

OTWMD

Otter Tail Water Management District

Event: The OTWMD monthly board meeting

Location: Community Center building in Ottertail City, MN

Date: Jan 11, 2023

Time: 4:00pm

Officers present: Adm. Kvidt, Chairperson Johnson, Treas. Wheeler, Sec. Dean.

Board members present: Com. Bleichner, Com. Erwin, Com. Damrau

Board members absent: Com. Cannady,

Quorum: yes

Guests: Dean Birkeland, Carlson SV; Kyle Westergard, Chris LeClair, Land Management; Scott Ellingson, septic system designer.

Next Meeting Date: Feb 8, 2023

Agenda:

- 1. Meeting:** Called to order by Chair Johnson at 4pm.
- 2. Minutes:** Minutes were sent by email prior to meeting. Motion made to accept the minutes by Com. Erwin, 2nd by Com. Damrau. **Motion passed.**
- 3. Treasurer Report:** The report was presented by Treas. Wheeler.
Motion by Sec. Dean to accept the report; 2nd by Com. Bleichner,
Motion passed.

COH: Dec 31, 2022: \$7703,238.74 COH: ec 31, 2021: \$652,719.38
- 4. Pay Bills:** Bills were presented by Adm. Kvidt. Motion by Com. Damrau to pay the bills; 2nd by Com. Erwin **Motion passed.**
- 5. CDs:** Motion by Com. Erwin; 2nd by Com. Bleichner to transfer all CDS to 24 months @4% with First National Bank. Motion passed.

Meeting adjourned at 4:43pm

Cindy Dean, Sec.

Otter Tail Water Management District Monthly Meeting

Meeting Date: January 11th, 2023

Next Meeting Date: February 8th, 2023

Agenda:

- 1.** Open Meeting
- 2.** Approval of Minutes from Last Meeting
- 3.** Treasurer Report
- 4.** Pay Bills
 - a.** Transfer Money to:
 - 1/3/2023 Money Market to General Checking \$30,000.00
 - 1/9/2023 Money Market to Pumps & Controls \$20,000.00
- 5.** 2021 Audit Update:
 - a.** Dean Birkeland from Carlson SV is here to discuss the audit.
 - b.** Provided board with audit binder that Carlson SV Provided. It is also on the agenda.
 - c.** Board any questions for Dean?
- 6.** Scott Ellingson to discuss advanced systems and pretreatment systems with the District Board.
 - a.** Talk about what an advanced system and pretreatment system consists of.
 - b.** Costs of these systems.
 - c.** Any questions from the board?
- 7.** Interest Rates of District CD's:
 - a.** Harold Wheeler has been talking to First National Bank. He has the CD Totals in the Treasurer's Report broken down by the type of account they are in. Harold can you update us on what you found?
 - b.** Any other commissioners have an update from any research they've done with other banks since last months meeting? Update?
 - c.** What does the board want to do with our current CD's?
- 8.** Active Maintenance System Update:
 - a.** 38132 Eldorado Beach Road: District hired Outdoor Renovation for this replacement Project. Job to be done in 2023 Construction season.
 - b.** 36004 County Highway 72: District hired Ness Backhoe for this replacement project. Job to be done in 2023 construction season.
 - c.** 28141 State Highway 78: District hired SF Excavating for this replacement project. Job to be done in 2023 construction season.
 - d.** All bids submitted without electrical work included.
- 9.** Waiting to receive the lease agreement from the MN DNR for the Pleasure Park AMA for the district to sign and pay for. Once it is received I will bring it to the next board meeting.
 - a.** Emailed Jim Wolters a drawing of the septic system on the property they needed to finish writing up the new lease agreement. Will present it to the board when we receive it.
- 10.** Walker Lake Preserve: 38493 Preserve Way. This system is for a pavilion for the Walker Lake Preserve. It was missed being put on the property tax statements once this property went to a CIC. How does the board want this system to be billed? Jim Morgan sent out a document that is attached to the agenda showing the percent interest each individual parcel has in the pavilion system. Boards thoughts?
- 11.** Does the board want to send out passive pumping letters in the winter months, so pumpers aren't overwhelmed in the summer when we generally send them out? May need to rephrase the letter a

little to make sure they know it doesn't need to be pumped instantly but it is recommended they pump their tank every 3 years? Boards Thoughts?

12. Ordinances Changes Discussion:

- a. Holding tanks for Campers (RCU's)
- b. One-bedroom bigger drainfield sizing. Is it needed?
- c. Anything other changes the board wants to discuss?

13. MCIT Insurance Update Renewal for 2023. Bill is on the bill sheet. Check is for \$4542.00.

14. Will be working on sending out new property owner letters in the next couple of weeks. This list will be made up of the compliance inspections done in 2022 and the new systems install in 2022.

15. Ordered Tax Forms to fill out and mail. Will be completing these in the next couple of weeks.

16. 1/9/2023 Submitted the annual leave report to PERA for 2022.

17. 1/9/2023 Wayne Stein, Otter Tail County Auditor-Treasurer, had a couple of questions about some user fees on some properties. Went through his list of questions and responded back to him. Hopefully we are all set for the 2023 User Fee's being on the tax statements. The county will let us know if they have additional questions.

Administrator's Report:

1. 12/23/2022 26461 State Highway 78. Replaced both contactors in the dual alternating pump panel. The system appears to be working as it should be at this time. Due to freezing issues the past couple of winters only have 1 pump turned on. Will switch to the other pump if the line freezes. Will turn both pumps back on in the Spring 2023.
 - a. 12/28/2022 Homeowner called about alarm light being on last night but being off this morning. Visited the property this morning and tanks are at the correct level and system is operating as it should be at this time. Homeowner will call if they notice any further issues.
2. 12/27/2022 39013 Shoreview Lane. Septic backing up into home. Visited property and located septic tank in the snow. Tank is at the correct operating level. The homeowner ran water, and it never reached the septic tank. The issue appears to be a freeze or blockage in the sewer line between the tank and house. Homeowner to call a plumber to deal with the issue. They will call if they have any further issues or questions.

Otter Tail Water Management District Accounts Payable

1/11/2023			
Balance in General Account on Date of Monthly Meeting	\$	33,088.78	1/9/2022
Deposits made between December & January Monthly Meeting	\$	253.75	1/9/2022

General Fund Bills:

		Amount:	Check Number	
Alex Kvidt	Monthly Salary	\$ 3,813.29	46776	1/11/2023
Alex Kvidt	On-call/Balance of Salary	\$ 789.02	46777	1/11/2023
Alex Kvidt	Rent	\$ 375.00	46778	1/11/2023
Alex Kvidt	Mileage	\$ 271.88	46779	1/11/2023
Medica	Alex Kvidt Insurance	\$ 418.09	ACH	1/4/2023
Further	Alex Kvidt HSA	\$ 235.41	ACH	12/16/2022
Loren Hawes	On-call	\$ 268.28	46780	1/11/2023
Loren Hawes	Mileage	\$ -	na	
PERA	Contribution	\$ 1,010.34	ACH	1/4/2023
US Treasury	Federal Tax Deposit	\$ 2,054.17	ACH	1/3/2023
MN Dept of Revenue	State Tax Deposit	\$ 375.00	ACH	10/4/2023
Arvig	Internet/Phone	\$ 105.44	ACH	12/27/2022
MCIT	Insurance Renewal	\$ 4,542.00	46781	1/11/2023
Nelson Auto Collision	Work Truck Repairs	\$ 3,114.65	46775	1/2/2023
	Subtotal	\$ 17,372.57		

Credit Card Charges				
QuickBooks	Computer Program	\$ 30.00	ACH	12/4/2022
QuickBooks	Computer Program	\$ 30.00	ACH	1/2/2023
CyberSprout	Website	\$ 59.00	ACH	12/5/2022
Zoom	Computer Program	\$ 16.09	ACH	12/8/2022
Verizon	Cell Phones	\$ 69.56	ACH	12/24/2022
Adobe Acrobat	Computer Program	\$ 16.10	ACH	1/1/2023
Amazon	Septic Control Panel Parts	\$ 49.30	ACH	12/6/2022
GoDaddy	Domain Renewal	\$ 49.15	ACH	12/13/2022
MOWA	Membership Renewal	\$ 240.00	ACH	12/15/2022
Check for Credit Card Charges from General Account	To: First National Bank	\$ 559.20	46782	1/11/2023

Pumping Fund Fees				
	Amount in account at Meeting Date:	\$ 5,111.17		1/9/2022
	Subtotal:	\$ -		

Tanks & Lines Fees				
	Amount in account at Meeting Date:	\$ 10,367.57		1/9/2022
Gopher One	Gopher One Calls	\$ 1.35	1782	1/11/2023
J.D. Locating	Locates	\$ 28.50	1783	1/11/2023
	Subtotal	\$ 29.85		

Pumps & Controls Fees				
	Amount in account at Meeting Date:	\$ 22,530.28		1/9/2022
Tri State Pump & Control	Floats, Pumps, Adapter Flanges	\$ 18,740.59	1518	1/11/2022
	Subtotal:	\$ 18,740.59		

Total Bills Per Month \$

36,702.21

1/2/2023

**Otter Tail Water Management District
Treasurer's Report**

Checking Accounts	12/31/2022					Savings Acct	
	General Acct 4118	Tank/Line 7802	Pmps/Cntrls 7829	Pumping 7810	Money Mkt 0490	Rearing Pond 2140	Totals
Beginning balance December 1, 2022	\$16,899.91	\$8,009.27	\$4,647.56	\$5,300.05	\$277,540.30	\$10,938.13	\$323,335.22
Interest income for month	\$3.75	\$2.60	\$0.81	\$1.12	\$345.35	\$2.32	\$355.95
Receipts for month	\$6,728.86	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$6,728.86
Internal transfers	\$0.00	\$10,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$10,000.00
	\$23,632.52	\$18,011.87	\$4,648.37	\$5,301.17	\$277,885.65	\$10,940.45	\$340,420.03
December disbursements	\$13,571.49	\$5,694.30	\$2,118.09	\$190.00	\$0.00	\$0.00	\$21,573.88
Internal transfers	\$0.00	\$0.00	\$0.00	\$0.00	\$10,000.00	\$0.00	\$10,000.00
Ending balance December 31, 2022	\$10,061.03	\$12,317.57	\$2,530.28	\$5,111.17	\$267,885.65	\$10,940.45	\$308,846.15

Disbursements for month

11 checks	\$9,289.12	Gen Acct
7 ACH pymts	\$4,282.37	Gen Acct
5 checks	\$5,694.30	Tank/Line
2 checks	\$2,118.09	Pumps/Controls
1 check	\$190.00	Pumping

CD Summary

CD #	Int rate	Time period	Gen Acct	Tank/Line	Pmps/Cntrls	Pumping	Maturity Date
285	1.00%	18 Month		\$11,060.83			2/27/2024
286	1.00%	18 Month		\$11,060.83			2/27/2024
287	1.00%	18 Month		\$11,060.83			2/27/2024
288	1.00%	18 Month		\$11,060.83			2/27/2024
526	0.45%	12 Month				\$16,072.45	1/29/2023
527	0.45%	12 Month				\$10,714.96	1/29/2023
528	0.45%	12 Month		\$10,714.96			1/29/2023
529	0.45%	12 Month		\$10,714.96			1/29/2023
530	0.70%	24 Month		\$11,119.05			1/29/2024
531	0.70%	24 Month		\$11,119.05			1/29/2024
532	0.70%	24 Month		\$11,119.05			1/29/2024
533	0.70%	24 Month		\$11,119.05			1/29/2024
534	0.75%	24 Month		\$33,405.15			1/29/2024
535	0.75%	24 Month		\$33,405.15			1/29/2024
536	0.70%	24 Month			\$11,119.05		1/29/2024
537	0.70%	24 Month			\$11,119.05		1/29/2024
453	0.35%	6 Month			\$36,038.19		1/27/2023
454	0.35%	6 Month		\$56,631.44			1/27/2023
728	1.75%	12 Month			\$75,737.71		12/16/2023
CD TOTALS				\$233,591.18	\$134,014.00	\$26,787.41	\$394,392.59
SAVINGS TOTALS							\$10,940.45
ACCOUNT TOTALS			\$10,061.03	\$245,908.75	\$136,544.28	\$31,898.58	\$267,885.65
				\$10,940.45			\$703,238.74

TOTAL CASH ON HAND	\$703,238.74
12/31/2022	

12/31/2021	\$652,719.38
-------------------	---------------------

\$233,591.18 \$134,014.00 \$26,787.41

Account Id	Account Type	Description	Balance	Rate	Estimated Penalty	Anticipated Interest	Next Payment Date	Remarks	Maturity Date
1004118	Checking	Municipal NOW DDA	\$19,437.25		0.25%				
1007802	Checking	Municipal NOW DDA	\$18,009.27		0.25%				
1007810	Checking	Municipal NOW DDA	\$5,300.05		0.25%				
1007829	Checking	Municipal NOW DDA	\$4,647.56		0.25%				
6000490	Checking	Business MM Investor	\$267,540.30		1.50%				
31042140	Checking	Business MM Savings	\$10,938.13		0.25%				
62453	Time Deposit (CD)	6 MO (182 Days) CD	\$36,038.19	0.35%	31.45	55.76	1/27/2023	Matures: 1/27/23; A 1/27/2023	
62454	Time Deposit (CD)	6 MO (182 Days) CD	\$56,631.44	0.35%	49.42	98.83	1/27/2023	Matures: 1/27/23; A 1/27/2023	
100285	Time Deposit (CD)	18 Month CD	\$11,060.83	1.00%	55.15	55.76	2/27/2023	Matures: 2/27/24; A 2/27/2024	
100286	Time Deposit (CD)	18 Month CD	\$11,060.83	1.00%	55.15	55.76	2/27/2023	Matures: 2/27/24; A 2/27/2024	
100287	Time Deposit (CD)	18 Month CD	\$11,060.83	1.00%	55.15	55.76	2/27/2023	Matures: 2/27/24; A 2/27/2024	
100288	Time Deposit (CD)	18 Month CD	\$11,060.83	1.00%	55.15	55.76	2/27/2023	Matures: 2/27/24; A 2/27/2024	
100526	Time Deposit (CD)	12 Month CD	\$16,072.45	0.45%	18.03	34.46	1/29/2023	Matures: 1/29/23; A 1/29/2023	
100527	Time Deposit (CD)	12 Month CD	\$10,714.96	0.45%	12.02	24.31	1/29/2023	Matures: 1/29/23; A 1/29/2023	
100528	Time Deposit (CD)	12 Month CD	\$10,714.96	0.45%	12.02	24.31	1/29/2023	Matures: 1/29/23; A 1/29/2023	
100529	Time Deposit (CD)	12 Month CD	\$10,714.96	0.45%	12.02	24.31	1/29/2023	Matures: 1/29/23; A 1/29/2023	
100530	Time Deposit (CD)	24 Month CD	\$11,119.05	0.70%	38.81	39.24	1/29/2023	Matures: 1/29/24; A 1/29/2024	
100531	Time Deposit (CD)	24 Month CD	\$11,119.05	0.70%	38.81	39.24	1/29/2023	Matures: 1/29/24; A 1/29/2024	
100532	Time Deposit (CD)	24 Month CD	\$11,119.05	0.70%	38.81	39.24	1/29/2023	Matures: 1/29/24; A 1/29/2024	
100533	Time Deposit (CD)	24 Month CD	\$11,119.05	0.70%	38.81	39.24	1/29/2023	Matures: 1/29/24; A 1/29/2024	
100534	Time Deposit (CD)	24 Month CD	\$33,405.15	0.75%	124.93	126.3	1/29/2023	Matures: 1/29/24; A 1/29/2024	
100535	Time Deposit (CD)	24 Month CD	\$33,405.15	0.75%	124.93	126.3	1/29/2023	Matures: 1/29/24; A 1/29/2024	
100536	Time Deposit (CD)	24 Month CD	\$11,119.05	0.70%	38.81	39.24	1/29/2023	Matures: 1/29/24; A 1/29/2024	
100537	Time Deposit (CD)	24 Month CD	\$11,119.05	0.70%	38.81	39.24	1/29/2023	Matures: 1/29/24; A 1/29/2024	
100728	Time Deposit (CD)	12 Month CD	\$75,548.32	0.50%	94.18	189.39	12/16/2022	Matures: 12/16/22; A 12/16/2022	
			\$ 394,203.20		838.28				

Average Rate 0.9%

Available CD Rates

TERM	Rate	APY	Minimum Deposit
3 Month (91 Day)	\$500.00 & Above	1.89%	1.90%
6 Month (182 Day)	\$500.00 & Above	1.99%	2.00%
12 Month (1 Year)	\$500.00 \$9,999.99	1.70%	1.71%
	\$10,000.00 \$24,999.99	1.75%	1.76%
	\$25,000.00 & Above	2.99%	3.02%
18 Month (1 1/2 Year)	\$500.00 \$9,999.99	1.50%	1.51%
	\$10,000.00 \$24,999.99	1.60%	1.61%
	\$25,000.00 & Above	3.09%	3.11%
24 Month (2 Year)	\$500.00 \$9,999.99	1.60%	1.61%
	\$10,000.00 \$24,999.99	1.65%	1.66%
	\$25,000.00 & Above	4.00%	4.04%
30 Month	\$500.00 \$9,999.99	1.70%	1.71%
	\$10,000.00 & Above	3.45%	3.48%

Available Deposit Rates

SAVINGS	Rate	APY	Minimum Opening Deposit
Business Savings		0.10%	0.10%
Business Money Market Savings	\$500	0.20%	0.20%
	\$0.01 \$9,999.99	0.20%	0.20%
	\$10,000.00 \$24,999.99	0.25%	0.25%
	\$500 \$25,000.00 & above	0.40%	0.40%
CHECKING			
Municipal NOW Accounts		0.25%	0.25%
Municipal NOW Accounts			\$900.00
FNB Business Checking	\$500		\$100.00
	\$5,000.00 \$9,999.99	0.05%	0.05%
	\$10,000.00 \$24,999.99	0.10%	0.10%
	\$25,000.00 & above	0.15%	0.15%
Business Money Market Investor	\$500		\$25,000.00
	\$0.01 \$24,999.99	0.35%	0.35%
	\$25,000.00 \$99,999.99	1.05%	1.06%
	\$100,000.00 \$249,999.99	1.30%	1.31%
	\$250,000.00 & above	1.50%	1.51%

The table below shows the parcels and their interest in the septic field.

There are 25 parcels.

Each parcel should have 1/34, 2/34 or 6/34 of the cost allocated depending on the number of units.

Walker Lake Preserve Units

Legal	Nbr of Units	PID	Address
Unit 1	1	02000990824000	38502 Preserve Drive
Unit 2	1	02000990825000	38516 Preserve Drive
Unit 3	1	02000990826000	38542 Preserve Drive
Unit 4	1	02000990827000	38546 Preserve Drive
Unit 5	1	02000990828000	38682 Preserve Drive
Unit 6	1	02000990829000	38698 Preserve Drive
Unit 7	1	02000990830000	38726 Preserve Drive
Unit 8	1	02000990831000	38798 Preserve Drive
Unit 9	1	02000990832000	38808 Preserve Drive
Unit 10	1	02000990833000	38830 Preserve Drive
Unit 11	1	02000990834000	38878 Preserve Drive
Unit 12	1	02000990835000	38900 Preserve Drive
Unit 13	1	02000990836000	38900 Preserve Drive
Unit 14	2	02000990837000	38924 Preserve Drive
Unit 15	2	02000990838000	38950 Preserve Drive
Unit 16B	1	02000990839000	38943 Preserve Drive
Unit 16A	1	02000990839001	38943 Preserve Drive
Unit 17	2	02000990840000	38873 Preserve Drive
Unit 18	2	02000990841000	38873 Preserve Drive
Unit 19	1	02000990842000	38815 Preserve Drive
Unit 20	1	02000990843000	38795 Preserve Drive
Unit 21	1	02000990844000	38743 Preserve Drive
Unit 22	1	02000990845000	38721 Preserve Drive
Unit 23	1	02000990846000	38653 Preserve Drive
Unit 24	6	02000990847000	38493 Preserve Way
TOTAL	34		

**OTTER TAIL WATER
MANAGEMENT DISTRICT**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended December 31, 2021

**OTTER TAIL WATER MANAGEMENT DISTRICT
DISTRICT OFFICIALS**

Name	Office	Term Expires
Nancy Johnson	Chairman	2024
Cindy Dean	Secretary	2023
Harold Wheeler	Treasurer	2022
Jill Damrau	Director	2022
Dennis Jones	Director	2023
Robert Young	Director	2021
David Erwin	Director	2021
Rick Bleichner	Director	2022

Alex Kvidt

Executive Director

TABLE OF CONTENTS

INDEPENDENT AUDITOR’S REPORT	1
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	4
Statement of Activities.....	5
Fund Financial Statements	
Statement of Net Position	6
Statement of Revenues, Expenses, and Changes in Fund Net Position	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Contributions – Public Employees General Employees Fund	19
Schedule of Proportionate Share of Net Pension Liability – Public Employees General Employees Fund	20
Notes to Required Supplementary Information	21
OTHER REPORTS	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22
Schedule of Current Year Findings and Responses	24



INDEPENDENT AUDITOR'S REPORT

To the District Officials
Otter Tail Water Management District
Otter Tail, Minnesota

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of Otter Tail Water Management District as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Otter Tail Water Management District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of Otter Tail Water Management District, as of December 31, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Otter Tail Water Management District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Otter Tail Water Management District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Otter Tail Water Management District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2022, on our consideration of the District'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Fergus Falls, Minnesota
December 9, 2022

BASIC FINANCIAL STATEMENTS

OTTER TAIL WATER MANAGEMENT DISTRICT
STATEMENT OF NET POSITION
December 31, 2021

	Business-Type Activities
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 227,711
Designated cash and cash equivalents	409,904
Due from other governments	2,009
Special assessments receivable	1,757
Inventory	25,830
Total Current Assets	667,211
Noncurrent Assets	
Capital assets not being depreciated	186,730
Capital assets being depreciated, net	27,260
Total Noncurrent Assets	213,990
Total Assets	881,201
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrments	24,851
LIABILITIES	
Liabilities	
Current Liabilities	
Accounts payable	1,283
Noncurrent Liabilities	
Net pension liability	46,975
Total Liabilities	48,258
DEFERRED INFLOWS OF RESOURCES	
Pension deferrments	37,804
NET POSITION	
Net investment in capital assets	213,990
Unrestricted	606,000
TOTAL NET POSITION	\$ 819,990

(The accompanying notes are an integral part of these financial statements.)

OTTER TAIL WATER MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Business-Type Activities					
Water Management	\$ 352,530	\$ 340,827	\$ -	\$ -	\$ (11,703)
Total Business-Type Activities	<u>\$ 352,530</u>	<u>\$ 340,827</u>	<u>\$ -</u>	<u>\$ -</u>	(11,703)
General Revenues					
Investment earnings					5,731
Gain on disposal of assets					16,579
Total General Revenues					<u>22,310</u>
CHANGE IN NET POSITION					10,607
NET POSITION - BEGINNING, AS PREVIOUSLY STATED					868,892
PRIOR PERIOD ADJUSTMENT					<u>(59,509)</u>
NET POSITION - BEGINNING, AS RESTATED					<u>809,383</u>
NET POSITION, ENDING					<u>\$ 819,990</u>

(The accompanying notes are an integral part of these financial statements.)

OTTER TAIL WATER MANAGEMENT DISTRICT
STATEMENT OF NET POSITION
December 31, 2021

ASSETS

Current Assets

Cash and cash equivalents	\$ 227,711
Designated cash and cash equivalents	409,904
Due from other governments	2,009
Special assessments receivable	1,757
Inventory	25,830
Total Current Assets	667,211

Noncurrent Assets

Capital assets not being depreciated	186,730
Capital assets being depreciated	27,260
Total Noncurrent Assets	213,990
Total Assets	881,201

DEFERRED OUTFLOWS OF RESOURCES

Pension deferrals	24,851
-------------------	--------

LIABILITIES

Current Liabilities

Accounts payable	1,283
------------------	-------

Long-Term Liabilities

Net pension liability	46,975
Total Liabilities	48,258

DEFERRED INFLOWS OF RESOURCES

Pension deferrals	37,804
-------------------	--------

NET POSITION

Net investment in capital assets	213,990
Unrestricted	606,000
	819,990

NET POSITION	\$ 819,990
---------------------	-------------------

(The accompanying notes are an integral part of these financial statements.)

OTTER TAIL WATER MANAGEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2021

OPERATING REVENUE	
User fees	\$ 313,196
Permits	13,559
Inspection fees	11,329
Other charges for services	120
Other revenues	2,623
Total Revenues	340,827
 OPERATING EXPENSES	
Salaries and benefits	82,986
Payroll taxes	6,672
Employee benefits	7,380
Pension expense	(10,709)
Insurance	5,395
Rent	4,800
Professional fees	59
Information technology	2,537
Office supplies, printing and postage	7,709
Locating fees	27,563
Repairs and maintenance	204,770
Travel and vehicle expense	54
Commissioners meetings	4,799
Other	1,483
Depreciation	7,032
Total Expenses	352,530
OPERATING INCOME (LOSS)	(11,703)
 NONOPERATING REVENUES	
Interest income	5,731
Gain on disposal of assets	16,579
Total Nonoperating Revenues	22,310
CHANGE IN NET POSITION	10,607
NET POSITION - BEGINNING OF YEAR, AS PREVIOUSLY STATED	868,892
PRIOR-PERIOD ADJUSTMENT	(59,509)
NET POSITION - BEGINNING OF YEAR, AS RESTATED	809,383
NET POSITION - END OF YEAR	\$ 819,990

(The accompanying notes are an integral part of these financial statements.)

OTTER TAIL WATER MANAGEMENT DISTRICT
STATEMENT OF CASH FLOWS
Year Ended December 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 334,584
Payments to suppliers for goods and services	(220,558)
Payments to employees and related services	(146,257)
Other receipts	2,623
Net Cash Used by Operating Activities	<u>(29,608)</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(11,125)
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	<u>5,731</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(35,002)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>672,617</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 637,615</u></u>
 CASH AND CASH EQUIVALENTS	
Cash and cash equivalents	\$ 227,711
Designated cash and cash equivalents	<u>409,904</u>
TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 637,615</u></u>
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET	
CASH USED BY OPERATING ACTIVITIES	
Operating income (loss)	\$ (11,703)
Depreciation expense	7,032
Prior period adjustment	(59,509)
Adjustments to reconcile operating income to net cash used by operating activities	
Due from other governments	(2,009)
Special assessments receivable	5,629
Inventory	(17,001)
Deferred outflows of resources - pension deferrments	(24,851)
Accounts payable	(11,975)
Net pension liability	46,975
Deferred inflows of resources - pension deferrments	<u>37,804</u>
NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (29,608)</u></u>

(The accompanying notes are an integral part of these financial statements.)

OTTER TAIL WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The Otter Tail Water Management District (the District) was formed to administer the construction of a wastewater treatment facility for Otter Tail Lake and five surrounding lakes in conjunction with Otter Tail County. The District and Otter Tail County have entered into a joint powers agreement whereby the District will oversee the initial construction and subsequent maintenance of the sewer system.

Basis of Presentation and Basis of Accounting

The accounting policies of the District conform to accounting principles general accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses, excluding depreciation, are recorded when the liability is incurred, regardless of the timing of related cash flows.

The District's accounts are organized into one proprietary fund. The District's operations are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges. Operating revenues and expenses are distinguished from nonoperating items. Operating revenues and expenses generally result from providing services. Operating expenses include the cost of providing services, administrative services and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

The preparation of financial statements in conformity generally accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates, and those differences could be material.

Cash and Cash Equivalents (Including Temporary Investments)

The District's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in an investment portfolio which are invested for long-term purposes.

OTTER TAIL WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 1 – NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

User Fees

Delinquent user fees are certified to the County in October of each year and appear on the property tax statements of users the following year.

Inventories

Inventories consist of control panels and other parts on hand for replacement and repair. The inventory is recorded at cost using the first-in first-out method.

Capital Assets

Property constructed or acquired by purchase is stated at cost or estimated historical cost if actual historical cost is not available. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset life are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the assets using the straight line method.

Deferred Outflows of Resources and Deferred Inflows of Resources

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until a future period. In other instances, governments are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively.

The District reports deferred outflows (or inflows) of resources related to pension plans for changes in actuary measurements.

Net Position

Net position is displayed in three components:

1. Net investment in capital assets – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use, either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted – net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories.

OTTER TAIL WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 2 – DEPOSITS

In accordance with *Minnesota Statutes*, the District maintains deposits at those depositories that are members of the Federal Reserve System.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. Deposits in each local area bank are insured by the FDIC up to specified limits. All financial institutions acting as a depository for the District are required to pledge collateral to secure all District funds over and above amounts guaranteed by the FDIC. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral includes: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated “A” or better; revenue obligations of a state or local government rated “AA” or better; irrevocable standby letter of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. *Minnesota Statutes* require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District’s deposits may not be recovered. The District has adopted a policy to address custodial credit risk for deposits, requiring deposits to be made in accordance with state statutes. All of the bank balance was covered by federal depository insurance; therefore, as of year-end, the District is not exposed to custodial credit risk.

As of December 31, 2021, the bank balance, all deposits were insured or collateralized by securities held by the District’s agent in the District’s name.

As of December 31, 2021, cash and cash equivalents consisted of the following:

Cash in bank	\$ 24,646
Money market funds	223,852
Certificates of deposit	<u>389,117</u>
TOTAL CASH AND CASH EQUIVALENTS	<u><u>\$ 637,615</u></u>

OTTER TAIL WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 3 – CAPITAL ASSETS

Activity in capital assets for the District is as follows:

	<u>Balance</u> <u>12-31-2020</u>	<u>Additions</u>	<u>Removals</u>	<u>Balance</u> <u>12-31-2021</u>
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 186,730	\$ -	\$ -	\$ 186,730
Capital assets being depreciated				
Equipment	46,351	32,625	46,351	32,625
Infrastructure	5,439,527	-	-	5,439,527
	<u>5,485,878</u>	<u>32,625</u>	<u>46,351</u>	<u>5,472,152</u>
Less accumulated depreciation for				
Equipment	(40,915)	(6,461)	(41,395)	(5,981)
Infrastructure	(5,438,340)	(571)	-	(5,438,911)
	<u>(5,479,255)</u>	<u>(7,032)</u>	<u>(41,395)</u>	<u>(5,444,892)</u>
Total capital assets being depreciated net of accumulated depreciation	<u>6,623</u>	<u>25,593</u>	<u>4,956</u>	<u>27,260</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 193,353</u>	<u>\$ 25,593</u>	<u>\$ 4,956</u>	<u>\$ 213,990</u>

NOTE 4 – DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

All full-time and certain part-time employees of the District are covered by the General Employees Retirement Plan. General Employees Retirement Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested Terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

OTTER TAIL WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 4 – DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided (Continued)

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

General Employees Fund Contributions

Coordinated Plan members are required to contribute 6.50% of their annual covered salary in calendar year 2021 and the District was required to contribute 7.50% for Coordinated Plan members. The District's contributions to the General Employees Fund for the year ended December 31, 2021, were \$56,118. The District's contributions were equal to the required contributions as set by state statute.

OTTER TAIL WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 4 – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Costs

General Employees Fund Pension Costs

At December 31, 2021, the District reported a liability of \$46,975 for its proportionate share of the General Employees Fund’s net pension liability. The District’s net pension liability reflected a reduction due to the State of Minnesota’s contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state’s contribution meets the definition of a special funding situation. The State of Minnesota’s proportionate share of the net pension liability associated with the District totaled \$1,519.

The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District’s proportion of the net pension liability was based on the District’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA’s participating employers. The District’s proportionate share was 0.0011% at the end of the measurement period and 0.0011% for the beginning of the period.

District's proportionate share of the net pension liability	\$	46,975
State of Minnesota's proportionate share of the net pension liability associated with the District		1,519
TOTAL	\$	<u>48,494</u>

For the year ended December 31, 2021, the District recognized pension expense of \$3,946 for its proportionate share of General Employees Plan’s pension expense. In addition, the District recognized an additional \$123 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16 million to the General Employees Fund.

OTTER TAIL WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 4 – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Costs (Continued)

At December 31, 2021, the District reported its proportionate share of the General Employees Plan’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 217	\$ 1,080
Changes in actuarial assumptions	21,511	780
Net collective difference between projected and actual investment earnings	-	32,823
Changes in proportion	-	3,121
Contributions paid to PERA subsequent to the measurement date	3,123	-
TOTAL	\$ 24,851	\$ 37,804

\$3,123 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Pension Expense Amount
Year Ended December 31:	
2022	\$ (5,449)
2023	(1,000)
2024	(749)
2025	(8,878)
TOTAL	\$ (16,076)

OTTER TAIL WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 4 – DEFINED BENEFIT PENSION PLAN (Continued)

Long-Term Expected Return on Investment

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.50%	5.10%
International equity	16.50%	5.30%
Fixed income	25.00%	0.75%
Private markets	25.00%	5.90%
TOTAL	100.00%	

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan.. Benefit increases after retirement are assumed to be 1.25% for the General Employees.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

OTTER TAIL WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 4 – DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Methods and Assumptions (Continued)

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2021:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

Discount Rate

The discount rate used to measure the total pension liability in June 30, 2021 was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

The following presents the District’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Sensitivity Analysis		
Net Pension Liability (Asset) at Different Discount Rates		
	General Employees Fund	
1% lower	5.50%	\$ 95,805
Current discount rate	6.50%	46,975
1% higher	7.50%	6,907

OTTER TAIL WATER MANAGEMENT DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2021

NOTE 4 – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Plan Fiduciary Net Position

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

NOTE 5 – DEFERRED COMPENSATION PLAN

During 1993, the District implemented an optional deferred compensation plan created in accordance with Internal Revenue Service code Section 457. The plan, available to all employees, permits employees to defer a portion of salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the District (without being restricted to the provisions of benefits under the plan), subject only to the claims of the District general creditors. Participants' rights under the plan are equal to those of general creditors of the District in the amount equal to the fair market value of the deferred account of each participant. The District has no liability for losses under the plan.

The plan is administered by the Minnesota State Retirement System.

NOTE 6 – PRIOR PERIOD ADJUSTMENT

The beginning net position was overstated in the prior year. This was due to the net pension liability and related pension deferrals not recorded in the prior year financial statements. The result of this prior period adjustment was to decrease the beginning net position by \$59,509.

REQUIRED SUPPLEMENTARY INFORMATION

**OTTER TAIL WATER MANAGEMENT DISTRICT
SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES GENERAL EMPLOYEES FUND
(Last Ten Years*)**

<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered- Employee Payroll (d)</u>	<u>Contributions as a Percentage of Covered- Employee Payroll (b/d)</u>
December 31, 2021	\$ 6,246	\$ 6,246	\$ -	\$ 83,280	7.50%

* Schedule is provided prospectively until ten years of data is available.

OTTER TAIL WATER MANAGEMENT DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES GENERAL EMPLOYEES FUND
(Last Ten Years*)

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the District (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the District (a+b)	Employer's Covered- Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2021	0.0011%	\$ 46,975	\$ 1,519	\$ 48,494	\$ 83,280	56.41%	87.00%

* Schedule is provided prospectively until ten years of data is available.

OTTER TAIL WATER MANAGEMENT DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2021

NOTE 1 – SCHEDULE OF CHANGES IN NET PENSION LIABILITIES AND RELATED RATIOS

General Employees Fund

2021 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.5% to 6.5%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

OTHER REPORTS



**INDEPENDENT AUDITOR’S 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***

To the District Officers
Otter Tail Water Management District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Otter Tail Water Management District as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated December 9, 2022.

Report on Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of current year findings and responses as items 2021-001, 2021-002, and 2021-003 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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

In connection with our audit, nothing came to our attention that caused us to believe that the District failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the District's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Otter Tail Water Management District's response to the findings identified in our audit and described in the accompanying schedule of current year findings and responses. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.



Fergus Falls, Minnesota
December 9, 2022

OTTER TAIL WATER MANAGEMENT DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
December 31, 2021

2021-001. Preparation of Financial Statements and Related Footnotes

Criteria: Internal controls over financial reporting include those related to the actual preparation and review of the audited financial statements. In order to prepare a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America, the preparer must have the necessary expertise.

Condition: The District does not have an internal control system designed to provide for the preparation of the financial statements being audited. District personnel do prepare periodic financial statements and other financial information for internal use that meet the needs of management and council. However, the District does not have the internal resources to prepare full-disclosure financial statements required by accounting standards generally accepted in the United States of America for external reporting. As auditors, we were requested to draft the financial statements and accompanying disclosures.

Cause: The District does not have the resources to compile its own financial statements.

Effect: This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Recommendation: This control deficiency is not unusual in a small entity. However, it is the responsibility of management and the Board to decide whether to accept the degree of risk associated with this condition based on the cost of correction and other considerations.

Management's Response and Actions Planned: The District's management is aware of this significant deficiency. Management reviews and approves the draft annual audited financial statements and distributes them to the users. For entities of this size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting. Management recognizes this and feels it is effectively handling its reporting responsibilities with the procedures described above.

OTTER TAIL WATER MANAGEMENT DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
Year Ended December 31, 2021

2021-002. Segregation of Duties

Criteria: Internal controls should be in place that provide reasonable assurance that proper segregation of duties is achieved.

Condition: The District has a limited number of office personnel and, accordingly, does not have adequate separation of duties in cash receipts, cash disbursements, accounts payable and purchasing, payroll and related liabilities, and general ledger maintenance and reconciliation. An effective internal control structure provides an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Cause: The District has a limited number of office personnel and inadequate internal controls.

Effect: The failure to properly segregate duties increases the risk that misstatements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Recommendation: While we recognize the District's office staff is not large enough to permit an adequate segregation of duties in all respects for an effective internal control structure, it is important that the District be aware of this condition and look for opportunities to improve segregation of duties or add mitigating controls to prevent material misstatement of the financial statements.

Management's Response and Actions Planned: The District's management is aware of this condition and believes that it is not economically feasible to attain the ideal segregation of duties. Management attempts to mitigate the associated risks by doing the following:

1. Identifying areas lacking segregation of duties and where there are higher risks of fraud occurring.
2. Implementing limited segregation to the extent possible to reduce risks without impairing efficiency.
3. Using the knowledge of management and the Board to review accounting records and reports.

OTTER TAIL WATER MANAGEMENT DISTRICT
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
Year Ended December 31, 2021

2021-003. Audit Adjustments

Condition: The District prepares a cash basis general ledger and adjustments are necessary to convert the cash basis general ledger to the accrual basis.

Cause: The District does not have the resources to prepare all required accrual adjusting entries.

Effect: Material audit adjustments were necessary to convert the cash basis records to the accrual basis for proprietary funds and the government-wide financial statements. All proposed audit adjustments were reviewed and approved by the designated District official and are reflected in the financial statements.

Recommendation: The District should review internal controls currently in place and improve internal controls over financial reporting which will prevent, or detect and correct misstatements to the financial statements.

Management's Response and Actions Planned: The District's management is aware of this significant deficiency. The District recognizes that the limited number of personnel makes it difficult to make all necessary adjustments.