

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, 2023

Otter Tail County Fergus Falls, Minnesota

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Introductory Section

Otter Tail County Fergus Falls, Minnesota

Organization December 31, 2023

			<u>Term Expires</u>
Elected			
Commissioners			
Board Member	Dan Bucholz	District 1	January 2025
Chair	Wayne Johnson	District 2	January 2027
Vice Chair	Kurt Mortenson	District 3	January 2025
Board Member	Robert Lahman	District 4	January 2027
Board Member	Leland Rogness	District 5	January 2025
Attorney	Michelle Eldien		January 2024
County Sheriff	Barry Fitzgibbons		January 2024
Appointed			
Auditor-Treasurer	Wayne Stein		Indefinite
Assessor	Heather Jacobson		December 2023
County Engineer	Krysten Foster		July 2024
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
Chair	Wayne Johnson		January 2027
Vice Chair	Kurt Mortenson		January 2025
Member	Robert Lahman		January 2027
Member	Leland Rogness		January 2025
Human Services Director	Deb Sjostrom		Indefinite
Probation Officer	Michael Schommer		Indefinite
Public Health Director	Jody Lien		Indefinite

**Otter Tail County
Community Development Agency
Fergus Falls, Minnesota**

Organization
December 31, 2023

		<u>Term Expires</u>
Appointed		
Vice Chair	Jeff Ackerson	January 2028
Commissioner	Kurt Mortenson	January 2029
Commissioner	Dena Johnson	January 2028
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	Vacant	
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, 2023, 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, 2023, and the respective changes in financial position, and, where applicable, its 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 11.2 percent, 39.6 percent, and 20.3 percent, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units as of December 31, 2023. 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2023, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

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 each major special revenue fund, 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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally

accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Otter Tail County's basic financial statements. The budgetary comparison schedules for the Prairie Lakes Municipal Solid Waste Authority and Chemical Dependency Debt Service Funds, the combining nonmajor governmental funds financial statements, budgetary comparison schedules for nonmajor governmental funds, combining fiduciary funds financial statements, Otter Tail County 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 reports dated December 27, 2024, 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

Julie Blaha
State Auditor

December 27, 2024

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

Management's Discussion and Analysis

Otter Tail County Fergus Falls, Minnesota

Management's Discussion and Analysis December 31, 2023 (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, 2023. 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, 2023, by \$277,340,372 (net position).
- As of the close of 2023, Otter Tail County's governmental funds reported combined ending fund balances of \$109,025,073, an increase of \$17,607,228 in comparison with 2022. Of this amount, \$33,504,211 was unassigned by Otter Tail County and thus available for spending at the government's discretion.
- Business-type activities' total net position is \$8,519,541 at December 31, 2023. Net investment in capital assets represents \$4,133,449 of the total.
- Otter Tail County's long-term liabilities (due in more than one year) decreased by \$11,038,102, or 10.3 percent, to \$95,943,247 during the current fiscal year. The change is primarily the result of a decrease in Net Pension Liability.

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, deferred outflows of resources, 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, 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, debt service, and capital projects 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 fund 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 \$18,089,871 from 2022 to 2023.

Otter Tail County Net Position						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Assets						
Current and other assets	\$ 126,085,012	\$ 109,462,753	\$ 12,830,920	\$ 12,417,477	\$ 138,915,932	\$ 121,880,230
Capital assets	246,224,554	238,305,883	4,916,473	4,456,418	251,141,027	242,762,301
Total Assets	\$ 372,309,566	\$ 347,768,636	\$ 17,747,393	\$ 16,873,895	\$ 390,056,959	\$ 364,642,531
Deferred Outflows of Resources						
Deferred amount of refunding	\$ 878,008	\$ 1,070,003	\$ -	\$ -	\$ 878,008	\$ 1,070,003
Deferred pension outflows	13,230,250	18,862,899	353,861	597,167	13,584,111	19,460,066
Deferred other postemployment benefits outflows	796,012	935,327	29,027	34,830	825,039	970,157
Total Deferred Outflows of Resources	\$ 14,904,270	\$ 20,868,229	\$ 382,888	\$ 631,997	\$ 15,287,158	\$ 21,500,226
Liabilities						
Long-term debt outstanding	\$ 93,578,364	\$ 103,294,232	\$ 8,797,944	\$ 9,614,897	\$ 102,376,308	\$ 112,909,129
Other liabilities	7,896,799	10,810,271	314,712	271,878	8,211,511	11,082,149
Total Liabilities	\$ 101,475,163	\$ 114,104,503	\$ 9,112,656	\$ 9,886,775	\$ 110,587,819	\$ 123,991,278
Deferred Inflows of Resources						
Deferred lease inflows	\$ 1,748,822	\$ 2,040,292	\$ -	\$ -	\$ 1,748,822	\$ 2,040,292
Deferred pension inflows	14,734,057	822,996	483,243	27,638	15,217,300	850,634
Deferred other postemployment benefits inflows	434,963	9,442	14,841	610	449,804	10,052
Total Deferred Inflows of Resources	\$ 16,917,842	\$ 2,872,730	\$ 498,084	\$ 28,248	\$ 17,415,926	\$ 2,900,978
Net Position						
Net investment in capital assets	\$ 218,564,780	\$ 208,423,009	\$ 4,133,449	\$ 4,027,583	\$ 222,698,229	\$ 212,450,592
Restricted	32,115,643	29,537,286	-	-	32,115,643	29,537,286
Unrestricted	18,140,408	13,699,337	4,386,092	3,563,286	22,526,500	17,262,623
Total Net Position	\$ 268,820,831	\$ 251,659,632	\$ 8,519,541	\$ 7,590,869	\$ 277,340,372	\$ 259,250,501

Net investment in capital assets of \$222,698,229 represents the largest portion of net position (80.3 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	
	2023	2022	2023	2022	2023	2022
Revenues						
Program revenues						
Fees, fines, charges, and other	\$ 10,452,379	\$ 6,656,644	\$ 9,948,940	\$ 9,580,642	\$ 20,401,319	\$ 16,237,286
Operating grants and contributions	41,483,102	41,311,440	371,001	496,504	41,854,103	41,807,944
Capital grants and contributions	1,307,760	1,092,071	111,599	-	1,419,359	1,092,071
General revenues						
Property taxes	48,872,171	46,178,209	-	-	48,872,171	46,178,209
Other taxes	7,417,128	7,077,620	-	-	7,417,128	7,077,620
Grants and contributions	5,260,712	11,745,534	-	-	5,260,712	11,745,534
Other general revenues	2,593,614	1,125,779	57,075	21,763	2,650,689	1,147,542
Transfers	43,256	(4,908)	(43,256)	4,908	-	-
Total Revenues	\$ 117,430,122	\$115,182,389	\$ 10,445,359	\$ 10,103,817	\$ 127,875,481	\$ 125,286,206
Expenditures						
Program expenses						
General government	\$ 19,599,332	\$ 21,066,704	\$ -	\$ -	\$ 19,599,332	\$ 21,066,704
Public safety	21,369,850	19,373,295	-	-	21,369,850	19,373,295
Highways and streets	24,928,049	27,983,789	-	-	24,928,049	27,983,789
Human services	23,380,446	22,669,636	-	-	23,380,446	22,669,636
Health	4,492,464	4,359,727	-	-	4,492,464	4,359,727
Culture and recreation	915,247	2,161,967	-	-	915,247	2,161,967
Conservation of natural resources	2,815,987	2,547,863	-	-	2,815,987	2,547,863
Economic development	1,618,685	1,256,083	-	-	1,618,685	1,256,083
Interest	1,148,863	1,544,322	-	-	1,148,863	1,544,322
Landfill	-	-	9,516,687	10,138,483	9,516,687	10,138,483
Total Program Expenses	\$ 100,268,923	\$102,963,386	\$ 9,516,687	\$ 10,138,483	\$ 109,785,610	\$ 113,101,869
Increase (Decrease) in Net Position	\$ 17,161,199	\$ 12,219,003	\$ 928,672	\$ (34,666)	\$ 18,089,871	\$ 12,184,337

Otter Tail County's governmental activities increased the County's net position during 2023 by \$17,161,199.

Business-type activities of the Waste Management Enterprise Fund increased Otter Tail County's net position by \$928,672 during 2023.

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, 2023, Otter Tail County's governmental funds reported combined ending fund balances of \$109,025,073, an increase of \$17,607,228 in comparison with the prior year balance.

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 \$4,513,807 during the current fiscal year.

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

- The Road and Bridge Special Revenue Fund balance increased by \$585,119 in 2023.
- The Human Services Special Revenue Fund balance increased by \$2,002,986 in 2023.
- The Capital Improvement Special Revenue Fund balance increased by \$661,072 in 2023.
- The Construction Capital Projects Fund balance decreased by \$610,300 in 2023.

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 decreased by \$1,655,000 in 2023.
- The Chemical Dependency Debt Service Fund balance decreased by \$172,646 in 2023.

The fund balance as of December 31, 2023, for all other governmental funds increased by \$12,282,190.

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 2023 were \$7,043,803 more than the final budget. Actual expenditures were more than budgeted expenditures by \$3,552,086 in 2023. The majority of these expenditures were related to the Navigating the Road Ahead program.

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, 2023, amounts to \$251,141,027 (net of accumulated depreciation and amortization). The total increase in the County's investment in capital assets for the current fiscal year was 3.5 percent.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Land	\$ 8,448,271	\$ 7,718,616	\$ 299,433	\$ 187,833	\$ 8,747,704	\$ 7,906,449
Construction in progress	21,240,640	20,253,349	380,991	-	21,621,631	20,253,349
Land improvements	24,852	35,398	-	-	24,852	35,398
Buildings and improvements	28,236,484	24,357,258	2,531,296	2,682,012	30,767,780	27,039,270
Machinery, furniture, vehicles, and equipment	5,962,782	5,940,137	1,115,116	919,801	7,077,898	6,859,938
Infrastructure	181,718,025	179,728,918	94,790	99,491	181,812,815	179,828,409
Landfill	-	-	494,847	567,281	494,847	567,281
Subscription-based information technology arrangements	412,368	-	-	-	412,368	-
Leased buildings	18,189	27,283	-	-	18,189	27,283
Leased equipment	162,943	244,924	-	-	162,943	244,924
Totals	\$ 246,224,554	\$ 238,305,883	\$ 4,916,473	\$ 4,456,418	\$ 251,141,027	\$ 242,762,301

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

Long-Term Debt

As of December 31, 2023, Otter Tail County had \$62,701,347 in bonds and notes outstanding, compared with \$55,531,536 as of December 31, 2022, an increase of 12.9 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	
	2023	2022	2023	2022	2023	2022
Bonds payable						
General obligation bonds	\$ 23,630,000	\$ 26,115,000	\$ -	\$ -	\$ 23,630,000	\$ 26,115,000
Revenue bonds	31,255,000	21,715,000	4,570,000	4,570,000	35,825,000	26,285,000
Plus: unamortized premium	2,844,314	2,702,701	402,033	428,835	3,246,347	3,131,536
Totals	\$ 57,729,314	\$ 50,532,701	\$ 4,972,033	\$ 4,998,835	\$ 62,701,347	\$ 55,531,536

Other obligations include loans payable, leases payable, compensated absences, other postemployment benefits liability, landfill closure and post closure care costs, and net pension liability. The notes to the financial statements (Notes 3 and 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 2023 was \$141,110,920, which was 27.1 percent more than 2022.

By the end of 2023, Otter Tail County had approved its balanced 2024 revenue and expenditures budgets. The 2024 total levy is \$51,151,525, which is an increase of \$2,520,220, or 5.2 percent, compared to the 2023 levy of \$48,631,305.

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, 2023**

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Cash and pooled investments	\$ 78,409,727	\$ 8,521,832	\$ 86,931,559	\$ 8,575,605
Taxes receivable – delinquent	1,133,582	-	1,133,582	43,088
Special assessments receivable				
Delinquent	8,919	-	8,919	-
Noncurrent	442,093	-	442,093	-
Accounts receivable	333,589	446,540	780,129	237,230
Accrued interest receivable	568,334	-	568,334	-
Internal balances	(12)	12	-	-
Due from other governments	10,698,177	136,414	10,834,591	603
Due from component unit	87,847	-	87,847	-
Lease receivable				
Due within one year	296,644	-	296,644	-
Due in more than one year	1,532,405	-	1,532,405	-
Loans receivable (net of allowance)				
Due within one year	-	-	-	18,120
Due in more than one year	-	-	-	164,663
Assets held for resale	-	-	-	42,589
Inventories	499,315	-	499,315	-
Prepaid items	-	-	-	22,310
Restricted assets				
Cash and pooled investments	-	1,824,636	1,824,636	21,076
Temporarily restricted				
Cash with escrow agent	12,014,392	-	12,014,392	-
Advance to component unit	20,060,000	1,901,486	21,961,486	-
Capital assets				
Non-depreciable	29,688,911	680,424	30,369,335	84,879
Depreciable – net of accumulated depreciation and amortization	216,535,643	4,236,049	220,771,692	24,819,407
Total Assets	\$ 372,309,566	\$ 17,747,393	\$ 390,056,959	\$ 34,029,570
Deferred Outflows of Resources				
Deferred amount on refunding	\$ 878,008	\$ -	\$ 878,008	\$ -
Deferred pension outflows	13,230,250	353,861	13,584,111	394,675
Deferred other postemployment benefits outflows	796,012	29,027	825,039	-
Total Deferred Outflows of Resources	\$ 14,904,270	\$ 382,888	\$ 15,287,158	\$ 394,675

**Otter Tail County
Fergus Falls, Minnesota**

**Exhibit 1
(Continued)**

**Statement of Net Position
December 31, 2023**

	Governmental Activities	Primary Government Business-Type Activities	Total	Discretely Presented Component Units
<u>Liabilities</u>				
Accounts payable	\$ 2,371,673	\$ 116,831	\$ 2,488,504	\$ 125,928
Salaries payable	1,547,091	97,734	1,644,825	103,474
Contracts payable	1,543,248	-	1,543,248	-
Due to other governments	454,815	12,855	467,670	108,932
Due to primary government	-	-	-	87,847
Accrued interest payable	469,976	87,292	557,268	-
Deposits payable	337,969	-	337,969	9,174
Advance from primary government	-	-	-	1,695,000
Unearned revenue	1,172,027	-	1,172,027	1,650
Long-term liabilities				
Due within one year	6,128,334	304,727	6,433,061	109,399
Due in more than one year	60,385,450	7,092,452	67,477,902	20,672,965
Other postemployment benefits liability	3,570,220	120,223	3,690,443	-
Net pension liability	23,494,360	1,280,542	24,774,902	1,470,667
Total Liabilities	\$ 101,475,163	\$ 9,112,656	\$ 110,587,819	\$ 24,385,036
<u>Deferred Inflows of Resources</u>				
Deferred lease inflows	\$ 1,748,822	\$ -	\$ 1,748,822	\$ -
Deferred pension inflows	14,734,057	483,243	15,217,300	493,797
Deferred other postemployment benefits inflows	434,963	14,841	449,804	-
Total Deferred Inflows of Resources	\$ 16,917,842	\$ 498,084	\$ 17,415,926	\$ 493,797
<u>Net Position</u>				
Net investment in capital assets	\$ 218,564,780	\$ 4,133,449	\$ 222,698,229	\$ 4,844,287
Restricted for				
General government	820,172	-	820,172	-
Public safety	996,119	-	996,119	-
Highways and streets	6,362,697	-	6,362,697	-
Conservation of natural resources	1,506,831	-	1,506,831	-
Debt service	22,303,659	-	22,303,659	-
Section 8 HAP	-	-	-	11,902
Economic development	-	-	-	3,501,071
Held in trust for other purposes	126,165	-	126,165	-
Unrestricted	18,140,408	4,386,092	22,526,500	1,188,152
Total Net Position	\$ 268,820,831	\$ 8,519,541	\$ 277,340,372	\$ 9,545,412

**Otter Tail County
Fergus Falls, Minnesota**

**Statement of Activities
For the Year Ended December 31, 2023**

		Fees, Charges, Fines, and Other	Program Revenues Operating Grants and Contributions
<u>Functions/Programs</u>	<u>Expenses</u>		
Primary Government			
Governmental activities			
General government	\$ 19,599,332	\$ 4,174,956	\$ 812,381
Public safety	21,369,850	611,061	3,794,112
Highways and streets	24,928,049	2,206,116	20,160,593
Human services	23,380,446	877,314	12,078,873
Health	4,492,464	1,707,724	2,248,918
Culture and recreation	915,247	2,758	1,049,824
Conservation of natural resources	2,815,987	237,760	767,436
Economic development	1,618,685	633,455	-
Interest	1,148,863	1,235	570,965
Total governmental activities	\$ 100,268,923	\$ 10,452,379	\$ 41,483,102
Business-type activities			
Solid waste	9,516,687	9,948,940	371,001
Total Primary Government	\$ 109,785,610	\$ 20,401,319	\$ 41,854,103
Discretely Presented Component Units	\$ 11,539,158	\$ 9,814,446	\$ 1,122,706

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

Net Position – Ending

Exhibit 2

Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position			Discretely Presented Component Units
	Governmental Activities	Primary Government Business-Type Activities	Total	
\$ -	\$ (14,611,995)	\$ -	\$ (14,611,995)	
-	(16,964,677)	-	(16,964,677)	
1,307,760	(1,253,580)	-	(1,253,580)	
-	(10,424,259)	-	(10,424,259)	
-	(535,822)	-	(535,822)	
-	137,335	-	137,335	
-	(1,810,791)	-	(1,810,791)	
-	(985,230)	-	(985,230)	
-	(576,663)	-	(576,663)	
\$ 1,307,760	\$ (47,025,682)	\$ -	\$ (47,025,682)	
111,599	-	914,853	914,853	
\$ 1,419,359	\$ (47,025,682)	\$ 914,853	\$ (46,110,829)	
\$ 36,972				\$ (565,034)
	\$ 48,872,171	\$ -	\$ 48,872,171	\$ 1,821,117
	5,610,510	-	5,610,510	-
	497,898	-	497,898	-
	1,308,720	-	1,308,720	-
	5,260,712	-	5,260,712	-
	589,518	-	589,518	-
	1,820,550	57,075	1,877,625	11,344
	183,546	-	183,546	26,400
	43,256	(43,256)	-	-
	\$ 64,186,881	\$ 13,819	\$ 64,200,700	\$ 1,858,861
	\$ 17,161,199	\$ 928,672	\$ 18,089,871	\$ 1,293,827
	251,659,632	7,590,869	259,250,501	8,251,585
	\$ 268,820,831	\$ 8,519,541	\$ 277,340,372	\$ 9,545,412

Fund Financial Statements

Governmental Funds

**Otter Tail County
Fergus Falls, Minnesota**

**Balance Sheet
Governmental Funds
December 31, 2023**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<u>Assets</u>			
Cash and pooled investments	\$ 39,338,930	\$ 6,390,236	\$ 19,346,769
Petty cash and change funds	4,270	50	200
Taxes receivable – delinquent	610,138	93,886	301,099
Special assessments			
Delinquent	-	950	-
Noncurrent	-	-	-
Accounts receivable	11,765	5,052	316,772
Accrued interest receivable	567,385	-	-
Due from other funds	26,613	1,569,482	-
Due from other governments	438,664	7,785,152	2,470,693
Lease receivable	-	-	-
Advance to other funds	561,025	-	1,390,606
Inventories	-	499,315	-
Advance to component unit	-	-	-
Restricted assets			
Temporarily restricted			
Cash with escrow agent	-	-	-
Total Assets	<u>\$ 41,558,790</u>	<u>\$ 16,344,123</u>	<u>\$ 23,826,139</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 369,851	\$ 1,173,405	\$ 743,998
Salaries payable	757,858	195,879	588,396
Contracts payable	-	1,207,552	-
Due to other funds	-	12	26,613
Due to other governments	21,404	85,850	347,561
Deposits payable	306,719	16,250	-
Advance from other funds	-	-	-
Unearned revenue	1,172,027	-	-
Total Liabilities	<u>\$ 2,627,859</u>	<u>\$ 2,678,948</u>	<u>\$ 1,706,568</u>
Deferred Inflows of Resources			
Unavailable revenue	\$ 506,609	\$ 6,442,418	\$ 332,913
Deferred lease inflows	-	-	-
Total Deferred Inflows of Resources	<u>\$ 506,609</u>	<u>\$ 6,442,418</u>	<u>\$ 332,913</u>

