

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Audit Practice Division

Prairie Lakes Municipal Solid Waste Authority (A Component Unit of Otter Tail County) Fergus Falls, Minnesota

Annual Financial Report and
Management and Compliance Report

Year Ended December 31, 2024

**Prairie Lakes Municipal Solid Waste Authority
Fergus Falls, Minnesota**

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Introductory Section

**Prairie Lakes Municipal Solid Waste Authority
Fergus Falls, Minnesota**

Organization

December 31, 2024

Name	Title	County	Term Expires
Board of Directors			
John Okeson	Chairman	Becker	December 2024
Kevin Campbell	Member	Clay	December 2024
Lee Rogness	Member	Otter Tail	December 2024
Dan Bucholz	Member	Otter Tail	December 2024
Tim Denny	Vice-Chairman	Todd	December 2024
Bill Stearns	Member	Wadena	December 2024
Officer			
Chris McConn	Executive Director		Indefinite

Financial Section



Independent Auditor's Report

Board of Directors
Prairie Lakes Municipal Solid Waste Authority
Fergus Falls, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Prairie Lakes Municipal Solid Waste Authority, a component unit of Otter Tail County, Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Prairie Lakes Municipal Solid Waste Authority as of December 31, 2024, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Authority, 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Authority'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 opinion. 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 Authority'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 Authority'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, PERA retirement plan schedules, and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the Annual Financial Report. The other information comprises the Introductory Section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements,

or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2025, on our consideration of the Prairie Lakes Municipal Solid Waste Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Prairie Lakes Municipal Solid Waste Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Prairie Lakes Municipal Solid Waste Authority's internal control over financial reporting and compliance.

/s/Julie Blaha

/s/Chad Struss

Julie Blaha
State Auditor

Chad Struss, CPA
Deputy State Auditor

October 16, 2025

Management Discussion and Analysis

Prairie Lakes Municipal Solid Waste Authority Fergus Falls, Minnesota

Management's Discussion and Analysis December 31, 2024 (Unaudited)

Introduction

Prairie Lakes Municipal Solid Waste Authority's (Authority) Management's Discussion and Analysis (MD&A) provides an overview of the Authority's financial activities for the fiscal year ended December 31, 2024. 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 Authority's financial statements.

The Authority is a joint powers enterprise operation of Becker, Clay, Otter Tail, Todd, and Wadena Counties (the Counties). The Authority was created to cooperate in a joint venture to operate and manage a waste management system within the Counties. The purpose, without limitation, shall include ownership and operation of the Perham Resource Recovery Facility (PRRF) in Perham, Minnesota. All five counties signed waste supply agreements reflecting delivery commitments proportionate to their percent ownership, except that Clay County's obligation is a minimum of 9,400 tons and a maximum of 11,000 tons. The Counties of Otter Tail, Todd, and Wadena have waste designation ordinances that require all processable municipal solid waste (MSW) generated in their county be delivered to the Authority for the purpose of ensuring waste supply commitments. Neither Becker nor Clay County have a waste designation ordinance.

Financial Highlights

- MSW received by the PRRF for processing totaled 53,144 tons in 2024. This is a decrease from the 53,888 tons processed in 2023.
- Member counties currently have the following percent ownerships:
 - Becker 22%
 - Clay 15%
 - Otter Tail 39%
 - Todd 14%
 - Wadena 10%

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the basic financial statements. The Authority's basic financial statements consist of two parts: the financial statements and the notes to the financial statements. The MD&A (this section) is required to accompany the basic financial statements and, therefore, is included as required supplementary information.

The financial statements present different views of the Authority's financial activities and consist of the following:

- The statement of net position reports the 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 the Authority is improving or deteriorating.

- The statement of revenues, expenses, and changes in net position provides information on an aggregate view of the Authority's finances. All of the current year's revenues and expenses are taken into account regardless of when the cash was received or paid.
- The statement of cash flows provides sources and uses of cash for the Authority.

The financial statements were prepared by the Otter Tail County Auditor's Office from the detailed books and records of the Authority.

