

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA

YEAR ENDED DECEMBER 31, 2017

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 650 public pension funds; and

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

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

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.auditor.state.mn.us

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

Year Ended December 31, 2017



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

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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FERGUS FALLS, MINNESOTA**

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FERGUS FALLS, MINNESOTA**

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2017

			<u>Term Expires</u>
Elected			
Commissioners			
Board Member	Douglas Huebsch	District 1	January 2021
Chair	Wayne Johnson	District 2	January 2019
Board Member	John Lindquist	District 3	January 2021
Vice Chair	Roger Froemming	District 4	January 2019
Board Member	Leland Rogness	District 5	January 2021
Attorney	David Hauser		January 2019
Auditor-Treasurer	Wayne Stein		January 2019
County Recorder	Carol Schmaltz		January 2019
County Sheriff	Brian Schlueter		January 2019
Appointed			
Assessor	Doug Walvatne		December 2020
County Engineer	Richard West		May 2018
Medical Examiner	Dr. Gregory Smith		Indefinite
County Administrator	John Dinsmore		Indefinite
Veterans Service Officer	Charlie Kampa		August 2021
Examiner of Titles	Robert Russell		Indefinite
Solid Waste Director	Vacant*		Indefinite
Human Services Board			
Member	Leland Rogness		January 2021
Member	Douglas Heubsch		January 2019
Member	John Lindquist		January 2021
Chair	Wayne Johnson		January 2021
Vice Chair	Roger Froemming		January 2019
Human Services Director	Deb Sjoström		Indefinite
Probation Officer	Desta K. Lutzwick		Indefinite
Public Health Director	Diane Thorson		Indefinite

*Chris McConn was appointed as Executive Director on May 23, 2018.

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Otter Tail County
Fergus Falls, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Otter Tail County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Otter Tail County as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Otter Tail County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to

the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2018, on our consideration of Otter Tail County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Otter Tail County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Otter Tail County's internal control over financial reporting and compliance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 20, 2018

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(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, 2017. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is \$188,921,044, of which Otter Tail County has a net investment in capital assets of \$166,027,229, and \$34,756,826 is restricted to specific purposes/uses.
- Business-type activities' total net position is \$7,162,941. Net investment in capital assets represents \$5,190,485 of the total.
- Otter Tail County's net position (governmental activities and business-type activities) totals \$196,083,985 for the year ended December 31, 2017. Net investment in capital assets represents \$171,217,714 of the total, \$34,756,826 of the total net position is restricted for specific uses, and (\$9,890,555) is unrestricted.
- The net cost of Otter Tail County's governmental activities for the year ended December 31, 2017, was \$39,869,898. General property tax revenues and other revenue sources totaling \$46,218,072 funded the total net cost of \$39,869,898.
- Otter Tail County's governmental funds' fund balances decreased by \$9,135,508. This decrease was the result of a General Fund balance increase of \$973,510, a Road and Bridge Special Revenue Fund balance decrease of \$5,088,252, a Human Services Special Revenue Fund balance decrease of \$709,056, a Capital Improvement Special Revenue Fund balance increase of \$839,942, a Construction Capital Projects Special Revenue Fund balance increase of \$38,634, a Prairie Lakes Municipal Solid Waste Authority Debt Service Fund balance decrease of \$1,085,000, and a decrease in other governmental funds' fund balances of \$4,105,286.

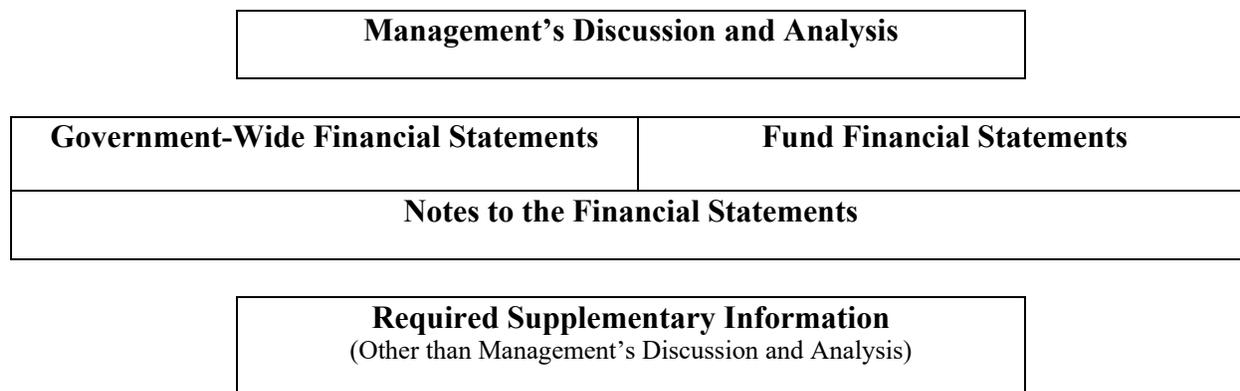
- The General Fund balance increased by \$973,510. This increase was due to excess of revenues over expenditures of \$1,054,016, which was offset by an operating transfer to the Public Buildings Debt Service Fund totaling \$80,347 to fund the Viking Library's share of the current debt service, and an operating transfer to the Master Facilities Construction Debt Service to pay interest earned on invested debt service funds. For the prior year ended December 31, 2016, excess of General Fund revenues over expenditures were \$964,085. The \$89,931 increase in excess revenues over expenditures is due mainly to a \$353,497 increase in revenues, which was offset by an \$263,566 increase in expenditures. It should be noted that revenues from taxes increased by \$688,144, revenues from charges for services increased by \$105,417, revenues from licenses and permits increased by \$7,568, and revenues from fines and forfeits increased by \$3,531. However, these increased revenues in the General Fund were offset by decreased revenues from special assessments of \$396, decreased revenues from intergovernmental sources of \$199,808, decreased revenues from gifts and contributions of \$14,000, decreased revenues from investment earnings of \$47,244, and decreased revenues from miscellaneous other revenues sources of \$189,715. General Fund expenditures for public safety-related functions/programs increased by \$315,059, expenditures for culture and recreation-related functions/programs increased by \$11,869, and expenditures for economic development-related function/programs increased by \$101,904. However, these increased expenditures were offset by a \$64,677 decrease in costs associated with general government-related functions/programs, a \$48,762 decrease in costs associated with conservation of natural resource-related functions/programs, and a \$51,827 decrease in debt service costs.
- The Road and Bridge Special Revenue Fund balance decreased by \$5,088,252 due to excess of expenditures over revenues of \$5,049,283 and a decrease in inventories of \$38,969. For the prior year ended December 31, 2016, excess of expenditures over revenues totaled \$1,083,008. The \$3,966,275 increase in excess expenditures over revenues is due mainly to increased intergovernmental highways and streets-related expenditures of \$3,416, a decrease in intergovernmental revenue sources totaling \$5,271,012 and a decrease in miscellaneous revenue sources of \$4,494. However, these increased expenditures and decreased revenue sources were offset by an increase in revenues from taxes totaling \$934,639, an increase in revenues from charges for services totaling \$246,058, and decreased highways and streets-related expenditures of \$131,950.
- The Human Services Special Revenue Fund balance decreased by \$709,056 due to excess of expenditures over revenues of \$709,056. For the prior year ended December 31, 2016, excess of revenues over expenditures totaled \$366,694. The \$1,075,750 decrease was due mainly to a decrease in revenues for intergovernmental revenue totaling \$511,110, an increase in the costs for human services-related functions/programs totaling \$1,070,724 and an increase in the costs for health-related functions/programs totaling \$473,629. However, the increased expenditures and decreased revenues were offset by an increase in tax revenues of \$347,498, an increase in licenses and permits of \$163,774, an increase in charges for services revenues of \$158,857, an increase in gifts and contributions revenues totaling \$7,548, an increase in miscellaneous revenues totaling \$203,026, and a decrease in the costs for public safety-related functions/programs totaling \$99,010.

- The Capital Improvement Special Revenue Fund balance increased by \$839,942 due to excess of revenues over expenditures of \$841,428, which was offset by an operating transfer to the Government Services Center Debt Service Fund totaling \$1,486. For the prior year ended December 31, 2016, excess of revenues over expenditures totaled \$1,231,425. The \$389,997 decrease in excess of revenues over expenditures was due mainly to decreased revenues from special assessment revenue of \$20, a decrease in intergovernmental revenues of \$89,607, a decrease in charges for services of \$3,343, a decrease in miscellaneous revenue sources of \$99,426, and increased highway and streets-related expenditures of \$519,011. These decreased revenues and increased expenditures were offset by an increase in tax revenues of \$13,110, an increase in investment earnings of \$2,429, a decrease in general government-related expenditures of \$138,195, a decrease in public safety-related expenditures of \$132,260, a decrease in human services-related expenditures of \$24,608, a decrease in health-related expenditures of \$1,604, a decrease in culture and recreation-related expenditures of \$3,096, and a decrease in conservation of natural resources-related capital expenditures of \$6,108.
- The Construction Capital Projects Fund balance increased by \$38,634 mainly due to excess of expenditures over revenues of \$1,355,073 and a transfer out to the Detention Facility Debt Service Fund of \$26,700 which was offset by proceeds from the General Obligation Capital Improvement bonds issued (including premium) of \$1,420,407. For the prior year ended December 31, 2016, excess of revenues over expenditures totaled \$75,949. The decrease in excess of revenues over expenditures of \$1,431,022 was due mainly to a decrease in miscellaneous revenue sources of \$29,656, an increase in public safety-related construction expenditures of \$1,279,002, an increase in conservation of natural resources-related construction expenditures of \$1,638,798, and an increase in debt service expenditures of \$40,735 which was offset by an increase in intergovernmental revenues of \$1,557,169. The primary revenue sources for the Construction Capital Projects Fund in 2017 and forward is a Department of Natural Resources grant to fund a drainage project in a local lake improvement district. The primary purpose of this fund in 2017 and forward will be to account for the revenues and expenditures associated with this drainage project, as well as any other major capital projects that will be undertaken in the future.
- The Prairie Lakes Municipal Solid Waste Authority Debt Service Fund balance decreased by \$1,085,000 due to excess of expenditures over revenues of \$1,085,000. For the prior year ended December 31, 2016, excess of expenditures over revenues totaled \$1,059,392. The \$25,608 increase in excess of expenditures over revenues is due to decreased miscellaneous/intergovernmental revenues totaling \$26,355, a decrease in investment earnings of \$43 and a decrease in debt service costs (principal and interest) of \$790.
- The fund balance as of December 31, 2017, for all other governmental funds decreased by \$4,105,286. This decrease was due mainly to excess of expenditures over revenues of \$4,213,978 and operating transfers out totaling \$273,174, which was offset by operating transfers-in totaling \$381,866. For the prior year ended December 31, 2016, excess of expenditures over revenues totaled \$1,171,603. The \$3,042,375 increase in excess of

expenditures over revenues is due mainly to a decrease in tax revenues of \$207,773, a decrease in intergovernmental revenues of \$5,359, a decrease in fines and forfeits of \$2,133, a decrease in investment earning revenues of \$270, an increase in general government-related expenditures of \$12,683, an increase in public safety-related expenditures of \$4,365, and an increase in debt service costs (principal, interest and bond issuance costs) of \$3,248,495. These decreased revenues and increased expenditures were offset by an increase in special assessment revenues of \$108,720, an increase in miscellaneous revenue sources of \$1,929 and a decrease in conservation of natural resources-related expenditures of \$328,054.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



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

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

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

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

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

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

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

- **Governmental activities**--Otter Tail County reports its basic services in the "Governmental Activities" column of these reports. The activities reported include general government, public safety, highways and streets, 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.
- **Business-type activities**--Otter Tail County charges a service fee to property owners and customers/users of the waste management facilities to help cover most of the costs to operate these facilities and pay for the services provided. The County reports its solid waste collection and disposal programs, including County-sponsored recycling programs, in the "Business-Type Activities" column.

Fund Financial Statements

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

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

THE COUNTY AS A WHOLE

Otter Tail County's combined net position for the year ended December 31, 2017, was \$196,083,985. The analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the County's governmental and business-type activities.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 91,987,613	\$ 100,781,878	\$ 5,683,320	\$ 5,256,329	\$ 97,670,933	\$ 106,038,207
Capital assets	176,836,614	160,893,882	5,190,485	5,649,444	182,027,099	166,543,326
Total Assets	\$ 268,824,227	\$ 261,675,760	\$ 10,873,805	\$ 10,905,773	\$ 279,698,032	\$ 272,581,533
Deferred Outflows of Resources						
Deferred amount of refunding	\$ 206,083	\$ 235,878	\$ -	\$ -	\$ 206,083	\$ 235,878
Deferred pension outflows	12,151,724	21,094,373	371,907	803,146	12,523,631	21,897,519
Total Deferred Outflows of Resources	\$ 12,357,807	\$ 21,330,251	\$ 371,907	\$ 803,146	\$ 12,729,714	\$ 22,133,397
Liabilities						
Long-term debt outstanding	\$ 73,127,616	\$ 90,912,283	\$ 3,577,309	\$ 3,672,357	\$ 76,704,925	\$ 94,584,640
Other liabilities	6,253,298	5,816,111	238,925	373,372	6,492,223	6,189,483
Total Liabilities	\$ 79,380,914	\$ 96,728,394	\$ 3,816,234	\$ 4,045,729	\$ 83,197,148	\$ 100,774,123
Deferred Inflows of Resources						
Deferred pension inflows	\$ 10,294,451	\$ 3,704,747	\$ 266,537	\$ 184,949	\$ 10,560,988	\$ 3,889,696
Prepaid property taxes	2,585,625	-	-	-	2,585,625	-
Total Deferred Inflows of Resources	\$ 12,880,076	\$ 3,704,747	\$ 266,537	\$ 184,949	\$ 13,146,613	\$ 3,889,696
Net Position						
Net investment in capital assets	\$ 166,027,229	\$ 147,568,875	\$ 5,190,485	\$ 5,649,444	\$ 171,217,714	\$ 153,218,319
Restricted	34,756,826	13,070,752	-	95,734	34,756,826	13,166,486
Unrestricted	(11,863,011)	21,933,243	1,972,456	1,733,063	(9,890,555)	23,666,306
Total Net Position	\$ 188,921,044	\$ 182,572,870	\$ 7,162,941	\$ 7,478,241	\$ 196,083,985	\$ 190,051,111

Otter Tail County's total net position for the year ended December 31, 2017, is \$196,083,985. Unrestricted net position totaling (\$9,890,555) is available to finance day-to-day operations. Of the unrestricted net position, (\$11,863,011) is available for governmental activities, and \$1,972,456 is available for business-type activities.

As of December 31, 2016, Otter Tail County's total net position was \$190,051,111. The increase of \$6,032,874 is due mainly to a decrease in total liabilities and deferred inflows of resources in the amount of \$8,320,058, which is offset by a decrease in total assets and deferred outflows of resources in the amount of \$2,287,184. (See the financial statements and the notes to the financial statement for additional information).

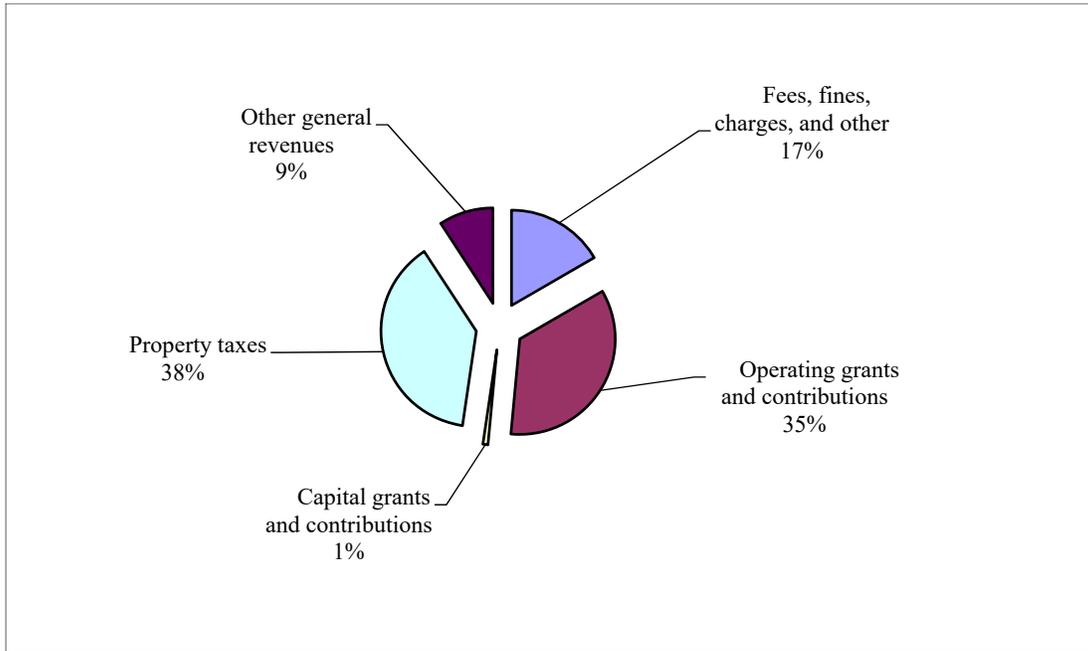
**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Fees, fines charges and other	\$ 8,654,169	\$ 8,803,692	\$ 7,469,014	\$ 6,366,664	\$ 16,123,183	\$ 15,170,356
Operating grants and contributions	33,339,688	40,814,749	452,687	261,855	33,792,375	41,076,604
Capital grants and contributions	815,497	1,948,529	-	-	815,497	1,948,529
General revenues						
Property taxes	37,296,924	36,359,651	-	-	37,296,924	36,359,651
Other taxes	4,280,050	3,982,265	-	-	4,280,050	3,982,265
Grants and contributions	2,975,382	3,614,641	-	-	2,975,382	3,614,641
Other general revenues	1,665,716	1,204,259	1,549	1,384	1,667,265	1,205,643
Total Revenues	\$ 89,027,426	\$ 96,727,786	\$ 7,923,250	\$ 6,629,903	\$ 96,950,676	\$ 103,357,689
Expenditures						
Program expenses						
General government	\$ 16,060,008	\$ 16,438,091	\$ -	\$ -	\$ 16,060,008	\$ 16,438,091
Public safety	8,911,595	15,116,987	-	-	8,911,595	15,116,987
Highways and streets	26,123,210	20,211,916	-	-	26,123,210	20,211,916
Human services	21,048,685	20,325,508	-	-	21,048,685	20,325,508
Health	4,351,034	3,971,681	-	-	4,351,034	3,971,681
Culture and recreation	780,930	779,868	-	-	780,930	779,868
Conservation of natural resources	3,810,119	2,655,306	-	-	3,810,119	2,655,306
Economic development	224,786	145,667	-	-	224,786	145,667
Interest	1,368,885	1,510,740	-	-	1,368,885	1,510,740
Landfill	-	-	8,238,550	7,240,276	8,238,550	7,240,276
Total Program Expenses	\$ 82,679,252	\$ 81,155,764	\$ 8,238,550	\$ 7,240,276	\$ 90,917,802	\$ 88,396,040
Increase (Decrease) in Net Position	\$ 6,348,174	\$ 15,572,022	\$ (315,300)	\$ (610,373)	\$ 6,032,874	\$ 14,961,649

Otter Tail County's total revenues for the year ended December 31, 2017, were \$96,950,676, which is a decrease over the total revenues for 2016 of \$6,407,013. The total cost of programs and services for the year ended December 31, 2017, were \$90,917,802, which is an increase over the total cost of programs in 2016 of \$2,521,762. In 2016, the net position for governmental activities and business-type activities increased \$14,961,649 and in 2017, the net position for governmental and business-type activities increased \$6,032,874. (Please see the financial statements and the notes to the financial statements for additional information.)

The \$6,407,013 decrease in revenues from 2016 is due mainly to decreases in programs revenues such as capital and operating grants and contributions, which were offset by increases in property and other tax revenues, other general revenues and program revenues such fees, fines and other charges. The \$2,521,762 increase in program expenses is due to increased highways and streets, human services, health, culture and recreation, conservation of natural resources, and economic development-related program expenses and increased business-type activities program expenses which were offset by decreased general government and public safety program expenses and interest cost.

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



Governmental Activities

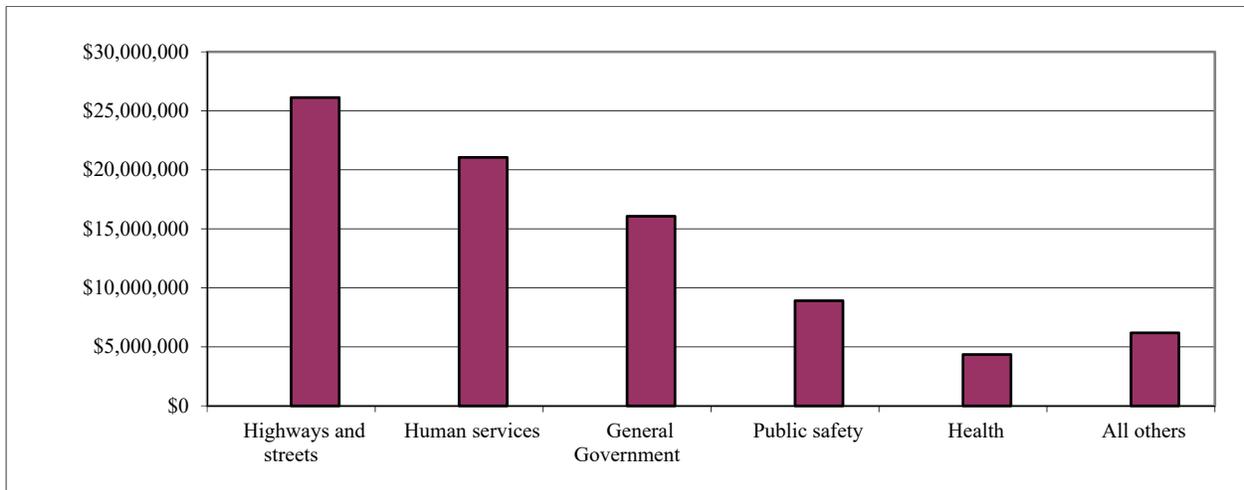
Revenues for Otter Tail County’s governmental activities for the year ended December 31, 2017, were \$89,027,426. Costs for all governmental activities for the year ended December 31, 2017, were \$82,679,252. As shown in the Statement of Activities, the amount that County taxpayers ultimately financed for these governmental activities through local property taxation was \$37,296,924, because \$8,654,169 of the costs were paid by those who directly benefited from the programs, and \$34,155,185 was paid by other governments and organizations that subsidized certain programs with grants and contributions. Otter Tail County paid for the remaining “public benefit” portion of governmental activities with \$8,921,148 in general revenues, primarily grants and contributions not restricted to specific programs or services, and with other revenues such as investment income, mortgage registration tax, deed tax, transportation sales and use tax and wheelage tax.

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

**Table 3
Governmental Activities**

	Total Cost of Services 2017	Net Cost of Services 2017
	<u>2017</u>	<u>2017</u>
Program expenses		
Highways and streets	\$ 26,123,210	\$ 8,153,110
Human services	21,048,685	9,326,431
General Government	16,060,008	12,060,979
Public safety	8,911,595	7,841,413
Health	4,351,034	740,475
All others	<u>6,184,720</u>	<u>1,747,490</u>
 Total Program Expenses	 <u>\$ 82,679,252</u>	 <u>\$ 39,869,898</u>

**Governmental Activities Expenses
2017**



Business-Type Activities

Revenues of Otter Tail County’s business-type activities (see Table 2) for the year ended December 31, 2017, were \$7,923,250. This compares with total operating revenues of \$6,360,663 and total nonoperating revenues of \$269,240 for the year ended December 31, 2016. Operating revenues increased by \$1,089,983, and nonoperating revenues increased by \$203,364, resulting in an overall increase in revenues of \$1,293,347 (Exhibit 8).

Expenses of business-type activities (see Table 2) for the year ended December 31, 2017, were \$8,238,550. This compares with total operating expenses of \$7,240,276 for the year ended December 31, 2016. Operating expenses increased by \$998,274, which is due mainly to increased waste management-related expenditures of \$651,515, increased landfill closure and post-closure care costs of \$304,235, and increased processing costs-related expenditures of \$146,187; which were offset by decreased SCORE-related expenditures of \$1,613, decreased household hazardous waste-related expenditures of \$38,165, and decreased depreciation expense of \$63,885.

The County's Funds

As Otter Tail County completed the year, its governmental funds, as presented in the balance sheet, reported a combined fund balance of \$76,163,847, which is less than last year's total of \$85,299,355. The decreased fund balance of \$9,135,508 is due to an increase in the General Fund balance of \$973,510, a decrease in the Road and Bridge Special Revenue Fund balance of \$5,088,252, a decrease in the Human Services Special Revenue Fund balance of \$709,056, an increase in the Capital Improvement Special Revenue Fund balance of \$839,942, an increase in the Construction Capital Projects Fund balance of \$38,634, a decrease in the Prairie Lakes Municipal Solid Waste Authority Debt Service Fund balance of \$1,085,000, and a decrease in the other governmental funds' fund balances of \$4,105,286.

As you will note, there were changes within individual funds. The overall fund balance change represented a 10.7 percent decrease. The experienced fund balance increase in the Capital Improvement Special Revenue was a planned increase for future anticipated capital projects. The other nonmajor governmental funds experienced a total fund balance decrease of \$4,105,286. The primary reason the other nonmajor governmental funds experienced a decrease is the net result of the proceeds received from the issuance of refunding bonds that were used to retire existing debt.

Included in this year's total fund balance is the General Fund balance of \$23,642,305, an increase of \$973,510 from 2016. The General Fund balance is classified as either non-spendable - \$1,232,933, restricted for specific purposes - \$1,201,938, assigned to specific uses - \$466,320, or unassigned - \$20,741,114.

General Fund Budgetary Highlights

The Otter Tail County Board of Commissioners, over the course of a budget year, may amend/revise the County's overall operating budget of the General Fund to reflect changes in revenue sources and expenditures that were not anticipated when the budget was established in the prior year. In 2017, the Board of Commissioners did not make any significant budget revisions to the General Fund budget.

If the Board had made significant changes to the budget as originally adopted on Tuesday, December 20, 2016, these budget amendments/revisions would have fallen into one of three categories: new information changing original budget estimations, greater than anticipated revenues or expenditures, or final agreement reached on employee contracts.

In Otter Tail County's General Fund, the budgeted revenues exceeded the actual revenues by \$606,788. Total actual expenditures in the General Fund were under the budgeted expenditures by \$1,693,005. The actual other financing sources and uses were (\$80,506) and exceeded the budgeted amount by \$83,506 primarily due to a budgeted transfer in from the Sheriff's Contingent Fund that did not occur in 2017. For additional information regarding budget to actual comparison for the budgeted special revenue funds please reference the financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, Otter Tail County had \$173,137,977 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment (see Table 4). This amount represents a net increase (including additions and deductions) of \$6,594,651, or a 4.0 percent increase, over last year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 4,965,768	\$ 4,793,207	\$ 195,934	\$ 195,934	\$ 5,161,702	\$ 4,989,141
Construction in progress	8,889,122	-	-	-	8,889,122	-
Land improvements	82,121	100,914	-	-	82,121	100,914
Buildings and improvements	29,763,403	31,152,340	3,023,108	3,153,715	32,786,511	34,306,055
Machinery, furniture, vehicles, and equipment	6,842,616	6,169,343	605,800	722,568	7,448,416	6,891,911
Infrastructure	126,293,584	118,678,078	122,993	127,693	126,416,577	118,805,771
Landfill	-	-	1,242,650	1,449,534	1,242,650	1,449,534
Totals	<u>\$ 176,836,614</u>	<u>\$ 160,893,882</u>	<u>\$ 5,190,485</u>	<u>\$ 5,649,444</u>	<u>\$ 182,027,099</u>	<u>\$ 166,543,326</u>

During calendar year 2017, Otter Tail County's governmental activities' capital assets, net of depreciation, increased a total of \$15,942,732. This year's major additions include the addition of machinery, furniture, vehicles, and equipment, and the completion of road and bridge projects for grading, bituminous, bridge construction, and right-of-way purchases, which are reported as infrastructure (see Table 4).

Remodeling/construction plans for the addition of holding cells and an elevator in the detention building have been prepared, approved and the project is currently underway with completion scheduled for early 2018. Other construction plans under consideration are a new highway maintenance building in the Pelican Rapids Area, improvements to the Henning Transfer Station and repurposing parts of the New York Mills Building. More detailed information about Otter Tail County's capital assets can be found in Note 3.A.4. to the financial statements.

Bonded Debt

As of December 31, 2017, Otter Tail County had \$40,047,974 in bonds and notes outstanding, compared with \$45,583,799 as of December 31, 2016, a decrease of 12.1 percent--as shown in Table 5.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Bonds payable						
General obligation bonds	\$ 13,925,000	\$ 15,355,000	\$ -	\$ -	\$ 13,925,000	\$ 15,355,000
Revenue bonds	25,500,000	26,585,000	-	-	25,500,000	26,585,000
Lease revenue bonds	-	3,055,000	-	-	-	3,055,000
Plus: Unamortized premium	722,259	700,192	-	-	722,259	700,192
Less: Unamortized discount	(99,285)	(111,393)	-	-	(99,285)	(111,393)
Totals	<u>\$ 40,047,974</u>	<u>\$ 45,583,799</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,047,974</u>	<u>\$ 45,583,799</u>

The state limits the amount of net debt that the County can issue to three percent of the market value of all taxable property. Otter Tail County's outstanding net debt is significantly below this \$298,316,775 state-imposed limit. The County's financial advisor annually reviews the outstanding debt issues to determine which, if any, issues should be considered for refinancing.

Other obligations include capital leases, compensated absences, other postemployment benefits liability, landfill closure and post-closure care costs, and net pension liability. The notes to the financial statements (Notes 3.C.3-6 and Note 4) provide detailed information about the County's long-term liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- Otter Tail County continues to have a very balanced and strong seasonal, residential, commercial/industrial, and agricultural tax base. Keeping this tax base vital and healthy is very important to the County's overall financial health and condition.

- Legislative actions by federal and state governments can have a significant impact on future County budgets. As you will note from Exhibit 5, intergovernmental revenues represent approximately 44 percent of the County's total 2017 revenues. Major revenue sources are state-paid aids and grants. Should the State of Minnesota or the federal government significantly reduce these revenues or pass on costs to Otter Tail County, it would have a significant impact on next year's budget.
- In the recent past, Otter Tail County's net tax capacity rates have not seen significant change even though the overall net tax levy has continued to increase. The overall County rate for Payable 2016 was 42.129 percent and for Payable 2017 the overall County rate was 41.858.
- The net property tax levy for 2018 is scheduled to increase by 3.50 percent, or approximately \$1,306,962, and will result in a County tax rate of 41.858 percent.
- Otter Tail County's unemployment rate could impact the level of services requested by residents and on the County's ability to generate the revenues necessary to pay for these additional services. Otter Tail County is very concerned with providing economic development, growth and job opportunities to help maintain a strong and balanced tax base. Otter Tail County is taking steps to ensure that there is an adequate workforce to fill open industrial jobs and is working to ensure that there is adequate housing for the workforce.
- Future facility and equipment needs will impact the County's budget and are reviewed annually as operating and capital budgets are developed.
- Outstanding debt issues and refinancing options are reviewed at least annually.
- Repairing and building up the roads to keep the County's road system open, functional, and safe is very expensive. Adequate funding for these specific highway needs is reviewed during budget preparation and development. To address County road maintenance and construction funding issues, Otter Tail County has implemented the Local Transit Sales and Use Tax, as well as the \$20.00 Vehicle Excise Tax. Funding from these two new sources of revenues will be used to fund projects as identified in Otter Tail County's 2016-2025 Transportation Program. Additional information regarding the County's transportation plan can be found at <http://www.co.otter-tail.mn.us/1126/Transportation-Plan>. The County will also consider the possible issuance of bonded debt to assist with the financing of road maintenance and road reconstruction issues.
- Adequate housing, availability of childcare, broadband availability, and assistance for economic development have been identified as issues that, in some cases, are hindering economic growth. An important consideration when developing future budgets will be a discussion as to the options available to the County that can help minimize these issues. Options that will be considered are economic development tax abatements and tax increment financing. Otter Tail County has hired an economic development and tourism director to help secure other funding sources, etc.

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

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Primary Government			Prairie Lakes Municipal Solid Waste Authority Component Unit
	Governmental Activities	Business-Type Activities	Total	
<u>Assets</u>				
Cash and pooled investments	\$ 54,079,787	\$ 1,281,085	\$ 55,360,872	\$ 884,274
Taxes receivable - delinquent	822,700	-	822,700	-
Special assessments receivable				
Delinquent	5,083	-	5,083	-
Noncurrent	698,935	-	698,935	-
Accounts receivable	201,227	265,000	466,227	198,633
Accrued interest receivable	141,012	-	141,012	-
Internal balances	112,144	(112,144)	-	-
Due from other governments	8,624,746	113,688	8,738,434	-
Due from component unit	163,385	1,477	164,862	-
Lease receivable	46,368	-	46,368	-
Inventories	443,292	-	443,292	-
Prepaid items	335,285	-	335,285	-
Restricted assets				
Permanently restricted				
Cash and pooled investments	-	1,345,594	1,345,594	-
Advance to component unit	25,500,000	2,788,620	28,288,620	-
Long-term lease receivable	813,649	-	813,649	-
Capital assets				
Non-depreciable	13,854,890	195,934	14,050,824	25,489
Depreciable - net of accumulated depreciation	162,981,724	4,994,551	167,976,275	31,188,504
Total Assets	\$ 268,824,227	\$ 10,873,805	\$ 279,698,032	\$ 32,296,900
<u>Deferred Outflows of Resources</u>				
Deferred amount on refunding	\$ 206,083	\$ -	\$ 206,083	\$ -
Deferred pension outflows	12,151,724	371,907	12,523,631	550,504
Total Deferred Outflows of Resources	\$ 12,357,807	\$ 371,907	\$ 12,729,714	\$ 550,504

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Primary Government			Prairie Lakes Municipal Solid Waste Authority Component Unit
	Governmental Activities	Business-Type Activities	Total	
<u>Liabilities</u>				
Accounts payable	\$ 1,456,299	\$ 153,174	\$ 1,609,473	\$ 82,057
Salaries payable	1,475,268	85,292	1,560,560	83,589
Contracts payable	2,436,899	-	2,436,899	-
Due to other governments	233,767	459	234,226	103,281
Due to primary government	-	-	-	164,862
Accrued interest payable	308,607	-	308,607	-
Unearned revenue	93,604	-	93,604	-
Employee deposits	248,854	-	248,854	-
Advance from primary government	-	-	-	28,288,620
Long-term liabilities				
Due within one year	4,083,328	84,786	4,168,114	71,339
Due in more than one year	41,722,897	1,879,028	43,601,925	269,511
Other postemployment benefits	1,351,031	126,294	1,477,325	-
Net pension liability	25,970,360	1,487,201	27,457,561	1,691,743
Total Liabilities	\$ 79,380,914	\$ 3,816,234	\$ 83,197,148	\$ 30,755,002
<u>Deferred Inflows of Resources</u>				
Deferred pension inflows	\$ 10,294,451	\$ 266,537	\$ 10,560,988	\$ 274,772
Prepaid property taxes	2,585,625	-	2,585,625	-
Total Deferred Inflows of Resources	\$ 12,880,076	\$ 266,537	\$ 13,146,613	\$ 274,772
<u>Net Position</u>				
Net investment in capital assets	\$ 166,027,229	\$ 5,190,485	\$ 171,217,714	\$ 6,494,712
Restricted for				
General government	809,503	-	809,503	-
Public safety	625,757	-	625,757	-
Highways and streets	3,891,282	-	3,891,282	-
Human services	354,080	-	354,080	-
Conservation of natural resources	816,328	-	816,328	-
Debt service	28,080,978	-	28,080,978	-
Held in trust for other purposes	178,898	-	178,898	-
Unrestricted	(11,863,011)	1,972,456	(9,890,555)	(4,677,082)
Total Net Position	\$ 188,921,044	\$ 7,162,941	\$ 196,083,985	\$ 1,817,630

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Expenses	Fees, Charges, Fines, and Other	Program Revenues Operating Grants and Contributions
<u>Functions/Programs</u>			
Primary Government			
Governmental activities			
General government	\$ 16,060,008	\$ 3,494,935	\$ 504,094
Public safety	8,911,595	329,812	740,370
Highways and streets	26,123,210	1,091,120	16,104,250
Human services	21,048,685	1,603,438	10,093,309
Health	4,351,034	1,217,882	2,377,417
Culture and recreation	780,930	27,766	-
Conservation of natural resources	3,810,119	850,338	2,556,727
Economic development	224,786	38,878	-
Interest	1,368,885	-	963,521
	\$ 82,679,252	\$ 8,654,169	\$ 33,339,688
Business-type activities			
Solid waste	8,238,550	7,469,014	452,687
	\$ 90,917,802	\$ 16,123,183	\$ 33,792,375
Component unit			
Prairie Lakes Municipal Solid Waste Authority	\$ 8,098,950	\$ 8,143,830	\$ -

General Revenues

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

Total general revenues

Change in net position

Net Position - Beginning

Net Position - Ending

EXHIBIT 2

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Change in Net Position</u>			<u>Discretely Presented Component Unit</u>
	<u>Primary Government</u>		<u>Total</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>		
\$ -	\$ (12,060,979)	\$ -	\$ (12,060,979)	
-	(7,841,413)	-	(7,841,413)	
774,730	(8,153,110)	-	(8,153,110)	
25,507	(9,326,431)	-	(9,326,431)	
15,260	(740,475)	-	(740,475)	
-	(753,164)	-	(753,164)	
-	(403,054)	-	(403,054)	
-	(185,908)	-	(185,908)	
-	(405,364)	-	(405,364)	
\$ 815,497	\$ (39,869,898)	\$ -	\$ (39,869,898)	
-	-	(316,849)	(316,849)	
\$ 815,497	\$ (39,869,898)	\$ (316,849)	\$ (40,186,747)	
\$ -				\$ 44,880
	\$ 37,296,924	\$ -	\$ 37,296,924	\$ -
	3,456,015	-	3,456,015	-
	186,942	-	186,942	-
	637,093	-	637,093	-
	2,975,382	-	2,975,382	-
	517,998	-	517,998	-
	11,111	1,549	12,660	-
	1,136,607	-	1,136,607	-
	\$ 46,218,072	\$ 1,549	\$ 46,219,621	\$ -
	\$ 6,348,174	\$ (315,300)	\$ 6,032,874	\$ 44,880
	182,572,870	7,478,241	190,051,111	1,772,750
	\$ 188,921,044	\$ 7,162,941	\$ 196,083,985	\$ 1,817,630

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General	Road and Bridge	Human Services
<u>Assets</u>			
Cash and pooled investments	\$ 23,637,900	\$ 5,646,211	\$ 14,040,140
Petty cash and change funds	3,400	50	200
Undistributed cash in agency funds	432,054	62,569	182,727
Taxes receivable - delinquent	422,551	77,321	225,856
Special assessments			
Delinquent	-	356	-
Noncurrent	-	-	-
Accounts receivable	7,856	2,213	191,158
Accrued interest receivable	141,012	-	-
Due from other funds	120,620	157,176	840
Due from other governments	76,817	6,024,283	1,938,711
Lease receivable	860,017	-	-
Advance to other funds	718,750	-	-
Inventories	-	443,292	-
Prepaid items	335,285	-	-
Advance to component unit	-	-	-
	\$ 26,756,262	\$ 12,413,471	\$ 16,579,632
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 308,446	\$ 353,163	\$ 595,410
Salaries payable	757,123	186,547	531,598
Contracts payable	-	1,909,089	-
Due to other funds	2,478	-	8,734
Due to other governments	41,313	24,452	159,765
Unearned revenues	-	-	93,604
Advance from other funds	-	-	-
Employee deposits	248,854	-	-
	\$ 1,358,214	\$ 2,473,251	\$ 1,389,111
 Deferred Inflows of Resources			
Unavailable revenues	\$ 372,191	\$ 5,188,192	\$ 797,587
Prepaid property taxes	1,383,552	231,964	723,571
	\$ 1,755,743	\$ 5,420,156	\$ 1,521,158

EXHIBIT 3

<u>Capital Improvement</u>	<u>Construction Capital Projects</u>	<u>Prairie Lakes Municipal Solid Waste Authority Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 6,529,171	\$ 192,395	\$ -	\$ 3,271,145	\$ 53,316,962
-	-	-	-	3,650
50,734	-	-	31,091	759,175
63,636	-	-	33,336	822,700
-	-	-	4,727	5,083
-	-	-	698,935	698,935
-	-	-	-	201,227
-	-	-	-	141,012
1,353	-	-	-	279,989
11,844	568,601	-	4,490	8,624,746
-	-	-	-	860,017
-	-	-	-	718,750
-	-	-	-	443,292
-	-	-	-	335,285
-	-	25,500,000	-	25,500,000
<u>\$ 6,656,738</u>	<u>\$ 760,996</u>	<u>\$ 25,500,000</u>	<u>\$ 4,043,724</u>	<u>\$ 92,710,823</u>
\$ 1,090	\$ 194,552	\$ -	\$ 3,638	\$ 1,456,299
-	-	-	-	1,475,268
-	527,810	-	-	2,436,899
146,828	-	-	9,917	167,957
8,125	-	-	-	233,655
-	-	-	-	93,604
-	-	-	718,750	718,750
-	-	-	-	248,854
<u>\$ 156,043</u>	<u>\$ 722,362</u>	<u>\$ -</u>	<u>\$ 732,305</u>	<u>\$ 6,831,286</u>
\$ 45,322	\$ -	\$ -	\$ 726,773	\$ 7,130,065
155,661	-	-	90,877	2,585,625
<u>\$ 200,983</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 817,650</u>	<u>\$ 9,715,690</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General	Road and Bridge	Human Services
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
(Continued)			
Fund Balances			
Nonspendable			
Inventories	\$ -	\$ 443,292	\$ -
Prepaid items	335,285	-	-
Advances to other funds	718,750	-	-
Missing heirs	178,898	-	-
Restricted			
Debt service	-	-	-
Law library	-	-	-
Recorder's technology equipment	181,967	-	-
Real estate shortfall	294,271	-	-
E-911	-	-	-
Recorder's compliance	220,030	-	-
County state-aid highway system	-	1,181,345	-
Handgun permits	52,558	-	-
Ditch maintenance and construction	-	-	-
Sheriff's contingencies	-	-	-
Snowmobile trails	46,446	-	-
Aquatic invasive species	406,666	-	-
Child protection	-	-	354,080
Assigned			
Property and casualty insurance	244,028	95,123	46,871
Workers' compensation	146,373	94,716	52,518
Veteran's van	16,354	-	-
Emergency management	59,565	-	-
Debt service	-	-	-
General government	-	-	-
Public safety	-	-	1,017,159
Highways and streets	-	2,705,588	-
Human services	-	-	9,920,959
Health	-	-	2,277,776
Culture and recreation	-	-	-
Conservation of natural resources	-	-	-
Capital outlay	-	-	-
Unassigned	20,741,114	-	-
Total Fund Balances	\$ 23,642,305	\$ 4,520,064	\$ 13,669,363
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 26,756,262	\$ 12,413,471	\$ 16,579,632

EXHIBIT 3
(Continued)

<u>Capital Improvement</u>	<u>Construction Capital Projects</u>	<u>Prairie Lakes Municipal Solid Waste Authority Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 443,292
-	-	-	-	335,285
-	-	-	-	718,750
-	-	-	-	178,898
-	-	25,500,000	2,580,978	28,080,978
-	-	-	113,235	113,235
-	-	-	-	181,967
-	-	-	-	294,271
521,753	-	-	-	521,753
-	-	-	-	220,030
-	-	-	-	1,181,345
-	-	-	-	52,558
-	-	-	409,662	409,662
-	-	-	5,000	5,000
-	-	-	-	46,446
-	-	-	-	406,666
-	-	-	-	354,080
-	-	-	-	386,022
-	-	-	-	293,607
-	-	-	-	16,354
-	-	-	-	59,565
-	-	-	96	96
2,176,556	-	-	-	2,176,556
943,543	-	-	9,676	1,970,378
2,322,161	-	-	-	5,027,749
166,405	-	-	-	10,087,364
139,827	-	-	-	2,417,603
19,067	-	-	-	19,067
10,400	-	-	-	10,400
-	38,634	-	-	38,634
-	-	-	(624,878)	20,116,236
<u>\$ 6,299,712</u>	<u>\$ 38,634</u>	<u>\$ 25,500,000</u>	<u>\$ 2,493,769</u>	<u>\$ 76,163,847</u>
<u>\$ 6,656,738</u>	<u>\$ 760,996</u>	<u>\$ 25,500,000</u>	<u>\$ 4,043,724</u>	<u>\$ 92,710,823</u>

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017**

Fund balances - total governmental funds (Exhibit 3)		\$ 76,163,847
Amounts reported for governmental activities in the statement of net position are difference because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		176,836,614
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		12,151,724
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.		7,130,065
Deferred outflows of resources resulting from debt refundings are not recognized in the governmental funds.		206,083
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		163,385
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	\$ (13,925,000)	
Revenue bonds	(25,500,000)	
Bond discounts	99,285	
Bond premiums	(722,259)	
Accrued interest payable	(308,607)	
Compensated absences	(5,683,234)	
Capital leases payable	(75,017)	
Other postemployment benefits	(1,351,031)	
Net pension liability	<u>(25,970,360)</u>	(73,436,223)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(10,294,451)</u>
Net Position of Governmental Activities (Exhibit 1)		<u><u>\$ 188,921,044</u></u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Road and Bridge	Human Services
Revenues			
Taxes	\$ 19,876,358	\$ 7,546,656	\$ 10,102,829
Special assessments	-	-	-
Licenses and permits	467,265	-	163,824
Intergovernmental	3,481,683	20,418,882	13,274,078
Charges for services	1,537,126	1,084,218	1,840,695
Fines and forfeits	19,264	-	-
Gifts and contributions	-	-	40,767
Investment earnings	294,679	-	-
Miscellaneous	1,903,929	125,065	836,401
	\$ 27,580,304	\$ 29,174,821	\$ 26,258,594
Expenditures			
Current			
General government	\$ 13,966,430	\$ -	\$ -
Public safety	9,988,962	-	2,279,055
Highways and streets	-	32,836,317	-
Human services	-	-	20,508,343
Health	-	-	4,180,252
Culture and recreation	772,184	-	-
Conservation of natural resources	1,502,990	-	-
Economic development	244,763	-	-
Intergovernmental			
Highways and streets	-	1,387,787	-
Debt service			
Principal	43,089	-	-
Interest	7,870	-	-
Bond issuance costs	-	-	-
	\$ 26,526,288	\$ 34,224,104	\$ 26,967,650
Excess of Revenues Over (Under) Expenditures	\$ 1,054,016	\$ (5,049,283)	\$ (709,056)
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ -	\$ -
Transfers out	(80,506)	-	-
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
	\$ (80,506)	\$ -	\$ -
Net Change in Fund Balance	\$ 973,510	\$ (5,049,283)	\$ (709,056)
Fund Balance - January 1	22,668,795	9,608,316	14,378,419
Increase (decrease) in inventories	-	(38,969)	-
Fund Balance - December 31	\$ 23,642,305	\$ 4,520,064	\$ 13,669,363

EXHIBIT 5

Capital Improvement	Construction Capital Projects	Prairie Lakes Municipal Solid Waste Authority Debt Service	Other Governmental Funds	Total
\$ 2,799,310	\$ -	\$ -	\$ 1,337,071	\$ 41,662,224
9	-	-	410,285	410,294
-	-	-	-	631,089
350,157	2,051,256	963,521	28,998	40,568,575
-	-	-	-	4,462,039
-	-	-	65,915	85,179
-	-	-	-	40,767
14,616	-	-	633	309,928
101,698	-	-	550,069	3,517,162
\$ 3,265,790	\$ 2,051,256	\$ 963,521	\$ 2,392,971	\$ 91,687,257
\$ 298,742	\$ -	\$ -	\$ 63,806	\$ 14,328,978
680,842	1,279,002	-	10,560	14,238,421
1,354,079	-	-	-	34,190,396
64,968	-	-	-	20,573,311
23,618	-	-	-	4,203,870
-	-	-	-	772,184
2,113	2,086,592	-	324,829	3,916,524
-	-	-	-	244,763
-	-	-	-	1,387,787
-	-	1,085,000	5,820,000	6,948,089
-	-	963,521	387,754	1,359,145
-	40,735	-	-	40,735
\$ 2,424,362	\$ 3,406,329	\$ 2,048,521	\$ 6,606,949	\$ 102,204,203
\$ 841,428	\$ (1,355,073)	\$ (1,085,000)	\$ (4,213,978)	\$ (10,516,946)
\$ -	\$ -	\$ -	\$ 381,866	\$ 381,866
(1,486)	(26,700)	-	(273,174)	(381,866)
-	1,335,000	-	-	1,335,000
-	85,407	-	-	85,407
\$ (1,486)	\$ 1,393,707	\$ -	\$ 108,692	\$ 1,420,407
\$ 839,942	\$ 38,634	\$ (1,085,000)	\$ (4,105,286)	\$ (9,096,539)
5,459,770	-	26,585,000	6,599,055	85,299,355
-	-	-	-	(38,969)
\$ 6,299,712	\$ 38,634	\$ 25,500,000	\$ 2,493,769	\$ 76,163,847

**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, 2017**

Net change in fund balance - total governmental funds (Exhibit 5) \$ (9,096,539)

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	\$ 7,130,065	
Deferred inflows of resources unavailable revenues - January 1	<u>(9,821,915)</u>	(2,691,850)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets and infrastructure	\$ 24,797,477	
Net book value of capital assets disposed	(151,214)	
Current year depreciation	<u>(8,703,531)</u>	15,942,732

Change in long-term receivable reported as due from component unit in the statement of activities but not reported in governmental funds.		723
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Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.

Proceeds of new debt		
Bonds issued	\$ (1,335,000)	
Premium on bonds issued	<u>(85,407)</u>	(1,420,407)

Principal repayments		
General obligation bonds	\$ 2,765,000	
Revenue bonds	1,085,000	
Facility lease revenue bonds	3,055,000	
Capital leases	<u>43,089</u>	6,948,089

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	\$ 9,558	
Amortization of premiums and discounts	51,232	
Change in compensated absences	(609,663)	
Change in other postemployment benefits	(68,747)	
Change in net pension liability	12,884,163	
Change in deferred pension outflows	(8,942,649)	
Change in deferred amount on refunding	(29,795)	
Change in deferred pension inflows	(6,589,704)	
Change in inventories	<u>(38,969)</u>	<u>(3,334,574)</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 6,348,174

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

PROPRIETARY FUND

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FUND NET POSITION
WASTE MANAGEMENT ENTERPRISE FUND
DECEMBER 31, 2017**

Assets

Current assets	
Cash and pooled investments	\$ 1,189,546
Petty cash and change funds	18,740
Undistributed cash in agency funds	72,799
Accounts receivable	265,000
Due from other funds	253
Due from other governments	113,688
Due from component unit	1,477
Total current assets	\$ 1,661,503
Restricted assets	
Cash and pooled investments	\$ 1,345,594
Noncurrent assets	
Advance to component unit	\$ 2,788,620
Capital assets	
Nondepreciable	195,934
Depreciable - net	4,994,551
Total noncurrent assets	\$ 7,979,105
Total Assets	\$ 10,986,202

Deferred Outflows of Resources

Deferred pension outflows	\$ 371,907
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Liabilities

Current liabilities	
Accounts payable	\$ 153,174
Salaries payable	85,292
Compensated absences payable	84,786
Due to other funds	112,397
Due to other governments	459
Total current liabilities	\$ 436,108

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT 7
(Continued)**

**STATEMENT OF FUND NET POSITION
WASTE MANAGEMENT ENTERPRISE FUND
DECEMBER 31, 2017**

Liabilities (Continued)

Noncurrent liabilities	
Compensated absences payable	\$ 333,953
Estimated liability for landfill closure/postclosure care	1,545,075
Other postemployment benefits liability	126,294
Net pension liability	<u>1,487,201</u>
Total noncurrent liabilities	\$ <u>3,492,523</u>
Total Liabilities	\$ <u>3,928,631</u>

Deferred Inflows of Resources

Deferred pension inflows	<u>\$ 266,537</u>
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Net Position

Investment in capital assets	\$ 5,190,485
Unrestricted	<u>1,972,456</u>
Total Net Position	\$ <u><u>7,162,941</u></u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
WASTE MANAGEMENT ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

Operating Revenues	
Charges for services	\$ 6,567,672
Licenses and permits	2,600
Sale of recyclable materials	746,112
Miscellaneous	<u>134,262</u>
Total Operating Revenues	<u>\$ 7,450,646</u>
Operating Expenses	
SCORE	\$ 1,516,142
Waste management	3,235,650
Household hazardous waste	206,005
Processing costs	2,481,999
Depreciation	483,816
Landfill closure and postclosure care costs	<u>314,938</u>
Total Operating Expenses	<u>\$ 8,238,550</u>
Operating Income (Loss)	<u>\$ (787,904)</u>
Nonoperating Revenues (Expenses)	
Intergovernmental	\$ 458,808
Interest income	1,549
Interest income restricted for sanitation	<u>12,247</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 472,604</u>
Change in Net Position	\$ (315,300)
Net Position - January 1	<u>7,478,241</u>
Net Position - December 31	<u><u>\$ 7,162,941</u></u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
WASTE MANAGEMENT ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 7,505,437
Payments to suppliers	(5,348,524)
Payments to employees	<u>(2,006,543)</u>
Net cash provided by (used in) operating activities	<u>\$ 150,370</u>
Cash Flows from Noncapital Financing Activities	
Intergovernmental	<u>\$ 458,808</u>
Cash Flows from Capital and Related Financing Activities	
Purchases of capital assets	<u>\$ (24,857)</u>
Cash Flows from Investing Activities	
Investment earnings received	<u>\$ 13,675</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 597,996
Cash and Cash Equivalents at January 1	<u>2,028,683</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 2,626,679</u></u>
Cash and Cash Equivalents - Exhibit 7	
Cash and pooled investments	\$ 1,189,546
Petty cash and change funds	18,740
Undistributed cash in agency funds	72,799
Restricted cash and pooled investments	<u>1,345,594</u>
Total Cash and Cash Equivalents	<u><u>\$ 2,626,679</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, 2017
Increase (Decrease) in Cash and Cash Equivalents**

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	\$ (787,904)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 483,816
(Increase) decrease in accounts receivable	42,539
(Increase) decrease in due from other governments	11,572
(Increase) decrease in due from component unit	680
(Increase) decrease in due from other funds	4,056
(Increase) decrease in deferred pension outflows	431,239
Increase (decrease) in accounts payable	41,607
Increase (decrease) in salaries payable	(6,133)
Increase (decrease) in compensated absences - current	(6,051)
Increase (decrease) in due to other funds	112,279
Increase (decrease) in due to other governments	(3,862)
Increase (decrease) in due to component unit	(166,059)
Increase (decrease) in compensated absences - long-term	(11,088)
Increase (decrease) in other postemployment benefits liability	10,350
Increase (decrease) in deferred pension inflows	81,588
Increase (decrease) in net pension liability	(403,197)
Increase (decrease) in landfill closure/postclosure care costs	314,938
Total adjustments	\$ 938,274
Net Cash Provided by (Used in) Operating Activities	\$ 150,370

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FIDUCIARY FUNDS

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2017**

<u>Assets</u>	
Cash and pooled investments	\$ 4,307,240
Due from other funds	<u>112</u>
Total Assets	<u><u>\$ 4,307,352</u></u>
 <u>Liabilities</u>	
Accounts payable	\$ 11,632
Due to other governments	<u>4,295,720</u>
Total Liabilities	<u><u>\$ 4,307,352</u></u>

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Discretely Presented Component Unit

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

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

Joint Ventures

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

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

The County reports the following major governmental funds:

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

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

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

The Capital Improvement Special Revenue Fund is used to finance equipment acquisition or repair of buildings and other capital improvements. Financing will be provided by a tax levy and appropriations from other County funds.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

The County reports the following major enterprise fund:

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

Additionally, the County reports the following fund types:

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

C. Measurement Focus and Basis of Accounting

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at fair value at December 31, 2017, 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 2017 were \$294,679.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables

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

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

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

No allowance has been made for uncollectible receivables 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.

4. Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments payable in the years 2011 through 2017, and noncurrent special assessments payable in 2018 and after. No allowance for uncollectible receivables have been provided because such amounts are not expected to be material.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Advance to Component Unit

In 2011 and 2013, Otter Tail County agreed to issue \$10,475,000 and \$19,380,000, respectively, in General Obligation Disposal System Revenue Bonds in order to finance the acquisition/expansion of the Perham Resource Recovery Facility, which is owned by the Prairie Lakes Municipal Solid Waste Authority component unit. The proceeds from the sale of these bonds were recognized by the County. The annual payments on the advance are essentially the principal payments due on the bonds each year. The principal payments made in 2017 were \$1,085,000. On December 31, 2015, Otter Tail County agreed to advance funds to cover a cash deficit in the Prairie Lakes Municipal Solid Waste Authority Fund. The amount of the advance was \$2,788,620. Repayment will be through future collection of tipping fees. No principal payments were made in 2017.

6. Inventories and Prepaid Items

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

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

7. Restricted Assets

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business type activities column in the government-wide financial statements 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.

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

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

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

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

The County landfill is depreciated based on capacity used.

9. Unearned Revenue

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual 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.

11. Long-Term Obligations

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Pension Plan

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

13. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the County has two items, deferred amount on refunding and deferred pension outflows that qualify for reporting in this category. These outflows arise only under the full accrual basis of accounting. The deferred amount on refunding is being amortized over the remaining life of the refunded debt as part of interest expense. The deferred pension outflows consist of pension plan contributions paid subsequent to the measurement date, changes in actuarial assumptions, pension plan changes in proportionate share, differences between expected and actual pension plan economic experience, and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

13. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or reduction of expense) until that time. The County has three types of deferred inflows, unavailable revenue, deferred pension inflows, and prepaid property taxes that qualify for reporting in this category. The governmental funds report unavailable revenues from delinquent taxes receivable, delinquent and noncurrent special assessments receivable and for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of changes in actuarial assumptions, pension plan changes in proportionate share, differences between expected and actual pension plan economic experience, and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position. The County also reports a deferred inflow for prepaid property taxes under both the full accrual and modified accrual basis of accounting. These amounts represent the County's share of 2018 property taxes collected in advance. Since the property taxes were levied for use in a future year, the revenue is deferred and recognized in the period for which the amounts were levied.

14. Classification of Net Position

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

14. Classification of Net Position (Continued)

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.

15. Classification of Fund Balances

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

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

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

15. Classification of Fund Balances (Continued)

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.

16. Minimum Fund Balance

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

1. Summary of Significant Accounting Policies

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

17. 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.

18. 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.

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The County Ditch Special Revenue Fund has a deficit fund balance of \$215,216. The deficit will be eliminated with future special assessment levies against benefited properties. The following is a summary of the individual ditch systems:

15 ditches with positive fund balances	\$ 409,662
33 ditches with deficit fund balances	<u>(624,878)</u>
Total Fund Balance	<u>\$ (215,216)</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

2. Stewardship, Compliance, and Accountability

B. Excess of Expenditures Over Budget

The following nonmajor funds had expenditures in excess of budget for the year ended December 31, 2017.

	Expenditures	Final Budget	Excess
Special Revenue Fund			
Ditch	\$ 324,829	\$ 206,300	\$ 118,529
Sheriff's Contingent	10,560	7,500	3,060
Debt Service Funds			
Ethanol Plant	1,912,326	692,125	1,220,201
Government Service Center	876,003	874,563	1,440
Sheriff Operations	3,120,932	494,600	2,626,332
Master Facility Construction	115,431	112,650	2,781

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Primary government		
Cash and pooled investments		\$ 55,360,872
Restricted assets		
Cash and pooled investments		1,345,594
Component unit		
Cash and pooled investments		884,274
Fiduciary assets		
Agency funds		
Cash and pooled investments		4,307,240
Total Cash and Investments		\$ 61,897,980

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

B. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

Custodial Credit Risk for Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2017, the County's deposits were not exposed to custodial credit risk.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. 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 invests only in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2017, none of the County's investments were exposed to custodial credit risk.

Concentration of Credit Risk

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

The following table represents the County's deposit and investment balances at December 31, 2017, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. government agency securities					
U.S. Treasury Note	N/A	N/A		05/31/2018	\$ 2,494,325
U.S. Treasury Note	N/A	N/A		06/15/2018	2,496,100
U.S. Treasury Note	N/A	N/A		07/31/2018	2,487,700
U.S. Treasury Note	N/A	N/A		08/15/2018	2,487,900
U.S. Treasury Note	N/A	N/A		08/15/2018	3,486,070
U.S. Treasury Note	N/A	N/A		10/31/2018	991,760
U.S. Treasury Note	N/A	N/A		10/31/2018	996,020
U.S. Treasury Note	N/A	N/A		11/30/2018	2,490,725
U.S. Treasury Note	N/A	N/A		12/15/2018	1,989,540
U.S. Treasury Note	N/A	N/A		01/15/2019	992,730
Total U.S. Treasury Notes			79.8%		\$ 20,912,870
U.S. Treasury Bonds - Stripped	N/A	N/A	<5.0%	08/15/2019	\$ 36,847
Municipal Bond	Aa3	Moody's	<5.0%	07/1/2021	\$ 1,116,148
Commercial paper	Aa3	Moody's		07/10/2018	\$ 1,000,000
Commercial paper	Aa3	Moody's		01/11/2018	1,000,000
Commercial paper	Aa3	Moody's		08/31/2018	1,000,000
Total Commercial paper			11.4%		\$ 3,000,000
Negotiable certificates of deposit	N/A	N/A	<5.0%		\$ 1,139,226
Total investments					\$ 26,205,091
Deposits					35,670,499
Change funds					22,390
Total Cash and Investments					\$ 61,897,980

N/A - Not Applicable

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

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

At December 31, 2017 the County had the following recurring fair value measurements:

	December 31, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Treasury securities	\$ 20,949,717	\$ -	\$ 20,949,717	\$ -
Municipal bond	1,116,148	-	1,116,148	-
Commercial paper	3,000,000	-	3,000,000	-
Negotiable certificates of deposit	1,139,226	-	1,139,226	-
U.S. Investments Included in the Fair Value Hierarchy	<u>\$ 26,205,091</u>	<u>\$ -</u>	<u>\$ 26,205,091</u>	<u>\$ -</u>

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2017, for the County's governmental activities and business-type activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 822,700	\$ -
Special assessments	704,018	410,244
Accounts	201,227	-
Interest	141,012	-
Due from other governments	8,624,746	-
Due from component unit	163,385	-
Advance to component unit	25,500,000	24,380,000
Total Governmental Activities	\$ 36,157,088	\$ 24,790,244
Business-Type Activities		
Accounts	\$ 265,000	\$ -
Due from other governments	113,688	-
Due from component unit	1,477	-
Advance to component unit	2,788,620	2,788,620
Total Business-Type Activities	\$ 3,168,785	\$ 2,788,620

3. Leases Receivable

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Leases Receivable (Continued)

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

Amounts due from the Viking Library System and the West Central Minnesota Drug and Violent Crime Task Force have been recorded as leases receivable in the General Fund at December 31, 2017. The amounts for 2018 are considered current and due within one year. Amounts remaining to be paid are as follows:

Year Due	Viking Library System	Drug and Violent Crime Task Force
2018	\$ -	\$ 46,368
2019	65,000	26,924
2020	70,000	1,725
2021	70,000	-
2022	75,000	-
2023 - 2027	415,000	-
2028	90,000	-
Total leases	\$ 785,000	\$ 75,017
Due Within One Year	\$ -	\$ 46,368

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 4,793,207	\$ 180,306	\$ 7,745	\$ 4,965,768
Construction in progress	-	8,889,122	-	8,889,122
Total capital assets not depreciated	<u>\$ 4,793,207</u>	<u>\$ 9,069,428</u>	<u>\$ 7,745</u>	<u>\$ 13,854,890</u>
Capital assets depreciated				
Land improvements	\$ 946,657	-	\$ 15,970	\$ 930,687
Buildings	28,633,161	-	53,405	28,579,756
Building improvements	16,468,004	49,942	-	16,517,946
Machinery, furniture, vehicles, and equipment	19,203,019	2,265,502	704,959	20,763,562
Infrastructure	192,161,797	13,412,605	148,554	205,425,848
Total capital assets depreciated	<u>\$ 257,412,638</u>	<u>\$ 15,728,049</u>	<u>\$ 922,888</u>	<u>\$ 272,217,799</u>
Less: accumulated depreciation for				
Land improvements	\$ 845,743	\$ 9,344	\$ 6,521	\$ 848,566
Buildings	11,676,698	693,844	53,405	12,317,137
Building improvements	2,272,127	745,035	-	3,017,162
Machinery, furniture, vehicles, and equipment	13,033,676	1,458,209	570,939	13,920,946
Infrastructure	73,483,719	5,797,099	148,554	79,132,264
Total accumulated depreciation	<u>\$ 101,311,963</u>	<u>\$ 8,703,531</u>	<u>\$ 779,419</u>	<u>\$ 109,236,075</u>
Total capital assets depreciated, net	<u>\$ 156,100,675</u>	<u>\$ 7,024,518</u>	<u>\$ 143,469</u>	<u>\$ 162,981,724</u>
Governmental Activities Capital Assets, Net	<u>\$ 160,893,882</u>	<u>\$ 16,093,946</u>	<u>\$ 151,214</u>	<u>\$ 176,836,614</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

4. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 195,934	\$ -	\$ -	\$ 195,934
Capital assets depreciated				
Buildings	\$ 6,678,982	\$ -	\$ -	\$ 6,678,982
Landfill	3,566,924	-	-	3,566,924
Machinery, furniture, vehicles, and equipment	3,158,310	24,857	62,025	3,121,142
Infrastructure	141,010	-	-	141,010
Total capital assets depreciated	\$ 13,545,226	\$ 24,857	\$ 62,025	\$ 13,508,058
Less: accumulated depreciation for				
Buildings	\$ 3,525,267	\$ 130,607	\$ -	\$ 3,655,874
Landfill	2,117,390	206,884	-	2,324,274
Machinery, furniture, vehicles, and equipment	2,435,742	141,625	62,025	2,515,342
Infrastructure	13,317	4,700	-	18,017
Total accumulated depreciation	\$ 8,091,716	\$ 483,816	\$ 62,025	\$ 8,513,507
Total capital assets depreciated, net	\$ 5,453,510	\$ (458,959)	\$ -	\$ 4,994,551
Business-Type Activities				
Capital Assets, Net	\$ 5,649,444	\$ (458,959)	\$ -	\$ 5,190,485

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

Governmental Activities	
General government	\$ 1,303,509
Public safety	706,587
Highways and streets, including depreciation of infrastructure assets	6,600,875
Human services	58,874
Culture and recreation	12,776
Conservation of natural resources	18,865
Economic Development	2,045
Total Depreciation Expense - Governmental Activities	<u>\$ 8,703,531</u>
Business-Type Activities	
Solid waste	<u>\$ 483,816</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2017, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Human Services Special Revenue Fund Waste Management Enterprise Fund	\$ 8,734 111,886
Total due to General Fund		\$ 120,620
Road and Bridge Special Revenue Fund	County Ditch Special Revenue Fund Capital Improvement Special Revenue Fund Waste Management Enterprise Fund	\$ 9,917 146,828 431
Total due to Road and Bridge Fund		\$ 157,176
Human Services Special Revenue Fund	General Fund Waste Management Enterprise Fund	\$ 760 80
Total due to Human Services Fund		\$ 840
Capital Improvement Special Revenue Fund	General Fund	\$ 1,353
Waste Management Enterprise Fund	General Fund	\$ 253
Agency Funds		
State Revenue Fund	General Fund	\$ 8
Family Services Collaborative Fund	General Fund	104
Total due to Agency Funds		\$ 112
Total Due To/From Other Funds		\$ 280,354

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

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

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	County Ditch Special Revenue Fund	\$ 718,750

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2017, consisted of the following:

Transfer to Master Facilities Construction Debt Service Fund from General Fund	\$ 159	To pay interest earned.
Transfer to Public Buildings Debt Service Fund from General Fund	80,347	To transfer funds for bond principal and interest payment.
Transfer to Public Buildings Debt Service Fund from Chemical Dependency Debt Service Fund	54,654	To transfer funds for bond interest payment.
Transfer to Public Buildings Debt Service Fund from Sheriff Operations Debt Service Fund	44,270	To transfer funds for bond interest payment.
Transfer to Government Service Center Debt Service Fund from Capital Improvement Special Revenue Fund	1,486	To transfer excess funds.
Transfer to Government Service Center Debt Service Fund from Veterans Home Debt Service Fund	51,160	To transfer excess funds.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

3. Interfund Transfers (Continued)

Transfer to Government Service Center Debt Service Fund from Ethanol Plant Debt Service Fund	123,090	To transfer excess funds.
Transfer to Detention Facility Debt Service Fund from Construction Capital Projects Fund	<u>26,700</u>	To transfer funds for interest payment.
Total Transfers Between Funds	<u>\$ 381,866</u>	

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2017, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	\$ 1,456,299	\$ 153,174
Salaries	1,475,268	85,292
Contracts	2,436,899	-
Due to other governments	233,767	459
Accrued interest	308,607	-
Employee deposits	<u>248,854</u>	<u>-</u>
Total Payables	<u>\$ 6,159,694</u>	<u>\$ 238,925</u>

2. Construction Commitments

The remaining commitment for highway projects are state-funded and, therefore, are not obligations of the County at December 31, 2017.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Capital Leases

The County has entered into lease agreements as a lessee for financing eight vehicles for the West Central Minnesota Drug and Violent Crime Task Force. These capital leases consist of the following at December 31, 2017:

Lease	Maturity	Installment	Payment Amount	Original Amount	Balance
Governmental Activities					
2014 Task Force vehicles	2019	Quarterly	\$ 7,516	\$ 126,725	\$ 35,555
2015 Task Force vehicles	2019	Quarterly	3,384	60,262	24,992
2015 Task Force vehicles	2020	Quarterly	1,757	29,785	14,470
Total Governmental Activities					<u>\$ 75,017</u>

The future minimum lease obligations as of December 31, 2017, were as follows:

Year Ending December 31	Governmental Activities
2018	\$ 46,368
2019	26,924
2020	1,725
Total Payments	<u>\$ 75,017</u>

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Long-Term Debt

Governmental Activities

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

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2017
General obligation bonds					
2011 Capital Improvement Bonds	2019	\$500,000 - \$850,000	0.50 - 1.75	\$ 5,400,000	\$ 1,200,000
2012 Courthouse and Jail Improvement Bonds	2025	\$170,000 - \$1,215,000	2.00 - 2.65	4,780,000	4,780,000
2016 Capital Improvement Refunding Bonds	2028	\$65,000 - \$1,020,000	1.05- 3.00	6,675,000	6,610,000
2017 Capital Improvement Bonds	2028	\$115,000 - \$150,000	3.00	1,335,000	1,335,000
Total general obligation bonds				<u>\$ 18,190,000</u>	\$ 13,925,000
Add: unamortized premium					385,848
Less: unamortized discount					<u>(25,059)</u>
Total General Obligation Bonds, Net					<u>\$ 14,285,789</u>
Revenue bonds					
2011 Disposal System Revenue Bonds	2030	\$405,000 - \$1,475,000	3.00 - 5.00	\$ 10,475,000	\$ 8,055,000
2013 Disposal System Revenue Bonds	2034	\$630,000 - \$1,970,000	2.00 - 3.75	19,380,000	17,445,000
Total revenue bonds				<u>\$ 29,855,000</u>	\$ 25,500,000
Add: unamortized premium					336,411
Less: unamortized discount					<u>(74,226)</u>
Total Revenue Bonds, Net					<u>\$ 25,762,185</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Debt Service Requirements

Debt service requirements at December 31, 2017, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 1,585,000	\$ 349,771	\$ 1,120,000	\$ 929,187
2019	1,680,000	311,975	1,150,000	894,793
2020	1,485,000	270,650	1,190,000	858,411
2021	1,670,000	228,425	1,225,000	819,524
2022	1,720,000	182,880	1,270,000	778,174
2023 - 2027	5,545,000	289,400	7,075,000	3,159,705
2028 - 2032	240,000	3,600	8,590,000	1,644,450
2033 - 2034	-	-	3,880,000	212,690
Total	<u>\$ 13,925,000</u>	<u>\$ 1,636,701</u>	<u>\$ 25,500,000</u>	<u>\$ 9,296,934</u>

Year Ending December 31	Capital Leases	
	Principal	Interest
2018	\$ 46,368	\$ 4,261
2019	26,924	1,157
2020	1,725	31
Total	<u>\$ 75,017</u>	<u>\$ 5,449</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 15,355,000	\$ 1,335,000	\$ 2,765,000	\$ 13,925,000	\$ 1,585,000
Revenue bonds	26,585,000	-	1,085,000	25,500,000	1,120,000
Lease revenue bonds	3,055,000	-	3,055,000	-	-
Add: unamortized premium	700,192	85,407	63,340	722,259	-
Less: unamortized discount	(111,393)	-	(12,108)	(99,285)	-
Total bonds payable	\$ 45,583,799	\$ 1,420,407	\$ 6,956,232	\$ 40,047,974	\$ 2,705,000
Capital leases	118,106	-	43,089	75,017	46,368
Compensated absences	5,073,571	2,678,363	2,068,700	5,683,234	1,331,960
Governmental Activities Long-Term Liabilities	<u>\$ 50,775,476</u>	<u>\$ 4,098,770</u>	<u>\$ 9,068,021</u>	<u>\$ 45,806,225</u>	<u>\$ 4,083,328</u>

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Estimated liability for landfill closure/postclosure care costs	\$ 1,230,137	\$ 314,938	\$ -	\$ 1,545,075	\$ -
Compensated absences	435,878	156,674	173,813	418,739	84,786
Business-Type Activities Long-Term Liabilities	<u>\$ 1,666,015</u>	<u>\$ 471,612</u>	<u>\$ 173,813</u>	<u>\$ 1,963,814</u>	<u>\$ 84,786</u>

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

7. Unearned Revenues/Deferred Inflows of Resources

Unearned revenues consist of state and/or federal grants received but not earned. Unavailable revenues consists of taxes, special assessments, state and/or federal grants, and state highway users tax allotments, and other receivables not collected soon enough after year-end to pay liabilities of the current period. Prepaid property taxes consist of the County's share of 2018 property taxes collected in advance. Deferred inflows of resources at December 31, 2017, are summarized below by fund:

	Taxes	Special Assessments	Grants and Allotments	Other	Total
Major governmental funds					
General	\$ 1,682,989	\$ -	\$ 15,387	\$ 57,367	\$ 1,755,743
Road and Bridge	286,879	301	5,008,066	124,910	5,420,156
Human Services	883,968	-	668,715	62,079	1,614,762
Capital Improvement	200,983	-	-	-	200,983
Nonmajor governmental funds					
Ditch	3,643	698,935	-	-	702,578
Government Service Center	40,559	-	-	-	40,559
Sheriff Operations	41,435	-	-	-	41,435
Veterans Home	592	-	-	-	592
Master Facility Construction	21,646	-	-	-	21,646
Detention Facility	10,840	-	-	-	10,840
Total	<u>\$ 3,173,534</u>	<u>\$ 699,236</u>	<u>\$ 5,692,168</u>	<u>\$ 244,356</u>	<u>\$ 9,809,294</u>
Liability					
Unearned revenues	\$ -	\$ -	\$ 93,604	\$ -	\$ 93,604
Deferred inflows of resources					
Unavailable revenues	587,909	699,236	5,598,564	244,356	7,130,065
Prepaid property taxes	2,585,625	-	-	-	2,585,625
Total	<u>\$ 3,173,534</u>	<u>\$ 699,236</u>	<u>\$ 5,692,168</u>	<u>\$ 244,356</u>	<u>\$ 9,809,294</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of Otter Tail County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan, the Public Employees Police and Fire Plan, and the Local Government Correctional Service Retirement Plan (the Public Employees 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 Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No County employees belong to the Minneapolis Employees Retirement Fund.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description (Continued)

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Public Employees 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 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. General Employees Retirement Plan and Public Employees Police and Fire Plan benefit recipients receive a future annual 1.0 percent for the post-retirement benefit increase, while Public Employees Correctional Plan benefit recipients receive 2.5 percent. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, if the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated and Basic 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 Basic Plan

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Plan members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For General Employees Retirement 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 Public Employees Police and Fire Plan and Public Employees 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.

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Basic members and Coordinated members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2017. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2017. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2017.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

3. Contributions (Continued)

In 2017, the County was required to contribute the following percentages of annual covered salary:

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

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

The County's contributions for the year ended December 31, 2017, to the pension plans were:

General Employees Retirement Plan	\$	1,636,875
Public Employees Police and Fire Plan		459,024
Public Employees Correctional Plan		163,871

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

4. Pension Costs

General Employees Retirement Plan

At December 31, 2017, the County reported a liability of \$21,245,732 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.3328 percent. It was 0.3254 percent measured as of June 30, 2016. The County recognized pension expense of \$3,147,308 for its proportionate share of the General Employees Retirement Plan's pension expense.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

The County also recognized \$7,716 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation required the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan for the fiscal year ended June 30, 2017.

The County's proportionate share of the net pension liability	\$	21,245,732
State of Minnesota's proportionate share of the net pension liability associated with the County		<u>267,174</u>
Total	\$	<u>21,512,906</u>

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 700,195	\$ 1,331,085
Changes in actuarial assumptions	3,448,819	2,129,887
Difference between projected and actual investment earnings	38,994	-
Changes in proportion	614,789	230,395
Contributions paid to PERA subsequent to the measurement date	<u>825,175</u>	<u>-</u>
Total	<u>\$ 5,627,972</u>	<u>\$ 3,691,367</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

The \$825,175 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2018	\$ 892,346
2019	1,394,747
2020	(273,824)
2021	(901,839)

Public Employees Police and Fire Plan

At December 31, 2017, the County reported a liability of \$3,618,319 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.268 percent. It was 0.275 percent measured as of June 30, 2016. The County recognized pension expense of \$921,197 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized \$24,120 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 83,286	\$ 982,633
Changes in actuarial assumptions	4,858,975	5,137,115
Difference between projected and actual investment earnings	72,073	-
Changes in proportion	132,976	234,102
Contributions paid to PERA subsequent to the measurement date	238,440	-
Total	\$ 5,385,750	\$ 6,353,850

The \$238,440 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	\$ 89,224
2019	89,224
2020	(42,426)
2021	(284,974)
2022	(1,057,588)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Correctional Plan

At December 31, 2017, the County reported a liability of \$2,593,510 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County proportion of the net pension liability was based on the County contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.91 percent. It was 0.90 percent measured as of June 30, 2016. The County recognized pension expense of \$980,923 for its proportionate share of the Public Employees Correctional Plan's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,714	\$ 43,925
Changes in actuarial assumptions	1,396,494	451,451
Difference between projected and actual investment earnings	-	11,892
Changes in proportion	27,964	8,503
Contributions paid to PERA subsequent to the measurement date	83,737	-
Total	\$ 1,509,909	\$ 515,771

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Plan (Continued)

The \$83,737 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2018	\$ 557,090
2019	576,451
2020	(150,944)
2021	(72,196)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2017, was \$5,049,428.

5. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent through 2044 and 2064, respectively, and 2.5 percent thereafter. Cost of living benefit increases for retirees are assumed to be 2.5 percent for the Public Employees Correctional Plan.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Retirement Plan was dated June 30, 2015. The experience study for the Public Employees Police and Fire Plan was dated August 30, 2016. The experience study for the Public Employees Correctional Plan was dated February 2012.

The long-term expected rate of return on pension plan investments is 7.5 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	39%	5.10%
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Cash	2	0.00

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2017, which remained consistent with 2016. 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 Retirement Plan and the Public Employees Police and Fire 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.

In the Public Employees Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2061. Beginning in fiscal year ended June 30, 2062, when projected benefit payments exceed the Plan's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 3.56 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.96 percent for the Public Employees Correctional Plan was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits to the point of asset depletion and 3.56 percent thereafter.

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2017:

General Employees Retirement Plan

- The Combined Service Annuity (CSA) loads were changed from 0.8 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 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

General Employees Retirement Plan (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21,000,000 in calendar years 2017 and 2018 and returns to \$31,000,000 through calendar year 2031. The state's required contribution is \$16,000,000 in PERA's fiscal years 2018 and 2019 and returns to \$6,000,000 annually through calendar year 2031.

Public Employees Police and Fire Plan

- 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 has been changed to 33 percent for vested members and 2.0 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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

Public Employees Police and Fire Plan (Continued)

- The assumed termination rates were decreased to 3.0 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 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

Public Employees Correctional Plan

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

Public Employees Correctional Plan (Continued)

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.0 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

8. Pension Liability Sensitivity

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

	Proportionate Share of the					
	General Employees Retirement Plan		Public Employees Police and Fire Plan		Public Employees Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 32,953,710	6.50%	\$ 6,814,350	4.96%	\$ 4,273,779
Current	7.50	21,245,732	7.50	3,618,319	5.96	2,593,509
1% Increase	8.50	11,660,626	8.50	979,819	6.96	1,282,035

9. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits (Continued)

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by Otter Tail County during the year ended December 31, 2017, were:

	Employee	Employer
Contribution amount	\$ 10,162	\$ 10,162
Percentage of covered payroll	5%	5%

C. Other Postemployment Benefits (OPEB)

Plan Description

Otter Tail County provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Additionally, seventy-five percent of the employees' accumulated sick leave may be applied toward health insurance premiums upon date of ending employment with the County. As of year-end, four retirees participate in the County's health insurance plan.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Funding Policy

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

This results in the retirees receiving an implicit rate subsidy. For 2016, there were approximately 427 participants in the plan, including 16 retirees and surviving spouses.

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

Annual OPEB Cost and Net OPEB Obligation

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

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

ARC	\$	247,343
Interest on net OPEB obligation		48,938
Adjustment to ARC		<u>(74,727)</u>
Annual OPEB cost (expense)	\$	221,554
Contributions made during the year		<u>(142,457)</u>
Increase in net OPEB obligation	\$	79,097
Net OPEB Obligation - Beginning of Year		<u>1,398,228</u>
Net OPEB Obligation - End of Year	\$	<u>1,477,325</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for the years ended December 31, 2015, 2016, and 2017, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2015	\$ 283,007	\$ 170,101	60.1%	\$ 1,285,568
December 31, 2016	223,632	110,972	49.6	1,398,228
December 31, 2017	221,554	142,457	64.3	1,477,325

Funded Status and Funding Progress

As of January 1, 2016, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,883,834, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,883,834. The covered payroll (annual payroll of active employees covered by the plan) was \$23,656,643, and the ratio of the UAAL to the covered payroll was 8.0 percent.

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

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

In the January 1, 2016, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3.5 percent investment rate of return (net of investment expenses), which is Otter Tail County's implicit rate of return on the General Fund. The annual health care cost trend is 6.75 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 7 years. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2017, was 20 years.

5. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the 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 \$1,545,075 landfill closure and postclosure care liability at December 31, 2017, represents the cumulative amount reported to date based on the use of 82 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$157,394 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2017. 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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

5. Landfill Closure and Postclosure Care Costs (Continued)

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. At December 31, 2017, investments of \$1,345,594 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 \$199,481 at December 31, 2017. Otter Tail County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

6. Risk Management

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

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 2017 and 2018. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

7. Conduit Debt

In 2005, Productive Alternatives, Inc., issued a \$775,000 Health Care Facilities Revenue Note, Series 2005, to refinance the financing on the Willows Day Program building in order to build a new facility to operate its detox operations for the benefit of Otter Tail County as well as other counties. The project is deemed to be in the public interest. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the accompanying financial statements. As of December 31, 2017, the outstanding principal amount payable was \$534,107.

In 2001, the Lake Region Healthcare Corporation issued a \$6,000,000 Health Care Facilities Revenue Note, Series 2001, to finance the remodeling and equipping of the Corporation's nursing home and 108-bed hospital and the remodeling of a portion of the Corporation's nursing home for use as an inpatient rehabilitation unit. The project is deemed to be in the public interest. The note is secured by the property financed through a series of loan agreements and is payable solely from revenues of the entity. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the accompanying financial statements. As of December 31, 2017, the outstanding principal amount payable was \$418,266.

8. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Joint Ventures

Land of the Dancing Sky Area Agency on Aging

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

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

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

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

Complete financial information can be obtained from:

Land of the Dancing Sky Area Agency on Aging
West Central Office
313 South Mill Street
Fergus Falls, Minnesota 56537

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

West Central Minnesota Drug and Violent Crime Task Force

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

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

Fiscal agent responsibilities for the Task Force are with Douglas County, which reports the Task Force as an agency fund. Financing and equipment will be provided by the full-time and associate member agencies. Otter Tail County did not contribute to this organization in 2017.

Separate financial information can be obtained from:

Douglas County Courthouse
305 - 8th Avenue West
Alexandria, Minnesota 56308

Pomme de Terre River Association

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Pomme de Terre River Association (Continued)

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

During 2017, Otter Tail County did not contribute any funds to the Joint Powers Board.

Complete financial information can be obtained from:

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

Central Minnesota Emergency Services Board

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

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

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

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2017, Otter Tail County did not contribute to the Joint Powers Board.

Complete financial information can be obtained from:

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

Otter Tail County Family Services Collaborative

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Otter Tail County Family Services Collaborative (Continued)

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

Financing is provided by state and federal grants, cash, and in-kind contributions from its member parties. Otter Tail County, in an agent capacity, reports the cash transactions of the Collaborative as an agency fund on its financial statements. During 2017, Otter Tail County did not contribute to the Collaborative.

Separate financial information can be obtained from:

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

Partnership4Health Community Health Board

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Partnership4Health Community Health Board (Continued)

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. Members of the Board serve an annual term, with no term limit.

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

During 2017, Otter Tail County did not contribute to Partnership4Health Community Health Board.

Viking Library System

Otter Tail County, along with 10 cities and 5 other counties, participates in the Viking Library System in order to establish, continue, strengthen, and improve library services in the participating cities and counties. The Viking Library System was created as a public library service in 1975, by Douglas, Grant, Otter Tail, and Stevens Counties along with the cities of Alexandria, Elbow Lake, Fergus Falls, Hancock, and Morris. Additions to the library system included Wheaton, Browns Valley, Glenwood, New York Mills, and Perham in 1976, Pope County in 1981, Traverse County in 1983, and Pelican Rapids in 1988. In 1992, the Alexandria Library became the Douglas County library.

The Viking Library System is governed by a governing board which consists of 19 members. Each County board appoints a resident of the County, each member library board appoints a representative, and any libraries with a service area population over 15,000 have an additional representative. Currently, Fergus Falls and Douglas County have additional representatives. During 2017, Otter Tail County provided \$555,631 to the Viking Library System.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Viking Library System (Continued)

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

C. Jointly-Governed Organizations

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

Minnesota River Board

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

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

Control is vested in an executive committee of one executive director and four officers elected from the membership of the Minnesota River Board, consisting of one representative from each of the member County Board of Commissioners included in this agreement. During 2017, Otter Tail County did not make any payments to the Board.

Separate financial information can be obtained from:

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

District IV Transportation Planning

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

Buffalo-Red River Watershed District

The Buffalo-Red River Watershed District was formed pursuant to Minn. Stat. § 103D.201, effective June 17, 1963, and includes land within Becker, Clay, Otter Tail and Wilkin Counties. The purpose of the District is to conserve the natural resources of the state by land-use planning, flood control, and other conservation projects by using sound scientific principles for the protection of the public health and welfare and the provident use of natural resources. Control of the District is vested in the Buffalo-Red River Watershed District Board of Managers, which is composed of seven members having staggered terms of three years each, with one appointed by the Becker County Board, three appointed by the Clay County Board, one appointed by the Otter Tail County Board and two appointed by the Wilkin County Board.

Region Four - West Central Minnesota Homeland Security Emergency Management Organization

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Minnesota Counties Computer Cooperative (MCCC)

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Otter Tail County expended \$73,176 to the MCCC.

Minnesota Criminal Justice Data Communications Network

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

Minnesota Red River Basin of the North Joint Powers Agreement

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

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

In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. During 2017, the County did not contribute any funding to the Joint Powers Board.

Complete financial statements can be obtained from:

International Coalition for Land - Water
Stewardship in the Red River Basin
119 - 5th Street South
Moorhead, Minnesota 56561

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Minnesota Rural Counties Caucus

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

Western Area City/County Co-Op

Otter Tail County and 24 other cities and counties entered into a joint powers agreement to establish the Western Area City/County Co-Op (WACCO) Joint Powers Board, effective September 5, 1995, and empowered under Minn. State § 471.59. The purpose of WACCO is to establish a resource network that identifies common needs of the individual governmental units and reduces the financial burden on each of its members through the cooperative sharing of existing resources. The management and control of WACCO shall be vested in a Board of Directors composed of a representative appointed by each member city and county. The County did not contribute to WACCO during 2017.

9. Subsequent Event

Bond Issue

On March 15, 2018 the County issued General Obligation Waste Disposal Revenue Bonds, Series 2018A, of \$1,065,000. The purpose of the bonds is to finance the cost of improvements to the solid waste disposal facility known as the Perham Resource Recovery Facility. The bonds are being issued on behalf of Prairie Lakes Municipal Solid Waste Authority.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

A. Summary of Significant Accounting Policies

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

1. Financial Reporting Entity

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

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

Prairie Lakes is governed by a six-member Board of Directors--one member appointed from Becker, Clay, Todd, and Wadena Counties, and two from Otter Tail County. Receipts and disbursements are recorded in the Prairie Lakes Municipal Solid Waste Authority Fund by Otter Tail County. Contribution percentages for the Counties were set up in the Joint Powers Agreement as follows: Becker - 22 percent, Clay - 15 percent, Otter Tail - 39 percent, Todd -14 percent, and Wadena - 10 percent.

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

A. Summary of Significant Accounting Policies (Continued)

2. Basic Financial Statements

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

3. Measurement Focus and Basis of Accounting

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

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

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

Cash and Cash Equivalents

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

A. Summary of Significant Accounting Policies

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

Capital Assets

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

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

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

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

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

A. Summary of Significant Accounting Policies

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

Compensated Absences (Continued)

payments upon termination are included. Compensated absences are accrued when incurred. The current portion consists of amounts earned in a one-year period. The noncurrent portion consists of the remaining amount of vacation and vested sick leave.

Long-Term Obligations

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Currently, Prairie Lakes has one item, deferred pension outflows, that qualifies for reporting in this category. These outflows consist of pension plan contributions paid subsequent to the measurement date, changes in actuarial assumptions, changes in proportionate share, differences between expected and actual economic experience, and also the differences between projected and actual earnings on pension plan investments.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or reduction of expense) until that time. Currently, Prairie Lakes has one item, deferred pension inflows, that qualifies for reporting in this category. These inflows consist of differences between expected and actual pension plan economic experience and changes in actuarial assumptions.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

A. Summary of Significant Accounting Policies

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

Pension Plan

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

Equity Classifications

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

5. Use of Estimates

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

1. Assets

Deposits

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

Cash and cash equivalents	\$ 884,274
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Prairie Lakes is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. Prairie Lakes is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

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

Custodial Credit Risk

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

1. Assets (Continued)

Receivables

Receivables as of December 31, 2017, are as follows:

	Total Receivables
Accounts	\$ 198,633

Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 25,489	\$ -	\$ -	\$ 25,489
Construction in progress	29,095,462	-	29,095,462	-
Total capital assets not depreciated	\$ 29,120,951	\$ -	\$ 29,095,462	\$ 25,489
Capital assets depreciated				
Buildings	\$ 5,563,415	\$ 28,913,806	\$ -	\$ 34,477,221
Machinery, furniture, and equipment	1,548,682	-	-	1,548,682
Total capital assets depreciated	\$ 7,112,097	\$ 28,913,806	\$ -	\$ 36,025,903
Less: accumulated depreciation for				
Buildings	\$ 2,582,637	\$ 1,426,355	\$ -	\$ 4,008,992
Machinery, furniture, and equipment	725,753	102,654	-	828,407
Total accumulated depreciation	\$ 3,308,390	\$ 1,529,009	\$ -	\$ 4,837,399
Total capital assets depreciated, net	\$ 3,803,707	\$ 27,384,797	\$ -	\$ 31,188,504
Capital Assets, Net	\$ 32,924,658	\$ 27,384,797	\$ 29,095,462	\$ 31,213,993

Depreciation expense for the year was \$1,529,009.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes (Continued)

2. Liabilities

Payables

Payables at December 31, 2017, were as follows:

Accounts	\$	82,057
Salaries		83,589
Due to other governments		103,281
Due to primary government		164,862
Total Payables	\$	433,789

Advance from Primary Government

Prairie Lakes Municipal Solid Waste Authority has entered into an advance arrangement with Otter Tail County. The County issued \$10,475,000 in General Obligation Disposal System Revenue Bonds and \$19,380,000 in General Obligation Waste Disposal Revenue Bonds in order to finance the acquisition/expansion of the facility. The proceeds from the sale of these bonds were recognized by Otter Tail County. Prairie Lakes' repayment of the advance for these bond issues to the County is essentially equal to the principal and interest on the bonds each year. 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, 2017:

<u>Type of Indebtedness</u>	<u>Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original</u>	<u>Balance</u>
Advance from primary government - 2011	2030	\$405,000 - \$755,000	3.0 to 5.0	\$ 10,475,000	\$ 8,055,000
Advance from primary government - 2013	2034	\$630,000 - \$1,970,000	2.0 to 3.8	19,380,000	17,445,000
Advance from primary government - 2015	-	Varies	0.25	2,788,620	2,788,620
Total Advance from Primary Government				\$ 32,643,620	\$ 28,288,620

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

2. Liabilities

Advance from Primary Government (Continued)

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

The future minimum obligations as of December 31, 2017, were as follows:

Year Ending December 31	Future Minimum Obligations
2018	\$ 2,049,186
2019	2,044,793
2020	2,048,411
2021	2,044,524
2022	2,048,174
2023 - 2027	10,234,704
2028 - 2032	10,234,450
2033 - 2034	4,092,690
Total future minimum advance payments	\$ 34,796,932
Less: amount representing interest	(9,296,932)
Advance Balance	\$ 25,500,000

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Advance from primary government	\$ 29,373,620	\$ -	\$ 1,085,000	\$ 28,288,620	\$ 1,120,000
Compensated absences	318,501	176,177	153,828	340,850	71,339
Long-Term Liabilities	\$ 29,692,121	\$ 176,177	\$ 1,238,828	\$ 28,629,470	\$ 1,191,339

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

C. Defined Benefit Pension Plan

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

Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

C. Defined Benefit Pension Plan

Benefits Provided (Continued)

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan 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). The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 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 Retirement 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 Retirement Plan Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in 2017.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

C. Defined Benefit Pension Plan

Contributions (Continued)

In 2017, Prairie Lakes was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan	
Coordinated Plan members	7.50%

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

Prairie Lakes' contribution for the General Employees Retirement Plan for the year ended December 31, 2017, were \$130,673. The contributions are equal to the contractually required contributions as set by state statute.

Pension Costs

At December 31, 2017, Prairie Lakes reported a liability of \$1,691,743 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, Prairie Lakes' proportion was 0.0265 percent. It was 0.0258 percent measured as of June 30, 2016. Prairie Lakes' recognized pension expense of \$364,651 for its proportionate share of the General Employees Retirement Plan's pension expense.

Prairie Lakes also recognized \$615 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation required the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan for the fiscal year ended June 30, 2017.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

C. Defined Benefit Pension Plan

Pension Costs (Continued)

Prairie Lakes' proportionate share of the net pension liability	\$ 1,691,743
State of Minnesota's proportionate share of the net pension liability associated with Prairie Lakes	21,307
Total	\$ 1,713,050

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 55,755	\$ 105,175
Changes in actuarial assumptions	273,447	169,597
Difference between projected and actual investment earnings	843	-
Changes in proportion	155,201	-
Contributions paid to PERA subsequent to the measurement date	65,258	-
Total	\$ 550,504	\$ 274,772

The \$65,258 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	\$ 184,865
2019	117,299
2020	(19,880)
2021	(71,810)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

C. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. The cost of living benefit increases for retirees are assumed to be 1.0 percent through 2044, and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Retirement Plan was dated June 30, 2015.

The long-term expected rate of return on pension plan investments is 7.5 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	39%	5.10%
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Cash	2	0.00

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

C. Defined Benefit Pension Plan (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2017, which remained consistent with 2016. 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 Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2017:

- The Combined Service Annuity (CSA) loads were changed from 0.8 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 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21,000,000 in calendar years 2017 and 2018 and returns to \$31,000,000 through calendar year 2031. The state's required contribution is \$16,000,000 in PERA's fiscal years 2018 and 2019 and returns to \$6,000,000 annually through calendar year 2031.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

C. Defined Benefit Pension Plan (Continued)

Pension Liability Sensitivity

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

	Proportionate Share of the General Employees Retirement Plan	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 2,624,018
Current	7.50	1,691,743
1% Increase	8.50	928,505

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296 7460 or 1-800-652-9026.

D. Risk Management

Prairie Lakes 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 other Minnesota entities to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. Prairie Lakes is a member of both the MCIT Workers’ Compensation and Property and Casualty Divisions. For other risk, Prairie Lakes carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

D. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2017 and 2018. 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, 2017, 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 in information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated.

E. Other Items

Operating Budgets

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues	\$ 7,731,985	\$ 8,128,215	\$ 396,230
Operating Expenses	<u>5,221,948</u>	<u>7,134,726</u>	<u>(1,912,778)</u>
Operating Income (Loss)	\$ 2,510,037	\$ 993,489	\$ (1,516,548)
Nonoperating Revenues (Expenses) and Contributions	<u>(2,447,958)</u>	<u>(948,609)</u>	<u>1,499,349</u>
Change in Net Position	<u>\$ 62,079</u>	<u>\$ 44,880</u>	<u>\$ (17,199)</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

F. Subsequent Event

Otter Tail County issued \$1,065,000 General Obligation Waste Disposal Bonds, Series 2018A, on behalf of Prairie Lakes, to finance improvements to the facility.

REQUIRED SUPPLEMENTARY INFORMATION

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 21,720,575	\$ 20,749,062	\$ 19,876,358	\$ (872,704)
Special assessments	24,709	24,709	-	(24,709)
Licenses and permits	454,985	454,985	467,265	12,280
Intergovernmental	1,877,915	2,849,428	3,481,683	632,255
Charges for services	1,651,847	1,651,847	1,537,126	(114,721)
Fines and forfeits	30,000	30,000	19,264	(10,736)
Investment earnings	225,000	225,000	294,679	69,679
Miscellaneous	2,202,061	2,202,061	1,903,929	(298,132)
Total Revenues	\$ 28,187,092	\$ 28,187,092	\$ 27,580,304	\$ (606,788)
Expenditures				
Current				
General government				
Commissioners	\$ 435,779	\$ 435,779	\$ 388,643	\$ 47,136
Courts	240,000	240,000	301,896	(61,896)
County coordinator	811,900	811,900	872,639	(60,739)
County auditor	870,016	870,016	870,522	(506)
Motor vehicle	466,543	466,543	457,432	9,111
County treasurer	322,549	322,549	310,046	12,503
County assessor	1,242,013	1,242,013	1,243,268	(1,255)
Elections	45,200	45,200	46,059	(859)
Accounting and auditing	95,000	95,000	95,050	(50)
Board of Adjustments	25,100	25,100	26,071	(971)
Information technology	1,276,613	1,276,613	1,225,910	50,703
Attorney	1,852,669	1,852,669	1,790,180	62,489
Recorder	762,859	762,859	803,690	(40,831)
Planning and zoning	29,000	29,000	24,419	4,581
Land and resource	1,201,400	1,201,400	1,117,155	84,245
Facilities operations	2,216,988	2,216,988	2,014,768	202,220
Geographical information survey	595,476	595,476	581,570	13,906
Veterans service officer	364,692	364,692	370,515	(5,823)
Forfeited tax sale	-	-	8,229	(8,229)
Unallocated	1,821,090	1,821,090	1,418,368	402,722
Total general government	\$ 14,674,887	\$ 14,674,887	\$ 13,966,430	\$ 708,457

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 6,517,492	\$ 6,517,492	\$ 6,010,793	\$ 506,699
Boat and water safety	150,780	150,780	119,749	31,031
Coroner	114,210	114,210	144,990	(30,780)
County jail	3,645,291	3,645,291	3,364,839	280,452
Humane society	66,971	66,971	66,971	-
Snowmobile account	180,000	180,000	171,422	8,578
Emergency management	174,459	174,459	110,198	64,261
Total public safety	\$ 10,849,203	\$ 10,849,203	\$ 9,988,962	\$ 860,241
Culture and recreation				
Historical society	\$ 70,000	\$ 70,000	\$ 70,000	\$ -
History museum	70,270	70,270	70,270	-
County fairs	40,000	40,000	40,000	-
Phelps Mill Park	46,741	46,741	36,283	10,458
Viking Library	555,631	555,631	555,631	-
Total culture and recreation	\$ 782,642	\$ 782,642	\$ 772,184	\$ 10,458
Conservation of natural resources				
County extension	\$ 382,066	\$ 382,066	\$ 404,272	\$ (22,206)
Soil and water conservation	386,815	386,815	389,255	(2,440)
Lake improvement districts	328,712	328,712	327,317	1,395
Aquatic invasive species	483,700	483,700	382,146	101,554
Total conservation of natural resources	\$ 1,581,293	\$ 1,581,293	\$ 1,502,990	\$ 78,303
Economic development				
Red River Valley Development Association	\$ 800	\$ 800	\$ 800	\$ -
West Central Minnesota Initiative	20,000	20,000	20,000	-
Rural life outreach	214,706	214,706	211,911	2,795
Missing heirs account	-	-	8,320	(8,320)
Veteran's van	2,400	2,400	-	2,400
Wellness account	-	-	3,732	(3,732)
Total economic development	\$ 237,906	\$ 237,906	\$ 244,763	\$ (6,857)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Debt service				
Principal	\$ 50,000	\$ 50,000	\$ 43,089	\$ 6,911
Interest	43,362	43,362	7,870	35,492
Total debt service	\$ 93,362	\$ 93,362	\$ 50,959	\$ 42,403
Total Expenditures	\$ 28,219,293	\$ 28,219,293	\$ 26,526,288	\$ 1,693,005
Excess of Revenues Over (Under)				
Expenditures	\$ (32,201)	\$ (32,201)	\$ 1,054,016	\$ 1,086,217
Other Financing Sources (Uses)				
Transfers in	\$ 3,000	\$ 3,000	-	\$ (3,000)
Transfers out	-	-	(80,506)	(80,506)
Total Other Financing Sources (Uses)	\$ 3,000	\$ 3,000	\$ (80,506)	\$ (83,506)
Net Change in Fund Balance	\$ (29,201)	\$ (29,201)	\$ 973,510	\$ 1,002,711
Fund Balance - January 1	22,668,795	22,668,795	22,668,795	-
Fund Balance - December 31	\$ 22,639,594	\$ 22,639,594	\$ 23,642,305	\$ 1,002,711

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 7,250,000	\$ 7,068,767	\$ 7,546,656	\$ 477,889
Intergovernmental	22,459,100	22,640,333	20,418,882	(2,221,451)
Charges for services	1,126,500	1,126,500	1,084,218	(42,282)
Miscellaneous	69,000	69,000	125,065	56,065
Total Revenues	\$ 30,904,600	\$ 30,904,600	\$ 29,174,821	\$ (1,729,779)
Expenditures				
Current				
Highways and streets				
Administration	\$ 723,900	\$ 723,900	\$ 686,346	\$ 37,554
Maintenance	5,511,410	5,511,410	5,366,441	144,969
Construction	27,404,760	27,404,760	25,462,080	1,942,680
Equipment maintenance and shop	1,276,430	1,276,430	1,313,770	(37,340)
Materials and services for resale	3,000	3,000	7,680	(4,680)
Total highways and streets	\$ 34,919,500	\$ 34,919,500	\$ 32,836,317	\$ 2,083,183
Intergovernmental				
Highways and streets	1,410,000	1,410,000	1,387,787	22,213
Total Expenditures	\$ 36,329,500	\$ 36,329,500	\$ 34,224,104	\$ 2,105,396
Net Change in Fund Balance	\$ (5,424,900)	\$ (5,424,900)	\$ (5,049,283)	\$ 375,617
Fund Balance - January 1	9,608,316	9,608,316	9,608,316	-
Increase (decrease) in inventories	-	-	(38,969)	(38,969)
Fund Balance - December 31	\$ 4,183,416	\$ 4,183,416	\$ 4,520,064	\$ 336,648

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 10,786,142	\$ 10,256,484	\$ 10,102,829	\$ (153,655)
Licenses and permits	300,000	300,000	163,824	(136,176)
Intergovernmental	11,978,293	12,507,951	13,274,078	766,127
Charges for services	1,888,741	1,888,741	1,840,695	(48,046)
Gifts and contributions	51,500	51,500	40,767	(10,733)
Miscellaneous	570,682	570,682	836,401	265,719
Total Revenues	\$ 25,575,358	\$ 25,575,358	\$ 26,258,594	\$ 683,236
Expenditures				
Current				
Public safety				
Community corrections	\$ 2,372,643	\$ 2,372,643	\$ 2,279,055	\$ 93,588
Human services				
Income maintenance	\$ 5,788,500	\$ 5,788,500	\$ 6,024,871	\$ (236,371)
Social services	13,991,936	13,991,936	14,483,472	(491,536)
Total human services	\$ 19,780,436	\$ 19,780,436	\$ 20,508,343	\$ (727,907)
Health				
Nursing service	\$ 3,694,959	\$ 3,694,959	\$ 4,180,252	\$ (485,293)
Total Expenditures	\$ 25,848,038	\$ 25,848,038	\$ 26,967,650	\$ (1,119,612)
Net Change in Fund Balance	\$ (272,680)	\$ (272,680)	\$ (709,056)	\$ (436,376)
Fund Balance - January 1	14,378,419	14,378,419	14,378,419	-
Fund Balance - December 31	\$ 14,105,739	\$ 14,105,739	\$ 13,669,363	\$ (436,376)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,995,944	\$ 2,848,983	\$ 2,799,310	\$ (49,673)
Special assessments	-	-	9	9
Intergovernmental	151,132	298,093	350,157	52,064
Charges for services	1,500	1,500	-	(1,500)
Investment earnings	9,400	9,400	14,616	5,216
Miscellaneous	86,160	86,160	101,698	15,538
Total Revenues	\$ 3,244,136	\$ 3,244,136	\$ 3,265,790	\$ 21,654
Expenditures				
Current				
General government				
County auditor	\$ 16,000	\$ 16,000	\$ -	\$ 16,000
County assessor	26,000	26,000	22,728	3,272
Data processing	185,000	185,000	185,824	(824)
Attorney	10,000	10,000	-	10,000
Facilities operations	116,885	116,885	1,706	115,179
Land and resource	70,000	70,000	63,941	6,059
Geographical information survey	20,000	20,000	-	20,000
Other general government	-	-	24,543	(24,543)
Total general government	\$ 443,885	\$ 443,885	\$ 298,742	\$ 145,143
Public safety				
Sheriff	\$ 563,165	\$ 563,165	\$ 519,272	\$ 43,893
Boat and water safety	-	-	5,074	(5,074)
Radio board	-	-	130,527	(130,527)
Community corrections	31,000	31,000	25,969	5,031
Total public safety	\$ 594,165	\$ 594,165	\$ 680,842	\$ (86,677)
Highways and streets				
Maintenance	\$ 1,209,700	\$ 1,209,700	\$ 1,354,079	\$ (144,379)
Human services				
Social services	\$ 92,000	\$ 92,000	\$ 64,968	\$ 27,032
Health				
Nursing service	\$ 35,000	\$ 35,000	\$ 23,618	\$ 11,382
Culture and recreation				
Phelps Mill Park	\$ 54,000	\$ 54,000	\$ -	\$ 54,000

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

**BUDGETARY COMPARISON SCHEDULE
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Conservation of natural resources				
County extension	\$ 5,000	\$ 5,000	\$ 2,113	\$ 2,887
Total Expenditures	\$ 2,433,750	\$ 2,433,750	\$ 2,424,362	\$ 9,388
Excess of Revenues Over (Under)				
Expenditures	\$ 810,386	\$ 810,386	\$ 841,428	\$ 31,042
Other Financing Sources (Uses)				
Transfers out	-	-	(1,486)	(1,486)
Net Change in Fund Balance	\$ 810,386	\$ 810,386	\$ 839,942	\$ 29,556
Fund Balance - January 1	5,459,770	5,459,770	5,459,770	-
Fund Balance - December 31	\$ 6,270,156	\$ 6,270,156	\$ 6,299,712	\$ 29,556

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Governmental Activities

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a)/c)</u>
January 1, 2012	\$ -	\$ 2,989,407	\$ 2,989,407	0.00%	\$ 18,297,611	16.34%
January 1, 2014	-	2,330,908	2,330,908	0.00	17,159,945	13.58
January 1, 2016	-	1,784,411	1,784,411	0.00	22,213,588	8.03

Business-Type Activities

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a)/c)</u>
January 1, 2012	\$ -	\$ 141,251	\$ 141,251	0.00%	\$ 1,012,109	13.96%
January 1, 2014	-	123,197	123,197	0.00	1,112,745	11.07
January 1, 2016	-	99,423	99,423	0.00	1,443,055	6.89

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2017**

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
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	NA	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, 2017**

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)
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, 2017**

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
2017	0.268%	\$ 3,618,319	\$ 2,747,296	131.70%	85.43%
2016	0.275	11,036,229	2,653,923	415.85	63.88
2015	0.266	3,022,382	2,439,613	123.89	86.61

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2017**

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)
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.

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2017**

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
2017	0.91%	\$ 2,593,510	\$ 1,825,989	142.03%	67.89%
2016	0.90	3,287,826	1,695,796	193.88	58.16
2015	1.01	156,146	1,812,160	8.62	96.95

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT A-11

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2017**

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)
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.

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

1. Budgetary Information

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

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

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

2. Excess of Expenditures Over Budget

The following major fund had expenditures in excess of budget for the year ended December 31, 2017.

	Expenditures	Final Budget	Excess
Human Services Special Revenue Fund	\$ 26,967,650	\$ 25,848,038	\$ 1,119,612

3. Other Postemployment Benefits - Changes in Significant Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality table was updated from RP 2000 Combined Healthy Table projected to 2014 with Scale BB (with Blue Collar adjustment for Police & Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (Blue Collar Tables for Police and Fire Personnel).

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

3. Other Postemployment Benefits - Changes in Significant Actuarial Assumptions
(Continued)

- The retirement tables for all employees were updated.
- The withdrawal table for police and fire employees was updated.
- The discount rate was changed from 4.50% to 3.50%.

4. 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

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8 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 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21,000,000 in calendar years 2017 and 2018 and returns to \$31,000,000 through calendar year 2031. The state's required contribution is \$16,000,000 in PERA's fiscal years 2018 and 2019 and returns to \$6,000,000 annually through calendar year 2031.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan (Continued)

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

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 has been changed to 33 percent for vested members and 2.0 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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed termination rates were decreased to 3.0 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 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 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.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

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

Public Employees Correctional Plan

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 has been changed to 35 percent for vested members and 1.0 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

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

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SUPPLEMENTARY INFORMATION

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

DEBT SERVICE FUNDS

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

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

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

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

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

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

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

DEBT SERVICE FUNDS
(Continued)

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 Ottetail Operations Center, the library project and the CARE building.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	<u>Special Revenue (Exhibit B-3)</u>	<u>Debt Service (Exhibit B-5)</u>	<u>Total (Exhibit 3)</u>
<u>Assets</u>			
Cash and pooled investments	\$ 633,004	\$ 2,638,141	\$ 3,271,145
Undistributed cash in agency funds	6,422	24,669	31,091
Taxes receivable - delinquent	-	33,336	33,336
Special assessments receivable			
Delinquent	4,727	-	4,727
Noncurrent	698,935	-	698,935
Due from other governments	4,490	-	4,490
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 1,347,578	\$ 2,696,146	\$ 4,043,724
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 3,638	\$ -	\$ 3,638
Due to other funds	9,917	-	9,917
Advance from other funds	718,750	-	718,750
	<hr/>	<hr/>	<hr/>
Total Liabilities	\$ 732,305	\$ -	\$ 732,305
	<hr/>	<hr/>	<hr/>
Deferred Inflows of Resources			
Unavailable revenues	\$ 702,578	\$ 24,195	\$ 726,773
Prepaid property taxes	-	90,877	90,877
	<hr/>	<hr/>	<hr/>
Total Deferred Inflows of Resources	\$ 702,578	\$ 115,072	\$ 817,650
	<hr/>	<hr/>	<hr/>
Fund Balances			
Restricted			
Debt service	\$ -	\$ 2,580,978	\$ 2,580,978
Law library	113,235	-	113,235
Ditch maintenance and construction	409,662	-	409,662
Sheriff's contingencies	5,000	-	5,000
Assigned			
Public safety	9,676	-	9,676
Debt service	-	96	96
Unassigned	(624,878)	-	(624,878)
	<hr/>	<hr/>	<hr/>
Total Fund Balances	\$ (87,305)	\$ 2,581,074	\$ 2,493,769
	<hr/>	<hr/>	<hr/>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,347,578	\$ 2,696,146	\$ 4,043,724
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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Special Revenue (Exhibit B-4)	Debt Service (Exhibit B-6)	Total (Exhibit 5)
Revenues			
Taxes	\$ -	\$ 1,337,071	\$ 1,337,071
Special assessments	410,285	-	410,285
Intergovernmental	-	28,998	28,998
Fines and forfeits	65,915	-	65,915
Investment earnings	-	633	633
Miscellaneous	2,579	547,490	550,069
	\$ 478,779	\$ 1,914,192	\$ 2,392,971
Expenditures			
Current			
General government	\$ 63,806	\$ -	\$ 63,806
Public safety	10,560	-	10,560
Conservation of natural resources	324,829	-	324,829
Debt service			
Principal	-	5,820,000	5,820,000
Interest	-	387,754	387,754
	\$ 399,195	\$ 6,207,754	\$ 6,606,949
Excess of Revenues Over (Under) Expenditures	\$ 79,584	\$ (4,293,562)	\$ (4,213,978)
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ 381,866	\$ 381,866
Transfers out	-	(273,174)	(273,174)
	\$ -	\$ 108,692	\$ 108,692
Net Change in Fund Balance	\$ 79,584	\$ (4,184,870)	\$ (4,105,286)
Fund Balance - January 1	(166,889)	6,765,944	6,599,055
Fund Balance - December 31	\$ (87,305)	\$ 2,581,074	\$ 2,493,769

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2017**

	County Ditch	Law Library	Sheriff's Contingent	Total
<u>Assets</u>				
Cash and pooled investments	\$ 506,900	\$ 111,943	\$ 14,161	\$ 633,004
Undistributed cash in agency funds	6,422	-	-	6,422
Special assessments receivable				
Delinquent	4,727	-	-	4,727
Noncurrent	698,935	-	-	698,935
Due from other governments	-	3,640	850	4,490
Total Assets	\$ 1,216,984	\$ 115,583	\$ 15,011	\$ 1,347,578
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 955	\$ 2,348	\$ 335	\$ 3,638
Due to other funds	9,917	-	-	9,917
Advance from other funds	718,750	-	-	718,750
Total Liabilities	\$ 729,622	\$ 2,348	\$ 335	\$ 732,305
Deferred Inflows of Resources				
Unavailable revenues	\$ 702,578	\$ -	\$ -	\$ 702,578
Fund Balances				
Restricted				
Law library	\$ -	\$ 113,235	\$ -	\$ 113,235
Ditch maintenance and construction	409,662	-	-	409,662
Sheriff's contingencies	-	-	5,000	5,000
Assigned				
Public safety	-	-	9,676	9,676
Unassigned	(624,878)	-	-	(624,878)
Total Fund Balances	\$ (215,216)	\$ 113,235	\$ 14,676	\$ (87,305)
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,216,984	\$ 115,583	\$ 15,011	\$ 1,347,578

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-4

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>County Ditch</u>	<u>Law Library</u>	<u>Sheriff's Contingent</u>	<u>Total</u>
Revenues				
Special assessments	\$ 410,285	\$ -	\$ -	\$ 410,285
Fines and forfeits	-	56,267	9,648	65,915
Miscellaneous	2,579	-	-	2,579
Total Revenues	\$ 412,864	\$ 56,267	\$ 9,648	\$ 478,779
Expenditures				
Current				
General government	\$ -	\$ 63,806	\$ -	\$ 63,806
Public safety	-	-	10,560	10,560
Conservation of natural resources	324,829	-	-	324,829
Total Expenditures	\$ 324,829	\$ 63,806	\$ 10,560	\$ 399,195
Net Change in Fund Balance	\$ 88,035	\$ (7,539)	\$ (912)	\$ 79,584
Fund Balance - January 1	(303,251)	120,774	15,588	(166,889)
Fund Balance - December 31	\$ (215,216)	\$ 113,235	\$ 14,676	\$ (87,305)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2017**

	<u>Chemical Dependency</u>	<u>Government Service Center</u>
<u>Assets</u>		
Cash and pooled investments	\$ 647,995	\$ 1,187,821
Undistributed cash in agency funds	-	13,117
Taxes receivable - delinquent	-	18,119
Total Assets	<u><u>\$ 647,995</u></u>	<u><u>\$ 1,219,057</u></u>
<u>Deferred Inflows of Resources and Fund Balances</u>		
Deferred Inflows of Resources		
Unavailable revenues	\$ -	\$ 13,246
Prepaid property taxes	-	27,313
Total Deferred Inflows of Resources	<u><u>\$ -</u></u>	<u><u>\$ 40,559</u></u>
Fund Balances		
Restricted for Debt service	\$ 647,995	\$ 1,178,498
Assigned for Debt service	-	-
Total Fund Balances	<u><u>\$ 647,995</u></u>	<u><u>\$ 1,178,498</u></u>
Total Deferred Inflows of Resources and Fund Balances	<u><u>\$ 647,995</u></u>	<u><u>\$ 1,219,057</u></u>

EXHIBIT B-5

<u>Sheriff Operations</u>	<u>Veterans Home</u>	<u>Master Facility Construction</u>	<u>Detention Facility</u>	<u>Total</u>
\$ 669,417	\$ -	\$ 95,698	\$ 37,210	\$ 2,638,141
9,456	-	2,096	-	24,669
11,908	688	2,621	-	33,336
<u>\$ 690,781</u>	<u>\$ 688</u>	<u>\$ 100,415</u>	<u>\$ 37,210</u>	<u>\$ 2,696,146</u>
\$ 8,492	\$ 592	\$ 1,865	\$ -	\$ 24,195
32,943	-	19,781	10,840	90,877
<u>\$ 41,435</u>	<u>\$ 592</u>	<u>\$ 21,646</u>	<u>\$ 10,840</u>	<u>\$ 115,072</u>
\$ 649,346	\$ -	\$ 78,769	\$ 26,370	\$ 2,580,978
-	96	-	-	96
<u>\$ 649,346</u>	<u>\$ 96</u>	<u>\$ 78,769</u>	<u>\$ 26,370</u>	<u>\$ 2,581,074</u>
<u>\$ 690,781</u>	<u>\$ 688</u>	<u>\$ 100,415</u>	<u>\$ 37,210</u>	<u>\$ 2,696,146</u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Chemical Dependency</u>	<u>Ethanol Plant</u>	<u>Government Service Center</u>
Revenues			
Taxes	\$ -	\$ 213	\$ 696,731
Intergovernmental	-	-	15,084
Investment earnings	-	633	-
Miscellaneous	547,490	-	-
Total Revenues	\$ 547,490	\$ 846	\$ 711,815
Expenditures			
Debt service			
Principal	\$ -	\$ 1,850,000	\$ 850,000
Interest	3,461	62,326	26,003
Total Expenditures	\$ 3,461	\$ 1,912,326	\$ 876,003
Excess of Revenues Over (Under) Expenditures	\$ 544,029	\$ (1,911,480)	\$ (164,188)
Other Financing Sources (Uses)			
Transfer in	\$ -	\$ -	\$ 175,736
Transfer out	(54,654)	(123,090)	-
Total Other Financing Sources (Uses)	\$ (54,654)	\$ (123,090)	\$ 175,736
Net Change in Fund Balance	\$ 489,375	\$ (2,034,570)	\$ 11,548
Fund Balance - January 1	158,620	2,034,570	1,166,950
Fund Balance - December 31	\$ 647,995	\$ -	\$ 1,178,498

EXHIBIT B-6

<u>Sheriff Operations</u>	<u>Veterans Home</u>	<u>Master Facility Construction</u>	<u>Detention Facility</u>	<u>Public Buildings</u>	<u>Total</u>
\$ 523,350	\$ 324	\$ 116,453	\$ -	\$ -	\$ 1,337,071
11,380	-	2,534	-	-	28,998
-	-	-	-	-	633
-	-	-	-	-	547,490
\$ 534,730	\$ 324	\$ 118,987	\$ -	\$ -	\$ 1,914,192
\$ 3,055,000	\$ -	\$ -	\$ -	\$ 65,000	\$ 5,820,000
65,932	-	115,431	330	114,271	387,754
\$ 3,120,932	\$ -	\$ 115,431	\$ 330	\$ 179,271	\$ 6,207,754
\$ (2,586,202)	\$ 324	\$ 3,556	\$ (330)	\$ (179,271)	\$ (4,293,562)
\$ -	\$ -	\$ 159	\$ 26,700	\$ 179,271	\$ 381,866
(44,270)	(51,160)	-	-	-	(273,174)
\$ (44,270)	\$ (51,160)	\$ 159	\$ 26,700	\$ 179,271	\$ 108,692
\$ (2,630,472)	\$ (50,836)	\$ 3,715	\$ 26,370	\$ -	\$ (4,184,870)
3,279,818	50,932	75,054	-	-	6,765,944
\$ 649,346	\$ 96	\$ 78,769	\$ 26,370	\$ -	\$ 2,581,074

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-7

**BUDGETARY COMPARISON SCHEDULE
COUNTY DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 289,280	\$ 289,280	\$ 410,285	\$ 121,005
Miscellaneous	-	-	2,579	2,579
Total Revenues	\$ 289,280	\$ 289,280	\$ 412,864	\$ 123,584
Expenditures				
Current				
Conservation of natural resources				
Drainage ditches	206,300	206,300	324,829	(118,529)
Net Change in Fund Balance	\$ 82,980	\$ 82,980	\$ 88,035	\$ 5,055
Fund Balance - January 1	(303,251)	(303,251)	(303,251)	-
Fund Balance - December 31	\$ (220,271)	\$ (220,271)	\$ (215,216)	\$ 5,055

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-8

**BUDGETARY COMPARISON SCHEDULE
LAW LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeits	\$ 58,000	\$ 58,000	\$ 56,267	\$ (1,733)
Expenditures				
Current				
General government				
Law library	74,600	74,600	63,806	10,794
Net Change in Fund Balance	\$ (16,600)	\$ (16,600)	\$ (7,539)	\$ 9,061
Fund Balance - January 1	120,774	120,774	120,774	-
Fund Balance - December 31	\$ 104,174	\$ 104,174	\$ 113,235	\$ 9,061

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-9

**BUDGETARY COMPARISON SCHEDULE
SHERIFF'S CONTINGENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeits	\$ 9,500	\$ 9,500	\$ 9,648	\$ 148
Expenditures				
Current				
Public safety				
Sheriff	7,500	7,500	10,560	(3,060)
Excess of Revenues Over (Under) Expenditures	\$ 2,000	\$ 2,000	\$ (912)	\$ (2,912)
Other Financing Sources (Uses)				
Transfers out	(3,000)	(3,000)	-	3,000
Net Change in Fund Balance	\$ (1,000)	\$ (1,000)	\$ (912)	\$ 88
Fund Balance - January 1	15,588	15,588	15,588	-
Fund Balance - December 31	\$ 14,588	\$ 14,588	\$ 14,676	\$ 88

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-10

**BUDGETARY COMPARISON SCHEDULE
CHEMICAL DEPENDENCY DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Miscellaneous	\$ 547,490	\$ 547,490	\$ 547,490	\$ -
Expenditures				
Debt service				
Principal	\$ 400,000	\$ 400,000	\$ -	\$ 400,000
Interest	147,840	147,840	3,461	144,379
Total Expenditures	\$ 547,840	\$ 547,840	\$ 3,461	\$ 544,379
Excess of Revenues Over (Under) Expenditures	\$ (350)	\$ (350)	\$ 544,029	\$ 544,379
Other Financing Sources (Uses)				
Transfers out	-	-	(54,654)	(54,654)
Net Change in Fund Balance	\$ (350)	\$ (350)	\$ 489,375	\$ 489,725
Fund Balance - January 1	158,620	158,620	158,620	-
Fund Balance - December 31	\$ 158,270	\$ 158,270	\$ 647,995	\$ 489,725

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-11

**BUDGETARY COMPARISON SCHEDULE
ETHANOL PLANT DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ -	\$ -	\$ 213	\$ 213
Investment earnings	-	-	633	633
Total Revenues	\$ -	\$ -	\$ 846	\$ 846
Expenditures				
Debt service				
Principal	\$ 615,000	\$ 615,000	\$ 1,850,000	\$ (1,235,000)
Interest	77,125	77,125	62,326	14,799
Total Expenditures	\$ 692,125	\$ 692,125	\$ 1,912,326	\$ (1,220,201)
Excess of Revenues Over (Under) Expenditures	\$ (692,125)	\$ (692,125)	\$ (1,911,480)	\$ (1,219,355)
Other Financing Sources (Uses)				
Transfers out	-	-	(123,090)	(123,090)
Net Change in Fund Balance	\$ (692,125)	\$ (692,125)	\$ (2,034,570)	\$ (1,342,445)
Fund Balance - January 1	2,034,570	2,034,570	2,034,570	-
Fund Balance - December 31	\$ 1,342,445	\$ 1,342,445	\$ -	\$ (1,342,445)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-12

**BUDGETARY COMPARISON SCHEDULE
GOVERNMENT SERVICE CENTER DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 704,910	\$ 704,910	\$ 696,731	\$ (8,179)
Intergovernmental	-	-	15,084	15,084
Total Revenues	\$ 704,910	\$ 704,910	\$ 711,815	\$ 6,905
Expenditures				
Debt service				
Principal	\$ 850,000	\$ 850,000	\$ 850,000	\$ -
Interest	24,563	24,563	26,003	(1,440)
Total Expenditures	\$ 874,563	\$ 874,563	\$ 876,003	\$ (1,440)
Excess of Revenues Over (Under) Expenditures	\$ (169,653)	\$ (169,653)	\$ (164,188)	\$ 5,465
Other Financing Sources (Uses)				
Transfers in	-	-	175,736	175,736
Net Change in Fund Balance	\$ (169,653)	\$ (169,653)	\$ 11,548	\$ 181,201
Fund Balance - January 1	1,166,950	1,166,950	1,166,950	-
Fund Balance - December 31	\$ 997,297	\$ 997,297	\$ 1,178,498	\$ 181,201

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-13

**BUDGETARY COMPARISON SCHEDULE
SHERIFF OPERATIONS DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 532,350	\$ 532,350	\$ 523,350	\$ (9,000)
Intergovernmental	-	-	11,380	11,380
Total Revenues	\$ 532,350	\$ 532,350	\$ 534,730	\$ 2,380
Expenditures				
Debt service				
Principal	\$ 380,000	\$ 380,000	\$ 3,055,000	\$ (2,675,000)
Interest	114,600	114,600	65,932	48,668
Total Expenditures	\$ 494,600	\$ 494,600	\$ 3,120,932	\$ (2,626,332)
Excess of Revenues Over (Under) Expenditures	\$ 37,750	\$ 37,750	\$ (2,586,202)	\$ (2,623,952)
Other Financing Sources (Uses)				
Transfers out	-	-	(44,270)	(44,270)
Net Change in Fund Balance	\$ 37,750	\$ 37,750	\$ (2,630,472)	\$ (2,668,222)
Fund Balance - January 1	3,279,818	3,279,818	3,279,818	-
Fund Balance - December 31	\$ 3,317,568	\$ 3,317,568	\$ 649,346	\$ (2,668,222)

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT B-14

**BUDGETARY COMPARISON SCHEDULE
MASTER FACILITY CONSTRUCTION DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 118,283	\$ 118,283	\$ 116,453	\$ (1,830)
Intergovernmental	-	-	2,534	2,534
Total Revenues	\$ 118,283	\$ 118,283	\$ 118,987	\$ 704
Expenditures				
Debt service				
Interest	112,650	112,650	115,431	(2,781)
Excess of Revenues Over (Under) Expenditures	\$ 5,633	\$ 5,633	\$ 3,556	\$ (2,077)
Other Financing Sources (Uses)				
Transfers in	-	-	159	159
Net Change in Fund Balance	\$ 5,633	\$ 5,633	\$ 3,715	\$ (1,918)
Fund Balance - January 1	75,054	75,054	75,054	-
Fund Balance - December 31	\$ 80,687	\$ 80,687	\$ 78,769	\$ (1,918)

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FIDUCIARY FUNDS

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Balance January 1	Additions	Deductions	Balance December 31
<u>FAMILY SERVICES COLLABORATIVE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 384,359	\$ 389,434	\$ 284,086	\$ 489,707
Due from other funds	317	104	317	104
Total Assets	\$ 384,676	\$ 389,538	\$ 284,403	\$ 489,811
<u>Liabilities</u>				
Accounts payable	\$ 3,234	\$ 11,632	\$ 3,234	\$ 11,632
Due to other governments	381,442	377,906	281,169	478,179
Total Liabilities	\$ 384,676	\$ 389,538	\$ 284,403	\$ 489,811
 <u>MORTGAGE REGISTRATION FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 104,585	\$ 1,051,696	\$ 1,078,494	\$ 77,787
<u>Liabilities</u>				
Due to other governments	\$ 104,585	\$ 1,051,696	\$ 1,078,494	\$ 77,787
 <u>STATE REVENUE FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 211,391	\$ 11,037,321	\$ 10,936,483	\$ 312,229
Due from other funds	14,351	8	14,351	8
Total Assets	\$ 225,742	\$ 11,037,329	\$ 10,950,834	\$ 312,237
<u>Liabilities</u>				
Due to other governments	\$ 225,742	\$ 11,037,329	\$ 10,950,834	\$ 312,237

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

***EXHIBIT C-1
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES FUND</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,086,318	\$ 104,439,900	\$ 102,098,701	\$ 3,427,517
<u>Liabilities</u>				
Due to other funds	\$ 14,360	\$ -	\$ 14,360	\$ -
Due to other governments	1,071,958	104,439,900	102,084,341	3,427,517
Total Liabilities	\$ 1,086,318	\$ 104,439,900	\$ 102,098,701	\$ 3,427,517
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,786,653	\$ 116,918,351	\$ 114,397,764	\$ 4,307,240
Due from other funds	14,668	112	14,668	112
Total Assets	\$ 1,801,321	\$ 116,918,463	\$ 114,412,432	\$ 4,307,352
<u>Liabilities</u>				
Accounts payable	\$ 3,234	\$ 11,632	\$ 3,234	\$ 11,632
Due to other funds	14,360	-	14,360	-
Due to other governments	1,783,727	116,906,831	114,394,838	4,295,720
Total Liabilities	\$ 1,801,321	\$ 116,918,463	\$ 114,412,432	\$ 4,307,352

OTHER SCHEDULES

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2017**

	<u>Number of Items</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
Cash and Pooled Investments				
Noninterest-bearing checking	One	-	Continuous	\$ 72,063
Interest-bearing checking	Eight	Varies	Continuous	18,935,308
Certificates of deposit	Forty-Four	0.40 to 1.58	January 12, 2018 to September 14, 2021	15,154,857
Money market savings	Seven	0.01 to 0.31	Continuous	1,508,271
U.S. Treasury notes	Twelve	0.75 to 1.375	May 31, 2017 to December 15, 2018	20,912,870
U.S. Treasury bonds - stripped interest payment	Two	-	August 15, 2017 to August 15, 2019	36,847
Commercial Paper	Three	1.00 to 1.50	January 11, 2018 to August 31, 2018	3,000,000
Municipal Bond	One	2.00	July 1, 2021	1,116,148
Negotiable certificate of deposit	Five	2.20	December 30, 2021 to September 12, 2022	<u>1,139,226</u>
Total Cash and Pooled Investments, Excluding Change Funds				<u><u>\$ 61,875,590</u></u>

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET - BY DITCH
COUNTY DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2017**

	Assets				
	Cash and Pooled Investments	Undistributed Cash	Special Assessments Receivable		Total
			Delinquent	Noncurrent	
Judicial Ditches					
1	\$ -	\$ -	\$ -	\$ -	\$ -
2	73,041	109	5	7,778	80,933
3	92	-	-	-	92
County Ditches					
4	52,316	535	480	6,000	59,331
5/36/68	13,165	-	-	23,783	36,948
8	-	-	-	-	-
10	-	-	-	-	-
11	11,747	-	-	1,200	12,947
12	29,456	31	28	2,000	31,515
14	-	-	-	-	-
15/28	42,044	387	466	24,517	67,414
16	36,005	1,989	735	19,999	58,728
17	-	-	-	-	-
18/37	14,089	385	33	27,625	42,132
20	-	-	-	-	-
21	30,504	138	61	10,000	40,703
23	29,468	975	325	32,354	63,122
25	119	348	909	33,971	35,347
29	-	10	13	-	23
30	12,534	-	-	14,245	26,779
31	-	-	-	-	-
32	-	-	-	-	-
35	-	-	-	-	-
38	45,662	453	859	20,000	66,974
39	401	224	-	3,234	3,859
41/65	292	513	331	14,942	16,078
42	-	-	-	-	-
43	17,833	7	55	4,390	22,285
44	6,516	180	427	19,089	26,212
45	-	-	-	-	-
46	-	-	-	-	-
47	-	-	-	-	-
48	-	-	-	-	-
49	-	-	-	-	-
50	-	-	-	-	-
51	-	-	-	-	-
52	6,801	-	-	-	6,801
53	37,050	132	-	5,000	42,182
54	91	-	-	-	91
55	-	-	-	-	-
56	100	6	-	6,000	6,106
57	-	-	-	-	-
58	-	-	-	26,481	26,481
59	145	-	-	-	145
62	154	-	-	-	154

EXHIBIT D-2

Liabilities and Deferred Inflows of Resources							Total Liabilities, Deferred Inflows of Resources, and Fund Balance	
Accounts Payable	Due to Other Funds	Advance from Other Funds	Unavailable Revenue	Total	Fund Balance		Fund Balance	
\$ -	\$ -	\$ 361	\$ -	\$ 361	\$ (361)	\$ -	\$ -	
-	179	3,564	7,779	11,522	69,411	80,933		
-	-	373	-	373	(281)	92		
-	949	-	6,480	7,429	51,902	59,331		
-	-	18,736	23,783	42,519	(5,571)	36,948		
-	930	18,504	-	19,434	(19,434)	-		
-	118	1,676	-	1,794	(1,794)	-		
-	-	-	1,200	1,200	11,747	12,947		
-	138	-	2,000	2,138	29,377	31,515		
-	53	9,018	-	9,071	(9,071)	-		
-	-	557	24,749	25,306	42,108	67,414		
-	-	468	20,685	21,153	37,575	58,728		
-	1,507	6,163	-	7,670	(7,670)	-		
-	-	14,961	27,659	42,620	(488)	42,132		
-	-	805	-	805	(805)	-		
-	324	-	10,051	10,375	30,328	40,703		
-	-	435	32,505	32,940	30,182	63,122		
-	405	37,527	34,768	72,700	(37,353)	35,347		
-	-	1,620	-	1,620	(1,597)	23		
-	-	14,586	14,245	28,831	(2,052)	26,779		
-	-	302	-	302	(302)	-		
-	-	57	-	57	(57)	-		
-	-	81	-	81	(81)	-		
-	-	-	20,853	20,853	46,121	66,974		
-	-	1,895	3,234	5,129	(1,270)	3,859		
-	-	4,953	15,214	20,167	(4,089)	16,078		
-	-	87	-	87	(87)	-		
-	-	-	4,445	4,445	17,840	22,285		
-	143	25,089	19,120	44,352	(18,140)	26,212		
-	237	1,011	-	1,248	(1,248)	-		
-	-	282	-	282	(282)	-		
-	-	212	-	212	(212)	-		
-	1,291	32,300	-	33,591	(33,591)	-		
-	-	65	-	65	(65)	-		
-	-	768	-	768	(768)	-		
-	-	86	-	86	(86)	-		
-	1,302	-	-	1,302	5,499	6,801		
-	-	-	5,000	5,000	37,182	42,182		
-	-	-	-	-	91	91		
955	1,785	24,703	-	27,443	(27,443)	-		
-	-	343	6,000	6,343	(237)	6,106		
-	-	661	-	661	(661)	-		
-	-	18,315	26,481	44,796	(18,315)	26,481		
-	-	-	-	-	145	145		
-	-	-	-	-	154	154		

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET - BY DITCH
COUNTY DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2017**

	<u>Assets</u>				<u>Total</u>
	<u>Cash and Pooled Investments</u>	<u>Undistributed Cash</u>	<u>Special Assessments Receivable Delinquent</u>	<u>Noncurrent</u>	
County Ditches (Continued)					
63	-	-	-	-	-
64	-	-	-	-	-
70	47,275	-	-	396,327	443,602
Total	\$ 506,900	\$ 6,422	\$ 4,727	\$ 698,935	\$ 1,216,984

EXHIBIT D-2
(Continued)

Liabilities and Deferred Inflows of Resources						Total Liabilities, Deferred Inflows of Resources, and Fund Balance
Accounts Payable	Due to Other Funds	Advance from Other Funds	Unavailable Revenue	Total	Fund Balance	
-	-	5,182	-	5,182	(5,182)	-
-	-	1,318	-	1,318	(1,318)	-
-	556	471,686	396,327	868,569	(424,967)	443,602
\$ 955	\$ 9,917	\$ 718,750	\$ 702,578	\$ 1,432,200	\$ (215,216)	\$ 1,216,984

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT D-3

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Governmental Funds	Enterprise Fund	All Funds
Appropriations and Shared Revenue			
State			
Highway users tax	\$ 19,168,131	\$ -	\$ 19,168,131
County program aid	1,829,365	-	1,829,365
PERA rate reimbursement	64,946	-	64,946
Police aid	299,504	-	299,504
Local government aid	8,120	-	8,120
Market value credit	728,899	-	728,899
Disparity reduction aid	13,252	-	13,252
Aquatic invasive species aid	466,091	-	466,091
SCORE	-	167,670	167,670
E-911	142,132	-	142,132
Riparian aid	160,000	-	160,000
Pension contribution	-	540	540
	\$ 22,880,440	\$ 168,210	\$ 23,048,650
Reimbursement for Services			
State			
Minnesota Department of Human Services	\$ 2,525,684	\$ -	\$ 2,525,684
Payments			
Local			
Payments in lieu of taxes	\$ 515,055	\$ -	\$ 515,055
Payments for interest on bonds	963,521	-	963,521
	\$ 1,478,576	\$ -	\$ 1,478,576
Grants			
State			
Minnesota Department/Board of			
Agriculture	\$ 39,116	\$ -	\$ 39,116
Corrections	306,527	-	306,527
Public Safety	10,042	-	10,042
Transportation	154,885	-	154,885
Health	435,193	-	435,193
Veterans Affairs	12,500	-	12,500
Natural Resources	2,288,888	-	2,288,888
Human Services	3,628,727	-	3,628,727
Supreme Court	515	-	515
Peace Officer Standards and Training Board	11,127	-	11,127
Minnesota Pollution Control Agency	-	290,598	290,598
	\$ 6,887,520	\$ 290,598	\$ 7,178,118

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

*EXHIBIT D-3
(Continued)*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Governmental Funds	Enterprise Fund	All Funds
Grants (Continued)			
Federal			
Department of			
Agriculture	\$ 629,774	\$ -	\$ 629,774
Interior	2,943	-	2,943
Transportation	1,012,589	-	1,012,589
Education	2,416	-	2,416
Health and Human Services	5,079,112	-	5,079,112
Homeland Security	69,521	-	69,521
Total federal	\$ 6,796,355	\$ -	\$ 6,796,355
Total state and federal grants	\$ 13,683,875	\$ 290,598	\$ 13,974,473
Total Intergovernmental Revenue	\$ 40,568,575	\$ 458,808	\$ 41,027,383

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

EXHIBIT D-4

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through Partnership4Health Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	32573	\$ 279,337	\$ -
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN101S2514	444,006	-
Passed Through Minnesota Department of Agriculture WIC Farmers' Market Nutrition Program (FMNP)	10.572	Not Provided	<u>500</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>\$ 723,843</u>	<u>\$ -</u>
U.S. Department of the Interior				
Direct Payments in Lieu of Taxes	15.226		<u>\$ 2,943</u>	<u>\$ -</u>
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	00056	\$ 774,632	\$ -
Passed Through Minnesota Department of Public Safety Highway Safety Cluster				
State and Community Highway Safety	20.600	F-SAFE17-2017- OTTERPH-2173	4,402	-
State and Community Highway Safety	20.600	F-SAFE17-2017- OTTERPH-2295	3,434	-
State and Community Highway Safety	20.600	F-SAFE17-2017- OTTERPH-2401	7,112	-
State and Community Highway Safety	20.600	F-SAFE17-2017- OTTERPH-2574	3,871	-
State and Community Highway Safety	20.600	F-ENFRC17-2017- OTTERSD-2169	722	503
State and Community Highway Safety	20.600	F-ENFRC17-2017- OTTERSD-2289	78	36
State and Community Highway Safety	20.600	F-ENFRC17-2017- OTTERSD-2400	2,473	1,612
State and Community Highway Safety (Total State and Community Highway Safety 20.600 \$29,796)	20.600	F-ENFRC17-2017- OTTERSD-2545	7,704	4,732

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT D-4
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Transportation				
Passed Through Minnesota Department of Public Safety (Continued)				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC17-2017- OTTERSD-2169	4,213	2,933
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC17-2017- OTTERSD-2289	1,921	886
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC17-2017- OTTERSD-2400	10,284	6,706
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC17-2017- OTTERSD-2545	14,238	8,745
(Total Minimum Penalties for Repeat Offenders for Driving While Intoxicated 20.608 \$30,656)				
Highway Safety Cluster National Priority Safety Programs	20.616	F-ENFRC17-2017- OTTERSD-2169	6,351	4,422
National Priority Safety Programs (Total National Priority Safety Programs 20.616 \$137,663)	20.616	F-ENFRC17-2017- OTTERSD-2400	4,179	2,725
Passed Through Minnesota Trial Courts Highway Safety Cluster National Priority Safety Programs (Total National Priority Safety Programs 20.616 \$137,663)	20.616	A-DGCT17-2017- 7TH-JD-003	127,133	-
Total U.S. Department of Transportation			\$ 972,747	\$ 33,300
U.S. Department of Education				
Passed Through Partnership4Health Community Health Board Special Education - Grants for Infants and Families	84.181	87630	\$ 2,416	\$ -
U.S. Department of Health and Human Services				
Passed Through Land of the Dancing Sky Area Agency on Aging Aging Cluster Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers				
Medicare Enrollment Assistance Program	93.044	Not Provided	\$ 27,725	\$ -
	93.071	58583	1,000	-
Passed Through Partnership4Health Community Health Board Public Health Emergency Preparedness Maternal, Infant, and Early Childhood Home Visiting Cluster Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.069	90858	29,581	-
	93.505	Not Provided	5,372	-

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT D-4
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Passed Through Partnership4Health Community Health Board (Continued)				
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds TANF Cluster	93.539	58583	4,200	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$618,050)	93.558	95995	84,236	-
ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	93.624	3000028340	259,802	-
Maternal and Child Health Services Block Grant to the States	93.994	Not Provided	65,325	-
Passed Through Minnesota Department of Human Services				
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	Not Provided	140	-
Promoting Safe and Stable Families TANF Cluster	93.556	G-1601MNFPS	30,160	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$618,050)	93.558	1601MNTANF	533,814	-
Child Support Enforcement	93.563	1704MNCSES	1,078,482	-
Refugee and Entrant Assistance - State Administered Programs	93.566	1701MNRCA	1,066	-
CCDF Cluster				
Child Care and Development Block Grant	93.575	G1701MNCDF	10,538	-
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPG	18,685	-
Affordable Care Act: Testing Experience and Functional Assessment Tools	93.627	102655	650,232	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	16,578	-
Foster Care - Title IV-E	93.658	1701MNFOS	443,164	-
Social Services Block Grant	93.667	G-1701MNSOSR	419,034	-
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	7,863	-
Children's Health Insurance Program	93.767	05-1705MN0301	541	-
Medicaid Cluster				
Medical Assistance Program	93.778	05-1705MN5ADM	1,927,576	-
Medical Assistance Program (Total Medical Assistance Program 93.778 \$1,945,536)	93.778	05-1705MN5MAP	17,960	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Not Provided	1,040	-

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**EXHIBIT D-4
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services (Continued)				
Passed Through Polk-Norman-Mahnomen Community Health Board Maternal, Infant, and Early Childhood Home Visiting Cluster Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	Not Provided	69,431	-
Total U.S. Department of Health and Human Services			\$ 5,703,545	\$ -
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	108909	\$ 16,449	\$ -
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Not Provided F-EMPG-2016-	98	-
Emergency Management Performance Grants	97.042	OTTERCO-1873 F-EMPG-2016-	26,253	-
Emergency Management Performance Grants	97.042	OTTERCO-2040 F-EMPG-2017-	5,746	-
Emergency Management Performance Grants (Total Emergency Management Performance Grants 93.042 \$52,974)	97.042	OTTERCO-2495	20,975	-
Total U.S. Department of Homeland Security			\$ 69,521	\$ -
Total Federal Awards			\$ 7,475,015	\$ 33,300
Totals by Cluster				
Total expenditures for SNAP Cluster			\$ 444,006	
Total expenditures for Highway Planning and Construction Cluster			774,632	
Total expenditures for Highway Safety Cluster			167,459	
Total expenditures for Aging Cluster			27,725	
Total expenditures for Maternal, Infant, and Early Childhood Home Visiting Cluster			74,803	
Total expenditures for TANF Cluster			618,050	
Total expenditures for CCDF Cluster			10,538	
Total expenditures for Medicaid Cluster			1,945,536	

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Otter Tail County under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Otter Tail County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Otter Tail County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Otter Tail County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 6,796,355
Grants received more than 60 days after year-end, unavailable revenue in 2017	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	94,069
Highway Planning and Construction	88,855
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	1,400
Promoting Safe and Stable Families	6,600
Temporary Assistance for Needy Families	144,028
Community-Based Child Abuse Prevention Grants	6,452
Child Support Enforcement	121,054
Stephanie Tubbs Jones Child Welfare Services Program	5,105
Chafee Foster Care Independence Program	1,625
Federal awards passed through the Family Services Collaborative for the Local Collaborative Time Study	338,169
Unavailable in 2016, recognized as revenue in 2017	
Highway Planning and Construction	<u>(128,697)</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 7,475,015</u>

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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

Independent Auditor's Report

Board of County Commissioners
Otter Tail County
Fergus Falls, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Otter Tail County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 20, 2018.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001 to be a material weakness and items 1996-006, 2008-001, 2011-001, 2017-001 and 2017-002 to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

Other Matters

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

Otter Tail County's Response to Findings

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 20, 2018

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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

Independent Auditor's Report

Board of County Commissioners
Otter Tail County
Fergus Falls, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Otter Tail County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. Otter Tail County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Otter Tail County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Otter Tail County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Basis for Qualified Opinion on Medicaid Cluster (CFDA No. 93.778)

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

Qualified Opinion on Medicaid Cluster (CFDA No. 93.778)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Otter Tail County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Medicaid Cluster for the year ended December 31, 2017.

Unmodified Opinion on the Other Major Federal Programs

In our opinion, Otter Tail County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2017.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-004, 2017-005, and 2017-006. Our opinion on each major federal program is not modified with respect to these matters.

Otter Tail County's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. Otter Tail County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of Otter Tail County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2017-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2017-004, 2017-005, and 2017-006 to be significant deficiencies.

Otter Tail County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. Otter Tail County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 20, 2018

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**OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major federal programs: **Unmodified for all major programs, except for Medicaid Cluster, which is qualified.**

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

The major federal programs are:

Child Support Enforcement
Medicaid Cluster

CFDA No. 93.563
CFDA No. 93.778

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 1996-006

Segregation of Duties

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

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

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

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

Cause: The County informed us that it is not practical to collect fees for services provided in various departments only at one collection point. Having collection points within the departments provides a convenience to the customer and cost savings to the County, which otherwise would have to establish a billing system for collecting fees for services provided throughout the County. In departments that collect larger amounts of fees, such as Motor Vehicles, the County uses cash registers to record the transactions and limits access to collections. The Land and Resource Department has established a policy that it will only collect checks, so any cash payments are made at the Treasurer's Office. For the various landfills and transfer stations throughout the County, collections are deposited at a local bank daily to limit the cash on hand. Although, the County has established procedures to limit risks, some of the departments are limited in staff so it is not practical to segregate the record keeping function from the custody function for fees collected.

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

View of Responsible Official: Acknowledged

Finding Number 2008-001

Documenting and Monitoring Internal Controls

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

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

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

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

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

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

View of Responsible Official: Concur

Finding Number 2011-001

Network/Application Password Controls

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

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

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

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

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

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

View of Responsible Official: Concur

Finding Number 2016-001

Audit Adjustments

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

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

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

Effect: Numerous adjusting entries were required to fairly state the financial statements resulting in material adjustments to the following opinion units, which also affected the County's government-wide financial statements:

- Road and Bridge Special Revenue Fund revenue was reduced by \$1,359,115 and expenditures were reduced by \$1,400,637;
- Human Service Special Revenue Fund assets were increased by \$1,002,663 and revenue was increased by \$986,059;
- Construction Capital Projects Fund assets were increased by \$568,601, liabilities and deferred inflows of resources - unavailable revenue was reduced by \$466,087, revenue was increased by \$568,601 and expenditures were reduced by \$466,087; and
- Prairie Lakes Municipal Solid Waste Authority Debt Service Fund assets were reduced by \$1,085,000.

Cause: Certain modified accrual adjustments were overlooked by staff when financial statement information was prepared.

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

View of Responsible Official: Concur

ITEMS ARISING THIS YEAR

Finding Number 2017-001

Capital Asset Reporting Process

Criteria: The County is required by generally accepted accounting principles to account for and depreciate its capital assets over their estimated useful lives. Capital assets acquired or removed from service throughout the year should be included as additions or deletions to the County's records of capital assets and properly recorded following generally accepted accounting principles for the financial statements.

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

Context: County staff, with the assistance of the auditors, had to reanalyze the complete listing of the capital assets to determine the proper capital asset amounts and related depreciation as of December 31, 2017.

Effect: Additional audit analysis was required, and improperly recorded items resulted in misstated capital assets, accumulated depreciation, and net position.

Cause: Revisions to the capital asset records in previous years were not recorded in the County's capital asset records and not all of the current year purchases were entered. Furthermore, the County had capital assets included for amounts that did not meet their capital asset threshold.

Recommendation: We recommend the County review internal controls currently in place and design and implement procedures to improve internal controls over the recordkeeping of its capital assets and related depreciation to ensure its capital asset records are complete and accurately prepared.

View of Responsible Official: Concur

Finding Number 2017-002

Journal Entry Approval

Criteria: Management is responsible for establishing and maintaining internal controls and for the accuracy and completeness of all financial records and related information including, but not limited to, the controls over initiating, authorizing, recording, and processing journal entries in the general ledger system.

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

Context: Without proper review and approval, errors or irregularities may not be detected in a timely manner.

Effect: There is an increased risk errors or irregularities will not be detected in a timely manner.

Cause: We were informed that the County has limited staff that does not always allow for the journal entries to be approved, which is consistent with prior practice.

Recommendation: We recommend internal controls be implemented to ensure that all journal entries are reviewed and approved by management before being posted to the general ledger. The review and approval should be documented by signature and date.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEMS ARISING THIS YEAR

Finding Number 2017-003

Eligibility

Program: U.S. Department of Health and Human Services' Medicaid Cluster (CFDA No. 93.778), Award No. 05-1705MN5ADM, 2017

Pass-Through Agency: Minnesota Department of Human Services

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

Condition: The Minnesota Department of Human Services (DHS) maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. When performing our case file review for eligibility, we noted that not all documentation was available to support participant eligibility. In other circumstances, information was not updated in MAXIS. The following instances were noted in our sample of 40 cases tested:

- Six instances were found where assets were either not properly verified or the incorrect amount was input into MAXIS.
- Two instances were found where income was either not properly verified or the incorrect amount was input into MAXIS.
- Two instances were found where there was no documentation of the availability of other health insurance requirements.
- One instance was found where there was no documentation of authority for an application signed by an authorized representative.

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

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

The state of Minnesota contracts with the County to perform the “intake function” (meeting with the social services client to determine income and categorical eligibility), while the Minnesota Department of Human Services maintains MAXIS, which supports the eligibility determination process and actually pays the benefits to the participants.

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

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

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

View of Responsible Official: Concur

Finding Number 2017-004

Uniform Guidance Written Procurement Policies and Procedures

Program: U.S. Department of Health and Human Services' Medicaid Cluster (CFDA No. 93.778), Award No. 05-1705MN5ADM, 2017

Pass-Through Agency: Minnesota Department of Human Services

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

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

Questioned Costs: Not applicable.

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

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

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

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

View of Responsible Official: Acknowledged

Finding Number 2017-005

Procurement, Suspension and Debarment

Program: U.S. Department of Health and Human Services' Medicaid Cluster (CFDA No. 93.778), Award No. 05-1705MN5ADM, 2017

Pass-Through Agency: Minnesota Department of Human Services

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

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

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

Questioned Costs: None.

Context: County staff indicated that they were not aware of the new requirements.

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

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

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

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

View of Responsible Official: Acknowledged

Finding Number 2017-006

LCTS Reporting

Program: U.S. Department of Health and Human Services' Medicaid Cluster (CFDA No. 93.778), Award No. 05-1705MN5ADM, 2017

Pass-Through Agency: Minnesota Department of Human Services

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

Requirements for the Local Collaborative Time Study (LCTS) Cost Schedules (DHS-3220 reports) are laid out in DHS Bulletin #16-32-04 - *Local Collaborative Time Study (LCTS) Fiscal Operations*. The bulletin states that LCTS fiscal site contacts are required to verify that the information on the LCTS Fiscal and Cost Schedule is accurate and that it complies with all guidelines set forth in the LCTS Cost Schedule instructions. It also states that the County's LCTS Fiscal Reporting and Payment Agent is required to review all cost schedules from participating agencies on or before the 20th calendar day following the end of each quarter.

Condition: The County did not receive quarterly LCTS reports prepared by its Collaborative to be able to review and ensure the reports were accurate and properly reported to the State. Someone independent of the preparer did not review the quarterly Probation LCTS Cost Schedules or the LCTS Annual Spending Report. In addition, we were informed that the quarterly LCTS Cost Schedules submitted by the County's Public Health Department were reviewed by an individual independent of the preparer; however, there was no evidence of the review maintained on file.

Questioned Costs: None.

Context: The DHS-3220 reports are submitted on a quarterly basis by each member of the collaborative to DHS for reimbursement of LCTS money, which is reimbursed to the County with federal Medical Assistance Program funds. The Otter Tail County Human Services Department acts as the LCTS Fiscal Reporting and Payment Agent for the local collaborative in Otter Tail County and is responsible for preparing and submitting the Annual Spending and Collaborative Reports.

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

Effect: Lack of a review and approval process increases the risk that reports will not be submitted as required or will not be correct.

Cause: The County does not have written policies or procedures in place over reviewing LCTS reporting including a requirement that a review of reports prepared by those members of the collaborative be performed. County staff did not maintain evidence that reviews of the reports by an individual independent of the preparer were performed.

Recommendation: We recommend the County implement procedures to ensure that the DHS-3220 reports required to be submitted are reviewed for accuracy and completeness by an individual independent of the preparer. Evidence of the review should be retained.

View of Responsible Official: Acknowledged

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

Finding Number 2017-007

Publication of Board Minutes

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

Condition: We reviewed the affidavits of publication related to the publishing of a summary of Board minutes for 2017 and found that not all of the summaries were published in the County's official newspaper within the 30-day requirement.

Context: Of the 31 published summaries reviewed, 14 were not published within the 30-day requirement.

Effect: Noncompliance with Minn. Stat. §375.12.

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

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

View of Responsible Official: Concur

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2009-002

Ditch Fund Balance Deficits

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

Condition: As of December 31, 2017, the County had individual ditch systems where liabilities exceeded assets, resulting in individual deficit fund balance amounts.

Context: Thirty-three of the 48 individual ditch systems had deficit fund balances as of December 31, 2017, totaling \$624,878. Eight of the ditch systems have sufficient current levies to cover the deficit; however, the other 25 ditch systems do not.

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

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

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

View of Responsible Official: Concur

V. PREVIOUSLY REPORTED ITEM RESOLVED

2016-002 Departmental Control Procedures

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OTTER TAIL COUNTY
AUDITOR - TREASURER'S OFFICE
FINANCIAL SERVICES DIVISION
WWW.CO.OTTER-TAIL.MN.US
wstein@co.ottertail.mn.us

GOVERNMENT SERVICES CENTER
510 WEST FIR AVENUE
FERGUS FALLS, MN 56537

OFFICE - 218-998-8030
DIRECT - 218-998-8041
Fax - 218-998-8042

**REPRESENTATION OF OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2017**

Finding Number: 1996-006
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Finance Division Director and/or Assistant Finance Division Director

Corrective Action Planned:

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

Anticipated Completion Date:

Formalizing written policies and procedures - December 2019
Internal Audits - Ongoing

Finding Number: 2008-001

Finding Title: Documenting and Monitoring Internal Controls

Name of Contact Person Responsible for Corrective Action:

Finance Division Director and/or Assistant Finance Division Director

Corrective Action Planned:

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

Anticipated Completion Date:

Risk Assessment - June 2019

Development and Implementation of Changes – December 2019

Finding Number: 2011-001

Finding Title: Network/Application Password Controls

Name of Contact Person Responsible for Corrective Action:

Director of County's IT Department

Corrective Action Planned:

Migration of the County's financial software from the AS400 platform to a server-based platform which as I understand will provide Otter Tail County with additional security opportunities that are not available when using the AS400 platform and, also the implementation of other password security measures. For example, the mandatory changing of passwords.

Anticipated Completion Date:

December 2018

Finding Number: 2016-001
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

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

Corrective Action Planned:

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

Anticipated Completion Date:

December 2018

Finding Number: 2017-001
Finding Title: Capital Asset Reporting Process

Name of Contact Person Responsible for Corrective Action:

Assistant Finance Division Director

Corrective Action Planned:

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

Anticipated Completion Date:

December 2018

Finding Number: 2017-002
Finding Title: Journal Entry Approval

Name of Contact Person Responsible for Corrective Action:

Finance Division Director and/or Assistant Finance Division Director

Corrective Action Planned:

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

Anticipated Completion Date:

December 2018

Finding Number: 2017-003
Finding Title: Eligibility
Program: Medicaid Cluster (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Financial Assistance Supervisors

Corrective Action Planned:

The agency will complete case reviews monthly with emphasis on accurate data entry. The agency will also review with staff the importance of ensuring the information entered into the system is accurate and consistent with the information provided by the client on the application and consistent with any verifications provided.

Anticipated Completion Date:

Ongoing

Finding Number: 2017-004

Finding Title: Uniform Guidance - Written Procurement Policies and Procedures

Program: Medicaid Cluster (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

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

Corrective Action Planned:

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

Anticipated Completion Date:

December 2018

Finding Number: 2017-005

Finding Title: Procurement, Suspension and Debarment

Program: Medicaid Cluster (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

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

Corrective Action Planned:

Directors in departments receiving federal funding will document the history of procurement transactions, including contract selection and rationale, in accordance with federal regulations. They will also verify vendors are not debarred or suspended, or that other exclusions apply prior to entering into contracts and will maintain the appropriate documentation.

Anticipated Completion Date:

Ongoing

Finding Number: 2017-006
Finding Title: LCTS Reporting
Program: Medicaid Cluster (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Human Services Fiscal Manager

Corrective Action Planned:

Contact will be made with Collaborative entities requesting that LCTS preparers provide a copy of their quarterly reports and supporting documentation for review to Otter Tail County Fiscal manager prior to the submission deadline. The reports will be reviewed, dated and maintained on file at the County.

Anticipated Completion Date:

Ongoing

Finding Number: 2017-007
Finding Title: Publication of Board Minutes

Name of Contact Person Responsible for Corrective Action:

County Administrator

Corrective Action Planned:

Board minutes will be published within the 30-day requirement to be in compliance with Minn. Stat. § 375.12.

Anticipated Completion Date:

Issue was resolved immediately following notification.

Finding Number: 2009-002

Finding Title: Ditch Fund Balance Deficits

Name of Contact Person Responsible for Corrective Action:

Finance Division Director

Corrective Action Planned:

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

Anticipated Completion Date:

Ongoing

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AUDITOR - TREASURER'S OFFICE
FINANCIAL SERVICES DIVISION
WWW.CO.OTTER-TAIL.MN.US
wstein@co.ottertail.mn.us

GOVERNMENT SERVICES CENTER
510 WEST FIR AVENUE
FERGUS FALLS, MN 56537

OFFICE - 218-998-8030
DIRECT - 218-998-8041
Fax - 218-998-8042

REPRESENTATION OF OTTER TAIL COUNTY
FERGUS FALLS, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

Finding Number: 1996-006

Finding Title: Segregation of Duties

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

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

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

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

Finding Number: 2008-001

Finding Title: Documenting and Monitoring Internal Controls

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

Summary of Corrective Action Previously Reported: Otter Tail County's management is aware of the significance and importance of routinely reviewing and monitoring internal controls in our accounting system. Through the County's ongoing reorganization efforts and the establishment of a finance division it would be management's intent to document, create and monitor internal controls in a more formal and structured manner at the division directors' level and within each major division for the purpose of assessing risk within the County's accounting systems and for the purpose of reviewing, developing and implementing additional procedures and policies, as necessary, to assure sound internal controls over the County's financial reporting system.

Status: Not Corrected. The reorganization referenced above has been significantly completed and the structure necessary to adequately assess risk and to monitor internal controls is in place. The finance division director and/or the assistant finance division director will take the lead role to work with other financial management team members to, at least annually, perform a risk assessment of existing internal controls over the procedures, policies and significant functions which are used to produce financial information for both internal and external reporting. If the assessment indicates that existing internal controls are no longer adequate members of the financial management team will work to develop and implement the necessary changes to ensure that a sound internal control structure is being maintained.

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

Finding Number: 2011-001

Finding Title: Network/Application Password Controls

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

Summary of Corrective Action Previously Reported: Otter Tail County's management will review the password controls currently in place to assure that these controls are adequate to protect and limit access to County web-based software applications, specifically the IFS application and where weaknesses are identified appropriate corrective measures will be taken to ensure that all County web-based software applications and related data are protected and access is limited to those individuals requiring access and at the level necessary for the performance of their duties and responsibilities.

Status: Not Corrected. First, it should be noted that access to the County's financial software requires access to the County's network, which in and of itself provides a certain level of security. In speaking with the County's IT Department, it is my understanding that since our financial software runs on the AS400 platform there are certain limitations that are not easily overcome. It is also my understanding that the IT Department is researching and exploring the possibility of migrating the County's financial software from the AS400 platform to a server platform, which would provide additional security opportunities that currently are not available to Otter Tail County. If Otter Tail County's IT Department makes the decision to move forward, then hopefully this concern will be resolved within the coming year. I have also been informed that the County's IT Department is looking at other security issues and access issues and will be implementing other changes in the future. For example, the mandatory changing of passwords every 45 days.

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

Finding Number: 2016-001

Finding Title: Audit Adjustments

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

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

Status: Not Corrected. In 2017, Otter Tail County hired an additional staff person who would begin employment midway through 2018, which should allow for ongoing review of all general ledger entries. The Assistant Finance Director will take the lead role in a quarterly review by members of the financial management team of the receipt, disbursement, and journal entries posted to the County's general ledger to determine that all transactions have been properly coded and posted. Transactions that are identified as having been incorrectly posted will be reviewed, policies and procedures will be reviewed, the issue will be discussed with staff and general ledger corrections will be authorized by a supervisor within the finance division.

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

Finding Number: 2016-002
Finding Title: Departmental Control procedures

Summary of Condition: During the review of departmental control procedures in the License Center it was noted bank reconciliations were not being performed, and as a result, County fees collected in 2016 could not be determined, and as a result, were not remitted and receipted into the County general ledger timely.

Summary of Corrective Action Previously Reported: When this issue was fully disclosed and understood by the Finance Division Director, a directive was issued to bring the reconciliations up-to-date immediately. When it became apparent that this was not happening and that the reconciliations had become extremely difficult, if not impossible to complete, another directive was issued to cease using the existing account as of December 31, 2016 and to open a new account for 2017 transactions. With that directive also came the instruction to complete timely reconciliations of the account, timely remittance of county fees and to close the old account in April of 2017. Also, the Chief Deputy Treasurer is to assist with the reconciliations and to oversee their timely completion.

Status: Corrected.

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

Finding Number: 2009-002

Finding Title: Ditch Fund Balance Deficits

Summary of Condition: As of December 31, 2016, the County had individual ditch systems where liabilities exceeded assets, resulting in individual deficit fund balance amounts.

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

Status: Not Corrected. As previously noted this is an ongoing correction that will take many years to fully resolve. The Otter Tail County Board of Commissioners is committed to re-determining the benefits for all of Otter Tail County existing drainage systems and upon completion of the redetermination process to build maintenance funds for each system, which under normal operating conditions will eliminate the deficit fund balances. The Otter Tail County Board of Commissioners, for those systems that have had their benefits re-determined, adopts annually a maintenance assessment, which is intended to reduce the deficit fund balances and to build a fund for future maintenance of the system. The ditch fund balance deficits will be eliminated by the assessments that are currently being levied and by those assessments that will be levied in the future; however, under existing conditions it will not happen in a single fiscal year.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X