Exhibit 3

Capital Improvement	Construction Capital Projects	Prairie Lakes Municipal Solid Waste Authority Debt Service	Chemical Dependency Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
\$ 5,561,351	\$ 2,893,316	\$ -	\$ 279,000	\$ 4,595,605	\$ 78,405,207
-	-	-	-	-	4,520
62,323	-	-	-	66,136	1,133,582
-	-	-	-	7,969	8,919
-	-	-	-	442,093	442,093
-	-	-	-	-	333,589
-	-	-	-	949	568,334
-	-	-	-	-	1,596,095
-	-	-	-	3,668	10,698,177
-	-	-	1,829,049	-	1,829,049
-	-	-	-	-	1,951,631
-	-	-	-	-	499,315
-	-	20,060,000	-	-	20,060,000
-	-	-	498,561	11,515,831	12,014,392
\$ 5,623,674	\$ 2,893,316	\$ 20,060,000	\$ 2,606,610	\$ 16,632,251	\$ 129,544,903
\$ 46,380	\$ -	\$ -	\$ -	\$ 38,039	\$ 2,371,673
-	-	-	-	4,958	1,547,091
-	335,696	-	-	-	1,543,248
1,062,513	169,964	-	-	337,005	1,596,107
-	-	-	-	-	454,815
-	-	-	15,000	-	337,969
-	-	-	1,390,606	561,025	1,951,631
-	-	-	-	-	1,172,027
\$ 1,108,893	\$ 505,660	\$ -	\$ 1,405,606	\$ 941,027	\$ 10,974,561
\$ 33,676	\$ -	\$ -	\$ -	\$ 480,831	\$ 7,796,447
-	-	-	1,748,822	-	1,748,822
\$ 33,676	\$ -	\$ -	\$ 1,748,822	\$ 480,831	\$ 9,545,269

**Otter Tail County
Fergus Falls, Minnesota**

**Balance Sheet
Governmental Funds
December 31, 2023**

	<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	\$ -	\$ 499,315	\$ -
Advance to other funds	561,025	-	-
Missing heirs	126,165	-	-
Restricted			
Debt service	-	-	-
Law library	-	-	-
Recorder's technology equipment	141,324	-	-
Real estate shortfall	459,294	-	-
E-911	980,301	-	-
Recorder's compliance	155,303	-	-
Handgun permits	10,818	-	-
Ditch maintenance and repairs	-	-	-
Sheriff's contingencies	-	-	-
Aquatic invasive species	664,642	-	-
Assigned			
Property and casualty insurance	393,677	167,359	64,783
Workers' compensation	238,117	124,870	63,879
Veteran's van	5,681	-	-
General government	-	-	-
Public safety	-	-	4,327,127
Highways and streets	-	6,431,213	-
Human services	-	-	12,560,341
Health	-	-	4,770,528
Culture and recreation	-	-	-
Capital outlay	-	-	-
Unassigned	34,687,975	-	-
Total Fund Balances	\$ 38,424,322	\$ 7,222,757	\$ 21,786,658
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 41,558,790	\$ 16,344,123	\$ 23,826,139

Exhibit 3*(Continued)*

Capital Improvement	Construction Capital Projects	Prairie Lakes Municipal Solid Waste Authority Debt Service	Chemical Dependency Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 499,315
-	-	-	-	-	561,025
-	-	-	-	-	126,165
-	-	20,060,000	-	13,908,635	33,968,635
-	-	-	-	64,251	64,251
-	-	-	-	-	141,324
-	-	-	-	-	459,294
-	-	-	-	-	980,301
-	-	-	-	-	155,303
-	-	-	-	-	10,818
-	-	-	-	842,189	842,189
-	-	-	-	5,000	5,000
-	-	-	-	-	664,642
-	-	-	-	-	625,819
-	-	-	-	-	426,866
-	-	-	-	-	5,681
578,511	-	-	-	-	578,511
1,102,800	-	-	-	6,473	5,436,400
2,703,450	-	-	-	-	9,134,663
96,344	-	-	-	-	12,656,685
-	-	-	-	-	4,770,528
-	-	-	-	1,019,791	1,019,791
-	2,387,656	-	-	-	2,387,656
-	-	-	(547,818)	(635,946)	33,504,211
\$ 4,481,105	\$ 2,387,656	\$ 20,060,000	\$ (547,818)	\$ 15,210,393	\$ 109,025,073
\$ 5,623,674	\$ 2,893,316	\$ 20,060,000	\$ 2,606,610	\$ 16,632,251	\$ 129,544,903

**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, 2023**

Fund balances – total governmental funds (Exhibit 3)		\$ 109,025,073
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		246,224,554
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		7,796,447
Deferred outflows of resources are not available resources and, therefore, are not reported in the governmental funds.		
Deferred amount on refunding	\$ 878,008	
Deferred pension outflows	13,230,250	
Deferred other postemployment benefits outflows	<u>796,012</u>	14,904,270
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		87,847
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	\$ (23,630,000)	
Revenue bonds	(31,255,000)	
Loans payable	(1,849,662)	
Bond premiums	(2,844,314)	
Leases payable	(171,261)	
Subscription-based technology arrangements payable	(367,942)	
Accrued interest payable	(469,976)	
Compensated absences	(6,395,605)	
Other postemployment benefits liability	(3,570,220)	
Net pension liability	<u>(23,494,360)</u>	(94,048,340)
Deferred inflows are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Deferred pension inflows	\$ (14,734,057)	
Deferred other postemployment benefits inflows	<u>(434,963)</u>	(15,169,020)
Net Position of Governmental Activities (Exhibit 1)		<u>\$ 268,820,831</u>

**Otter Tail County
Fergus Falls, Minnesota**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2023**

	General	Road and Bridge	Human Services
Revenues			
Taxes	\$ 27,126,137	\$ 10,879,924	\$ 12,698,139
Special assessments	122,422	-	-
Licenses and permits	545,789	-	460,065
Intergovernmental	9,933,300	19,509,841	15,913,741
Charges for services	1,521,487	2,054,105	1,730,619
Fines and forfeits	30,139	-	-
Gifts and contributions	18,627	-	104,122
Investment earnings	1,706,920	-	1,401
Miscellaneous	1,976,867	117,042	609,585
Total Revenues	\$ 42,981,688	\$ 32,560,912	\$ 31,517,672
Expenditures			
Current			
General government	\$ 16,716,304	\$ -	\$ -
Public safety	14,551,587	-	2,278,775
Highways and streets	-	29,766,220	-
Human services	-	-	23,066,009
Health	102,420	-	4,301,399
Culture and recreation	316,170	-	-
Conservation of natural resources	2,554,470	-	-
Economic development	3,606,195	-	-
Intergovernmental			
Highways and streets	-	1,662,315	-
Culture and recreation	631,697	-	-
Debt service			
Principal	300,421	9,899	-
Interest	3,161	121	-
Bond issuance costs	-	-	-
Total Expenditures	\$ 38,782,425	\$ 31,438,555	\$ 29,646,183
Excess of Revenues Over (Under) Expenditures	\$ 4,199,263	\$ 1,122,357	\$ 1,871,489
Other Financing Sources (Uses)			
Transfers in	\$ 86,512	\$ 400,000	\$ 174,753
Transfers out	(1,077,458)	(877,300)	(43,256)
Subscription-based technology arrangements issued	582,154	-	-
Loans issued	723,336	-	-
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
Total Other Financing Sources (Uses)	\$ 314,544	\$ (477,300)	\$ 131,497
Net Change in Fund Balance	\$ 4,513,807	\$ 645,057	\$ 2,002,986
Fund Balance – January 1	33,910,515	6,637,638	19,783,672
Increase (decrease) in inventories	-	(59,938)	-
Fund Balance – December 31	\$ 38,424,322	\$ 7,222,757	\$ 21,786,658

Exhibit 5

Capital Improvement	Construction Capital Projects	Prairie Lakes Municipal Solid Waste Authority Debt Service	Chemical Dependency Debt Service	Nonmajor Governmental Funds	Total
\$ 2,640,580	\$ -	\$ -	\$ -	\$ 2,842,977	\$ 56,187,757
-	-	-	-	219,934	342,356
-	-	-	-	-	1,005,854
189,912	-	570,965	-	1,100,089	47,217,848
-	-	-	-	1,592	5,307,803
-	-	-	-	51,203	81,342
-	-	-	-	-	122,749
10,779	44,830	-	11,517	15,954	1,791,401
882,737	-	-	312,812	4,872	3,903,915
\$ 3,724,008	\$ 44,830	\$ 570,965	\$ 324,329	\$ 4,236,621	\$ 115,961,025
\$ 426,726	\$ 518,771	\$ -	\$ -	\$ 73,758	\$ 17,735,559
655,028	-	-	-	7,462	17,492,852
1,913,232	136,359	-	-	-	31,815,811
37,854	-	-	-	-	23,103,863
30,096	-	-	-	-	4,433,915
-	-	-	-	1,760,002	2,076,172
-	-	-	-	240,212	2,794,682
-	-	-	-	-	3,606,195
-	-	-	-	-	1,662,315
-	-	-	-	-	631,697
-	-	1,655,000	475,000	2,010,000	4,450,320
-	-	570,965	21,975	743,828	1,340,050
-	-	-	-	170,835	170,835
\$ 3,062,936	\$ 655,130	\$ 2,225,965	\$ 496,975	\$ 5,006,097	\$ 111,314,266
\$ 661,072	\$ (610,300)	\$ (1,655,000)	\$ (172,646)	\$ (769,476)	\$ 4,646,759
\$ -	\$ -	\$ -	\$ -	\$ 1,852,455	\$ 2,513,720
-	-	-	-	(472,450)	(2,470,464)
-	-	-	-	-	582,154
-	-	-	-	-	723,336
-	-	-	-	11,195,000	11,195,000
-	-	-	-	476,661	476,661
\$ -	\$ -	\$ -	\$ -	\$ 13,051,666	\$ 13,020,407
\$ 661,072	\$ (610,300)	\$ (1,655,000)	\$ (172,646)	\$ 12,282,190	\$ 17,667,166
3,820,033	2,997,956	21,715,000	(375,172)	2,928,203	91,417,845
-	-	-	-	-	(59,938)
\$ 4,481,105	\$ 2,387,656	\$ 20,060,000	\$ (547,818)	\$ 15,210,393	\$ 109,025,073

**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, 2023**

Net change in fund balance – total governmental funds (Exhibit 5)	\$	17,667,166
-------------------------------------------------------------------	----	------------

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

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

Deferred inflows of resources – unavailable revenues – December 31	\$ 7,796,447	
Deferred inflows of resources – unavailable revenues – January 1	<u>(5,616,432)</u>	2,180,015

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 and amortization expense.

Expenditures for general capital assets and infrastructure	\$ 21,349,115	
Net book value of capital assets disposed	(1,089,557)	
Current year depreciation and amortization	<u>(12,340,887)</u>	7,918,671

Change in long-term receivable reported as due from component unit in the statement of activities but not reported in governmental funds.	(8,055)
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Some capital asset additions are acquired through financing. In governmental funds, these arrangements are considered an other financing source, but in the statement of net position, the obligation is reported as a liability. Similarly repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.

Principal payments on leases	\$ 96,108	
Principal payments on subscription-based technology arrangements	<u>214,212</u>	310,320
Subscription-based technology arrangements issued		(582,154)

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	\$ (11,195,000)	
Loans issued	(723,336)	
Premium on bonds issued	<u>(476,661)</u>	(12,394,997)
Principal repayments		
General obligation bonds	\$ 2,485,000	
Revenue bonds	<u>1,655,000</u>	4,140,000

**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, 2023**

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	\$ 48,013	
Amortization of premiums	335,048	
Change in compensated absences	(187,747)	
Change in other postemployment benefits liability	492,378	
Change in net pension liability	17,603,020	
Change in deferred pension outflows	(5,632,649)	
Change in deferred amount on refunding	(191,995)	
Change in deferred pension inflows	(13,911,061)	
Change in deferred other postemployment benefits outflows	(139,315)	
Change in deferred other postemployment benefits inflows	(425,521)	
Change in inventories	(59,938)	(2,069,767)
	<hr/>	<hr/>
Change in Net Position of Governmental Activities (Exhibit 2)		\$ 17,161,199
		<hr/> <hr/>

Proprietary Fund

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit 7

**Statement of Net Position
Waste Management Enterprise Fund
December 31, 2023**

Assets

Current assets	
Cash and pooled investments	\$ 8,503,092
Petty cash and change funds	18,740
Accounts receivable	446,540
Due from other funds	12
Due from other governments	136,414
	<hr/>
Total current assets	\$ 9,104,798
Restricted assets	
Cash and pooled investments	\$ 1,824,636
	<hr/>
Noncurrent assets	
Advance to component unit	\$ 1,901,486
Capital assets	
Non-depreciable	680,424
Depreciable – net of accumulated depreciation	4,236,049
	<hr/>
Total noncurrent assets	\$ 6,817,959
Total Assets	\$ 17,747,393
	<hr/>

Deferred Outflows of Resources

Deferred pension outflows	\$ 353,861
Deferred other postemployment benefits outflows	29,027
	<hr/>
Total Deferred Outflows of Resources	\$ 382,888
	<hr/>

Liabilities

Current liabilities	
Accounts payable	\$ 116,831
Salaries payable	97,734
Due to other governments	12,855
Accrued interest payable	87,292
Compensated absences payable	109,727
Bonds payable	195,000
	<hr/>
Total current liabilities	\$ 619,439
Noncurrent liabilities	
Compensated absences payable	\$ 395,721
Bonds payable	4,777,033
Estimated liability for landfill closure/postclosure care	1,919,698
Other postemployment benefits liability	120,223
Net pension liability	1,280,542
	<hr/>
Total noncurrent liabilities	\$ 8,493,217
Total Liabilities	\$ 9,112,656
	<hr/>

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit 7
(Continued)

**Statement of Net Position
Waste Management Enterprise Fund
December 31, 2023**

Deferred Inflows of Resources

Deferred pension inflows	\$ 483,243
Deferred other postemployment benefits inflows	<u>14,841</u>
Total Deferred Inflows of Resources	<u>\$ 498,084</u>

Net Position

Net investment in capital assets	\$ 4,133,449
Unrestricted	<u>4,386,092</u>
Total Net Position	<u>\$ 8,519,541</u>

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit 8

**Statement of Revenues, Expenses, and Changes in Net Position
Waste Management Enterprise Fund
For the Year Ended December 31, 2023**

Operating Revenues	
Charges for services	\$ 9,420,431
Licenses and permits	2,670
Sale of recyclable materials	324,622
Miscellaneous	201,217
	<hr/>
Total Operating Revenues	\$ 9,948,940
	<hr/>
Operating Expenses	
SCORE	\$ 1,488,264
Waste management	4,268,427
Household hazardous waste	310,848
Processing costs	3,064,010
Depreciation	400,518
Landfill closure and postclosure care costs	(200,097)
	<hr/>
Total Operating Expenses	\$ 9,331,970
	<hr/>
Operating Income (Loss)	\$ 616,970
	<hr/>
Nonoperating Revenues (Expenses)	
Intergovernmental	\$ 371,001
Interest income	25,941
Interest income restricted for sanitation	31,134
Interest expense	(184,717)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ 243,359
	<hr/>
Income (loss) before transfers	\$ 860,329
	<hr/>
Capital contributions	111,599
Transfers out	(43,256)
	<hr/>
Total contributions and transfers	\$ 68,343
	<hr/>
Change in Net Position	\$ 928,672
	<hr/>
Net Position – January 1	7,590,869
	<hr/>
Net Position – December 31	\$ 8,519,541
	<hr/>

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit 9

**Statement of Cash Flows
Waste Management Enterprise Fund
For the Year Ended December 31, 2023**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 10,008,392
Payments to suppliers	(6,290,159)
Payments to employees	<u>(2,756,715)</u>
Net cash provided by (used in) operating activities	<u>\$ 961,518</u>
Cash Flows from Noncapital Financing Activities	
Intergovernmental	\$ 371,001
Payments received on advance to component unit	375,250
Transfers out	<u>(43,256)</u>
Net cash provided by (used in) noncapital financing activities	<u>\$ 702,995</u>
Cash Flows from Capital and Related Financing Activities	
Interest expense	\$ (124,227)
Purchases of capital assets	<u>(748,974)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (873,201)</u>
Cash Flows from Investing Activities	
Investment earnings received	<u>\$ 58,682</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 849,994
Cash and Cash Equivalents at January 1	<u>9,496,474</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 10,346,468</u></u>
Cash and Cash Equivalents – Exhibit 7	
Cash and pooled investments	\$ 8,503,092
Petty cash and change funds	18,740
Restricted cash and pooled investments	<u>1,824,636</u>
Total Cash and Cash Equivalents	<u><u>\$ 10,346,468</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, 2023**

**Reconciliation of Operating Income (Loss) to Net Cash Provided by
(Used in) Operating Activities**

Operating income (loss)	\$ 616,970
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 400,518
(Increase) decrease in accounts receivable	85,283
(Increase) decrease in due from other governments	(25,842)
(Increase) decrease in due from other funds	1,361
(Increase) decrease in deferred pension outflows	243,306
(Increase) decrease in deferred other postemployment benefits outflows	5,803
Increase (decrease) in accounts payable	(33,706)
Increase (decrease) in salaries payable	(17,600)
Increase (decrease) in compensated absences – current	11,360
Increase (decrease) in due to other funds	(1,108)
Increase (decrease) in due to other governments	6,848
Increase (decrease) in compensated absences – long-term	59,192
Increase (decrease) in other postemployment benefits liability	(16,580)
Increase (decrease) in deferred other postemployment benefits inflows	14,231
Increase (decrease) in deferred pension inflows	455,605
Increase (decrease) in net pension liability	(644,026)
Increase (decrease) in landfill closure/postclosure care	(200,097)
Total adjustments	\$ 344,548
Net Cash Provided by (Used in) Operating Activities	\$ 961,518
Non-cash investing, capital, and related financing activities	
Donated assets	\$ 111,599

Fiduciary Funds

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit 10

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2023**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
<u>Assets</u>		
Cash and pooled investments	\$ 160,017	\$ 1,787,415
Taxes and special assessments receivable for other governments	-	1,840,434
Due from other governments	-	119,814
Total Assets	\$ 160,017	\$ 3,747,663
<u>Liabilities</u>		
Due to other governments	\$ -	\$ 1,023,245
Due to others	13,463	-
Total Liabilities	\$ 13,463	\$ 1,023,245
<u>Net Position</u>		
Restricted for Individuals, organizations, and other governments	\$ 146,554	\$ 2,724,418

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit 11

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2023**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Additions		
Contributions		
Individuals	\$ 438,098	\$ 663,599
Local collaborative funds	-	415,090
Property tax collections for other governments	-	121,239,241
Other taxes collected for other governments	-	1,705,944
Tax-forfeited land sales for other governments	-	33,702
License and fees collected for the state	-	1,113,708
	<hr/>	<hr/>
Total Additions	\$ 438,098	\$ 125,171,284
	<hr/>	<hr/>
Deductions		
Beneficiary payments to individuals	\$ 476,868	\$ 147,674
Payments of property tax to other governments	-	121,193,816
Payments to the state	-	3,329,999
Administrative expense	-	14,957
Payments to other entities	-	261,125
	<hr/>	<hr/>
Total Deductions	\$ 476,868	\$ 124,947,571
	<hr/>	<hr/>
Change in net position	\$ (38,770)	\$ 223,713
	<hr/>	<hr/>
Net Position – January 1	185,324	2,500,705
	<hr/>	<hr/>
Net Position – December 31	\$ 146,554	\$ 2,724,418
	<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, 2023**