Financial Analysis

The following comparative condensed financial statements and other selected information serve as the key financial data and indicators for management, monitoring, and planning.

As can be seen from the table below, total assets decreased by \$1,036,967. Liabilities decreased by \$2,181,714 in 2024.

Net Position				
Condensed Statement of Net Position	2024	2023	Dollar Change	Percent Change (%)
Assets				
Current and other assets	\$ 2,277,758	\$ 2,400,048	\$ (122,290)	(5.1)
Capital assets – net of depreciation	23,374,611	24,289,288	(914,677)	(3.8)
Total Assets	<u>\$ 25,652,369</u>	<u>\$ 26,689,336</u>	<u>\$ (1,036,967)</u>	(3.9)
Deferred Outflows of Resources				
Deferred pension outflows	<u>\$ 194,302</u>	<u>\$ 394,675</u>	<u>\$ (200,373)</u>	(50.8)
Liabilities				
Current liabilities	\$ 2,415,859	\$ 2,185,551	\$ 230,308	10.5
Noncurrent liabilities	19,731,610	22,143,632	(2,412,022)	(10.9)
Total Liabilities	<u>\$ 22,147,469</u>	<u>\$ 24,329,183</u>	<u>\$ (2,181,714)</u>	(9.0)
Deferred Inflows of Resources				
Deferred pension inflows	<u>\$ 666,375</u>	<u>\$ 493,797</u>	<u>\$ 172,578</u>	34.9
Net Position				
Net investment in capital assets	\$ 5,009,615	\$ 4,229,289	\$ 780,326	18.5
Unrestricted	(1,976,788)	(1,968,258)	(8,530)	(0.4)
Total Net Position	<u>\$ 3,032,827</u>	<u>\$ 2,261,031</u>	<u>\$ 771,796</u>	34.1

The Authority's total net position for the year ended December 31, 2024, was \$3,032,827, an increase of \$771,796 from the prior year.

Change in Net Position

Condensed Statement of Revenues, Expenses, and Changes in Net Position	2024	2023	Increase/ (Decrease)	Percent (%) Change
Operating Revenues				
Charges for services	\$ 8,907,904	\$ 9,094,048	\$ (186,144)	(2.0)
Miscellaneous	412,184	397,162	15,022	3.8
Total Operating Revenues	\$ 9,320,088	\$ 9,491,210	\$ (171,122)	(1.8)
Operating Expenses				
Administration and overhead	\$ 6,006,422	\$ 6,326,734	\$ (320,312)	(5.1)
Transportation and disposal	615,768	550,286	65,482	11.9
Depreciation	1,426,195	1,587,586	(161,391)	(10.2)
Total Operating Expenses	\$ 8,048,385	\$ 8,464,606	\$ (416,221)	(4.9)
Operating Income (Loss)	\$ 1,271,703	\$ 1,026,604	\$ 245,099	23.9
Nonoperating Revenues (Expenses)				
Intergovernmental revenues	\$ 672	\$ 183	\$ 489	267.2
Interest income	10,872	1,956	8,916	455.8
Interest expense	(511,451)	(562,972)	51,521	(9.2)
Total Nonoperating Revenues (Expenses)	\$ (499,907)	\$ (560,833)	\$ 60,926	(10.9)
Change in Net Position	\$ 771,796	\$ 465,771	\$ 306,025	65.7

Revenues

The Authority's operating revenues are derived from various sources:

a. Member County Monthly Fees

Member counties pay a fixed monthly fee in return for their respective share of the processing capacity of the facility.

b. Special Waste Tipping Fees

Special waste is non-standard waste such as document destruction, industrial wastes, and waste generated from law enforcement that are charged per ton and require special processing.

c. Material Sales

Recyclables such as aluminum, tin, cardboard, and plastic bottles that are captured by the front-end Material Recovery Facility are typically baled for sale ultimately to be recycled into new usable products.

d. Steam Sales

Steam generated by combustion of the waste, and an auxiliary natural gas boiler is sold to Bongards Creamery and Tuffy's Pet Foods.

