

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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

YEAR ENDED DECEMBER 31, 2014

## **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 160 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 730 public pension funds; and

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

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

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**Year Ended December 31, 2014**



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

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

TABLE OF CONTENTS

|   | <u>Exhibit</u> | <u>Page</u> |
|---|----------------|-------------|
| <b>Introductory Section</b>   |                |             |
| Organization  |                | 1           |
| <b>Financial Section</b>  |                |             |
| Independent Auditor's Report  |                | 2           |
| Management's Discussion and Analysis  |                | 5           |
| Basic Financial Statements  |                |             |
| Government-Wide Financial Statements  |                |             |
| Statement of Net Position   | 1              | 22          |
| Statement of Activities   | 2              | 24          |
| Fund Financial Statements   |                |             |
| Governmental Funds  |                |             |
| Balance Sheet   | 3              | 26          |
| Reconciliation of Governmental Funds Balance Sheet to the<br>Government-Wide Statement of Net Position--Governmental<br>Activities  | 4              | 30          |
| Statement of Revenues, Expenditures, and Changes in Fund<br>Balance   | 5              | 31          |
| Reconciliation of the Statement of Revenues, Expenditures,<br>and Changes in Fund Balance of Governmental Funds to the<br>Government-Wide Statement of Activities--Governmental<br>Activities | 6              | 33          |
| Proprietary Fund  |                |             |
| Waste Management Enterprise Fund  |                |             |
| Statement of Fund Net Position  | 7              | 34          |
| Statement of Revenues, Expenses, and Changes in Fund Net<br>Position  | 8              | 36          |
| Statement of Cash Flows   | 9              | 37          |
| Fiduciary Funds   |                |             |
| Statement of Fiduciary Net Position - Agency Funds  | 10             | 39          |
| Notes to the Financial Statements   |                | 40          |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

TABLE OF CONTENTS

|  | Exhibit | Page |
|--|---------|------|
| <b>Financial Section (Continued)</b>   |         |      |
| Required Supplementary Information   |         |      |
| Budgetary Comparison Schedules   |         |      |
| General Fund   | A-1     | 96   |
| Road and Bridge Special Revenue Fund   | A-2     | 99   |
| Human Services Special Revenue Fund  | A-3     | 100  |
| Capital Improvement Special Revenue Fund   | A-4     | 101  |
| Schedule of Funding Progress - Other Postemployment Benefits   | A-5     | 103  |
| Notes to the Required Supplementary Information  |         | 104  |
| Supplementary Information  |         |      |
| Nonmajor Governmental Funds  |         | 105  |
| Combining Balance Sheet  | B-1     | 106  |
| Combining Statement of Revenues, Expenditures, and Changes<br>in Fund Balance                                  | B-2     | 107  |
| Combining Balance Sheet - Nonmajor Special Revenue Funds   | B-3     | 108  |
| Combining Statement of Revenues, Expenditures, and Changes<br>in Fund Balance - Nonmajor Special Revenue Funds | B-4     | 109  |
| Combining Balance Sheet - Nonmajor Debt Service Funds  | B-5     | 110  |
| Combining Statement of Revenues, Expenditures, and Changes<br>in Fund Balance - Nonmajor Debt Service Funds    | B-6     | 112  |
| Budgetary Comparison Schedules   |         |      |
| County Ditch Special Revenue Fund  | B-7     | 114  |
| Law Library Special Revenue Fund   | B-8     | 115  |
| Sheriff's Contingent Special Revenue Fund  | B-9     | 116  |
| Chemical Dependency Debt Service Fund  | B-10    | 117  |
| Ethanol Plant Debt Service Fund  | B-11    | 118  |
| Government Service Center Debt Service Fund  | B-12    | 119  |
| Sheriff Operations Debt Service Fund   | B-13    | 120  |
| Veterans Home Debt Service Fund  | B-14    | 121  |
| Master Facility Construction Debt Service Fund   | B-15    | 122  |
| Fiduciary Funds  |         |      |
| Agency Funds   |         |      |
| Combining Statement of Changes in Assets and Liabilities   | C-1     | 123  |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

TABLE OF CONTENTS

|   | <u>Exhibit</u> | <u>Page</u> |
|---|----------------|-------------|
| <b>Financial Section</b>  |                |             |
| Supplementary Information (Continued)   |                |             |
| Other Schedules   |                |             |
| Schedule of Deposits and Investments  | D-1            | 125         |
| Balance Sheet - By Ditch - County Ditch Special Revenue Fund  | D-2            | 126         |
| Schedule of Intergovernmental Revenue   | D-3            | 128         |
| Schedule of Expenditures of Federal Awards  | D-4            | 130         |
| Notes to the Schedule of Expenditures of Federal Awards   |                | 132         |
| <b>Management and Compliance Section</b>  |                |             |
| Schedule of Findings and Questioned Costs   |                | 134         |
| Report on Internal Control Over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of Financial<br>Statements Performed in Accordance with <i>Government Auditing<br/>Standards</i> |                | 154         |
| Report on Compliance for Each Major Federal Program and<br>Report on Internal Control Over Compliance   |                | 157         |

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

ORGANIZATION  
DECEMBER 31, 2014

|                             |                    | <u>Term Expires</u>        |
|-----------------------------|--------------------|----------------------------|
| <b>Elected</b>              |                    |                            |
| <b>Commissioners</b>        |                    |                            |
| Board Member                | Douglas Huebsch    | District 1<br>January 2017 |
| Chair                       | Wayne Johnson      | District 2<br>January 2015 |
| Board Member                | John Lindquist     | District 3<br>January 2017 |
| Vice Chair                  | Roger Froemming    | District 4<br>January 2015 |
| Board Member                | Leland Rogness     | District 5<br>January 2017 |
| Attorney                    | David Hauser       | January 2015               |
| Auditor*                    | Wayne Stein        | January 2015               |
| Treasurer*                  | Steven Andrews     | January 2015               |
| County Recorder             | Brian Armstrong    | January 2015               |
| County Sheriff              | Brian Schlueter    | January 2015               |
| <b>Appointed</b>            |                    |                            |
| Assessor                    | Doug Walvatne      | December 2016              |
| County Engineer             | Richard West       | May 2018                   |
| Medical Examiner            | Dr. Gregory Smith  | Indefinite                 |
| County Administrator        | Larry Krohn        | Indefinite                 |
| Veterans Service Officer    | Charlie Kampa      | August 2017                |
| Examiner of Titles          | Robert Russell     | Indefinite                 |
| Solid Waste Director        | Mike Hanan         | Indefinite                 |
| <b>Human Services Board</b> |                    |                            |
| Member                      | John Lindquist     | January 2017               |
| Member                      | Leland Rogness     | January 2017               |
| Vice Chair                  | Roger Froemming    | January 2015               |
| Member                      | Douglas Huebsch    | January 2017               |
| Chair                       | Wayne Johnson      | January 2015               |
| Human Services Director     | Deb Sjostrom       | Interim                    |
| Probation Officer           | Charles W. Kitzman | Indefinite                 |
| Public Health Director      | Diane Thorson      | Indefinite                 |

\*The County Treasurer retired; effective January 2015, the Auditor and Treasurer positions were combined.

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Otter Tail County  
Fergus Falls, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Otter Tail County, Minnesota, as of and for the year ended December 31, 2014, 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 of 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, 2014, 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 August 18, 2015, on our consideration of Otter Tail County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Otter Tail County's internal control over financial reporting and compliance.

### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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

August 18, 2015

*/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, 2014  
(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, 2014. 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 \$168,949,262, of which Otter Tail County has a net investment in capital assets of \$127,738,054, and \$4,295,209 is restricted to specific purposes/uses.
- Business-type activities' total net position is \$9,666,186. Net investment in capital assets represents \$5,816,251 of the total, and \$98,047 of the total business-type net position is restricted for specific uses (postclosure care costs).
- Otter Tail County's net position (governmental activities and business-type activities) totals \$178,615,448 for the year ended December 31, 2014. Net investment in capital assets represents \$133,554,305 of the total, \$4,393,256 of the total net position is restricted for specific uses, and \$40,667,887 is unrestricted.
- The net cost of Otter Tail County's governmental activities for the year ended December 31, 2014, was \$29,748,945. General property tax revenues and other revenue sources totaling \$38,679,871 funded the total net cost of \$29,748,945.
- Otter Tail County's governmental funds' fund balances decreased by \$2,630,977. This decrease was the result of a General Fund balance increase of \$751,283, a Road and Bridge Special Revenue Fund balance decrease of \$1,467,031, a Human Services Special Revenue Fund balance increase of \$882,729, a Capital Improvement Special Revenue Fund balance decrease of \$400,255, a Construction Capital Projects Special Revenue Fund balance decrease of \$1,397,563, a Prairie Lakes Municipal Solid Waste Authority Debt Service Fund balance decrease of \$392,761, and a decrease in other governmental funds' fund balances of \$607,379.

- The General Fund balance increased by \$751,283. This increase was due to excess revenues over expenditures of \$1,025,274, which was offset by an operating transfer to the Construction Capital Projects Fund and Master Facility Construction Fund totaling \$384,818 to cover cash deficits, an operating transfer to the Sheriff's Contingent Fund of \$1,940 to bring the fund balance up to the minimum authorized level, and an operating transfer to the County Ditch Fund of \$13,958 to cover cash deficits in various drainage systems. The excess revenues over expenditure and the operating transfer were offset by proceeds from a capital lease/installment purchase totaling \$126,725. For the prior year ended December 31, 2013, excess General Fund revenues over expenditures were \$1,109,654. The \$84,380 decrease in excess revenues over expenditures is due mainly to the following: a \$1,491,689 increase in revenues and a \$1,576,069 increase in expenditures. It should be noted that revenues from taxes increased by \$698,583, licenses and permits increased by \$21,082, intergovernmental increased by \$624,816, and charges for services increased by \$278,568; however, these increased revenues in the General Fund were offset by decreased special assessments of \$20,470, decreased interest of \$62,697, decreased fines and forfeits of \$14,292, and decreased miscellaneous other revenues of \$33,901. General Fund expenditures for general government-related functions/programs increased by \$1,237,465, public safety-related functions/programs increased by \$228,314, expenditures for culture and recreation-related functions/programs increased by \$40,890, and expenditures for conservation of natural resource-related functions/programs increased by \$75,798; however, these increased expenditures were offset by a \$475 decrease in costs associated with economic development-related functions/programs and a \$5,923 decrease in debt service costs.
- The Road and Bridge Special Revenue Fund balance decreased by \$1,467,031 due to excess expenditures over revenues of \$1,463,508 and a decrease in inventories of \$3,523. For the prior year ended December 31, 2013, excess revenues over expenditures totaled \$3,236,453. The \$4,699,961 decrease in excess revenues over expenditures is due mainly to decreased revenues from taxes of \$109,184, intergovernmental revenues of \$1,875,619, charges for services of \$87,244, increased in intergovernmental highways and streets-related expenditures of \$40,694 and increased costs associated with highways and streets-related expenditures of \$2,621,084, which was primarily construction-related costs; however, these decreased revenue sources and the increased costs associated with highway and street-related expenditures were offset by an increase in miscellaneous revenues of \$33,864.
- The Human Services Special Revenue Fund balance increased by \$882,729 due to excess revenues over expenditures of \$1,268,517, which was offset by an operating transfer to the Construction Capital Projects Fund totaling \$385,788 to cover a cash deficit. For the prior year ended December 31, 2013, excess revenues over expenditures totaled \$784,919. The \$483,598 increase was due mainly to an increase in tax revenues of \$137,731, an increase in licenses and permits revenues of \$7,738, an increase in intergovernmental revenues of \$1,320,014, an increase in gifts and contributions revenues of \$14,929, and an increase in miscellaneous revenues of \$102,043. However, the increased revenues were offset by a

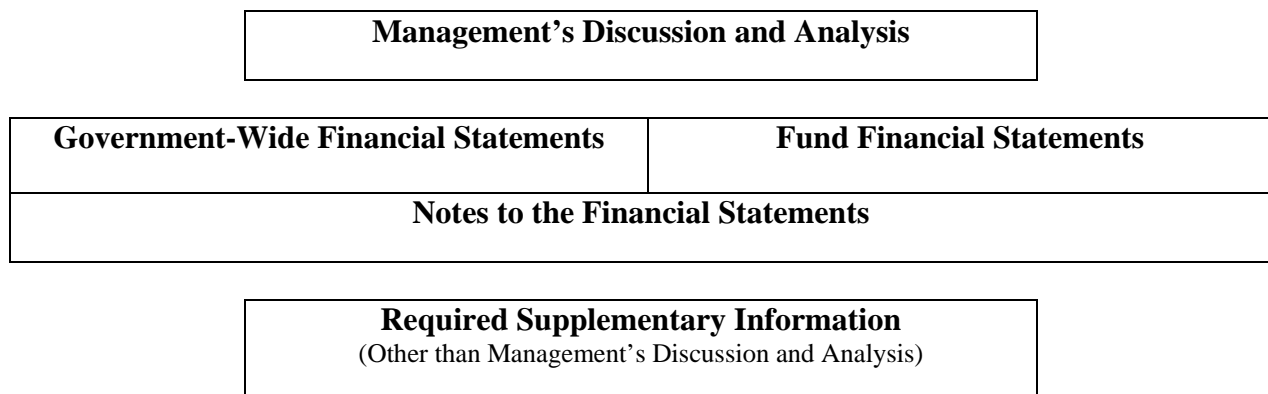
decrease in charges for services revenues of \$259,400, an increase in expenditures for public safety-related functions/programs of \$152,203, an increase in expenditures for human services-related functions/programs of \$610,369, and an increase in expenditures for health-related functions/programs of \$76,885.

- The Capital Improvement Special Revenue Fund balance decreased by \$400,255 due to excess expenditures over revenues of \$400,255. For the prior year ended December 31, 2013, excess expenditures over revenues totaled \$233,663. The \$633,918 decrease in excess revenues over expenditures was due mainly to a decrease in intergovernmental revenues of \$63,404, a decrease in interest earnings of \$1,738, an increase in highways and streets-related capital expenditures of \$1,208,144, and an increase in human services-related capital expenditures of \$70,492. These decreased revenues and increased expenditures were offset by increased revenues from taxes of \$478,645, increased revenues from charges for services of \$17, increased miscellaneous revenues of \$25,716, by decreased general government-related capital expenditures of \$59,116, decreased public safety-related capital expenditures of \$61,909, decreased health-related capital expenditures of \$3,389, decreased culture and recreation-related capital expenditures of \$4,898, decreased economic development-related capital expenditures of \$49,804, and decreased debt service costs of \$26,366.
- The Construction Capital Projects Fund balance decreased by \$1,397,563 due to excess expenditures over revenues of \$2,167,980, which was offset by operating transfers from the General Fund and the Human Services Fund totaling \$770,417. For the prior year ended December 31, 2013, excess expenditures over revenues totaled \$4,775,251. The decrease in excess expenditures over revenues of \$2,607,271 was due mainly to an increase in interest earnings and miscellaneous revenues of \$7,802 and a decrease in general government construction-related expenditures of \$2,599,469. The primary revenue sources for the Construction Capital Projects Fund were transfers in 2011 from the General Fund, the Capital Improvement Fund, and the Human Services Fund and bond proceeds from a 2012 bond sale. The primary purpose of the fund is to cover the costs associated with improvements to the original courthouse, law enforcement center, and detention facility. These improvements are expected to be completed in early 2015.
- The Prairie Lakes Municipal Solid Waste Authority Debt Service Fund balance decreased by \$392,761 due to excess expenditures over revenues of \$392,761. For the prior year ended December 31, 2013, excess expenditures over revenues totaled \$613,581. The \$220,820 decrease in excess expenditures over revenues is due to increased interest earnings and miscellaneous revenues totaling \$279,231 and a decrease in bond issuance costs of \$245,789, which were offset by an increase in debt service costs (principal and interest) of \$304,200.

- The fund balance as of December 31, 2014, for all other governmental funds decreased by \$607,379. This decrease was due mainly to excess expenditures over revenues of \$623,466, which was offset by a \$13,958 operating transfer from the General Fund to the County Ditch Fund, a \$1,940 operating transfer to the Sheriff's Contingent Fund, and a \$189 operating transfer to the Master Facility Construction Fund. For the prior year ended December 31, 2013, excess expenditures over revenues totaled \$513,052. The \$110,414 increase in excess expenditures over revenues is due mainly to a decrease in taxes revenues of \$5,295, a decrease in special assessments revenues of \$5,799, a decrease in intergovernmental revenues of \$566, a decrease in interest earnings of \$447, a decrease in miscellaneous revenues of \$22,257, an increase in general government-related expenditures of \$8,884, and an increase in conservation of natural resource-related expenditures of \$99,680. These decreased revenues and increased expenditures were offset by an increase in fines and forfeits revenues of \$10,963, a decrease in public safety-related expenditures of \$8,671, and a decrease in debt service costs (principal and interest) of \$12,880.

## 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, and the Schedule of Funding Progress - Other Postemployment Benefits are required to accompany the basic financial statements and, therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are inter-related.



Otter Tail County presents two government-wide financial statements. They are the Statement of Net Position and the Statement of Activities. These two government-wide financial statements provide information about the activities of the County as a whole and present a longer-term view of the County's finances. The fund financial statements follow these two government-wide financial statements. For governmental activities, these statements tell how the County financed these services in the short term as well as what remains for future spending. Fund financial statements also report the operations in more detail than the government-wide statements by



providing information about the most significant/major funds. For proprietary activities, these statements provide detailed financial information relating to the waste management operations and facilities. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

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

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

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

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

You can think of net position--the difference between assets and liabilities--as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net position is one 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, sanitation (administration charges to solid waste), human services, health, culture and recreation, conservation of natural resources, economic development, and interest. Otter Tail County finances the majority of these activities with local property taxes, state-paid aids, fees, charges for services, and federal and state grants.
- **Business-type activities**--Otter Tail County charges a service fee to property owners and customers/users of the waste management facilities to help cover most of the costs to operate these facilities and pay for the services provided. The County reports its solid waste collection and disposal programs, including County-sponsored recycling programs, in the "Business-Type Activities" column.

## **Fund Financial Statements**

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

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

## THE COUNTY AS A WHOLE

Otter Tail County's combined net position for the year ended December 31, 2014, was \$178,615,448. 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 |                |
|---|-------------------------|----------------|--------------------------|---------------|--------------------------|----------------|
|   | 2014                    | 2013           | 2014                     | 2013          | 2014                     | 2013           |
| <b>Assets</b>                           |                         |                |                          |               |                          |                |
| Current and other assets                | \$ 85,074,047           | \$ 86,090,486  | \$ 5,950,912             | \$ 6,184,435  | \$ 91,024,959            | \$ 92,274,921  |
| Capital assets                          | 144,131,896             | 137,301,603    | 5,816,251                | 5,601,998     | 149,948,147              | 142,903,601    |
| Total Assets                            | \$ 229,205,943          | \$ 223,392,089 | \$ 11,767,163            | \$ 11,786,433 | \$ 240,973,106           | \$ 235,178,522 |
| <b>Liabilities</b>                      |                         |                |                          |               |                          |                |
| Long-term debt outstanding              | \$ 55,493,734           | \$ 57,875,919  | \$ 1,678,087             | \$ 1,564,209  | \$ 57,171,821            | \$ 59,440,128  |
| Other liabilities                       | 4,762,947               | 5,497,834      | 422,890                  | 382,188       | 5,185,837                | 5,880,022      |
| Total Liabilities                       | \$ 60,256,681           | \$ 63,373,753  | \$ 2,100,977             | \$ 1,946,397  | \$ 62,357,658            | \$ 65,320,150  |
| <b>Net Assets</b>                       |                         |                |                          |               |                          |                |
| Invested in capital assets, net of debt | \$ 127,738,054          | \$ 119,313,465 | \$ 5,816,251             | \$ 5,602,000  | \$ 133,554,305           | \$ 124,915,465 |
| Restricted                              | 4,295,209               | 3,520,020      | 98,047                   | 181,583       | 4,393,256                | 3,701,603      |
| Unrestricted                            | 36,915,999              | 37,184,851     | 3,751,888                | 4,056,453     | 40,667,887               | 41,241,304     |
| Total Net Assets                        | \$ 168,949,262          | \$ 160,018,336 | \$ 9,666,186             | \$ 9,840,036  | \$ 178,615,448           | \$ 169,858,372 |

Otter Tail County's total net position for the year ended December 31, 2014, is \$178,615,448. Unrestricted net position totaling \$40,667,887 is available to finance day-to-day operations. Of the unrestricted net position, \$36,915,999 is available for governmental activities, and \$3,751,888 is available for business-type activities.

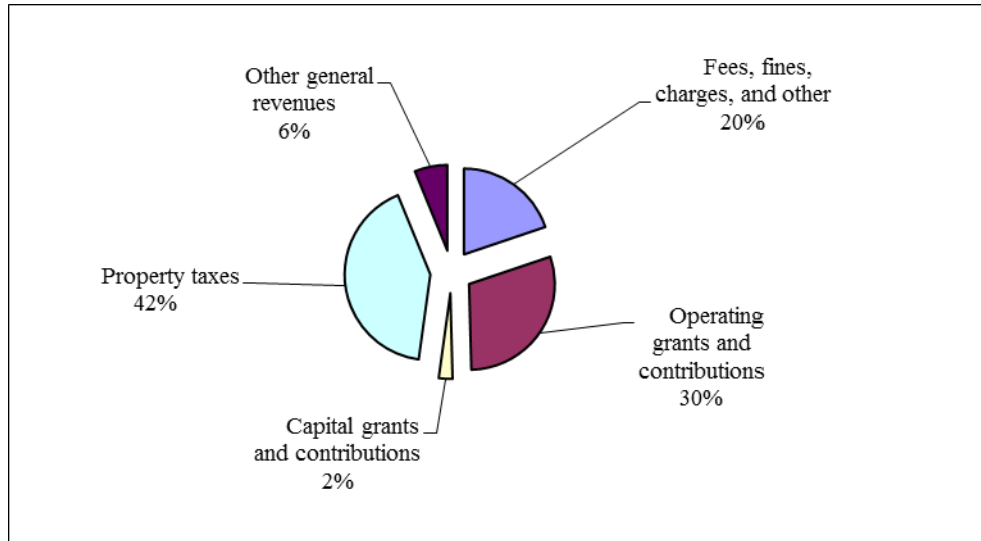
**Table 2**  
**Changes in Net Position**

|                                    | Governmental Activities |               | Business-Type Activities |              | Total Primary Government |               |
|------------------------------------|-------------------------|---------------|--------------------------|--------------|--------------------------|---------------|
|                                    | 2014                    | 2013          | 2014                     | 2013         | 2014                     | 2013          |
| <b>Revenues</b>                    |                         |               |                          |              |                          |               |
| <b>Program revenues</b>            |                         |               |                          |              |                          |               |
| Fees, fines, charges, and other    | \$ 8,520,214            | \$ 8,397,143  | \$ 7,523,057             | \$ 7,339,619 | \$ 16,043,271            | \$ 15,736,762 |
| Operating grants and contributions | 23,871,053              | 23,038,023    | 196,489                  | 176,587      | 24,067,542               | 23,214,610    |
| Capital grants and contributions   | 2,099,864               | 791,800       | -                        | -            | 2,099,864                | 791,800       |
| <b>General revenues</b>            |                         |               |                          |              |                          |               |
| Property taxes                     | 33,681,159              | 32,565,274    | -                        | -            | 33,681,159               | 32,565,274    |
| Other taxes                        | 704,712                 | 677,122       | -                        | -            | 704,712                  | 677,122       |
| Grants and contributions           | 3,088,750               | 2,408,904     | -                        | -            | 3,088,750                | 2,408,904     |
| Other general revenues             | 1,205,250               | 1,280,159     | 10,829                   | 10,767       | 1,216,079                | 1,290,926     |
| Special item                       | -                       | 76,000        | -                        | -            | -                        | 76,000        |
| Total Revenues                     | \$ 73,171,002           | \$ 69,234,425 | \$ 7,730,375             | \$ 7,526,973 | \$ 80,901,377            | \$ 76,761,398 |

|                                     | Governmental Activities |               | Business-Type Activities |              | Total Primary Government |               |
|-------------------------------------|-------------------------|---------------|--------------------------|--------------|--------------------------|---------------|
|                                     | 2014                    | 2013          | 2014                     | 2013         | 2014                     | 2013          |
| Expenditures                        |                         |               |                          |              |                          |               |
| Program expenses                    |                         |               |                          |              |                          |               |
| General government                  | \$ 13,566,494           | \$ 12,899,234 | \$ -                     | \$ -         | \$ 13,566,494            | \$ 12,899,234 |
| Public safety                       | 12,128,468              | 11,577,720    | -                        | -            | 12,128,468               | 11,577,720    |
| Highways and streets                | 15,523,371              | 16,534,935    | -                        | -            | 15,523,371               | 16,534,935    |
| Sanitation                          | -                       | 245,789       | -                        | -            | -                        | 245,789       |
| Human services                      | 16,556,039              | 16,020,434    | -                        | -            | 16,556,039               | 16,020,434    |
| Health                              | 2,687,605               | 2,648,567     | -                        | -            | 2,687,605                | 2,648,567     |
| Culture and recreation              | 720,722                 | 715,920       | -                        | -            | 720,722                  | 715,920       |
| Conservation of natural resources   | 1,181,689               | 970,042       | -                        | -            | 1,181,689                | 970,042       |
| Economic development                | 197,944                 | 248,223       | -                        | -            | 197,944                  | 248,223       |
| Interest                            | 1,677,744               | 1,566,841     | -                        | -            | 1,677,744                | 1,566,841     |
| Landfill                            | -                       | -             | 7,904,225                | 7,231,647    | 7,904,225                | 7,231,647     |
| Total Program Expenses              | \$ 64,240,076           | \$ 63,427,705 | \$ 7,904,225             | \$ 7,231,647 | \$ 72,144,301            | \$ 70,659,352 |
| Increase (Decrease) in Net Position | \$ 8,930,926            | \$ 5,806,720  | \$ (173,850)             | \$ 295,326   | \$ 8,757,076             | \$ 6,102,046  |

Otter Tail County's total revenues for the year ended December 31, 2014, were \$80,901,377. The total cost of programs and services for the year ended December 31, 2014, was \$72,144,301. The net position increased by \$8,757,076, due mainly to an increase in fees, fines, charges, and other revenues, an increase in property tax revenues, an increase in other taxes, an increase in operating grants and contributions revenues, an increase in capital grants and contributions, a decrease in highways and streets-related expenditures, a decrease in sanitation-related expenditures, and a decrease in economic development-related expenditures, which were offset by a decrease in other general revenues, a decrease in special items revenues, and an increase in general government-related expenditures, public safety-related expenditures, human services-related expenditures, health related expenditures, culture and recreation-related expenditures, conservation of natural resources-related expenditures, landfill and sanitation-related expenditures, and interest costs.

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



**Governmental Activities**

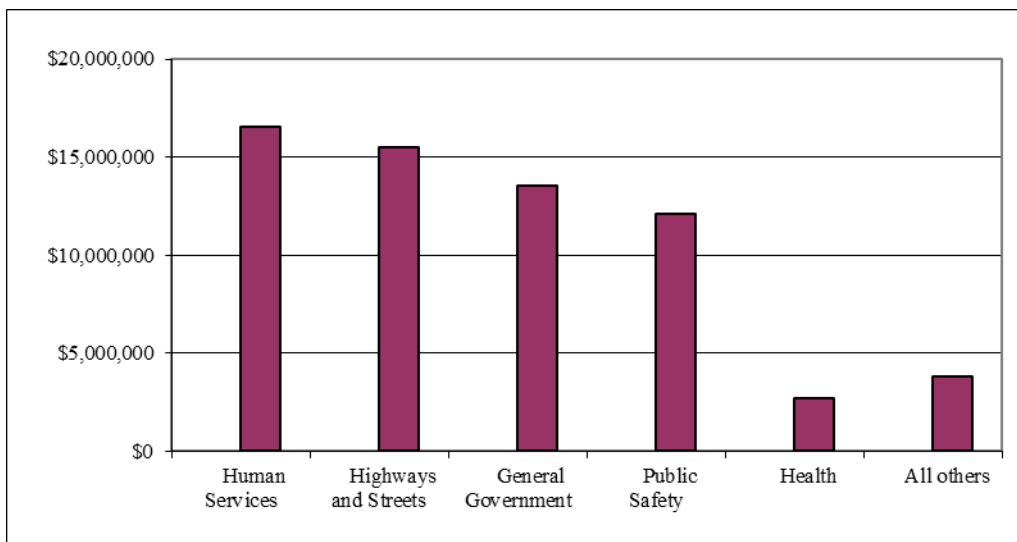
Revenues for Otter Tail County’s governmental activities for the year ended December 31, 2014, were \$73,171,002. Costs for all governmental activities for the year ended December 31, 2014, were \$64,240,076. As shown in the Statement of Activities, the amount that County taxpayers ultimately financed for these governmental activities through local property taxation was \$33,681,159, because \$8,520,214 of the costs were paid by those who directly benefited from the programs, and \$25,970,917 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 \$4,998,712 in general revenues, primarily grants and contributions not restricted to specific programs or services, and with other revenues such as investment income, mortgage registration tax, and deed tax.

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

**Table 3  
Governmental Activities**

|                            | <u>Total Cost<br/>of Services</u> | <u>Net Cost<br/>of Services</u> |
|----------------------------|-----------------------------------|---------------------------------|
| Program Expenses           |                                   |                                 |
| Human Services             | \$ 16,556,039                     | \$ 6,754,378                    |
| Highway and Streets        | 15,523,371                        | (236,019)                       |
| General Government         | 13,566,494                        | 8,442,455                       |
| Public Safety              | 12,128,468                        | 11,157,709                      |
| Health                     | 2,687,605                         | 446,913                         |
| All others                 | <u>3,778,099</u>                  | <u>3,183,509</u>                |
| <br>Total Program Expenses | <br><u>\$ 64,240,076</u>          | <br><u>\$ 29,748,945</u>        |

**Governmental Activities Expenses  
2014**



**Business-Type Activities**

Revenues of Otter Tail County’s business-type activities (see Table 2) for the year ended December 31, 2014, were \$7,730,375. This compares with total operating revenues of \$7,339,619 and total nonoperating revenues of \$187,354 for the year ended December 31, 2013. Operating revenues increased by \$183,438 and nonoperating revenues increased by \$19,964, resulting in an overall increase in revenues of \$203,402.

Expenses of business-type activities (see Table 2) for the year ended December 31, 2014, were \$7,904,225. This compares with total operating expenses of \$7,211,367 and total nonoperating expenses of \$20,280 for the year ended December 31, 2013. Operating expenses increased by \$680,690, and nonoperating expenses decreased by \$8,112, resulting in an overall increase in expenses of \$672,578, which is due mainly to increased SCORE costs of \$122,049, increased household hazardous waste costs of \$6,807, and processing costs of \$447,156, and increased landfill closure and postclosure care costs of \$127,291, which was offset by decreased waste management costs of \$11,946, decreased depreciation expense of \$10,667, and decreased interest expense of \$8,112.

### **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 \$75,824,317, which is less than last year's total of \$78,455,294. The decreased fund balance of \$2,630,977 is due to an increase in the General Fund balance of \$751,283, a decrease in the Road and Bridge Special Revenue Fund balance of \$1,467,031, an increase in the Human Services Special Revenue Fund balance of \$882,729, a decrease in the Capital Improvement Special Revenue Fund balance of \$400,255, a decrease in the Construction Capital Projects Fund balance of \$1,397,563, a decrease in the Prairie Lakes Municipal Solid Waste Authority Debt Service Fund balance of \$392,761, and a decrease in the other governmental funds' fund balances of \$607,379.

As you will note, there were changes within individual funds. The overall fund balance change represented a 3.4 percent decrease. The Road and Bridge Special Revenue Fund balance experienced a significant decrease of \$1,467,031; however, in the previous year, this fund experienced an increase in fund balance of \$3,291,954. The experienced fund balance decrease in the Capital Improvement Special Revenue and Construction Capital Projects Funds were a planned reduction and is the result of projects funded in prior years that were nearing completion in 2014. The other non-major governmental funds experienced a total fund balance decrease of \$607,379. The primary reason for that change is excess expenditures over revenues in the County's special revenue and debt service funds; primarily, the Ethanol Plant Debt Service Fund, which pays current debt service obligation (principal and interest) with funds previously collected through a bankruptcy action.

Included in this year's total fund balance is the General Fund balance of \$20,480,886, an increase of \$751,283 from 2013. The General Fund balance is classified as either non-spendable - \$341,858, restricted for specific purposes - \$1,571,528, assigned to specific uses - \$323,807, or unassigned - \$18,243,693.

## 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 2014, 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 17, 2013, these budget amendments/revisions would have fallen into one of three categories: new information changing original budget estimations, greater than anticipated revenues or expenditures, or final agreement reached on employee contracts.

In Otter Tail County's General Fund, the actual revenues exceeded the budgeted revenues by \$357,874. Total actual expenditures in the General Fund were under the budgeted expenditures by \$709,677. The actual operating transfers out exceeded the budgeted operating transfers out by \$398,583. The actual other financing sources were \$126,725 and exceeded the budgeted amount because of an unplanned capital lease/installment purchase.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2014, Otter Tail County had \$149,948,147 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 \$7,044,546, or a 4.93 percent increase, over last year.

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

|                                     | Governmental Activities |                       | Business-Type Activities |                     | Total Primary Government |                       |
|-------------------------------------|-------------------------|-----------------------|--------------------------|---------------------|--------------------------|-----------------------|
|                                     | 2014                    | 2013                  | 2014                     | 2013                | 2014                     | 2013                  |
| Land                                | \$ 4,347,933            | \$ 4,326,050          | \$ 195,934               | \$ 195,934          | \$ 4,543,867             | \$ 4,521,984          |
| Construction in progress            | 11,426,646              | 9,321,527             | 319,803                  | 79,025              | 11,746,449               | 9,400,552             |
| Land improvements                   | 97,839                  | 106,207               | -                        | -                   | 97,839                   | 106,207               |
| Buildings and improvements          | 21,594,711              | 22,049,171            | 3,530,604                | 3,752,700           | 25,125,315               | 25,801,871            |
| Machinery, furniture, and equipment | 5,025,200               | 4,578,719             | 718,986                  | 482,401             | 5,744,186                | 5,061,120             |
| Infrastructure                      | 101,639,567             | 96,919,929            | -                        | -                   | 101,639,567              | 96,919,929            |
| Landfill                            | -                       | -                     | 1,050,924                | 1,091,938           | 1,050,924                | 1,091,938             |
| <b>Totals</b>                       | <b>\$ 144,131,896</b>   | <b>\$ 137,301,603</b> | <b>\$ 5,816,251</b>      | <b>\$ 5,601,998</b> | <b>\$ 149,948,147</b>    | <b>\$ 142,903,601</b> |



During calendar year 2014, Otter Tail County's governmental activities' capital assets, net of depreciation, increased a total of \$6,830,293. This year's major additions include the addition of 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). There were a number of remodeling and improvement projects started, in progress, and completed in 2014.

Remodeling/construction plans for the original courthouse structure, Government Services Center, New York Mills office building, dispatch center, and building security issues have been prepared. A number of these projects were started and were completed in late 2012/early 2013, with an anticipated completion date for all of these projects in the spring of 2015. 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, 2014, Otter Tail County had \$48,629,184 in bonds and notes outstanding, compared with \$51,205,849 as of December 31, 2013, a decrease of 5.03 percent--as shown in Table 5.

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

|                            | Governmental Activities |                      | Business-Type Activities |             | Total Primary Government |                      |
|----------------------------|-------------------------|----------------------|--------------------------|-------------|--------------------------|----------------------|
|                            | 2014                    | 2013                 | 2014                     | 2013        | 2014                     | 2013                 |
| Bonds payable              |                         |                      |                          |             |                          |                      |
| General obligation bonds   | \$ 11,760,000           | \$ 13,250,000        | \$ -                     | \$ -        | \$ 11,760,000            | \$ 13,250,000        |
| Revenue bonds              | 32,860,000              | 33,605,000           | -                        | -           | 32,860,000               | 33,605,000           |
| Lease revenue bonds        | 3,770,000               | 4,105,000            | -                        | -           | 3,770,000                | 4,105,000            |
| Plus: Unamortized premium  | 410,254                 | 432,603              | -                        | -           | 410,254                  | 432,603              |
| Less: Unamortized discount | (171,070)               | (186,754)            | -                        | -           | (171,070)                | (186,754)            |
| Totals                     | <u>\$ 48,629,184</u>    | <u>\$ 51,205,849</u> | <u>\$ -</u>              | <u>\$ -</u> | <u>\$ 48,629,184</u>     | <u>\$ 51,205,849</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 \$261,047,671 state-imposed limit. The County's financial advisor annually reviews the outstanding debt issues to determine which, if any, issues should be considered for refinancing.

Other obligations include capital leases, compensated absences, other postemployment benefits liability, and landfill closure and postclosure care costs. The notes to the financial statements (Notes 3.C. 2-7) provide detailed information about the County's long-term liabilities.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

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

- Otter Tail County continues to have a very balanced and strong seasonal, residential, commercial/industrial, and agricultural tax base. Keeping this tax base vital and healthy is very important to the County's overall financial health and condition.
- Cost of fuel for vehicles, heating, and any related petroleum products used for highway maintenance and construction projects varies from year to year. Significant increases will impact a number of departmental budgets, as well as potentially influence which projects and the number of projects will be undertaken in any given year.
- Otter Tail County uses technology whenever possible to reduce employee travel and time away from working attending meetings.
- Recently, Otter Tail County has undertaken a number of building projects to make the County's facilities more energy efficient.
- Legislative actions by the federal and state of government can have a significant impact on future County budgets. As you will note from Exhibits 2 and 5, intergovernmental revenues represent approximately 40 percent of the County's total revenues. Major revenue sources are state-paid aids and grants. Should the State of Minnesota or the federal government significantly reduce these revenues or pass on costs to Otter Tail County, it would have a significant impact on next year's budget.
- In the recent past, Otter Tail County's net tax capacity rates have not seen significant change even though the overall net tax levy has continued to increase. It should be noted that the Pay 2014 net levy was \$1,205,475 more than the Pay 2013 net levy, which was a 3.65 percent increase. The overall County rate for Pay 2014 is 41.945, which is less than a 1.00 percent increase over the Pay 2013 County rate of 41.660. The overall County rate for Pay 2014 increased because of additional tax revenue funding required by the County's major operational funds.
- The possible imposition of levy limitations for future taxes payable years will require that the County carefully review its current financial position to ensure that Otter Tail County has adequate funding to provide the desired level of services and to meet the demands of the public. Consideration and discussions regarding the availability of special levies, the issuance of debt, and/or capital notes will be an important part of the overall budget review and levy adoption process. Limitations on the availability of property tax revenue can result in increasing fees charged for services and/or reducing the level of service provided.

- In addition to possible state-imposed levy limitations other legislative changes and current economic conditions require that, as the County operates under the adopted budget for 2015 and develops the 2016 budget, a careful review must be made of revenue sources other than property taxes, as well as reviewing current and proposed expenditures and how services and programs are delivered to the public to help ensure that meaningful services and programs are delivered in the most cost-effective manner possible and that the County maintains a sound financial position.
- The net property tax levy for 2015 is scheduled to increase by 3.63 percent, or approximately \$1,243,567, and will result in a County tax rate of 41.517.
- Otter Tail County's unemployment rate for 2015 averaged 4.9 percent through June 30, 2015. However, it should be noted that the unemployment rate for the month of June was 3.8 percent. The County's unemployment rate for 2014 averaged 4.7 percent, 2013 averaged 5.3 percent, 2012 averaged 5.6 percent, 2011 averaged 6.3 percent, 2010 averaged 7.2 percent, 2009 averaged 8.3 percent, 2008 averaged 6.1 percent, and 2007 averaged 5.4 percent. An increasing unemployment rate could impact the level of services requested by residents and on the County's ability to generate the revenues necessary to pay for these additional services.
- Settling union contracts and employment-related cost/issues are carefully considered as they can and will significantly impact future budgets. Providing health coverage for employees and the ever increasing cost of health care is a budgetary concern for County officials.
- The cross-training of current staff, determining the appropriate level for future staffing needs, and continuing to transition the current organizational structure to the divisional organization structure has played, and will continue to play, an important role in the budget development process.
- Developing, training, and staffing the Finance division to properly manage (budget, accounting, and timely internal/external reporting) the County's growing programs and functions will be critical to the future financial success of the County.
- Reviewing revenue sources and considering cost-effective and efficient means for the delivery of programs and services will influence the development of future budgets.
- Future facility needs will impact the County's budget and are reviewed annually as operating and capital budgets are developed.
- With limited financial resources and the desire by the Otter Tail County Board of Commissioners to minimize the increase in local property taxation, the prioritization and review of programs and services will be extremely important as future budgets are developed and efforts are made to control expenditures.
- Outstanding debt issues and refinancing options are reviewed.

- Recent high water issues throughout many parts of Otter Tail County have had significant impact on the County's infrastructure, specifically the County's road system and the County drainage (ditch) systems. 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. Addressing issues related to the various drainage systems is time consuming and often costly. The repair and maintenance of drainage systems and the financial management of those costs may require additional staffing to meet the ever increasing demand. Drainage system projects generally are paid for by the benefited properties through special assessments; however, budgetary consideration needs to be given as to how the upfront (development, repair and/or construction) costs of these projects are financed prior to the special assessments being levied to reimburse the County for the costs of the projects.
- As the County continues to develop the overall plan for highway construction and maintenance, consideration for funding those improvements will be given to the adoption of the wheelage tax and the optional sales tax, as well as the possible issuance of \$25 million to \$40 million of new debt.
- The implementation of new technology, the costs associated with implementation, and the costs associated with training staff in the proper use of technology are important factors considered when allocating budgetary resources. The County is currently involved with a project to rewrite its existing assessment and property tax software, which will allow the County to use existing technology more effectively. This project is approximately 18 months behind schedule, and the delay would result in added cost to maintain the existing system.
- Adequate housing and availability of childcare has been identified as two 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 two issues. Options that will be considered are economic development tax abatements, tax increment financing, hiring an economic development 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;
  - planning and financing for the continued delivery of County-provided services given the uncertainty of state funding;
  - prioritizing the services provided and the method of delivery;
  - the level of funding provided to outside agencies;

- land development and regulation (ordinance) issues, specifically as these regulations relate to the expansion of the County's resort industry;
- organizational structure (including planning, considering, and discussing with neighboring counties the possibility of shared services and personnel);
- a greater demand for services which has resulted from the growth that Otter Tail County has experienced over the years;
- economic conditions, market conditions, and unemployment rates need to be monitored to ensure that the County expenditure levels do not exceed its ability to generate the necessary revenues to finance costs;
- legislative changes which impact County programs and services;
- policies and procedures necessary to comply with state and federal rules and regulations;
- reviewing comparative financial data from other Minnesota counties; and
- the need to improve both internal and external administrative and financial reporting to ensure that the most current information is available to the decision makers.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

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

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## **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, 2014**

|   | <b>Primary Government</b>          |                                     |                       | <b>Prairie Lakes<br/>Municipal Solid<br/>Waste Authority<br/>Component Unit</b> |
|---|------------------------------------|-------------------------------------|-----------------------|---|
|   | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>          |   |
| <b>Assets</b>                                 |                                    |                                     |                       |   |
| Cash and pooled investments                   | \$ 47,119,484                      | \$ 4,511,801                        | \$ 51,631,285         | \$ 878,132  |
| Taxes receivable delinquent                   | 967,382                            | -                                   | 967,382               | -   |
| Special assessments receivable                |                                    |                                     |                       |   |
| Prior   | 4,764                              | -                                   | 4,764                 | -   |
| Deferred                                      | 324,528                            | -                                   | 324,528               | -   |
| Accounts receivable                           | 256,385                            | 357,034                             | 613,419               | 130,429   |
| Accrued interest receivable                   | 67,667                             | -                                   | 67,667                | -   |
| Internal balances                             | 315,370                            | (315,370)                           | -                     | -   |
| Due from other governments                    | 4,893,276                          | 111,598                             | 5,004,874             | 177,986   |
| Due from component unit                       | 681,542                            | 2,114                               | 683,656               | -   |
| Due from primary government                   | -                                  | -                                   | -                     | 216,123   |
| Lease receivable                              | 67,547                             | -                                   | 67,547                | -   |
| Inventories                                   | 398,409                            | -                                   | 398,409               | -   |
| Restricted assets                             |                                    |                                     |                       |   |
| Temporarily restricted                        |                                    |                                     |                       |   |
| Cash with escrow agent                        | 304,546                            | -                                   | 304,546               | -   |
| Permanently restricted                        |                                    |                                     |                       |   |
| Cash and pooled investments                   | -                                  | 1,283,735                           | 1,283,735             | -   |
| Advance to component unit                     | 28,680,000                         | -                                   | 28,680,000            | -   |
| Long-term lease receivable                    | 993,147                            | -                                   | 993,147               | -   |
| Capital assets                                |                                    |                                     |                       |   |
| Non-depreciable                               | 15,774,579                         | 515,737                             | 16,290,316            | 27,929,758  |
| Depreciable - net of accumulated depreciation | 128,357,317                        | 5,300,514                           | 133,657,831           | 4,938,618   |
| <b>Total Assets</b>                           | <b>\$ 229,205,943</b>              | <b>\$ 11,767,163</b>                | <b>\$ 240,973,106</b> | <b>\$ 34,271,046</b>  |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2014**

|                                   | <b>Primary Government</b>          |                                     |                       | <b>Prairie Lakes<br/>Municipal Solid<br/>Waste Authority<br/>Component Unit</b> |
|-----------------------------------|------------------------------------|-------------------------------------|-----------------------|---|
|                                   | <b>Governmental<br/>Activities</b> | <b>Business-Type<br/>Activities</b> | <b>Total</b>          |   |
| <b><u>Liabilities</u></b>         |                                    |                                     |                       |   |
| Accounts payable                  | \$ 1,112,798                       | \$ 117,332                          | \$ 1,230,130          | \$ 145,827  |
| Salaries payable                  | 1,340,586                          | 80,758                              | 1,421,344             | 76,976  |
| Contracts payable                 | 1,320,694                          | 9,247                               | 1,329,941             | 623,860   |
| Due to other governments          | 255,290                            | 8,455                               | 263,745               | 76,127  |
| Due to component unit             | 9,025                              | 207,098                             | 216,123               | -   |
| Due to primary government         | -                                  | -                                   | -                     | 683,656   |
| Accrued interest payable          | 376,271                            | -                                   | 376,271               | -   |
| Unearned revenue                  | 146,028                            | -                                   | 146,028               | -   |
| Employee deposits                 | 202,255                            | -                                   | 202,255               | -   |
| Advance from primary government   | -                                  | -                                   | -                     | 28,680,000  |
| Long-term liabilities             |                                    |                                     |                       |   |
| Due within one year               | 4,545,522                          | 86,234                              | 4,631,756             | 102,578   |
| Due in more than one year         | 50,948,212                         | 1,591,853                           | 52,540,065            | 146,458   |
| <b>Total Liabilities</b>          | <b>\$ 60,256,681</b>               | <b>\$ 2,100,977</b>                 | <b>\$ 62,357,658</b>  | <b>\$ 30,535,482</b>  |
| <b><u>Net Position</u></b>        |                                    |                                     |                       |   |
| Net investment in capital assets  | \$ 127,738,054                     | \$ 5,816,251                        | \$ 133,554,305        | \$ 7,697,032  |
| Restricted for                    |                                    |                                     |                       |   |
| General government                | 1,401,249                          | -                                   | 1,401,249             | -   |
| Public safety                     | 419,815                            | -                                   | 419,815               | -   |
| Highways and streets              | 2,071,132                          | -                                   | 2,071,132             | -   |
| Postclosure care                  | -                                  | 98,047                              | 98,047                | -   |
| Conservation of natural resources | 227,027                            | -                                   | 227,027               | -   |
| Held in trust for other purposes  | 175,986                            | -                                   | 175,986               | -   |
| Unrestricted                      | 36,915,999                         | 3,751,888                           | 40,667,887            | (3,961,468)   |
| <b>Total Net Position</b>         | <b>\$ 168,949,262</b>              | <b>\$ 9,666,186</b>                 | <b>\$ 178,615,448</b> | <b>\$ 3,735,564</b>   |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|   | <b>Expenses</b>      | <b>Fees<br/>Charges, Fines,<br/>and Other</b> | <b>Program Revenues<br/>Operating<br/>Grants and<br/>Contributions</b> |
|---|----------------------|---|--|
| <b><u>Functions/Programs</u></b>              |                      |   |  |
| <b>Primary Government</b>                     |                      |   |  |
| <b>Governmental activities</b>                |                      |   |  |
| General government                            | \$ 13,566,494        | \$ 4,747,518                                  | \$ 376,521   |
| Public safety                                 | 12,128,468           | 329,163                                       | 641,596  |
| Highways and streets                          | 15,523,371           | 997,655                                       | 12,729,672   |
| Human services                                | 16,556,039           | 1,485,239                                     | 8,276,372  |
| Health  | 2,687,605            | 648,586                                       | 1,564,355  |
| Culture and recreation                        | 720,722              | 100   | -  |
| Conservation of natural resources             | 1,181,689            | 311,953                                       | 282,537  |
| Economic development                          | 197,944              | -   | -  |
| Interest                                      | 1,677,744            | -   | -  |
|   | <b>\$ 64,240,076</b> | <b>\$ 8,520,214</b>                           | <b>\$ 23,871,053</b>   |
| <b>Total governmental activities</b>          |                      |   |  |
| <b>Business-type activities</b>               |                      |   |  |
| Solid waste                                   | 7,904,225            | 7,523,057                                     | 196,489  |
|   | <b>\$ 72,144,301</b> | <b>\$ 16,043,271</b>                          | <b>\$ 24,067,542</b>   |
| <b>Total Primary Government</b>               |                      |   |  |
| <b>Component unit</b>                         |                      |   |  |
| Prairie Lakes Municipal Solid Waste Authority | <b>\$ 7,085,478</b>  | <b>\$ 4,799,236</b>                           | <b>\$ -</b>  |

**General Revenues**

Property taxes  
Taxes - other  
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<br/>Grants and<br/>Contributions</u> | <u>Net (Expense) Revenue and Change in Net Position</u> |                                     |                        | <u>Discretely<br/>Presented<br/>Component Unit</u> |
|---|---|-------------------------------------|------------------------|--|
|   | <u>Primary Government</u>                               |                                     | <u>Total</u>           |  |
|   | <u>Governmental<br/>Activities</u>                      | <u>Business-Type<br/>Activities</u> |                        |  |
| \$ -  | \$ (8,442,455)  | \$ -                                | \$ (8,442,455)         |  |
| -   | (11,157,709)  | -                                   | (11,157,709)           |  |
| 2,032,063                                       | 236,019   | -                                   | 236,019                |  |
| 40,050  | (6,754,378)   | -                                   | (6,754,378)            |  |
| 27,751  | (446,913)   | -                                   | (446,913)              |  |
| -   | (720,622)   | -                                   | (720,622)              |  |
| -   | (587,199)   | -                                   | (587,199)              |  |
| -   | (197,944)   | -                                   | (197,944)              |  |
| -   | (1,677,744)   | -                                   | (1,677,744)            |  |
| <u>\$ 2,099,864</u>                             | <u>\$ (29,748,945)</u>                                  | <u>\$ -</u>                         | <u>\$ (29,748,945)</u> |  |
| -   | -   | (184,679)                           | (184,679)              |  |
| <u>\$ 2,099,864</u>                             | <u>\$ (29,748,945)</u>                                  | <u>\$ (184,679)</u>                 | <u>\$ (29,933,624)</u> |  |
| <u>\$ 195,000</u>                               |   |                                     |                        | <u>\$ (2,091,242)</u>                              |
|   | \$ 33,681,159   | \$ -                                | \$ 33,681,159          | \$ -   |
|   | 156,824   | -                                   | 156,824                | -  |
|   | 3,088,750   | -                                   | 3,088,750              | -  |
|   | 547,888   | -                                   | 547,888                | -  |
|   | 4,170   | 10,829                              | 14,999                 | 36,399   |
|   | 1,201,080   | -                                   | 1,201,080              | -  |
|   | <u>\$ 38,679,871</u>                                    | <u>\$ 10,829</u>                    | <u>\$ 38,690,700</u>   | <u>\$ 36,399</u>                                   |
|   | \$ 8,930,926  | \$ (173,850)                        | \$ 8,757,076           | \$ (2,054,843)                                     |
|   | <u>160,018,336</u>                                      | <u>9,840,036</u>                    | <u>169,858,372</u>     | <u>5,790,407</u>                                   |
|   | <u>\$ 168,949,262</u>                                   | <u>\$ 9,666,186</u>                 | <u>\$ 178,615,448</u>  | <u>\$ 3,735,564</u>                                |

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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, 2014**

|   | <b>General</b>       | <b>Road and<br/>Bridge</b> | <b>Human<br/>Services</b> |
|---|----------------------|----------------------------|---------------------------|
| <b><u>Assets</u></b>  |                      |                            |                           |
| Cash and pooled investments   | \$ 19,444,640        | \$ 5,116,829               | \$ 13,311,813             |
| Petty cash and change funds   | 3,400                | 50                         | 200                       |
| Undistributed cash in agency funds  | 374,007              | 56,638                     | 168,634                   |
| Taxes receivable delinquent   | 479,160              | 88,756                     | 270,650                   |
| Special assessments   |                      |                            |                           |
| Prior   | -                    | 423                        | -                         |
| Deferred  | -                    | -                          | -                         |
| Accounts receivable   | 72,070               | 985                        | 183,330                   |
| Accrued interest receivable   | 67,667               | -                          | -                         |
| Due from other funds  | 104,220              | 22,387                     | -                         |
| Due from other governments  | 11,467               | 3,492,918                  | 1,372,277                 |
| Due from component unit   | -                    | -                          | -                         |
| Lease receivable  | 1,060,694            | -                          | -                         |
| Advance to other funds  | 415,875              | -                          | -                         |
| Inventories   | -                    | 398,409                    | -                         |
| Advance to component unit   | -                    | -                          | -                         |
| Restricted assets   |                      |                            |                           |
| Temporarily restricted  |                      |                            |                           |
| Cash with escrow agent  | 47,858               | -                          | -                         |
| <b>Total Assets</b>   | <b>\$ 22,081,058</b> | <b>\$ 9,177,395</b>        | <b>\$ 15,306,904</b>      |
| <b><u>Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances</u></b> |                      |                            |                           |
| <b>Liabilities</b>  |                      |                            |                           |
| Accounts payable  | \$ 230,095           | \$ 345,504                 | \$ 472,971                |
| Salaries payable  | 692,045              | 160,290                    | 488,251                   |
| Contracts payable   | -                    | 1,049,051                  | -                         |
| Due to other funds  | 4,794                | 1,636                      | -                         |
| Due to other governments  | 23,612               | 15,329                     | 216,263                   |
| Due to component unit   | 9,025                | -                          | -                         |
| Unearned revenues   | -                    | 17,855                     | 128,173                   |
| Advance from other funds  | -                    | -                          | -                         |
| Employee deposits   | 202,255              | -                          | -                         |
| <b>Total Liabilities</b>  | <b>\$ 1,161,826</b>  | <b>\$ 1,589,665</b>        | <b>\$ 1,305,658</b>       |
| <b>Deferred Inflows of Resources</b>  |                      |                            |                           |
| Unavailable revenues  | <b>\$ 438,346</b>    | <b>\$ 3,379,676</b>        | <b>\$ 446,405</b>         |

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

**EXHIBIT 3**

| <u>Capital<br/>Improvement</u> | <u>Construction<br/>Capital<br/>Projects</u> | <u>Prairie Lakes<br/>Municipal Solid<br/>Waste Authority<br/>Debt Service</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--------------------------------|--|---|---|---|
| \$ 3,287,127                   | \$ -   | \$ (511,461)  | \$ 5,780,892                            | \$ 46,429,840                           |
| -                              | -  | -   | -                                       | 3,650                                   |
| 51,775                         | -  | -   | 34,940                                  | 685,994                                 |
| 76,089                         | -  | -   | 52,727                                  | 967,382                                 |
| -                              | -  | -   | 4,341                                   | 4,764                                   |
| -                              | -  | -   | 324,528                                 | 324,528                                 |
| -                              | -  | -   | -                                       | 256,385                                 |
| -                              | -  | -   | -                                       | 67,667                                  |
| 1,482                          | -  | -   | -                                       | 128,089                                 |
| 11,844                         | -  | -   | 4,770                                   | 4,893,276                               |
| -                              | -  | 511,803   | -                                       | 511,803                                 |
| -                              | -  | -   | -                                       | 1,060,694                               |
| -                              | -  | -   | -                                       | 415,875                                 |
| -                              | -  | -   | -                                       | 398,409                                 |
| -                              | -  | 28,680,000  | -                                       | 28,680,000                              |
| -                              | -  | -   | 256,688                                 | 304,546                                 |
| <u><b>\$ 3,428,317</b></u>     | <u><b>\$ -</b></u>                           | <u><b>\$ 28,680,342</b></u>   | <u><b>\$ 6,458,886</b></u>              | <u><b>\$ 85,132,902</b></u>             |
| \$ 38,116                      | \$ 11,392                                    | \$ -  | \$ 14,720                               | \$ 1,112,798                            |
| -                              | -  | -   | -                                       | 1,340,586                               |
| 5,000                          | 266,643                                      | -   | -                                       | 1,320,694                               |
| 4,865                          | -  | -   | 4,308                                   | 15,603                                  |
| -                              | -  | -   | -                                       | 255,204                                 |
| -                              | -  | -   | -                                       | 9,025                                   |
| -                              | -  | -   | -                                       | 146,028                                 |
| -                              | -  | -   | 213,077                                 | 213,077                                 |
| -                              | -  | -   | -                                       | 202,255                                 |
| <u><b>\$ 47,981</b></u>        | <u><b>\$ 278,035</b></u>                     | <u><b>\$ -</b></u>  | <u><b>\$ 232,105</b></u>                | <u><b>\$ 4,615,270</b></u>              |
| <u><b>\$ 58,959</b></u>        | <u><b>\$ -</b></u>                           | <u><b>\$ -</b></u>  | <u><b>\$ 369,929</b></u>                | <u><b>\$ 4,693,315</b></u>              |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2014**

|   | <b>General</b>       | <b>Road and<br/>Bridge</b> | <b>Human<br/>Services</b> |
|---|----------------------|----------------------------|---------------------------|
| <b><u>Liabilities, Deferred Inflows of Resources,<br/>and Fund Balances (Continued)</u></b> |                      |                            |                           |
| <b>Fund Balances</b>  |                      |                            |                           |
| Nonspendable  |                      |                            |                           |
| Inventories   | \$ -                 | \$ 398,409                 | \$ -                      |
| Advances to other funds   | 341,858              | -                          | -                         |
| Restricted  |                      |                            |                           |
| Debt service  | -                    | -                          | -                         |
| Law library   | -                    | -                          | -                         |
| Recorder's technology equipment   | 516,507              | -                          | -                         |
| Real estate shortfall   | 266,154              | -                          | -                         |
| E-911   | -                    | -                          | -                         |
| Recorder's compliance   | 499,008              | -                          | -                         |
| Veteran's van   | 14,190               | -                          | -                         |
| County state-aid highway system   | -                    | 17,081                     | -                         |
| Handgun permits   | 99,683               | -                          | -                         |
| Ditch maintenance and construction  | -                    | -                          | -                         |
| Sheriff's contingencies   | -                    | -                          | -                         |
| Missing heirs   | 175,986              | -                          | -                         |
| Assigned  |                      |                            |                           |
| Property and casualty insurance   | 207,832              | 118,918                    | 51,084                    |
| Workers compensation  | 115,975              | 113,766                    | 48,232                    |
| General government  | -                    | -                          | -                         |
| Public safety   | -                    | -                          | 40,062                    |
| Highways and streets  | -                    | 3,559,880                  | -                         |
| Human services  | -                    | -                          | 12,045,879                |
| Health  | -                    | -                          | 1,369,584                 |
| Unassigned  | 18,243,693           | -                          | -                         |
| <b>Total Fund Balances</b>  | <b>\$ 20,480,886</b> | <b>\$ 4,208,054</b>        | <b>\$ 13,554,841</b>      |
| <b>Total Liabilities, Deferred Inflows of<br/>Resources, and Fund Balances</b>              | <b>\$ 22,081,058</b> | <b>\$ 9,177,395</b>        | <b>\$ 15,306,904</b>      |

**EXHIBIT 3**  
**(Continued)**

| <u>Capital<br/>Improvement</u> | <u>Construction<br/>Capital<br/>Projects</u> | <u>Prairie Lakes<br/>Municipal Solid<br/>Waste Authority<br/>Debt Service</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--------------------------------|--|---|---|---|
| \$ -                           | \$ -   | \$ -  | \$ -                                    | \$ 398,409                              |
| -                              | -  | -   | -                                       | 341,858                                 |
| -                              | -  | 28,680,342  | 5,689,088                               | 34,369,430                              |
| -                              | -  | -   | 105,390                                 | 105,390                                 |
| -                              | -  | -   | -                                       | 516,507                                 |
| -                              | -  | -   | -                                       | 266,154                                 |
| 315,132                        | -  | -   | -                                       | 315,132                                 |
| -                              | -  | -   | -                                       | 499,008                                 |
| -                              | -  | -   | -                                       | 14,190                                  |
| -                              | -  | -   | -                                       | 17,081                                  |
| -                              | -  | -   | -                                       | 99,683                                  |
| -                              | -  | -   | 227,027                                 | 227,027                                 |
| -                              | -  | -   | 5,000                                   | 5,000                                   |
| -                              | -  | -   | -                                       | 175,986                                 |
| -                              | -  | -   | -                                       | 377,834                                 |
| -                              | -  | -   | -                                       | 277,973                                 |
| 951,777                        | -  | -   | -                                       | 951,777                                 |
| 455,146                        | -  | -   | 12,039                                  | 507,247                                 |
| 1,488,090                      | -  | -   | -                                       | 5,047,970                               |
| 95,599                         | -  | -   | -                                       | 12,141,478                              |
| 15,633                         | -  | -   | -                                       | 1,385,217                               |
| -                              | (278,035)                                    | -   | (181,692)                               | 17,783,966                              |
| <u>\$ 3,321,377</u>            | <u>\$ (278,035)</u>                          | <u>\$ 28,680,342</u>  | <u>\$ 5,856,852</u>                     | <u>\$ 75,824,317</u>                    |
| <u>\$ 3,428,317</u>            | <u>\$ -</u>                                  | <u>\$ 28,680,342</u>  | <u>\$ 6,458,886</u>                     | <u>\$ 85,132,902</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, 2014**

|  |                 |                       |
|--|-----------------|-----------------------|
| <b>Fund balances - total governmental funds (Exhibit 3)</b>  |                 | <b>\$ 75,824,317</b>  |
| Amounts reported for governmental activities in the statement of net position are different because:   |                 |                       |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. |                 | 144,131,896           |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.                                  |                 | 4,693,315             |
| Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.                                      |                 | 169,739               |
| 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   | \$ (11,760,000) |                       |
| Revenue bonds  | (32,860,000)    |                       |
| Other postemployment benefits  | (1,082,373)     |                       |
| Facility lease revenue bonds   | (3,770,000)     |                       |
| Bond discount  | 171,070         |                       |
| Bond premiums  | (410,254)       |                       |
| Accrued interest payable   | (376,271)       |                       |
| Compensated absences   | (4,673,629)     |                       |
| Capital leases payable   | (1,108,548)     |                       |
|  | (55,870,005)    | (55,870,005)          |
| <b>Net Position of Governmental Activities (Exhibit 1)</b>   |                 | <b>\$ 168,949,262</b> |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|   | <u>General</u>       | <u>Road and<br/>Bridge</u> | <u>Human<br/>Services</u> |
|---|----------------------|----------------------------|---------------------------|
| <b>Revenues</b>                             |                      |                            |                           |
| Taxes                                       | \$ 17,000,742        | \$ 3,087,036               | \$ 9,220,762              |
| Special assessments                         | 681                  | -                          | -                         |
| Licenses and permits                        | 436,500              | -                          | 7,738                     |
| Intergovernmental                           | 3,235,886            | 12,527,749                 | 11,174,034                |
| Charges for services                        | 1,676,757            | 835,807                    | 1,449,870                 |
| Fines and forfeits                          | 17,537               | -                          | -                         |
| Gifts and contributions                     | -                    | -                          | 67,801                    |
| Investment earnings                         | 94,458               | -                          | -                         |
| Miscellaneous                               | 2,083,609            | 120,808                    | 802,223                   |
| <b>Total Revenues</b>                       | <b>\$ 24,546,170</b> | <b>\$ 16,571,400</b>       | <b>\$ 22,722,428</b>      |
| <b>Expenditures</b>                         |                      |                            |                           |
| <b>Current</b>                              |                      |                            |                           |
| General government                          | \$ 12,864,288        | \$ -                       | \$ -                      |
| Public safety                               | 8,883,465            | -                          | 2,237,432                 |
| Highways and streets                        | -                    | 16,767,653                 | -                         |
| Human services                              | -                    | -                          | 16,532,390                |
| Health                                      | -                    | -                          | 2,684,089                 |
| Culture and recreation                      | 710,457              | -                          | -                         |
| Conservation of natural resources           | 957,910              | -                          | -                         |
| Economic development                        | 28,879               | -                          | -                         |
| <b>Intergovernmental</b>                    |                      |                            |                           |
| Highways and streets                        | -                    | 1,267,255                  | -                         |
| <b>Debt service</b>                         |                      |                            |                           |
| Principal                                   | 75,897               | -                          | -                         |
| Interest                                    | -                    | -                          | -                         |
| <b>Total Expenditures</b>                   | <b>\$ 23,520,896</b> | <b>\$ 18,034,908</b>       | <b>\$ 21,453,911</b>      |
| <b>Excess of Revenues Over (Under)</b>      |                      |                            |                           |
| <b>Expenditures</b>                         | <b>\$ 1,025,274</b>  | <b>\$ (1,463,508)</b>      | <b>\$ 1,268,517</b>       |
| <b>Other Financing Sources (Uses)</b>       |                      |                            |                           |
| Transfers in                                | \$ -                 | \$ -                       | \$ -                      |
| Transfers out                               | (400,716)            | -                          | (385,788)                 |
| Capital lease/installment purchase          | 126,725              | -                          | -                         |
| <b>Total Other Financing Sources (Uses)</b> | <b>\$ (273,991)</b>  | <b>\$ -</b>                | <b>\$ (385,788)</b>       |
| <b>Net Change in Fund Balance</b>           | <b>\$ 751,283</b>    | <b>\$ (1,463,508)</b>      | <b>\$ 882,729</b>         |
| <b>Fund Balance - January 1</b>             | <b>19,729,603</b>    | <b>5,675,085</b>           | <b>12,672,112</b>         |
| <b>Increase (decrease) in inventories</b>   | <b>-</b>             | <b>(3,523)</b>             | <b>-</b>                  |
| <b>Fund Balance - December 31</b>           | <b>\$ 20,480,886</b> | <b>\$ 4,208,054</b>        | <b>\$ 13,554,841</b>      |



**EXHIBIT 5**

| <u>Capital<br/>Improvement</u> | <u>Construction<br/>Capital<br/>Projects</u> | <u>Prairie Lakes<br/>Municipal Solid<br/>Waste Authority<br/>Debt Service</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total</u>          |
|--------------------------------|--|---|---|-----------------------|
| \$ 2,869,409                   | \$ -   | \$ -  | \$ 1,681,670                            | \$ 33,859,619         |
| -                              | -  | -   | 179,103                                 | 179,784               |
| -                              | -  | -   | -                                       | 444,238               |
| 382,414                        | -  | -   | 26,887                                  | 27,346,970            |
| 1,683                          | -  | -   | -                                       | 3,964,117             |
| -                              | -  | -   | 67,064                                  | 84,601                |
| -                              | -  | -   | -                                       | 67,801                |
| 7,144                          | 1,160  | 464   | 307                                     | 103,533               |
| 167,575                        | 32,602                                       | 1,024,546   | 561,536                                 | 4,792,899             |
| <b>\$ 3,428,225</b>            | <b>\$ 33,762</b>                             | <b>\$ 1,025,010</b>   | <b>\$ 2,516,567</b>                     | <b>\$ 70,843,562</b>  |
| \$ 57,340                      | \$ 2,201,742                                 | \$ -  | \$ 62,699                               | \$ 15,186,069         |
| 676,156                        | -  | -   | 744                                     | 11,797,797            |
| 2,743,013                      | -  | -   | -                                       | 19,510,666            |
| 70,492                         | -  | -   | -                                       | 16,602,882            |
| -                              | -  | -   | -                                       | 2,684,089             |
| 33,315                         | -  | -   | -                                       | 743,772               |
| -                              | -  | -   | 218,902                                 | 1,176,812             |
| 169,065                        | -  | -   | -                                       | 197,944               |
| -                              | -  | -   | -                                       | 1,267,255             |
| 78,164                         | -  | 390,000   | 2,180,000                               | 2,724,061             |
| 935                            | -  | 1,027,771   | 677,688                                 | 1,706,394             |
| <b>\$ 3,828,480</b>            | <b>\$ 2,201,742</b>                          | <b>\$ 1,417,771</b>   | <b>\$ 3,140,033</b>                     | <b>\$ 73,597,741</b>  |
| <b>\$ (400,255)</b>            | <b>\$ (2,167,980)</b>                        | <b>\$ (392,761)</b>   | <b>\$ (623,466)</b>                     | <b>\$ (2,754,179)</b> |
| \$ -                           | \$ 770,417                                   | \$ -  | \$ 16,087                               | \$ 786,504            |
| -                              | -  | -   | -                                       | (786,504)             |
| -                              | -  | -   | -                                       | 126,725               |
| <b>\$ -</b>                    | <b>\$ 770,417</b>                            | <b>\$ -</b>   | <b>\$ 16,087</b>                        | <b>\$ 126,725</b>     |
| <b>\$ (400,255)</b>            | <b>\$ (1,397,563)</b>                        | <b>\$ (392,761)</b>   | <b>\$ (607,379)</b>                     | <b>\$ (2,627,454)</b> |
| 3,721,632                      | 1,119,528                                    | 29,073,103  | 6,464,231                               | 78,455,294            |
| -                              | -  | -   | -                                       | (3,523)               |
| <b>\$ 3,321,377</b>            | <b>\$ (278,035)</b>                          | <b>\$ 28,680,342</b>  | <b>\$ 5,856,852</b>                     | <b>\$ 75,824,317</b>  |

**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, 2014**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ (2,627,454)**

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 inflow of resources - December 31 | \$ 4,693,315       |           |
| Deferred inflow of resources - January 1   | <u>(2,430,996)</u> | 2,262,319 |

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 | \$ 13,260,938      |           |
| Current year depreciation                                  | <u>(6,430,645)</u> | 6,830,293 |

|   |  |         |
|---|--|---------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. |  | 169,739 |
|---|--|---------|

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 net effect of issuance costs, 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 net position.

|   |  |           |
|---|--|-----------|
| Proceeds of new debt                      |  |           |
| Capital lease/installment purchase issued |  | (126,725) |

|                              |                |           |
|------------------------------|----------------|-----------|
| Principal repayments         |                |           |
| General obligation bonds     | \$ 1,490,000   |           |
| Revenue bonds                | 745,000        |           |
| Facility lease revenue bonds | 335,000        |           |
| Capital lease                | <u>154,061</u> | 2,724,061 |

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  | \$ (82,633)    |                  |
| Amortization of premiums, discounts, and changes in deferred issuance charges | 6,665          |                  |
| Change in compensated absences  | (108,996)      |                  |
| Change in other postemployment benefits                                       | (112,820)      |                  |
| Change in inventories   | <u>(3,523)</u> | <u>(301,307)</u> |

**Change in Net Position of Governmental Activities (Exhibit 2) \$ 8,930,926**

**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, 2014**

**Assets**

|                                    |                      |
|------------------------------------|----------------------|
| Current assets                     |                      |
| Cash and pooled investments        | \$ 4,427,224         |
| Petty cash and change funds        | 18,740               |
| Undistributed cash in agency funds | 65,837               |
| Accounts receivable                | 357,034              |
| Due from other funds               | 3,135                |
| Due from other governments         | 111,598              |
| Due from component unit            | 2,114                |
|                                    | 2,114                |
| <b>Total current assets</b>        | <b>\$ 4,985,682</b>  |
|                                    |                      |
| Restricted assets                  |                      |
| Cash and pooled investments        | \$ 1,283,735         |
|                                    | 1,283,735            |
|                                    |                      |
| Noncurrent assets                  |                      |
| Capital assets                     |                      |
| Nondepreciable                     | \$ 515,737           |
| Depreciable - net                  | 5,300,514            |
|                                    | 5,300,514            |
| <b>Total noncurrent assets</b>     | <b>\$ 5,816,251</b>  |
| <b>Total Assets</b>                | <b>\$ 12,085,668</b> |

**Liabilities**

|   |                     |
|---|---------------------|
| Current liabilities                                       |                     |
| Accounts payable  | \$ 117,332          |
| Salaries payable  | 80,758              |
| Contracts payable   | 9,247               |
| Compensated absences payable                              | 86,234              |
| Due to other funds  | 115,707             |
| Due to other governments                                  | 8,455               |
| Due to component unit                                     | 207,098             |
| Advance from other funds                                  | 202,798             |
|   | 202,798             |
| <b>Total current liabilities</b>                          | <b>\$ 827,629</b>   |
|   |                     |
| Noncurrent liabilities                                    |                     |
| Compensated absences payable                              | \$ 315,876          |
| Estimated liability for landfill closure/postclosure care | 1,185,688           |
| Other postemployment benefits liability                   | 90,289              |
|   | 90,289              |
| <b>Total noncurrent liabilities</b>                       | <b>\$ 1,591,853</b> |
| <b>Total Liabilities</b>                                  | <b>\$ 2,419,482</b> |

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

Page 34

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

***EXHIBIT 7  
(Continued)***

**STATEMENT OF FUND NET POSITION  
WASTE MANAGEMENT ENTERPRISE FUND  
DECEMBER 31, 2014**

**Net Position**

|                                       |                                   |
|---------------------------------------|-----------------------------------|
| Investment in capital assets          | \$ 5,816,251                      |
| Restricted for postclosure care costs | 98,047                            |
| Unrestricted                          | <u>3,751,888</u>                  |
| <b>Total Net Position</b>             | <b><u><u>\$ 9,666,186</u></u></b> |

**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, 2014**

|   |                     |
|---|---------------------|
| <b>Operating Revenues</b>                     |                     |
| Charges for services                          | \$ 6,748,629        |
| Licenses and permits                          | 2,280               |
| Sale of recyclable materials                  | 765,049             |
| Miscellaneous                                 | 3,586               |
|   | <hr/>               |
| <b>Total Operating Revenues</b>               | <b>\$ 7,519,544</b> |
| <b>Operating Expenses</b>                     |                     |
| SCORE   | \$ 1,363,977        |
| Waste management                              | 4,204,025           |
| Household hazardous waste                     | 168,375             |
| Processing costs                              | 1,654,886           |
| Depreciation                                  | 413,787             |
| Landfill closure and postclosure care costs   | 87,007              |
|   | <hr/>               |
| <b>Total Operating Expenses</b>               | <b>\$ 7,892,057</b> |
| <b>Operating Income (Loss)</b>                | <b>\$ (372,513)</b> |
| <b>Nonoperating Revenues (Expenses)</b>       |                     |
| Intergovernmental                             | \$ 196,489          |
| Interest income                               | 10,829              |
| Interest income restricted for sanitation     | 3,513               |
| Interest expense                              | (12,168)            |
|   | <hr/>               |
| <b>Total Nonoperating Revenues (Expenses)</b> | <b>\$ 198,663</b>   |
| <b>Change in Net Position</b>                 | <b>\$ (173,850)</b> |
| <b>Net Position - January 1</b>               | <b>9,840,036</b>    |
|   | <hr/>               |
| <b>Net Position - December 31</b>             | <b>\$ 9,666,186</b> |
|   | <hr/> <hr/>         |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
WASTE MANAGEMENT ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014  
Increase (Decrease) in Cash and Cash Equivalents**

|  |                                   |
|--|-----------------------------------|
| <b>Cash Flows from Operating Activities</b>                                    |                                   |
| Receipts from customers and users  | \$ 7,518,243                      |
| Payments to suppliers  | (5,481,325)                       |
| Payments to employees  | <u>(1,835,382)</u>                |
| <b>Net cash provided by (used in) operating activities</b>                     | <b><u>\$ 201,536</u></b>          |
| <b>Cash Flows from Noncapital Financing Activities</b>                         |                                   |
| Intergovernmental  | <b><u>\$ 196,489</u></b>          |
| <b>Cash Flows from Capital and Related Financing Activities</b>                |                                   |
| Purchases of capital assets  | \$ (618,792)                      |
| Interest paid on advance   | (16,224)                          |
| Payment on advance from other funds  | <u>(202,798)</u>                  |
| <b>Net cash provided by (used in) capital and related financing activities</b> | <b><u>\$ (837,814)</u></b>        |
| <b>Cash Flows from Investing Activities</b>                                    |                                   |
| Investment earnings received   | <b><u>\$ 14,376</u></b>           |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b>                    | <b>\$ (425,413)</b>               |
| <b>Cash and Cash Equivalents at January 1</b>                                  | <b><u>6,220,949</u></b>           |
| <b>Cash and Cash Equivalents at December 31</b>                                | <b><u><u>\$ 5,795,536</u></u></b> |
| <b>Cash and Cash Equivalents - Exhibit 7</b>                                   |                                   |
| Cash and pooled investments  | \$ 4,427,224                      |
| Petty cash and change funds  | 18,740                            |
| Undistributed cash in agency funds   | 65,837                            |
| Restricted cash and pooled investments   | <u>1,283,735</u>                  |
| <b>Total Cash and Cash Equivalents</b>   | <b><u><u>\$ 5,795,536</u></u></b> |



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

***EXHIBIT 9  
(Continued)***

**STATEMENT OF CASH FLOWS  
WASTE MANAGEMENT ENTERPRISE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014  
Increase (Decrease) in Cash and Cash Equivalents**

|   |                                 |
|---|---------------------------------|
| <b>Reconciliation of Operating Income (Loss) to Net Cash</b>        |                                 |
| <b>Provided by (Used in) Operating Activities</b>                   |                                 |
| <b>Operating income (loss)</b>                                      | <b><u>\$ (372,513)</u></b>      |
| <br>  |                                 |
| <b>Adjustments to reconcile operating income (loss) to net cash</b> |                                 |
| <b>provided by (used in) operating activities</b>                   |                                 |
| Depreciation expense  | \$ 413,787                      |
| (Increase) decrease in accounts receivable                          | 14,051                          |
| (Increase) decrease in due from other governments                   | (11,357)                        |
| (Increase) decrease in due from component unit                      | (2,114)                         |
| (Increase) decrease in due from other funds                         | (1,881)                         |
| Increase (decrease) in accounts payable                             | (50,772)                        |
| Increase (decrease) in salaries payable                             | 10,936                          |
| Increase (decrease) in compensated absences - current               | 5,503                           |
| Increase (decrease) in due to other funds                           | 16,230                          |
| Increase (decrease) in due to other governments                     | (4,307)                         |
| Increase (decrease) in due to component unit                        | 75,598                          |
| Increase (decrease) in compensated absences - long-term             | 7,797                           |
| Increase (decrease) in other postemployment benefits liability      | 13,571                          |
| Increase (decrease) in landfill closure/postclosure care costs      | <u>87,007</u>                   |
| <br>  |                                 |
| <b>Total adjustments</b>  | <b><u>\$ 574,049</u></b>        |
| <br>  |                                 |
| <b>Net Cash Provided by (Used in) Operating Activities</b>          | <b><u><u>\$ 201,536</u></u></b> |

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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, 2014**

| <u>Assets</u>               |                                   |
|-----------------------------|-----------------------------------|
| Cash and pooled investments | \$ 1,630,113                      |
| Due from other funds        | <u>3,571,829</u>                  |
| <b>Total Assets</b>         | <b><u><u>\$ 5,201,942</u></u></b> |
| <br><u>Liabilities</u>      |                                   |
| Accounts payable            | \$ 48,948                         |
| Due to other funds          | 3,571,743                         |
| Due to other governments    | <u>1,581,251</u>                  |
| <b>Total Liabilities</b>    | <b><u><u>\$ 5,201,942</u></u></b> |

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2014. 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<br>115 North Tower Road<br>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**

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1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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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**

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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 the New York Mills office building.

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

The County reports the following major enterprise fund:

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

Additionally, the County reports the following fund types:

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

C. Measurement Focus and Basis of Accounting

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

1. Cash and Cash Equivalents

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, 2014, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. Investment earnings on business-type activities are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2014 were \$155,203.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

3. Receivables and Payables

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

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

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

No allowance has been made for uncollectible receivables.

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

4. Special Assessments Receivable

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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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 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 2014 were \$390,000.

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.

8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

8. Capital Assets (Continued)

year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

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

The County landfill is depreciated based on capacity used.

9. Compensated Absences

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

9. Compensated Absences (Continued)

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.

10. Deferred Outflows/Inflows of Resources and Unearned Revenue

In addition to assets, the statement of financial position will sometimes report 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 no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount become available.

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

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.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

11. Long-Term Obligations (Continued)

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

12. Classification of Net Position

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

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

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

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

13. 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.



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

13. Classification of Fund Balances (Continued)

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 are imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can be used for the specific purposes imposed by formal action (ordinance or 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 (ordinance or resolution) it employed to previously commit those amounts.

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

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

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.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

14. 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.

15. Use of Estimates

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

E. Future Change in Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangement that meet certain criteria. GASB Statement 68 requires governments providing defined pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual cost of pension benefits. This statement will be effective for the County's calendar year 2015. The County has not yet determined the financial statement impact of adopting this new standard.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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2. Stewardship, Compliance, and Accountability

A. Ditch Fund Deficits

Of 32 drainage systems, 14 have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balances of the County Ditch Special Revenue Fund as of December 31, 2014.

|                  |    |           |
|------------------|----|-----------|
| Account balances | \$ | 227,027   |
| Account deficits |    | (181,692) |
| Fund Balance     | \$ | 45,335    |

B. Excess of Expenditures Over Budget

The following is a summary of individual funds that had expenditures in excess of budget for the year ended December 31, 2014.

|                              | Expenditures | Final Budget | Excess     |
|------------------------------|--------------|--------------|------------|
| Special Revenue Funds        |              |              |            |
| County Ditch                 | \$ 218,902   | \$ 47,643    | \$ 171,259 |
| Law Library                  | 62,699       | 55,300       | 7,399      |
| Debt Service Funds           |              |              |            |
| Ethanol Plant                | 696,325      | 693,935      | 2,390      |
| Government Service Center    | 883,423      | 882,973      | 450        |
| Veterans Home                | 126,227      | 125,778      | 449        |
| Master Facility Construction | 113,100      | 112,650      | 450        |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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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 | \$ 51,631,285        |
| Restricted assets           |                      |
| Cash with escrow agent      | 304,546              |
| Cash and pooled investments | 1,283,735            |
| Component unit              |                      |
| Cash and pooled investments | 878,132              |
| Fiduciary assets            |                      |
| Cash and pooled investments |                      |
| Agency funds                | <u>1,630,113</u>     |
| Total Cash and Investments  | <u>\$ 55,727,811</u> |

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 that is not owned or controlled by the financial institution furnishing the collateral.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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, 2014, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

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

Interest Rate Risk

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

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, 2014, none of the County's investments were exposed to custodial credit risk.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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.

The following table represents the County's deposit and investment balances at December 31, 2014, and information relating to potential investment risks:

| Investment Type                             | Credit Risk      |                  | Concentration                  | Interest Rate         | Carrying<br>(Fair)<br>Value |
|---|------------------|------------------|--------------------------------|-----------------------|-----------------------------|
|   | Credit<br>Rating | Rating<br>Agency | Over 5 Percent<br>of Portfolio | Risk<br>Maturity Date |                             |
| U.S. government agency securities           |                  |                  |                                |                       |                             |
| U.S. Treasury Note                          | N/A              | N/A              |                                | 02/28/2015            | \$ 2,508,975                |
| U.S. Treasury Note                          | N/A              | N/A              |                                | 03/15/2015            | 2,501,575                   |
| U.S. Treasury Note                          | N/A              | N/A              |                                | 04/30/2015            | 2,519,725                   |
| U.S. Treasury Note                          | N/A              | N/A              |                                | 07/15/2015            | 2,501,575                   |
| U.S. Treasury Note                          | N/A              | N/A              |                                | 10/15/2015            | 1,000,080                   |
| U.S. Treasury Note                          | N/A              | N/A              |                                | 11/15/2015            | 2,502,350                   |
| U.S. Treasury Note                          | N/A              | N/A              |                                | 12/15/2015            | 1,000,080                   |
| U.S. Treasury Note                          | N/A              | N/A              |                                | 09/30/2016            | 998,830                     |
| U.S. Treasury Note                          | N/A              | N/A              |                                | 10/31/2016            | 995,860                     |
| U.S. Treasury Note                          | N/A              | N/A              |                                | 11/30/2016            | 2,493,750                   |
| U.S. Treasury Note                          | N/A              | N/A              |                                | 12/15/2016            | 999,530                     |
| U.S. Treasury Note                          | N/A              | N/A              |                                | 12/31/2016            | 998,670                     |
| Total U.S. Treasury Notes                   |                  |                  | 91.1%                          |                       | \$ 21,021,000               |
| U.S. Treasury Bond - Stripped               | N/A              | N/A              |                                | 08/15/2017            | \$ 15,590                   |
| U.S. Treasury Bond - Stripped               | N/A              | N/A              |                                | 08/15/2019            | 35,200                      |
| Total U.S. Treasury Bonds - Stripped        |                  |                  | <5.0%                          |                       | \$ 50,790                   |
| Municipal Bonds                             |                  |                  |                                |                       |                             |
| Edina and Morningside MN Independent School | Aaa              | Moody's          |                                | 02/01/2015            | \$ 100,390                  |
| Hopkins MN                                  | AA+              | S&P              |                                | 02/01/2015            | 120,355                     |
| Olmsted County MN                           | AAA              | S&P              |                                | 02/01/2019            | 50,126                      |
| Total Municipal Bonds                       |                  |                  | <5.0%                          |                       | \$ 270,871                  |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

| Investment Type                    | Credit Risk   |               | Concentration Risk          | Interest Rate Risk | Carrying (Fair) Value |
|------------------------------------|---------------|---------------|-----------------------------|--------------------|-----------------------|
|                                    | Credit Rating | Rating Agency | Over 5 Percent of Portfolio | Maturity Date      |                       |
| Negotiable certificates of deposit | N/A           | N/A           | 7.5%                        |                    | \$ 1,742,815          |
| Total investments                  |               |               |                             |                    | \$ 23,085,476         |
| Deposits                           |               |               |                             |                    | 32,315,399            |
| Cash with escrow agent             |               |               |                             |                    | 304,546               |
| Change funds                       |               |               |                             |                    | 22,390                |
| Total Cash and Investments         |               |               |                             |                    | <u>\$ 55,727,811</u>  |

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

2. Receivables

Receivables as of December 31, 2014, for the County's governmental activities and business-type activities are as follows:

|                                 | Total Receivables    | Amounts Not Scheduled for Collection During the Subsequent Year |
|---------------------------------|----------------------|---|
| <b>Governmental Activities</b>  |                      |   |
| Taxes                           | \$ 967,382           | \$ -  |
| Special assessments             | 329,292              | -   |
| Accounts                        | 256,385              | -   |
| Interest                        | 67,667               | -   |
| Due from other governments      | 4,893,276            | -   |
| Due from component unit         | 681,542              | -   |
| Advance to component unit       | 28,680,000           | 27,645,000  |
| Total Governmental Activities   | <u>\$ 35,875,544</u> | <u>\$ 27,645,000</u>  |
| <b>Business-Type Activities</b> |                      |   |
| Accounts                        | \$ 357,034           | \$ -  |
| Due from other governments      | 111,598              | -   |
| Due from component unit         | 2,114                | -   |
| Total Business-Type Activities  | <u>\$ 470,746</u>    | <u>\$ -</u>   |



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets (Continued)

3. Leases Receivable

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

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

Amounts due from the Viking Library System and the West Central Minnesota Narcotics Task Force have been recorded as leases receivable in the General Fund at December 31, 2014. The amounts for 2015 are considered current and due within one year. Amounts remaining to be paid are as follows:

| <u>Year Due</u>         | <u>Viking Library<br/>System</u> | <u>Narcotics<br/>Task Force</u> |
|-------------------------|----------------------------------|---------------------------------|
| 2015                    | \$ 45,000                        | \$ 22,547                       |
| 2016                    | 50,000                           | 24,286                          |
| 2017                    | 50,000                           | 26,160                          |
| 2018                    | 50,000                           | 28,178                          |
| 2019                    | 55,000                           | 7,377                           |
| 2020 - 2024             | 325,000                          | -                               |
| 2025 - 2028             | 425,000                          | -                               |
| Total leases            | \$ 1,000,000                     | \$ 108,548                      |
| Funds in escrow         | (47,854)                         | -                               |
| Total Leases Receivable | <u>\$ 952,146</u>                | <u>\$ 108,548</u>               |
| Due Within One Year     | <u>\$ 45,000</u>                 | <u>\$ 22,547</u>                |

**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, 2014, was as follows:

Governmental Activities

|  | Beginning<br>Balance  | Increase             | Decrease          | Ending<br>Balance     |
|--|-----------------------|----------------------|-------------------|-----------------------|
| Capital assets not depreciated                 |                       |                      |                   |                       |
| Land   | \$ 4,326,050          | \$ 21,883            | \$ -              | \$ 4,347,933          |
| Construction in progress                       | 9,321,527             | 2,361,086            | 255,967           | 11,426,646            |
| Total capital assets not depreciated           | <u>\$ 13,647,577</u>  | <u>\$ 2,382,969</u>  | <u>\$ 255,967</u> | <u>\$ 15,774,579</u>  |
| Capital assets depreciated                     |                       |                      |                   |                       |
| Land improvements                              | \$ 924,757            | \$ -                 | \$ -              | \$ 924,757            |
| Buildings                                      | 28,095,669            | 174,975              | -                 | 28,270,644            |
| Building improvements                          | 4,796,069             | 203,292              | -                 | 4,999,361             |
| Machinery, furniture, and equipment            | 15,920,220            | 1,668,477            | 603,653           | 16,985,044            |
| Infrastructure                                 | 156,244,280           | 9,087,192            | -                 | 165,331,472           |
| Total capital assets depreciated               | <u>\$ 205,980,995</u> | <u>\$ 11,133,936</u> | <u>\$ 603,653</u> | <u>\$ 216,511,278</u> |
| Less: accumulated depreciation for             |                       |                      |                   |                       |
| Land improvements                              | \$ 818,550            | \$ 8,368             | \$ -              | \$ 826,918            |
| Buildings                                      | 9,629,179             | 673,704              | -                 | 10,302,883            |
| Building improvements                          | 1,213,388             | 159,023              | -                 | 1,372,411             |
| Machinery, furniture, and equipment            | 11,341,501            | 1,221,996            | 603,653           | 11,959,844            |
| Infrastructure                                 | 59,324,351            | 4,367,554            | -                 | 63,691,905            |
| Total accumulated depreciation                 | <u>\$ 82,326,969</u>  | <u>\$ 6,430,645</u>  | <u>\$ 603,653</u> | <u>\$ 88,153,961</u>  |
| Total capital assets depreciated, net          | <u>\$ 123,654,026</u> | <u>\$ 4,703,291</u>  | <u>\$ -</u>       | <u>\$ 128,357,317</u> |
| Governmental Activities<br>Capital Assets, Net | <u>\$ 137,301,603</u> | <u>\$ 7,086,260</u>  | <u>\$ 255,967</u> | <u>\$ 144,131,896</u> |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

4. Capital Assets (Continued)

Business-Type Activities

|   | Beginning<br>Balance | Increase    | Decrease  | Ending<br>Balance |
|---|----------------------|-------------|-----------|-------------------|
| Capital assets not depreciated                  |                      |             |           |                   |
| Land  | \$ 195,934           | \$ -        | \$ -      | \$ 195,934        |
| Construction in progress                        | 79,025               | 319,803     | 79,025    | 319,803           |
| Total capital assets not depreciated            | \$ 274,959           | \$ 319,803  | \$ 79,025 | \$ 515,737        |
| Capital assets depreciated                      |                      |             |           |                   |
| Buildings                                       | \$ 6,678,982         | \$ -        | \$ -      | \$ 6,678,982      |
| Landfill  | 2,883,578            | -           | -         | 2,883,578         |
| Machinery, furniture, and equipment             | 2,551,711            | 387,262     | -         | 2,938,973         |
| Total capital assets depreciated                | \$ 12,114,271        | \$ 387,262  | \$ -      | \$ 12,501,533     |
| Less: accumulated depreciation for              |                      |             |           |                   |
| Buildings                                       | \$ 2,926,282         | \$ 222,096  | \$ -      | \$ 3,148,378      |
| Landfill  | 1,791,640            | 41,014      | -         | 1,832,654         |
| Machinery, furniture, and equipment             | 2,069,310            | 150,677     | -         | 2,219,987         |
| Total accumulated depreciation                  | \$ 6,787,232         | \$ 413,787  | \$ -      | \$ 7,201,019      |
| Total capital assets depreciated, net           | \$ 5,327,039         | \$ (26,525) | \$ -      | \$ 5,300,514      |
| Business-Type Activities<br>Capital Assets, Net | \$ 5,601,998         | \$ 293,278  | \$ 79,025 | \$ 5,816,251      |

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

|   |              |
|---|--------------|
| Governmental Activities   |              |
| General government  | \$ 646,651   |
| Public safety   | 608,193      |
| Highways and streets, including depreciation of infrastructure assets | 5,126,248    |
| Human services  | 37,778       |
| Culture and recreation  | 9,275        |
| Health  | 2,500        |
| Total Depreciation Expense - Governmental Activities                  | \$ 6,430,645 |
| Business-Type Activities  |              |
| Solid waste   | \$ 413,787   |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2014, is as follows:

1. Due To/From Other Funds

| <u>Receivable Fund</u>                            | <u>Payable Fund</u>                      | <u>Amount</u> |
|---|--|---------------|
| General Fund                                      | Road and Bridge Special Revenue Fund     | \$ 1,636      |
|   | Waste Management Enterprise Fund         | 102,584       |
|   |  | <hr/>         |
| Total due to General Fund                         |  | \$ 104,220    |
|   |  | <hr/>         |
| Road and Bridge Special Revenue Fund              | General Fund                             | \$ 91         |
|   | Capital Improvement Special Revenue Fund | 4,865         |
|   | County Ditch Special Revenue Fund        | 4,308         |
|   | Waste Management Enterprise Fund         | 13,123        |
|   |  | <hr/>         |
| Total due to Road and Bridge Special Revenue Fund |  | \$ 22,387     |
|   |  | <hr/>         |
| Capital Improvement Special Revenue Fund          | General Fund                             | \$ 1,482      |
|   |  | <hr/>         |
| Waste Management Enterprise Fund                  | General Fund                             | \$ 3,135      |
|   |  | <hr/>         |
| Agency Funds                                      |  |               |
| State Tax   | General Fund                             | \$ 9          |
|   | Taxes and Penalties                      | 3,571,743     |
|   |  | <hr/>         |
| Total due to State Tax                            |  | \$ 3,571,752  |
|   |  | <hr/>         |
| Family Services Collaborative                     | General Fund                             | 77            |
|   |  | <hr/>         |
| Total due to Agency Funds                         |  | \$ 3,571,829  |
|   |  | <hr/>         |
| Total Due To/From Other Funds                     |  | \$ 3,703,053  |
|   |  | <hr/>         |

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<br>Waste Management Enterprise Fund | \$ 213,077<br>202,798 |
| Total General Fund |   | \$ 415,875            |

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

The Waste Management Enterprise Fund advance is to partially fund the Fergus Falls transfer station project. This balance will be paid back with annual principal and semi-annual interest payments through July 1, 2015.

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2014, consisted of the following:

|   |            |   |
|---|------------|---|
| Transfer to Construction Capital Projects Fund from General Fund        | \$ 384,629 | To cover cash deficit in cash balance.                    |
| Transfer to Construction Capital Projects Fund from Human Services Fund | 385,788    | To cover cash deficit in cash balance.                    |
| Transfer to County Ditch Fund from General Fund                         | 13,958     | To cover cash deficit in cash balance.                    |
| Transfer to Sheriff's Contingent Fund from General Fund                 | 1,940      | To bring the fund balance up to the minimum fund balance. |
| Transfer to Master Facility Construction Fund from General Fund         | 189        | To allocate current and prior year interest earnings.     |
| Total Transfers Between Funds   | \$ 786,504 |   |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2014, were as follows:

|                          | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> |
|--------------------------|------------------------------------|-------------------------------------|
| Accounts                 | \$ 1,112,798                       | \$ 117,332                          |
| Salaries                 | 1,340,586                          | 80,758                              |
| Contracts                | 1,320,694                          | 9,247                               |
| Due to other governments | 255,290                            | 8,455                               |
| Due to component unit    | 9,025                              | 207,098                             |
| Interest                 | 376,271                            | -                                   |
| Employee deposits        | 202,255                            | -                                   |
|                          | <u>\$ 4,616,919</u>                | <u>\$ 422,890</u>                   |
| Total Payables           |                                    |                                     |

2. Construction Commitments

The government has active construction projects as of December 31, 2014.

|   | <u>Spent-to-Date</u> | <u>Remaining<br/>Commitment</u> |
|---|----------------------|---------------------------------|
| Governmental Activities                               |                      |                                 |
| Salt/Sand Storage Facility                            | \$ 185,775           | \$ 10,665                       |
| Shoulder Base Aggregate Crushing                      | -                    | 61,400                          |
|   | <u>\$ 185,775</u>    | <u>\$ 72,065</u>                |
| Total Governmental Activities                         |                      |                                 |
| Business-Type Activities                              |                      |                                 |
| Phase 4 Cell Construction Henning Demolition Landfill | 178,793              | 6,143                           |
|   | <u>\$ 364,568</u>    | <u>\$ 78,208</u>                |
| Total Construction Commitments                        |                      |                                 |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Other Postemployment Benefits - Retirees

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

As of year-end, the County has three eligible participants. The County finances the plan on a pay-as-you-go basis. During 2014, the County expended \$2,749 for these benefits.

4. Capital Leases

The County has entered into lease agreements as a lessee for financing the acquisition of a new headquarters office building for the Viking Library System and for four vehicles for the West Central Minnesota Narcotics Task Force. These capital leases consist of the following at December 31, 2014.

| <u>Lease</u>  | <u>Maturity</u> | <u>Installment</u> | <u>Payment<br/>Amount</u> | <u>Original<br/>Amount</u> | <u>Balance</u>      |
|---|-----------------|--------------------|---------------------------|----------------------------|---------------------|
| Governmental Activities<br>2010 Viking Library System | 2029            | Annually           | \$40,000 -<br>\$95,000    | \$ 1,200,000               | \$ 1,000,000        |
| 2014 Task Force vehicles                              | 2019            | Quarterly          | \$7,516                   | 126,725                    | <u>108,548</u>      |
| Total Governmental Activities                         |                 |                    |                           |                            | <u>\$ 1,108,548</u> |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

4. Capital Leases (Continued)

The future minimum lease obligations as of December 31, 2014, were as follows:

| Year Ending<br>December 31 | Governmental<br>Activities |
|----------------------------|----------------------------|
| 2015                       | \$ 67,547                  |
| 2016                       | 74,286                     |
| 2017                       | 76,160                     |
| 2018                       | 78,177                     |
| 2019                       | 62,378                     |
| 2020 - 2024                | 325,000                    |
| 2025 - 2028                | 425,000                    |
| Total Payments             | \$ 1,108,548               |

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



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Long-Term Debt

Governmental Activities

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

| Type of Indebtedness  | Final Maturity | Installment Amounts        | Interest Rates (%) | Original Issue Amount | Outstanding Balance December 31, 2014 |
|---|----------------|----------------------------|--------------------|-----------------------|---------------------------------------|
| General obligation bonds  |                |                            |                    |                       |                                       |
| 2004 Veterans Home Refunding Bonds                                    | 2016           | \$115,000 -<br>\$125,000   | 2.05 -<br>3.70     | \$ 1,050,000          | \$ 240,000                            |
| 2007 Tax Abatement Bonds  | 2019           | \$565,000 -<br>\$640,000   | 4.05 -<br>5.00     | 5,245,000             | 3,005,000                             |
| 2011 Capital Improvement Bonds  | 2019           | \$500,000 -<br>\$850,000   | 0.50 -<br>1.75     | 5,400,000             | 3,735,000                             |
| 2012 Courthouse and Jail Improvement                                  | 2025           | \$170,000 -<br>\$1,215,000 | 2.00 -<br>2.65     | 4,780,000             | 4,780,000                             |
| Total general obligation bonds  |                |                            |                    | <u>\$ 16,475,000</u>  | \$ 11,760,000                         |
| Add: unamortized premium  |                |                            |                    |                       | 5,850                                 |
| Less: unamortized discount  |                |                            |                    |                       | <u>(44,033)</u>                       |
| Total General Obligation Bonds, Net                                   |                |                            |                    |                       | <u>\$ 11,721,817</u>                  |
| Revenue bonds   |                |                            |                    |                       |                                       |
| 2007 Public Project Housing and Redevelopment Authority Revenue Bonds | 2024           | \$250,000 -<br>\$515,000   | 3.40 -<br>4.50     | \$ 6,140,000          | \$ 4,180,000                          |
| 2011 Disposal System Revenue Bonds                                    | 2030           | \$405,000 -<br>\$1,475,000 | 3.00 -<br>5.00     | 10,475,000            | 9,300,000                             |
| 2013 Disposal System Revenue Bonds                                    | 2034           | \$630,000 -<br>\$1,970,000 | 2.00 -<br>3.75     | 19,380,000            | 19,380,000                            |
| Total Revenue Bonds   |                |                            |                    | <u>\$ 35,995,000</u>  | \$ 32,860,000                         |
| Add: unamortized premium  |                |                            |                    |                       | 396,070                               |
| Less: unamortized discount  |                |                            |                    |                       | <u>(127,037)</u>                      |
| Total Revenue Bonds, Net  |                |                            |                    |                       | <u>\$ 33,129,033</u>                  |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Long-Term Debt

Governmental Activities (Continued)

| Type of Indebtedness   | Final<br>Maturity | Installment<br>Amounts   | Interest<br>Rates<br>(%) | Original<br>Issue<br>Amount | Outstanding<br>Balance<br>December 31,<br>2014 |
|--|-------------------|--------------------------|--------------------------|-----------------------------|--|
| Lease revenue bonds  |                   |                          |                          |                             |  |
| 2007 Law Enforcement Lease Housing<br>and Redevelopment Authority Revenue<br>Bonds | 2023              | \$350,000 -<br>\$495,000 | 4.00                     | <u>\$ 5,590,000</u>         | \$ 3,770,000                                   |
| Add: unamortized premium   |                   |                          |                          |                             | <u>8,334</u>                                   |
| Total Lease Revenue Bonds, Net   |                   |                          |                          |                             | <u>\$ 3,778,334</u>                            |

6. Debt Service Requirements

Debt service requirements at December 31, 2014, were as follows:

Governmental Activities

| Year Ending<br>December 31 | General Obligation Bonds |                     | Revenue Bonds        |                      |
|----------------------------|--------------------------|---------------------|----------------------|----------------------|
|                            | Principal                | Interest            | Principal            | Interest             |
| 2015                       | \$ 1,520,000             | \$ 291,766          | \$ 1,405,000         | \$ 1,190,031         |
| 2016                       | 1,560,000                | 254,607             | 1,445,000            | 1,150,701            |
| 2017                       | 1,465,000                | 214,337             | 1,485,000            | 1,109,801            |
| 2018                       | 1,340,000                | 172,400             | 1,535,000            | 1,060,627            |
| 2019                       | 1,265,000                | 130,200             | 1,585,000            | 1,008,803            |
| 2020 - 2024                | 3,395,000                | 396,956             | 8,535,000            | 4,150,991            |
| 2025 - 2029                | 1,215,000                | 16,099              | 7,640,000            | 2,592,018            |
| 2030 - 2034                | -                        | -                   | 9,230,000            | 1,002,785            |
| Total                      | <u>\$ 11,760,000</u>     | <u>\$ 1,476,365</u> | <u>\$ 32,860,000</u> | <u>\$ 13,265,757</u> |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

6. Debt Service Requirements

Governmental Activities (Continued)

| Year Ending<br>December 31 | Lease Revenue Bonds |                   | Capital Leases      |                  |
|----------------------------|---------------------|-------------------|---------------------|------------------|
|                            | Principal           | Interest          | Principal           | Interest         |
| 2015                       | \$ 350,000          | \$ 143,800        | \$ 67,547           | \$ 7,517         |
| 2016                       | 365,000             | 129,500           | 74,286              | 5,778            |
| 2017                       | 380,000             | 114,600           | 76,160              | 3,904            |
| 2018                       | 400,000             | 99,000            | 78,177              | 1,886            |
| 2019                       | 415,000             | 82,700            | 62,378              | 139              |
| 2020 - 2024                | 1,860,000           | 152,800           | 325,000             | -                |
| 2025 - 2029                | -                   | -                 | 425,000             | -                |
| <b>Total</b>               | <b>\$ 3,770,000</b> | <b>\$ 722,400</b> | <b>\$ 1,108,548</b> | <b>\$ 19,224</b> |

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

Governmental Activities

|  | Beginning<br>Balance | Additions           | Reductions          | Ending<br>Balance    | Due Within One<br>Year |
|--|----------------------|---------------------|---------------------|----------------------|------------------------|
| <b>Bonds payable</b>                                     |                      |                     |                     |                      |                        |
| General obligation bonds                                 | \$ 13,250,000        | \$ -                | \$ 1,490,000        | \$ 11,760,000        | \$ 1,520,000           |
| Revenue bonds  | 33,605,000           | -                   | 745,000             | 32,860,000           | 1,405,000              |
| Lease revenue bonds                                      | 4,105,000            | -                   | 335,000             | 3,770,000            | 350,000                |
| Add: unamortized premium                                 | 432,603              | -                   | 22,349              | 410,254              | -                      |
| Less: unamortized discount                               | (186,754)            | -                   | (15,684)            | (171,070)            | -                      |
| <b>Total bonds payable</b>                               | <b>\$ 51,205,849</b> | <b>\$ -</b>         | <b>\$ 2,576,665</b> | <b>\$ 48,629,184</b> | <b>\$ 3,275,000</b>    |
| <b>Capital leases</b>                                    | <b>1,135,884</b>     | <b>126,725</b>      | <b>154,061</b>      | <b>1,108,548</b>     | <b>67,547</b>          |
| Compensated absences                                     | 4,564,633            | 2,263,369           | 2,154,373           | 4,673,629            | 1,202,975              |
| OPEB liability   | 969,553              | 112,820             | -                   | 1,082,373            | -                      |
| <b>Governmental Activities<br/>Long-Term Liabilities</b> | <b>\$ 57,875,919</b> | <b>\$ 2,502,914</b> | <b>\$ 4,885,099</b> | <b>\$ 55,493,734</b> | <b>\$ 4,545,522</b>    |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

|   | Beginning<br>Balance | Additions         | Reductions        | Ending<br>Balance   | Due Within<br>One Year |
|---|----------------------|-------------------|-------------------|---------------------|------------------------|
| Estimated liability for<br>landfill closure/postclosure<br>care costs | \$ 1,098,681         | \$ 87,007         | \$ -              | \$ 1,185,688        | \$ -                   |
| Compensated absences  | 388,810              | 144,000           | 130,700           | 402,110             | 86,234                 |
| OPEB liability  | 76,718               | 13,571            | -                 | 90,289              | -                      |
| Business-Type Activities<br>Long-Term Liabilities                     | <u>\$ 1,564,209</u>  | <u>\$ 244,578</u> | <u>\$ 130,700</u> | <u>\$ 1,678,087</u> | <u>\$ 86,234</u>       |

8. Unearned Revenues/Deferred Inflows of Resources

Unearned revenues consist of state and/or federal grants received but not earned. Deferred inflows of resources - unavailable revenue consists of taxes, special assessments, state and/or federal grants and state highway users tax allotments, and other receivables not collected soon enough after year-end to pay liabilities of the current period.

|  | Taxes             | Special<br>Assessments | Grants and<br>Allotments | Other             | Total               |
|--|-------------------|------------------------|--------------------------|-------------------|---------------------|
| Major governmental funds                             |                   |                        |                          |                   |                     |
| General  | \$ 377,269        | \$ -                   | \$ -                     | \$ 61,077         | \$ 438,346          |
| Road and Bridge                                      | 69,946            | -                      | 3,238,158                | 89,427            | 3,397,531           |
| Human Services                                       | 213,393           | -                      | 325,931                  | 35,254            | 574,578             |
| Capital Improvement                                  | 58,959            | -                      | -                        | -                 | 58,959              |
| Nonmajor governmental funds                          |                   |                        |                          |                   |                     |
| Ditch  | 3,408             | 324,528                | -                        | -                 | 327,936             |
| Ethanol Plant Expansion                              | 3,702             | -                      | -                        | -                 | 3,702               |
| Government Services Center                           | 21,706            | -                      | -                        | -                 | 21,706              |
| Sheriff Operations                                   | 11,615            | -                      | -                        | -                 | 11,615              |
| Veterans Home  | 3,010             | -                      | -                        | -                 | 3,010               |
| Master Facility                                      | 1,960             | -                      | -                        | -                 | 1,960               |
| Total  | <u>\$ 764,968</u> | <u>\$ 324,528</u>      | <u>\$ 3,564,089</u>      | <u>\$ 185,758</u> | <u>\$ 4,839,343</u> |
| Liability  |                   |                        |                          |                   |                     |
| Unearned revenue                                     | \$ -              | \$ -                   | \$ 146,028               | \$ -              | \$ 146,028          |
| Deferred inflows of resources<br>Unavailable revenue | <u>764,968</u>    | <u>324,528</u>         | <u>3,418,061</u>         | <u>185,758</u>    | <u>4,693,315</u>    |
| Total  | <u>\$ 764,968</u> | <u>\$ 324,528</u>      | <u>\$ 3,564,089</u>      | <u>\$ 185,758</u> | <u>\$ 4,839,343</u> |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description

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

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

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute. Defined retirement 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.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

Two methods are used to compute benefits for General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs 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 public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plans (Continued)

Funding Policy

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. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2014. Public Employees Police and Fire Fund members are required to contribute 10.20 percent of their annual covered salary in 2014. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

In 2014, the County was required to contribute the following percentages of annual covered payroll:

|                                       |        |
|---------------------------------------|--------|
| General Employees Retirement Fund     |        |
| Basic Plan members                    | 11.78% |
| Coordinated Plan members              | 7.25   |
| Public Employees Police and Fire Fund | 15.30  |
| Public Employees Correctional Fund    | 8.75   |

The County's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

|                                       | 2014         | 2013         | 2012         |
|---------------------------------------|--------------|--------------|--------------|
| General Employees Retirement Fund     | \$ 1,325,171 | \$ 1,258,632 | \$ 1,221,302 |
| Public Employees Police and Fire Fund | 359,831      | 322,933      | 310,176      |
| Public Employees Correctional Fund    | 155,484      | 147,659      | 149,610      |

These contribution amounts are equal to the contractually required contributions for each year as set by state statute. Contribution rates increased on January 1, 2015, in the General Employees Retirement Fund Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Public Employees Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans (Continued)

B. Defined Contribution Plan

One County Commissioner of Otter Tail County is 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. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2014, were:

|                               | Employee | Employer |
|-------------------------------|----------|----------|
| Contribution amount           | \$ 5,855 | \$ 5,855 |
| Percentage of covered payroll | 5.00%    | 5.00%    |

Required contribution rates were 5.00 percent.

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.



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

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 2014, there were approximately 408 participants in the plan, including 26 retirees and surviving spouses.

Annual OPEB Cost and Net OPEB Obligation

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

|   |    |           |
|---|----|-----------|
| ARC                                     | \$ | 304,822   |
| Interest on net OPEB obligation         |    | 47,082    |
| Adjustment to ARC                       |    | (65,784)  |
|   |    | -----     |
| Annual OPEB cost (expense)              | \$ | 286,120   |
| Contributions made                      |    | (159,729) |
|   |    | -----     |
| Increase in net OPEB obligation         | \$ | 126,391   |
| Net OPEB Obligation - Beginning of Year |    | 1,046,271 |
|   |    | -----     |
| Net OPEB Obligation - End of Year       | \$ | 1,172,662 |

The County's annual OPEB cost for December 31, 2014, was \$286,120. The percentage of annual OPEB cost contributed to the plan was 55.8 percent, and the net OPEB obligation for 2014 was \$1,172,662.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

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 2012, 2013, and 2014, was as follows:

| Fiscal Year<br>Ending | Annual<br>OPEB<br>Cost | Annual<br>Employer<br>Contribution | Percentage<br>of Annual<br>OPEB Cost<br>Contributed<br>(%) | Net OPEB<br>Obligation |
|-----------------------|------------------------|------------------------------------|--|------------------------|
| December 31, 2012     | \$ 350,542             | \$ 163,420                         | 46.6%  | \$ 916,801             |
| December 31, 2013     | 346,938                | 217,468                            | 62.7   | 1,046,271              |
| December 31, 2014     | 286,120                | 159,729                            | 55.8   | 1,172,662              |

Funded Status and Funding Progress

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

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

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

In the January 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Otter Tail County's implicit rate of return on the General Fund. The annual health care cost trend is 7.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 10 years. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2014, was 23 years.

5. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Board reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,185,688 landfill closure and postclosure care liability at December 31, 2014, represents the cumulative amount reported to date based on the use of 79 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$165,274 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2014. The Board expects to close the landfill in 2045 or later. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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5. Landfill Closure and Postclosure Care Costs (Continued)

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Board is in compliance with these requirements. At December 31, 2014, investments of \$1,283,735 are held for these purposes. These are reported as restricted assets on the statement of net position. Otter Tail County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

6. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$480,000 per claim in 2014 and \$490,000 per claim in 2015. 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**

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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, 2014, the outstanding principal amount payable was \$610,337.

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, 2014, the outstanding principal amount payable was \$1,943,240.

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**

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

B. Joint Ventures

West Central Area Agency on Aging

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

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

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

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

Complete financial information can be obtained from:

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

West Central Minnesota Drug Task Force

The West Central Minnesota Drug Task Force was established in 1996 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Clay, Douglas, Grant, Otter Tail, Pope, Wadena, and Wilkin Counties, and the Cities of Alexandria, Breckenridge, Detroit Lakes, Fargo, Fergus Falls, Moorhead, Pelican Rapids, Perham, and Wahpeton. The Task Force's objectives are to detect, investigate, and apprehend controlled substance offenders in the 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 2014.

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**

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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 2014, 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 their respective County Board and one City Council member from each city appointed by their respective City Council, as provided in the Central Minnesota Emergency Services Board's by-laws.



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

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

The Central Minnesota Regional Radio Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2014, 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**

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8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Otter Tail County Family Services Collaborative (Continued)

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

Financing is provided by state and federal grants and cash and in-kind contributions from its member parties. Otter Tail County, in an agent capacity, reports the cash transactions of the Collaborative as an agency fund on its financial statements. During 2014, 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

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.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Minnesota River Board (Continued)

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 2014, Otter Tail County did not make any payments to the Project.

Separate financial information can be obtained from:

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

District IV Transportation Planning

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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

A. Summary of Significant Accounting Policies

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

1. Financial Reporting Entity

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

Each of the Counties is authorized and obligated, pursuant to Minn. Stat. chs. 115A and 400, to provide for the management and disposal of solid waste in its respective county. It is the intention of the Counties to cooperate in a joint 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**

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9. 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 the principal activities of Prairie Lakes. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as interest income, result from nonexchange transactions or incidental activities. Prairie Lakes' net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

3. Measurement Focus and Basis of Accounting

Prairie Lakes' financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When both restricted and unrestricted resources are available for use, it is Prairie Lakes' policy to use restricted resources first and then unrestricted resources as needed.

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

Cash and Cash Equivalents

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

Receivables

All receivables are shown net of an allowance for uncollectibles.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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

A. Summary of Significant Accounting Policies

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

Capital Assets

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

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

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

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

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

Compensated Absences

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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

A. Summary of Significant Accounting Policies

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report 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 (expense) until then. Currently, Prairie Lakes has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, Prairie Lakes has no items that qualify for reporting in this category.

Long-Term Obligations

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

Equity Classifications

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

Operating Revenues and Expenses

Prairie Lakes’ statement of revenues, expenses, and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing services. Nonexchange revenues, including member county appropriations,

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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

A. Summary of Significant Accounting Policies

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

Operating Revenues and Expenses (Continued)

investment income, grants, and contributions received for purposes other than for capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide services. Expenses not meeting this definition are reported as nonoperating expenses.

Use of Estimates

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

Future Change in Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangement that meet certain criteria. GASB Statement 68 requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for the calendar year 2015. Prairie Lakes has not yet determined the financial statement impact of adopting this new standard.



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

1. Assets

Deposits and Investments

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

|                             |            |
|-----------------------------|------------|
| Cash and pooled investments | \$ 878,132 |
|-----------------------------|------------|

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, Prairie Lakes' deposits may not be returned to it. Prairie Lakes does not have a deposit policy for custodial credit risk. Prairie Lakes pools its deposits with Otter Tail County. Otter Tail County, in a fiscal agent capacity, carries collateral to cover deposits in excess of FDIC coverage. As of December 31, 2014, Otter Tail County's deposits were not exposed to custodial credit risk.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

1. Assets (Continued)

Receivables

Receivables as of December 31, 2014, including the applicable allowances for uncollectible accounts, are as follows:

|                             | Total<br>Receivables | Amounts Not<br>Scheduled for<br>Collection During<br>the Subsequent Year |
|-----------------------------|----------------------|--|
| Accounts                    | \$ 130,429           | \$ -   |
| Due from other governments  | 177,986              | -  |
| Due from primary government | 216,123              | -  |
| Total                       | \$ 524,538           | \$ -   |

Capital Assets

Capital asset activity for the year ended December 31, 2014, was as follows:

|                                      | Beginning<br>Balance | Increase     | Decrease | Ending<br>Balance |
|--------------------------------------|----------------------|--------------|----------|-------------------|
| Capital assets not depreciated       |                      |              |          |                   |
| Land                                 | \$ 25,489            | \$ -         | \$ -     | \$ 25,489         |
| Construction in progress             | 20,445,504           | 7,458,765    | -        | 27,904,269        |
| Total capital assets not depreciated | \$ 20,470,993        | \$ 7,458,765 | \$ -     | \$ 27,929,758     |
| Capital assets depreciated           |                      |              |          |                   |
| Buildings                            | \$ 5,563,415         | \$ -         | \$ -     | \$ 5,563,415      |
| Machinery, furniture, and equipment  | 1,548,682            | -            | -        | 1,548,682         |
| Total capital assets depreciated     | \$ 7,112,097         | \$ -         | \$ -     | \$ 7,112,097      |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

1. Assets

Capital Assets (Continued)

|                                       | Beginning<br>Balance | Increase     | Decrease | Ending<br>Balance |
|---------------------------------------|----------------------|--------------|----------|-------------------|
| Less: accumulated depreciation for    |                      |              |          |                   |
| Buildings                             | \$ 1,194,951         | \$ 462,562   | \$ -     | \$ 1,657,513      |
| Machinery, furniture, and equipment   | 393,460              | 122,506      | -        | 515,966           |
|                                       | \$ 1,588,411         | \$ 585,068   | \$ -     | \$ 2,173,479      |
| Total accumulated depreciation        |                      |              |          |                   |
| Total capital assets depreciated, net | \$ 5,523,686         | \$ (585,068) | \$ -     | \$ 4,938,618      |
| Capital Assets, Net                   | \$ 25,994,679        | \$ 6,873,697 | \$ -     | \$ 32,868,376     |

Depreciation expense for the year was \$585,068.

2. Liabilities

Payables

Payables at December 31, 2014, were as follows:

|                           |              |
|---------------------------|--------------|
| Accounts                  | \$ 145,827   |
| Salaries                  | 76,976       |
| Contracts                 | 623,860      |
| Due to other governments  | 76,127       |
| Due to primary government | 683,656      |
| Total Payables            | \$ 1,606,446 |

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

2. Liabilities

Advance From Primary Government (Continued)

were recognized by Otter Tail County. Prairie Lakes' advance payment back to the County is essentially equal to the principal and interest on the bonds for the year. The advance balance consists of the following at December 31, 2014:

| <u>Type of Indebtedness</u>            | <u>Maturity</u> | <u>Installment<br/>Amounts</u> | <u>Interest<br/>Rate<br/>(%)</u> | <u>Original</u>      | <u>Balance</u>       |
|--|-----------------|--------------------------------|----------------------------------|----------------------|----------------------|
| Advance from primary government - 2011 | 2030            | \$405,000 -<br>\$755,000       | 3.0 to 5.0                       | \$ 10,475,000        | \$ 9,300,000         |
| Advance from primary government - 2013 | 2034            | \$630,000 -<br>\$1,970,000     | 2.0 to 3.8                       | <u>19,380,000</u>    | <u>19,380,000</u>    |
| Total Advance from Primary Government  |                 |                                |                                  | <u>\$ 29,855,000</u> | <u>\$ 28,680,000</u> |

The future minimum obligations as of December 31, 2014, were as follows:

| <u>Year Ending<br/>December 31</u>    | <u>Future<br/>Minimum<br/>Obligations</u> |
|---------------------------------------|---|
| 2015                                  | \$ 2,047,361                              |
| 2016                                  | 2,047,461                                 |
| 2017                                  | 2,046,961                                 |
| 2018                                  | 2,049,187                                 |
| 2019                                  | 2,044,793                                 |
| 2020 - 2024                           | 10,238,150                                |
| 2025 - 2029                           | 10,232,018                                |
| 2030 - 2034                           | <u>10,232,785</u>                         |
| Total future minimum advance payments | \$ 40,938,716                             |
| Less: amount representing interest    | <u>(12,258,716)</u>                       |
| Advance Balance                       | <u>\$ 28,680,000</u>                      |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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

B. Detailed Notes

2. Liabilities (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

|                                 | Beginning<br>Balance | Additions         | Reductions        | Ending<br>Balance    | Due Within<br>One Year |
|---------------------------------|----------------------|-------------------|-------------------|----------------------|------------------------|
| Advance from primary government | \$ 29,070,000        | \$ -              | \$ 390,000        | \$ 28,680,000        | \$ 1,035,000           |
| Compensated absences            | 191,908              | 135,184           | 78,056            | 249,036              | 102,578                |
| Long-Term Liabilities           | <u>\$ 29,261,908</u> | <u>\$ 135,184</u> | <u>\$ 468,056</u> | <u>\$ 28,929,036</u> | <u>\$ 1,137,578</u>    |

Construction and Other Significant Commitments

Prairie Lakes has active construction project commitments as of December 31, 2014.

|                                     | Spent-to-Date        | Remaining<br>Commitment |
|-------------------------------------|----------------------|-------------------------|
| WTE expansion                       | \$ 13,744,126        | \$ 97,816               |
| Site work and building construction | 7,179,687            | 3,300                   |
| Total                               | <u>\$ 20,923,813</u> | <u>\$ 101,116</u>       |

C. Pension Plans

Defined Benefit Plans

Plan Description

All full-time and certain part-time employees of Prairie Lakes are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota. Disclosures about the General Employees Retirement Fund can be found in Note 4.A.

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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

C. Pension Plans

Defined Benefit Plans

Plan Description (Continued)

Prairie Lakes' contributions for the years ending December 31, 2014 and 2013, for the General Employees Retirement Fund were \$87,749 and \$56,343, respectively, equal to the contractually required contributions as set by state statute.

D. Risk Management

Prairie Lakes purchases commercial insurance coverage through Western National Mutual Insurance Company. Prairie Lakes pays an annual premium for its insurance coverage. Prairie Lakes retains the risk for the deductible portion of the policies, which is considered immaterial to the financial statements. At December 31, 2014, there are no other claims liabilities reported in the financial statements based on the requirements of GASB Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated.

E. Other Items

Operating Budgets

|   | <u>Budget</u>       | <u>Actual</u>         | <u>Variance<br/>Favorable<br/>(Unfavorable)</u> |
|---|---------------------|-----------------------|---|
| Operating Revenues                                    | \$ 5,655,838        | \$ 4,799,236          | \$ (856,602)                                    |
| Operating Expenses                                    | <u>6,049,583</u>    | <u>6,062,177</u>      | <u>(12,594)</u>                                 |
| Operating Income (Loss)                               | \$ (393,745)        | \$ (1,262,941)        | \$ (869,196)                                    |
| Nonoperating Revenues (Expenses)<br>and Contributions | <u>(74,842)</u>     | <u>(791,902)</u>      | <u>(717,060)</u>                                |
| Change in Net Position                                | <u>\$ (468,587)</u> | <u>\$ (2,054,843)</u> | <u>\$ (1,586,256)</u>                           |

**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, 2014**

|                                 | <u>Budgeted Amounts</u> |                      | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---------------------------------|-------------------------|----------------------|---------------------------|---------------------------------------|
|                                 | <u>Original</u>         | <u>Final</u>         |                           |                                       |
| <b>Revenues</b>                 |                         |                      |                           |                                       |
| Taxes                           | \$ 17,654,024           | \$ 17,654,024        | \$ 17,000,742             | \$ (653,282)                          |
| Special assessments             | 16,474                  | 16,474               | 681                       | (15,793)                              |
| Licenses and permits            | 425,005                 | 425,005              | 436,500                   | 11,495                                |
| Intergovernmental               | 2,382,972               | 2,382,972            | 3,235,886                 | 852,914                               |
| Charges for services            | 1,340,132               | 1,340,132            | 1,676,757                 | 336,625                               |
| Fines and forfeits              | 33,000                  | 33,000               | 17,537                    | (15,463)                              |
| Investment earnings             | 175,000                 | 175,000              | 94,458                    | (80,542)                              |
| Miscellaneous                   | 2,161,689               | 2,161,689            | 2,083,609                 | (78,080)                              |
| <b>Total Revenues</b>           | <b>\$ 24,188,296</b>    | <b>\$ 24,188,296</b> | <b>\$ 24,546,170</b>      | <b>\$ 357,874</b>                     |
| <b>Expenditures</b>             |                         |                      |                           |                                       |
| <b>Current</b>                  |                         |                      |                           |                                       |
| <b>General government</b>       |                         |                      |                           |                                       |
| Commissioners                   | \$ 465,863              | \$ 465,863           | \$ 336,825                | \$ 129,038                            |
| Courts                          | 215,000                 | 215,000              | 230,013                   | (15,013)                              |
| County coordinator              | 671,538                 | 671,538              | 695,554                   | (24,016)                              |
| County auditor                  | 824,956                 | 824,956              | 834,484                   | (9,528)                               |
| Motor vehicle                   | 418,751                 | 418,751              | 426,896                   | (8,145)                               |
| County treasurer                | 359,715                 | 359,715              | 325,702                   | 34,013                                |
| County assessor                 | 1,115,657               | 1,115,657            | 1,107,665                 | 7,992                                 |
| Elections                       | 190,045                 | 190,045              | 206,987                   | (16,942)                              |
| Accounting and auditing         | 100,000                 | 100,000              | 93,718                    | 6,282                                 |
| Board of adjustments            | 24,400                  | 24,400               | 23,666                    | 734                                   |
| Information technology          | 1,124,093               | 1,124,093            | 1,016,394                 | 107,699                               |
| Attorney                        | 1,515,377               | 1,515,377            | 1,444,492                 | 70,885                                |
| Recorder                        | 486,642                 | 486,642              | 904,140                   | (417,498)                             |
| Planning and zoning             | 27,550                  | 27,550               | 19,583                    | 7,967                                 |
| Land and resource               | 1,098,602               | 1,098,602            | 1,085,738                 | 12,864                                |
| Facilities operations           | 1,918,501               | 1,918,501            | 1,799,737                 | 118,764                               |
| Geographical information survey | 545,561                 | 545,561              | 518,475                   | 27,086                                |
| Veterans service officer        | 344,849                 | 344,849              | 305,926                   | 38,923                                |
| Forfeited tax sale              | -                       | -                    | 57,923                    | (57,923)                              |
| Unallocated                     | 1,814,617               | 1,814,617            | 1,430,370                 | 384,247                               |
| <b>Total general government</b> | <b>\$ 13,261,717</b>    | <b>\$ 13,261,717</b> | <b>\$ 12,864,288</b>      | <b>\$ 397,429</b>                     |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|  | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|---------------------|---------------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>        |                           |                                       |
| <b>Expenditures</b>                            |                         |                     |                           |                                       |
| <b>Current (Continued)</b>                     |                         |                     |                           |                                       |
| <b>Public safety</b>                           |                         |                     |                           |                                       |
| Sheriff  | \$ 5,586,418            | \$ 5,586,418        | \$ 5,367,396              | \$ 219,022                            |
| Boat and water safety                          | 175,796                 | 175,796             | 113,945                   | 61,851                                |
| Coroner  | 90,411                  | 90,411              | 107,624                   | (17,213)                              |
| County jail                                    | 3,161,221               | 3,161,221           | 2,972,220                 | 189,001                               |
| Humane society                                 | 61,888                  | 61,888              | 61,888                    | -                                     |
| Snowmobile account                             | -                       | -                   | 185,467                   | (185,467)                             |
| Emergency management                           | 161,169                 | 161,169             | 74,925                    | 86,244                                |
| <b>Total public safety</b>                     | <b>\$ 9,236,903</b>     | <b>\$ 9,236,903</b> | <b>\$ 8,883,465</b>       | <b>\$ 353,438</b>                     |
| <b>Culture and recreation</b>                  |                         |                     |                           |                                       |
| Historical society                             | \$ 60,000               | \$ 60,000           | \$ 60,000                 | \$ -                                  |
| History museum                                 | 52,100                  | 52,100              | 65,574                    | (13,474)                              |
| County fairs                                   | 36,000                  | 36,000              | 36,000                    | -                                     |
| Phelps Mill Park                               | 32,414                  | 32,414              | 32,912                    | (498)                                 |
| Viking Library                                 | 515,971                 | 515,971             | 515,971                   | -                                     |
| <b>Total culture and recreation</b>            | <b>\$ 696,485</b>       | <b>\$ 696,485</b>   | <b>\$ 710,457</b>         | <b>\$ (13,972)</b>                    |
| <b>Conservation of natural resources</b>       |                         |                     |                           |                                       |
| County extension                               | \$ 355,434              | \$ 355,434          | \$ 368,266                | \$ (12,832)                           |
| Soil and water conservation                    | 259,054                 | 259,054             | 271,220                   | (12,166)                              |
| Lake improvement districts                     | 306,624                 | 306,624             | 313,824                   | (7,200)                               |
| Aquatic invasive species                       | -                       | -                   | 4,600                     | (4,600)                               |
| <b>Total conservation of natural resources</b> | <b>\$ 921,112</b>       | <b>\$ 921,112</b>   | <b>\$ 957,910</b>         | <b>\$ (36,798)</b>                    |
| <b>Economic development</b>                    |                         |                     |                           |                                       |
| Red River Valley Development Assn.             | \$ 800                  | \$ 800              | \$ 800                    | \$ -                                  |
| West Central MN Initiative                     | 20,000                  | 20,000              | 20,000                    | -                                     |
| Veteran's van                                  | -                       | -                   | 4,732                     | (4,732)                               |
| Wellness account                               | -                       | -                   | 3,347                     | (3,347)                               |
| <b>Total economic development</b>              | <b>\$ 20,800</b>        | <b>\$ 20,800</b>    | <b>\$ 28,879</b>          | <b>\$ (8,079)</b>                     |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|   | <u>Budgeted Amounts</u> |                      | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---|-------------------------|----------------------|---------------------------|---------------------------------------|
|   | <u>Original</u>         | <u>Final</u>         |                           |                                       |
| <b>Expenditures (Continued)</b>                 |                         |                      |                           |                                       |
| <b>Debt service</b>                             |                         |                      |                           |                                       |
| Principal                                       | \$ 45,000               | \$ 45,000            | \$ 75,897                 | \$ (30,897)                           |
| Interest  | 48,556                  | 48,556               | -                         | 48,556                                |
| <b>Total debt service</b>                       | <b>\$ 93,556</b>        | <b>\$ 93,556</b>     | <b>\$ 75,897</b>          | <b>\$ 17,659</b>                      |
| <b>Total Expenditures</b>                       | <b>\$ 24,230,573</b>    | <b>\$ 24,230,573</b> | <b>\$ 23,520,896</b>      | <b>\$ 709,677</b>                     |
| <b>Excess of Revenues Over (Under)</b>          |                         |                      |                           |                                       |
| <b>Expenditures</b>                             | <b>\$ (42,277)</b>      | <b>\$ (42,277)</b>   | <b>\$ 1,025,274</b>       | <b>\$ 1,067,551</b>                   |
| <b>Other Financing Sources (Uses)</b>           |                         |                      |                           |                                       |
| Transfers out                                   | \$ (2,133)              | \$ (2,133)           | \$ (400,716)              | \$ (398,583)                          |
| Capital lease/installment purchase              | -                       | -                    | 126,725                   | 126,725                               |
| <b>Total Other Financing Sources<br/>(Uses)</b> | <b>\$ (2,133)</b>       | <b>\$ (2,133)</b>    | <b>\$ (273,991)</b>       | <b>\$ (271,858)</b>                   |
| <b>Net Change in Fund Balance</b>               | <b>\$ (44,410)</b>      | <b>\$ (44,410)</b>   | <b>\$ 751,283</b>         | <b>\$ 795,693</b>                     |
| <b>Fund Balance - January 1</b>                 | <b>19,729,603</b>       | <b>19,729,603</b>    | <b>19,729,603</b>         | <b>-</b>                              |
| <b>Fund Balance - December 31</b>               | <b>\$ 19,685,193</b>    | <b>\$ 19,685,193</b> | <b>\$ 20,480,886</b>      | <b>\$ 795,693</b>                     |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|  | <u>Budgeted Amounts</u> |                      | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|----------------------|---------------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>         |                           |                                       |
| <b>Revenues</b>                            |                         |                      |                           |                                       |
| Taxes                                      | \$ 3,130,032            | \$ 3,130,032         | \$ 3,087,036              | \$ (42,996)                           |
| Intergovernmental                          | 16,138,518              | 16,138,518           | 12,527,749                | (3,610,769)                           |
| Charges for services                       | 211,500                 | 211,500              | 835,807                   | 624,307                               |
| Miscellaneous                              | 15,000                  | 15,000               | 120,808                   | 105,808                               |
| <b>Total Revenues</b>                      | <b>\$ 19,495,050</b>    | <b>\$ 19,495,050</b> | <b>\$ 16,571,400</b>      | <b>\$ (2,923,650)</b>                 |
| <b>Expenditures</b>                        |                         |                      |                           |                                       |
| <b>Current</b>                             |                         |                      |                           |                                       |
| <b>Highways and streets</b>                |                         |                      |                           |                                       |
| Administration                             | \$ 619,900              | \$ 619,900           | \$ 618,723                | \$ 1,177                              |
| Maintenance                                | 4,975,549               | 4,975,549            | 4,772,393                 | 203,156                               |
| Construction                               | 11,049,665              | 11,049,665           | 10,121,578                | 928,087                               |
| Equipment maintenance and shop             | 1,628,936               | 1,628,936            | 1,254,000                 | 374,936                               |
| Materials and services for resale          | 1,000                   | 1,000                | 959                       | 41                                    |
| <b>Total highways and streets</b>          | <b>\$ 18,275,050</b>    | <b>\$ 18,275,050</b> | <b>\$ 16,767,653</b>      | <b>\$ 1,507,397</b>                   |
| <b>Intergovernmental</b>                   |                         |                      |                           |                                       |
| Highways and streets                       | 1,220,000               | 1,220,000            | 1,267,255                 | (47,255)                              |
| <b>Total Expenditures</b>                  | <b>\$ 19,495,050</b>    | <b>\$ 19,495,050</b> | <b>\$ 18,034,908</b>      | <b>\$ 1,460,142</b>                   |
| <b>Net Change in Fund Balance</b>          | <b>\$ -</b>             | <b>\$ -</b>          | <b>\$ (1,463,508)</b>     | <b>\$ (1,463,508)</b>                 |
| <b>Fund Balance - January 1</b>            | <b>5,675,085</b>        | <b>5,675,085</b>     | <b>5,675,085</b>          | <b>-</b>                              |
| <b>Increase (decrease) for inventories</b> | <b>-</b>                | <b>-</b>             | <b>(3,523)</b>            | <b>(3,523)</b>                        |
| <b>Fund Balance - December 31</b>          | <b>\$ 5,675,085</b>     | <b>\$ 5,675,085</b>  | <b>\$ 4,208,054</b>       | <b>\$ (1,467,031)</b>                 |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|  | <u>Budgeted Amounts</u> |                      | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|----------------------|---------------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>         |                           |                                       |
| <b>Revenues</b>                        |                         |                      |                           |                                       |
| Taxes                                  | \$ 9,334,323            | \$ 9,334,323         | \$ 9,220,762              | \$ (113,561)                          |
| Licenses and permits                   | -                       | -                    | 7,738                     | 7,738                                 |
| Intergovernmental                      | 10,404,794              | 10,404,794           | 11,174,034                | 769,240                               |
| Charges for services                   | 1,777,130               | 1,777,130            | 1,449,870                 | (327,260)                             |
| Gifts and contributions                | -                       | -                    | 67,801                    | 67,801                                |
| Miscellaneous                          | 495,750                 | 495,750              | 802,223                   | 306,473                               |
| <b>Total Revenues</b>                  | <b>\$ 22,011,997</b>    | <b>\$ 22,011,997</b> | <b>\$ 22,722,428</b>      | <b>\$ 710,431</b>                     |
| <b>Expenditures</b>                    |                         |                      |                           |                                       |
| <b>Current</b>                         |                         |                      |                           |                                       |
| <b>Public safety</b>                   |                         |                      |                           |                                       |
| Community corrections                  | \$ 2,041,231            | \$ 2,041,231         | \$ 2,237,432              | \$ (196,201)                          |
| <b>Human services</b>                  |                         |                      |                           |                                       |
| Income maintenance                     | \$ 4,804,679            | \$ 4,804,679         | \$ 4,987,987              | \$ (183,308)                          |
| Social services                        | 12,541,113              | 12,541,113           | 11,544,403                | 996,710                               |
| <b>Total human services</b>            | <b>\$ 17,345,792</b>    | <b>\$ 17,345,792</b> | <b>\$ 16,532,390</b>      | <b>\$ 813,402</b>                     |
| <b>Health</b>                          |                         |                      |                           |                                       |
| Nursing service                        | \$ 2,644,697            | \$ 2,644,697         | \$ 2,684,089              | \$ (39,392)                           |
| <b>Total Expenditures</b>              | <b>\$ 22,031,720</b>    | <b>\$ 22,031,720</b> | <b>\$ 21,453,911</b>      | <b>\$ 577,809</b>                     |
| <b>Excess of Revenues Over (Under)</b> |                         |                      |                           |                                       |
| <b>Expenditures</b>                    | \$ (19,723)             | \$ (19,723)          | \$ 1,268,517              | \$ 1,288,240                          |
| <b>Other Financing Sources (Uses)</b>  |                         |                      |                           |                                       |
| Transfers out                          | -                       | -                    | (385,788)                 | (385,788)                             |
| <b>Net Change in Fund Balance</b>      | <b>\$ (19,723)</b>      | <b>\$ (19,723)</b>   | <b>\$ 882,729</b>         | <b>\$ 902,452</b>                     |
| <b>Fund Balance - January 1</b>        | <b>12,672,112</b>       | <b>12,672,112</b>    | <b>12,672,112</b>         | <b>-</b>                              |
| <b>Fund Balance - December 31</b>      | <b>\$ 12,652,389</b>    | <b>\$ 12,652,389</b> | <b>\$ 13,554,841</b>      | <b>\$ 902,452</b>                     |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-4*

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|                                 | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
|                                 | <u>Original</u>         | <u>Final</u>        |                           |                                       |
| <b>Revenues</b>                 |                         |                     |                           |                                       |
| Taxes                           | \$ 2,917,182            | \$ 2,917,182        | \$ 2,869,409              | \$ (47,773)                           |
| Intergovernmental               | 369,248                 | 369,248             | 382,414                   | 13,166                                |
| Charges for services            | 1,500                   | 1,500               | 1,683                     | 183                                   |
| Investment earnings             | 9,000                   | 9,000               | 7,144                     | (1,856)                               |
| Miscellaneous                   | 86,160                  | 86,160              | 167,575                   | 81,415                                |
| <b>Total Revenues</b>           | <b>\$ 3,383,090</b>     | <b>\$ 3,383,090</b> | <b>\$ 3,428,225</b>       | <b>\$ 45,135</b>                      |
| <b>Expenditures</b>             |                         |                     |                           |                                       |
| <b>Current</b>                  |                         |                     |                           |                                       |
| <b>General government</b>       |                         |                     |                           |                                       |
| County auditor                  | \$ 62,014               | \$ 62,014           | \$ -                      | \$ 62,014                             |
| County assessor                 | 50,000                  | 50,000              | 45,989                    | 4,011                                 |
| Data processing                 | 488,466                 | 488,466             | -                         | 488,466                               |
| Attorney                        | -                       | -                   | 6,486                     | (6,486)                               |
| Facilities operations           | 135,000                 | 135,000             | 4,865                     | 130,135                               |
| <b>Total general government</b> | <b>\$ 735,480</b>       | <b>\$ 735,480</b>   | <b>\$ 57,340</b>          | <b>\$ 678,140</b>                     |
| <b>Public safety</b>            |                         |                     |                           |                                       |
| Sheriff                         | \$ 370,200              | \$ 370,200          | \$ 409,991                | \$ (39,791)                           |
| Boat and water safety           | -                       | -                   | 20,500                    | (20,500)                              |
| Emergency services              | -                       | -                   | 1,814                     | (1,814)                               |
| Radio board                     | -                       | -                   | 150,291                   | (150,291)                             |
| County jail                     | 45,000                  | 45,000              | 74,573                    | (29,573)                              |
| Community corrections           | 36,000                  | 36,000              | 18,987                    | 17,013                                |
| <b>Total public safety</b>      | <b>\$ 451,200</b>       | <b>\$ 451,200</b>   | <b>\$ 676,156</b>         | <b>\$ (224,956)</b>                   |
| <b>Highways and streets</b>     |                         |                     |                           |                                       |
| Maintenance                     | \$ 3,349,600            | \$ 3,349,600        | \$ 2,743,013              | \$ 606,587                            |
| <b>Human services</b>           |                         |                     |                           |                                       |
| Social services                 | \$ 120,000              | \$ 120,000          | \$ 70,492                 | \$ 49,508                             |
| <b>Health</b>                   |                         |                     |                           |                                       |
| Nursing service                 | \$ 14,000               | \$ 14,000           | \$ -                      | \$ 14,000                             |
| <b>Culture and recreation</b>   |                         |                     |                           |                                       |
| Phelps Mill Park                | \$ 15,000               | \$ 15,000           | \$ 33,315                 | \$ (18,315)                           |
| <b>Economic development</b>     |                         |                     |                           |                                       |
| Chemical dependency facility    | \$ -                    | \$ -                | \$ 169,065                | \$ (169,065)                          |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT A-4  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
CAPITAL IMPROVEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|                                   | <u>Budgeted Amounts</u> |                       | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|-----------------------------------|-------------------------|-----------------------|---------------------------|---------------------------------------|
|                                   | <u>Original</u>         | <u>Final</u>          |                           |                                       |
| <b>Expenditures (Continued)</b>   |                         |                       |                           |                                       |
| <b>Debt service</b>               |                         |                       |                           |                                       |
| Principal                         | \$ -                    | \$ -                  | \$ 78,164                 | \$ (78,164)                           |
| Interest                          | -                       | -                     | 935                       | (935)                                 |
| <b>Total debt service</b>         | <u>\$ -</u>             | <u>\$ -</u>           | <u>\$ 79,099</u>          | <u>\$ (79,099)</u>                    |
| <b>Total Expenditures</b>         | <u>\$ 4,685,280</u>     | <u>\$ 4,685,280</u>   | <u>\$ 3,828,480</u>       | <u>\$ 856,800</u>                     |
| <b>Net Change in Fund Balance</b> | <u>\$ (1,302,190)</u>   | <u>\$ (1,302,190)</u> | <u>\$ (400,255)</u>       | <u>\$ 901,935</u>                     |
| <b>Fund Balance - January 1</b>   | <u>3,721,632</u>        | <u>3,721,632</u>      | <u>3,721,632</u>          | <u>-</u>                              |
| <b>Fund Balance - December 31</b> | <u>\$ 2,419,442</u>     | <u>\$ 2,419,442</u>   | <u>\$ 3,321,377</u>       | <u>\$ 901,935</u>                     |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT A-5**

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

Governmental Activities

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

Business-Type Activities

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

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



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2014**

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1. Budgetary Information

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

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

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

2. Other Postemployment Benefits Funded Status

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

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

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**SUPPLEMENTARY INFORMATION**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

DEBT SERVICE FUNDS

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

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

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

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

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

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

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2014**

|   | <b>Special<br/>Revenue<br/>(Exhibit B-3)</b> | <b>Debt<br/>Service<br/>(Exhibit B-5)</b> | <b>Total<br/>(Exhibit 3)</b> |
|---|--|---|------------------------------|
| <b><u>Assets</u></b>  |  |   |                              |
| Cash and pooled investments   | \$ 390,082                                   | \$ 5,390,810                              | \$ 5,780,892                 |
| Undistributed cash in agency funds  | 4,084  | 30,856                                    | 34,940                       |
| Taxes receivable  | -  | 52,727                                    | 52,727                       |
| Special assessments receivable  |  |   |                              |
| Prior   | 4,341  | -   | 4,341                        |
| Deferred  | 324,528                                      | -   | 324,528                      |
| Due from other governments  | 4,770  | -   | 4,770                        |
| Restricted assets   |  |   |                              |
| Temporarily restricted  |  |   |                              |
| Cash with escrow agent  | -  | 256,688                                   | 256,688                      |
|   | <b>\$ 727,805</b>                            | <b>\$ 5,731,081</b>                       | <b>\$ 6,458,886</b>          |
| <br><b><u>Liabilities, Deferred Inflows of<br/>Resources, and Fund Balances</u></b> |  |   |                              |
| <b>Liabilities</b>  |  |   |                              |
| Accounts payable  | \$ 14,720                                    | \$ -                                      | \$ 14,720                    |
| Due to other funds  | 4,308  | -   | 4,308                        |
| Advance from other funds  | 213,077                                      | -   | 213,077                      |
|   | <b>\$ 232,105</b>                            | <b>\$ -</b>                               | <b>\$ 232,105</b>            |
| <br><b>Deferred Inflows of Resources</b>  |  |   |                              |
| Unavailable revenues  | <b>\$ 327,936</b>                            | <b>\$ 41,993</b>                          | <b>\$ 369,929</b>            |
| <br><b>Fund Balances</b>  |  |   |                              |
| Restricted  |  |   |                              |
| Debt service  | \$ -   | \$ 5,689,088                              | \$ 5,689,088                 |
| Law library   | 105,390                                      | -   | 105,390                      |
| Ditch maintenance and construction  | 227,027                                      | -   | 227,027                      |
| Sheriff's contingencies   | 5,000  | -   | 5,000                        |
| Assigned  |  |   |                              |
| Public safety   | 12,039                                       | -   | 12,039                       |
| Unassigned  | (181,692)                                    | -   | (181,692)                    |
|   | <b>\$ 167,764</b>                            | <b>\$ 5,689,088</b>                       | <b>\$ 5,856,852</b>          |
|   | <b>\$ 727,805</b>                            | <b>\$ 5,731,081</b>                       | <b>\$ 6,458,886</b>          |

**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, 2014**

|   | <u>Special<br/>Revenue<br/>(Exhibit B-4)</u> | <u>Debt<br/>Service<br/>(Exhibit B-6)</u> | <u>Total<br/>(Exhibit 5)</u> |
|---|--|---|------------------------------|
| <b>Revenues</b>   |  |   |                              |
| Taxes   | \$ -   | \$ 1,681,670                              | \$ 1,681,670                 |
| Special assessments                                     | 179,103                                      | -   | 179,103                      |
| Intergovernmental                                       | -  | 26,887                                    | 26,887                       |
| Fines and forfeits                                      | 67,064                                       | -   | 67,064                       |
| Investment earnings                                     | -  | 307                                       | 307                          |
| Miscellaneous   | 15,000                                       | 546,536                                   | 561,536                      |
|   | <u>15,000</u>                                | <u>546,536</u>                            | <u>561,536</u>               |
| <b>Total Revenues</b>                                   | <b><u>\$ 261,167</u></b>                     | <b><u>\$ 2,255,400</u></b>                | <b><u>\$ 2,516,567</u></b>   |
| <b>Expenditures</b>                                     |  |   |                              |
| <b>Current</b>  |  |   |                              |
| General government                                      | \$ 62,699                                    | \$ -                                      | \$ 62,699                    |
| Public safety   | 744  | -   | 744                          |
| Conservation of natural resources                       | 218,902                                      | -   | 218,902                      |
| <b>Debt service</b>                                     |  |   |                              |
| Principal   | -  | 2,180,000                                 | 2,180,000                    |
| Interest  | -  | 677,688                                   | 677,688                      |
|   | <u>-</u>                                     | <u>677,688</u>                            | <u>677,688</u>               |
| <b>Total Expenditures</b>                               | <b><u>\$ 282,345</u></b>                     | <b><u>\$ 2,857,688</u></b>                | <b><u>\$ 3,140,033</u></b>   |
| <b>Excess of Revenues Over (Under)<br/>Expenditures</b> | <b><u>\$ (21,178)</u></b>                    | <b><u>\$ (602,288)</u></b>                | <b><u>\$ (623,466)</u></b>   |
| <b>Other Financing Sources (Uses)</b>                   |  |   |                              |
| Transfers in  | 15,898                                       | 189                                       | 16,087                       |
|   | <u>15,898</u>                                | <u>189</u>                                | <u>16,087</u>                |
| <b>Net Change in Fund Balance</b>                       | <b><u>\$ (5,280)</u></b>                     | <b><u>\$ (602,099)</u></b>                | <b><u>\$ (607,379)</u></b>   |
| <b>Fund Balance - January 1</b>                         | <b><u>173,044</u></b>                        | <b><u>6,291,187</u></b>                   | <b><u>6,464,231</u></b>      |
| <b>Fund Balance - December 31</b>                       | <b><u>\$ 167,764</u></b>                     | <b><u>\$ 5,689,088</u></b>                | <b><u>\$ 5,856,852</u></b>   |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-3*

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2014**

|   | <b>County<br/>Ditch</b> | <b>Law<br/>Library</b> | <b>Sheriff's<br/>Contingent</b> | <b>Total</b>      |
|---|-------------------------|------------------------|---------------------------------|-------------------|
| <b><u>Assets</u></b>  |                         |                        |                                 |                   |
| Cash and pooled investments   | \$ 258,528              | \$ 114,865             | \$ 16,689                       | \$ 390,082        |
| Undistributed cash in agency funds  | 4,084                   | -                      | -                               | 4,084             |
| Special assessments receivable  |                         |                        |                                 |                   |
| Prior   | 4,341                   | -                      | -                               | 4,341             |
| Deferred  | 324,528                 | -                      | -                               | 324,528           |
| Due from other governments  | -                       | 4,420                  | 350                             | 4,770             |
|   | <b>\$ 591,481</b>       | <b>\$ 119,285</b>      | <b>\$ 17,039</b>                | <b>\$ 727,805</b> |
| <br><b><u>Liabilities, Deferred Inflows of<br/>Resources, and Fund Balances</u></b> |                         |                        |                                 |                   |
| <b>Liabilities</b>  |                         |                        |                                 |                   |
| Accounts payable  | \$ 825                  | \$ 13,895              | \$ -                            | \$ 14,720         |
| Due to other funds  | 4,308                   | -                      | -                               | 4,308             |
| Advance from other funds  | 213,077                 | -                      | -                               | 213,077           |
|   | <b>\$ 218,210</b>       | <b>\$ 13,895</b>       | <b>\$ -</b>                     | <b>\$ 232,105</b> |
| <br><b>Deferred Inflows of Resources</b>  |                         |                        |                                 |                   |
| Deferred revenue - unavailable  | <b>\$ 327,936</b>       | <b>\$ -</b>            | <b>\$ -</b>                     | <b>\$ 327,936</b> |
| <br><b>Fund Balances</b>  |                         |                        |                                 |                   |
| <b>Restricted</b>   |                         |                        |                                 |                   |
| Law library   | \$ -                    | \$ 105,390             | \$ -                            | \$ 105,390        |
| Ditch maintenance and construction  | 227,027                 | -                      | -                               | 227,027           |
| Sheriff's contingencies   | -                       | -                      | 5,000                           | 5,000             |
| <b>Assigned</b>   |                         |                        |                                 |                   |
| Public safety   | -                       | -                      | 12,039                          | 12,039            |
| Unassigned  | (181,692)               | -                      | -                               | (181,692)         |
|   | <b>\$ 45,335</b>        | <b>\$ 105,390</b>      | <b>\$ 17,039</b>                | <b>\$ 167,764</b> |
| <b>Total Fund Balances</b>  | <b>\$ 45,335</b>        | <b>\$ 105,390</b>      | <b>\$ 17,039</b>                | <b>\$ 167,764</b> |
| <br><b>Total Liabilities, Deferred Inflows of<br/>Resources, and Fund Balances</b>  | <b>\$ 591,481</b>       | <b>\$ 119,285</b>      | <b>\$ 17,039</b>                | <b>\$ 727,805</b> |



**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, 2014**

|   | <u>County<br/>Ditch</u> | <u>Law<br/>Library</u> | <u>Sheriff's<br/>Contingent</u> | <u>Total</u>       |
|---|-------------------------|------------------------|---------------------------------|--------------------|
| <b>Revenues</b>   |                         |                        |                                 |                    |
| Special assessments                                     | \$ 179,103              | \$ -                   | \$ -                            | \$ 179,103         |
| Fines and forfeits                                      | -                       | 61,281                 | 5,783                           | 67,064             |
| Miscellaneous   | 15,000                  | -                      | -                               | 15,000             |
|   | <u>194,103</u>          | <u>61,281</u>          | <u>5,783</u>                    | <u>261,167</u>     |
| <b>Total Revenues</b>                                   | <b>\$ 194,103</b>       | <b>\$ 61,281</b>       | <b>\$ 5,783</b>                 | <b>\$ 261,167</b>  |
| <b>Expenditures</b>                                     |                         |                        |                                 |                    |
| <b>Current</b>  |                         |                        |                                 |                    |
| General government                                      | \$ -                    | \$ 62,699              | \$ -                            | \$ 62,699          |
| Public safety   | -                       | -                      | 744                             | 744                |
| Conservation of natural resources                       | 218,902                 | -                      | -                               | 218,902            |
|   | <u>218,902</u>          | <u>62,699</u>          | <u>744</u>                      | <u>282,345</u>     |
| <b>Total Expenditures</b>                               | <b>\$ 218,902</b>       | <b>\$ 62,699</b>       | <b>\$ 744</b>                   | <b>\$ 282,345</b>  |
| <b>Excess of Revenues Over (Under)<br/>Expenditures</b> | <b>\$ (24,799)</b>      | <b>\$ (1,418)</b>      | <b>\$ 5,039</b>                 | <b>\$ (21,178)</b> |
| <b>Other Financing Sources (Uses)</b>                   |                         |                        |                                 |                    |
| Transfers in  | 13,958                  | -                      | 1,940                           | 15,898             |
|   | <u>13,958</u>           | <u>-</u>               | <u>1,940</u>                    | <u>15,898</u>      |
| <b>Net Change in Fund Balance</b>                       | <b>\$ (10,841)</b>      | <b>\$ (1,418)</b>      | <b>\$ 6,979</b>                 | <b>\$ (5,280)</b>  |
| <b>Fund Balance - January 1</b>                         | <b>56,176</b>           | <b>106,808</b>         | <b>10,060</b>                   | <b>173,044</b>     |
|   | <u>56,176</u>           | <u>106,808</u>         | <u>10,060</u>                   | <u>173,044</u>     |
| <b>Fund Balance - December 31</b>                       | <b>\$ 45,335</b>        | <b>\$ 105,390</b>      | <b>\$ 17,039</b>                | <b>\$ 167,764</b>  |
|   | <u>45,335</u>           | <u>105,390</u>         | <u>17,039</u>                   | <u>167,764</u>     |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS  
DECEMBER 31, 2014**

|   | <b>Chemical<br/>Dependency</b> | <b>Ethanol<br/>Plant</b> |
|---|--------------------------------|--------------------------|
| <b><u>Assets</u></b>  |                                |                          |
| Cash and pooled investments                                       | \$ 165,848                     | \$ 3,422,017             |
| Undistributed cash in agency funds                                | -                              | 344                      |
| Taxes receivable  | -                              | 4,067                    |
| Restricted assets   |                                |                          |
| Temporarily restricted  |                                |                          |
| Cash with escrow agent  | 256,688                        | -                        |
| <b>Total Assets</b>   | <b>\$ 422,536</b>              | <b>\$ 3,426,428</b>      |
| <b><u>Deferred Inflows of<br/>Resources and Fund Balances</u></b> |                                |                          |
| <b>Deferred Inflows of Resources</b>                              |                                |                          |
| Unavailable revenues  | \$ -                           | \$ 3,702                 |
| <b>Fund Balance</b>   |                                |                          |
| Restricted for  |                                |                          |
| Debt service  | 422,536                        | 3,422,726                |
| <b>Total Deferred Inflows of Resources<br/>and Fund Balances</b>  | <b>\$ 422,536</b>              | <b>\$ 3,426,428</b>      |

**EXHIBIT B-5**

| <u>Government<br/>Service<br/>Center</u> | <u>Sheriff<br/>Operations</u> | <u>Veterans<br/>Home</u> | <u>Master<br/>Facility<br/>Construction</u> | <u>Total</u>               |
|--|-------------------------------|--------------------------|---|----------------------------|
| \$ 1,054,895                             | \$ 524,060                    | \$ 159,001               | \$ 64,989                                   | \$ 5,390,810               |
| 16,709                                   | 9,416                         | 2,332                    | 2,055                                       | 30,856                     |
| 27,422                                   | 14,810                        | 3,809                    | 2,619                                       | 52,727                     |
| -  | -                             | -                        | -   | 256,688                    |
| <u><b>\$ 1,099,026</b></u>               | <u><b>\$ 548,286</b></u>      | <u><b>\$ 165,142</b></u> | <u><b>\$ 69,663</b></u>                     | <u><b>\$ 5,731,081</b></u> |
| \$ 21,706                                | \$ 11,615                     | \$ 3,010                 | \$ 1,960                                    | \$ 41,993                  |
| <u>1,077,320</u>                         | <u>536,671</u>                | <u>162,132</u>           | <u>67,703</u>                               | <u>5,689,088</u>           |
| <u><b>\$ 1,099,026</b></u>               | <u><b>\$ 548,286</b></u>      | <u><b>\$ 165,142</b></u> | <u><b>\$ 69,663</b></u>                     | <u><b>\$ 5,731,081</b></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, 2014**

|   | <u>Chemical<br/>Dependency</u> | <u>Ethanol<br/>Plant</u> |
|---|--------------------------------|--------------------------|
| <b>Revenues</b>                                     |                                |                          |
| Taxes   | \$ -                           | \$ 4,979                 |
| Intergovernmental                                   | -                              | -                        |
| Investment earnings                                 | (31)                           | 269                      |
| Miscellaneous                                       | 546,536                        | -                        |
|   | <u>546,536</u>                 | <u>-</u>                 |
| <b>Total Revenues</b>                               | <b>\$ 546,505</b>              | <b>\$ 5,248</b>          |
| <b>Expenditures</b>                                 |                                |                          |
| <b>Debt service</b>                                 |                                |                          |
| Principal   | \$ 355,000                     | \$ 540,000               |
| Interest  | 191,113                        | 156,325                  |
|   | <u>546,113</u>                 | <u>696,325</u>           |
| <b>Total Expenditures</b>                           | <b>\$ 546,113</b>              | <b>\$ 696,325</b>        |
| <b>Excess of Revenues Over (Under) Expenditures</b> | <b>\$ 392</b>                  | <b>\$ (691,077)</b>      |
| <b>Other Financing Sources (Uses)</b>               |                                |                          |
| Transfer in   | -                              | -                        |
|   | <u>-</u>                       | <u>-</u>                 |
| <b>Net Change in Fund Balance</b>                   | <b>\$ 392</b>                  | <b>\$ (691,077)</b>      |
| <b>Fund Balance - January 1</b>                     | <b>422,144</b>                 | <b>4,113,803</b>         |
|   | <u>422,144</u>                 | <u>4,113,803</u>         |
| <b>Fund Balance - December 31</b>                   | <b>\$ 422,536</b>              | <b>\$ 3,422,726</b>      |
|   | <u>422,536</u>                 | <u>3,422,726</u>         |

**EXHIBIT B-6**

| <b>Government<br/>Service<br/>Center</b> | <b>Sheriff<br/>Operations</b> | <b>Veterans<br/>Home</b> | <b>Master<br/>Facility<br/>Construction</b> | <b>Total</b>        |
|--|-------------------------------|--------------------------|---|---------------------|
| \$ 917,146                               | \$ 514,949                    | \$ 128,400               | \$ 116,196                                  | \$ 1,681,670        |
| 14,668                                   | 8,304                         | 2,052                    | 1,863                                       | 26,887              |
| -  | -                             | -                        | 69  | 307                 |
| -  | -                             | -                        | -   | 546,536             |
| <b>\$ 931,814</b>                        | <b>\$ 523,253</b>             | <b>\$ 130,452</b>        | <b>\$ 118,128</b>                           | <b>\$ 2,255,400</b> |
| \$ 835,000                               | \$ 335,000                    | \$ 115,000               | \$ -  | \$ 2,180,000        |
| 48,423                                   | 157,500                       | 11,227                   | 113,100                                     | 677,688             |
| <b>\$ 883,423</b>                        | <b>\$ 492,500</b>             | <b>\$ 126,227</b>        | <b>\$ 113,100</b>                           | <b>\$ 2,857,688</b> |
| \$ 48,391                                | \$ 30,753                     | \$ 4,225                 | \$ 5,028                                    | \$ (602,288)        |
| -  | -                             | -                        | 189   | 189                 |
| \$ 48,391                                | \$ 30,753                     | \$ 4,225                 | \$ 5,217                                    | \$ (602,099)        |
| <b>1,028,929</b>                         | <b>505,918</b>                | <b>157,907</b>           | <b>62,486</b>                               | <b>6,291,187</b>    |
| <b>\$ 1,077,320</b>                      | <b>\$ 536,671</b>             | <b>\$ 162,132</b>        | <b>\$ 67,703</b>                            | <b>\$ 5,689,088</b> |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-7*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|   | <u>Budgeted Amounts</u> |                  | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---|-------------------------|------------------|---------------------------|---------------------------------------|
|   | <u>Original</u>         | <u>Final</u>     |                           |                                       |
| <b>Revenues</b>   |                         |                  |                           |                                       |
| Special assessments                                     | \$ 47,643               | \$ 47,643        | \$ 179,103                | \$ 131,460                            |
| Miscellaneous   | -                       | -                | 15,000                    | 15,000                                |
| <b>Total Revenues</b>                                   | <b>\$ 47,643</b>        | <b>\$ 47,643</b> | <b>\$ 194,103</b>         | <b>\$ 146,460</b>                     |
| <b>Expenditures</b>                                     |                         |                  |                           |                                       |
| <b>Current</b>  |                         |                  |                           |                                       |
| <b>Conservation of natural resources</b>                |                         |                  |                           |                                       |
| Drainage ditches  | 47,643                  | 47,643           | 218,902                   | (171,259)                             |
| <b>Excess of Revenues Over (Under)<br/>Expenditures</b> | <b>\$ -</b>             | <b>\$ -</b>      | <b>\$ (24,799)</b>        | <b>\$ (24,799)</b>                    |
| <b>Other Financing Sources (Uses)</b>                   |                         |                  |                           |                                       |
| Transfers in  | -                       | -                | 13,958                    | 13,958                                |
| <b>Net Change in Fund Balance</b>                       | <b>\$ -</b>             | <b>\$ -</b>      | <b>\$ (10,841)</b>        | <b>\$ (10,841)</b>                    |
| <b>Fund Balance - January 1</b>                         | <b>56,176</b>           | <b>56,176</b>    | <b>56,176</b>             | <b>-</b>                              |
| <b>Fund Balance - December 31</b>                       | <b>\$ 56,176</b>        | <b>\$ 56,176</b> | <b>\$ 45,335</b>          | <b>\$ (10,841)</b>                    |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-8*

**BUDGETARY COMPARISON SCHEDULE  
LAW LIBRARY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|                                   | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|-----------------------------------|-------------------------|-------------------|---------------------------|---------------------------------------|
|                                   | <u>Original</u>         | <u>Final</u>      |                           |                                       |
| <b>Revenues</b>                   |                         |                   |                           |                                       |
| Fines and forfeits                | \$ 57,000               | \$ 57,000         | \$ 61,281                 | \$ 4,281                              |
| <b>Expenditures</b>               |                         |                   |                           |                                       |
| <b>Current</b>                    |                         |                   |                           |                                       |
| <b>General government</b>         |                         |                   |                           |                                       |
| Law library                       | 55,300                  | 55,300            | 62,699                    | (7,399)                               |
| <b>Net Change in Fund Balance</b> | <b>\$ 1,700</b>         | <b>\$ 1,700</b>   | <b>\$ (1,418)</b>         | <b>\$ (3,118)</b>                     |
| <b>Fund Balance - January 1</b>   | <b>106,808</b>          | <b>106,808</b>    | <b>106,808</b>            | <b>-</b>                              |
| <b>Fund Balance - December 31</b> | <b>\$ 108,508</b>       | <b>\$ 108,508</b> | <b>\$ 105,390</b>         | <b>\$ (3,118)</b>                     |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-9*

**BUDGETARY COMPARISON SCHEDULE  
SHERIFF'S CONTINGENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|  | <u>Budgeted Amounts</u> |                  | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|--|-------------------------|------------------|---------------------------|---------------------------------------|
|  | <u>Original</u>         | <u>Final</u>     |                           |                                       |
| <b>Revenues</b>                        |                         |                  |                           |                                       |
| Fines and forfeits                     | \$ 5,650                | \$ 5,650         | \$ 5,783                  | \$ 133                                |
| <b>Expenditures</b>                    |                         |                  |                           |                                       |
| <b>Current</b>                         |                         |                  |                           |                                       |
| <b>Public safety</b>                   |                         |                  |                           |                                       |
| Sheriff                                | 7,800                   | 7,800            | 744                       | 7,056                                 |
| <b>Excess of Revenues Over (Under)</b> |                         |                  |                           |                                       |
| <b>Expenditures</b>                    | \$ (2,150)              | \$ (2,150)       | \$ 5,039                  | \$ 7,189                              |
| <b>Other Financing Sources (Uses)</b>  |                         |                  |                           |                                       |
| Transfers in                           | 2,133                   | 2,133            | 1,940                     | (193)                                 |
| <b>Net Change in Fund Balance</b>      | \$ (17)                 | \$ (17)          | \$ 6,979                  | \$ 6,996                              |
| <b>Fund Balance - January 1</b>        | <u>10,060</u>           | <u>10,060</u>    | <u>10,060</u>             | <u>-</u>                              |
| <b>Fund Balance - December 31</b>      | <u>\$ 10,043</u>        | <u>\$ 10,043</u> | <u>\$ 17,039</u>          | <u>\$ 6,996</u>                       |



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-10*

**BUDGETARY COMPARISON SCHEDULE  
CHEMICAL DEPENDENCY DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|                                   | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|-----------------------------------|-------------------------|-------------------|---------------------------|---------------------------------------|
|                                   | <u>Original</u>         | <u>Final</u>      |                           |                                       |
| <b>Revenues</b>                   |                         |                   |                           |                                       |
| Investment earnings               | \$ -                    | \$ -              | \$ (31)                   | \$ (31)                               |
| Miscellaneous                     | 546,537                 | 546,537           | 546,536                   | (1)                                   |
| <b>Total Revenues</b>             | <b>\$ 546,537</b>       | <b>\$ 546,537</b> | <b>\$ 546,505</b>         | <b>\$ (32)</b>                        |
| <b>Expenditures</b>               |                         |                   |                           |                                       |
| <b>Debt service</b>               |                         |                   |                           |                                       |
| Principal                         | \$ 355,000              | \$ 355,000        | \$ 355,000                | \$ -                                  |
| Interest                          | 191,160                 | 191,160           | 191,113                   | 47                                    |
| <b>Total Expenditures</b>         | <b>\$ 546,160</b>       | <b>\$ 546,160</b> | <b>\$ 546,113</b>         | <b>\$ 47</b>                          |
| <b>Net Change in Fund Balance</b> | <b>\$ 377</b>           | <b>\$ 377</b>     | <b>\$ 392</b>             | <b>\$ 15</b>                          |
| <b>Fund Balance - January 1</b>   | <b>422,144</b>          | <b>422,144</b>    | <b>422,144</b>            | <b>-</b>                              |
| <b>Fund Balance - December 31</b> | <b>\$ 422,521</b>       | <b>\$ 422,521</b> | <b>\$ 422,536</b>         | <b>\$ 15</b>                          |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-11*

**BUDGETARY COMPARISON SCHEDULE  
ETHANOL PLANT DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|                                   | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|-----------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
|                                   | <u>Original</u>         | <u>Final</u>        |                           |                                       |
| <b>Revenues</b>                   |                         |                     |                           |                                       |
| Taxes                             | \$ -                    | \$ -                | \$ 4,979                  | \$ 4,979                              |
| Investment earnings               | -                       | -                   | 269                       | 269                                   |
| <b>Total Revenues</b>             | <b>\$ -</b>             | <b>\$ -</b>         | <b>\$ 5,248</b>           | <b>\$ 5,248</b>                       |
| <b>Expenditures</b>               |                         |                     |                           |                                       |
| <b>Debt service</b>               |                         |                     |                           |                                       |
| Principal                         | \$ 540,000              | \$ 540,000          | \$ 540,000                | \$ -                                  |
| Interest                          | 153,935                 | 153,935             | 156,325                   | (2,390)                               |
| <b>Total Expenditures</b>         | <b>\$ 693,935</b>       | <b>\$ 693,935</b>   | <b>\$ 696,325</b>         | <b>\$ (2,390)</b>                     |
| <b>Net Change in Fund Balance</b> | <b>\$ (693,935)</b>     | <b>\$ (693,935)</b> | <b>\$ (691,077)</b>       | <b>\$ 2,858</b>                       |
| <b>Fund Balance - January 1</b>   | <b>4,113,803</b>        | <b>4,113,803</b>    | <b>4,113,803</b>          | <b>-</b>                              |
| <b>Fund Balance - December 31</b> | <b>\$ 3,419,868</b>     | <b>\$ 3,419,868</b> | <b>\$ 3,422,726</b>       | <b>\$ 2,858</b>                       |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-12*

**BUDGETARY COMPARISON SCHEDULE  
GOVERNMENT SERVICE CENTER DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|                                   | <u>Budgeted Amounts</u> |                     | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|-----------------------------------|-------------------------|---------------------|---------------------------|---------------------------------------|
|                                   | <u>Original</u>         | <u>Final</u>        |                           |                                       |
| <b>Revenues</b>                   |                         |                     |                           |                                       |
| Taxes                             | \$ 929,741              | \$ 929,741          | \$ 917,146                | \$ (12,595)                           |
| Intergovernmental                 | -                       | -                   | 14,668                    | 14,668                                |
| <b>Total Revenues</b>             | <b>\$ 929,741</b>       | <b>\$ 929,741</b>   | <b>\$ 931,814</b>         | <b>\$ 2,073</b>                       |
| <b>Expenditures</b>               |                         |                     |                           |                                       |
| <b>Debt service</b>               |                         |                     |                           |                                       |
| Principal                         | \$ 835,000              | \$ 835,000          | \$ 835,000                | \$ -                                  |
| Interest                          | 47,973                  | 47,973              | 48,423                    | (450)                                 |
| <b>Total Expenditures</b>         | <b>\$ 882,973</b>       | <b>\$ 882,973</b>   | <b>\$ 883,423</b>         | <b>\$ (450)</b>                       |
| <b>Net Change in Fund Balance</b> | <b>\$ 46,768</b>        | <b>\$ 46,768</b>    | <b>\$ 48,391</b>          | <b>\$ 1,623</b>                       |
| <b>Fund Balance - January 1</b>   | <b>1,028,929</b>        | <b>1,028,929</b>    | <b>1,028,929</b>          | <b>-</b>                              |
| <b>Fund Balance - December 31</b> | <b>\$ 1,075,697</b>     | <b>\$ 1,075,697</b> | <b>\$ 1,077,320</b>       | <b>\$ 1,623</b>                       |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-13*

**BUDGETARY COMPARISON SCHEDULE  
SHERIFF OPERATIONS DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|                                   | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|-----------------------------------|-------------------------|-------------------|---------------------------|---------------------------------------|
|                                   | <u>Original</u>         | <u>Final</u>      |                           |                                       |
| <b>Revenues</b>                   |                         |                   |                           |                                       |
| Taxes                             | \$ 525,840              | \$ 525,840        | \$ 514,949                | \$ (10,891)                           |
| Intergovernmental                 | -                       | -                 | 8,304                     | 8,304                                 |
| <b>Total Revenues</b>             | <b>\$ 525,840</b>       | <b>\$ 525,840</b> | <b>\$ 523,253</b>         | <b>\$ (2,587)</b>                     |
| <b>Expenditures</b>               |                         |                   |                           |                                       |
| <b>Debt service</b>               |                         |                   |                           |                                       |
| Principal                         | \$ 335,000              | \$ 335,000        | \$ 335,000                | \$ -                                  |
| Interest                          | 157,500                 | 157,500           | 157,500                   | -                                     |
| <b>Total Expenditures</b>         | <b>\$ 492,500</b>       | <b>\$ 492,500</b> | <b>\$ 492,500</b>         | <b>\$ -</b>                           |
| <b>Net Change in Fund Balance</b> | <b>\$ 33,340</b>        | <b>\$ 33,340</b>  | <b>\$ 30,753</b>          | <b>\$ (2,587)</b>                     |
| <b>Fund Balance - January 1</b>   | <b>505,918</b>          | <b>505,918</b>    | <b>505,918</b>            | <b>-</b>                              |
| <b>Fund Balance - December 31</b> | <b>\$ 539,258</b>       | <b>\$ 539,258</b> | <b>\$ 536,671</b>         | <b>\$ (2,587)</b>                     |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-14*

**BUDGETARY COMPARISON SCHEDULE  
VETERANS HOME DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|                                   | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|-----------------------------------|-------------------------|-------------------|---------------------------|---------------------------------------|
|                                   | <u>Original</u>         | <u>Final</u>      |                           |                                       |
| <b>Revenues</b>                   |                         |                   |                           |                                       |
| Taxes                             | \$ 130,000              | \$ 130,000        | \$ 128,400                | \$ (1,600)                            |
| Intergovernmental                 | -                       | -                 | 2,052                     | 2,052                                 |
| <b>Total Revenues</b>             | <b>\$ 130,000</b>       | <b>\$ 130,000</b> | <b>\$ 130,452</b>         | <b>\$ 452</b>                         |
| <b>Expenditures</b>               |                         |                   |                           |                                       |
| <b>Debt service</b>               |                         |                   |                           |                                       |
| Principal                         | \$ 115,000              | \$ 115,000        | \$ 115,000                | \$ -                                  |
| Interest                          | 10,778                  | 10,778            | 11,227                    | (449)                                 |
| <b>Total Expenditures</b>         | <b>\$ 125,778</b>       | <b>\$ 125,778</b> | <b>\$ 126,227</b>         | <b>\$ (449)</b>                       |
| <b>Net Change in Fund Balance</b> | <b>\$ 4,222</b>         | <b>\$ 4,222</b>   | <b>\$ 4,225</b>           | <b>\$ 3</b>                           |
| <b>Fund Balance - January 1</b>   | <b>157,907</b>          | <b>157,907</b>    | <b>157,907</b>            | <b>-</b>                              |
| <b>Fund Balance - December 31</b> | <b>\$ 162,129</b>       | <b>\$ 162,129</b> | <b>\$ 162,132</b>         | <b>\$ 3</b>                           |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT B-15*

**BUDGETARY COMPARISON SCHEDULE  
MASTER FACILITY CONSTRUCTION DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|   | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget</u> |
|---|-------------------------|-------------------|---------------------------|---------------------------------------|
|   | <u>Original</u>         | <u>Final</u>      |                           |                                       |
| <b>Revenues</b>   |                         |                   |                           |                                       |
| Taxes   | \$ 118,283              | \$ 118,283        | \$ 116,196                | \$ (2,087)                            |
| Intergovernmental                                       | -                       | -                 | 1,863                     | 1,863                                 |
| Investment earnings                                     | -                       | -                 | 69                        | 69                                    |
|   | <u>          </u>       | <u>          </u> | <u>          </u>         | <u>          </u>                     |
| <b>Total Revenues</b>                                   | <b>\$ 118,283</b>       | <b>\$ 118,283</b> | <b>\$ 118,128</b>         | <b>\$ (155)</b>                       |
| <b>Expenditures</b>                                     |                         |                   |                           |                                       |
| <b>Debt service</b>                                     |                         |                   |                           |                                       |
| Interest  | 112,650                 | 112,650           | 113,100                   | (450)                                 |
|   | <u>          </u>       | <u>          </u> | <u>          </u>         | <u>          </u>                     |
| <b>Excess of Revenues Over (Under)<br/>Expenditures</b> | <b>\$ 5,633</b>         | <b>\$ 5,633</b>   | <b>\$ 5,028</b>           | <b>\$ (605)</b>                       |
| <b>Other Financing Sources (Uses)</b>                   |                         |                   |                           |                                       |
| Transfers in  | -                       | -                 | 189                       | 189                                   |
|   | <u>          </u>       | <u>          </u> | <u>          </u>         | <u>          </u>                     |
| <b>Net Change in Fund Balance</b>                       | <b>\$ 5,633</b>         | <b>\$ 5,633</b>   | <b>\$ 5,217</b>           | <b>\$ (416)</b>                       |
| <b>Fund Balance - January 1</b>                         | <b>62,486</b>           | <b>62,486</b>     | <b>62,486</b>             | <b>-</b>                              |
|   | <u>          </u>       | <u>          </u> | <u>          </u>         | <u>          </u>                     |
| <b>Fund Balance - December 31</b>                       | <b>\$ 68,119</b>        | <b>\$ 68,119</b>  | <b>\$ 67,703</b>          | <b>\$ (416)</b>                       |
|   | <u>          </u>       | <u>          </u> | <u>          </u>         | <u>          </u>                     |

**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, 2014**

|  | <b>Balance<br/>January 1</b> | <b>Additions</b>     | <b>Deductions</b>    | <b>Balance<br/>December 31</b> |
|--|------------------------------|----------------------|----------------------|--------------------------------|
| <b><u>FAMILY SERVICES COLLABORATIVE<br/>FUND</u></b> |                              |                      |                      |                                |
| <b><u>Assets</u></b>                                 |                              |                      |                      |                                |
| Cash and pooled investments                          | \$ 355,180                   | \$ 303,872           | \$ 285,547           | \$ 373,505                     |
| Due from other funds                                 | 75                           | 77                   | 75                   | 77                             |
| <b>Total Assets</b>                                  | <b>\$ 355,255</b>            | <b>\$ 303,949</b>    | <b>\$ 285,622</b>    | <b>\$ 373,582</b>              |
| <b><u>Liabilities</u></b>                            |                              |                      |                      |                                |
| Accounts payable                                     | \$ 2,942                     | \$ 48,948            | \$ 2,942             | \$ 48,948                      |
| Due to other governments                             | 352,313                      | 255,001              | 282,680              | 324,634                        |
| <b>Total Liabilities</b>                             | <b>\$ 355,255</b>            | <b>\$ 303,949</b>    | <b>\$ 285,622</b>    | <b>\$ 373,582</b>              |
| <br><b><u>MORTGAGE REGISTRATION FUND</u></b>         |                              |                      |                      |                                |
| <b><u>Assets</u></b>                                 |                              |                      |                      |                                |
| Cash and pooled investments                          | \$ 127,042                   | \$ 1,084,200         | \$ 1,073,282         | \$ 137,960                     |
| <b><u>Liabilities</u></b>                            |                              |                      |                      |                                |
| Due to other governments                             | \$ 127,042                   | \$ 1,084,200         | \$ 1,073,282         | \$ 137,960                     |
| <br><b><u>STATE REVENUE</u></b>                      |                              |                      |                      |                                |
| <b><u>Assets</u></b>                                 |                              |                      |                      |                                |
| Cash and pooled investments                          | \$ 127,677                   | \$ 6,850,184         | \$ 10,418,497        | \$ (3,440,636)                 |
| Due from other funds                                 | 9                            | 3,571,752            | 9                    | 3,571,752                      |
| <b>Total Assets</b>                                  | <b>\$ 127,686</b>            | <b>\$ 10,421,936</b> | <b>\$ 10,418,506</b> | <b>\$ 131,116</b>              |
| <b><u>Liabilities</u></b>                            |                              |                      |                      |                                |
| Due to other governments                             | \$ 127,686                   | \$ 10,421,936        | \$ 10,418,506        | \$ 131,116                     |

**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, 2014**

|  | <b>Balance<br/>January 1</b> | <b>Additions</b>     | <b>Deductions</b>    | <b>Balance<br/>December 31</b> |
|--|------------------------------|----------------------|----------------------|--------------------------------|
| <b><u>TAXES AND PENALTIES FUND</u></b>   |                              |                      |                      |                                |
| <b><u>Assets</u></b>                     |                              |                      |                      |                                |
| Cash and pooled investments              | \$ 1,054,240                 | \$ 87,766,900        | \$ 84,261,856        | \$ 4,559,284                   |
| <b><u>Liabilities</u></b>                |                              |                      |                      |                                |
| Due to other funds                       | \$ -                         | \$ 3,571,743         | \$ -                 | \$ 3,571,743                   |
| Due to other governments                 | 1,054,240                    | 84,195,157           | 84,261,856           | 987,541                        |
| <b>Total Liabilities</b>                 | <b>\$ 1,054,240</b>          | <b>\$ 87,766,900</b> | <b>\$ 84,261,856</b> | <b>\$ 4,559,284</b>            |
| <br><b><u>TOTAL ALL AGENCY FUNDS</u></b> |                              |                      |                      |                                |
| <b><u>Assets</u></b>                     |                              |                      |                      |                                |
| Cash and pooled investments              | \$ 1,664,139                 | \$ 96,005,156        | \$ 96,039,182        | \$ 1,630,113                   |
| Due from other funds                     | 84                           | 3,571,829            | 84                   | 3,571,829                      |
| <b>Total Assets</b>                      | <b>\$ 1,664,223</b>          | <b>\$ 99,576,985</b> | <b>\$ 96,039,266</b> | <b>\$ 5,201,942</b>            |
| <b><u>Liabilities</u></b>                |                              |                      |                      |                                |
| Accounts payable                         | \$ 2,942                     | \$ 48,948            | \$ 2,942             | \$ 48,948                      |
| Due to other funds                       | -                            | 3,571,743            | -                    | 3,571,743                      |
| Due to other governments                 | 1,661,281                    | 95,956,294           | 96,036,324           | 1,581,251                      |
| <b>Total Liabilities</b>                 | <b>\$ 1,664,223</b>          | <b>\$ 99,576,985</b> | <b>\$ 96,039,266</b> | <b>\$ 5,201,942</b>            |

## **OTHER SCHEDULES**

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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT D-1**

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2014**

|  | <u>Number</u> | <u>Interest<br/>Rate (%)</u> | <u>Maturity Dates</u>                     | <u>Fair Value</u>    |
|--|---------------|------------------------------|---|----------------------|
| <b>Cash and Pooled Investments</b>                 |               |                              |   |                      |
| Noninterest-bearing checking                       | -             | -                            | Continuous                                | \$ 50,000            |
| Interest-bearing checking                          | Seven         | Varies                       | Continuous                                | 14,979,979           |
| Certificates of deposit                            | Forty-one     | 0.08 to 0.90                 | January 12, 2015 to<br>August 29, 2016    | 16,382,637           |
| Money market savings                               | Seven         | 0.05 to 0.74                 | Continuous                                | 900,501              |
| Cash held with broker                              | -             | -                            | Continuous                                | 2,282                |
| U.S. Treasury notes                                | Twelve        | 0.25 to 2.50                 | February 28, 2015 to<br>December 31, 2016 | 21,021,000           |
| U.S. Treasury bonds - stripped<br>interest payment | Two           | -                            | August 15, 2017 to<br>August 15, 2019     | 50,790               |
| Brokerage certificates of deposit                  | Seven         | 0.20 to 0.35                 | January 15, 2015 to<br>February 17, 2015  | 1,742,815            |
| Municipal obligation bonds                         | Three         | 4.00 to 5.00                 | February 1, 2015                          | 270,871              |
| <b>Total Cash and Pooled Investments</b>           |               |                              |   | <b>\$ 55,400,875</b> |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**BALANCE SHEET - BY DITCH  
COUNTY DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2014**

|                         | Assets                            |                       |                                |                   |                   |
|-------------------------|-----------------------------------|-----------------------|--------------------------------|-------------------|-------------------|
|                         | Cash<br>and Pooled<br>Investments | Undistributed<br>Cash | Special Assessments Receivable |                   | Total             |
|                         |                                   |                       | Delinquent                     | Deferred          |                   |
| <b>Judicial Ditches</b> |                                   |                       |                                |                   |                   |
| 2                       | \$ 49,515                         | \$ 75                 | \$ 19                          | \$ 7,777          | \$ 57,386         |
| 3                       | 92                                | -                     | -                              | -                 | 92                |
| <b>County Ditches</b>   |                                   |                       |                                |                   |                   |
| 4                       | 40,648                            | 277                   | 1,898                          | 6,000             | 48,823            |
| 5                       | 7,666                             | 59                    | -                              | 4,486             | 12,211            |
| 11                      | 9,261                             | -                     | -                              | 1,200             | 10,461            |
| 12                      | 23,895                            | 72                    | 28                             | 2,000             | 25,995            |
| 14                      | 30                                | -                     | -                              | -                 | 30                |
| 15/28                   | -                                 | -                     | -                              | 40,000            | 40,000            |
| 16                      | 4,867                             | 1,010                 | 606                            | 50,118            | 56,601            |
| 18                      | -                                 | -                     | -                              | -                 | -                 |
| 21                      | 21,341                            | 183                   | 68                             | 10,000            | 31,592            |
| 23                      | -                                 | -                     | -                              | -                 | -                 |
| 25                      | -                                 | -                     | -                              | 95,000            | 95,000            |
| 28                      | -                                 | -                     | -                              | -                 | -                 |
| 29                      | 7,459                             | 191                   | 74                             | 5,000             | 12,724            |
| 36                      | -                                 | -                     | -                              | -                 | -                 |
| 37                      | 4,667                             | 1,005                 | 51                             | 11,103            | 16,826            |
| 38                      | 7,900                             | 558                   | 696                            | 20,000            | 29,154            |
| 39                      | 3,081                             | 36                    | -                              | 6,666             | 9,783             |
| 41/65                   | 11,326                            | 59                    | 300                            | 29,182            | 40,867            |
| 43                      | 6,202                             | -                     | 18                             | 4,390             | 10,610            |
| 44                      | -                                 | -                     | -                              | -                 | -                 |
| 45                      | -                                 | -                     | -                              | -                 | -                 |
| 52                      | 6,902                             | 6                     | -                              | 3,000             | 9,908             |
| 53                      | 24,240                            | -                     | -                              | 5,000             | 29,240            |
| 54                      | 92                                | -                     | -                              | -                 | 92                |
| 56                      | 18,930                            | 1                     | -                              | 5,000             | 23,931            |
| 59                      | 146                               | -                     | -                              | -                 | 146               |
| 62                      | 154                               | -                     | -                              | -                 | 154               |
| 63                      | 5,538                             | -                     | 7                              | -                 | 5,545             |
| 68                      | -                                 | -                     | -                              | -                 | -                 |
| 70                      | 4,576                             | 552                   | 576                            | 18,606            | 24,310            |
| <b>Total</b>            | <b>\$ 258,528</b>                 | <b>\$ 4,084</b>       | <b>\$ 4,341</b>                | <b>\$ 324,528</b> | <b>\$ 591,481</b> |

**EXHIBIT D-2**

| <b>Liabilities and Deferred Inflows of Resources</b> |                               |   |                                |                   |                         | <b>Total Liabilities,<br/>Deferred<br/>Inflows of<br/>Resources, and<br/>Fund Balance</b> |
|--|-------------------------------|---|--------------------------------|-------------------|-------------------------|---|
| <b>Accounts<br/>Payable</b>                          | <b>Due to<br/>Other Funds</b> | <b>Advance<br/>from<br/>Other Funds</b> | <b>Unavailable<br/>Revenue</b> | <b>Total</b>      | <b>Fund<br/>Balance</b> |   |
| \$ -   | \$ -                          | \$ -                                    | \$ 7,787                       | \$ 7,787          | \$ 49,599               | \$ 57,386   |
| -  | -                             | -                                       | -                              | -                 | 92                      | 92  |
| -  | 36                            | -                                       | 7,898                          | 7,934             | 40,889                  | 48,823  |
| -  | -                             | -                                       | 4,486                          | 4,486             | 7,725                   | 12,211  |
| -  | -                             | -                                       | 1,200                          | 1,200             | 9,261                   | 10,461  |
| -  | -                             | -                                       | 2,028                          | 2,028             | 23,967                  | 25,995  |
| -  | -                             | -                                       | -                              | -                 | 30                      | 30  |
| -  | 771                           | 4,005                                   | 40,000                         | 44,776            | (4,776)                 | 40,000  |
| -  | -                             | 44,811                                  | 50,330                         | 95,141            | (38,540)                | 56,601  |
| -  | -                             | 2,123                                   | -                              | 2,123             | (2,123)                 | -   |
| 100  | 1,237                         | -                                       | 10,052                         | 11,389            | 20,203                  | 31,592  |
| -  | -                             | 10,878                                  | -                              | 10,878            | (10,878)                | -   |
| 725  | 339                           | 68,882                                  | 95,000                         | 164,946           | (69,946)                | 95,000  |
| -  | -                             | 14,979                                  | -                              | 14,979            | (14,979)                | -   |
| -  | -                             | -                                       | 5,074                          | 5,074             | 7,650                   | 12,724  |
| -  | -                             | 1,586                                   | -                              | 1,586             | (1,586)                 | -   |
| -  | -                             | 18,593                                  | 11,154                         | 29,747            | (12,921)                | 16,826  |
| -  | -                             | 2,687                                   | 20,696                         | 23,383            | 5,771                   | 29,154  |
| -  | -                             | 6,132                                   | 6,666                          | 12,798            | (3,015)                 | 9,783   |
| -  | 439                           | 19,894                                  | 29,323                         | 49,656            | (8,789)                 | 40,867  |
| -  | -                             | -                                       | 4,408                          | 4,408             | 6,202                   | 10,610  |
| -  | 539                           | -                                       | -                              | 539               | (539)                   | -   |
| -  | 148                           | -                                       | -                              | 148               | (148)                   | -   |
| -  | -                             | -                                       | 3,000                          | 3,000             | 6,908                   | 9,908   |
| -  | -                             | -                                       | 5,000                          | 5,000             | 24,240                  | 29,240  |
| -  | -                             | -                                       | -                              | -                 | 92                      | 92  |
| -  | -                             | -                                       | 5,000                          | 5,000             | 18,931                  | 23,931  |
| -  | -                             | -                                       | -                              | -                 | 146                     | 146   |
| -  | -                             | -                                       | -                              | -                 | 154                     | 154   |
| -  | 371                           | -                                       | 7                              | 378               | 5,167                   | 5,545   |
| -  | -                             | 5,693                                   | -                              | 5,693             | (5,693)                 | -   |
| -  | 428                           | 12,814                                  | 18,827                         | 32,069            | (7,759)                 | 24,310  |
| <b>\$ 825</b>  | <b>\$ 4,308</b>               | <b>\$ 213,077</b>                       | <b>\$ 327,936</b>              | <b>\$ 546,146</b> | <b>\$ 45,335</b>        | <b>\$ 591,481</b>   |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT D-3*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|  | <u>Governmental<br/>Funds</u> | <u>Enterprise<br/>Fund</u> | <u>All<br/>Funds</u> |
|--|-------------------------------|----------------------------|----------------------|
| <b>Shared Revenue</b>                      |                               |                            |                      |
| <b>State</b>                               |                               |                            |                      |
| Highway users tax                          | \$ 10,522,884                 | \$ -                       | \$ 10,522,884        |
| County program aid                         | 2,084,096                     | -                          | 2,084,096            |
| PERA rate reimbursement                    | 64,946                        | -                          | 64,946               |
| Police aid                                 | 236,730                       | -                          | 236,730              |
| Market value credit                        | 469,704                       | -                          | 469,704              |
| Disparity reduction aid                    | 13,256                        | -                          | 13,256               |
| Aquatic invasive species aid               | 220,018                       | -                          | 220,018              |
| <b>Total shared revenue</b>                | <b>\$ 13,611,634</b>          | <b>\$ -</b>                | <b>\$ 13,611,634</b> |
| <b>Reimbursement for Services</b>          |                               |                            |                      |
| <b>State</b>                               |                               |                            |                      |
| Minnesota Department of Human Services     | \$ 1,135,539                  | \$ -                       | \$ 1,135,539         |
| <b>Payments</b>                            |                               |                            |                      |
| <b>Local</b>                               |                               |                            |                      |
| Payments in lieu of taxes                  | \$ 547,888                    | \$ -                       | \$ 547,888           |
| <b>Grants</b>                              |                               |                            |                      |
| <b>State</b>                               |                               |                            |                      |
| Minnesota Department/Board of              |                               |                            |                      |
| Agriculture                                | \$ 61,254                     | \$ -                       | \$ 61,254            |
| Corrections                                | 251,756                       | -                          | 251,756              |
| Public Safety                              | 153,792                       | -                          | 153,792              |
| Revenue                                    | 3,529                         | -                          | 3,529                |
| Transportation                             | 44,917                        | -                          | 44,917               |
| Health                                     | 322,568                       | -                          | 322,568              |
| Trial Courts                               | 1,246                         | -                          | 1,246                |
| Veterans Affairs                           | 15,000                        | -                          | 15,000               |
| Natural Resources                          | 245,858                       | -                          | 245,858              |
| Human Services                             | 4,104,430                     | -                          | 4,104,430            |
| Water and Soil Resources                   | 211,800                       | -                          | 211,800              |
| Peace Officer Standards and Training Board | 9,654                         | -                          | 9,654                |
| Minnesota Pollution Control Agency         | -                             | 196,489                    | 196,489              |
| <b>Total state</b>                         | <b>\$ 5,425,804</b>           | <b>\$ 196,489</b>          | <b>\$ 5,622,293</b>  |



**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

*EXHIBIT D-3  
(Continued)*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2014**

|  | <u>Governmental<br/>Funds</u> | <u>Enterprise<br/>Fund</u> | <u>All<br/>Funds</u> |
|--|-------------------------------|----------------------------|----------------------|
| <b>Grants (Continued)</b>              |                               |                            |                      |
| <b>Federal</b>                         |                               |                            |                      |
| Department of                          |                               |                            |                      |
| Agriculture                            | \$ 723,234                    | \$ -                       | \$ 723,234           |
| Transportation                         | 1,867,953                     | -                          | 1,867,953            |
| Education                              | 2,288                         | -                          | 2,288                |
| Health and Human Services              | 3,990,713                     | -                          | 3,990,713            |
| Homeland Security                      | 41,917                        | -                          | 41,917               |
| <b>Total federal</b>                   | <u>\$ 6,626,105</u>           | <u>\$ -</u>                | <u>\$ 6,626,105</u>  |
| <b>Total state and federal grants</b>  | <u>\$ 12,051,909</u>          | <u>\$ 196,489</u>          | <u>\$ 12,248,398</u> |
| <b>Total Intergovernmental Revenue</b> | <u>\$ 27,346,970</u>          | <u>\$ 196,489</u>          | <u>\$ 27,543,459</u> |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT D-4**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

| <b>Federal Grantor<br/>Pass-Through Agency<br/>Grant Program Title</b>   | <b>Federal<br/>CFDA<br/>Number</b> | <b>Expenditures</b> |
|--|------------------------------------|---------------------|
| <b>U.S. Department of Agriculture</b>  |                                    |                     |
| Passed Through Minnesota Department of Health<br>Special Supplemental Nutrition Program for Women, Infants, and Children                                   | 10.557                             | \$ 264,424          |
| Passed Through Minnesota Department of Human Services<br>State Administrative Matching Grants for the Supplemental Nutrition Assistance Program            | 10.561                             | 458,810             |
| <b>Total U.S. Department of Agriculture</b>  |                                    | <b>\$ 723,234</b>   |
| <b>U.S. Department of Transportation</b>   |                                    |                     |
| Passed Through Minnesota Department of Transportation<br>Highway Planning and Construction   | 20.205                             | \$ 2,032,063        |
| Passed Through Minnesota Department of Public Safety<br>State and Community Highway Safety   | 20.600                             | 44,535              |
| Minimum Penalties for Repeat Offenders for Driving While Intoxicated   | 20.608                             | 126,024             |
| <b>Total U.S. Department of Transportation</b>   |                                    | <b>\$ 2,202,622</b> |
| <b>U.S. Department of Education</b>  |                                    |                     |
| Passed Through Minnesota Department of Health<br>Special Education - Grants for Infants and Families   | 84.181                             | <b>\$ 2,288</b>     |
| <b>U.S. Department of Health and Human Services</b>  |                                    |                     |
| Passed Through West Central Area Agency on Aging<br>Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers | 93.044                             | \$ 14,525           |
| Passed Through Minnesota Department of Health<br>Public Health Emergency Preparedness  | 93.069                             | 40,965              |
| Universal Newborn Hearing Screening  | 93.251                             | 400                 |
| Immunization Cooperative Agreements  | 93.268                             | 4,050               |
| Centers for Disease Control and Prevention - Investigations and Technical Assistance   | 93.283                             | 150                 |
| Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program  | 93.505                             | 5,557               |
| Temporary Assistance for Needy Families<br>(Total Temporary Assistance for Needy Families 93.558 \$488,060)  | 93.558                             | 75,831              |
| Maternal and Child Health Services Block Grant to the States   | 93.994                             | 56,047              |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**EXHIBIT D-4  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

| <b>Federal Grantor<br/>Pass-Through Agency<br/>Grant Program Title</b>   | <b>Federal<br/>CFDA<br/>Number</b> | <b>Expenditures</b> |
|--|------------------------------------|---------------------|
| <b>U.S. Department of Health and Human Services (Continued)</b>  |                                    |                     |
| Passed Through Clay-Wilkin Community Health Services   |                                    |                     |
| PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Prevention and Public Health Funds | 93.531                             | 54,177              |
| Passed Through Minnesota Department of Human Services  |                                    |                     |
| Promoting Safe and Stable Families   | 93.556                             | 13,639              |
| Temporary Assistance for Needy Families  | 93.558                             | 412,229             |
| (Total Temporary Assistance for Needy Families 93.558 \$488,060)   |                                    |                     |
| Child Support Enforcement  | 93.563                             | 1,065,328           |
| Refugee and Entrant Assistance - State-Administered Programs   | 93.566                             | 2,291               |
| Child Care and Development Block Grant   | 93.575                             | 14,478              |
| Stephanie Tubbs Jones Child Welfare Services Program   | 93.645                             | 8,989               |
| Foster Care Title IV-E   | 93.658                             | 151,423             |
| Social Services Block Grant  | 93.667                             | 393,935             |
| Chafee Foster Care Independence Program  | 93.674                             | 5,273               |
| Children's Health Insurance Program  | 93.767                             | 1,056               |
| Medical Assistance Program   | 93.778                             | 1,385,123           |
| Block Grants for Community Mental Health Services  | 93.958                             | 8,502               |
| Block Grants for Prevention and Treatment of Substance Abuse   | 93.959                             | 960                 |
| <b>Total U.S. Department of Health and Human Services</b>  |                                    | <b>\$ 3,714,928</b> |
| <b>U.S. Department of Homeland Security</b>  |                                    |                     |
| Passed Through Minnesota Department of Natural Resources   |                                    |                     |
| Boating Safety Financial Assistance  | 97.012                             | \$ 11,218           |
| Passed Through Minnesota Department of Public Safety   |                                    |                     |
| Emergency Management Performance Grants  | 97.042                             | 30,699              |
| <b>Total U.S. Department of Homeland Security</b>  |                                    | <b>\$ 41,917</b>    |
| <b>Total Federal Awards</b>  |                                    | <b>\$ 6,684,989</b> |

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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, 2014**

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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, 2014. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Reconciliation to Schedule of Intergovernmental Revenue

|  |                     |
|--|---------------------|
| Federal grant revenue per Schedule of Intergovernmental Revenue    | \$ 6,626,105        |
| Grants received more than 60 days after year-end, deferred in 2014 |                     |
| Highway Planning and Construction                                  | 349,523             |
| Child Care and Development Block Grant                             | 950                 |
| Grants deferred in 2013, recognized as revenue in 2014             |                     |
| Highway Planning and Construction                                  | (14,854)            |
| Foster Care Title IV-E   | (17,737)            |
| Medical Assistance Program   | (214,150)           |
| Temporary Assistance for Needy Families                            | <u>(44,848)</u>     |
| Expenditures Per Schedule of Expenditures of Federal Awards        | <u>\$ 6,684,989</u> |

**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

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5. Subrecipients

Otter Tail County did not pass any federal awards through to subrecipients in 2014.



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**OTTER TAIL COUNTY  
FERGUS FALLS, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2014**

**I. SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued: **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? **No**
- Significant deficiencies identified? **Yes**

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **Yes**

The major programs are:

|                                   |              |
|-----------------------------------|--------------|
| Highway Planning and Construction | CFDA #20.205 |
| Medical Assistance Program        | CFDA #93.778 |

The threshold for distinguishing between Types A and B programs was \$300,000.

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

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

### INTERNAL CONTROL

#### PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding 1996-006

#### Segregation of Duties

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

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

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

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

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

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

Client's Response:

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

Finding 2006-002

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 County's financial statements will not be prevented, or detected and corrected, on a timely basis.

**Condition:** During our audit, we identified material adjustments that resulted in significant changes to the County's financial statements. The County provides a general ledger and supporting schedules necessary to adjust to the modified accrual basis for fund level financial statements and to the full accrual basis for the government-wide 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.

**Effect:** The following audit adjustments were necessary to be recorded for December 31, 2014:

- Adjustments were necessary in the General Fund increasing assets by a net amount of \$1,727,716, decreasing liabilities by a net amount of \$374,984, increasing deferred inflows by \$900,824, and increasing fund balance by a net amount of \$1,201,876. The material accounts affected by this adjustment include: taxes receivable increased by \$988,000, salaries payable increased by \$1,229,972, due to other governments decreased by \$1,639,112, deferred inflows - unavailable revenues increased by \$900,824, and unassigned fund balance increased by \$1,931,987. The adjustments were necessary to set up the correct beginning fund balance.
- Adjustments were necessary in the Road and Bridge Special Revenue Fund increasing assets by a net amount of \$4,841,992, increasing liabilities by a net amount of \$1,295,668, increasing deferred inflows by \$1,700,260, and increasing fund balance by a net amount of \$1,846,064. The material accounts affected by this adjustment include: due from other governments increased by \$4,249,400, contracts payable increased by \$982,788, deferred inflows - unavailable revenues increased by \$1,700,260, and assigned fund balance increased by \$748,942. The adjustments were necessary to set up the correct beginning fund balance.
- Adjustments were necessary in the Capital Improvement Special Revenue Fund decreasing assets by a net amount of \$370,464, decreasing liabilities by a net amount of \$234,546, increasing deferred inflows by \$112,402, and decreasing fund balance by a net amount of \$248,320. The material accounts affected by this adjustment include: taxes receivable increased by \$143,042, due from other funds decreased by \$305,800, due from other governments decreased by \$166,260, accounts payable decreased by \$266,846, fund balance restricted for general government increased by \$302,000, fund balance restricted for E911 decreased by \$735,576, fund balance assigned for highways and streets increased by \$4,654,490, fund balance assigned for human services increased by \$166,604, fund balance assigned for public safety increased by \$627,368, fund balance assigned for general government increased by \$1,019,146, and unassigned fund balance decreased by \$6,322,702. The adjustments were necessary to set up the correct beginning fund balance.

- Adjustments were necessary in the Ditch Special Revenue Fund increasing assets by a net amount of \$350,392, increasing liabilities by a net amount of \$173,334, increasing deferred inflows by \$345,254, and decreasing fund balance by a net amount of \$168,196. The material accounts affected by this adjustment include: special assessments receivable - deferred increased by \$346,282, advance from other funds increased by \$327,682, deferred inflows - unavailable revenues increased by \$345,254, fund balance restricted for ditches increased by \$351,658, and unassigned revenues fund balance decreased by \$519,854. The adjustments were necessary to set up the correct beginning fund balance.
- Adjustments were necessary in the Government Service Center Debt Service Fund decreasing assets by a net amount of \$828,842, increasing deferred inflows by \$46,058, and decreasing fund balance by a net amount of \$874,900. The material accounts affected by this adjustment include: restricted cash with escrow agent decreased by \$920,000 and fund balance restricted for debt service decreased by \$874,900.
- An adjustment was necessary in the Prairie Lakes Municipal Solid Waste Authority Debt Service Fund increasing the advance to component unit by \$58,140,000, increasing unearned revenue by \$627,706, and increasing fund balance restricted for debt service by \$57,512,294. This adjustment was necessary to set up the correct beginning fund balance.
- An adjustment was necessary in the Construction Capital Projects Fund decreasing accounts payable by \$1,491,594, increasing contracts payable by \$1,993,930, and decreasing unassigned fund balance by \$502,336. This adjustment was necessary to set up the correct beginning fund balance.
- Adjustments were necessary in the Waste Management Enterprise Fund decreasing assets by a net amount of \$3,189,001, increasing liabilities by a net amount of \$323,534, and decreasing net position by a net amount of \$3,512,535. The material accounts affected by this adjustment include: restricted cash and pooled investments decreased by \$1,256,258, capital assets net of depreciation decreased by \$2,164,229, net position - investment in capital assets decreased by \$1,540,684, and unrestricted net position decreased by \$1,779,894. The adjustments were necessary to set up the correct beginning fund net position.
- An additional adjustment was necessary in the Waste Management Enterprise Fund to increase capital assets by \$319,803 to properly reflect the construction in progress for the phase 4 cell at the Henning landfill and the water main extension at the Fergus Falls transfer station.

**Cause:** Proposed audit adjustments, approved by the County, were provided to County staff to adjust the County general ledger to ensure ending balances in the general ledger agreed to the amounts reported for December 31, 2013. The entries were made in reverse of the proposed adjustments and were not detected by County staff. The additional adjustment in the Waste Management Enterprise Fund resulted when the person responsible for capital assets was not made aware of the construction in progress for each of the projects.

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

Client's Response:

*Otter Tail County Management, the Otter Tail County Auditor-Treasurer and the Otter Tail County Auditor-Treasurer's staff will continue to work to reinforce existing procedures and to implement new and/or improved procedures to ensure all postings to the account activities report are accurate and complete. Efforts have been made to bring those portions of the chart of accounts which are not in compliance with the COFARS numbering scheme into compliance and efforts have also been made to map the County's financial reporting software. A concerted effort will be made to review IFS monthly financial reports at the detailed level to help ensure that all financial transactions are being posted to the proper accounts and in accordance with generally accepted accounting principles and procedures. Internal controls will be reviewed and, if found necessary, additional controls will be established to ensure that the County's annual financial statements are reported in accordance with generally accepted accounting principles. Staff shortage is also a concern and efforts will be made to determine an adequate staffing level in the finance division.*

Finding 2008-001

Documenting and Monitoring Internal Controls

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

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

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

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

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

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

Client's Response:

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

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

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

Finding 2011-001

Network/Application Password Controls

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

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

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

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

**Cause:** Otter Tail County was recently updated to the IFS-PI application software. County management was not aware of some of the password implications of this change.

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



Client's Response:

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

Finding 2013-001

Jail Departmental Control Procedures

**Criteria:** Bank statements should be routinely reconciled with the cash balances recorded in the books of the account. County fees should be remitted timely to ensure they are deposited with the County Auditor-Treasurer and properly posted to the general ledger. Outstanding checks should be reviewed during the bank reconciliation process to determine if the check may still be cashed, if a duplicate check should be issued, or if the check should be written off and tracked for compliance with Minnesota statutes pertaining to unclaimed property.

**Condition:** The Otter Tail County Jail implemented the TurnKey Corrections system in 2007. Collections for inmates are placed in the TurnKey Corrections system to be used for booking fees, canteen purchases, over-the-counter medications, nursing visits, haircuts, and other miscellaneous items. Periodically, the collections are removed from the Turnkey Corrections' system and deposited at Security State Bank. Checks are written off the bank account to reimburse inmates for their unused balances upon release and to remit fees to the County. Otter Tail County Jail personnel now compare a monthly Statement Reconciliation Report from the TurnKey Corrections system to the monthly bank statement to ensure the monthly bank activity recorded in the Turnkey Corrections system matches the bank's recorded activity; however, there is still no reconciliation to any of the departments' subsidiary ledgers.

**Context:** The establishment and oversight of departmental control procedures is particularly important because generally, these smaller departments lack proper segregation of duties, which increases the risk of errors or fraud.

**Effect:** The balance in the account at Security State Bank accumulated to \$94,504 at December 31, 2013. On June 11, 2014, the Otter Tail County Jail remitted \$80,856 to the County Treasurer, described as County booking fees collected from June 2007 through May 2013, for posting to the County general ledger. On December 29, 2014, the Otter Tail County Jail remitted an additional \$25,000 to the County Treasurer, described as booking fees from July 2013 through June 2014, for posting to the County general ledger. The balance in the account at Security State Bank was \$27,403 at December 31, 2014. At December 31, 2013, the account had a large number of outstanding checks totaling \$3,746 dating back to 2008. During our follow up on July 14, 2015, we noted that there were additional outstanding checks totaling \$691 from 2014.

**Cause:** When the Otter Tail County Jail implemented the Turnkey Corrections system, it did not assess the risks of this change and properly design controls to ensure that not only the collections for the inmate accounts were properly accounted for, but that all fees collected for the County were also properly accounted for and remitted timely for posting into the County's general ledger. Review of County general ledger reports by the Jail Administrator did not reveal that the County booking fees were not being properly posted.

**Recommendation:** A reconciliation and review of all departmental bank accounts should be completed monthly to ensure the bank balances agree with the departments' subsidiary ledgers. The Jail Administrator should also review the fees posted to the County general ledger to ensure the fees collected within the department are receipted into the County general ledger timely and are posted to the correct revenue account. We further recommend a policy be established and approved to specify a time frame and process for handling outstanding checks considered uncollectible.

Client's Response:

*The Otter Tail County Sheriff and the Otter Tail County Jail Administrator agree that monthly reviews and reconciliations of all departmental bank accounts should be completed in a timely manner, balanced to departmental subsidiary ledgers, and collected funds should be receipted into the County's general ledger on a timely basis and to the proper revenue accounts. In response to this State Audit Finding, the Jail Administrator provided the following comments:*

*Going forward the following changes will be implemented:*

1. *All departmental bank accounts will be reviewed by the Assistant Jail Administrator by the 20th of each month to ensure the bank balances agree with all subsidiary ledgers.*
2. *The Jail Administrator will review the fees posted to the County general ledger to ensure the fees collected are receipted in the general ledger timely and are posted to the correct revenue account.*
3. *If outstanding checks are not cashed within one (1) year of date of issue, the Jail will attempt to contact the holder of the check. We will try to determine if the check may still be cashed, if a duplicate check should be issued, or if the check should be tracked for compliance with the State of Minnesota under the unclaimed property statute. If/when we make contact with a check holder of an outdated check, and they wish to have a check reissued, we will have them come in and sign a form indicating they will not cash the previous check.*

*The Otter Tail County Auditor-Treasurer's Office will contact the County Sheriff and the Jail Administrator to remind them of the process they had agreed to implement last year, to determine the current status of reconciliations and deposits and, if not current, to request that by current year-end, all reconciliations and deposits to the County's General Fund are up-to-date.*

### **III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

#### ITEMS ARISING THIS YEAR

Finding 2014-001

#### Davis-Bacon Act

**Program:** U.S. Department of Transportation's Highway Planning and Construction (CFDA No. 20.205)

**Pass-Through Agency:** Minnesota Department of Transportation

**Criteria:** The Davis-Bacon Act (23 U.S.C. 113) requires that contractors and subcontractors performing work on federal contracts in excess of \$2,000 pay their laborers and mechanics not less than the prevailing wage rates and fringe benefits listed in the contract's wage determination class. Each covered contractor and subcontractor must, on a weekly basis, provide a copy of the payrolls providing the information listed under recordkeeping for the preceding weekly payroll period for the County to review.

**Condition:** Otter Tail County received the certified payrolls from contractors and subcontractors, but for six of the seven projects that involved federal expenditures in 2014, the certified payrolls were not reviewed for compliance with the Davis-Bacon Act.

**Questioned Costs:** None.

**Context:** Otter Tail County entered into contracts with numerous vendors during the year for road construction projects funded by the Highway Planning and Construction Grant.

**Effect:** The County has not verified the contractors are complying with the prevailing wage rate requirements of the Davis-Bacon Act on these projects.

**Cause:** Personnel assigned to monitor compliance for the road construction projects funded by the Highway Planning and Construction Grant were unaware of the requirements.

**Recommendation:** We recommend that a supervisory monitoring process be established to ensure that compliance with the Davis-Bacon Act is being achieved. Documentation should exist to support the monitoring of and compliance with this requirement.

Corrective Action Plan:

Name of Contact Person Responsible for Correction Action:

*Charles H. Grotte, Assistant County Engineer*

Corrective Action Planned:

- A) *Inform County personnel responsible for monitoring compliance of projects funded by the Highway Planning and Construction Grant of this specific requirement.*
- B) *Review in a timely manner the certified payrolls as they are received from contractors and subcontractors for compliance with the Davis-Bacon Act.*
- C) *Create and place documentation in the file that each certified payroll was reviewed for compliance with the Davis-Bacon Act.*
- D) *Establish a supervisory monitoring process to ensure that County personnel responsible for monitoring these projects are in compliance with this specific requirement, as well as other requirements of the Davis-Bacon Act.*

Anticipated Completion Date:

*Immediate - July 29, 2015*

Finding 2014-002

Eligibility Testing

**Program:** U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778)

**Pass-Through Agency:** Minnesota Department of Human Services

**Criteria:** OMB Circular A-133 § .300(b) states that the auditee shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

**Condition:** The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility process. While periodic supervisory case reviews are performed to provide reasonable assurance of compliance with grant requirements for eligibility, not all documentation was available to support participant eligibility or, in other circumstances, the documentation maintained in the files did not match the information within the MAXIS system. The following instances were noted in our sample of 40 cases tested:

- One case had conflicting information between data entered in MAXIS and the documentation in the case file relating to a savings account balance. The bank statement in the case file showed a balance in excess of \$1,000; however, MAXIS showed a balance of \$.01.
- One case contained no documentation that the bank balance shown in MAXIS was ever verified.
- One case had conflicting information between the data entered in MAXIS and the documentation in the case file relating to an insurance policy. MAXIS showed an insurance policy; however, there was no documentation in the case file to support the client had an insurance policy. Additional systems were checked such as MMIS and MSHO, which verified the client did not have insurance and that MAXIS had not been updated to reflect this.
- One case file did not contain an application, so any information entered into MAXIS based on the application could not be verified.

**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 State of Minnesota contracts with the Social Services Department 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 participants.

**Effect:** The improper input of information into MAXIS and lack of follow-up of issues increases the risk that clients will receive benefits when they are not eligible.

**Cause:** Program personnel entering case information into MAXIS did not ensure all required information was input into MAXIS correctly or that all required information was obtained and/or retained.

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

Corrective Action Plan:

Name of Contact Person Responsible for Correction Action:

*Cheryl Ranum and Stacy Shebeck*

Corrective Action Planned:

- A) *All documents received by agency will be scanned within 24 hours.*
- B) *Policy will be reviewed with current staff.*
- C) *Update current training materials.*

Anticipated Completion Date:

- A) *Completed*
- B) *August 31, 2015*
- C) *December 31, 2015*

#### IV. OTHER FINDINGS AND RECOMMENDATIONS

##### A. MINNESOTA LEGAL COMPLIANCE

###### PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2013-005

###### Unclaimed Funds

**Criteria:** The Minnesota Unclaimed Property Law requires that uncashed vendor or refund checks be reported to the State after three years. The reporting requirements for unclaimed property and its payment to the Commissioner of the Minnesota Department of Commerce are detailed in Minn. Stat. §§ 345.41-.43.

**Condition:** At December 31, 2013, the Otter Tail County Jail was holding 197 uncashed checks written from March 18, 2008, through December 27, 2010. During our follow up on July 14, 2015, we were told that the County has not reported unclaimed property to the Commissioner of the Minnesota Department of Commerce.

**Context:** The 197 uncashed checks ranged in value from under \$1 to \$242 and totaled \$2,056. Since our previous audit, there were additional uncashed checks totaling \$565 from 2011 that should be added to the list of property to be reported to the Commissioner of the Minnesota Department of Commerce.

**Effect:** The County is not in compliance with Minn. Stat. §§ 345.41-.43.

**Cause:** The Otter Tail County Jail implemented the Turnkey Corrections system in 2007 to be used for booking fees, canteen purchases, over-the-counter medications, nursing visits, haircuts, and other miscellaneous items. Reconciliations of the bank balance to the Turnkey Corrections system or the departments' subsidiary ledgers have not been completed since the implementation of the Turnkey Corrections system.

**Recommendation:** We recommend the Jail Administrator file the required unclaimed property reports with the Commissioner of the Minnesota Department of Commerce and turn over any funds required to be remitted to the State.

Client's Response:

*The Otter Tail County Sheriff and the Otter Tail County Jail Administrator understand the importance of compliance with Minn. Stat. §§ 345.41-.43, and in response to this State Audit Finding, the Jail administrator provided the following comments:*

*Going forward the following changes will be implemented:*

*If outstanding checks are not cashed within one (1) year of date of issue, the Jail will attempt to contact the holder of the check. We will try to determine if the check may still be cashed, if a duplicate check should be issued, or if the check should be tracked for compliance with the State of Minnesota under the unclaimed property statute. If/when we make contact with a check holder of an outdated check, and they wish to have a check reissued, we will have them come in and sign a form indicating they will not cash the previous check.*

*The Otter Tail County Auditor-Treasurer's office will contact the County Sheriff and the Jail Administrator to remind them of the process they had agreed to implement last year and to determine the current status of the implementation of this process.*

ITEM ARISING THIS YEAR

Finding 2014-003

Fund Cash Balance Deficits

**Criteria:** As stated in Minn. Stat. § 385.04, payment of expenditures may be made only if money is available in the fund for that purpose. As provided by Minn. Stat. § 385.32, temporary fund transfers may be made with the approval of the County Board and County Auditor-Treasurer. The County Board has oversight responsibilities for the property, funds, and business of the County. The Board should be notified if a fund does not have sufficient money available to cover expenditures and provide temporary or permanent resources as needed for the fund.

**Condition:** At December 31, 2014, the Prairie Lakes Municipal Solid Waste Authority Debt Service Fund had a deficit cash balance of \$511,461, and the State Revenue Agency Fund had a deficit cash balance of \$3,440,636.



**Context:** If the County billed Prairie Lakes prior to making debt service payments and if the distribution of delinquent tax collections were correctly made from the Taxes and Penalties Agency Fund, these funds would have had sufficient cash at December 31, 2014, for payment of expenditures.

**Effect:** Allowing the payment of expenditures from the Prairie Lakes Debt Service Fund and the State Revenue Agency Fund when there was no money available in those funds resulted in deficit cash balances and a violation of Minn. Stat. § 385.04.

**Cause:** For the Prairie Lakes Municipal Solid Waste Authority Debt Service Fund, the County made the regular 2014 debt service payments, but did not bill the Prairie Lakes component unit for the second half until January 2015. For the State Revenue Agency Fund, a journal entry related to distribution of delinquent tax collections in the amount of \$3,633,739 was posted to the State Revenue Agency Fund, but a corresponding transfer from the Taxes and Penalties Agency Fund was not made until January 2015.

**Recommendation:** We recommend that the County bill Prairie Lakes prior to making debt service payments providing sufficient cash for those payments. We further recommend the County monitor the cash balances of each fund and investigate any cash deficit balances to determine if a correction is needed or if a temporary fund transfer, as provided by Minn. Stat. § 385.32, would be appropriate.

Client's Response:

*Otter Tail County's Management and the Otter Tail County Auditor-Treasurer are in complete agreement with this State Audit Finding and the State's recommendation. Both situations are the result of an oversight by the Otter Tail County Auditor-Treasurer. Prairie Lakes was billed prior to the debt service payment; however, the billing was not paid prior to the issuance of the debt service payment. The billing when received by Prairie Lakes was assumed to be informational and was not treated as an invoice. The Prairie Lakes staff assumed that a transfer of funds would be made with no further action required by them. The Otter Tail County Auditor-Treasurer's office was waiting for their approval to transfer the funds. After the debt service payment had been made, the Finance Division should have followed up with Prairie Lakes regarding the outstanding invoice, which when detected was corrected when the next debt service payment was invoiced. In regards to the State Revenue Agency Fund, the State's share of a current tax settlement was paid from the State Revenue Agency Fund, but the funds needed to cover that payment were not transferred from the Taxes and Penalties Fund. This should have been detected immediately when the current month in which the event occurred was closed.*

PREVIOUSLY REPORTED ITEMS RESOLVED

**Ditch Fund Cash Deficits (2013-002)**

Eleven of the 38 individual ditch systems had deficit cash balances at December 31, 2013, totaling \$15,881.

**Resolution**

None of the individual ditch systems had deficit cash balances at December 31, 2014.

**Depository Pledge Agreements (2013-003)**

During our previous audit, Otter Tail County could not provide depository pledge agreements for four banks at which collateral is held to cover deposits in excess of FDIC insurance at year-end, documenting compliance with Minn. Stat. § 118A.03, subd. 4.

**Resolution**

Otter Tail County provided depository pledge agreements for all banks at which collateral is held to cover deposits in excess of FDIC insurance for 2014, documenting compliance with Minn. Stat. § 118A.03, subd. 4.

**Collateral to Secure Deposits (2013-004)**

During our previous audit, deposits at First National Bank of Battle Lake were not adequately covered by collateral in accordance with Minn. Stat. § 118A.03. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit.

**Resolution**

All accounts tested had sufficient collateral to comply with Minn. Stat. § 118A.03 in 2014.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2009-002

Ditch Fund Balance Deficits

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

**Condition:** As of December 31, 2014, the County had individual ditch systems where liabilities exceeded assets, resulting in individual deficit fund balance amounts.

**Context:** Fourteen of the 32 individual ditch systems had deficit fund balances as of December 31, 2014, totaling \$181,692. Six of the ditch systems have sufficient current levies to cover the deficit; however the other eight ditch systems do not.

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

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

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

Client's Response:

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

C. OTHER ITEM FOR CONSIDERATION

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded liability, called the "net pension liability" on the face of the County's government-wide statement of financial position. The County's financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years--deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that will be reported in Otter Tail County's financial statements is an accounting estimate of the proportionate share of PERA's unfunded liability at a specific point in time. That number will change from year to year, and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by employers to report the net pension liability and deferred outflows/inflows of resources.



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

### Independent Auditor's Report

Board of County Commissioners  
Otter Tail County  
Fergus Falls, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Otter Tail County as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 18, 2015.

### **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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2006-002 to be a material weakness.

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 items 1996-006, 2008-001, 2011-001, and 2013-001 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 Political Subdivisions*, 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 Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as items 2013-005 and 2014-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

## **Other Matters**

Also included in the Schedule of Findings and Questioned Costs is a management practices comment and other item for consideration. We believe this recommendation and information to be of benefit to the County, and they are 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 have been included in the Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of This Report**

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

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 18, 2015

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

### Independent Auditor's Report

Board of County Commissioners  
Otter Tail County  
Fergus Falls, Minnesota

### **Report on Compliance for Each Major Federal Program**

We have audited Otter Tail County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 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, 2014. 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 the requirements of laws, regulations, contracts, and grants applicable to each of 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Otter Tail County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major Federal Program***

In our opinion, Otter Tail County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

### **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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002, that we consider to be significant deficiencies.

Otter Tail County's response to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs as Corrective Action Plans. Otter Tail County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 18, 2015