodial Funds
\$ 619,742	\$ 201,433	\$ 497,534	\$ 741,458	\$ 2,223,990
-	-	171,234	1,510,512	1,681,746
130	-	8	-	138
73,680	-	-	-	73,680
\$ 693,552	\$ 201,433	\$ 668,776	\$ 2,251,970	\$ 3,979,554
\$ 18,358	\$ 201,433	\$ 497,542	\$ 741,458	\$ 1,595,992
\$ 675,194	\$ -	\$ 171,234	\$ 1,510,512	\$ 2,383,562

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
DECEMBER 31, 2021**

	<u>Forfeited Tax</u>	<u>Jail Inmate</u>	<u>Recoveries</u>
Additions			
Contributions			
Individuals	\$ -	\$ 239,030	\$ 713,800
Local collaborative funds from State	-	-	-
Property tax collections for other governments	-	-	-
Other taxes collected for other governments	-	-	-
Tax forfeited land sales for other governments	47,496	-	-
License and fees collected for the state	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Additions	<u>\$ 47,496</u>	<u>\$ 239,030</u>	<u>\$ 713,800</u>
Deductions			
Beneficiary payments to individuals	\$ -	\$ 243,686	\$ -
Payments of property tax to other governments	43,523	-	-
Payments to state	-	-	713,800
Administrative expense	3,973	-	-
Payments to other entities	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Deductions	<u>\$ 47,496</u>	<u>\$ 243,686</u>	<u>\$ 713,800</u>
Change in net position	\$ -	\$ (4,656)	\$ -
Net Position – January 1	<u>-</u>	<u>31,278</u>	<u>-</u>
Net Position – December 31	<u>\$ -</u>	<u>\$ 26,622</u>	<u>\$ -</u>

EXHIBIT D-2

<u>Family Services Collaborative</u>	<u>Mortgage Registration</u>	<u>State Revenue</u>	<u>Taxes and Penalties</u>	<u>Total Custodial Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 952,830
382,120	-	-	-	382,120
-	-	-	111,846,380	111,846,380
-	-	2,303,960	-	2,303,960
-	-	-	-	47,496
-	2,092,964	-	-	2,092,964
\$ 382,120	\$ 2,092,964	\$ 2,303,960	\$ 111,846,380	\$ 117,625,750
\$ -	\$ -	\$ -	\$ -	\$ 243,686
-	-	-	111,884,206	111,927,729
-	2,092,964	2,313,748	-	5,120,512
-	-	-	-	3,973
388,076	-	-	-	388,076
\$ 388,076	\$ 2,092,964	\$ 2,313,748	\$ 111,884,206	\$ 117,683,976
\$ (5,956)	\$ -	\$ (9,788)	\$ (37,826)	\$ (58,226)
681,150	-	181,022	1,548,338	2,441,788
\$ 675,194	\$ -	\$ 171,234	\$ 1,510,512	\$ 2,383,562

COMMUNITY DEVELOPMENT AGENCY

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT E-1

**GENERAL FUND BALANCE SHEET
AND GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
COMMUNITY DEVELOPMENT AGENCY
DECEMBER 31, 2021**

	General Fund	Reconciliation	Governmental Activities
<u>Assets</u>			
Current assets			
Cash	\$ 997,716	\$ -	\$ 997,716
Taxes receivable – delinquent	11,946	-	11,946
Due from primary government	210	-	210
Total Assets	\$ 1,009,872	\$ -	\$ 1,009,872
<u>Liabilities and Fund Balance/Net Position</u>			
Current liabilities			
Accounts payable	\$ 5,200	\$ -	\$ 5,200
Fund Balance			
Restricted for economic development	1,004,672	(1,004,672)	
Net Position			
Restricted for economic development		1,004,672	1,004,672
Total Liabilities and Fund Balance/Net Position	\$ 1,009,872	\$ -	\$ 1,009,872

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT E-2

**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
AND STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES
COMMUNITY DEVELOPMENT AGENCY
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>General Fund</u>	<u>Reconciliation</u>	<u>Governmental Activities</u>
Revenues			
Taxes	\$ 537,438	\$ -	\$ 537,438
Intergovernmental	663	-	663
Investment earnings	2,171	-	2,171
Miscellaneous	14	-	14
	<u>540,286</u>	<u>-</u>	<u>540,286</u>
Total Revenues	\$ 540,286	\$ -	\$ 540,286
Expenditures/Expenses			
Current			
Economic development	252,146	-	252,146
	<u>252,146</u>	<u>-</u>	<u>252,146</u>
Net Change in Fund Balance/Change in Net Position	\$ 288,140	\$ -	\$ 288,140
Fund Balance/Net Position – January 1	716,532	-	716,532
	<u>716,532</u>	<u>-</u>	<u>716,532</u>
Fund Balance/Net Position – December 31	\$ 1,004,672	\$ -	\$ 1,004,672
	<u><u>1,004,672</u></u>	<u><u>-</u></u>	<u><u>1,004,672</u></u>