The Authority's 2024 tipping fees increased slightly to \$145 per ton. The Authority's 2025 tipping fees will be \$145 per ton. The fees as shown are the calculation of annual cost to member counties divided by projected processing capacity, less 6,000 tons as determined during the budgeting process. Clay County and Otter Tail County have agreed to an adjustment of 1,150 tons per year of Clay County contractual processing capacity that Otter Tail

County has agreed to pay for and utilize on a year-by-year basis. Furthermore, Clay County's payment is based on the waste supply agreement language that requires a minimum of 9,400 tons per year.

Expenses

Utility costs were down 22.2 percent from 2023, mainly due to the cost of natural gas.

Capital Assets

Capital assets, net, totaled \$23,374,611 at December 31, 2024, versus \$24,289,288 at December 31, 2023. The capital assets increased due to improvements made to the combustion units and plenums totaling \$511,518, and a decrease of \$1,426,195 related to the depreciation expense for the year.

Noncurrent Liabilities

Noncurrent liabilities consist of advances from Otter Tail County of \$18,335,072, compensated absences payable of \$427,418, and net pension liability of \$969,120.

Economic and Other Factors

The Authority considered many factors when setting the fiscal year 2024 and 2025 budgets.

Primary factors that have been discussed include:

- a. Property insurance costs
- b. Recyclable material sales
- c. Natural gas costs and steam sales revenue
- d. Electricity costs

Contacting the Authority's Financial Management

This financial report is designed to provide our five member counties, citizens of the five counties, commercial customers, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for revenues and expenses. If you have questions about this report or need additional financial information, contact Chris McConn, Executive Director, Prairie Lakes Municipal Solid Waste Authority, 1115 North Tower Road, Fergus Falls, Minnesota 56537, or at cmcconn@ottertailcounty.gov.

Basic Financial Statements

Exhibit 1

**Prairie Lakes Municipal Solid Waste Authority
Fergus Falls, Minnesota**

**Statement of Net Position
December 31, 2024**

Assets**Current assets**

Cash and cash equivalents	\$ 2,023,128
Accounts receivable	248,348
Due from other governments	321
Prepaid items	5,961

Total current assets	\$ 2,277,758
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Noncurrent assets

Capital assets	
Nondepreciable	\$ 25,489
Depreciable – net	23,349,122

Total noncurrent assets	\$ 23,374,611
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Total Assets	\$ 25,652,369
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Deferred Outflows of Resources

Deferred pension outflows	\$ 194,302
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Liabilities**Current liabilities**

Accounts payable	\$ 168,203
Salaries payable	117,163
Advance from primary government – current	1,750,000
Due to other governments	89,515
Due to primary government	79,503
Compensated absences payable – current	211,475

Total current liabilities	\$ 2,415,859
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Noncurrent liabilities

Advance from primary government – long-term	\$ 18,335,072
Compensated absences payable – long-term	427,418
Net pension liability	969,120

Total noncurrent liabilities	\$ 19,731,610
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Total Liabilities	\$ 22,147,469
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Deferred Inflows of Resources

Deferred pension inflows	\$ 666,375
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Net Position

Net investment in capital assets	\$ 5,009,615
Unrestricted	(1,976,788)

Total Net Position	\$ 3,032,827
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Exhibit 2

**Prairie Lakes Municipal Solid Waste Authority
Fergus Falls, Minnesota**

**Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2024**

Operating Revenues	
Charges for services	\$ 8,907,904
Miscellaneous	412,184
Total Operating Revenues	\$ 9,320,088
Operating Expenses	
Personal services	\$ 3,194,335
Professional services	127,143
Contracted services	316,498
Office	189,530
Chemicals and consumables	887,874
Utilities	935,240
Insurance	340,350
Repairs and maintenance	15,452
Transportation and disposal	615,768
Depreciation	1,426,195
Total Operating Expenses	\$ 8,048,385
Operating Income (Loss)	\$ 1,271,703
Nonoperating Revenues (Expenses)	
Intergovernmental	
State	
PERA contribution	\$ 672
Interest income	10,872
Interest expense	(511,451)
Total Nonoperating Revenues (Expenses)	\$ (499,907)
Change in net position	\$ 771,796
Net Position – January 1	2,261,031
Net Position – December 31	\$ 3,032,827