	Prairie Lakes Municipal Solid Waste Authority	Community Development Agency	Housing and Redevelopment Authority	Total
<u>Assets</u>				
Current assets				
Cash and pooled investments	\$ 2,157,569	\$ 3,526,182	\$ 2,891,854	\$ 8,575,605
Taxes receivable – delinquent	-	12,767	30,321	43,088
Accounts receivable	234,463	-	2,767	237,230
Due from other governments	603	-	-	603
Loans receivable – current (net of allowance)	-	-	18,120	18,120
Assets held for resale	-	-	42,589	42,589
Prepaid items	7,413	-	14,897	22,310
Total current assets	\$ 2,400,048	\$ 3,538,949	\$ 3,000,548	\$ 8,939,545
Noncurrent assets				
Restricted cash and cash equivalents	\$ -	\$ -	\$ 21,076	\$ 21,076
Loans receivable (net of allowance)	-	-	164,663	164,663
Capital assets				
Nondepreciable	25,489	-	59,390	84,879
Depreciable – net	24,263,799	-	555,608	24,819,407
Total noncurrent assets	\$ 24,289,288	\$ -	\$ 800,737	\$ 25,090,025
Total Assets	\$ 26,689,336	\$ 3,538,949	\$ 3,801,285	\$ 34,029,570
<u>Deferred Outflows of Resources</u>				
Deferred pension outflows	\$ 394,675	\$ -	\$ -	\$ 394,675
<u>Liabilities</u>				
Current liabilities				
Accounts payable	\$ 86,277	\$ 37,847	\$ 1,804	\$ 125,928
Salaries payable	103,474	-	-	103,474
Due to other governments	103,554	31	5,347	108,932
Due to primary government	87,847	-	-	87,847
Security deposits	-	-	9,174	9,174
Advance from primary government – current	1,695,000	-	-	1,695,000
Unearned revenue	-	-	1,650	1,650
Compensated absences payable – current	109,399	-	-	109,399
Total current liabilities	\$ 2,185,551	\$ 37,878	\$ 17,975	\$ 2,241,404

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit 12
(Continued)

**Combining Statement of Net Position
Discretely Presented Component Units
December 31, 2023**

	<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	\$ 20,266,486	\$ -	\$ -	\$ 20,266,486
Compensated absences payable – long-term	406,479	-	-	406,479
Net pension liability	1,470,667	-	-	1,470,667
Total noncurrent liabilities	\$ 22,143,632	\$ -	\$ -	\$ 22,143,632
Total Liabilities	\$ 24,329,183	\$ 37,878	\$ 17,975	\$ 24,385,036
<u>Deferred Inflows of Resources</u>				
Deferred pension inflows	\$ 493,797	\$ -	\$ -	\$ 493,797
<u>Net Position</u>				
Net investment in capital assets	\$ 4,229,289	\$ -	\$ 614,998	\$ 4,844,287
Restricted for Section 8 HAP	-	-	11,902	11,902
Restricted for economic development	-	3,501,071	-	3,501,071
Unrestricted	(1,968,258)	-	3,156,410	1,188,152
Total Net Position	\$ 2,261,031	\$ 3,501,071	\$ 3,783,310	\$ 9,545,412

**Otter Tail County
Fergus Falls, Minnesota**

**Combining Statement of Activities
Discretely Presented Component Units
For the Year Ended December 31, 2023**

			<u>Program Revenues</u>
	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>
Component Units			
Prairie Lakes Municipal Solid Waste Authority	\$ 9,027,578	\$ 9,491,393	\$ -
Community Development Agency	541,148	204,415	-
Housing and Redevelopment Authority	1,970,432	118,638	1,122,706
Total Component Units	<u>\$ 11,539,158</u>	<u>\$ 9,814,446</u>	<u>\$ 1,122,706</u>

General Revenues

Property tax
Investment earnings
Miscellaneous

Total general revenues

Change in Net Position

Net Position – January 1

Net Position – December 31

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position			
	Prairie Lakes Municipal Solid Waste Authority	Community Development Agency	Housing and Redevelopment Authority	Total
\$ -	\$ 463,815	\$ -	\$ -	\$ 463,815
-	-	(336,733)	-	(336,733)
36,972	-	-	(692,116)	(692,116)
<u>\$ 36,972</u>	<u>\$ 463,815</u>	<u>\$ (336,733)</u>	<u>\$ (692,116)</u>	<u>\$ (565,034)</u>
	\$ -	\$ 532,401	\$ 1,288,716	\$ 1,821,117
	1,956	-	9,388	11,344
	-	-	26,400	26,400
	<u>\$ 1,956</u>	<u>\$ 532,401</u>	<u>\$ 1,324,504</u>	<u>\$ 1,858,861</u>
	\$ 465,771	\$ 195,668	\$ 632,388	\$ 1,293,827
	<u>1,795,260</u>	<u>3,305,403</u>	<u>3,150,922</u>	<u>8,251,585</u>
	<u>\$ 2,261,031</u>	<u>\$ 3,501,071</u>	<u>\$ 3,783,310</u>	<u>\$ 9,545,412</u>

Otter Tail County Fergus Falls, Minnesota

Notes to the Financial Statements As of and for the Year Ended December 31, 2023

Note 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, 2023. 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.

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 a separate column 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:

Component Units of the County		
Component Unit	Component Unit Included in Reporting Entity Because	Separate Financial Statements Available at
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

Joint Ventures and Jointly-Governed Organizations

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

Otter Tail County

Fergus Falls, Minnesota

Basic Financial Statements

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. The County does not allocate indirect expenses to functions within the financial statements.

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.

Otter Tail County Fergus Falls, Minnesota

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.

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:

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

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.

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

Otter Tail County

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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 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, acquisitions under leases, and subscription-based technology arrangements 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.

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

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.

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, 2023, 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 2023 were \$1,706,920.

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/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.

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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.

Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments payable in the years 2017 through 2023, and noncurrent special assessments payable in 2024 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 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.

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 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 Series 2013A bonds were fully refunded in 2022.

The principal payments on all disposal bonds in 2023 were \$1,655,000.

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 2023 were \$375,250.

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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.

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.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (roads, bridges, sidewalks, and similar items), and right-to-use assets acquired under leasing or subscription-based information technology arrangements, 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, while right-to-use assets are amortized over the shorter of the underlying assets' estimated useful life or the term of the lease agreement or subscription arrangement:

Estimated Useful Lives of Capital Assets

Assets	Years
Land Improvements	5 to 20
Buildings	40
Building improvements	Up to 30
Public domain infrastructure	20 to 100
Furniture, equipment, and vehicles	3 to 20
Right-to-use equipment	3 to 5
Right-to-use building	4 to 5
Right-to-use subscription arrangements	2 to 5

The County landfill is depreciated based on capacity used.

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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.

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/expense.

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.

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 that time. 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.

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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 four types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and noncurrent special assessments receivable, grants and allotments, and for other amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources for the net present value of leases that mature beyond one year, amortized to revenue on a straight-line basis over the lease terms. These amounts arise under both the modified and the full accrual basis of accounting and are reported in both the governmental funds balance sheet and the statement of net position. 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.

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 amortization, 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.

Classification of Fund Balances

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

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

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

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

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

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

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

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, 2023, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

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.

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.

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Change in Accounting Principle

During the year ended December 31, 2023, Otter Tail County adopted new accounting guidance by implementing the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, which establishes criteria for accounting and financial reporting for Subscription-Based Information Technology Arrangements.

Note 2 – Stewardship, Compliance, and Accountability

Deficit Fund Equity

The County Ditch Special Revenue Fund had a positive fund balance of \$206,243 as of December 31, 2023. The deficits will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

Summary of Ditch Systems

25 ditches with positive fund balances	\$ 842,189
34 ditches with deficit fund balances	(635,946)
Total Fund Balance	<u>\$ 206,243</u>

The Chemical Dependency Debt Service Fund has a negative fund balance of \$547,818 as of December 31, 2023. The deficit is expected to be eliminated with future lease payments received, along with the potential sale of the leased building to the lessee.

Excess of Expenditures Over Budget

For the General Fund or major special revenue funds, any excess of expenditures over budget are discussed in the notes to the required supplementary information. The following nonmajor funds had expenditures in excess of budget for the year ended December 31, 2023.

Excess of Expenditures Over Budget

	Expenditures	Final Budget	Excess
Special Revenue Funds			
County Ditch	\$ 240,212	\$ 142,044	\$ 98,168
Law Library	73,758	70,660	3,098
Sheriff's Contingent	7,462	6,000	1,462
Debt Service Funds			
Sheriff Operations	380	-	380
Highway Construction	1,101,830	1,101,450	380
Master Facility Construction	703,155	702,775	380
Detention Facility	154,405	154,025	380
Capital Improvement	321,608	321,228	380

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Note 3 – Detailed Notes

Assets

Deposits and Investments

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

**Reconciliation of the County's Total Cash and Investments to the
Basic Financial Statements as of December 31, 2023**

Primary government	
Cash and pooled investments	\$ 86,931,559
Restricted assets	
Cash and pooled investments	1,824,636
Cash with escrow agent	12,014,392
Component units	
Cash and pooled investments	8,575,605
Restricted cash and pooled investments	21,076
Fiduciary assets	
Custodial funds	
Cash and pooled investments	1,787,415
Trust fund	
Cash and pooled investments	<u>160,017</u>
Total Cash and Investments	<u><u>\$ 111,314,700</u></u>
Cash and pooled investments held by the County	\$ 108,401,770
Cash held by the Otter Tail County HRA	<u>2,912,930</u>
Total Cash and Investments	<u><u>\$ 111,314,700</u></u>

Deposits

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

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

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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. At December 31, 2023, none of the County's deposits were exposed to custodial credit risk.

Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) time deposits fully insured by the Federal Deposit Insurance Corporation, the National Credit Union Administration, or 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.

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.

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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, 2023, 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.

The following table represents the County's deposit and investment balances at December 31, 2023, and information relating to potential investment risks:

**Cash and Investments and Information Relating to
Potential Investment Risk as of December 31, 2023**

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		06/30/2024	\$ 1,968,820
U.S. Treasury Note	N/A	N/A		09/30/2024	1,469,235
U.S. Treasury Note	N/A	N/A		11/30/2024	996,330
U.S. Treasury Note	N/A	N/A		04/30/2024	1,485,000
U.S. Treasury Note	N/A	N/A		07/31/2024	988,200
U.S. Treasury Note	N/A	N/A		01/31/2024	3,491,950
Total U.S. Treasury Notes			32.3%		\$ 10,399,535
Treasury Securities – State and Local Government Series	N/A	N/A	37.4%		12,014,392
Negotiable certificates of deposit	N/R	N/R	30.3%		9,745,554
Total investments					\$ 32,159,481
Deposits					76,219,029
Change funds					23,260
Total Cash and Pooled Investments Held by County					<u>\$ 108,401,770</u>

N/A – Not Applicable

N/R – Not Rated

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;

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- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

At December 31, 2023, the County had the following recurring fair value measurements:

Recurring Fair Value Measurements as of December 31, 2023

	December 31, 2023	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	\$ 10,399,535	\$ -	\$ 10,399,535	\$ -
Treasury Securities – State and Local Government Series	12,014,392	-	12,014,392	-
Negotiable certificates of deposit	9,745,554	-	9,745,554	-
U.S. Investments Included in the Fair Value Hierarchy	\$ 32,159,481	\$ -	\$ 32,159,481	\$ -

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

Receivables

The County had receivables scheduled to be collected beyond one year as of December 31, 2023, as follows:

Governmental Activities' Receivables as of December 31, 2023

	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities	
Special assessments	\$ 442,093
Lease receivable	1,532,405
Advance to component unit	18,365,000
Total Governmental Activities	<u>\$ 20,339,498</u>
Business-Type Activities	
Advance to component unit	<u>\$ 1,901,486</u>

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Leases Receivable

Otter Tail County has entered into a lease agreement as a lessor for building space. The lease term is for eight years, and fixed annual lease receipts range between \$279,000 and \$315,000. During 2023, the Chemical Dependency Debt Service Fund received total principal payments of \$257,658 and interest payments of \$21,342.

Capital Assets

Capital asset activity for the year ended December 31, 2023, was as follows:

Governmental Activities

Changes in Capital Assets for the Year Ended December 31, 2023

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 7,718,616	\$ 910,278	\$ 180,623	\$ 8,448,271
Construction in progress	20,253,349	8,213,917	7,226,626	21,240,640
Total capital assets not depreciated	\$ 27,971,965	\$ 9,124,195	\$ 7,407,249	\$ 29,688,911
Capital assets depreciated				
Land improvements	\$ 930,687	\$ -	\$ 13,117	\$ 917,570
Buildings	28,579,526	5,713,337	483,353	33,809,510
Building improvements	17,896,830	-	-	17,896,830
Machinery, furniture, vehicles, and equipment	22,886,121	2,053,164	1,016,876	23,922,409
Infrastructure	294,001,941	11,102,891	614,416	304,490,416
Total capital assets depreciated	\$ 364,295,105	\$ 18,869,392	\$ 2,127,762	\$ 381,036,735
Less: accumulated depreciation for				
Land improvements	\$ 895,289	\$ 9,344	\$ 11,915	\$ 892,718
Buildings	15,061,248	680,122	138,230	15,603,140
Building improvements	7,057,850	808,866	-	7,866,716
Machinery, furniture, vehicles, and equipment	16,945,984	1,945,554	931,911	17,959,627
Infrastructure	114,273,023	8,636,140	136,772	122,772,391
Total accumulated depreciation	\$ 154,233,394	\$ 12,080,026	\$ 1,218,828	\$ 165,094,592
Total capital assets depreciated, net	\$ 210,061,711	\$ 6,789,366	\$ 908,934	\$ 215,942,143
Capital assets amortized				
Subscription-based information technology arrangements	\$ -	\$ 582,154	\$ -	\$ 582,154
Leased buildings	36,377	-	-	36,377
Leased equipment	322,000	-	-	322,000
Total capital assets amortized	\$ 358,377	\$ 582,154	\$ -	\$ 940,531
Less: accumulated amortization for				
Subscription-based information technology arrangements	\$ -	\$ 169,786	\$ -	\$ 169,786
Leased buildings	9,094	9,094	-	18,188
Leased equipment	77,076	81,981	-	159,057
Total accumulated amortization	\$ 86,170	\$ 260,861	\$ -	\$ 347,031
Total capital assets amortized, net	\$ 272,207	\$ 321,293	\$ -	\$ 593,500
Governmental Activities Capital Assets, Net	\$ 238,305,883	\$ 16,234,854	\$ 8,316,183	\$ 246,224,554

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Business-Type Activities

Changes in Capital Assets for the Year Ended December 31, 2023

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 187,833	\$ 111,600	\$ -	\$ 299,433
Construction in Progress	-	380,991	-	380,991
Total capital assets non-depreciable	\$ 187,833	\$ 492,591	\$ -	\$ 680,424
Capital assets depreciated				
Buildings	\$ 6,988,306	\$ -	\$ -	\$ 6,988,306
Landfill	3,585,738	-	-	3,585,738
Machinery, furniture, vehicles, and equipment	3,897,896	367,982	-	4,265,878
Infrastructure	141,010	-	-	141,010
Total capital assets depreciated	\$ 14,612,950	\$ 367,982	\$ -	\$ 14,980,932
Less: accumulated depreciation for				
Buildings	\$ 4,306,294	\$ 150,716	\$ -	\$ 4,457,010
Landfill	3,018,457	72,434	-	3,090,891
Machinery, furniture, vehicles, and equipment	2,978,095	172,667	-	3,150,762
Infrastructure	41,519	4,701	-	46,220
Total accumulated depreciation	\$ 10,344,365	\$ 400,518	\$ -	\$ 10,744,883
Total capital assets depreciated, net	\$ 4,268,585	\$ (32,536)	\$ -	\$ 4,236,049
Business-Type Activities Capital Assets, Net	\$ 4,456,418	\$ 460,055	\$ -	\$ 4,916,473

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

Depreciation and Amortization Expense Charged to Functions/Programs

Governmental Activities	
General government	\$ 1,382,105
Public safety	997,083
Highways and streets, including depreciation of infrastructure assets	9,831,408
Human services	66,666
Health services	14,932
Culture and recreation	26,559
Conservation of natural resources	18,628
Economic development	3,506
Total Depreciation and Amortization Expense – Governmental Activities	<u>\$ 12,340,887</u>
Business-Type Activities	
Solid Waste	<u>\$ 400,518</u>

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Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2023, is as follows:

Due To/From Other Funds

Interfund Balances as of December 31, 2023

Receivable Fund	Payable Fund	Amount
General Fund	Human Services Special Revenue Fund	\$ 26,613
	Capital Improvement Special Revenue Fund	
Road and Bridge Special Revenue Fund	Construction Capital Projects Fund	\$ 1,062,513
	County Ditch Special Revenue Fund	169,964
	Parks and Trails Special Revenue Fund	66,928
		270,077
Total Due to Road and Bridge Special Revenue Fund		\$ 1,569,482
Waste Management Enterprise Fund	Road and Bridge Special Revenue Fund	\$ 12
Total Due To/From Other Funds		\$ 1,596,107

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

Advances From/To Other Funds

Interfund Balances as of December 31, 2023

Receivable Fund	Payable Fund	Amount
General Fund	County Ditch Special Revenue Fund	\$ 561,025
Human Services Special Revenue Fund	Chemical Dependency Debt Service Fund	1,390,606
Total Advances From/To Other Funds		\$ 1,951,631

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

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Interfund Transfers

Interfund transfers for the year ended December 31, 2023, consisted of the following:

Interfund Transfers for the Year Ended December 31, 2023

Transfer to Public Buildings Debt Service Fund from Sheriff Operations Debt Service Fund	\$ 472,450	To transfer funds for bond principal and interest payment.
Transfer to Highway Construction Debt Service Fund from Road and Bridge Special Revenue Fund	877,300	To transfer funds for bond principal and interest payment.
Transfer to Human Services Special Revenue Fund from General Fund	174,753	To transfer distribution of FEMA funds, pay structure change, and ARPA reimbursement for jail social worker.
Transfer to General Fund from Waste Management Enterprise Fund	43,256	To transfer for 2023 Environmental Health.
Transfer to Road and Bridge Special Revenue Fund from General Fund	400,000	To transfer Navigating the Road Ahead funds, per 2023 budget.
Transfer to General Fund from Human Services Special Revenue Fund	43,256	To transfer funds for 2023 Environmental Health.
Transfer to Parks and Trails Special Revenue Fund from General Fund	500,390	To transfer Navigating the Road Ahead funds, distribution of FEMA funds, pay structure change, and for grant funds match.
Transfer to Sheriff's Contingent Special Revenue Fund from General Fund	2,315	To transfer excess funds.
Total Transfers Between Funds	<u>\$ 2,513,720</u>	

Liabilities and Deferred Inflows of Resources

Construction Commitments

The County has active construction projects as of December 31, 2023. The projects include the following:

Active Construction Commitments as of December 31, 2023

	Spent-to-Date	Remaining Commitment
CSAH 35	\$ 3,755,416	\$ 710,495
CSAH 67	1,049,610	1,535,550
Total	<u>\$ 4,805,026</u>	<u>\$ 2,246,045</u>

Otter Tail County Fergus Falls, Minnesota

Long-Term Debt

Governmental Activities

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

Bonds Payable as of December 31, 2023

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2023
General obligation bonds					
2016 Capital Improvement Refunding Bonds	2024	\$495,000- \$940,000	1.05-3.00	\$ 5,765,000	\$ 495,000
2017 Capital Improvement Bonds	2028	\$115,000- \$150,000	3.00	1,335,000	720,000
2019 Capital Improvement Bonds	2037	\$585,000- \$905,000	3.00-5.00	12,890,000	11,045,000
2020 Capital Improvement Bonds	2036	\$105,000- \$1,055,000	1.00-3.00	9,560,000	9,240,000
2020 Capital Improvement Refunding	2025	\$540,000- \$1,135,000	4.00	3,275,000	2,130,000
Total General obligation bonds				<u>\$ 32,825,000</u>	\$ 23,630,000
Add: unamortized premium					<u>1,470,662</u>
Total General obligation bonds, net					<u>\$ 25,100,662</u>
Revenue bonds					
2018 Disposal System Revenue Bonds	2028	\$85,000- \$125,000	3.00-4.00	\$ 1,065,000	\$ 580,000
2019 Disposal System Revenue Refunding Bonds	2030	\$650,000- \$805,000	1.85-2.45	6,365,000	5,045,000
2020 Disposal System Revenue Bonds	2031	\$170,000- \$215,000	1.15-2.00	2,000,000	1,640,000
2021 Disposal System Revenue Refunding Bonds	2034	\$75,000- \$1,820,000	1.80-4.00	13,635,000	12,795,000
2023 Transportation Sales Tax Revenue Bonds	2044	\$295,000- \$805,000	4.00-5.00	11,195,000	11,195,000
Total revenue bonds				<u>\$ 34,260,000</u>	\$ 31,255,000
Add: unamortized premium					<u>1,373,652</u>
Total Revenue bonds, net					<u>\$ 32,628,652</u>

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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. As of December 31, 2023, the total amount borrowed was \$1,849,662. Repayment schedules are not currently available for the 2020 loan and are not included in the debt service requirements.