OTHER SCHEDULES

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT F-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2021**

	<u>Number of Items</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
Cash and Pooled Investments				
Noninterest-bearing checking	Four	-	Continuous	\$ 2,514,727
Interest-bearing checking	Four	Varies	Continuous	4,442,659
Credit Union Share/Savings	One	0.00	Continuous	5
Certificates of deposit	Forty-four	0.02 to 1.15	January 1, 2022 to September 14, 2026	15,833,969
Money market savings	Seventeen	Varies	Continuous	45,706,990
U.S. Treasury notes	Eight	.13 to 2.00	January 31, 2022 to December 31, 2022	16,001,030
U.S. Treasury bond strips	One	0.00	November 15, 2022	996,990
Treasury Securities – State and Local Government Series	Seven	0.04 to 1.55	May 1, 2022 to February 1, 2024	15,765,116
Negotiable certificates of deposit	Sixteen	0.30 to 2.90	February 24, 2022 to September 30, 2027	<u>3,970,757</u>
Total Cash and Pooled Investments, Excluding Change Funds				<u>\$ 105,232,243</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET – BY DITCH
BUDGET AND ACTUAL
COUNTY DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2021**

	Assets			
	Cash and Pooled Investments	Special Assessments Receivable		Total
		Delinquent	Noncurrent	
Judicial Ditches				
1	\$ -	\$ -	\$ -	\$ -
2	88	24	9,148	9,260
3	-	-	-	-
4	-	-	-	-
5	-	-	-	-
County Ditches				
1	-	-	-	-
2	-	-	-	-
3	-	-	-	-
4	44,911	833	6,000	51,744
5/36/68	21,589	469	12,033	34,091
8	5,032	29	16,168	21,229
10	-	-	-	-
11	16,358	-	1,200	17,558
12	27,538	156	2,000	29,694
13	-	-	-	-
14	-	-	-	-
15/28	97,402	81	4,999	102,482
16	71,307	369	10,011	81,687
17	315	-	26,280	26,595
18/37	240	167	9,990	10,397
19	-	-	-	-
20	-	-	-	-
21	47,169	67	10,000	57,236
23	94,883	141	4,993	100,017
25	-	-	-	-
25	35,859	747	19,992	56,598
27	-	-	-	-
29	7,601	146	5,000	12,747
30	19,479	-	-	19,479
31	-	-	-	-

EXHIBIT F-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	Fund Balance	Fund Balance
\$ -	\$ 677	\$ -	\$ 677	\$ (677)	\$ -	\$ -
-	31,729	9,170	40,899	(31,639)	-	9,260
-	375	-	375	(375)	-	-
-	522	-	522	(522)	-	-
-	1,988	-	1,988	(1,988)	-	-
7	1,539	-	1,546	(1,546)	-	-
-	285	-	285	(285)	-	-
-	239	-	239	(239)	-	-
140	-	6,791	6,931	44,813	-	51,744
2	791	12,217	13,010	21,081	-	34,091
-	18,320	16,192	34,512	(13,283)	-	21,229
2	4,672	-	4,674	(4,674)	-	-
3	-	1,200	1,203	16,355	-	17,558
-	-	2,003	2,003	27,691	-	29,694
1	3,306	-	3,307	(3,307)	-	-
-	12,802	-	12,802	(12,802)	-	-
2	560	5,063	5,625	96,857	-	102,482
5	470	10,340	10,815	70,872	-	81,687
143	31,884	26,280	58,307	(31,712)	-	26,595
19	3,436	10,142	13,597	(3,200)	-	10,397
2	47,152	-	47,154	(47,154)	-	-
1	6,692	-	6,693	(6,693)	-	-
5	-	10,012	10,017	47,219	-	57,236
1	438	5,103	5,542	94,475	-	100,017
1	3,581	-	3,582	(3,582)	-	-
359	5,706	20,369	26,434	30,164	-	56,598
1	1,655	-	1,656	(1,656)	-	-
2	-	5,066	5,068	7,679	-	12,747
-	134	-	134	19,345	-	19,479
2	2,878	-	2,880	(2,880)	-	-

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET – BY DITCH
BUDGET AND ACTUAL
COUNTY DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2021**

	Assets			
	Cash and Pooled Investments	Special Assessments Receivable		Total
		Delinquent	Noncurrent	
County Ditches (Continued)				
32	-	-	-	-
35	-	-	-	-
38	78,166	1,395	20,000	99,561
39	10,964	-	3,234	14,198
40	-	-	-	-
41/65	15,948	1,577	14,942	32,467
42	-	-	-	-
43	1,909	-	4,390	6,299
44	18,319	174	10,000	28,493
45	-	-	-	-
46	-	-	-	-
47	-	-	-	-
48	7,106	1,028	7,000	15,134
49	-	-	-	-
50	-	-	-	-
51	-	-	-	-
52	-	-	-	-
53	56,637	267	-	56,904
54	-	-	-	-
55	8,840	85	15,008	23,933
56	15,585	112	6,000	21,697
57	-	-	-	-
58	27,338	1	10,000	37,339
59	-	-	-	-
62	-	-	-	-
63	-	-	-	-
64	-	-	-	-
70	47,291	802	261,130	309,223
71	10,000	-	-	10,000
Total	\$ 787,874	\$ 8,670	\$ 489,518	\$ 1,286,062