Exhibit 3

**Prairie Lakes Municipal Solid Waste Authority
Fergus Falls, Minnesota**

**Statement of Cash Flows
For the Year Ended December 31, 2024**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 9,306,485
Payments to employees	(3,184,775)
Payments to suppliers	(3,359,968)
	<u>(3,359,968)</u>
Net cash provided by (used in) operating activities	\$ 2,761,742
Cash Flows from Noncapital Financing Activities	
Intergovernmental	<u>\$ 672</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	\$ (1,876,414)
Interest paid on long-term debt	(519,795)
Purchase of capital assets	(511,518)
	<u>(511,518)</u>
Net cash provided by (used in) capital and related financing activities	\$ (2,907,727)
Cash Flows from Investing Activities	
Investment earnings received	<u>\$ 10,872</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (134,441)
Cash and Cash Equivalents – January 1	<u>2,157,569</u>
Cash and Cash Equivalents – December 31	<u>\$ 2,023,128</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	<u>\$ 1,271,703</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 1,426,195
(Increase) decrease in accounts receivable	(13,885)
(Increase) decrease in prepaid items	1,452
(Increase) decrease in due from other governments	282
(Increase) decrease in deferred pension outflows	200,373
Increase (decrease) in accounts payable	81,926
Increase (decrease) in salaries payable	13,689
Increase (decrease) in compensated absences payable	123,015
Increase (decrease) in due to other governments	(14,039)
Increase (decrease) in deferred pension inflows	172,578
Increase (decrease) in net pension liability	(501,547)
	<u>(501,547)</u>
Total adjustments	<u>\$ 1,490,039</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 2,761,742</u>

Prairie Lakes Municipal Solid Waste Authority

Fergus Falls, Minnesota

Notes to the Financial Statements

As of and for the Year Ended December 31, 2024

Note 1 – Summary of Significant Accounting Policies

The Prairie Lakes Municipal Solid Waste Authority's (Prairie Lakes) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for the year ended December 31, 2024. 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 Prairie Lakes are discussed below.

Financial Reporting Entity

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

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

Prairie Lakes is governed by a six-member Board of Directors—one member appointed from Becker, Clay, Todd, and Wadena Counties and two from Otter Tail County. Contribution percentages for the Counties were set up in the joint powers agreement as follows: Becker – 22 percent, Clay – 15 percent, Otter Tail – 39 percent, Todd – 14 percent, and Wadena – 10 percent.

Prairie Lakes is a component unit of Otter Tail County because it is fiscally dependent on Otter Tail County. Prairie Lakes' financial statements are discretely presented in the Otter Tail County financial statements.

Basic Financial Statements

The accounts of Prairie Lakes are organized as an enterprise fund. Operating revenues, such as charges for services, result from exchange transactions associated with providing services. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as interest income, grants, and member county 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.

Measurement Focus and Basis of Accounting

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

Prairie Lakes Municipal Solid Waste Authority

Fergus Falls, Minnesota

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.

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

Cash and Cash Equivalents

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. Prepaid items are reported using the consumption method and recorded as expenses at the time of consumption.

Capital Assets

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

Additions, improvements, and other capital outlays that significantly extend the useful life or increase capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

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

Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation and sick leave balances that is attributable to services already rendered, it accumulates, and it is more likely than not to be used or settled through cash or noncash means. Compensated absences are accrued when incurred. The current portion consists of amounts earned in a one-year period. The noncurrent portion consists of the remaining amount of vacation and sick leave.

