OTWMD

Otter Tail Water Management District

Event: The OTWMD monthly board meeting minutes
Location: Community Center building in Ottertail City, MN
Date: Aug 13, 2025
Time: 4:00pm
Officers present: Adm. Kvidt, Chair. Johnson, Treas. Wheeler, Sec. Dean
Board members present: Com. Bleichner, Com. Cannady
Member absent: Com. Erwin, Com. Langren
Guests: Dean Birkeland
Quorum: yes
.**Next Meeting Date:** `Sep 10, 2025

1. **Meeting:** Called to order by Chair Johnson

2. **Minutes:** Minutes were sent by email prior to the meeting.
Motion by Treas. Wheeler to accept the minutes.
2nd by Com Bleichner. Motion passed.

3. **Treasurer Report:** The report was presented by Treas. Wheeler.
Motion to accept the report by Com. Cannady;
2nd by Sec. Dean. Motion passed.

TOTAL CASH ON HAND

7/31/2025: $839,251.05 7/31/2024 $792,545.92

4. **Pay Bills:** Bills were presented by Adm. Kvidt. Motion by Com. Cannady to pay the bills; 2nd by Sec. Dean. Motion passed.

5. **2024 OTWMD Audit Presentation by Carlson SV:** Dean Birkeland presented the audit.
Motion by Com. Bleichner to accept the audit;
2nd by Treas. Wheeler. Motion passed.

6. **Deer Lake Property Dispute Update:** Otter Tail County is handling the issue

7. **Septic Supplies Orders in Last Month**

8. **Active Installation Update**

9. **MCIT Workers Comp Dividend 2025**: $189

10. **On call update:** Admin Kvidt will set up a recording to inform members of the update.

11. **Administrator's report.**

Cindy Dean, Sec.

Otter Tail Water Management District Monthly Meeting

Meeting Date: August 13th, 2025

Next Meeting Date: September 10th, 2025

Agenda:

1. Open Meeting
2. Approval of Minutes from Last Meeting
3. Treasurer Report
4. Pay Bills
    a. Transferred Money to cover bills from Money Market to:
        - 8/5/2025 $15,000.00 to General Account
        - 8/5/2025 $8,000.00 to Pumping Account
        - 8/5/2025 $10,000.00 to Tanks & Lines Account
        - 8/5/2025 $5,000.00 to Pumps and Controls Account
5. 2024 OTWMD Audit Presentation by Carlson SV
    a. Audit attached to agenda packet
    b. 8/11/2025 Carlson SV Submitted 2024 Audit to the MN State Auditors Office
6. Deer Lake Property Dispute Update
7. Septic Supplies Orders in Last Month
    a. 7/8/2025 Ordered 10 more plastic manhole covers
    b. 7/8/2025 Ordered a case of Spray Foam
    c. 7/8/2025 Ordered printer ink
    d. 7/31/2025 Order 5 more plastic manhole covers
        - All invoices from above are from Amazon and the bill is on the bill sheet.
    e. 7/31/2025 Ordered 24 more on/off Floats from Tri-State
        - Waiting for the invoice
8. Active Installation Update
    a. 36338 Augustana Drive
        - 7/24/2025 Brogard Plumbing installed the replacement tanks. The invoice is on the bill sheet.
        - 7/31/2025 Precision Electric installed the power for the pump and alarm panel. The invoice is on the bill sheet.
    b. 38675 Wagon Trail Loop
        - Schueller's Septic Solutions submitted the design for the replacement mound. It is out for bids with a deadline of 8/22/2025 to submit the bid to the district.
        - Timeline with the contractor and homeowner will be established after a contractor is hired.
    c. 40570 Holiday Trail
        - Failed compliance inspection by Scott's Septic Services
        - Scott's Septic Services submitted the design for the replacement pressure bed. It is now out for bids. The bid deadline is 8/22/2025 to submit the bid to the district.
        - Timeline with the contractor and homeowner will be established after a contractor is hired.
9. MCIT Workers Comp Dividend 2025 in the amount of $189.00. This will be paid direct deposit in November 2025.
10. On Call Update
    a. How does the board want me to reflect the changes via the voicemail and website for after Labor Day?
    b. On call personnel update for days administrator is gone

Administrator's Report:

1. Manhole covers to surface in the last month
    a. 7/8/2025 35836 & 35838 County Highway 72 share a septic tank. Brought the manhole cover to surface working with Hawes Pumping during the 2025 active maintenance pumping list. Replaced the concrete cover with a plastic manhole cover.
    b. 7/24/2025 29585 State highway 78. Brought the manhole cover to surface working with Hawes Pumping during the 2025 active maintenance pumping list. Replaced the concrete cover with a plastic manhole cover.
    c. 7/24/2025 West Deer Lake Resort CIC. Brought 3 manhole covers to surface working with Hawes Pumping during the 2025 active maintenance pumping list. Replaced the concrete covers with a plastic manhole covers.
    d. 7/29/2025 37142 Roinez Trail. Brought the manhole cover to surface working with Hawes Pumping during the 2025 active maintenance pumping list. Replaced the concrete cover with a plastic manhole cover.
    e. 8/4/2025 30103 Eldorado Beach Road. Brought the manhole cover to the surface on the septic tank and lift station during a service call. Replaced the concrete covers with plastic manhole covers.
    f. Year to Date the district has brought 56 manhole covers to surface, servicing 92 properties.
    g. 476/1168 (40.7%) of active maintenance properties now have manhole covers to the surface in the district.
2. 7/9/2025 41953 Sugar Maple Drive. Replaced pump with new Zoeller BN 153 Pump. Everything now appears to be working as it should be. The homeowner will call if they notice any further issues.
3. 7/9/2025 42578 & 42588 Pleasure Park Road. Alarm on. Visited the property and replaced the alarm relay with a new one. Everything appears to be working as it should be at this time. The homeowner will call if they notice any further issues.
4. 7/10/2025 Swan Point Resort CIC. Brogard Plumbing roto rooted the line between the lift station and drainfield Everything appears to be working as it should be at this time. The homeowners will call if they notice any further issues.
5. 7/13/2025 2722 Phyllis Lane. Alarm on. Replaced the fuse and now everything appears to be working as it should be at this time. The homeowner will call if they notice any further issues.
6. 7/16/2025 38314 Eldorado Beach Road. Working with Brogards Plumbing replaced pump with new .5 HP Myers pump. Everything appears to be working as it should be at this time. The homeowner will call if they notice any further issues.
7. 7/21/2025 27391 & 27406 West Blarney Lane. Opened alarm panel for electrician to switch out the meters. He will lock panels when the work is completed.
8. 7/24/2025 Greenwood Association CIC. Sprecision Electric replaced the alarm panel for the duplex lift station. Everything appears to be working as it should be at this time. The homeowner will call if they notice any further issues.
    a. 7/28/2025 Alarm keeps going off. One of the two pumps is no longer working.
    b. 7/29/2025 Working with Brogards Plumbing both pumps were replaced with new 1.5 HP Myers pumps. Everything appears to be working as it should be at this time. The homeowner will call if they notice any further issues.
    c. 8/4/2025 Alarm went off 8/1/2025 after hours. Loren Hawes visited the property, and the tanks were pumping and at the correct level. Went out to property this morning and everything appeared to be working the way it should be.
        i. Unsure of what to do from here. Everything electrical in the lift station is brand new. Will continue monitoring and may have to get an electrician back onsite to look at the panel and make sure it's all wired correctly.
9. 7/28/2025 27391 West Blarney Lane. Septic backing up. Visited the property and reset all the breakers and replaced the floats. Everything appears to be working as it should be at this time. The homeowner will call if they notice any further issues.

10. 7/28/2025 27732 Pine Tree Road. No power to the alarm pedestal. A utility company trenched/bored through the power line to the pedestal. The homeowner will have the utility to fix the line.
    a. 8/4/2025 The utility fixed the line, but the breaker keeps tripping. The owner will have the utility company check out this issue. The pump is running off any extension cord for now. He will call if he has any further questions or concerns.
11. 7/28/2025 28527 Balmoral Drive. Septic backing up. Visited property and checked tanks. No blockages in the tank and they are at correct operating levels. The homeowner will contact a plumber for an issue in the sewer line or house plumbing.
12. 7/28/2025 37142 Roinez Trail. Alarm light on. Visited the property and found that the pump is no longer working. Hawes Pumping pumped out the tank that day and the district will be working on replacing the pump.
    a. 7/29/2025 Working with Brogards Plumbing replaced the pump with a new .5 HP Myers Pump. Everything appears to be working as it should be at this time. The homeowner will call if they notice any further issues.
13. 7/29/2025 311 State Highway 78. Marked the edges of the trench drainfield for the realtor for a possible driveway project.
14. 7/29/2025 34802 Deer Lake Road. Homeowner called about the alarm panel being loud when it runs. It is a little noisy, but everything appears to be working as it should be at this time. The homeowner will call if they notice any further issues.
15. 7/29/2025 42386 County Highway 1. During the 2025 active pumping list Hawes Pumping found the lift station to be overfull. They had the homeowners reset a breaker and watched the tank pump down. The homeowner self-installed the wiring and there is no alarm at this time. They will be hooking that up.
16. 8/4/2025 106 & 108 Bay View Road. During the 2025 active pumping list Hawes Pumping found that the alarm wasn't working. The main breaker was off. They reset it and everything is now working. I went out to the property and put a lock on the main disconnect box.
17. 8/4/2025 143 Bay View Road. During the 2025 active pumping list Hawes Pumping found a loose connection in the junction box in the lift station. Went to the property and secured the connection as best I could. Everything appears to be working as it should be at this time. The homeowner will call if they notice any further issues.
18. 8/4/2025 30103 Eldorado Beach Lane. Septic backing up in the cabin. Tested the pump and alarm they were working as they should be. The tank levels were at the correct level. The issue appears to be in the sewer line. The homeowner will contact a plumber to roto rooter the sewer line from cabin to septic tank. They will call if they notice any further issues.
19. 8/7/2025 Opened up main disconnect and alarm panel boxes at 35842 County Highway 72. This lift station is shared by 4 properties, and an electrician will be setting up a temporary power source during construction on this property.
20. 8/9/2025 27391 West Blarney Lane. Loren Hawes went to a service call for septic backing up. The tanks were at the correct level. He was able to clear a blockage at the inlet of the septic tank. Everything now appears to be working as it should be at this time. The homeowners will call if they notice any further issues.
21. 8/9/2025 203 State Highway 78. Loren Hawes went to a service call for septic backing up. The tanks were at the correct level. It appears the issue is in the line between the house and tank or the plumbing of the house. The homeowners will call a plumber if necessary.

8/3/2025

Otter Tail Water Management District
Treasurer's Report
7/31/2025

Checking Accounts	General Acct 4118	Tank/Line 7802	Pmps/Cntrls 7829	Pumping 7810	Money Mkt 0490	Savings Acct Rearing Pond 2140	Totals
Beginning balance July 1, 2025	$22,114.38	$7,902.94	$5,454.56	$5,336.17	$377,662.73	$11,149.69	$429,620.47
Interest income for month	$3.28	$3.27	$1.90	$4.46	$568.11	$12.78	$593.80
Receipts for month	$700.00	$0.00	$0.00	$0.00	$0.00	$0.00	$700.00
Internal transfers	$0.00	$10,000.00	$5,000.00	$20,000.00	$0.00	$0.00	$35,000.00
	$22,817.66	$17,906.21	$10,456.46	$25,340.63	$378,230.84	$11,162.47	$465,914.27
July disbursements	$13,410.13	$4,094.75	$2,486.66	$7,618.00	$200,000.00	$0.00	$227,609.54
Internal transfers	$0.00	$0.00	$0.00	$0.00	$35,000.00	$0.00	$35,000.00
Ending balance July 31, 2025	$9,407.53	$13,811.46	$7,969.80	$17,722.63	$143,230.84	$11,162.47	$203,304.73

Disbursements for month

8 checks	$8,413.69	Gen Acct
7 ACH pymts	$4,996.44	Gen Acct
3 checks	$4,094.75	Tank/Line
2 checks	$2,486.66	Pumps/Controls
1 checks	$7,618.00	Pumping

CD Summary

CD #	Int rate	Time period	Gen Acct	Tank/Line	Pmps/Cntrls	Pumping	Maturity Date
0001	4.05%	12 Month		$258,022.18			1/20/2026
0002	4.05%	12 Month				$29,642.51	1/20/2026
0003	4.05%	12 Month			$148,281.63		1/20/2026
SPEC0001	4.25%	7 Month	$200,000.00				2/15/2026

CD TOTALS	$200,000.00	$258,022.18	$148,281.63	$29,642.51			$635,946.32
SAVINGS TOTALS						$11,162.47	
ACCOUNT TOTALS	$209,407.53	$271,833.64	$156,251.43	$47,365.14	$143,230.84	$11,162.47	$839,251.05

TOTAL CASH ON HAND 7/31/2025 **$839,251.05**

7/31/2024 $792,545.92

Otter Tail Water Management District Accounts Payable

8/13/2025

Balance in General Account on Date of Monthly Meeting(NOW 3)	**$ 20,689.32**	**8/11/2025**	
Deposits made between July & August Monthly Meeting	**$ 1,390.88**	**8/12/2025**	

General Account Total

$ 12,971.63

General Fund Bills:		**Amount:**	**Check Number**	
Alex Kvidt	Monthly Salary	$ 4,500.01	**47005**	8/13/2025
Alex Kvidt	On-call/Balance of Salary	$ 883.22	**47006**	8/13/2025
Alex Kvidt	Rent	$ 375.00	**47007**	8/13/2025
Medica	Alex Kvidt Insurance	$ 426.89	**ACH**	8/4/2025
HealthEquity	Alex Kvidt HSA	$ 358.11	**ACH**	8/6/2025
Loren Hawes	On-call	$ 386.33	**47008**	8/13/2025
Loren Hawes	Mileage	$ -	**na**	na
PERA	Contribution	$ 1,180.59	**ACH**	8/5/2025
US Treasury	Federal Tax Deposit	$ 2,310.22	**ACH**	8/4/2025
MN Dept of Revenue	State Tax Deposit	$ 450.00	**ACH**	8/5/2025
Arvig	Internet/Phone	$ 115.59	**ACH**	7/28/2025
Loffler	Computer Program	$ 30.00	**ACH**	8/5/2025
	Subtotal	$ 11,015.96		

Credit Card Charges				
QuickBooks	Computer Program	$ 38.00	**ACH**	8/3/2025
CyberSprout	Website	$ 59.00	**ACH**	7/6/2025
Zoom	Computer Program	$ 18.24	**ACH**	7/9/2025
Verizon	Cell Phones	$ 70.42	**ACH**	7/22/2025
Adobe	Computer Program	$ 21.56	**ACH**	8/3/2025
Battle Lake Standard	Vehicle Gas	$ 58.71	**ACH**	7/8/2025
Battle Lake Standard	Vehicle Gas	$ 57.82	**ACH**	7/16/2025
Battle Lake Standard	Vehicle Gas	$ 66.76	**ACH**	7/27/2025
Everts Lumber	Septic Tools	$ 59.02	**ACH**	7/29/2025
Amazon	Printer Ink	$ 113.58	**ACH**	7/10/2025
Amazon	Spray Foam	$ 54.81	**ACH**	7/9/2025
Amazon	10 Manhole Plastic Covers	$ 913.10	**ACH**	7/9/2025
Amazon	5 Manhole Plastic Covers	$ 424.65	**ACH**	8/1/2025
	First National Bank	$ 1,955.67	**47009**	8/13/2025

	Amount in account at Meeting Date:	**$ 25,722.63**		**8/11/2025**
Pumping Fund Fees(NOW 1)				
Hawes Pumping	Active Pumping and Breakdowns	$ 19,618.00	**424**	8/13/2025
	Subtotal:	$ 19,618.00		

	Amount in account at Meeting Date:	**$ 23,811.46**		**8/11/2025**
Tanks & Lines Fees(NOW 2)				
Gopher One	Gopher One Calls	$ 91.80	**1909**	8/13/2025
Jake Christensn	Mowing Cluster Drainfields	$ 3,005.00	**1910**	8/13/2025
Brogard Plumbing	Active Maintenance Tank Replacements 36338 Augustana Drive	$ 11,706.69	**1911**	8/13/2025
Schuellers Septic Solutions	Active Maintenance Design 38675 Wagon Trail Loop	$ 700.00	**1912**	8/13/2025
JD Locating	Locates	$ 2,117.50	**1913**	8/13/2025
Scott's Septic Services	Active Maintenance Design 40570 Holiday Trail	$ 725.00	**1914**	8/13/2025
	Subtotal	$ 18,345.99		

	Amount in account at Meeting Date:	**$ 12,969.80**		**8/11/2025**
Pumps & Controls Fees(NOW)				
Precision Electric	Greenwood Association New Alarm Panel	$ 4,044.55	**1566**	8/13/2025
Brogard Plumbing	Swan Point Resort. Clear blockage in sewer line bewteen tank and lift.	$ 400.00	**1567**	8/13/2025
Brogard Plumbing	Active Maintenance Pump Replacement	$ 447.51	**1568**	8/13/2025
Precision Electric	Active Maintenance Pump/Alarm Hook up 36338 Augustana Drive	$ 971.14	**1569**	8/13/2025
	Subtotal:	$ 5,863.20		

Total Bills Per Month $ 56,798.82

OTTER TAIL WATER MANAGEMENT DISTRICT

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Year Ended December 31, 2024

OTTER TAIL WATER MANAGEMENT DISTRICT
DISTRICT OFFICIALS

Name	Office	Term Expires
Nancy Johnson	Chairman	2028
Cindy Dean	Secretary	2027
Harold Wheeler	Treasurer	2026
Jill Damrau	Director	2026
Stacy Cannady	Director	2026
David Erwin	Director	2025
Rick Bleichner	Director	2026

Alex Kvidt Executive Director

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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, 2024, 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, 2024, 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. 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 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, 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.

Fergus Falls, Minnesota
August 7, 2025

BASIC FINANCIAL STATEMENTS

OTTER TAIL WATER MANAGEMENT DISTRICT
STATEMENT OF NET POSITION
December 31, 2024

	Business-Type Activities
ASSETS	
Current Assets	
Cash and investments	$ 303,922
Designated cash and investments	446,720
Due from other governments	3,806
Special assessments receivable	6,615
Inventory	39,033
Total Current Assets	800,096
Noncurrent Assets	
Capital assets not being depreciated	186,730
Capital assets being depreciated, net	224,606
Total Noncurrent Assets	411,336
Total Assets	1,211,432
DEFERRED OUTFLOWS OF RESOURCES	
Pension deferrments	9,574
LIABILITIES	
Noncurrent Liabilities	
Net pension liability	37,673
DEFERRED INFLOWS OF RESOURCES	
Pension deferrments	26,779
NET POSITION	
Net investment in capital assets	411,336
Unrestricted	745,218
TOTAL NET POSITION	**$ 1,156,554**

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

OTTER TAIL WATER MANAGEMENT DISTRICT
STATEMENT OF ACTIVITIES
Year Ended December 31, 2024

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Business-Type Activities					
Water Management	$ 329,638	$ 462,494	$ -	$ -	$ 132,856
Total Business-Type Activities	**$ 329,638**	**$ 462,494**	**$ -**	**$ -**	132,856
General Revenues					
Investment earnings					24,800
Miscellaneous					10
Total General Revenues					24,810
CHANGE IN NET POSITION					157,666
NET POSITION - BEGINNING, AS PREVIOUSLY PRESENTED					987,830
ERROR CORRECTION					11,058
NET POSITION - BEGINNING, AS CORRECTED					998,888
NET POSITION - ENDING					**$ 1,156,554**

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

OTTER TAIL WATER MANAGEMENT DISTRICT
STATEMENT OF NET POSITION
December 31, 2024

ASSETS		
Current Assets		
Cash and investments	$	303,922
Designated cash and investments		446,720
Due from other governments		3,806
Special assessments receivable		6,615
Inventory		39,033
Total Current Assets		800,096
Noncurrent Assets		
Capital assets not being depreciated		186,730
Capital assets being depreciated		224,606
Total Noncurrent Assets		411,336
Total Assets		1,211,432
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrments		9,574
LIABILITIES		
Long-Term Liabilities		
Net pension liability		37,673
DEFERRED INFLOWS OF RESOURCES		
Pension deferrments		26,779
NET POSITION		
Net investment in capital assets		411,336
Unrestricted		745,218
NET POSITION	**$**	**1,156,554**

(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, 2024

OPERATING REVENUE	
User fees	$ 448,908
Permits	10,577
Other revenues	3,009
Total Revenues	462,494
OPERATING EXPENSES	
Salaries and benefits	98,599
Payroll taxes	7,457
Employee benefits	7,190
Pension expense (recovery)	(5,700)
Insurance	5,134
Rent	4,800
Professional fees	9,300
Information technology	1,693
Office supplies, printing and postage	9,755
Locating fees	24,974
Repairs and maintenance	142,547
Travel and vehicle expense	1,948
Commissioners meetings	5,292
Other	3,579
Depreciation	13,070
Total Expenses	329,638
OPERATING INCOME	132,856
NONOPERATING REVENUES	
Interest income	24,800
Miscellaneous income	10
Total Nonoperating Revenues	24,810
CHANGE IN NET POSITION	157,666
NET POSITION - BEGINNING OF YEAR, AS PREVIOUSLY PRESENTED	987,830
ERROR CORRECTION	11,058
NET POSITION - BEGINNING OF YEAR, AS CORRECTED	998,888
NET POSITION - END OF YEAR	**$ 1,156,554**

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

OTTER TAIL WATER MANAGEMENT DISTRICT
STATEMENT OF CASH FLOWS
Year Ended December 31, 2024

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	$	460,256
Payments to suppliers for goods and services		(205,619)
Payments to employees and related services		(119,436)
Other receipts		3,019
Net Cash Provided by Operating Activities		138,220
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets		(70,677)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received		24,800
NET INCREASE IN CASH AND INVESTMENTS		92,343
CASH AND INVESTMENTS - BEGINNING, AS PREVIOUSLY PRESENTED		647,241
ERROR CORRECTION		11,058
CASH AND INVESTMENTS - BEGINNING, AS CORRECTED		658,299
CASH AND INVESTMENTS - ENDING	**$**	**750,642**
CASH AND INVESTMENTS		
Cash and investments	$	303,922
Designated cash and investmests		446,720
TOTAL CASH AND INVESTMENTS	**$**	**750,642**
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	$	132,856
Depreciation expense		13,070
Other income related to operations		10
Adjustments to reconcile operating income to net cash provided by operating activities		
Due from other governments		(2,309)
Special assessments receivable		3,080
Inventory		3,403
Deferred outflows of resources - pension deferrments		7,103
Net pension liability		(29,430)
Deferred inflows of resources - pension deferrments		10,437
NET CASH PROVIDED BY OPERATING ACTIVITIES	**$**	**138,220**

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

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.

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 expenditures during the reporting period. Actual results could differ from those estimates.

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.

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.

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

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

New Accounting Standards
In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections – amendment of GASB Statement No. 62*. The objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. The District adopted the requirements of the guidance effective January 1, 2024. There was no material impact on the District's net position and changes in net position as a result of adoption of this standard.

NOTE 2 – DEPOSITS

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

As of December 31, 2024, cash and investments consisted of the following:

Cash in bank	$	49,531
Money market funds		282,160
Certificates of deposit		418,951
TOTAL CASH AND INVESTMENTS	**$**	**750,642**

Custodial Credit Risk – deposits – the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City maintains its deposits in accordance with Minn. Stat. § 118A.03. Under that statute, all deposits must be covered by Federal Deposit Insurance Corporation (FDIC) or collateralized with eligible securities in an amount equal to 110% of the deposits not covered by FDIC or corporate surety bonds. As of December 31, 2024, the City's deposits with various financial institutions had a bank balance of $740,677. Of these deposits, $289,567 was covered by FDIC insurance and $451,110 was collateralized in accordance with Minn. Stat. § 118A.03.

NOTE 2 – DEPOSITS (Continued)

Certificates of deposit totaling $418,951 at December 31, 2024 are included in cash and investments in the accompanying financial statements. The certificates bear interest at 4.00% and have initial maturities of twelve months, with penalties for early withdrawal.

NOTE 3 – CAPITAL ASSETS

Activity in capital assets for the District is as follows:

	Balance 12-31-2023	Additions	Removals	Balance 12-31-2024
Business-Type Activities				
Capital assets not being depreciated				
Land	$ 186,730	$ -	$ -	$ 186,730
Capital assets being depreciated				
Equipment	37,799	16,736	-	54,535
Infrastructure	5,342,441	53,941	-	5,396,382
	5,380,240	70,677	-	5,450,917
Less accumulated depreciation for				
Equipment	(19,088)	(7,148)	-	(26,236)
Infrastructure	(5,194,153)	(5,922)	-	(5,200,075)
	(5,213,241)	(13,070)	-	(5,226,311)
Total capital assets being depreciated net of accumulated depreciation	166,999	57,607	-	224,606
TOTAL CAPITAL ASSETS, NET	**$ 353,729**	**$ 57,607**	**$ -**	**$ 411,336**

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). These plan provisions are established and administered according to *Minnesota Statutes* chapters 353, 353D, 353E, 353G, and 356. PERA's defined pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than $425 in a month, unless the employee meets exclusion criteria.

NOTE 4 – DEFINED BENEFIT PENSION PLAN (Continued)

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. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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%. The 2024 annual increase was 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. 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 prorated increase.

Contributions

Minnesota Statutes Chapter 353, 353E, 353G, and 356 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

NOTE 4 – DEFINED BENEFIT PENSION PLAN (Continued)

Contributions (Continued)

General Employees Fund Contributions

Coordinated Plan members are required to contribute 6.50% of their annual covered salary in calendar year 2024 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, 2024, were $7,311. The District's contributions were equal to the required contributions as set by state statute.

Pension Costs

General Employees Fund Pension Costs

At December 31, 2024, the District reported a liability of $37,673 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 $974.

District's proportionate share of the net pension liability	$	37,673
State of Minnesota's proportionate share of the net pension liability associated with the District		974
TOTAL	**$**	**38,647**

The net pension liability was measured as of June 30, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The District's proportionate share was 0.0010% at the end of the measurement period and 0.0012% for the beginning of the period.

For the year ended December 31, 2024, the District recognized pension expense of $(604) for its proportionate share of General Employees Plan's pension expense. In addition, the District recognized an additional $26 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.

NOTE 4 – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Costs (Continued)

At December 31, 2024, 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	$ 2,799	$ -
Changes in actuarial assumptions	149	12,082
Net collective difference between projected and actual investment earnings	-	9,006
Changes in proportion	2,970	5,691
Contributions paid to PERA subsequent to the measurement date	3,656	-
TOTAL	**$ 9,574**	**$ 26,779**

The $3,656 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	Pension Expense Amount
2025	$ (10,678)
2026	(2,132)
2027	(5,741)
2028	(2,310)
TOTAL	**$ (20,861)**

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 for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

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 27 years of service.

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.

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 General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

Discount Rate
The discount rate used to measure the total pension liability in 2024 was 7.0%. 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.

NOTE 4 – DEFINED BENEFIT PENSION PLAN (Continued)

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	6.00%	$ 82,285
Current discount rate	7.00%	37,673
1% higher	8.00%	976

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 – NET POSITION RESTATEMENT

Error Correction

In the previous year, the District did not include one money market account in the cash and investments balance. The error understated cash and investments and net position. The result of this error correction was to increase cash and beginning net position by $11,058.

REQUIRED SUPPLEMENTARY INFORMATION

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

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (d)	Contributions as a Percentage of Covered-Employee Payroll (b/d)
December 31, 2024	$ 7,311	$ 7,311	$ -	$ 97,478	7.50%
December 31, 2023	6,264	6,264	-	83,520	7.50%
December 31, 2022	6,481	6,481	-	86,417	7.50%
December 31, 2021	6,246	6,246	-	83,280	7.50%
December 31, 2020	5,751	5,751	-	76,680	7.50%
December 31, 2019	5,653	5,653	-	75,373	7.50%
December 31, 2018	7,094	7,094	-	94,587	7.50%
December 31, 2017	8,564	8,564	-	114,187	7.50%
December 31, 2016	8,301	8,301	-	110,680	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, 2024	0.0010%	$ 37,673	$ 974	$ 38,647	$ 97,478	38.65%	89.08%
June 30, 2023	0.0012%	67,103	1,800	68,903	83,520	80.34%	83.10%
June 30, 2022	0.0011%	87,120	2,707	89,827	86,417	100.81%	76.67%
June 30, 2021	0.0011%	46,975	1,519	48,494	83,280	56.41%	87.00%
June 30, 2020	0.0011%	65,950	1,973	67,923	76,680	86.01%	79.06%
June 30, 2019	0.0011%	60,817	1,833	62,650	75,373	80.69%	80.23%
June 30, 2018	0.0014%	77,666	2,643	80,309	94,587	82.11%	79.53%
June 30, 2017	0.0018%	114,911	-	114,911	114,187	100.63%	75.90%
June 30, 2016	0.0018%	146,151	-	146,151	110,680	132.05%	68.91%

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

OTTER TAIL WATER MANAGEMENT DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2024

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

General Employees Fund

2024 Changes

Changes in Actuarial Assumptions:

The following changes in assumptions are effective with the July 1, 2024 valuation, as recommended in the most recent experience study (dated June 29, 2023):

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023 Changes

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

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

2022 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

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.

2020 Changes

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

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

2020 Changes (Continued)
Changes in Actuarial Assumptions: (Continued)

- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%.
- The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes
Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from $31 million to $21 million per year. The State's special funding contribution was changed prospectively, requiring $16 million due per year through 2031.

2018 Changes
Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1% per year through 2044 and 2.5 % per year thereafter to 1.25% per year.

Changes in Plan Provisions:

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4% to 3%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.

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

2018 Changes (Continued)

Changes in Plan Provisions: (Continued)

- Annual increases were changed from 1% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost-of Living Adjustment, not less than 1% and not more than 1.5 %, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions:

- The combined service annuity (CSA) loads were changed from 0.80% for active members and 60% for vested and non-vested deferred members. The revised CSA load are now 0% for active member liability, 15% for vested deferred member liability, and 3% for non-vested deferred member liability.
- The assumed annual increase rate was changed for 1% per year for all years to 1% per year through 2044 and 2.50% per year thereafter.

Changes in Plan Provisions:

- The State's contribution for the Minneapolis Employees Retirement Fund equals $16.0 million in 2017 and 2018 and $6.0 million thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21,000,000 to $31,000,000 in calendar years 2019 to 2031. The State's contribution changed from $16,000,000 to $6,000,000 in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions:

- The assumed annual increase rate was changed from 1% per year through 2035 and 2.50% per year thereafter to 1% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

OTHER REPORTS

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

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, the 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, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 7, 2025.

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.

This report is intended solely for the information and use of those charged with governance and management of Otter Tail Water Management District and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

Carlson SV LLP

Fergus Falls, Minnesota
August 7, 2025