EXHIBIT F-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	Fund Balance	Fund Balance
-	782	-	782	(782)	-	-
-	143	-	143	(143)	-	-
-	-	20,442	20,442	79,119	99,561	99,561
-	-	3,234	3,234	10,964	14,198	14,198
-	482	-	482	(482)	-	-
179	238	14,942	15,359	17,108	32,467	32,467
4	19,119	-	19,123	(19,123)	-	-
113	-	5,369	5,482	817	6,299	6,299
8	558	10,054	10,620	17,873	28,493	28,493
621	30,790	-	31,411	(31,411)	-	-
1	690	-	691	(691)	-	-
-	486	-	486	(486)	-	-
76	2,808	7,592	10,476	4,658	15,134	15,134
-	1,247	-	1,247	(1,247)	-	-
-	1,727	-	1,727	(1,727)	-	-
-	827	-	827	(827)	-	-
7	71,089	-	71,096	(71,096)	-	-
1	-	-	1	56,903	56,904	56,904
1	699	-	700	(700)	-	-
1	11,818	15,086	26,905	(2,972)	23,933	23,933
-	-	6,107	6,107	15,590	21,697	21,697
-	754	-	754	(754)	-	-
1	251	10,001	10,253	27,086	37,339	37,339
-	366	-	366	(366)	-	-
-	336	-	336	(336)	-	-
116	8,301	-	8,417	(8,417)	-	-
-	18,588	-	18,588	(18,588)	-	-
4	279,288	261,130	540,422	(231,199)	309,223	309,223
-	-	-	-	10,000	10,000	10,000
\$ 1,831	\$ 633,218	\$ 493,905	\$ 1,128,954	\$ 157,108	\$ 1,286,062	\$ 1,286,062

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT F-3

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Governmental Funds	Enterprise Fund	All Funds
Appropriations and Shared Revenue			
State			
Highway users tax	\$ 12,908,130	\$ -	\$ 12,908,130
County program aid	2,361,293	-	2,361,293
PERA pension contributions	97,076	2,525	99,601
Police aid	344,721	-	344,721
Local government aid	8,411	-	8,411
Market value credit	724,297	-	724,297
Disparity reduction aid	13,255	-	13,255
Aquatic invasive species aid	465,238	-	465,238
SCORE	-	83,411	83,411
E-911	211,630	-	211,630
Riparian aid	160,000	-	160,000
Out of home placement aid	1,146	-	1,146
	\$ 17,295,197	\$ 85,936	\$ 17,381,133
Reimbursement for Services			
State			
Minnesota Department of Human Services	\$ 2,926,050	\$ -	\$ 2,926,050
Local			
Payments in lieu of taxes	\$ 518,173	\$ -	\$ 518,173
Payments for interest on bonds	535,731	-	535,731
Local contributions	18,668	-	18,668
	\$ 1,072,572	\$ -	\$ 1,072,572
Grants			
State			
Minnesota Department/Board of			
Corrections	\$ 270,781	\$ -	\$ 270,781
Transportation	1,587,412	-	1,587,412
Health	629,796	-	629,796
Veterans Affairs	12,500	-	12,500
Natural Resources	247,555	-	247,555
Human Services	3,589,057	-	3,589,057
Water and Soil Resources	285,997	-	285,997
Minnesota Management and Budget	1,159,147	-	1,159,147
Peace Officer Standards and Training Board	35,033	-	35,033
Minnesota Pollution Control Agency	-	288,617	288,617
	\$ 7,817,278	\$ 288,617	\$ 8,105,895

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT F-3
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>All Funds</u>
Grants (Continued)			
Federal			
Department of			
Agriculture	\$ 912,616	\$ -	\$ 912,616
Interior	71,919	-	71,919
Transportation	1,954,853	-	1,954,853
Treasury	2,563	-	2,563
Education	2,100	-	2,100
Health and Human Services	5,539,698	-	5,539,698
Homeland Security	130,325	-	130,325
Total federal	<u>\$ 8,614,074</u>	<u>\$ -</u>	<u>\$ 8,614,074</u>
Total state and federal grants	<u>\$ 16,431,352</u>	<u>\$ 288,617</u>	<u>\$ 16,719,969</u>
Total Intergovernmental Revenue	<u>\$ 37,725,171</u>	<u>\$ 374,553</u>	<u>\$ 38,099,724</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT F-4

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing 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	\$ 319,356	\$ -
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	212MN101S2514	592,576	-
Passed Through Minnesota Department of Agriculture WIC Farmers' Market Nutrition Program (FMNP)	10.572	Not Provided	<u>684</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>\$ 912,616</u>	<u>\$ -</u>
U.S. Department of Interior				
Direct Fish and Wildlife Management Assistance	15.608		<u>\$ 71,919</u>	<u>\$ -</u>
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	1030056	\$ 1,254,003	-
COVID-19 Highway Planning and Construction (Total Highway Planning and Construction 20.205 \$1,764,129)	20.205	00056	510,126	-
Passed Through Minnesota Department of Public Safety Highway Safety Cluster				
State and Community Highway Safety	20.600	F-ENFRC21-2021- OTTERS	7,107	4,398
State and Community Highway Safety	20.600	F-SPEED21-2021- OTTERS	2,313	1,690
State and Community Highway Safety (Total State and Community Highway Safety 20.600 \$28,928)	20.600	F-SAFE21-2021- OTTERPH	19,508	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated (Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$143,456)	20.608	F-ENFRC21-2021- OTTERS	14,970	9,419
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 \$143,456)	20.608	Not Provided	128,486	-
Passed Through City of Saint Cloud, Minnesota E-911 Grant Program	20.615	A-DECN-CPE- 2019-CMESB-4	8,378	-

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

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT F-4
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation (Continued)				
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
National Priority Safety Programs	20.616	F-ENFRC21-2021- OTTERSD-4496	3,289	3,163
National Priority Safety Programs	20.616	F-ENFRC21-2021- OTTERSD-4790	2,659	1,426
National Priority Safety Programs	20.616	F-ENFRC21-2021- OTTERSD-4631	168	70
National Priority Safety Programs (Total National Priority Safety Programs 20.616 \$9,962)	20.616	F-ENFRC21-2021- OTTERSD-4967	3,846	2,503
Total U.S. Department of Transportation			\$ 1,954,853	\$ 22,669
U.S. Department of the Treasury				
Passed Through Partnership4Health Community Health Board				
COVID-19 – Coronavirus Relief Fund	21.019	Not Provided	\$ 2,563	\$ -
U.S. Department of Education				
Passed Through Partnership4Health Community Health Board				
Special Education – Grants for Infants and Families	84.181	Not Provided	\$ 2,100	\$ -
U.S. Department of Health and Human Services				
Direct				
Provider Relief Fund	93.498	Not Provided	\$ 13,662	\$ -
Passed Through Northwest Regional Development Commission				
Aging Cluster				
Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	93.044	Not Provided	27,725	-
Passed Through Partnership4Health Community Health Board				
Public Health Emergency Preparedness	93.069	NU90TP922026	47,866	-
Immunization Cooperative Agreements	93.268	Not Provided	190,495	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	Not Provided	188,587	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$531,858)	93.558	1801MNTANF	99,216	-
Maternal and Child Health Services Block Grant to the States	93.994	Not Provided	64,356	-

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT F-4
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services (Continued)				
Passed Through Minnesota Department of Human Services				
Comprehensive Community Mental Health Services for				
Children with Serious Emotional Disturbances (SED)	93.104	H79SM080155	81,688	-
Promoting Safe and Stable Families	93.556	2101MNFPS	12,503	-
Temporary Assistance for Needy Families	93.558	2101MNTANF	432,642	-
(Total Temporary Assistance for Needy Families 93.558 \$531,858)				
Child Support Enforcement	93.563	2101MNCEST	1,059,805	-
Child Support Enforcement	93.563	2101MNCSES	217,820	-
(Total Child Support Enforcement 93.563 \$1,277,625)				
Refugee and Entrant Assistance – State				
Administered Programs	93.566	2101MNRCA	1,117	-
CCDF Cluster				
Child Care and Development Block Grant	93.575	2101MNCCDF	9,953	-
Community-Based Child Abuse Prevention Grants	93.590	1901MNBCAP	4,175	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWSS	5,276	-
COVID-19 - Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWC3	6,950	-
(Total Stephanie Tubbs Jones Child Welfare Services Program 93.645 \$12,226)				
Foster Care – Title IV-E	93.658	2101MNFOST	542,717	-
Social Services Block Grant	93.667	2101MNSOSR	395,462	-
Child Abuse and Neglect State Grants	93.669	2101MNNCAN	3,783	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2101MNCILP	6,424	-
COVID-19 - John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2101MNCILC	23,120	-
(Total John H. Chafee Foster Care Program for Successful Transition to Adulthood 93.674 \$29,544)				
Children's Health Insurance Program	93.767	2105MN5021	2,556	-
Medicaid Cluster				
Medical Assistance Program	93.778	2105MN5ADM	2,143,433	-
Medical Assistance Program	93.778	2105MN5MAP	23,349	-
(Total Medical Assistance Program 93.778 \$2,166,782)				
Passed Through Polk-Norman-Mahnomen				
Community Health Board				
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	118491	276,898	-
Total U.S. Department of Health and Human Services			\$ 5,881,578	\$ -

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT F-4
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	Not Provided	\$ 43,024	\$ -
Passed Through Minnesota Department of Public Safety				
Disaster Grants – Public Assistance (Presidentially Declared Disasters)				
	97.036	DR4531	13,041	-
Emergency Management Performance Grants	97.042	F-EMPG-2019- OTTERCO-3153	37,141	-
Emergency Management Performance Grants (Total Emergency Management Performance Grants 97.042 \$74,260)	97.042	F-EMPG-2020- OTTERCO-3570	<u>37,119</u>	<u>-</u>
Total U.S. Department of Homeland Security			<u>\$ 130,325</u>	<u>\$ -</u>
Total Federal Awards			<u>\$ 8,955,954</u>	<u>\$ 22,669</u>
Totals by Cluster				
Total expenditures for SNAP Cluster			\$ 592,576	
Total expenditures for Highway Planning and Construction Cluster			1,764,129	
Total expenditures for Highway Safety Cluster			38,890	
Total expenditures for Aging Cluster			27,725	
Total expenditures for CCDF Cluster			9,953	
Total expenditures for Medicaid Cluster			2,166,782	

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Otter Tail County. The County's reporting entity is defined in Note 1 to the financial statements. The schedule does not include \$639,442 in federal awards expended by the Otter Tail County Housing and Redevelopment Authority component unit. The component unit is legally separate from the primary government and expended less than \$750,000 of federal awards for the year ended December 31, 2021; therefore, was not subject to 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).

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Otter Tail County under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Uniform Guidance. Because the schedule presents only a selected portion of the operations of Otter Tail County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Otter Tail County.

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

2. De Minimis Cost Rate

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 8,614,074
Grants received more than 60 days after year-end, unavailable revenue in 2021	
Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	6,221
Immunization Cooperative Agreements	700
Promoting Safe and Stable Families	941
Temporary Assistance for Needy Families	92,520
Community-Based Child Abuse Prevention Grants	2,140
Stephanie Tubbs Jones Child Welfare Services Program	857
Child Abuse and Neglect State Grants	3,783
John H. Chafee Foster Care Program for Successful Transition to Adulthood	3,616
COVID-19 – John H. Chafee Foster Care Program for Successful Transition to Adulthood	12,587
Children’s Health Insurance Program	1,700
Federal awards passed through the Family Services Collaborative for the Local Collaborative Time Study	329,636
Grants received in 2020 with reporting delayed until 2021 by the grantor agency	
Provider Relief Funds	13,662
Unavailable in 2020, recognized as revenue in 2021	
Promoting Safe and Stable Families	(5,712)
Temporary Assistance for Needy Families	(118,432)
Stephanie Tubbs Jones Child Welfare Services Program	(2,339)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 8,955,954</u>

MANAGEMENT AND COMPLIANCE SECTION

OTTER TAIL COUNTY



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

Independent Auditor's Report

Board of County Commissioners
Otter Tail County
Fergus Falls, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Otter Tail County, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 29, 2022. Our report includes a reference to other auditors who audited the financial statements of the Otter Tail County Housing and Redevelopment Authority, a discretely presented component unit, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. This report does not include the results of our audit testing of the Otter Tail County Community Development Agency component unit's internal control over financial reporting or compliance and other matters that are reported on separately within the Management and Compliance Section.

Report on Internal Control Over Financial Reporting

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

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2021-004 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001, 2021-002, and 2021-003 to be significant deficiencies.

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, we noted that Otter Tail County failed to comply with the provisions of the depositories of public funds and public investments section of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Questioned Costs as item 2021-006. Also, in connection with our audit, nothing came to our attention that caused us to believe that Otter Tail County failed to comply with the provisions of the contracting – bid laws, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Other Items

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

Otter Tail County's Response to Findings

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

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

December 29, 2022



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

Board of County Commissioners
Otter Tail County
Fergus Falls, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Otter Tail County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Otter Tail County's major federal programs for the year ended December 31, 2021. 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.

In our opinion, Otter Tail County complied, in all material respects, with the 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, 2021.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Otter Tail County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Otter Tail County's compliance with the compliance requirements referred to above.

Other Matter – Federal Expenditures Not Included in the Compliance Audit

Otter Tail County’s basic financial statements include the operations of the Otter Tail County Housing and Redevelopment Authority component unit, which expended \$639,442 in federal awards which are not included in Otter Tail County’s Schedule of Expenditures of Federal Awards during the year ended December 31, 2021. Our compliance audit, described in the “Opinion on Each Major Federal Program,” does not include the operations of the Otter Tail County Housing and Redevelopment Authority component unit because the component unit is legally separate from the primary government, and because it expended less than \$750,000 of Federal awards for the year ended December 31, 2021, it was not subject to Uniform Guidance audit requirements.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Otter Tail County’s federal programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Otter Tail County’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Otter Tail County’s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Otter Tail County’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and

- obtain an understanding of Otter Tail County’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Otter Tail County’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance, and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2021-005. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Otter Tail County’s response to the noncompliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Otter Tail County’s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 a 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 a 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 attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2021-005, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Otter Tail County's response to the internal control over compliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Otter Tail County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

/s/Julie Blaha

/s/Dianne Syverson

JULIE BLAHA
STATE AUDITOR

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

December 29, 2022

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over the major programs:

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

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

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

The major federal programs are:

Assistance Listing Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction Cluster
93.778	Medicaid Cluster

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

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

2021-001 Segregation of Duties

Prior Year Finding Number: 2020-001

Repeat Finding Since: 1996

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

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 limits access to collection. The Land and Resource Department has established a policy that it will only collect checks, so any cash payments are made

**OTTER TAIL COUNTY
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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

at the Treasurer's Office. For the various landfills and transfer stations throughout the County, collections are deposited at a local bank daily to limit the cash on hand. Although the County has established procedures to limit risks, some of the departments are limited in staff so it is not practical to segregate the record keeping function from the custody function for fees collected.

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

View of Responsible Official: Acknowledge

2021-002 Documenting and Monitoring Internal Controls

Prior Year Finding Number: 2020-002

Repeat Finding Since: 2008

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

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

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

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

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

View of Responsible Official: Concur

2021-003 Social Welfare Private-Purpose Trust Fund Internal Controls

Prior Year Finding Number: 2020-003

Repeat Finding Since: 2020

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

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

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

- Disbursements did not require supporting documentation.
- Disbursements were not required to have documented approval of the disbursement.
- There is a lack of segregation of duties between receipting to and disbursing from the Trust Fund.

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

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

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

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

View of Responsible Official: Concur

2021-004 Audit Adjustment

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Material Weakness

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

Condition: An audit adjustment was identified that resulted in a significant change to the County's financial statements. This adjustment was reviewed and approved by the appropriate staff and is properly reflected in the financial statements.

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

Effect: The following audit adjustment was reviewed and approved by the appropriate County staff and is reflected in the financial statements: in the Waste Management Enterprise Fund, depreciation expense and depreciable capital assets – net of accumulated depreciation were decreased by \$562,053 to reflect the current year change.

Cause: The depreciation expense related to the landfill depreciation in the Waste Management Enterprise Fund was incorrectly calculated when financial statement information was prepared.

Recommendation: We recommend the County review its policies and procedures for the preparation of its financial statements to ensure that the financial information is accurately presented in the County financial statements in accordance with generally accepted accounting principles.

View of Responsible Official: Acknowledge

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

2021-005 Eligibility

Prior Year Finding Number: 2020-006

Repeat Finding Since: 2017

Type of Finding: Internal Control Over Compliance and Compliance

Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of Health & Human Services

Program: 93.778 Medical Assistance Program

Award Number and Year: 2105MN5ADM, 2105MN5MAP, 2021

Pass-Through Agency: Minnesota Department of Human Services

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

Condition: The Minnesota DHS maintains the computer systems, MAXIS, which is used by Otter Tail County to support the eligibility determination process. When performing the case file review for eligibility, there were circumstances where information was not correctly updated or input in MAXIS. The following instances were noted in the sample of 40 MAXIS case files tested:

- Two instances where there was no DHS Adoption Assistance Letter.
- One instance where there was no signed Adoption Assistance Agreement.

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

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

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

Effect: The lack of updated information in MAXIS and verification of eligibility determining factors increases the risk that a program participant will receive benefits when they are not eligible.

Cause: County program personnel entering case information into the MAXIS system did not ensure all required information was input or updated in MAXIS correctly or that all required information was obtained and/or retained.

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

View of Responsible Official: Concur

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021

IV. OTHER FINDINGS AND RECOMMENDATIONS

2021-006 Insufficient Collateral

Prior Year Finding Number: 2020-008

Repeat Finding Since: 2020

Type of Finding: Minnesota Legal Compliance

Criteria: Government entities are required by Minn. Stat. § 118A.03, subd. 3, to obtain collateral to secure deposits to the extent funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit, unless the collateral is an irrevocable letter of credit issued by Federal Home Loan Banks, which requires an amount at least equal to the amount on deposit. Furthermore, Minn. Stat. § 118A.03, subd. 2, allows as pledged collateral a revenue obligation of a state or local government, with taxing powers, rated "AA" or better by a national bond rating service.

Condition: The fair market value of collateral pledged to secure uninsured deposits was not sufficient to meet the 110 percent requirement for December of 2021.

Context: While the County's pledged collateral at December 31, 2021 was for a sufficient amount, some securities pledged did not meet the requirements of Minn. Stat. § 118A.03, subd. 2. This resulted in deposits exceeding FDIC and pledged collateral by \$277,468.

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

Cause: The Deputy County Treasurer was ensuring that the County had sufficient amounts pledged as collateral in accordance with Minnesota Statutes, but did not take into account the ratings of the instruments that were pledged as collateral.

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

View of Responsible Official: Concur

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

2021-007 Ditch Fund Balance Deficits

Prior Year Finding Number: 2020-010

Repeat Finding Since: 2009

Type of Finding: Management Practice

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, 2021, the County had individual ditch systems where liabilities exceeded assets, resulting in individual deficit fund balance amounts.

Context: Thirty-eight of the 59 individual ditch systems had deficit fund balances as of December 31, 2021, totaling \$559,561.

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

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

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

View of Responsible Official: Concur



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REPRESENTATION OF OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2021

Finding Number: 2021-001
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

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

Corrective Action Planned:

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

Anticipated Completion Date:

12/31/2025

Finding Number: 2021-002

Finding Title: Documenting and Monitoring Internal Controls

Name of Contact Person Responsible for Corrective Action:

Kris Vipond, Assistant Finance Director

Corrective Action Planned:

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

Anticipated Completion Date:

12/31/2025

Finding Number: 2021-003

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

Name of Contact Person Responsible for Corrective Action:

Kendra Huseth, Human Services Finance Manager

Corrective Action Planned:

Policies and procedures related to handling the social welfare private-purpose trust fund will be created to include requirements for documentation, monitoring, segregation of duties and bank reconciliation tasks. All Social Welfare disbursements will require supporting documentation. Duties will be segregated and receipting done by one accounting tech and disbursements completed by another accounting tech. The treasurers department will mail the social welfare checks after printing. Bank reconciliations will be done by the same accounting tech that does the receipting process. They sign off and send to supervisor for review. The bank will be contacted related to the registration of the account.

Anticipated Completion Date:

12/31/2022

Finding Number 2021-004
Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Kris Vipond, Assistant Finance Director

Corrective Action Planned:

Otter Tail County will revise the calculation of landfill depreciation and review financial statements for accuracy.

Anticipated Completion Date:

12/31/2022

Finding Number 2021-005
Finding Title: Eligibility
Program: Medical Assistance Program (Assistance Listing 93.778)

Name of Contact Person Responsible for Corrective Action:

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

Corrective Action Planned:

The agency will complete case reviews with an emphasis on accurate data entry and will continue to train staff regarding the importance of ensuring the information entered into the system is accurate and consistent with any verification needed.

Anticipated Completion Date:

12/31/22

Finding Number: 2021-006
Finding Title: Insufficient Collateral

Name of Contact Person Responsible for Corrective Action:

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

Corrective Action Planned:

The County will annually notify banks of collateral requirements and the Chief Deputy Treasurer will monitor all County deposits to determine there is adequate collateral pledged to secure deposits.

Anticipated Completion Date:

12/31/2022

Finding Number: 2021-007

Finding Title: Ditch Fund Balance Deficits

Name of Contact Person Responsible for Corrective Action:

Wayne Stein, Auditor-Treasurer

Corrective Action Planned:

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

Anticipated Completion Date:

12/31/2028



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REPRESENTATION OF OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

Finding Number: 2020-001
Repeat Finding Since: 1996
Finding Title: Segregation of Duties

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

Summary of Corrective Action Previously Reported:

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

Status: Not Corrected. The County's financial management team is aware of areas that have been identified as lacking segregation of accounting duties and responsibilities. County management continues to evaluate to ensure segregation of duties is in place where possible and feasible. Management will document and implement formal policies and procedures with additional supervisory review where needed. Progress will continue to be made as positions are evaluated and staff are hired but it is anticipated that it will take many years to achieve full segregation of duties without hiring a large number of additional staff.

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

Finding Number: 2020-002

Repeat Finding Since: 2008

Finding Title: Documenting and Monitoring Internal Controls

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

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

Status: Not Corrected. The finance division director and/or the assistant finance division director has taken the lead role to update narratives annually and will continue to work with other financial management team members to perform a risk assessment of existing internal controls over the procedures, policies and significant functions which are used to produce financial information for both internal and external reporting. If the assessment indicates that existing internal controls are no longer adequate, members of the financial management team will work to develop and implement the necessary changes to ensure that a sound internal control structure is being maintained. Progress will continue to be made as time allows but it is anticipated that it will take a number of years to fully address documentation and monitoring of internal controls without hiring additional workforce.

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

Finding Number: 2020-003

Repeat Finding Since: 2020

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

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

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

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

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

Status: Not Corrected. All Social Welfare disbursement require supporting documentation, Duties have been segregated and now receipting is done by one accounting tech and the disbursements are completed by another accounting tech. The treasurers department mails the social welfare checks after printing. Bank reconciliations are done by the same accounting tech that does the receipting process. They sign off and send to supervisor for review. Corrective action began as soon as we were aware of the problem. Due to the timing of the audit, and the length of time it takes to implement new processes and organize with all involved parties, corrective action wasn’t implemented until early 2022.

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

Finding Number: 2017-005

Repeat Finding Since: 2017

Finding Title: Procurement, Suspension and Debarment

**Program: U.S. Department of Health and Human Services’ Medical Assistance Program
(Assistance Listing 93.778)**

Summary of Condition: The following items were noted for the contracts tested: for two of four contracts tested, the County did not have a history of procurement including documentation for the rationale of selecting the vendor and the basis for the price, and for all four contracts tested, the County lacked documentation demonstrating that is reviewed vendors for suspension or debarment prior to entering into the contracts.

Summary of Corrective Action Previously Reported: Directors in departments receiving federal funding will document the history of procurement transactions, including contract selection and rationale, in accordance with federal regulations. They will also verify vendors are not debarred or suspended, or that other exclusions apply prior to entering into contracts and will maintain the appropriate documentation. In addition, they will work with other internal County departments that may purchase on their behalf to document and verify in a similar manner.

Status: Not corrected. Directors in departments receiving federal funding will document the history of procurement transactions, including contract selection and rationale, in accordance with federal regulations. They will also verify vendors are not debarred or suspended, or that other

exclusions apply prior to entering into contracts and maintain the appropriate documentation. In addition, they will work with other internal County departments that may purchase on their behalf to document and verify in a similar manner. Continuous training and monitoring will be required to correct and maintain in subsequent years.

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

Finding Number: 2020-004

Repeat Finding Since: 2020

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

Program: COVID-19 – Coronavirus Relief Fund (Assistance Listing 21.019)

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

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

Status: Fully Corrected. Corrective action was taken.

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

Finding Number: 2020-005

Repeat Finding Since: 2020

Finding Title: Subrecipient Monitoring

Program: COVID-19 – Coronavirus Relief Fund (Assistance Listing 21.019)

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

Summary of Corrective Action Previously Reported: The County Administrator's office will work to create policies and procedures related to the pass-through of federal funds to subrecipient monitoring to ensure compliance with federal regulations.

Status: Fully Corrected. Corrective action was taken in 2022 and no Coronavirus Relief Funds were provided to subrecipients in 2021.

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

Finding Number: 2020-006

Repeat Finding Since: 2017

Finding Title: Eligibility

Program: Medical Assistance Program (Assistance Listing 93.778)

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

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

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

Status: Not Corrected. The County will continue to train staff regarding the importance of ensuring the information entered into the system is accurate and consistent with any verification provided. The agency will complete case reviews with an emphasis on accurate data entry. Continuous training and monitoring will be required to correct and maintain in subsequent years.

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

Finding Number: 2020-007

Repeat Finding Since: 2020

Finding Title: Reporting

Program: Medical Assistance Program (Assistance Listing 93.778)

Summary of Condition: The following instances were noted in the sample of reports tested: One DHS-3220 report and the LCTS Annual Spending Report tested did not have documentation of review. The LCTS Annual Spending Report was submitted after the due date. The LCTS Annual Spending Report used incorrect amounts for expenditures and revenue received.

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

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2020-008

Repeat Finding Since: 2020

Finding Title: Insufficient Collateral

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

Summary of Corrective Action Previously Reported: The County will request additional collateral from the bank and the Chief Deputy Treasurer will monitor all County deposits to determine there is adequate collateral pledged to secure deposits.

Status: Not Corrected. The County will verify that all collateral is sufficient and will annually notify banks of requirements. The 2020 finding was related to the amount of collateral, which was corrected. The 2021 finding was related to the proper type of collateral requiring additional corrective action in 2022.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2020-009

Repeat Finding Since: 2020

Finding Title: Ditch Special Revenue Fund – Cash Deficits

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

Summary of Corrective Action Previously Reported: The County will review individual drainage system cash balances and borrow from an eligible fund with a surplus cash balance.

Status: Fully Corrected. Corrective action was taken.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2020-010
Prior Year Finding Number: 2009
Finding Title: Ditch Fund Balance Deficits

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

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

Status: Not Corrected. As previously noted, this is an ongoing correction that will take many years to fully resolve. The Otter Tail County Board of Commissioners is committed to re-determining the benefits for all of Otter Tail County existing drainage systems and upon completion of the redetermination process to build maintenance funds for each system which under normal operating conditions will eliminate the deficit fund balances. The Otter Tail County Board of Commissioners, for those systems that have had their benefits re-determined, adopts annually a maintenance assessment which is intended to reduce the deficit fund balances and to build a fund for future maintenance of the system.

The ditch fund balance deficits will be eliminated by the assessments that are currently being levied and by those assessments that will be levied in the future; however, under existing conditions it will not happen in a single fiscal year.

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

**OTTER TAIL COUNTY
COMMUNITY DEVELOPMENT AGENCY**



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

Independent Auditor's Report

Board of Commissioners
Otter Tail County Community Development Agency
Fergus Falls, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Otter Tail County, Minnesota, which includes as Supplementary Information, the financial statements of the Otter Tail County Community Development Agency (CDA), a discretely presented component unit, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 29, 2022.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the CDA failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the CDA's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

December 29, 2022