Prairie Lakes Municipal Solid Waste Authority

Fergus Falls, Minnesota

Noncurrent Liabilities

The noncurrent liabilities consist of advances from Otter Tail County not expected to be paid within the next year, along with the portion of compensated absences not considered current, and the net pension liability.

Deferred Outflows/Inflows of Resources

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

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. Prairie Lakes has one item, deferred pension inflows, that qualifies for reporting in this category.

Pension Plan

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

Equity Classifications

Equity is classified as net position. Net investment in capital assets represents capital assets, net of accumulated depreciation, reduced by debt attributed to the acquisition, construction, or improvement of the assets. Unrestricted net position is net position that does not meet the definition of "restricted" or "net investment in capital assets."

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, 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.

Change in Accounting Principle

Prairie Lakes adopted new accounting guidance by implementing the provisions of GASB Statement No. 101, Compensated Absences, which establishes new criteria for accounting and financial reporting for the compensated absences liability. The implementation of GASB Statement 101 resulted in changing the calculation of the compensated absences liability recorded on the financial statements.

Prairie Lakes Municipal Solid Waste Authority

Fergus Falls, Minnesota

Note 2 – Detailed Notes

Assets

Deposits

Prairie Lakes' total cash and cash equivalents are \$2,023,128.

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

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

Custodial Credit Risk

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

Receivables

Receivables as of December 31, 2024, are as follows:

Receivables as of December 31, 2024

Receivables	Amount
Accounts	\$ 248,348
Due from other governments	321
Total Receivables	<u>\$ 248,669</u>

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

Prairie Lakes Municipal Solid Waste Authority

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Capital Assets

Capital asset activity for the year ended December 31, 2024, was as follows:

Changes in Capital Assets for the Year Ended December 31, 2024

Capital Assets	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	4,863,641	511,518	-	5,375,159
Total capital assets depreciated	\$ 39,340,862	\$ 511,518	\$ -	\$ 39,852,380
Less: accumulated depreciation for				
Buildings	\$ 12,309,972	\$ 963,792	\$ -	\$ 13,273,764
Machinery, furniture, and equipment	2,767,091	462,403	-	3,229,494
Total accumulated depreciation	\$ 15,077,063	\$ 1,426,195	\$ -	\$ 16,503,258
Total capital assets depreciated, net	\$ 24,263,799	\$ (914,677)	\$ -	\$ 23,349,122
Capital Assets, Net	\$ 24,289,288	\$ (914,677)	\$ -	\$ 23,374,611

Depreciation expense for the year was \$1,426,195.

Liabilities

Payables

Current payables at December 31, 2024, were as follows:

Payables as of December 31, 2024

Current Payables	Amount
Accounts	\$ 168,203
Salaries	117,163
Advance from primary government	1,750,000
Due to other governments	89,515
Due to primary government	79,503
Compensated absences	211,475
Total Current Payables	<u>\$ 2,415,859</u>

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Advance from Primary Government

Otter Tail County has advanced funds to Prairie Lakes with resources received from bond issuances. 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 resource recovery facility. The proceeds from the sale of these bonds were recognized by Otter Tail County. Prairie Lakes' repayment of the advance 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, 2024:

Advances from Primary Government as of December 31, 2024

Type of Indebtedness	Maturity	Installment Amounts	Interest Rate (%)	Original	Balance
Advance from primary government – 2015	-	Varies	0.25	\$ 2,788,620	\$ 1,720,072
Advance from primary government – 2018	2028	\$105,000- \$125,000	3.00-4.00	1,065,000	470,000
Advance from primary government – 2019	2030	\$670,000- \$805,000	1.85-2.45	6,365,000	4,365,000
Advance from primary government – 2020	2031	\$190,000- \$215,000	1.15-2.00	2,000,000	1,450,000
Advance from primary government – 2021	2034	\$690,000- \$1,820,000	1.15-2.00	13,635,000	12,080,000
Total Advance from Primary Government				<u>\$ 25,853,620</u>	<u>\$ 20,085,072</u>

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

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The future minimum obligations as of December 31, 2024, were as follows:

Future Minimum Obligations as of December 31, 2024

Year Ending December 31	Principal	Interest
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	1,845,000	243,525
2030-2034	9,205,000	545,399
Total	<u>\$ 18,365,000</u>	<u>\$ 2,325,433</u>

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2024, was as follows:

Changes in Long-Term Liabilities for the Year Ended December 31, 2024

Long-Term Liabilities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Advance from primary government	\$ 21,961,486	\$ -	\$(1,876,414)	\$ 20,085,072	\$ 1,750,000
Compensated absences	515,878	123,015*	-	638,893	211,475
Long-Term Liabilities	<u>\$22,477,364</u>	<u>\$ 123,015</u>	<u>\$(1,876,414)</u>	<u>\$ 20,723,965</u>	<u>\$ 1,961,475</u>

*The change in the compensated absences liability is presented as a net change.

Pension Plan

Defined Benefit Pension Plan

Plan Description

All full-time and certain part-time employees of Prairie Lakes are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan), which is a cost-sharing, multiple-employer retirement plan. This 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 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.

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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. The 2024 annual increase was 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

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

Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2024. The employer was required to contribute 7.50 percent of annual covered salary in 2024. Rates did not change from 2023.

Prairie Lakes' contributions for the General Employees Plan for the year ended December 31, 2024, were \$170,857. The contributions are equal to the statutorily required contributions as set by state statute.

Pension Costs

At December 31, 2024, Prairie Lakes reported a liability of \$969,120 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023, through June 30, 2024,

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relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, Prairie Lakes' proportion was 0.0262 percent. It was 0.0263 percent measured as of June 30, 2023. Prairie Lakes recognized pension expense of \$42,933 for its proportionate share of the General Employees Plan's pension expense.

The State of Minnesota contributed \$170.1 million to the General Employees Plan in the plan fiscal year ended June 30, 2024. This contribution was a one-time direct state aid that does not meet the definition of a special funding situation. Prairie Lakes recognized \$44,588 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Plan.

Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031. This contribution meets the definition of a special funding situation. Prairie Lakes recognized an additional \$672 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

Employer's Share of the Net Pension Liability and the State's Related Liability As of December 31, 2024

Total General Employees Plan Net Pension Liability Associated with Prairie Lakes	Amount
Prairie Lakes' proportionate share of the net pension liability	\$ 969,120
State of Minnesota's proportionate share of the net pension liability associated with Prairie Lakes	25,059
Total	<u>\$ 994,179</u>

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

Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2024

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 91,155	\$ -
Changes in actuarial assumptions	4,693	367,673
Difference between projected and actual investment earnings	-	288,697
Changes in proportion	11,880	10,005
Contributions paid to PERA subsequent to the measurement date	86,574	-
Total	<u>\$ 194,302</u>	<u>\$ 666,375</u>

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The \$86,574 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2024

Year Ended December 31	Pension Expense Amount
2025	\$ (226,178)
2026	38,128
2027	(31,904)
2028	(338,693)

Actuarial Assumptions

The total pension liability in the June 30, 2024, 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, 2024

Actuarial Assumptions	General Employees Fund
Inflation	2.25% per year
Active Member Payroll Growth	3.00% per year
Investment Rate of Return	7.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan, with slight adjustments. Cost-of-living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan.

Actuarial assumptions used in the June 30, 2024, valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. 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.

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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 2024, which remains consistent with 2023. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2024:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates.
- Assumed rates of withdrawal were increased for both males and females.
- Assumed rates of disability were decreased.
- Slight adjustments were made to the use of the Pub-2010 General Mortality table as recommended in the most recent experience study.
- Minor changes to form of payment assumptions were applied for male and female retirees.
- Minor changes to assumptions were made with respect to missing participant data.
- The workers' compensation offset for disability benefits was eliminated.
- The actuarial equivalent factors were updated to reflect changes in assumptions.