Business-Type Activities

Bonds Payable as of December 31, 2023

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2023
Revenue bonds					
2022 Solid Waste Revenue Bonds	2038	\$195,000- \$410,000	4.00-5.00	<u>\$ 4,570,000</u>	\$ 4,570,000
Add: unamortized premium					<u>402,033</u>
Total Revenue bonds, net					<u><u>\$ 4,972,033</u></u>

Debt Service Requirements

Debt service requirements at December 31, 2023, were as follows:

Governmental Activities

Debt Service Requirements as of December 31, 2023

Year Ending December 31	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2024	\$ 2,575,000	\$ 663,677	\$ 1,695,000	\$ 814,731
2025	1,955,000	571,127	2,045,000	944,421
2026	1,335,000	502,202	2,170,000	874,644
2027	1,390,000	446,027	2,240,000	800,740
2028	1,450,000	387,328	2,320,000	723,904
2029-2033	8,505,000	1,174,495	11,595,000	2,532,488
2034-2038	6,420,000	267,161	4,785,000	1,223,810
2039-2043	-	-	3,600,000	532,600
2044	-	-	805,000	16,100
Total	<u>\$ 23,630,000</u>	<u>\$ 4,012,017</u>	<u>\$ 31,255,000</u>	<u>\$ 8,463,438</u>

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Business-Type Activities

Debt Service Requirements as of December 31, 2023

Year Ending December 31	Revenue Bonds	
	Principal	Interest
2024	\$ 195,000	\$ 204,625
2025	225,000	194,125
2026	235,000	182,625
2027	250,000	170,500
2028	260,000	157,750
2029-2033	1,505,000	575,125
2034-2038	1,900,000	196,000
Total	<u>\$ 4,570,000</u>	<u>\$ 1,680,750</u>

Conduit Debt

The County issued 2016A General Obligation Capital Improvement Refunding Bonds, a portion of which was issued on behalf of the Viking Library System. The bond repayments are paid by the Viking Library System. Although Otter Tail County has pledged its full faith, credit, and taxing powers for these bonds, the Viking Library System is primarily obligated to pay the debt and, therefore, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2023, there were bonds outstanding with an aggregate principal payment amount of \$425,000.

Leases

The County has entered into lease agreements as lessee for copier leases for various departments, a postage machine and mailing system, and Public Works building space. Leases range from three to five years and have been recorded at the present value of their future minimum lease payments as of the inception date. Lease payments are paid from the General Fund and the Road and Bridge Special Revenue Fund:

Future Minimum Lease Obligations and Present Value of Minimum Lease Payments as of December 31, 2023

Year Ending December 31	Principal	Interest
2024	\$ 90,809	\$ 1,193
2025	58,678	616
2026	16,633	261
2027	5,141	42
Total	<u>\$ 171,261</u>	<u>\$ 2,112</u>

Subscription-Based Information Technology Arrangements

The County has entered into subscription-based contracts to use vendor-provided information technology. The subscription-based technology arrangements (SBITA) provide the County with access to IT software and associated capital assets in exchange for subscription payments. These SBITAs have been recorded at the present

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value of their future minimum lease payments as of the inception date. SBITA payments are paid from the General Fund:

Future Minimum SBITA Obligations and Present Value of Minimum SBITA Payments as of December 31, 2023

Year Ending December 31	Principal	Interest
2024	\$ 175,616	\$ 9,776
2025	173,824	5,067
2026	9,129	496
2027	9,373	251
Total	<u>\$ 367,942</u>	<u>\$ 15,590</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2023, was as follows:

Governmental Activities

Changes in Long-Term Liabilities for the Year Ended December 31, 2023

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 26,115,000	\$ -	\$ 2,485,000	\$ 23,630,000	\$ 2,575,000
Revenue bonds	21,715,000	11,195,000	1,655,000	31,255,000	1,695,000
Add: unamortized premiums	2,702,701	476,661	335,048	2,844,314	-
Total bonds payable	<u>\$ 50,532,701</u>	<u>\$ 11,671,661</u>	<u>\$ 4,475,048</u>	<u>\$ 57,729,314</u>	<u>\$ 4,270,000</u>
Loans payable	1,126,326	723,336	-	1,849,662	-
Leases payable	267,369	-	96,108	171,261	90,809
Software subscriptions payable	-	582,154	214,212	367,942	175,616
Compensated absences	6,207,858	3,511,844	3,324,097	6,395,605	1,591,909
Governmental Activities Long-Term Liabilities	<u>\$ 58,134,254</u>	<u>\$ 16,488,995</u>	<u>\$ 8,109,465</u>	<u>\$ 66,513,784</u>	<u>\$ 6,128,334</u>

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Business-Type Activities

Changes in Long-Term Liabilities for the Year Ended December 31, 2023

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 4,570,000	\$ -	\$ -	\$ 4,570,000	\$ 195,000
Add: unamortized premiums	428,835	-	26,802	402,033	-
Total revenue bonds payable	\$ 4,998,835	\$ -	\$ 26,802	\$ 4,972,033	\$ 195,000
Estimated liability for landfill closure/ postclosure care costs	2,119,795	-	200,097	1,919,698	-
Compensated absences	434,896	212,355	141,803	505,448	109,727
Business-Type Activities Long-Term Liabilities	\$ 7,553,526	\$ 212,355	\$ 368,702	\$ 7,397,179	\$ 304,727

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.

Deferred Inflows of Resources – Unavailable Revenue

Unavailable revenues consist of taxes, special assessments, state and/or federal grants 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, 2023, is summarized below by fund:

Deferred Inflows of Resources by Fund as of December 31, 2023

	Taxes	Special Assessments	Grants and Allotments	Other	Total
Major governmental funds					
General	\$ 327,853	\$ -	\$ -	\$ 178,756	\$ 506,609
Road and Bridge	50,896	673	6,362,697	28,152	6,442,418
Human Services	163,299	-	168,374	1,240	332,913
Capital Improvement Special Revenue	33,676	-	-	-	33,676
Nonmajor governmental funds					
County Ditch	-	445,563	-	-	445,563
Parks and Trails	10,563	-	-	-	10,563
Government Service Center	63	-	-	-	63
Sheriff Operations	2,178	-	-	-	2,178
Highway Construction	2,992	-	-	-	2,992
Master Facility Construction	13,972	-	-	-	13,972
Detention Facility	2,092	-	-	-	2,092
Capital Improvement Debt Service	3,408	-	-	-	3,408
Total	\$ 610,992	\$ 446,236	\$ 6,531,071	\$ 208,148	\$ 7,796,447

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Other Postemployment Benefits (OPEB)

Plan Description

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

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

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, 2022, actuarial valuation, the following employees were covered by the benefit terms:

Employees Covered by the OPEB Benefit Terms As of the December 31, 2022, Actuarial Valuation	
Inactive employees or beneficiaries currently receiving benefit payments	34
Active plan participants	<u>450</u>
Total	<u>484</u>

Total OPEB Liability

The County's total OPEB liability of \$3,690,443 was determined by an actuarial valuation as of January 1, 2022, and was rolled forward to a measurement date of December 31, 2022. 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, 2023, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

OPEB Actuarial Assumptions and Other Inputs	
Actuarial cost method	Entry Age Normal Percent of Salary
Inflation	2.50 percent
Salary increases	Graded by service years and contract group ranging from 10.25 percent for one year of service (11.75 for public safety) to 3.00 percent for 27 or more years of service
Health care cost trend	6.25 percent as of January 1, 2023, grading to 5.00 percent over five years and then to 4.00 percent over the next 48 years

The current year discount rate is 4.00 percent. For the current valuation, the discount rate is equal to the 20-Year Municipal Bond Yield.

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Mortality rates used are based on Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2021 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.

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability For the Year Ended December 31, 2023	
Balance at January 1, 2023	\$ 4,199,401
Changes for the year	
Service cost	\$ 210,425
Interest	85,479
Assumption changes	(531,724)
Benefit payments	(273,138)
Net change	\$ (508,958)
Balance at December 31, 2023	\$ 3,690,443

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:

Sensitivity of the Total OPEB Liability to Changes In the Discount Rate as of December 31, 2023		
	Discount Rate	Total OPEB Liability
1% Decrease	3.00%	\$ 3,979,031
Current	4.00%	3,690,443
1% Increase	5.00%	3,428,431

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 rates:

Sensitivity of the Total OPEB Liability to Changes In the Health Care Trend Rates as of December 31, 2023		
	Health Care Trend Rates	Total OPEB Liability
1% Decrease	5.25% Decreasing to 3.00%	\$ 3,321,790
Current	6.25% Decreasing to 4.00%	3,690,443
1% Increase	7.25% Decreasing to 5.00%	4,121,953

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

For the year ended December 31, 2023, the County recognized OPEB expense of \$75,912. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of December 31, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 388,629	\$ -
Changes in actuarial assumptions	153,731	449,804
Contributions paid subsequent to the measurement date	282,679	-
Total	<u>\$ 825,039</u>	<u>\$ 449,804</u>

The \$282,679 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Schedule of Amortization of Deferred Outflows And Inflows of Resources Related to OPEB As of December 31, 2023

Year Ended December 31	OPEB Expense Amount
2024	\$ 62,687
2025	62,687
2026	27,903
2027	27,898
2028	(88,619)

Changes in Actuarial Methods and Assumptions

The following changes in actuarial assumptions occurred in 2023:

- The discount rate was changed from 2.00 percent to 4.00 percent.
- The inflation rate was changed from 2.00 percent to 2.50 percent.

Pension Plans

Defined Benefit Pension Plans

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

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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, while the Basic Plan and Minneapolis Employees Retirement Fund members are not covered. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members in 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after three 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, 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.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the 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.

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 a 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.

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 a maximum of 2.50 percent. If the Correctional Plan's funding status declines to 85 percent or below

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for two consecutive years, or 80 percent for one year, the maximum will be lowered from 2.50 percent to 1.50 percent. If on January 1, after the year of the 1.50 percent increase, the funding level increases above the applicable 85 percent or 80 percent funding status, the increase returns to 2.50 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.

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.

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 2022.

Member and Employer Required Contribution Rates

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

Employer Contributions for the Year Ended December 31, 2023

General Employees Plan	\$ 2,144,477
Police and Fire Plan	655,643
Correctional Plan	202,934

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

[Pension Costs](#)

General Employees Plan

At December 31, 2023, the County reported a liability of \$19,560,424 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the County's proportion was 0.3498 percent. It was 0.3502 percent measured as of June 30, 2022. The County recognized pension expense of \$3,243,575 for its proportionate share of the General Employees Plan's pension expense.

Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031. The County recognized an additional \$2,424 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

General Employees Plan Employer's Share of the Net Pension Liability and the State's Related Liability As of December 31, 2023

The County's proportionate share of the net pension liability	\$ 19,560,424
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>539,299</u>
Total	<u><u>\$ 20,099,723</u></u>

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:

General Employees Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 642,546	\$ 132,630
Changes in actuarial assumptions	3,118,900	5,361,346
Difference between projected and actual investment earnings	-	626,999
Changes in proportion	258,823	83,160
Contributions paid to PERA subsequent to the measurement date	<u>1,083,746</u>	<u>-</u>
Total	<u><u>\$ 5,104,015</u></u>	<u><u>\$ 6,204,135</u></u>

The \$1,083,746 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to

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pensions will be recognized in pension expense as follows:

**General Employees Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2023**

Year Ended December 31	Pension Expense Amount
2024	\$ 606,876
2025	(2,818,047)
2026	451,637
2027	(424,332)

Police and Fire Plan

At December 31, 2023, the County reported a liability of \$4,786,884 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the County's proportion was 0.2772 percent. It was 0.2774 percent measured as of June 30, 2022. The County recognized pension expense of \$1,428,498 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, 2023. 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 requires the State of Minnesota to pay direct state aid of \$9 million on October 1 each year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional \$(11,615) as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

**Police and Fire Plan
Employer's Share of the Net Pension Liability and the State's Related Liability
As of December 31, 2023**

The County's proportionate share of the net pension liability	\$ 4,786,884
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>192,842</u>
Total	<u>\$ 4,979,726</u>

Legislation also requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized \$24,948 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.

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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:

Police and Fire Plan		
Deferred Outflows of Resources and Deferred Inflows of Resources		
As of December 31, 2023		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,305,671	\$ -
Changes in actuarial assumptions	5,403,598	6,730,628
Difference between projected and actual investment earnings	-	47,649
Changes in proportion	139,712	191,034
Contributions paid to PERA subsequent to the measurement date	335,405	-
Total	\$ 7,184,386	\$ 6,969,311

The \$335,405 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Police and Fire Plan	
Schedule of Amortization of	
Deferred Outflows and Inflows of Resources	
As of December 31, 2023	
Year Ended December 31	Pension Expense Amount
2024	\$ 222,913
2025	46,110
2026	1,090,942
2027	(291,189)
2028	(1,189,106)

Correctional Plan

At December 31, 2023, the County reported a liability of \$427,594 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the County's proportion was 0.9459 percent. It was 0.9671 percent measured as of June 30, 2022. The County recognized pension expense of \$392,025 for its proportionate share of the Correctional Plan's pension expense.

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:

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Correctional Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 164,691	\$ 37,409
Changes in actuarial assumptions	1,005,811	1,950,739
Difference between projected and actual investment earnings	18,900	-
Changes in proportion	-	55,706
Contributions paid to PERA subsequent to the measurement date	106,308	-
Total	\$ 1,295,710	\$ 2,043,854

The \$106,308 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Correctional Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2023

Year Ended December 31	Pension Expense Amount
2024	\$ (9,106)
2025	(1,013,350)
2026	213,128
2027	(45,124)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2023, was \$5,064,098.

Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Actuarial Assumptions for the Year Ended June 30, 2023

	General Employees Fund	Police and Fire Fund	Correctional Fund
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	7.00%	7.00%	7.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and

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disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan and the Pub-2010 Public Safety Employee 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.

Actuarial assumptions used in the June 30, 2023, valuations 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 29, 2023, was utilized.

The long-term expected rate of return on pension plan investments is 7.00 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.

Pension Plan Investment Target Allocation and Best Estimates of Geometric Real Rates of Return for Each Major Asset Class

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent in 2023. This was an increase from the 6.50 percent, 5.40 percent, and 5.42 percent used in 2022 for the General Employees Plan, the Police and Fire Plan, and the Correctional Plan, respectively. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2023:

General Employees Plan

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.
- A one-time direct state aid contribution of \$170.1 million occurred on October 1, 2023.

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- The vesting period for those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- For Basic Plan members, a one-time, non-compounding benefit increase of 4.00 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- For Coordinated Plan members, a one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

[Police and Fire Plan](#)

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40 percent to 7.00 percent.
- A one-time direct state aid contribution of \$19.4 million occurred on October 1, 2023.
- The vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded ten year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after ten years.
- A one-time, non-compounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- A total and permanent duty disability benefit was added effective July 1, 2023.

[Correctional Plan](#)

- The investment return rate was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.42 percent to 7.00 percent.
- A one-time direct state aid contribution of \$5.3 million occurred on October 1, 2023.
- A one-time, non-compounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- The maximum benefit increase will revert back to 2.50 percent, if the maximum increase is 1.50 percent and the Plan's funding ratio improves to 85 percent for two consecutive years on a market value of assets basis.

[Pension Liability Sensitivity](#)

The following presents the County's proportionate share of the net pension liability calculated using the discount

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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.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate As of December 31, 2023

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability (Asset)
1% Decrease	6.00%	\$ 34,603,962	6.00%	\$ 9,497,748	6.00%	\$ 2,253,900
Current	7.00%	19,560,424	7.00%	4,786,884	7.00%	427,594
1% Increase	8.00%	7,186,543	8.00%	913,923	8.00%	(1,029,565)

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.

Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 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.

Total Contributions by Dollar Amount and Percentage of Covered Payroll Made by the Employer For the Year Ended December 31, 2023

	Employee		Employer	
Contribution amount	\$	7,271	\$	7,271
Percentage of covered payroll		5.00%		5.00%

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Note 4 – Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,919,698 landfill closure and postclosure care liability at December 31, 2023, represents the cumulative amount reported to date based on the use of 90 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$89,197 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2023. 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, 2023, investments of \$1,824,636 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 \$95,062 at December 31, 2023. 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.

Note 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 2023 and 2024. 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.

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Note 6 – Summary of Significant Contingencies and Other Items

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.

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 of the elderly in the 21-county area.

Control is vested in the Northwest Regional Development Commission Board. The Board consists of one Commissioner from each of the seven counties. Each member of the Board is appointed by the County Commissioners of the county they represent. 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 2023, Otter Tail County provided \$14,053 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.

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.

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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 2023.

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.

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 2023, 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.

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the

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appropriations from member parties and by state and federal grants. During 2023, Otter Tail County contributed \$11,718 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 2023, the County contributed \$3,625 in funds to the Collaborative.

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

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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 and Otter Tail County Public Health. During 2023, Otter Tail County did not contribute to Partnership4Health Community Health Board.

Separate financial information can be obtained from: Partnership4Health Community Health Board, 715 11th St N Suite #303, Moorhead, Minnesota 56560.

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 include 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 2023, Otter Tail County provided \$631,697 to the Viking Library System.

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

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.

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.

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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 \$99,804 were distributed to the Buffalo-Red River Watershed District in 2023.

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 \$304,116 to the MCCC for services received. The County has no operational or financial control over the MCCC.

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 2023, Otter Tail County made payments of \$122,909 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,

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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 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 2023, Otter Tail County expended \$17,473 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 \$1,343,224 in 2023 for services purchased through Lakeland Mental Health Center.

West Central Regional Juvenile Center

The West Central Regional Juvenile Center functions as a co-ed 32-bed secure facility, as well as a co-ed 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 \$148,840 in 2023 for services provided by the West Central Regional Juvenile Center.

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 \$163,640 in 2023 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

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provided \$178,585 to this organization in 2023.

Tax Abatements

Otter Tail County enters into property tax abatement agreements with local businesses under Minn. Stat. §§ 469.1812 through 469.1815, which meet 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 2023, Otter Tail County had the following abatements:

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 2023, the total tax abated was \$1,583.

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 2023, the total tax abated was \$1,591.

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 2023, the total tax abated was \$3,021.

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.

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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 2023, the total tax abated was \$11,289.

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 2021 through 2025, to abate \$60,000 of property taxes for the purposes of health care and to support jobs and economic development. For 2023, the total tax abated was \$6,427.

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 health care and to support jobs and economic development. For 2023, the total tax abated was \$15,713.

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 purpose of supporting jobs and economic development. For 2023, the total tax abated was \$10,105.

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 77. The cities' authority to enter into these agreements comes 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 2023, there were 31 pay-as-you-go tax increment financing districts within these various cities. The tax increment collection during 2023 associated with these tax increment districts totaled \$1,450,099. The captured net tax capacity of these 31 districts is \$1,435,655, which represents 1.01 percent of the County's total net tax capacity, or approximately \$580,762 in County property taxes.

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Note 7 – Discretely Presented Component Unit Disclosures

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.

Reporting Entities

Prairie Lakes Municipal Solid Waste Authority (Prairie Lakes)

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

Prairie Lakes is a component unit of Otter Tail County because Prairie Lakes is fiscally dependent on Otter Tail County. 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. §§ 469.090 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).

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 Commissioners.

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.

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Basic Financial Statements

Prairie Lakes

The accounts of Prairie Lakes are organized as an enterprise fund in its separately issued financial report. 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 contributions 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, reported as part of Supplementary Information, 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.

HRA

The funds of the HRA are presented as proprietary funds in its separately issued financial report. 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.

Measurement Focus and Basis of Accounting

Prairie Lakes

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

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

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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.

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.

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[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.

[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:

Estimated Useful Lives of Capital Assets	
Assets	Years
Buildings	20-40
Machinery, furniture, equipment, and vehicles	3-20

HRA

Capital assets, which include land, buildings, vehicles, 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 \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

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

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are not capitalized.

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

Estimated Useful Lives of Capital Assets	
Assets	Years
Buildings and improvements	10-50
Furniture, equipment, and machinery	5-10
Vehicles	3

[Long-Term Obligations](#)

[Prairie Lakes](#)

Long-term liabilities consist of advances from Otter Tail County.

[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.

[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.”

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Detailed Notes

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, 2023, 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, 2023, 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, 2023, the carrying amount of the HRA's deposits was \$2,912,930, and the bank balance was \$3,077,741.

The entire bank balance was covered by the FDIC and pledged collateral at December 31, 2023.

Restricted Cash

HRA

Restricted cash consists of \$9,174 in tenant security deposits and \$11,902 restricted for HUD vouchers.

Loans Receivable

HRA

The HRA offers several loan programs through its General and 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.

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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.

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, 2023, was as follows:

Changes in Loans Receivable for the Year Ended December 31, 2023

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Loans receivable					
Homeowner rehab	\$ 337,958	\$ -	\$ (121,456)	\$ 216,502	\$ -
Rental rehab	112,292	-	(18,751)	93,541	18,120
Down payment assistance	71,742	17,500	-	89,242	-
Tax levy rehab provisions	268,804	30,094	(71,884)	227,014	-
Total	\$ 790,796	\$ 47,594	\$ (212,091)	\$ 626,299	\$ 18,120
Allowance for homeowner rehab loan	\$ (337,958)	\$ -	\$ 121,456	\$ (216,502)	\$ -
Allowance for tax levy rehab loan	(268,804)	(30,094)	71,884	(227,014)	-
Total allowance	\$ (606,762)	\$ (30,094)	\$ 193,340	\$ (443,516)	\$ -
Loans Receivable, Net	\$ 184,034	\$ 17,500	\$ (18,751)	\$ 182,783	\$ 18,120

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[Capital Assets](#)

[Prairie Lakes](#)

Capital asset activity for the year ended December 31, 2023, was as follows:

Changes in Capital Assets for the Year Ended December 31, 2023

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 25,489	\$ -	\$ -	\$ 25,489
Capital assets depreciated				
Buildings	\$ 34,477,221	\$ -	\$ -	\$ 34,477,221
Machinery, furniture, and equipment	4,621,836	241,805	-	4,863,641
Total capital assets depreciated	\$ 39,099,057	\$ 241,805	\$ -	\$ 39,340,862
Less: accumulated depreciation for				
Buildings	\$ 11,146,052	\$ 1,163,920	\$ -	\$ 12,309,972
Machinery, furniture, and equipment	2,343,425	423,666	-	2,767,091
Total accumulated depreciation	\$ 13,489,477	\$ 1,587,586	\$ -	\$ 15,077,063
Total capital assets depreciated, net	\$ 25,609,580	\$ (1,345,781)	\$ -	\$ 24,263,799
Capital Assets, Net	\$ 25,635,069	\$ (1,345,781)	\$ -	\$ 24,289,288

Depreciation expense for the year was \$1,587,586.

[HRA](#)

Capital asset activity for the year ended December 31, 2023, was as follows:

Changes in Capital Assets for the Year Ended December 31, 2023

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 32,990	\$ 26,400	\$ -	\$ 59,390
Capital assets depreciated				
Buildings and improvements	\$ 1,661,870	\$ -	\$ -	\$ 1,661,870
Vehicles	9,657	-	-	9,657
Total capital assets depreciated	\$ 1,671,527	\$ -	\$ -	\$ 1,671,527
Less: accumulated depreciation for				
Buildings and improvements	\$ 1,072,546	\$ 39,885	\$ -	\$ 1,112,431
Vehicles	269	3,219	-	3,488
Total accumulated depreciation	\$ 1,072,815	\$ 43,104	\$ -	\$ 1,115,919
Total capital assets depreciated, net	\$ 598,712	\$ (43,104)	\$ -	\$ 555,608
Capital Assets, Net	\$ 631,702	\$ (16,704)	\$ -	\$ 614,998

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Depreciation expense for the year was \$43,104.

Liabilities

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 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, 2023:

Advances from Primary Government at December 31, 2023

Type of Indebtedness	Maturity	Installment Amounts	Interest Rate (%)	Original	Balance
Advance from primary government – 2015	-	Varies	0.25	\$ 2,788,620	\$ 1,901,486
Advance from primary government – 2018	2028	\$105,000- \$125,000	3.00-4.00	1,065,000	580,000
Advance from primary government – 2019	2030	\$670,000- \$805,000	1.85-2.45	6,365,000	5,045,000
Advance from primary government – 2020	2031	\$190,000- \$215,000	1.15-2.00	2,000,000	1,640,000
Advance from primary government – 2021	2034	\$690,000- \$1,820,000	1.15-2.00	13,635,000	12,795,000
Total Advance from Primary Government				<u>\$ 25,853,620</u>	<u>\$ 21,961,486</u>

Repayment of the advance from primary government – 2015 will be through a combination of \$1 per ton of waste received at the Prairie Lakes facility as well as 50 percent of any revenues above expenses at the end of each year, exclusive of the first \$200,000 set aside as major capital expenses. Because of the variable repayment amounts, a

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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, 2023, were as follows:

Future Minimum Obligations as of December 31, 2023			
Year Ending December 31	Principal		Interest
2024	\$	1,695,000	\$ 516,350
2025		1,750,000	465,746
2026		1,800,000	412,594
2027		1,855,000	357,565
2028		1,910,000	300,604
2029-2033		9,230,000	751,614
2034		1,820,000	37,310
Total	\$	20,060,000	\$ 2,841,783

Changes in Long-Term Liabilities

Prairie Lakes

Long-term liability activity for the year ended December 31, 2023, was as follows:

Changes in Long-Term Liabilities for the Year Ended December 31, 2023					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loan	\$ 12,901	\$ -	\$ 12,901	\$ -	\$ -
Advance from primary government	23,991,736	-	2,030,250	21,961,486	1,695,000
Compensated absences	471,680	228,792	184,594	515,878	109,399
Long-Term Liabilities	\$ 24,476,317	\$ 228,792	\$ 2,227,745	\$ 22,477,364	\$ 1,804,399

Defined Benefit Pension Plan

Prairie Lakes

Plan Description

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

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, while the Basic Plan and Minneapolis Employees Retirement Fund members are not covered. The Basic Plan was closed to new members in 1967. The Minneapolis

Otter Tail County Fergus Falls, Minnesota

Employees Retirement Fund was closed to new members in 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after three 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, 2023, were \$162,384. The contributions are equal to the contractually required contributions as set by state statute.

Pension Costs

At December 31, 2023, Prairie Lakes reported a liability of \$1,470,667 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, Prairie Lakes' proportion was 0.0263 percent. It was 0.0260 percent measured as of June 30, 2022. Prairie Lakes recognized pension expense of \$230,484 for its proportionate share of the General Employees Plan's pension expense.

Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031. Prairie Lakes recognized an additional \$183 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

**General Employees Plan
Employer's Share of the Net Pension Liability and the State's Related Liability
As of December 31, 2023**

Prairie Lakes' proportionate share of the net pension liability	\$ 1,470,667
State of Minnesota's proportionate share of the net pension liability associated with Prairie Lakes	<u>40,654</u>
Total	<u>\$ 1,511,321</u>

Otter Tail County Fergus Falls, Minnesota

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:

General Employees Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2023		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 48,164	\$ 10,247
Changes in actuarial assumptions	240,580	403,097
Difference between projected and actual investment earnings	-	67,641
Changes in proportion	23,815	12,812
Contributions paid to PERA subsequent to the measurement date	82,116	-
Total	\$ 394,675	\$ 493,797

The \$82,116 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

General Employees Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2023	
Year Ended December 31	Pension Expense Amount
2024	\$ 38,716
2025	(226,178)
2026	38,128
2027	(31,904)

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:

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate As of December 31, 2023		
	Proportionate Share of the General Employees Plan	
	Discount Rate	Net Pension Liability
1% Decrease	6.00%	\$ 2,601,727
Current	7.00%	1,470,667
1% Increase	8.00%	540,326

Otter Tail County

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

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, 2023, 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.

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, 2023, 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**

Other Items

Operating Budgets

Prairie Lakes

Budget to Actual Comparison for the Year Ended December 31, 2023

	Budget	Actual	Variance
Operating Revenues	\$ 9,455,458	\$ 9,491,210	\$ 35,752
Operating Expenses	7,038,393	8,464,606	(1,426,213)
Operating Income (Loss)	\$ 2,417,065	\$ 1,026,604	\$ (1,390,461)
Nonoperating Revenues (Expenses)	(2,413,045)	(560,833)	1,852,212
Changes in Net Position	\$ 4,020	\$ 465,771	\$ 461,751

CDA

Budget to Actual Comparison for the Year Ended December 31, 2023

	Budget	Actual	Variance
Revenues	\$ 745,295	\$ 737,431	\$ (7,864)
Expenses	654,630	541,148	113,482
Change in Fund Balance	\$ 90,665	\$ 196,283	\$ 105,618

Required Supplementary Information

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit A-1

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 27,327,911	\$ 27,327,911	\$ 27,126,137	\$ (201,774)
Special assessments	375,044	375,044	122,422	(252,622)
Licenses and permits	513,850	513,850	545,789	31,939
Intergovernmental	4,047,572	4,047,572	9,933,300	5,885,728
Charges for services	1,502,172	1,502,172	1,521,487	19,315
Fines and forfeits	20,000	20,000	30,139	10,139
Gifts and contributions	-	-	18,627	18,627
Investment earnings	351,050	351,050	1,706,920	1,355,870
Miscellaneous	1,800,286	1,800,286	1,976,867	176,581
Total Revenues	\$ 35,937,885	\$ 35,937,885	\$ 42,981,688	\$ 7,043,803
Expenditures				
Current				
General government				
Commissioners	\$ 535,387	\$ 535,387	\$ 491,378	\$ 44,009
Courts	355,000	355,000	262,152	92,848
County coordinator	1,145,640	1,145,640	1,090,281	55,359
County auditor	1,064,726	1,064,726	1,243,346	(178,620)
Motor vehicle	563,146	563,146	518,105	45,041
County treasurer	398,930	398,930	392,890	6,040
County assessor	1,477,701	1,477,701	1,390,681	87,020
Elections	67,500	67,500	98,332	(30,832)
Accounting and auditing	80,000	80,000	40,472	39,528
Board of Adjustments	29,600	29,600	31,248	(1,648)
Information technology	1,872,602	1,872,602	1,789,511	83,091
Attorney	2,154,797	2,154,797	2,003,073	151,724
Recorder	598,290	598,290	648,661	(50,371)
Planning and zoning	32,770	32,770	19,626	13,144
Land and resource	1,475,773	1,475,773	1,446,427	29,346
Facilities operations	2,600,191	2,600,191	2,317,698	282,493
Geographical information survey	404,218	404,218	393,916	10,302
Veterans service officer	453,214	453,214	441,771	11,443
Land trust	-	-	834	(834)
Unallocated	1,583,500	1,583,500	2,095,902	(512,402)
Total general government	\$ 16,892,985	\$ 16,892,985	\$ 16,716,304	\$ 176,681

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit A-1
(Continued)

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 8,111,965	\$ 8,111,965	\$ 8,320,094	\$ (208,129)
Boat and water safety	174,660	174,660	134,732	39,928
Coroner	158,080	158,080	80,529	77,551
County jail	4,539,643	4,539,643	4,057,245	482,398
Humane society	77,636	77,636	77,636	-
Snowmobile account	100,000	100,000	193,549	(93,549)
Enhanced 911	124,500	124,500	272,932	(148,432)
Navigating the road ahead	75,000	75,000	1,269,768	(1,194,768)
Emergency management	207,817	207,817	145,102	62,715
Total public safety	\$ 13,569,301	\$ 13,569,301	\$ 14,551,587	\$ (982,286)
Health				
Environmental health	\$ 108,141	\$ 108,141	\$ 102,420	\$ 5,721
Culture and recreation				
Historical society	\$ 162,170	\$ 162,170	\$ 162,170	\$ -
History museum	100,000	100,000	100,000	-
County fairs	54,000	54,000	54,000	-
Total culture and recreation	\$ 316,170	\$ 316,170	\$ 316,170	\$ -
Conservation of natural resources				
County extension	\$ 482,682	\$ 482,682	\$ 391,885	\$ 90,797
Soil and water conservation	479,870	479,870	487,211	(7,341)
Septic system loan program	200,000	200,000	731,836	(531,836)
Lake improvement districts	466,875	466,875	478,827	(11,952)
Aquatic invasive species	542,341	542,341	464,711	77,630
Total conservation of natural resources	\$ 2,171,768	\$ 2,171,768	\$ 2,554,470	\$ (382,702)
Economic development				
Red River Valley Development Association	\$ 1,800	\$ 1,800	\$ 1,800	\$ -
West Central Minnesota Initiative	27,000	27,000	27,000	-
Tourism	1,063,841	1,063,841	1,124,684	(60,843)
Veteran's van	1,200	1,200	-	1,200
Navigating the road ahead	-	-	2,000,000	(2,000,000)
Housing and redevelopment	436,594	436,594	448,069	(11,475)
Wellness account	2,500	2,500	4,642	(2,142)
Total economic development	\$ 1,532,935	\$ 1,532,935	\$ 3,606,195	\$ (2,073,260)

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit A-1
(Continued)

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Intergovernmental				
Culture and recreation	\$ 631,697	\$ 631,697	\$ 631,697	\$ -
Debt service				
Principal	\$ 6,814	\$ 6,814	\$ 300,421	\$ (293,607)
Interest	528	528	3,161	(2,633)
Total debt service	\$ 7,342	\$ 7,342	\$ 303,582	\$ (296,240)
Total Expenditures	\$ 35,230,339	\$ 35,230,339	\$ 38,782,425	\$ (3,552,086)
Excess of Revenues Over (Under)				
Expenditures	\$ 707,546	\$ 707,546	\$ 4,199,263	\$ 3,491,717
Other Financing Sources (Uses)				
Transfers in	\$ 161,512	\$ 161,512	\$ 86,512	\$ (75,000)
Transfers out	(2,729,322)	(2,729,322)	(1,077,458)	1,651,864
Subscription-based technology arrangements issued	-	-	582,154	582,154
Loans issued	-	-	723,336	723,336
Total Other Financing Sources (Uses)	\$ (2,567,810)	\$ (2,567,810)	\$ 314,544	\$ 2,882,354
Net Change in Fund Balance	\$ (1,860,264)	\$ (1,860,264)	\$ 4,513,807	\$ 6,374,071
Fund Balance – January 1	33,910,515	33,910,515	33,910,515	-
Fund Balance – December 31	\$ 32,050,251	\$ 32,050,251	\$ 38,424,322	\$ 6,374,071

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit A-2

**Budgetary Comparison Schedule
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 10,398,909	\$ 10,398,909	\$ 10,879,924	\$ 481,015
Intergovernmental	21,024,041	21,024,041	19,509,841	(1,514,200)
Charges for services	200,000	200,000	2,054,105	1,854,105
Miscellaneous	95,200	95,200	117,042	21,842
Total Revenues	\$ 31,718,150	\$ 31,718,150	\$ 32,560,912	\$ 842,762
Expenditures				
Current				
Highways and streets				
Administration	\$ 957,692	\$ 957,692	\$ 836,489	\$ 121,203
Maintenance	7,600,441	7,600,441	5,799,492	1,800,949
Construction	19,574,833	19,574,833	21,008,591	(1,433,758)
Equipment maintenance and shop	2,114,547	2,114,547	2,055,701	58,846
Materials and services for resale	10,000	10,000	65,947	(55,947)
Total highways and streets	\$ 30,257,513	\$ 30,257,513	\$ 29,766,220	\$ 491,293
Intergovernmental				
Highways and streets	\$ 2,325,000	\$ 2,325,000	\$ 1,662,315	\$ 662,685
Debt service				
Principal	\$ -	\$ -	\$ 9,899	\$ (9,899)
Interest	-	-	121	(121)
Total debt service	\$ -	\$ -	\$ 10,020	\$ (10,020)
Total Expenditures	\$ 32,582,513	\$ 32,582,513	\$ 31,438,555	\$ 1,143,958
Excess of Revenues Over (Under)				
Expenditures	\$ (864,363)	\$ (864,363)	\$ 1,122,357	\$ 1,986,720
Other Financing Sources (Uses)				
Transfers in	\$ 400,000	\$ 400,000	\$ 400,000	\$ -
Transfers out	(877,300)	(877,300)	(877,300)	-
Total Other Financing Sources (Uses)	\$ (477,300)	\$ (477,300)	\$ (477,300)	\$ -
Net Change in Fund Balance	\$ (1,341,663)	\$ (1,341,663)	\$ 645,057	\$ 1,986,720
Fund Balance – January 1	6,637,638	6,637,638	6,637,638	-
Increase (decrease) in inventories	-	-	(59,938)	(59,938)
Fund Balance – December 31	\$ 5,295,975	\$ 5,295,975	\$ 7,222,757	\$ 1,926,782

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit A-3

**Budgetary Comparison Schedule
Human Services Special Revenue Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 12,854,252	\$ 12,854,252	\$ 12,698,139	\$ (156,113)
Licenses and permits	178,000	178,000	460,065	282,065
Intergovernmental	15,383,508	15,383,508	15,913,741	530,233
Charges for services	1,325,000	1,325,000	1,730,619	405,619
Gifts and contributions	45,600	45,600	104,122	58,522
Investment earnings	500	500	1,401	901
Miscellaneous	359,500	359,500	609,585	250,085
Total Revenues	\$ 30,146,360	\$ 30,146,360	\$ 31,517,672	\$ 1,371,312
Expenditures				
Current				
Public safety				
Community corrections	\$ 2,794,736	\$ 2,794,736	\$ 2,278,775	\$ 515,961
Human services				
Income maintenance	\$ 6,873,692	\$ 6,873,692	\$ 6,623,903	\$ 249,789
Social services	16,469,729	16,469,729	16,442,106	27,623
Total human services	\$ 23,343,421	\$ 23,343,421	\$ 23,066,009	\$ 277,412
Health				
Nursing service	\$ 4,492,080	\$ 4,492,080	\$ 4,301,399	\$ 190,681
Total Expenditures	\$ 30,630,237	\$ 30,630,237	\$ 29,646,183	\$ 984,054
Excess of Revenues Over (Under)				
Expenditures	\$ (483,877)	\$ (483,877)	\$ 1,871,489	\$ 2,355,366
Other Financing Sources (Uses)				
Transfers in	\$ 120,884	\$ 120,884	\$ 174,753	\$ 53,869
Transfers out	(43,256)	(43,256)	(43,256)	-
Total Other Financing Sources (Uses)	\$ 77,628	\$ 77,628	\$ 131,497	\$ 53,869
Net Change in Fund Balance	\$ (406,249)	\$ (406,249)	\$ 2,002,986	\$ 2,409,235
Fund Balance – January 1	19,783,672	19,783,672	19,783,672	-
Fund Balance – December 31	\$ 19,377,423	\$ 19,377,423	\$ 21,786,658	\$ 2,409,235

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit A-4

**Budgetary Comparison Schedule
Capital Improvement Special Revenue Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 2,681,404	\$ 2,681,404	\$ 2,640,580	\$ (40,824)
Intergovernmental	143,261	143,261	189,912	46,651
Investment earnings	-	-	10,779	10,779
Miscellaneous	-	-	882,737	882,737
Total Revenues	\$ 2,824,665	\$ 2,824,665	\$ 3,724,008	\$ 899,343
Expenditures				
Current				
General government				
Data processing	\$ 180,000	\$ 180,000	\$ 375,317	\$ (195,317)
Facilities operations	195,838	195,838	51,409	144,429
Total general government	\$ 375,838	\$ 375,838	\$ 426,726	\$ (50,888)
Public safety				
Sheriff	\$ 622,050	\$ 622,050	\$ 649,028	\$ (26,978)
County jail	6,000	6,000	6,000	-
Emergency management	18,000	18,000	-	18,000
Total public safety	\$ 646,050	\$ 646,050	\$ 655,028	\$ (8,978)
Highways and streets				
Maintenance	\$ -	\$ -	\$ 1,913,232	\$ (1,913,232)
Human services				
Social services	\$ 86,700	\$ 86,700	\$ 37,854	\$ 48,846
Health				
Nursing service	\$ 35,000	\$ 35,000	\$ 30,096	\$ 4,904
Culture and recreation				
Phelps Mill Park	\$ 100,000	\$ 100,000	\$ -	\$ 100,000
Total Expenditures	\$ 1,243,588	\$ 1,243,588	\$ 3,062,936	\$ (1,819,348)
Excess of Revenues Over (Under) Expenditures	\$ 1,581,077	\$ 1,581,077	\$ 661,072	\$ (920,005)
Other Financing Sources (Uses)				
Transfers out	(1,815,500)	(1,815,500)	-	1,815,500
Net Change in Fund Balance	\$ (234,423)	\$ (234,423)	\$ 661,072	\$ 895,495
Fund Balance – January 1	3,820,033	3,820,033	3,820,033	-
Fund Balance – December 31	\$ 3,585,610	\$ 3,585,610	\$ 4,481,105	\$ 895,495

**Otter Tail County
Fergus Falls, Minnesota**

**Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2023**

	<u>2023</u>	<u>2022</u>
Total OPEB Liability		
Service cost	\$ 210,425	\$ 274,977
Interest	85,479	102,367
Differences between expected and actual experience	-	468,542
Changes of assumption or other inputs	(531,724)	230,597
Benefit payments	<u>(273,138)</u>	<u>(262,105)</u>
Net change in total OPEB liability	\$ (508,958)	\$ 814,378
Total OPEB Liability – Beginning	<u>4,199,401</u>	<u>3,385,023</u>
Total OPEB Liability – Ending	<u>\$ 3,690,443</u>	<u>\$ 4,199,401</u>
 Covered-employee payroll	 \$ 31,908,152	 \$ 30,978,788
Total OPEB liability (asset) as a percentage of covered-employee payroll	11.57%	13.56%

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

Exhibit A-5

2021	2020	2019	2018
\$ 251,344	\$ 243,432	\$ 195,084	\$ 189,402
99,053	101,946	97,210	93,027
-	228,809	-	-
-	(20,105)	-	-
(257,457)	(213,955)	(180,557)	(142,457)
\$ 92,940	\$ 340,127	\$ 111,737	\$ 139,972
3,292,083	2,951,956	2,840,219	2,700,247
\$ 3,385,023	\$ 3,292,083	\$ 2,951,956	\$ 2,840,219
\$ 30,376,391	\$ 29,420,233	\$ 26,782,914	\$ 26,002,829
11.14%	11.19%	11.02%	10.92%

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit A-6

**Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2023**

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
2023	0.3498 %	\$ 19,560,424	\$ 539,299	\$ 20,099,723	\$ 27,818,747	70.31 %	83.10 %
2022	0.3502	27,735,956	812,984	28,548,940	26,228,280	105.75	76.67
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, 2023**

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)
2023	\$ 2,144,477	\$ 2,144,477	\$ -	\$ 28,593,027	7.50 %
2022	2,033,420	2,033,420	-	27,112,267	7.50
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, 2023**

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
2023	0.2772 %	\$ 4,786,884	\$ 192,842	\$ 4,979,726	\$ 3,640,169	131.50 %	86.47 %
2022	0.2774	12,071,352	527,310	12,598,662	3,369,644	358.24	70.53
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.

N/A – Not Applicable

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit A-9

**Schedule of Contributions
PERA Public Employees Police and Fire Plan
December 31, 2023**

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)
2023	\$ 655,643	\$ 655,643	\$ -	\$ 3,704,198	17.70 %
2022	627,742	627,742	-	3,546,565	17.70
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, 2023**

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
2023	0.9459 %	\$ 427,594	\$ 2,217,920	19.28 %	95.94 %
2022	0.9671	3,214,640	2,214,598	145.16	74.58
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, 2023**

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)
2023	\$ 202,934	\$ 202,934	\$ -	\$ 2,319,246	8.75 %
2022	188,501	188,501	-	2,154,297	8.75
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, 2023

Note 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, the Construction Capital Projects Fund, and the Highway Improvement 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 heads 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.

Note 2 – Excess of Expenditures Over Budget

The following major funds had expenditures in excess of budget for the year ended December 31, 2023:

	Expenditures	Final Budget	Excess
General Fund	\$ 38,782,425	\$ 35,230,339	\$ 3,552,086
Capital Improvement Special Revenue Fund	3,062,936	1,243,588	1,819,348

Note 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.

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

The following changes occurred:

2023

- The discount rate was changed from 2.00 percent to 4.00 percent.
- The inflation rate was changed from 2.00 percent to 2.50 percent.

2022

- The discount rate was changed from 2.90 percent to 2.00 percent.

Otter Tail County Fergus Falls, Minnesota

- The inflation rate was changed from 2.50 percent to 2.00 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 Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2021 Generational Improvement Scale.
- The salary increase rates were updated to reflect the latest experience study.
- The retirement and withdrawal rates were updated to reflect the latest experience study.

2021

No changes in actuarial methods or assumptions occurred in 2021.

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.

2019

No changes in actuarial methods or assumptions occurred in 2019.

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.

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Note 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

2023

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.
- A one-time direct state aid contribution of \$170.1 million occurred on October 1, 2023.
- The vesting period for those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- For Basic Plan members, a one-time, non-compounding benefit increase of 4.00 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- For Coordinated Plan members, a one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

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 Scale 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

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slightly higher thereafter.

- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- 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 Scale MP-2017 to Scale MP-2018.

2018

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

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- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

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

2023

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40 percent to 7.00 percent.
- A one-time direct state aid contribution of \$19.4 million occurred on October 1, 2023.
- The vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded ten-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after ten years.
- A one-time, non-compounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.

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- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- A total and permanent duty disability benefit was added effective July 1, 2023.

2022

- The single discount rate changed from 6.50 percent to 5.40 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

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 14, 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 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 Scale MP-2018 to Scale MP-2019.

2019

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

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2018

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

2017

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

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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.

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

2023

- The investment return rate was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.42 percent to 7.00 percent.
- A one-time direct state aid contribution of \$5.3 million occurred on October 1, 2023.
- A one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- The maximum benefit increase will revert back to 2.50 percent, if the maximum increase is 1.50 percent and the Plan's funding ratio improves to 85 percent for two consecutive years on a market value of assets basis.

2022

- The single discount rate changed from 6.50 percent to 5.42 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The benefit increase assumption was changed from 2.00 percent per annum to 2.00 percent per annum through December 31, 2054, and 1.50 percent per annum thereafter.

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

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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.
- 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 Scale MP-2018 to Scale MP-2019.

2019

- The mortality projection scale was changed from Scale MP-2017 to Scale 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 Scale MP-2016 to Scale MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- 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

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1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost-of-living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.

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

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 35 percent for vested members and 1.00 percent for non-vested members.
- 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
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Exhibit B-1

**Budgetary Comparison Schedule
Prairie Lakes Municipal Solid Waste Authority Debt Service Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	\$ 2,222,420	\$ 2,222,420	\$ 570,965	\$ (1,651,455)
Expenditures				
Debt service				
Principal	\$ 1,655,000	\$ 1,655,000	\$ 1,655,000	\$ -
Interest	567,420	567,420	570,965	(3,545)
Total Expenditures	\$ 2,222,420	\$ 2,222,420	\$ 2,225,965	\$ (3,545)
Net Change in Fund Balance	\$ -	\$ -	\$ (1,655,000)	\$ (1,655,000)
Fund Balance – January 1	21,715,000	21,715,000	21,715,000	-
Fund Balance – December 31	\$ 21,715,000	\$ 21,715,000	\$ 20,060,000	\$ (1,655,000)

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Exhibit B-2

**Budgetary Comparison Schedule
Chemical Dependency Debt Service Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Investment earnings	\$ 11,517	\$ 11,517	\$ 11,517	\$ -
Miscellaneous	282,000	282,000	312,812	30,812
Total Revenues	\$ 293,517	\$ 293,517	\$ 324,329	\$ 30,812
Expenditures				
Debt service				
Principal	\$ 475,000	\$ 475,000	\$ 475,000	\$ -
Interest	21,975	21,975	21,975	-
Total Expenditures	\$ 496,975	\$ 496,975	\$ 496,975	\$ -
Net Change in Fund Balance	\$ (203,458)	\$ (203,458)	\$ (172,646)	\$ 30,812
Fund Balance – January 1	(375,172)	(375,172)	(375,172)	-
Fund Balance – December 31	\$ (578,630)	\$ (578,630)	\$ (547,818)	\$ 30,812

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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.

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.

Capital Projects Fund

Highway Improvement – is used to account for the costs related to the construction of the public works garage facility and various County highway resurfacing, reconstruction, and bridge projects.

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit C-1

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2023**

	Special Revenue (Exhibit C-3)	Debt Service (Exhibit C-5)	Highway Improvement Capital Projects	Total (Exhibit 3)
<u>Assets</u>				
Cash and pooled investments	\$ 2,225,030	\$ 2,370,575	\$ -	\$ 4,595,605
Taxes receivable – delinquent	20,151	45,985	-	66,136
Special assessments receivable				
Delinquent	7,969	-	-	7,969
Noncurrent	442,093	-	-	442,093
Accrued interest receivable	-	-	949	949
Due from other governments	3,668	-	-	3,668
Restricted assets				
Temporarily restricted				
Cash with escrow agent	-	-	11,515,831	11,515,831
Total Assets	\$ 2,698,911	\$ 2,416,560	\$ 11,516,780	\$ 16,632,251
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 38,039	\$ -	\$ -	\$ 38,039
Salaries payable	4,958	-	-	4,958
Due to other funds	337,005	-	-	337,005
Advance from other funds	561,025	-	-	561,025
Total Liabilities	\$ 941,027	\$ -	\$ -	\$ 941,027
Deferred Inflows of Resources				
Unavailable revenue	\$ 456,126	\$ 24,705	\$ -	\$ 480,831
Fund Balances				
Restricted				
Debt service	\$ -	\$ 2,391,855	\$ 11,516,780	\$ 13,908,635
Law library	64,251	-	-	64,251
Ditch maintenance and repairs	842,189	-	-	842,189
Sheriff's contingencies	5,000	-	-	5,000
Assigned				
Public safety	6,473	-	-	6,473
Culture and recreation	1,019,791	-	-	1,019,791
Unassigned	(635,946)	-	-	(635,946)
Total Fund Balances	\$ 1,301,758	\$ 2,391,855	\$ 11,516,780	\$ 15,210,393
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,698,911	\$ 2,416,560	\$ 11,516,780	\$ 16,632,251

**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, 2023**

	Special Revenue (Exhibit C-4)	Debt Service (Exhibit C-6)	Highway Improvement Capital Projects	Total (Exhibit 5)
Revenues				
Taxes	\$ 885,409	\$ 1,957,568	\$ -	\$ 2,842,977
Special assessments	219,934	-	-	219,934
Intergovernmental	1,065,506	34,583	-	1,100,089
Charges for services	1,592	-	-	1,592
Fines and forfeits	51,203	-	-	51,203
Investment earnings	-	-	15,954	15,954
Miscellaneous	4,872	-	-	4,872
Total Revenues	\$ 2,228,516	\$ 1,992,151	\$ 15,954	\$ 4,236,621
Expenditures				
Current				
General government	\$ 73,758	\$ -	\$ -	\$ 73,758
Public safety	7,462	-	-	7,462
Culture and recreation	1,760,002	-	-	1,760,002
Conservation of natural resources	240,212	-	-	240,212
Debt service				
Principal	-	2,010,000	-	2,010,000
Interest	-	743,828	-	743,828
Bond issuance costs	-	-	170,835	170,835
Total Expenditures	\$ 2,081,434	\$ 2,753,828	\$ 170,835	\$ 5,006,097
Excess of Revenues Over (Under) Expenditures	\$ 147,082	\$ (761,677)	\$ (154,881)	\$ (769,476)
Other Financing Sources (Uses)				
Transfers in	\$ 502,705	\$ 1,349,750	\$ -	\$ 1,852,455
Transfers out	-	(472,450)	-	(472,450)
Bonds issued	-	-	11,195,000	11,195,000
Premium on bonds issued	-	-	476,661	476,661
Total Other Financing Sources (Uses)	\$ 502,705	\$ 877,300	\$ 11,671,661	\$ 13,051,666
Net Change in Fund Balance	\$ 649,787	\$ 115,623	\$ 11,516,780	\$ 12,282,190
Fund Balance – January 1	651,971	2,276,232	-	2,928,203
Fund Balance – December 31	\$ 1,301,758	\$ 2,391,855	\$ 11,516,780	\$ 15,210,393

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit C-3

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2023**

	<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	\$ 829,697	\$ 67,787	\$ 11,385	\$ 1,316,161	\$ 2,225,030
Taxes receivable – delinquent	-	-	-	20,151	20,151
Special assessments receivable					
Delinquent	7,969	-	-	-	7,969
Noncurrent	442,093	-	-	-	442,093
Due from other governments	-	3,580	88	-	3,668
Total Assets	<u>\$ 1,279,759</u>	<u>\$ 71,367</u>	<u>\$ 11,473</u>	<u>\$ 1,336,312</u>	<u>\$ 2,698,911</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ -	\$ 7,116	\$ -	\$ 30,923	\$ 38,039
Salaries payable	-	-	-	4,958	4,958
Due to other funds	66,928	-	-	270,077	337,005
Advance from other funds	561,025	-	-	-	561,025
Total Liabilities	<u>\$ 627,953</u>	<u>\$ 7,116</u>	<u>\$ -</u>	<u>\$ 305,958</u>	<u>\$ 941,027</u>
Deferred Inflows of Resources					
Unavailable revenue	<u>\$ 445,563</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,563</u>	<u>\$ 456,126</u>
Fund Balances					
Restricted					
Law library	\$ -	\$ 64,251	\$ -	\$ -	\$ 64,251
Ditch maintenance and repairs	842,189	-	-	-	842,189
Sheriff's contingencies	-	-	5,000	-	5,000
Assigned					
Public safety	-	-	6,473	-	6,473
Culture and recreation	-	-	-	1,019,791	1,019,791
Unassigned	(635,946)	-	-	-	(635,946)
Total Fund Balances	<u>\$ 206,243</u>	<u>\$ 64,251</u>	<u>\$ 11,473</u>	<u>\$ 1,019,791</u>	<u>\$ 1,301,758</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,279,759</u>	<u>\$ 71,367</u>	<u>\$ 11,473</u>	<u>\$ 1,336,312</u>	<u>\$ 2,698,911</u>

**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, 2023**

	County Ditch	Law Library	Sheriff's Contingent	Parks and Trails	Total
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ 885,409	\$ 885,409
Special assessments	219,934	-	-	-	219,934
Intergovernmental	-	-	-	1,065,506	1,065,506
Charges for services	-	-	-	1,592	1,592
Fines and forfeits	-	48,148	3,055	-	51,203
Miscellaneous	2,289	1,417	-	1,166	4,872
Total Revenues	\$ 222,223	\$ 49,565	\$ 3,055	\$ 1,953,673	\$ 2,228,516
Expenditures					
Current					
General government	\$ -	\$ 73,758	\$ -	\$ -	\$ 73,758
Public safety	-	-	7,462	-	7,462
Culture and recreation	-	-	-	1,760,002	1,760,002
Conservation of natural resources	240,212	-	-	-	240,212
Total Expenditures	\$ 240,212	\$ 73,758	\$ 7,462	\$ 1,760,002	\$ 2,081,434
Excess of Revenues Over (Under) Expenditures	\$ (17,989)	\$ (24,193)	\$ (4,407)	\$ 193,671	\$ 147,082
Other Financing Sources (Uses)					
Transfers in	-	-	2,315	500,390	502,705
Net Change in Fund Balance	\$ (17,989)	\$ (24,193)	\$ (2,092)	\$ 694,061	\$ 649,787
Fund Balance – January 1	224,232	88,444	13,565	325,730	651,971
Fund Balance – December 31	\$ 206,243	\$ 64,251	\$ 11,473	\$ 1,019,791	\$ 1,301,758

**Otter Tail County
Fergus Falls, Minnesota**

**Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2023**

	Government Service Center	Sheriff Operations
	<hr/>	<hr/>
<u>Assets</u>		
Cash and pooled investments	\$ 12,544	\$ 327,199
Taxes receivable – delinquent	66	2,561
	<hr/>	<hr/>
Total Assets	<u>\$ 12,610</u>	<u>\$ 329,760</u>
<u>Deferred Inflows of Resources and Fund Balances</u>		
Deferred Inflows of Resources		
Unavailable revenue	\$ 63	\$ 2,178
Fund Balances		
Restricted for		
Debt service	12,547	327,582
	<hr/>	<hr/>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ 12,610</u>	<u>\$ 329,760</u>

Exhibit C-5

Highway Construction	Master Facility Construction	Detention Facility	Capital Improvement	Total
\$ 232,865	\$ 1,385,915	\$ 181,229	\$ 230,823	\$ 2,370,575
5,581	27,332	3,866	6,579	45,985
\$ 238,446	\$ 1,413,247	\$ 185,095	\$ 237,402	\$ 2,416,560
\$ 2,992	\$ 13,972	\$ 2,092	\$ 3,408	\$ 24,705
235,454	1,399,275	183,003	233,994	2,391,855
\$ 238,446	\$ 1,413,247	\$ 185,095	\$ 237,402	\$ 2,416,560

**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, 2023**

	Government Service Center	Sheriff Operations	Highway Construction
Revenues			
Taxes	\$ 852	\$ 5,290	\$ 238,093
Intergovernmental	-	-	4,203
Total Revenues	\$ 852	\$ 5,290	\$ 242,296
Expenditures			
Debt service			
Principal	\$ -	\$ -	\$ 645,000
Interest	-	380	456,830
Total Expenditures	\$ -	\$ 380	\$ 1,101,830
Excess of Revenues Over (Under) Expenditures	\$ 852	\$ 4,910	\$ (859,534)
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ -	\$ 877,300
Transfers out	-	(472,450)	-
Total Other Financing Sources (Uses)	\$ -	\$ (472,450)	\$ 877,300
Net Change in Fund Balance	\$ 852	\$ (467,540)	\$ 17,766
Fund Balance – January 1	11,695	795,122	217,688
Fund Balance – December 31	\$ 12,547	\$ 327,582	\$ 235,454

Exhibit C-6

Master Facility Construction	Detention Facility	Public Buildings	Capital Improvement	Total
\$ 1,257,641	\$ 162,745	\$ -	\$ 292,947	\$ 1,957,568
22,319	2,874	-	5,187	34,583
\$ 1,279,960	\$ 165,619	\$ -	\$ 298,134	\$ 1,992,151
\$ 605,000	\$ 130,000	\$ 465,000	\$ 165,000	\$ 2,010,000
98,155	24,405	7,450	156,608	743,828
\$ 703,155	\$ 154,405	\$ 472,450	\$ 321,608	\$ 2,753,828
\$ 576,805	\$ 11,214	\$ (472,450)	\$ (23,474)	\$ (761,677)
\$ -	\$ -	\$ 472,450	\$ -	\$ 1,349,750
-	-	-	-	(472,450)
\$ -	\$ -	\$ 472,450	\$ -	\$ 877,300
\$ 576,805	\$ 11,214	\$ -	\$ (23,474)	\$ 115,623
822,470	171,789	-	257,468	2,276,232
\$ 1,399,275	\$ 183,003	\$ -	\$ 233,994	\$ 2,391,855

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit C-7

**Budgetary Comparison Schedule
County Ditch Special Revenue Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 261,603	\$ 261,603	\$ 219,934	\$ (41,669)
Miscellaneous	-	-	2,289	2,289
Total Revenues	\$ 261,603	\$ 261,603	\$ 222,223	\$ (39,380)
Expenditures				
Current				
Conservation of natural resources				
Drainage ditches	142,044	142,044	240,212	(98,168)
Net Change in Fund Balance	\$ 119,559	\$ 119,559	\$ (17,989)	\$ (137,548)
Fund Balance – January 1	224,232	224,232	224,232	-
Fund Balance – December 31	\$ 343,791	\$ 343,791	\$ 206,243	\$ (137,548)

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit C-8

**Budgetary Comparison Schedule
Law Library Special Revenue Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Fines and forfeits	\$ 46,000	\$ 46,000	\$ 48,148	\$ 2,148
Miscellaneous	-	-	1,417	1,417
Total Revenues	\$ 46,000	\$ 46,000	\$ 49,565	\$ 3,565
Expenditures				
Current				
General government				
Law library	70,660	70,660	73,758	(3,098)
Net Change in Fund Balance	\$ (24,660)	\$ (24,660)	\$ (24,193)	\$ 467
Fund Balance – January 1	88,444	88,444	88,444	-
Fund Balance – December 31	\$ 63,784	\$ 63,784	\$ 64,251	\$ 467

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit C-9

**Budgetary Comparison Schedule
Sheriff's Contingent Special Revenue Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Fines and forfeits	\$ 8,400	\$ 8,400	\$ 3,055	\$ (5,345)
Expenditures				
Current				
Public safety				
Sheriff	6,000	6,000	7,462	(1,462)
Excess of Revenues Over (Under) Expenditures	\$ 2,400	\$ 2,400	\$ (4,407)	\$ (6,807)
Other Financing Sources (Uses)				
Transfers in	2,650	2,650	2,315	(335)
Net Change in Fund Balance	\$ 5,050	\$ 5,050	\$ (2,092)	\$ (7,142)
Fund Balance – January 1	13,565	13,565	13,565	-
Fund Balance – December 31	<u>\$ 18,615</u>	<u>\$ 18,615</u>	<u>\$ 11,473</u>	<u>\$ (7,142)</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, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 900,710	\$ 900,710	\$ 885,409	\$ (15,301)
Intergovernmental	3,489,125	3,489,125	1,065,506	(2,423,619)
Charges for services	2,500	2,500	1,592	(908)
Miscellaneous	-	-	1,166	1,166
Total Revenues	\$ 4,392,335	\$ 4,392,335	\$ 1,953,673	\$ (2,438,662)
Expenditures				
Current				
Culture and recreation				
Parks and trails	5,885,548	5,885,548	1,760,002	4,125,546
Excess of Revenues Over (Under) Expenditures	\$ (1,493,213)	\$ (1,493,213)	\$ 193,671	\$ 1,686,884
Other Financing Sources (Uses)				
Transfers in	2,000,000	2,000,000	500,390	(1,499,610)
Net Change in Fund Balance	\$ 506,787	\$ 506,787	\$ 694,061	\$ 187,274
Fund Balance – January 1	325,730	325,730	325,730	-
Fund Balance – December 31	\$ 832,517	\$ 832,517	\$ 1,019,791	\$ 187,274

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit C-11

**Budgetary Comparison Schedule
Sheriff Operations Debt Service Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ -	\$ -	\$ 5,290	\$ 5,290
Expenditures				
Debt service				
Interest	-	-	380	(380)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 4,910	\$ 4,910
Other Financing Sources (Uses)				
Transfers out	(472,450)	(472,450)	(472,450)	-
Net Change in Fund Balance	\$ (472,450)	\$ (472,450)	\$ (467,540)	\$ 4,910
Fund Balance – January 1	795,122	795,122	795,122	-
Fund Balance – December 31	\$ 322,672	\$ 322,672	\$ 327,582	\$ 4,910

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit C-12

**Budgetary Comparison Schedule
Highway Construction Debt Service Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 241,290	\$ 241,290	\$ 238,093	\$ (3,197)
Intergovernmental	-	-	4,203	4,203
Total Revenues	\$ 241,290	\$ 241,290	\$ 242,296	\$ 1,006
Expenditures				
Debt service				
Principal	\$ 645,000	\$ 645,000	\$ 645,000	\$ -
Interest	456,450	456,450	456,830	(380)
Total Expenditures	\$ 1,101,450	\$ 1,101,450	\$ 1,101,830	\$ (380)
Excess of Revenues Over (Under) Expenditures	\$ (860,160)	\$ (860,160)	\$ (859,534)	\$ 626
Other Financing Sources (Uses)				
Transfers in	877,300	877,300	877,300	-
Net Change in Fund Balance	\$ 17,140	\$ 17,140	\$ 17,766	\$ 626
Fund Balance – January 1	217,688	217,688	217,688	-
Fund Balance – December 31	\$ 234,828	\$ 234,828	\$ 235,454	\$ 626

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit C-13

**Budgetary Comparison Schedule
Master Facility Construction Debt Service Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,281,210	\$ 1,281,210	\$ 1,257,641	\$ (23,569)
Intergovernmental	-	-	22,319	22,319
Total Revenues	\$ 1,281,210	\$ 1,281,210	\$ 1,279,960	\$ (1,250)
Expenditures				
Debt service				
Principal	\$ 605,000	\$ 605,000	\$ 605,000	\$ -
Interest	97,775	97,775	98,155	(380)
Total Expenditures	\$ 702,775	\$ 702,775	\$ 703,155	\$ (380)
Net Change in Fund Balance	\$ 578,435	\$ 578,435	\$ 576,805	\$ (1,630)
Fund Balance – January 1	822,470	822,470	822,470	-
Fund Balance – December 31	\$ 1,400,905	\$ 1,400,905	\$ 1,399,275	\$ (1,630)

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit C-14

**Budgetary Comparison Schedule
Detention Facility Debt Service Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 164,430	\$ 164,430	\$ 162,745	\$ (1,685)
Intergovernmental	-	-	2,874	2,874
Total Revenues	\$ 164,430	\$ 164,430	\$ 165,619	\$ 1,189
Expenditures				
Debt service				
Principal	\$ 130,000	\$ 130,000	\$ 130,000	\$ -
Interest	24,025	24,025	24,405	(380)
Total Expenditures	\$ 154,025	\$ 154,025	\$ 154,405	\$ (380)
Net Change in Fund Balance	\$ 10,405	\$ 10,405	\$ 11,214	\$ 809
Fund Balance – January 1	171,789	171,789	171,789	-
Fund Balance – December 31	\$ 182,194	\$ 182,194	\$ 183,003	\$ 809

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit C-15

**Budgetary Comparison Schedule
Public Buildings Debt Service Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Debt service				
Principal	\$ 465,000	\$ 465,000	\$ 465,000	\$ -
Interest	7,450	7,450	7,450	-
Total Expenditures	\$ 472,450	\$ 472,450	\$ 472,450	\$ -
Other Financing Sources (Uses)				
Transfers in	472,450	472,450	472,450	-
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -
Fund Balance – January 1	-	-	-	-
Fund Balance – December 31	\$ -	\$ -	\$ -	\$ -

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit C-16

**Budgetary Comparison Schedule
Capital Improvement Debt Service Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 297,441	\$ 297,441	\$ 292,947	\$ (4,494)
Intergovernmental	-	-	5,187	5,187
Total Revenues	\$ 297,441	\$ 297,441	\$ 298,134	\$ 693
Expenditures				
Debt service				
Principal	\$ 165,000	\$ 165,000	\$ 165,000	\$ -
Interest	156,228	156,228	156,608	(380)
Total Expenditures	\$ 321,228	\$ 321,228	\$ 321,608	\$ (380)
Net Change in Fund Balance	\$ (23,787)	\$ (23,787)	\$ (23,474)	\$ 313
Fund Balance – January 1	257,468	257,468	257,468	-
Fund Balance – December 31	\$ 233,681	\$ 233,681	\$ 233,994	\$ 313

Otter Tail County Fergus Falls, Minnesota

Fiduciary Funds

Custodial Funds

Forfeited Tax – to account for proceeds from the sale of tax-forfeited land collected by the County to be distributed to local governments within the County.

Jail Inmate – to account for the receipts and disbursements on behalf of individuals held in the Otter Tail County jail.

Recoveries – to account for the state's portion of funds that are recovered from estates or collection payments that are on Medical Assistance and other programs.

Family Services Collaborative – to account for the collection and disbursement of funds for the County's Family Services Collaborative.

Mortgage Registration – to account for the collection and distribution of funds collected for mortgage registration taxes collected and remitted to the State of Minnesota.

State Revenue – to account for the collection and distribution of funds for the State of Minnesota.

Taxes and Penalties – to account for the collection of taxes and penalties and their payment to the various taxing districts.

**Otter Tail County
Fergus Falls, Minnesota**

**Combining Statement of Fiduciary Net Position
Fiduciary Funds – Custodial Funds
December 31, 2023**

	<u>Forfeited Tax</u>	<u>Jail Inmate</u>	<u>Recoveries</u>
<u>Assets</u>			
Cash and pooled investments	\$ 85,531	\$ 28,247	\$ 107,300
Taxes and special assessments receivable for other governments	-	-	-
Due from other governments	-	-	-
Total Assets	\$ 85,531	\$ 28,247	\$ 107,300
<u>Liabilities</u>			
Due to other governments	\$ 85,531	\$ -	\$ 107,300
<u>Net Position</u>			
Restricted for Individuals, organizations, and other governments	<u>\$ -</u>	<u>\$ 28,247</u>	<u>\$ -</u>

Exhibit D-1

Family Services Collaborative	Mortgage Registration	State Revenue	Taxes and Penalties	Total Custodial Funds
\$ 737,806	\$ 74,922	\$ 271,808	\$ 481,801	\$ 1,787,415
-	-	197,169	1,643,265	1,840,434
119,814	-	-	-	119,814
\$ 857,620	\$ 74,922	\$ 468,977	\$ 2,125,066	\$ 3,747,663
\$ 1,883	\$ 74,922	\$ 271,808	\$ 481,801	\$ 1,023,245
\$ 855,737	\$ -	\$ 197,169	\$ 1,643,265	\$ 2,724,418

**Otter Tail County
Fergus Falls, Minnesota**

**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds
For the Year Ended December 31, 2023**

	<u>Forfeited Tax</u>	<u>Jail Inmate</u>	<u>Recoveries</u>
Additions			
Contributions			
Individuals	\$ -	\$ 148,393	\$ 515,206
Local collaborative funds	-	-	-
Property tax collections for other governments	-	-	-
Other taxes collected for other governments	-	-	-
Tax-forfeited land sales for other governments	33,702	-	-
License and fees collected for the state	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Additions	<u>\$ 33,702</u>	<u>\$ 148,393</u>	<u>\$ 515,206</u>
Deductions			
Beneficiary payments to individuals	\$ -	\$ 147,674	\$ -
Payments of property tax to other governments	18,745	-	-
Payments to the state	-	-	515,206
Administrative expense	14,957	-	-
Payments to other entities	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Deductions	<u>\$ 33,702</u>	<u>\$ 147,674</u>	<u>\$ 515,206</u>
Change in net position	<u>\$ -</u>	<u>\$ 719</u>	<u>\$ -</u>
Net Position – January 1	<u>-</u>	<u>27,528</u>	<u>-</u>
Net Position – December 31	<u><u>\$ -</u></u>	<u><u>\$ 28,247</u></u>	<u><u>\$ -</u></u>

Family Services Collaborative	Mortgage Registration	State Revenue	Taxes and Penalties	Total Custodial Funds
\$ -	\$ -	\$ -	\$ -	\$ 663,599
415,090	-	-	-	415,090
-	-	-	121,239,241	121,239,241
-	-	1,705,944	-	1,705,944
-	-	-	-	33,702
-	1,113,708	-	-	1,113,708
<u>\$ 415,090</u>	<u>\$ 1,113,708</u>	<u>\$ 1,705,944</u>	<u>\$ 121,239,241</u>	<u>\$ 125,171,284</u>
\$ -	\$ -	\$ -	\$ -	\$ 147,674
-	-	-	121,175,071	121,193,816
-	1,113,708	1,701,085	-	3,329,999
-	-	-	-	14,957
261,125	-	-	-	261,125
<u>\$ 261,125</u>	<u>\$ 1,113,708</u>	<u>\$ 1,701,085</u>	<u>\$ 121,175,071</u>	<u>\$ 124,947,571</u>
\$ 153,965	\$ -	\$ 4,859	\$ 64,170	\$ 223,713
<u>701,772</u>	<u>-</u>	<u>192,310</u>	<u>1,579,095</u>	<u>2,500,705</u>
<u><u>\$ 855,737</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 197,169</u></u>	<u><u>\$ 1,643,265</u></u>	<u><u>\$ 2,724,418</u></u>

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, 2023**

	<u>General Fund</u>	<u>Reconciliation</u>	<u>Governmental Activities</u>
<u>Assets</u>			
Current assets			
Cash	\$ 3,526,182	\$ -	\$ 3,526,182
Taxes receivable – delinquent	12,767	-	12,767
Total Assets	\$ 3,538,949	\$ -	\$ 3,538,949
<u>Liabilities and Fund Balance/Net Position</u>			
Current liabilities			
Accounts payable	\$ 37,847	\$ -	\$ 37,847
Due to other governments	31	-	31
Total Liabilities	\$ 37,878	\$ -	\$ 37,878
Deferred Inflows of Resources			
Unavailable revenue	\$ 6,966	\$ (6,966)	\$ -
Fund Balance			
Restricted for economic development	\$ 3,494,105	\$ (3,494,105)	
Net Position			
Restricted for economic development		\$ 3,501,071	\$ 3,501,071
Total Liabilities and Fund Balance/Net Position	\$ 3,538,949	\$ -	\$ 3,538,949
Reconciliation of the General Fund Balance to Net Position			
Fund Balance – General Fund			\$ 3,494,105
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.			6,966
Net Position – Governmental Activities			\$ 3,501,071

**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, 2023**

	<u>General Fund</u>	<u>Reconciliation</u>	<u>Governmental Activities</u>
Revenues			
Taxes	\$ 533,016	\$ (615)	\$ 532,401
Intergovernmental	654	-	654
Investment earnings	3,607	-	3,607
Miscellaneous	200,154	-	200,154
Total Revenues	\$ 737,431	\$ (615)	\$ 736,816
Expenditures/Expenses			
Current			
Economic development	541,148	-	541,148
Net Change in Fund Balance/Change in Net Position	\$ 196,283	\$ (615)	\$ 195,668
Fund Balance/Net Position – January 1	3,297,822	-	3,305,403
Fund Balance/Net Position – December 31	\$ 3,494,105	\$ (615)	\$ 3,501,071
Reconciliation of the Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities			
Net Change in Fund Balance			\$ 196,283
In the fund, 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 and expenses between the fund statement and the statement of activities is the increase or decrease in unavailable revenue.			(615)
Change in Net Position of Governmental Activities			\$ 195,668

Other Schedules

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit F-1

**Schedule of Deposits and Investments
December 31, 2023**

	Number of Items	Interest Rate (%)	Maturity Dates	Fair Value
Cash and Pooled Investments				
Noninterest-bearing checking	Five	-	Continuous	\$ 5,917,888
Interest-bearing checking	Six	Varies	Continuous	16,909,472
Certificates of deposit	Forty-six	0.90 to 5.30	January 22, 2024 to February 5, 2025	24,715,543
Money market savings	Fifteen	Varies	Continuous	28,676,126
U.S. Treasury notes	Six	2.00 to 4.50	January 31, 2024 to November 30, 2024	10,399,535
Treasury Securities – State and Local Government Series	Two	1.55 to 5.35	January 23, 2024 to September 30, 2024	12,014,392
Negotiable certificates of deposit	Forty-one	0.30 to 5.80	February 23, 2024 to September 30, 2027	9,745,554
Total Cash and Pooled Investments, Excluding Change Funds				\$ 108,378,510

**Otter Tail County
Fergus Falls, Minnesota**

**Balance Sheet – By Ditch
County Ditch Special Revenue Fund
December 31, 2023**

	Assets			
	Cash and Pooled Investments	Special Assessments Receivable		Total
		Delinquent	Noncurrent	
Judicial Ditches				
1	\$ (163)	\$ -	\$ -	\$ (163)
2	33,201	187	34,304	67,692
3	(55)	-	-	(55)
4	-	-	-	-
5	-	-	-	-
County Ditches				
1	(1,571)	-	-	(1,571)
2	-	-	-	-
3	(219)	-	-	(219)
4	47,947	1,583	5,000	54,530
5/36/68	36,173	248	9,416	45,837
8	13,313	486	10,000	23,799
10	(983)	-	-	(983)
11	14,747	-	-	14,747
12	19,037	44	15,000	34,081
13	(1,465)	-	-	(1,465)
14	(69)	-	-	(69)
15/28	100,235	13	1,007	101,255
16	88,217	266	10,011	98,494
17	(5,748)	95	21,745	16,092
18/37	7,243	49	14,985	22,277
19	(2,844)	-	-	(2,844)
20	(2,213)	-	-	(2,213)
21	58,150	141	5,000	63,291
23	102,314	147	998	103,459
25	(193)	-	-	(193)
25	48,734	385	19,992	69,111
27	(68)	-	-	(68)
29	12,151	144	5,000	17,295
30	18,336	-	-	18,336
31	(359)	-	-	(359)
32	(238)	-	-	(238)
35	-	-	-	-
38	102,466	262	992	103,720
39	17,344	-	809	18,153
40	-	-	-	-
41/65	10,988	728	14,942	26,658
42	(1,054)	-	2,000	946
43	4,260	9	-	4,269
44	2,124	54	10,000	12,178
45	(2,502)	-	30,000	27,498
46	(126)	-	-	(126)
47	-	-	-	-
48	14,422	1,860	9,000	25,282
49	(7,406)	-	-	(7,406)
50	(1,089)	-	-	(1,089)

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		
\$ 547	\$ 688	\$ -	\$ 1,235	\$ (1,398)	\$	(163)
212	7,059	34,310	41,581	26,111		67,692
-	381	-	381	(436)		(55)
-	530	-	530	(530)		-
-	2,018	-	2,018	(2,018)		-
186	2,368	-	2,554	(4,125)		(1,571)
-	289	-	289	(289)		-
-	242	-	242	(461)		(219)
708	-	5,000	5,708	48,822		54,530
737	803	9,581	11,121	34,716		45,837
268	3,186	10,029	13,483	10,316		23,799
1,092	6,244	-	7,336	(8,319)		(983)
833	-	-	833	13,914		14,747
8,373	-	15,044	23,417	10,664		34,081
427	3,356	-	3,783	(5,248)		(1,465)
63	12,995	-	13,058	(13,127)		(69)
1,860	569	1,009	3,438	97,817		101,255
684	477	10,129	11,290	87,204		98,494
5,176	10,662	21,824	37,662	(21,570)		16,092
272	2,580	14,986	17,838	4,439		22,277
349	47,865	-	48,214	(51,058)		(2,844)
162	6,793	-	6,955	(9,168)		(2,213)
408	-	5,009	5,417	57,874		63,291
781	444	1,062	2,287	101,172		103,459
-	3,635	-	3,635	(3,828)		(193)
3,263	5,792	20,279	29,334	39,777		69,111
-	1,680	-	1,680	(1,748)		(68)
2,657	-	5,056	7,713	9,582		17,295
-	136	-	136	18,200		18,336
-	3,087	-	3,087	(3,446)		(359)
2,205	793	-	2,998	(3,236)		(238)
-	146	-	146	(146)		-
1,881	-	1,204	3,085	100,635		103,720
102	-	809	911	17,242		18,153
722	489	-	1,211	(1,211)		-
7,077	242	15,408	22,727	3,931		26,658
-	19,408	2,000	21,408	(20,462)		946
1,484	-	-	1,484	2,785		4,269
1,249	567	10,003	11,819	359		12,178
2,199	31,410	30,000	63,609	(36,111)		27,498
-	700	-	700	(826)		(126)
-	493	-	493	(493)		-
491	125	10,507	11,123	14,159		25,282
3,674	1,266	-	4,940	(12,346)		(7,406)
3,420	1,754	-	5,174	(6,263)		(1,089)

**Otter Tail County
Fergus Falls, Minnesota**

**Balance Sheet – By Ditch
County Ditch Special Revenue Fund
December 31, 2023**

	Assets			
	Cash and Pooled Investments	Special Assessments Receivable		Total
		Delinquent	Noncurrent	
County Ditches (Continued)				
51	(239)	-	1,000	761
52	(78,999)	-	-	(78,999)
53	56,855	-	1,000	57,855
54	(136)	-	1,000	864
55	5,581	262	10,490	16,333
56	27,448	160	-	27,608
57	-	-	-	-
58	46,862	-	5,000	51,862
59	(37)	-	-	(37)
62	(124)	-	-	(124)
63	(334)	-	-	(334)
64	(2,513)	-	-	(2,513)
70	42,296	846	203,402	246,544
71	10,000	-	-	10,000
Total	\$ 829,697	\$ 7,969	\$ 442,093	\$ 1,279,759

Exhibit F-2*(Continued)*

Liabilities and Deferred Inflows of Resources				Fund Balance	Total Liabilities, Deferred Inflows of Resources, and Fund Balance
Due to Other Funds	Advance from Other Funds	Unavailable Revenue	Total		
2,001	840	1,000	3,841	(3,080)	761
2,442	143,128	-	145,570	(224,569)	(78,999)
-	-	1,000	1,000	56,855	57,855
589	709	1,000	2,298	(1,434)	864
1,139	125	10,752	12,016	4,317	16,333
1,868	-	160	2,028	25,580	27,608
-	765	-	765	(765)	-
889	255	5,000	6,144	45,718	51,862
58	372	-	430	(467)	(37)
-	341	-	341	(465)	(124)
1,292	8,427	-	9,719	(10,053)	(334)
2,978	19,024	-	22,002	(24,515)	(2,513)
110	205,767	203,402	409,279	(162,735)	246,544
-	-	-	-	10,000	10,000
\$ 66,928	\$ 561,025	\$ 445,563	\$ 1,073,516	\$ 206,243	\$ 1,279,759

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit F-3

**Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2023**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>All Funds</u>
Appropriations and Shared Revenue			
State			
Highway users tax	\$ 17,188,125	\$ -	\$ 17,188,125
County program aid	2,412,579	-	2,412,579
PERA pension contributions	761,717	159	761,876
Police aid	416,520	-	416,520
Public safety aid	1,560,356	-	1,560,356
Local government aid	8,478	-	8,478
Market value credit	781,675	-	781,675
Disparity reduction aid	13,256	-	13,256
Aquatic invasive species aid	463,808	-	463,808
SCORE	-	175,383	175,383
Local homeless prevention aid	41,670	-	41,670
Affordable housing aid	143,671	-	143,671
E-911	287,512	-	287,512
Next generation E-911 aid	71,850	-	71,850
Riparian aid	160,000	-	160,000
Out-of-home placement aid	5,431	-	5,431
Total appropriations and shared revenue	\$ 24,316,648	\$ 175,542	\$ 24,492,190
Reimbursement for Services			
State			
Minnesota Department of Human Services	\$ 3,390,472	\$ -	\$ 3,390,472
Payments			
Payments in lieu of taxes	\$ 589,518	\$ -	\$ 589,518
Local payments for interest on bonds	570,965	-	570,965
Local contributions	583,994	9,000	592,994
Total payments	\$ 1,744,477	\$ 9,000	\$ 1,753,477
Grants			
State			
Minnesota Department/Board of			
Corrections	\$ 541,091	\$ -	\$ 541,091
Employment and Economic Development	362,142	-	362,142
Labor and Industry	51,118	-	51,118
Public Safety	375	-	375
Transportation	452,868	-	452,868
Health	961,136	-	961,136
Veterans Affairs	12,500	-	12,500
Natural Resources	1,015,729	-	1,015,729
Human Services	4,152,786	-	4,152,786
Secretary of State	13,951	-	13,951
Water and Soil Resources	303,628	-	303,628
Peace Officer Standards and Training Board	38,388	-	38,388
Minnesota Pollution Control Agency	-	186,459	186,459
Total state	\$ 7,905,712	\$ 186,459	\$ 8,092,171

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit F-3
(Continued)

**Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2023**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>All Funds</u>
Grants (Continued)			
Federal			
U.S. Department of			
Agriculture	\$ 1,008,077	\$ -	\$ 1,008,077
Justice	59,449	-	59,449
Transportation	1,420,993	-	1,420,993
Treasury	1,982,025	-	1,982,025
Education	2,100	-	2,100
Health and Human Services	5,236,973	-	5,236,973
Homeland Security	150,922	-	150,922
	<u> </u>	<u> </u>	<u> </u>
Total federal	<u>\$ 9,860,539</u>	<u>\$ -</u>	<u>\$ 9,860,539</u>
Total state and federal grants	<u>\$ 17,766,251</u>	<u>\$ 186,459</u>	<u>\$ 17,952,710</u>
Total Intergovernmental Revenue	<u><u>\$ 47,217,848</u></u>	<u><u>\$ 371,001</u></u>	<u><u>\$ 47,588,849</u></u>

**Otter Tail County
Fergus Falls, Minnesota**

Exhibit F-4

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

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				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Not Provided	\$ 338,943	\$ -
Passed Through Minnesota Department of Human Services SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	232MN101S2514	665,750	-
Passed Through Minnesota Department of Agriculture WIC Farmers' Market Nutrition Program (FMNP)	10.572	Not Provided	3,384	-
Total U.S. Department of Agriculture			\$ 1,008,077	\$ -
U.S. Department of Justice				
Passed Through Minnesota Trial Courts				
Treatment Court Discretionary Grant Program	16.585	Not Provided	\$ 59,449	\$ -
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	1030056	\$ 1,214,214	\$ -
Passed Through Minnesota Department of Public Safety Highway Safety Cluster				
State and Community Highway Safety	20.600	F-ENFRC23-2023-OTTERSD	16,510	11,873
State and Community Highway Safety (Total State and Community Highway Safety 20.600 \$37,691)	20.600	F-SAFE23-2023-OTTERPH	21,181	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated (Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$156,025)	20.608	F-ENFRC23-2023-OTTERSD	24,506	19,778
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 \$156,025)	20.608	Not Provided	131,519	-
Passed Through Minnesota Department of Public Safety Highway Safety Cluster				
National Priority Safety Programs	20.616	F-ENFRC23-2023-OTTERSD	4,657	3,372
Total U.S. Department of Transportation			\$ 1,412,587	\$ 35,023
U.S. Department of the Treasury				
Direct				
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		\$ 1,982,025	\$ -

**Otter Tail County
Fergus Falls, Minnesota**

**Exhibit F-4
(Continued)**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

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 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				
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	\$ 29,725	\$ -
Passed Through Partnership4Health Community Health Board				
Public Health Emergency Preparedness	93.069	NU90TP922026	39,660	-
Universal Newborn Hearing and Screening	93.251	Not Provided	75	-
Immunization Cooperative Agreements	93.268	Not Provided	10,872	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	Not Provided	375	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	Not Provided	75,283	-
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	Not Provided	33,890	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$554,424)	93.558	1801MNTANF	103,349	-
Maternal and Child Health Services Block Grant to the States	93.994	Not Provided	68,832	-
Passed Through Minnesota Department of Human Services				
Marylee Allen Promoting Safe and Stable Families Program	93.556	2201MNFPS	6,224	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$554,424)	93.558	2301MNTANF	451,075	-
Child Support Services	93.563	2301MNCES	1,053,993	-
Child Support Services (Total Child Support Services 93.563 \$1,332,125)	93.563	2301MNCSES	278,132	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	2301MNRMA	2,297	-
CCDF Cluster				
Child Care and Development Block Grant	93.575	2301MNCDF	15,348	-
Community-Based Child Abuse Prevention Grants	93.590	2202MNBCAP	9,780	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2201MNCWSS	9,871	-
Foster Care Title IV-E	93.658	2301MNFOS	493,125	-
Social Services Block Grant	93.667	2301MNSOSR	411,864	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2301MNCILP	20,270	-
COVID-19 – Elder Abuse Prevention Interventions Program	93.747	2101MNAFC6	7,993	-
Children's Health Insurance Program	93.767	2305MN5021	2,720	-
Medicaid Cluster				
Medical Assistance Program	93.778	2305MN5ADM	2,110,518	-
Medical Assistance Program (Total Medical Assistance Program 93.778 \$2,127,729)	93.778	2305MN5MAP	17,211	-
Passed Through Polk-Norman-Mahnomen Community Health Board				
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	118491	24,493	-
Total U.S. Department of Health and Human Services			\$ 5,276,975	\$ -

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

**Otter Tail County
Fergus Falls, Minnesota**

**Exhibit F-4
(Continued)**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

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	\$ 41,964	\$ -
Passed Through Minnesota Department of Public Safety				
COVID-19 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	DR4531/696229	108,958	-
Total U.S. Department of Homeland Security			\$ 150,922	\$ -
Total Federal Awards			\$ 9,892,135	\$ 35,023
Totals by Cluster				
Total expenditures for SNAP Cluster			\$ 665,750	
Total expenditures for Highway Safety Cluster			42,348	
Total expenditures for Aging Cluster			29,725	
Total expenditures for CCDF Cluster			15,348	
Total expenditures for Medicaid Cluster			2,127,729	

Otter Tail County

Fergus Falls, Minnesota

Notes to the Schedule of Expenditures of Federal Awards **As of and for the Year Ended December 31, 2023**

Note 1 – Summary of Significant Accounting Policies

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 \$671,027 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, because it expended less than \$750,000 of federal awards for the year ended December 31, 2023, it 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).

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, 2023. The information in this schedule is presented in accordance with the requirements of Uniform Guidance. Because the Schedule of Expenditures of Federal Awards 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.

Note 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**

Note 3 – Reconciliation to Schedule of Intergovernmental Revenue

Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 9,860,539
Grants received more than 60 days after year-end, considered unavailable revenue in 2023	
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response (AL No. 93.354)	15,960
Marylee Allen Promoting Safe and Stable Families Program (AL No. 93.556)	1,556
Temporary Assistance for Needy Families (AL No. 93.558)	89,845
Stephanie Tubbs Jones Child Welfare Services Program (AL No. 93.645)	1,549
Unavailable revenue in 2022, recognized as revenue in 2023	
Highway Planning and Construction (AL No. 20.205)	(8,406)
Early Hearing Detection and Intervention (AL No. 93.251)	(75)
Immunization Cooperative Agreements (AL No. 93.268)	(11,795)
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (AL No. 93.323)	(16,722)
Marylee Allen Promoting Safe and Stable Families Program (AL No. 93.556)	(1,845)
Temporary Assistance for Needy Families (AL No. 93.558)	(20,000)
Community-Based Child Abuse Prevention Grants (AL No. 93.590)	(3,217)
Stephanie Tubbs Jones Child Welfare Services Program (AL No. 93.645)	(3,290)
John H. Chafee Foster Care Program for Successful Transition to Adulthood (AL No. 93.674)	(11,964)
	<hr/>
Expenditures per Schedule of Expenditures of Federal Awards	\$ 9,892,135

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, 2023, 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 27, 2024. 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 Prairie Lakes Municipal Solid Waste Authority component unit's internal control over financial reporting or on compliance and other matters. We issue a separate Management and Compliance Report for the Prairie Lakes Municipal Solid Waste Authority component unit. This report also 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 opinion on the financial statements, but not for the purpose of expressing our 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 over financial reporting that we consider to be a material weakness 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 2023-003 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 2023-001 and 2023-002 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, 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, depositories of public funds and public investments, conflicts of interest, public indebtedness, 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 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 practice 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 response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and 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

December 27, 2024

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor



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, 2023. 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, 2023.

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 Expenditure 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 \$671,027 in federal awards which are not included in Otter Tail County's Schedule of Expenditures of Federal Awards during the year ended December 31, 2023. Our compliance audit, described in the Opinion on Each Major Federal Program section, 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, 2023, it was not subject to the 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 2023-004. 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 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 2023-004, 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 compliance 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

Julie Blaha
State Auditor

December 27, 2024

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

Otter Tail County Fergus Falls, Minnesota

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major federal programs:

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

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

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

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
93.778	Medicaid Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

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

Section II – Financial Statement Findings

2023-001 Segregation of Duties

Prior Year Finding Number: 2022-001

Year of Finding Origination: 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 the County’s assets,

Otter Tail County Fergus Falls, Minnesota

proper segregation of the recordkeeping, custody, and authorization functions should be in place. Where management decides segregation of duties may not be cost effective, compensating controls should be in place.

Condition: Several of the County's departments that collect fees lack proper segregation of duties. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

Context: Due to the limited number of office personnel within the County, segregation of accounting duties necessary to ensure adequate internal control is not possible. This is not unusual in operations the size of Otter Tail County; however, management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

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

Cause: The County informed us that it is not practical to collect fees for services provided in various departments only at one collection point. Collection points within the departments provide 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 at the Treasurer's Office. For 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 the County Board of Commissioners and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure that internal control policies and procedures are implemented to the extent possible.

View of Responsible Official: Acknowledge

2023-002 Documenting and Monitoring Internal Controls

Prior Year Finding Number: 2022-002

Year of Finding Origination: 2008

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: 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 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 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

Otter Tail County Fergus Falls, Minnesota

been established by County management are still effective or if changes are needed to maintain a sound internal control structure.

Context: Assessing risk and monitoring transaction cycles and account balances ensure the County properly records and reports activity in the financial statements.

Effect: Without monitoring of internal controls, management cannot be assured that internal controls are operating effectively and transactions are processed according to policy.

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: We recommend Otter Tail County management document the significant internal controls in its accounting system, including an assessment of risk and the processes used to minimize the risks. County management should develop a formal plan that calls for monitoring the internal control structure on a regular basis and 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

2023-003 Audit Adjustment

Prior Year Finding Number: 2022-003

Year of Finding Origination: 2021

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 a 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.

Condition: A material audit adjustment was identified that resulted in a significant change to the County's 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 Capital Improvement Special Revenue Fund, due to other funds and highways and streets expenditures were increased by \$1,062,513 to reflect the purchase of equipment recorded in the Road and Bridge Special Revenue Fund in 2023.

Cause: County staff did not record a payable for 2023 Road and Bridge Special Revenue Fund expenditures that will be repaid by the Capital Improvement Special Revenue Fund.

Otter Tail County Fergus Falls, Minnesota

Recommendation: We recommend the County review its policies and procedures for the preparation of its financial statements to ensure the County's financial statements are complete, accurate, and fairly presented in accordance with generally accepted accounting principles in the United States of America.

View of Responsible Official: Acknowledge

Section III – Federal Award Findings and Questioned Costs

2023-004 Procurement, Suspension, and Debarment

Prior Year Finding Number: N/A

Year of Finding Origination: 2023

Type of Finding: Internal Control Over Compliance and Compliance

Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of the Treasury

Program: 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

Award Number and Year: SLFRP1274, 2021

Pass-Through Agency: N/A – Federal Direct

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

Title 2 U.S. *Code of Federal Regulations* § 200.318(i) states that the County must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Additionally, the County must follow further federal guidance over full and open competition as provided in Title 2 U.S. *Code of Federal Regulations* § 200.319, and perform a cost or price analysis as provided in Title 2 U.S. *Code of Federal Regulations* § 200.324.

Federal requirements prohibit non-federal entities from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Title 2 U.S. *Code of Federal Regulations* § 180.300 describes a required verification process. Prior to entering into the transaction, one of the following must be performed: (1) checking SAM.gov exclusions, (2) collecting a certification, or (3) adding a clause or condition to the covered transaction.

Condition: For two procurements tested above the micro-purchase threshold, documentation of the history of the procurement, providing full and open competition, and a cost or price analysis was not available.

For the one covered transaction tested, the verification for suspended or debarred vendors was not performed before entering into the covered transaction.

Questioned Costs: None.

Context: Two of five contracts were tested for compliance with applicable federal regulations. Additionally, one covered transaction was subject to suspension and debarment.

Otter Tail County Fergus Falls, Minnesota

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

Effect: It cannot be determined that the contracting process was open and fair because the County did not document the rationale for the contractor selection. It also cannot be determined that an entity was not suspended, debarred, or otherwise excluded from conducting business with the County.

Cause: The County did not maintain the necessary documentation to allow the auditor to test for procurement and suspension and debarment.

Recommendation: We recommend the County maintain documentation on the history of a procurement, provide for full and open competition, and perform a cost or price analysis to support compliance with Title 2 U.S. *Code of Federal Regulations* §§ 200.318, 200.319, and 200.324. We further recommend the County maintain documentation to demonstrate that vendors were not debarred, suspended, or otherwise excluded from conducting business with the County; this documentation should be completed prior to entering into a covered transaction.

View of Responsible Official: Concur

Section IV – Other Findings and Recommendations

2023-005 Ditch Fund Balance Deficits

Prior Year Finding Number: 2022-004

Year of Finding Origination: 2009

Type of Finding: Management Practice

Criteria: Each individual ditch system within the County Ditch Special Revenue Fund should be maintained with a positive fund balance to meet its financial obligations.

Condition: As of December 31, 2023, the County had individual ditch systems where liabilities and deferred inflows of resources exceeded assets, resulting in individual deficit fund balance amounts.

Context: As of December 31, 2023, 34 of the 59 individual ditch systems had deficit fund balances totaling \$635,946.

Effect: Ditch systems with deficit fund balances indicate that measures may need to be taken to ensure that they can meet financial obligations.

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

Recommendation: We recommend the County monitor the balances of the ditch systems and eliminate deficit fund balances by approving necessary special assessments as soon as practicable for each system.

View of Responsible Official: Concur



**Representation of Otter Tail County
Fergus Falls, Minnesota**

Corrective Action Plan
For the Year Ended December 31, 2023

Finding Number: 2023-001

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: 2023-002

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: 2023-003

Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Kris Vipond, Assistant Finance Director

Corrective Action Planned:

It will be recommended that at least monthly, a review by members of the financial management team of the receipt, disbursement, and journal entries posted to the County's general ledger be completed to determine that all transactions have been properly coded and posted. Transactions that are identified as having been incorrectly posted will be reviewed, policies and procedures will be reviewed, the issue will be discussed with staff and general ledger corrections will be authorized by a supervisor in the Finance division.

Anticipated Completion Date:

12/31/2025

Finding Number: 2023-004

Finding Title: Procurement, Suspension and Debarment

Program: 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

Name of Contact Person Responsible for Corrective Action:

Kris Vipond, Assistant Finance Director

Corrective Action Planned:

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

Anticipated Completion Date:

12/31/2025

Finding Number: 2023-005

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



**Representation of Otter Tail County
Fergus Falls, Minnesota**

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2023

Finding Number: 2022-001

Year of Finding Origination: 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 taken 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. Steps have been taken to address with departmental leadership the need to be aware of and consider changes to existing procedures where there are a limited number of personnel involved. A formal policy and procedure is planned for the future.

Finding Number: 2022-002

Year of Finding Origination: 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. Narratives have been updated annually. A more formal risk assessment process is a future goal.

Finding Number: 2022-003

Year of Finding Origination: 2021

Finding Title: Audit Adjustment

Summary of Condition: An audit adjustment was identified that resulted in a significant change to the County's financial statements.

Summary of Corrective Action Previously Reported: Otter Tail County will revise the contracts payable process to include a review of building contracts, and the Assistant Finance Director will review financial statements for accuracy.

Status: Not Corrected. Otter Tail County highway finance staff will include building projects in their contracts payable process going forward. Financial statements will continue to be reviewed for accuracy.

Finding Number: 2017-005

Year of Finding Origination: 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 the four contracts tested, the County did not have a history of procurement including documentation for the rationale of selecting the vendor and the basis for price, and for all four contracts tested, the County lacked documentation demonstrating that it reviewed vendors for suspension or debarment prior to entering 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 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: Partially Corrected. Finance team will remind all departments about this requirement and keep in mind that staff turnover can affect processes and understanding of requirements which leads to the need for continuous training.

Finding Number: 2022-004

Year of Finding Origination: 2009

Finding Title: Ditch Fund Balance Deficits

Summary of Condition: As of December 31, 2022, 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 establishing a fund for future costs, which over time will resolve this issue.

Status: Not Corrected. This is a long term fix and Corrective Action progress will continue annually.

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, 2023, 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 27, 2024.

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 opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 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. 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 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 contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, 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 County’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 and 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 Agency’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 Agency’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

December 27, 2024

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor