POPE/DOUGLAS SOLID WASTE MANAGEMENT
(A DISCRETE COMPONENT UNIT OF DOUGLAS COUNTY)
ALEXANDRIA, MINNESOTA

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2018

POPE/DOUGLAS SOLID WASTE MANAGEMENT
ALEXANDRIA, MINNESOTA
TABLE OF CONTENTS
DECEMBER 31, 2018

INTRODUCTORY SECTION

POPE/DOUGLAS SOLID WASTE MANAGEMENT
ALEXANDRIA, MINNESOTA
ORGANIZATION
DECEMBER 31, 2018

Board of Directors		**Term Expires**
Douglas County		
Board Member	Charlie Meyer	Indefinite
Board Member - Chair	Jim Stratton	Indefinite
Board Member	Jerry Wright	Indefinite
Pope County		
Board Member - Vice Chair	Paul Gerde	Indefinite
Board Member	Larry Lindor	Indefinite
Officers		
Executive Director	Steve Vrchota	Indefinite
Plant Manager	Darrell Connell	Indefinite
Office Manager	Brooke Hellerman	Indefinite

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Directors
Pope/Douglas Solid Waste Management
Alexandria, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Pope/Douglas Solid Waste Management (PDSW), a component unit of Douglas County, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise PDSW's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to PDSW's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PDSW's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pope/Douglas Solid Waste Management as of December 31, 2018, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter Regarding a Change in Accounting Principle

As discussed in Note 8, PDSW adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of this standard, PDSW reported a restatement for a change in accounting principle. Our opinion is not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in the total OPEB liability, related ratios and notes, the schedule of proportionate share of net pension liability, and the schedule of pension contributions as listed in the table of contents, be presented to supplement the basic financial statements. Such 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2019, on our consideration of Pope/Douglas Solid Waste Management's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the PDSW's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pope/Douglas Solid Waste Management's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Alexandria, Minnesota
July 11, 2019

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REQUIRED SUPPLEMENTARY INFORMATION

POPE/DOUGLAS SOLID WASTE MANAGEMENT
ALEXANDRIA, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

Pope/Douglas Solid Waste Management's (PDSW) Management's Discussion and Analysis (MD&A) provides an overview of PDSW's financial activities for the fiscal year ended December 31, 2018. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with PDSW's financial statements.

PDSW is a joint enterprise operation of Pope and Douglas Counties to operate and manage an integrated waste management system within Pope and Douglas Counties. PDSW operates a waste-to-energy plant, a materials recycling facility, a landfill, a household hazardous waste facility, and a recycling drop center.

PDSW is a component unit of Douglas County because Douglas County is financially accountable for PDSW. PDSW's financial statements are discretely presented in the Douglas County financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The financial statements present PDSW's financial activities and consist of the following:

- The statement of net position compares the assets, deferred outflows of resources, liabilities, and deferred inflows of resources to give an overall view of the financial health of PDSW.

- The statement of revenues, expenses, and change in net position provides information on changes in PDSW's finances. All of the current year's revenues and expenses are taken into account, regardless of when the cash is received or paid.

- The statement of cash flows reports sources and uses of cash for PDSW.

FINANCIAL ANALYSIS

Net Position

	2018	2017	Increase (Decrease)	Percent Change (%)
Assets				
Current and other assets	$ 6,832,510	$ 8,394,740	$ (1,562,230)	(18.6)
Noncurrent assets	18,730,220	20,413,274	(1,683,054)	(8.2)
Total Assets	25,562,730	28,808,014	(3,245,284)	(11.3)
Deferred outflows of resources	350,196	522,525	(172,329)	(33.0)
Liabilities				
Long-term liabilities	15,671,502	16,795,017	(1,123,515)	(6.7)
Other liabilities	1,598,844	1,827,229	(228,385)	(12.5)
Total Liabilities	17,270,346	18,622,246	(1,351,900)	(7.3)
Deferred inflows of resources	487,859	488,777	(918)	(0.2)
Net Position				
Net investment in capital assets	5,308,756	5,809,699	(500,943)	(8.6)
Restricted	797,011	913,378	(116,367)	(12.7)
Unrestricted	2,048,954	3,496,439	(1,447,485)	(41.4)
Total Net Position	$ 8,154,721	$ 10,219,516	$ (2,064,795)	(20.2)

The net position of PDSW decreased by 20.2% due primarily to additional repairs and maintenance expenses in 2018. Unrestricted net position totaling $2,048,954 is available to finance the day-to-day operations of PDSW.

Change in Net Position

	2018	2017	Increase (Decrease)	Percent Change (%)
Operating Revenues				
Charges for services	$ 7,909,363	$ 7,960,496	$ (51,133)	(0.6)
Miscellaneous	57,102	39,413	17,689	44.9
Nonoperating Revenues				
Special assessments	1,379,232	1,370,704	8,528	0.6
Intergovernmental	280,801	309,114	(28,313)	(9.2)
Interest income	88,687	93,293	(4,606)	(4.9)
Increase (decrease) in fair value of investments	(51,981)	13,544	(65,525)	483.8
Gain on disposal of capital assets	-	7,000	(7,000)	100.0
Amortization of premiums on bonds	21,157	(44,467)	65,624	(147.6)
Total Revenues	$ 9,684,361	$ 9,749,097	$ (64,736)	(0.7)
Operating Expenses				
Payroll	$ 2,580,476	$ 2,263,319	$ 317,157	14.0
Employee benefits and payroll taxes	582,741	653,362	(70,621)	(10.8)
Professional services	929,704	894,673	35,031	3.9
Supplies	915,031	805,161	109,870	13.6
Organics recycling	122,530	90,934	31,596	34.7
SCORE	571,329	497,862	73,467	14.8
Travel	34,647	22,439	12,208	54.4
Telephone	11,517	7,320	4,197	57.3
Utilities	404,773	406,737	(1,964)	(0.5)
Advertising	18,605	8,213	10,392	126.5
Insurance	215,487	242,418	(26,931)	(11.1)
Postage	83	1,343	(1,260)	(93.8)
Commodity freight	16,184	17,343	(1,159)	(6.7)
Repairs and maintenance	2,746,064	1,966,072	779,992	39.7
Miscellaneous	37,712	43,631	(5,919)	(13.6)
Depreciation	2,173,424	2,203,554	(30,130)	(1.4)
Landfill closure and postclosure care costs	49,318	47,308	2,010	4.2
Nonoperating Expenses				
Interest expense	457,299	481,715	(24,416)	(5.1)
Total Expenses	11,866,924	10,653,404	1,213,520	11.4
Increase (Decrease) in Net Position	$ (2,182,563)	$ (904,307)	$ (1,278,256)	(141.4)

Revenues decreased .7% for the year. Total expenses reflect an increase of 11.4% with repairs and maintenance having the largest increase of $779,992 due to more repairs than in the prior year.

CAPITAL ASSETS

Capital Assets
(Net of Depreciation)

	2018	2017	Increase (Decrease)	Percent Change (%)
Land	$ 179,288	$ 179,288	$ -	-
Construction in progress	31,551	554,971	(523,420)	(94.3)
Land & building improvement	1,824,840	1,776,817	48,023	2.7
Infrastructure	1,862,226	1,981,792	(119,566)	(6.0)
Buildings	3,092,414	3,315,783	(223,369)	(6.7)
Machinery, furniture, and Equipment	11,739,901	12,604,623	(864,722)	(6.9)
Totals	$ 18,730,220	$ 20,413,274	$ (1,683,054)	(8.2)

Additions to depreciable assets totaled $1,013,790, of which, $697,201 were items that were already capitalized in construction in progress in the prior year. Depreciation expense for the year totaled $2,173,424. Detailed capital asset activity is found in Note 2A3.

DEBT ADMINISTRATION

As of December 31, 2018, Pope/Douglas Solid Waste Management had $13,145,000 of General Obligation Bonds outstanding compared to $13,955,000 outstanding as of December 31, 2017, a decrease of $810,000 due to debt maturities. Other obligations include compensated absences, a liability for other postemployment benefits, net pension liability, and a liability for landfill closure and post closure costs. Pope/Douglas Solid Waste Management's notes to the financial statements provide detailed information about their long-term liabilities.

ECONOMIC FACTORS

The general market indicators for the financial success of Pope/Douglas Solid Waste Management are tipping fee pricing, commodities pricing and steam value. In 2018 tipping fees were $77 per ton and will change to $80 for 2019. It is predicted that tipping fees will increase another 4% in 2020. Commodity pricing for recovered recycled materials remained low in 2018 and we believe this will continue into 2019. Steam prices, which are based on natural gas pricing, remain low and are anticipated to be low for the next several years based on natural gas futures. Local labor markets are very competitive and labor costs are expected to increase above 3% annually in order to retain a quality work force.

Pope/Douglas Solid Waste Management has engaged in significant maintenance and capital expenses to modernize control systems and keep the plant operating at expected levels.

CONTACTING PDSW'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of PDSW's finances and to show PDSW's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the Executive Director, Steve Vrchota, 2115 South Jefferson, Alexandria, Minnesota 56308.

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BASIC FINANCIAL STATEMENTS

POPE/DOUGLAS SOLID WASTE MANAGEMENT
ALEXANDRIA, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2018

Assets and Deferred Outflows of Resources		
Current Assets		
Cash and pooled investments	$	2,442,525
Petty cash and change funds		300
Investments		1,766,999
Special assessments		
Current		47,633
Prior		22,335
Accounts receivable - net		780,006
Accrued interest receivable		12,161
Due from other governments		83,142
Prepaid items		5,042
Total Current Assets		**5,160,143**
Restricted Assets		
Investments		1,659,018
Accrued interest receivable		13,349
Total Restricted Assets		**1,672,367**
Noncurrent Assets		
Capital assets		
Nondepreciable		210,839
Depreciable - net		18,519,381
Total Noncurrent Assets		**18,730,220**
Total Assets		**25,562,730**
Deferred Outflows of Resources		
OPEB related deferred outflows		8,785
Pension related deferred outflows		341,411
Total Deferred Outflows		**350,196**
Total Assets and Deferred Outflows of Resources		**25,912,926**

See accompanying Notes to the Financial Statements.

POPE/DOUGLAS SOLID WASTE MANAGEMENT
ALEXANDRIA, MINNESOTA
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2018

Liabilities and Deferred Inflows of Resources		
Current Liabilities		
Accounts payable	$	284,843
Salaries payable		126,447
Compensated absences payable - current		121,787
Contracts payable		1,424
Due to other governments		45,112
Accrued interest payable		184,231
General obligation bonds payable - current		835,000
Total Current Liabilities		**1,598,844**
Noncurrent Liabilities		
Compensated absences payable - long-term		187,692
Landfill closure and postclosure care costs		875,354
General obligation bonds payable - long-term		12,585,040
OPEB liability		142,783
Net pension liability		1,880,633
Total Noncurrent Liabilities		**15,671,502**
Total Liabilities		**17,270,346**
Deferred Inflows of Resources		
Pension related deferred inflows		487,859
Total Liabilities and Deferred Inflows of Resources		**17,758,205**
Net Position		
Net investment in capital assets		5,308,756
Restricted for		
Landfill closure and postclosure care costs		797,011
Unrestricted		2,048,954
Total Net Position	**$**	**8,154,721**

See accompanying Notes to the Financial Statements.

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POPE/DOUGLAS SOLID WASTE MANAGEMENT
ALEXANDRIA, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

Operating Revenues	
Charges for services	$ 7,909,363
Miscellaneous	57,102
Total Operating Revenues	**7,966,465**
Operating Expenses	
Payroll	2,580,476
Employee benefits and payroll taxes	582,741
Professional services	929,704
Supplies	915,031
Organics recycling	122,530
SCORE	571,329
Travel	34,647
Telephone	11,517
Utilities	404,773
Advertising	18,605
Insurance	215,487
Postage	83
Commodity freight	16,184
Repairs and maintenance	2,746,064
Miscellaneous	37,712
Depreciation	2,173,424
Landfill closure and postclosure care costs	49,318
Total Operating Expenses	**11,409,625**
Operating Loss	**(3,443,160)**
Nonoperating Revenues (Expenses)	
Special assessments	1,379,232
Intergovernmental	
Operating grants	
SCORE	174,045
Ag plastic and boat wrap	274
Organics recycling	50,000
Organics recycling contract #148039	15,621
Household hazardous waste	26,439
PERA rate increase aid	14,422
Interest income	88,687
Increase (decrease) in fair value of investments	(51,981)
Amortization of premiums on bonds	21,157
Interest expense	(457,299)
Total Nonoperating Revenues (Expenses)	**1,260,597**
Change in Net Position	**(2,182,563)**
Net Position - January 1, as previously stated	10,219,516
Restatement - change in accounting principle	**117,768**
Net Position - January 1, as restated	**10,337,284**
Net Position - December 31	**$ 8,154,721**

See accompanying Notes to the Financial Statements.

POPE/DOUGLAS SOLID WASTE MANAGEMENT
ALEXANDRIA, MINNESOTA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

Cash Flows from Operating Activities	
Receipts from customers and users	$ 7,953,110
Payments to suppliers	(5,931,309)
Payments to employees	(3,100,473)
Net Cash Used in Operating Activities	**(1,078,672)**
Cash Flows from Noncapital Financing Activities	
Special assessments	1,324,439
Intergovernmental	280,801
Net Cash Provided by Noncapital Financing Activities	**1,605,240**
Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	(810,000)
Interest paid on long-term debt	(467,937)
Purchases of capital assets	(841,324)
Net Cash Used in Capital and Related Financing activities	**(2,119,261)**
Cash Flows from Investing Activities	
Purchase of investments	(1,276,929)
Proceeds from sale of investments	3,416,190
Investment earnings received	92,792
Net Cash Provided by Investing Activities	**2,232,053**
Net Increase in Cash and Cash Equivalents	**639,360**
Cash and Cash Equivalents at January 1	**1,803,465**
Cash and Cash Equivalents at December 31	**$ 2,442,825**
Cash and Cash Equivalents - Statement of Net Position	
Cash and pooled investments	$ 2,442,525
Petty cash and change funds	300
Total Cash and Cash Equivalents	**$ 2,442,825**

POPE/DOUGLAS SOLID WASTE MANAGEMENT
ALEXANDRIA, MINNESOTA
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Reconciliation of Operating Loss to Net Cash Used in Operating Activities	
Operating Loss	**$ (3,443,160)**
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities	
Depreciation expense	2,173,424
(Increase) decrease in accounts receivable	(55,140)
(Increase) decrease in due from other governments	41,785
(Increase) decrease in prepaid items	22,699
(Increase) decrease in deferred outflows of resources	207,914
Increase (decrease) in accounts payable	52,277
Increase (decrease) in salaries payable	13,281
Increase (decrease) in compensated absences payable	67,593
Increase (decrease) in due to other governments	17,381
Increase (decrease) in OPEB liability	10,694
Increase (decrease) in net pension liability	(257,985)
Increase (decrease) in landfill closure costs	49,318
Increase (decrease) in deferred inflows of resources	21,247
Total Adjustments	**2,364,488**
Net Cash Provided by (Used in) Operating Activities	**$ (1,078,672)**
Noncash Investing, Capital, and Financing Activities	
Change in fair value of long-term investments	**(51,981)**
Amortization of bond premium	**21,157**
	$ (30,824)

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1. Summary of Significant Accounting Policies

Pope/Douglas Solid Waste Management's (PDSW) financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2018. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the PDSW are discussed below.

A. Financial Reporting Entity

PDSW is a joint enterprise operation of Pope and Douglas Counties (the Counties). PDSW was established by a Joint Powers Agreement dated December 7, 1983, amended May 1, 1990, April 9, 1997, and amended again August 22, 2003, pursuant to *Minnesota Statutes* § 471.59, Joint Powers Act. Transactions between the related organizations are described in Note 7.

Each of the Counties is authorized and obligated pursuant to *Minnesota Statutes* chs. 115A and 400, to provide for the management and disposal of solid waste in its respective county. It is the intention of the Counties to cooperate in a joint venture to operate and manage an integrated waste management system within Douglas and Pope Counties. This purpose, without limitation, shall include the planning, administration, and operation of recycling programs; the ownership and operation of a waste-to-energy facility; and the ownership, operation, and management of any ash and/or by-pass landfill. The facility and administrative office are located in Alexandria, Minnesota.

PDSW is governed by a five-member Board of Directors--two members appointed from Pope County and three from Douglas County. Receipts and disbursements are recorded in the Solid Waste Fund by the Douglas County Auditor/Treasurer. Douglas County's ownership is 75%, and Pope County's ownership is 25%.

PDSW is a component unit of Douglas County because Douglas County is financially accountable for PDSW. PDSW's financial statements are discretely presented in the Douglas County financial statements.

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

The accounts of PDSW are organized as an enterprise fund. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of PDSW. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities. PDSW's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position.

C. Measurement Focus and Basis of Accounting

PDSW's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Special assessments are recognized as revenues in the year for which they are levied. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When both restricted and unrestricted resources are available for use, it is PDSW's policy to use restricted resources first and then unrestricted resources as needed.

D. Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources

1. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash, petty cash, and investments with original maturities of 90 days or less. Douglas County is the fiscal agent for PDSW. PDSW's cash is treated as a cash equivalent because PDSW can deposit or withdraw cash at any time without prior notice or penalty. Interest is credited to the PDSW's General Fund. Douglas County, acting as fiscal agent, obtains collateral to cover the PDSW deposits in excess of insurance coverage.

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources (Continued)

2. Fund Investments

The Douglas County Auditor/Treasurer purchases investments for PDSW upon its direction. Fund investments are reported at their fair value at December 31, 2018, based on market prices. Interest earned on such restricted investments is credited to the PDSW's General Fund.

PDSW may invest in the following types of investments as authorized by *Minnesota Statutes* § 118A.04 and 118A.05:

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

(b) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(c) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(d) bankers' acceptances of United States banks;

(e) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

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

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources (Continued)

3. Receivables

All receivables are shown net of an allowance for uncollectibles.

Special assessments receivable consists of delinquent special assessments due in the years 2000 through 2018.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the statements.

5. Restricted Assets

Restricted assets represent the amounts required by the Minnesota Pollution Control Agency and Minnesota Statute to be set aside for landfill closure and post closure financial assurances. Below is a summary of the restricted assets at December 31, 2018.

Restricted for Closure and Postclosure Care Costs	$	1,659,018
Accrued Interest on Restricted Investments		13,349
Total	$	1,672,367

6. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements. Capital assets are defined by PDSW as assets with an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources (Continued)

6. Capital Assets (Continued)

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

Assets	Years
Landfill	Based on Capacity
Buildings	20 - 40
Building Improvements	20 - 40
Furniture, Equipment, and Vehicles	5 - 10
Infrastructure	20 - 30

7. Compensated Absences

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

8. 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 except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

9. Postemployment Benefits Other Than Pensions (OPEB)

PDSW provides a single employer defined benefit healthcare plan to retirees. The plan offers medical and dental insurance benefits, the total OPEB liability, deferred outflows of resources and OPEB expense were measurer actuarially in accordance with GASB Statement No. 75.

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources (Continued)

10. Deferred Outflows of Resources

PDSW's statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. PDSW has pension related deferred outflows and OPEB related deferred outflows that qualify for reporting in this category. These outflows arise only under an accrual basis of accounting and consist of differences between expected and actual pension plan economic experience, changes in actuarial assumptions, the difference between projected and actual investment earnings, changes in proportion and contributions paid subsequent to the measurement date.

11. Deferred Inflows of Resources

PDSW's statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. PDSW has pension related deferred inflows that qualify for reporting in this category. These inflows arise only under an accrual basis of accounting and consist of differences between expected and actual pension plan economic experience, changes in actuarial assumptions, the difference between projected and actual investment earnings, and changes in proportions.

12. Use of Estimates

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

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Minnesota Statutes § 118A.02 and 118A.04 authorize the Pope/Douglas Solid Waste Management to deposit its cash and to invest in certificates of deposit in financial institutions designated by Douglas County Board of Commissioners and the Pope/Douglas Solid Waste Management. *Minnesota Statutes* require that all deposits be covered by insurance, surety bond, or collateral. 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 letters of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. *Minnesota Statutes* requires 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 institutions not owned or controlled by the depository. Pope/Douglas Solid Waste Management is required to follow *Minnesota Statutes* § 118A.03, which requires them to have their deposits fully insured and/or collateralized. As of December 31, 2018, the carrying value of the deposits was $2,442,525. This balance was covered by collateral or insurance.

PDSW invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to *Minnesota Statutes* § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission. The investment in the pool is measured at the amortized cost per share provided by the pool. More information including the most recent financial statement is available on their website *www.magicfund.org.*

Custodial Credit Risk

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, PDSW’s deposits may not be returned to it. PDSW, under the directive of the County, will minimize deposit custodial credit risk by obtaining collateral or bonds for all uninsured amounts on deposits, and by obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law. As of December 31, 2018, PDSW’s deposits were not exposed to custodial credit risk.

2. Detailed Notes on All Funds (Continued)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. PDSW minimizes its exposure to interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. PDSW follows the County's policy to invest only in securities that meet the ratings requirements set by state statute.

2. Detailed Notes on All Funds (Continued)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by PDSW's investment if a single issuer. It is PDSW's policy to minimize that risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

The following table presents PDSW's investment balances at December 31, 2018, and information relating to potential investment risks:

Investment Type	Credit Risk: Credit Rating	Credit Risk: Rating Agency	Concentration of Credit Risk: Over 5% of Portfolio	Interest Rate Risk: Maturity Date	Carrying (Fair) Value
Federal National Mortgage Association	Aaa	Moody's	11.5%	10/28/2022	$ 394,692
Federal Home Loan Mortgage Corporation	Aaa	Moody's	11.5%	6/30/2021	394,028
UBS Select	Aaa	Moody's	>5%	N/A	105,097
UBS Cash	N/R	N/A	>5%	N/A	5,710
Taxable Airport Improvement Bonds	Aa2	Moody's	16.9%	02/01/2027	580,684
Taxable Transit Bonds	Aa1	Moody's	10.4%	02/01/2022	355,517
JP Morgan Chase Bank Delaware	N/R	N/A	>5%	01/20/2022	229,817
Barclays Bank Delaware	N/R	N/A	>5%	07/12/2022	96,240
First Merchants Bank Indiana	N/R	N/A	>5%	07/31/2020	238,258
GE Capital Bank Utah	N/R	N/A	>5%	01/17/2020	238,740
Discover Bank Delaware	N/R	N/A	>5%	02/11/2022	194,186
Capital One Bank NA	N/R	N/A	>5%	07/22/2020	94,963
Capital One Bank Virginia	N/R	N/A	>5%	06/10/2020	236,875
Synchrony Bank Utah	N/R	N/A	>5%	01/13/2022	233,326
Capital One Bank NA	N/R	N/A	>5%	07/22/2020	27,698
External investment pool					
MAGIC	N/R	N/A	0.0%	N/A	186
Total Investments					$ 3,426,017

2. Detailed Notes on All Funds (Continued)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Fair Value Measurements

PDSW uses fair value measurements to record fair value adjustments to certain assets to determine fair value disclosures.

PDSW follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, PDSW has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets recorded on the statement of net position are categorized based on the inputs to the valuation techniques as follows:

Level I - Financial assets are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets. The inputs include those traded on an active exchange, such as the New York Stock Exchange, as well as U.S. Treasury and other U.S. government and agency mortgage-backed securities that are traded by dealers or brokers in active over-the-counter markets.

Level II - Financial assets are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level III - Financial assets are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset.

2. Detailed Notes on All Funds (Continued)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Fair Value Measurements (Continued)

Investments are measured as follows:

		Fair Value Measurement Using		
	12/31/2018	Level I	Level II	Level III
Investments by Fair Value Level				
Federal National Mortgage Association	$ 394,692	$ -	$ 394,692	$ -
Federal Home Loan Mortgage Corporation	394,028	-	394,028	-
Municipal Bonds	936,201	-	936,201	-
Brokered Certificates of Deposit	1,590,103	-	1,590,103	-
Total investments by fair value level	$ 3,315,024	$ -	$ 3,315,024	$ -
Investments measured at amortized cost				
MAGIC portfolio external investment pool	186			
Money Market Funds	105,097			
Total investments measured at amortized cost	105,283			
Total Investments	3,420,307			
Cash and Cash equivalents	5,710			
Total Cash and Investments	$ 3,426,017			

The MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as PDSW has a sufficient number of shares to meet their redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its new asset value not reasonably practical.

2. Detailed Notes on All Funds (Continued)

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2018, including the applicable allowances for uncollectible accounts, are listed below. PDSW expects all but $1,564 of these receivables to be collected within one year. The remaining $1,564 will be collected when the MPCA Contract # 148039 is completed sometime in 2021.

	Total Receivables
Special Assessments	$ 69,968
Accounts	780,006
Due from Other Governments	83,142
Interest - Unrestricted	12,161
Interest - Restricted	13,349
Total	$ 958,626

3. Capital Assets

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets not Depreciated				
Land	$ 179,288	$ -	$ -	$ 179,288
Construction in progress	554,971	173,781	697,201	31,551
Total Capital Assets not Depreciated	$ 734,259	$ 173,781	$ 697,201	$ 210,839
Capital Assets Depreciated				
Land & building improvements	$ 4,641,868	$ 223,525	$ -	$ 4,865,393
Infrastructure	2,974,796	-	-	2,974,796
Buildings	7,513,205	-	-	7,513,205
Machinery, furniture, and equipment	29,094,907	790,265	-	29,885,172
Total Capital Assets Depreciated	$ 44,224,776	$ 1,013,790	$ -	$ 45,238,566
Less: Accumulated Depreciation for				
Land & building improvements	$ 2,865,051	$ 175,502	$ -	$ 3,040,553
Infrastructure	993,004	119,566	-	1,112,570
Buildings	4,197,422	223,369	-	4,420,791
Machinery, furniture, and equipment	16,490,284	1,654,987	-	18,145,271
Total Accumulated Depreciation	$ 24,545,761	$ 2,173,424	$ -	$ 26,719,185
Total Capital Assets Depreciated, Net	$ 19,679,015	$ (1,159,634)	$ -	$ 18,519,381
Capital Assets, Net	$ 20,413,274	$ (985,853)	$ 697,201	$ 18,730,220

2. Detailed Notes on All Funds (Continued)

B. Liabilities

1. Payables

Payables at December 31, 2018, were as follows:

Accounts Payable	$	284,843
Salaries Payable		126,447
Contracts Payable		1,424
Due to Other Governments		45,112
Accrued Interest Payable		184,231
Total Payables	$	642,057

2. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2018
General Obligation Bonds		$720,000 -	3.00 - 4.00	$ 17,675,000	$ 13,145,000
2010A G.O. Bonds	2031	$1,230,000			
Add: Unamortized premium					275,040
Total General Obligation Bonds, Net					$ 13,420,040

3. Debt Service Requirements

Debt service requirements at December 31, 2018, were as follows:

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest
2019	$ 835,000	$ 443,119
2020	860,000	418,069
2021	885,000	392,268
2022	915,000	365,719
2023	940,000	338,269
2024-2028	5,165,000	1,237,300
2029-2031	3,545,000	287,400
Total	$ 13,145,000	$ 3,482,144

2. Detailed Notes on All Funds (Continued)

B. Liabilities (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Estimated Liability for Landfill Closure and Postclosure Care Costs	$ 826,036	$ 49,318	$ -	$ 875,354	$ -
Compensated Absences	241,886	181,227	113,634	309,479	121,787
General Obligation Bonds	13,955,000	-	810,000	13,145,000	835,000
Add: Unamortized Premium	296,197	-	21,157	275,040	-
Long-Term Liabilities	$ 15,319,119	$ 230,545	$ 944,791	$ 14,604,873	$ 956,787

5. Construction Commitments

PDSW has active construction and capital improvement projects as of December 31, 2018. The projects include the following:

	Spent-to-Date	Remaining Commitment
Rockwell software plant historian	$ -	$ 43,418
Landfill remote monitoring	-	37,303
Engineering services master site planning	30,127	9,673
Arc flash study	1,424	26,576
Articulating wheel loader	-	150,345
Total commitments	$ 31,551	$ 267,315

2. Detailed Notes on All Funds (Continued)

B. Liabilities (Continued)

6. Operating Leases

PDSW has a lease agreement in place as of December 31, 2018 with Xerox Corporation for a photo copier. The total payments made in 2018 were $2,926. Minimum future lease payments are as follow:

Year Ending December 31	Amount
2019	$ 2,926
2020	1,707
Total	$ 4,633

3. Pension Plans

A. Defined Benefit Pension Plan

Plan Description

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

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

3. Pension Plans (Continued)

A. Defined Benefit Pension Plan (Continued)

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provision 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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90% funded for two consecutive years, benefit recipients are given 2.5 percent increases. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

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 a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary 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.

3. Pension Plans (Continued)

A. Defined Benefit Pension Plan (Continued)

Contributions

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

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in calendar year 2018. PDSW was required to contribute 7.50 percent for Coordinated Plan members in calendar year 2018. PDSW's contributions to the General Employees Fund for the year ended December 31, 2018, were $181,563. PDSW's contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2018, PDSW reported a liability of $1,880,633 for its proportionate share of the General Employees Fund's net pension liability. PDSW's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million to the fund in 2018. 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 PDSW totaled $61,843. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. PDSW's proportion of the net pension liability was based on the PDSW's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the PDSW's proportion was .0339% which was an increase of .0004% from its proportion measured as of June 30, 2017.

PDSW proportionate share of the net pension liability	$ 1,880,633
State of Minnesota's proportionate share of the net pension liability associated with PDSW,	61,843
Total	$ 1,942,476

There were no provision changes during the measurement period.

3. Pension Plans (Continued)

A. Defined Benefit Pension Plan (Continued)

Pension Costs (Continued)

For the year ended December 31, 2018, PDSW recognized pension expense of $155,482 for its proportionate share of the General Employees Plan's pension expense. In addition, PDSW recognized as additional $14,422 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.

At December 31, 2018, PDSW 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
Difference Between Expected and Actual Economic Experience	$ 49,777	$ 54,850
Changes in Actuarial Assumptions	179,648	211,309
Difference Between Projected and Actual Investment Earnings	-	192,171
Changes in Proportion	18,369	29,529
Contributions Paid to PERA Subsequent to the Measurement Date	93,617	-
Total	$ 341,411	$ 487,859

$93,617 reported as deferred outflows of resources related to pensions resulting from PDSW contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. 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,	Amount
2019	$ 50,546
2020	(104,884)
2021	(146,474)
2022	(39,252)

3. Pension Plans (Continued)

A. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions:

Pension Costs (Continued)

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50% per year

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

The mortality projection scale was changed from MP-2015 to MP-2017.

The assumed post-retirement benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

3. Pension Plans (Continued)

A. Defined Benefit Pension Plan (Continued)

Actuarial Assumptions (Continued)

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 Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds	20%	0.75%
Alternative Assets	25%	5.90%
Cash	2%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the 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.

3. Pension Plans (Continued)

A. Defined Benefit Pension Plan (Continued)

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
PDSW's Proportionate Share of the General Employees Fund's Net Pension Liability	$3,056,269	$1,880,633	$910,179

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.

3. Pension Plans (Continued)

B. Defined Contribution Plan

Two of the Douglas County Board members are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by PDSW during fiscal year 2018 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
$130	$130	5%	5%	5%

4. Landfill Closure and Post Closure Care Costs

State and federal laws and regulations require PDSW to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, PDSW reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The landfill closure and post closure care liability at December 31, 2018 is $875,354. Of this liability, $449,124 represents the cumulative amount reported to date based on the use of 32.0% of the estimated remaining capacity of the landfill post closure care liability. PDSW will recognize the remaining estimated cost of closure and post closure care of $952,851 as the remaining estimated capacity is filled. The remaining portion of the liability of $426,230 is based on the capacity on the closed cells. These amounts are based on what it would cost to perform all closure and post closure care in 2018.

PDSW expects to close the landfill in 2161. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

PDSW is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and post closure care. PDSW is in compliance with these requirements and, at December 31, 2018, investments of $1,659,018 are held for these purposes. These are reported as restricted assets on the statement of net position. PDSW expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional post closure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

5. Risk Management

PDSW is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which PDSW carries commercial insurance. To cover these risks, PDSW is a member of both the Minnesota Counties Intergovernmental Trust (MCIT) Workers’ Compensation and Property and Casualty Divisions. For other risk, PDSW carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

5. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2018. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess PDSW in a method and amount to be determined by MCIT.

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

PDSW is part of the Lakes Country Service Co-op for employee health coverage. Lakes Country Service Co-op is a self-funded pool made up of public employers.

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

B. Designated Funds

PDSW has set aside funds for equipment replacement and landfill construction. Below is a summary of the investments set aside at December 31, 2018.

Designated for Equipment Replacement	$ 1,529,825
Designated for Landfill Construction	265,000
	$ 1,794,825

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

B. Operating Budgets

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues	$ 7,948,800	$ 7,966,465	$ 17,665
Operating Expenses	9,302,177	11,409,625	(2,107,448)
Operating Income (Loss)	$ (1,353,377)	$ (3,443,160)	$ (2,089,783)
Nonoperating Revenues (Expenses)	$ 365,081	$ 1,260,597	895,516
Change in Net Position	$ (988,296)	$ (2,182,563)	$ (1,194,267)

D. Other Postemployment Benefits (OPEB)

Plan Description

PDSW provides OPEB that provide basic medical and hospitalization plan coverage to eligible retirees. PDSW's policy allows employees retiring under PERA to continue their coverage under the PDSW's group health insurance program for life. There are 39 active employees, zero inactive employees, and zero inactive employees entitled to but not yet receiving benefits. At retirement, employees of PDSW receiving a retirement or disability benefit or are eligible to receive a benefit from a Minnesota public pension plan may continue to participate in the PDSW-sponsored group health insurance plan that the employee was a participant of immediately prior to retirement. Employees may obtain dependent coverage at retirement only if the employee was receiving dependent coverage immediately prior to retirement.

Retirees, spouses, and dependents are eligible to remain in the PDSW-sponsored group health insurance plan provided the applicable premiums are paid. Retirees that elect not to continue health coverage at any time (postemployment) are not eligible to re-enroll in the PDSW-sponsored group health insurance plan. Retirees who initially obtained spouse and/or dependent coverage may drop spouse and/or dependent coverage and maintain coverage for themselves; retirees may not drop coverage for themselves and maintain spouse and/or dependent coverage. Covered spouses and/or dependents may continue coverage after the retiree's death provided the applicable premiums are paid. PDSW did not have any individuals under this coverage in 2018.

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

D. Other Postemployment Benefits (OPEB) (Continued)

Funding Policy

PDSW has no assets accumulated in a trust that meets the criteria in GASB 75. PDSW has elected to fund the plan on a pay-as-you-go method. For fiscal year 2018 PDSW has contributed $6,056 to the plan.

Actuarial Methods and Assumptions

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

The OPEB liability was measured as of January 1, 2018, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2017.

The total OPEB liability was determined by an actuarial valuation as of 1/1/2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.50%
Salary Increases	3.00%
Health Care Trend Rates	6.25 in 2018 decreasing to 5.00% over 5 years

Mortality Rates were based on the RP-2014 adjusted to 2006 White Collar Mortality tables with MP-2016 Generational Improvement Scale.

The actuarial assumptions used in the January 1, 2017 valuation were similar to those used to value pension liabilities for Minnesota public employees. The state pension plans base their assumptions on periodic experience studies.

This discount rate used to measure the total OPEB liability was 3.30%. The discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

Since the most recent GASB 45 valuation, the following changes have been made:

The discount rate was changed from 3.50% to 3.30%.

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

D. Other Postemployment Benefits (OPEB) (Continued)

Changes in OPEB Liability

Balances at December 31, 2017 as Restated	$ 132,089
Changes for the year:	
Service Cost	12,091
Interest	4,659
Benefit Payments	(6,056)
Net change in Total OPEB liability	10,694
Total OPEB, End of Year	$ 142,783

The following presents the total OPEB liability of PDSW, as well as that the liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (2.3%)	Discount Rate (3.3%)	1% Increase (4.3%)
Total OPEB Liability	$ 152,414	$ 142,783	$ 133,810

The following presents the total OPEB liability for PDSW, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (5.25% decreasing to 4.00% over 5 years) or 1% higher (7.25% decreasing to 6.00% over 5 years) than the current healthcare cost trend rates:

Medical Trend Rate	1% Decrease (5.25% Decreasing to 4%)	Current Trend Rates (6.25% decreasing to 5%)	1% Increase (7.25% decreasing to 6%)
Total OPEB Liability	$ 128,668	$ 142,783	$ 159,610

For the year ended December 31, 2018, PDSW recognized OPEB expense of $ 16,750. At December 31, 2018, PDSW reported no deferred inflows of resources and $ 8,785 in deferred outflows of resources resulting from PDSW's contributions subsequent to the measurement date which will be recognized as a reduction of the OPEB liability in the year ended December 31, 2019.

7. Related Organizations

As stated in Note 1.A., PDSW was formed through a Joint Powers agreement with Douglas and Pope Counties. These Counties help fund PDSW's operations through special assessments with 76% of the total special assessment revenue coming from Douglas County of $1,071,885 and 24% from Pope County of $331,393.

PDSW paid Douglas County $24,894 for fiscal host fees in 2018.

8. Restatement for Change in Accounting Principle

During the year ended December 31, 2018, PDSW adopted the provisions of Governmental Accounting Standards Board (GASB) Statements No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Beginning net position was restated by $117,768 to account for the changes to the other postemployment benefits liability.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

POPE/DOUGLAS SOLID WASTE MANAGEMENT
ALEXANDRIA, MINNESOTA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY, RELATED RATIOS, AND NOTES
DECEMBER 31, 2018

		2018
Total OPEB Liability		
Service Cost	$	12,091
Interest		4,659
Changes of Assumptions		-
Differences Between Expected and Actual Experience		-
Benefit Payments		(6,056)
Net Change in OPEB Liability		10,694
Total OPEB Liability - beginning		132,089
Total OPEB Liability - ending	$	142,783
Covered-employee Payroll	$	1,844,814
OPEB Liability as a Percentage of Covered-Employee Payroll		7.7%

Information is required to be presented for 10 years. However, until a full 10-year trend is compiled PDSW will present information for only those years for which information is available.

There are no assets accumulated in a trust.

Changes in assumptions are disclosed in 6 D to the basic financial statements.

POPE/DOUGLAS SOLID WASTE MANAGEMENT
ALEXANDRIA, MINNESOTA
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN MEASUREMENT PERIODS

Fiscal Year Ending	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with PDSW	Employer's Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.0350%	$1,816,058	$0	$2,102,644	86.37%	78.2%
June 30, 2016	0.0342%	$2,773,460	$10,801	$2,143,158	129.41%	68.9%
June 30, 2017	0.0335%	$2,138,618	$26,883	$2,157,495	99.13%	75.9%
June 30, 2018	0.0339%	$1,880,633	$61,843	$2,281,582	82.43%	79.5%

This schedule is provided prospectively beginning with the fiscal year ended December 31, 2015. GASB Statement 68 requires ten years of information be presented in this table. Additional years will be included as they become available.

See accompanying Notes to Required Supplementary Information.

POPE/DOUGLAS SOLID WASTE MANAGEMENT
ALEXANDRIA, MINNESOTA
PUBLIC EMPLOYEES GENERAL EMPLOYEES RETIREMENT FUND
SCHEDULE OF PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS

Fiscal Year Ending	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
December 31, 2014	$148,703	($148,703)	$ -	$2,051,077	7.25%
December 31, 2015	$167,522	($167,522)	$ -	$2,233,634	7.50%
December 31, 2016	$156,672	($156,672)	$ -	$2,088,969	7.50%
December 31, 2017	$160,740	($160,740)	$ -	$2,143,196	7.50%
December 31, 2018	$181,563	($181,563)	$ -	$2,420,836	7.50%

This schedule is provided prospectively beginning with the fiscal year ended December 31, 2014. GASB Statement 68 requires ten years of information be presented in this table. Additional years will be included as they become available.

See accompanying Notes to Required Supplementary Information.

III. DEFINED BENEFIT PENSION PLANS – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

A. General Employees Fund

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability, and 3.0% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5 % per year thereafter.

2016

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated 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.

OTHER REQUIRED REPORTS

INDEPENDENT AUDITORS' 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*

Board of Directors
Pope/Douglas Solid Waste Management
Alexandria, Minnesota

We have audited, in accordance with the 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 Pope/Douglas Solid Waste Management (PDSW), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Pope/Douglas Solid Waste Management's basic financial statements, and have issued our report thereon dated July 11, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pope/Douglas Solid Waste Management's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pope/Douglas Solid Waste Management's internal control. Accordingly, we do not express an opinion on the effectiveness of Pope/Douglas Solid Waste Management'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control 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 and therefore, material weaknesses or significant deficiencies may exist that have not identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and recommendations as item 2018-001 that we consider to be a material weakness.

Board of Directors
Pope/Douglas Solid Waste Management

Compliance and Other Matters

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

Pope/Douglas Solid Waste Management's Response to the Finding

Pope/Douglas Solid Waste Management's response to the finding identified in our audit is described in the accompanying schedule of findings and recommendations. Pope/Douglas Solid Waste Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Alexandria, Minnesota
July 11, 2019

CLA (CliftonLarsonAllen LLP)
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Directors
Pope/Douglas Solid Waste Management
Alexandria, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Pope/Douglas Solid Waste Management (PDSW), as of December 31, 2018 and the related notes to the financial statements, which collectively comprise PDSW's basic financial statements and have issued our report thereon dated July 11, 2019.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 6.65 contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the PDSW administers no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that the PDSW failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, except as described in the schedule of findings and recommendations as items 2018-002 and 2018-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the entity's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

The PDSW's written responses to the legal compliances findings identified in our audit are described in the schedule of findings and recommendations. The PDSW's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

Board of Directors
Pope/Douglas Solid Waste Management

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Alexandria, Minnesota
July 11, 2019

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POPE/DOUGLAS SOLID WASTE MANAGEMENT
ALEXANDRIA, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2018

FINDING: 2018-001 LIMITED SEGREGATION OF DUTIES

Condition: Pope/Douglas Solid Waste Management does not have adequate segregation of accounting duties.

Criteria: Generally, a system of internal control contemplates separation of duties such that no individual has responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction.

Effect: The lack of adequate segregation of accounting duties could adversely affect PDSW's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Cause: There is a limited number of staff in the business office.

Recommendation: We recommend PDSW management continue to segregate duties within the limits of what PDSW considers to be cost beneficial.

Views of Responsible Officials:

Management reviews and makes improvements to its internal controls on an ongoing basis, and attempts to maximize the segregation of duties in all areas within the limits of the staff available. However, PDSW does not consider it cost beneficial at this time to increase staff in order to further segregate accounting functions.

POPE/DOUGLAS SOLID WASTE MANAGEMENT
ALEXANDRIA, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
YEAR ENDED DECEMBER 31, 2018

FINDING: 2018-002 ELECTRONIC RECORDING OF MINUTES

Condition: Pope/Douglas Solid Waste Management does not electronically record closed board meetings.

Criteria: State statute 13D.05 subd 1(d) requires all closed meetings, except those closed as permitted by the attorney-client privilege, to be electronically recorded at the expense of the public body.

Effect: PDSW is not in compliance with state statute.

Cause: PDSW was unaware of requirement.

Recommendation: We recommend PDSW management implement procedures to record closed meetings.

Views of Responsible Officials:
Management is in agreement with finding and will make modifications to existing procedures to ensure compliance.

FINDING: 2018-003 BROKER REQUIREMENTS

Condition: Pope/Douglas Solid Waste Management did not provide all brokers the written statement of investment restrictions and they did not have the broker acknowledge such restrictions.

Criteria: State statute 118A.04 subd 9 requires PDSW to annually provide brokers a written statement of investment restrictions and requires that the broker acknowledge such restrictions.

Effect: PDSW is not in compliance with state statute.

Cause: Turnover of staff and changing of roles and responsibilities.

Recommendation: We recommend PDSW management implement procedures to ensure these broker certificates get completed timely.

Views of Responsible Officials:
Management is in agreement with finding and will make modifications to existing procedures to ensure compliance.