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

Prairie Lakes Municipal Solid Waste Authority

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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, 2024

Change in Discount Rate	General Employees Plan Discount Rate	General Employees Plan Net Pension Liability
1% Decrease	6.00%	\$ 2,116,714
Current	7.00%	969,120
1% Increase	8.00%	25,119

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.

Note 3 – Risk Management

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

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 2024 and \$1,000,000 per claim in 2025. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess Prairie Lakes in a method and amount to be determined by MCIT.

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

Prairie Lakes retains the risk for the deductible portion of the policies, which is considered immaterial to the financial statements. At December 31, 2024, there are no claims liabilities required to be reported in the financial statements.

Required Supplementary Information

Exhibit A-1

**Prairie Lakes Municipal Solid Waste Authority
Fergus Falls, Minnesota**

**Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2024**

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 Prairie Lakes Municipal Solid Waste Authority (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 (%)
2024	0.0262	\$ 969,120	\$ 25,059	\$ 994,179	\$ 2,218,644	43.68	89.08
2023	0.0263	1,470,667	40,654	1,511,321	2,094,077	70.23	83.10
2022	0.0260	2,059,209	60,229	2,119,438	1,946,023	105.82	76.67
2021	0.0266	1,135,939	34,674	1,170,613	1,912,255	59.40	87.00
2020	0.0262	1,570,810	48,424	1,619,234	1,870,488	83.98	79.06
2019	0.0257	1,420,895	44,165	1,465,060	1,821,174	78.02	80.23
2018	0.0264	1,464,564	47,924	1,512,488	1,773,732	82.57	79.53
2017	0.0265	1,691,743	21,307	1,713,050	1,709,997	98.93	75.90
2016	0.0258	2,094,832	27,321	2,122,153	1,598,933	131.01	68.91
2015	0.0249	1,290,446	N/A	1,290,446	1,463,189	88.19	78.19

The measurement date for each year is June 30.

N/A – Not Applicable

Exhibit A-2

**Prairie Lakes Municipal Solid Waste Authority
Fergus Falls, Minnesota**

**Schedule of Contributions
PERA General Employees Retirement Plan
December 31, 2024**

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) (%)
2024	\$ 170,857	\$ 170,857	\$ -	\$ 2,278,093	7.50
2023	162,384	162,384	-	2,165,115	7.50
2022	150,258	150,258	-	2,003,436	7.50
2021	143,580	143,580	-	1,914,406	7.50
2020	143,185	143,185	-	1,909,129	7.50
2019	137,770	137,770	-	1,836,933	7.50
2018	136,013	136,013	-	1,813,499	7.50
2017	130,673	130,673	-	1,742,306	7.50
2016	124,213	124,213	-	1,656,187	7.50
2015	115,685	115,685	-	1,542,467	7.50

Prairie Lake's year-end is December 31.

Prairie Lakes Municipal Solid Waste Authority Fergus Falls, Minnesota

Notes to the Required Supplementary Information For the Year Ended December 31, 2024

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

2024

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates.
- Assumed rates of withdrawal were increased for both males and females.
- Assumed rates of disability were decreased.
- Slight adjustments were made to the use of the Pub-2010 General Mortality table as recommended in the most recent experience study.
- Minor changes to form of payment assumptions were applied for male and female retirees.
- Minor changes to assumptions were made with respect to missing participant data.
- The workers' compensation offset for disability benefits was eliminated.
- The actuarial equivalent factors were updated to reflect changes in assumptions.

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

Prairie Lakes Municipal Solid Waste Authority City Fergus Falls, Minnesota

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 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.

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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.
- 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.

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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.

Management and Compliance Section

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 Directors
Prairie Lakes Municipal Solid Waste Authority
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 Prairie Lakes Municipal Solid Waste Authority, a component unit of Otter Tail County, Minnesota, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 16, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Prairie Lakes Municipal Solid Waste Authority'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 Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 the Prairie Lakes Municipal Solid Waste Authority'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 Prairie Lakes Municipal Solid Waste Authority failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, 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 Authority’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 Other Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the Authority’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 Authority’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

October 16, 2025

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor