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

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2021

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ALEXANDRIA, MINNESOTA
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DECEMBER 31, 2021

INTRODUCTORY SECTION

POPE/DOUGLAS SOLID WASTE MANAGEMENT
ALEXANDRIA, MINNESOTA
ORGANIZATION
DECEMBER 31, 2021

Board of Directors		**Term Expires**
Douglas County		
Board Member	Heather Larson	Indefinite
Board Member - Vice Chair	Charlie Meyer	Indefinite
Board Member	Jerry Wright	Indefinite
Pope County		
Board Member - Chair	Paul Gerde	Indefinite
Board Member	Larry Lindor	Indefinite
Officers		
Executive Director	Steve Vrchota	Indefinite
Operations Manager	Stanley Nelson III	Indefinite
Evironmental Coordinator	Nathan Reinbold	Indefinite
Maintenance Manager	Karl Frovarp	Indefinite
MRF Manager	Jon Dalum	Indefinite
Landfill Manager	Nick Trinka	Indefinite
Office Manager	Brooke Hellerman	Indefinite
Construction Manager	Michael Martin	Indefinite

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FINANCIAL SECTION

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

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, 2021, and the related notes to the financial statements, which collectively comprise PDSW'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 financial position of PDSW as of December 31, 2021, and the 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PDSW 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 PDSW'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.

Auditors' 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 auditors' report that includes our opinion. 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 GAAS and *Government Auditing* Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PDSW'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 PDSW'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 management's discussion and analysis, schedule of changes in the total OPEB liability, schedule of proportionate share of net pension liability and schedule of pension contributions 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 GAAS, 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 Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2022, 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 results 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, 2022

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REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021

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, 2021. 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

	2021	2020	Increase (Decrease)	Percent Change (%)
Assets				
Current and other assets	$ 10,879,691	$ 12,134,747	$ (1,255,056)	(10.3)
Noncurrent assets	27,426,850	21,438,317	5,988,533	27.9
Total Assets	38,306,541	33,573,064	4,733,477	14.1
Deferred outflows of resources	1,615,088	370,424	1,244,664	336.0
Liabilities				
Long-term liabilities	29,710,531	25,445,869	4,264,662	16.8
Other liabilities	3,516,736	2,046,891	1,469,845	71.8
Total Liabilities	33,227,267	27,492,760	5,734,507	20.9
Deferred inflows of resources	1,739,536	331,955	1,407,581	424.0
Net Position				
Net investment in capital assets	716,723	2,618,820	(1,902,097)	(72.6)
Restricted	-	834,297	(834,297)	(100.0)
Unrestricted	4,238,103	2,665,656	1,572,447	59.0
Total Net Position	$ 4,954,826	$ 6,118,773	$ (1,163,947)	(19.0)

The net position of PDSW decreased by 19.0% due primarily to additional expenses for repairs and maintenance of equipment in 2021. Unrestricted net position totaling $4,238,103 is available to finance the day-to-day operations of PDSW.

Change in Net Position

	2021	2020	Increase (Decrease)	Percent Change (%)
Operating Revenues				
Charges for services	$ 9,067,137	$ 8,144,236	$ 922,901	11.3
Miscellaneous	92,780	88,289	4,491	5.1
Nonoperating Revenues				
Special assessments	2,922,813	2,891,445	31,368	1.1
Intergovernmental	214,408	390,948	(176,540)	(45.2)
Interest income	38,804	65,172	(26,368)	(40.5)
Increase (decrease) in fair value of investments	(25,774)	13,527	(39,301)	(290.5)
Total Revenues	$ 12,310,168	$ 11,593,617	$ 716,551	6.2
Operating Expenses				
Payroll	$ 3,597,623	$ 3,376,745	$ 220,878	6.5
Employee benefits and payroll taxes	769,234	673,574	95,660	14.2
Professional services	1,206,531	1,355,429	(148,898)	(11.0)
IT software leases	14,760	9,356	5,404	57.8
Supplies	1,249,743	1,140,789	108,954	9.6
Travel	44,277	32,416	11,861	36.6
Telephone	23,059	19,256	3,803	19.7
Utilities	373,718	384,082	(10,364)	(2.7)
Advertising	67,779	75,205	(7,426)	(9.9)
Insurance	556,875	360,500	196,375	54.5
Postage	3,004	2,590	414	16.0
Commodity freight	72,878	18,288	54,590	298.5
Repairs and maintenance	3,299,258	1,453,994	1,845,264	126.9
Miscellaneous	45,526	38,356	7,170	18.7
Depreciation	2,579,506	2,229,848	349,658	15.7
Landfill closure and postclosure care costs	1,053,793	5,628	1,048,165	18624.1
Nonoperating Expenses				
Capital financing costs	115,876	102,898	12,978	12.6
Loss on disposal of capital assets	91,248	6,853	84,395	1231.5
Interest expense	364,044	459,937	(95,893)	(20.8)
Total Expenses	15,528,732	11,745,744	3,782,988	32.2
Capital Contribution	2,054,617	-	2,054,617	100.0
Increase (Decrease) in Net Position	$ (1,163,947)	$ (152,127)	$ (1,011,820)	(665.1)

Revenues increased 6.2% for the year. Total expenses reflect an increase of 32.2% with repairs and maintenance having the largest increase of $1,845,264. In 2021 there were some unexpected maintenance costs for equipment that had to be paid to continue operations. In 2021 PDSW also had a capital improvement grant revenue totaling $2,054,617.

CAPITAL ASSETS

Capital Assets
(Net of Depreciation)

	2021	2020	Increase (Decrease)	Percent Change (%)
Land	$ 790,615	$ 179,288	$ 611,327	341.0
Construction in progress	5,738,171	2,636,290	3,101,881	117.7
Land & building improvement	1,829,780	1,753,818	75,962	4.3
Infrastructure	1,503,528	1,623,094	(119,566)	(7.4)
Buildings	4,207,638	4,471,550	(263,912)	(5.9)
Machinery, furniture, and Equipment	13,357,118	10,774,277	2,582,841	24.0
Totals	$ 27,426,850	$ 21,438,317	$ 5,988,533	27.9

Additions to land totaled $611,327. Additions to depreciable assets totaled $4,946,079. Depreciation expense for the year totaled $2,579,506. PDSW is in the middle of several large construction projects which resulted in a net increase in CIP of $3,101,881 over the prior year. Detailed capital asset activity is found in Note 2A3.

DEBT ADMINISTRATION

As of December 31, 2021, Pope/Douglas Solid Waste Management had $24,415,000 of General Obligation Bonds outstanding compared to $20,155,000 outstanding as of December 31, 2020, an increase of $4,260,000. In 2021 $5,125,000 GO Solid Waste Revenue Bonds, 2021A were issued. The bonds referenced are issued by either Pope or Douglas County and are recognized as a payable due to other counties. Pope/Douglas Solid Waste Management has pledged their revenues to cover the costs of this debt. As of December 31, 2021 Pope/Douglas Solid Waste Management had $229,617 of notes payable due to KS State Bank compared to $295,997 outstanding as of December 31, 2020, a decrease of $66,380. 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 2021 tipping fees were $87 per ton and will change to $90 for 2022. It is predicted that tipping fees will increase another 2% in 2023. Commodity pricing and markets improved in 2021 and are expected to be higher in 2022. Steam prices, which are based on natural gas pricing increased in the 4th quarter of 2021 and are expected to remain steady in 2022. We continue to try and be competitive with labor markets and expect our labor costs to increase 3% annually to retain our workforce.

Pope/Douglas Solid Waste Management is engaged in some significant maintenance and capital expenditures 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.

BASIC FINANCIAL STATEMENTS

POPE/DOUGLAS SOLID WASTE MANAGEMENT
ALEXANDRIA, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2021

Assets and Deferred Outflows of Resources

Current Assets		
Cash and pooled investments	$	1,779,162
Petty cash and change funds		300
Investments		2,779,905
Special assessments		
Current		86,760
Delinquent		28,454
Accounts receivable - net		841,779
Accrued interest receivable		2,530
Due from other governments		2,118,846
Prepaid items		203,492
Total Current Assets		**7,841,228**
Restricted Assets		
Investments		1,808,047
Cash for capital projects		1,216,829
Accrued interest receivable		13,587
Total Restricted Assets		**3,038,463**
Noncurrent Assets		
Capital assets		
Nondepreciable		6,528,786
Depreciable - net		20,898,064
Total Noncurrent Assets		**27,426,850**
Total Assets		**38,306,541**
Deferred Outflows of Resources		
OPEB related deferred outflows		14,124
Pension related deferred outflows		1,600,964
Total Deferred Outflows		**1,615,088**

See accompanying Notes to the Financial Statements.

POPE/DOUGLAS SOLID WASTE MANAGEMENT
ALEXANDRIA, MINNESOTA
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2021

Liabilities and Deferred Inflows of Resources		
Current Liabilities		
Accounts payable	$	271,301
Salaries payable		238,203
Compensated absences payable - current		149,451
Contracts payable		1,005,137
Due to other governments		34,596
Accrued interest payable		340,572
Unearned revenue		70,000
Due to other counties - current Douglas & Pope		1,330,000
Notes payable - current		63,352
OPEB liability - current		14,124
Total Current Liabilities		**3,516,736**
Noncurrent Liabilities		
Compensated absences payable - long-term		208,502
Landfill closure and postclosure care costs		2,025,867
Long term payable to other counties - Douglas & Pope		25,362,202
Notes payable - long-term		166,265
OPEB liability - long-term		102,861
Net pension liability		1,844,834
Total Noncurrent Liabilities		**29,710,531**
Total Liabilities		**33,227,267**
Deferred Inflows of Resources		
OPEB related deferred inflows		44,566
Pension related deferred inflows		1,694,970
Total Deferred Inflows of Resources		**1,739,536**
Net Position		
Net investment in capital assets		716,723
Unrestricted		4,238,103
Total Net Position	**$**	**4,954,826**

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, 2021

Operating Revenues		
Charges for services	$	9,067,137
Miscellaneous		92,780
Total Operating Revenues		**9,159,917**
Operating Expenses		
Payroll		3,597,623
Employee benefits and payroll taxes		769,234
Professional services		1,206,531
IT Software Leases		14,760
Supplies		1,249,743
Travel		44,277
Telephone		23,059
Utilities		373,718
Advertising		67,779
Insurance		556,875
Postage		3,004
Commodity freight		72,878
Repairs and maintenance		3,299,258
Miscellaneous		45,526
Depreciation		2,579,506
Landfill closure and postclosure care costs		1,053,793
Total Operating Expenses		**14,957,564**
Operating Income (Loss)		**(5,797,647)**
Nonoperating Revenues (Expenses)		
Special assessments		2,922,813
Intergovernmental		
Operating Grants		
State		
SCORE		182,672
Household Hazardous Waste		27,192
PERA indirect aid		4,544
Interest income		38,804
Increase (decrease) in fair value of investments		(25,774)
Capital financing costs		(115,876)
Interest expense		(364,044)
Gain (loss) on disposal of capital assets		(91,248)
Total Nonoperating Revenues (Expenses)		**2,579,083**
Income (Loss) Before Contributions	**$**	**(3,218,564)**
Capital contributions		2,054,617
Change in Net Position		**(1,163,947)**
Net Position - January 1		**6,118,773**
Net Position - December 31	**$**	**4,954,826**

See accompanying Notes to the Financial Statements.

POPE/DOUGLAS SOLID WASTE MANAGEMENT
ALEXANDRIA, MINNESOTA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities	
Receipts from customers and users	$ 9,241,965
Payments to suppliers	(7,219,034)
Payments to employees	(4,385,162)
Net Cash Provided by (Used in) Operating Activities	**(2,362,231)**
Cash Flows from Noncapital Financing Activities	
Special assessments	2,927,707
Intergovernmental	401,408
Net Cash Provided by (Used in) Noncapital Financing Activities	**3,329,115**
Cash Flows from Capital and Related Financing Activities	
Bond proceeds from county for capital	5,270,130
Payment to county for long-term debt	(865,000)
Payment to county for interest	(706,005)
Principal paid on notes payable	(66,381)
Capital financing costs	(115,876)
Acquisition and construction of capital assets	(7,795,777)
Net Cash Provided by (Used in) Capital and Related Financing activities	**(4,278,909)**
Cash Flows from Investing Activities	
Purchase of investments	(2,541,804)
Proceeds from sale of investments	2,386,902
Investment earnings received	38,804
Net Cash Provided by (Used in) Investing Activities	**(116,098)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(3,428,123)**
Cash and Cash Equivalents at January 1	**6,424,414**
Cash and Cash Equivalents at December 31	**$ 2,996,291**
Cash and Cash Equivalents - Statement of Net Position	
Cash and pooled investments	$ 1,779,162
Petty cash and change funds	300
Restricted cash for capital projects	1,216,829
Total Cash and Cash Equivalents	**$ 2,996,291**

See accompanying Notes to the Financial Statements.

POPE/DOUGLAS SOLID WASTE MANAGEMENT
ALEXANDRIA, MINNESOTA
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021
Increase (Decrease) in Cash and Cash Equivalents

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating Income (Loss)	**$ (5,797,647)**
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Depreciation expense	2,579,506
(Increase) decrease in accounts receivable	(30)
(Increase) decrease in due from other governments	12,078
(Increase) decrease in prepaid items	(193,263)
(Increase) decrease in deferred outflows of resources	(1,244,664)
Increase (decrease) in accounts payable	(67,238)
Increase (decrease) in salaries payable	46,054
Increase (decrease) in compensated absences payable	19,629
Increase (decrease) in unearned Revenue	70,000
Increase (decrease) in due to other governments	(1,125)
Increase (decrease) in OPEB liability	(34,200)
Increase (decrease) in net pension liability	(445,431)
Increase (decrease) in landfill closure costs	1,053,793
Increase (decrease) in deferred inflows of resources	1,640,307
Total Adjustments	**3,435,416**
Net Cash Provided by (Used in) Operating Activities	**$ (2,362,231)**
Noncash Investing, Capital, and Financing Activities	
Change in fair value of long-term investments	**$ (25,774)**
Noncash reduction of amount due to counties	**406,549**
	$ 380,775

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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, 2021. 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 or Douglas County Finance Director purchase investments for PDSW upon its direction. Fund investments are reported at their fair value at December 31, 2021, 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 uncollectible accounts. The allowance for uncollectible debt as of December 31, 2021 is zero.

Special assessments receivable consists of delinquent special assessments due in the years 2000 through 2021.

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 and unspent bond proceeds restricted for capital projects. Below is a summary of the restricted assets at December 31, 2021.

Restricted for Closure and Postclosure Care Costs	$	1,808,047
Accrued Interest on Restricted Investments		13,587
Restricted for capital projects		1,216,829
Total	$	3,038,463

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 that cost more than $5,000. 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

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/Useful Life
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 expenses were measured 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 proportion and contributions paid to PERA 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 two items, which reflect only under an accrual basis of accounting that qualify for reporting in this category. The items are pension related deferred inflows and OPEB related deferred inflows. The pension related deferred inflows consist of changes in actuarial assumptions, the difference between projected and actual investment earnings, and changes in proportions. The OPEB related deferred inflows consist of differences between expected and actual liability and changes in actuarial assumptions.

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, 2021, the balance of the deposits was $3,882,570. This balance was covered by bank collateral.

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, 2021, 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 policy is to minimize 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, 2021, and information relating to potential investment risks:

	Credit Risk		Concentration of Credit Risk	Interest Rate Risk	Carrying
Investment Type	Credit Rating	Rating Agency	Over 5% of Portfolio	Maturity Date	(Fair) Value
UBS Cash	N/R	N/A	<5%	N/A	$ 38,021
Taxable Airport Improvement Bonds	Aa2	Moody's	12.9%	02/01/2027	591,245
Taxable Transit Bonds	Aa1	Moody's	8.0%	02/01/2022	365,471
Barclays Bank Delaware	N/R	N/A	<5%	07/12/2022	101,035
Discover Bank Delaware	N/R	N/A	<5%	02/11/2022	200,466
Synchrony Bank Utah	N/R	N/A	5.2%	01/13/2022	240,173
External investment pool					
MAGIC	N/R	N/A	66.5%	N/A	3,051,541
Total Investments					$ 4,587,952

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

A. Assets (Continued)

1. Deposits and Investments (Continued)

Fair Value Measurements (Continued)

Investments are measured as follows:

		Fair Value Measurement Using		
	12/31/2021	Level I	Level II	Level III
Investments by Fair Value Level				
Municipal Bonds	$ 956,716	$ -	$ 956,716	$ -
Brokered Certificates of Deposit	541,674	-	541,674	-
Total investments by fair value level	$ 1,498,390	$ -	$ 1,498,390	$ -
Investments measured at amortized cost				
MAGIC portfolio external investment pool	3,051,541			
Money Market Funds	38,021			
Total investments measured at amortized cost	3,089,562			
Total Investments	$ 4,587,952			

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.

POPE/DOUGLAS SOLID WASTE MANAGEMENT
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NOTES TO THE FINANCIAL STATEMENTS
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2. Detailed Notes on All Funds (Continued)

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2021, including the applicable allowances for uncollectible accounts, are listed below. PDSW expects all of these receivables to be collected within one year.

	Total Receivables
Special Assessments	$ 115,214
Accounts Receivable	841,779
Due from Other Governments	2,118,846
Interest - Unrestricted	2,530
Interest - Restricted	13,587
Total	$ 3,091,956

3. Capital Assets

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets not Depreciated				
Land	$ 179,288	$ 611,327	$ -	$ 790,615
Construction in progress	2,636,290	6,918,128	3,816,247	5,738,171
Total Capital Assets not Depreciated	$ 2,815,578	$ 7,529,455	$ 3,816,247	$ 6,528,786
Capital Assets Depreciated				
Land & building improvements	$ 5,136,946	$ 171,403	$ -	$ 5,308,349
Infrastructure	2,974,796	-	-	2,974,796
Buildings	9,348,914	85,278	-	9,434,192
Machinery, furniture, and equipment	32,092,520	4,689,398	280,520	36,501,398
Total Capital Assets Depreciated	$ 49,553,176	$ 4,946,079	$ 280,520	$ 54,218,735
Less: Accumulated Depreciation for				
Land & building Improvements	$ 3,383,128	$ 95,441	$ -	$ 3,478,569
Infrastructure	1,351,702	119,566	-	1,471,268
Buildings	4,877,364	349,190	-	5,226,554
Machinery, furniture, and equipment	21,318,243	2,015,309	189,272	23,144,280
Total Accumulated Depreciation	$ 30,930,437	$ 2,579,506	$ 189,272	$ 33,320,671
Total Capital Assets Depreciated, Net	$ 18,622,739	$ 2,366,573	$ 91,248	$ 20,898,064
Capital Assets, Net	$ 21,438,317	$ 9,896,028	$ 3,907,495	$ 27,426,850

2. Detailed Notes on All Funds (Continued)

B. Liabilities

1. Long-Term Debt

Beginning in 2020, Pope Douglas Solid Waste Management entered into a loan agreement with KS State Bank to purchase four pieces of equipment. If the obligee fails to pay a contact payment listed for 15 days after the payment is due the loan can be considered in default. The outstanding notes contain a provision that in the event of a default the obligee may declare all payments hereunder to the end of the current budget year to be immediately due and payable. The oblige may require the obligator at obligator's expense to redeliver any or all of the equipment and any additional collateral to the oblige. The balance of this note payable as of December 31, 2021 is as follows:

Notes from Direct Borrowings and Direct Placements	Final Maturity	Monthly Payments	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2021
Equipment Loans					
KS State Bank	2025	$ 6,465	4.00	$ 350,448	$ 229,617
Total Note Payable				$ 350,448	$ 229,617

2. Debt Service Requirements

Debt service requirements at December 31, 2021, were as follows for notes payable:

Year Ending December 31	Notes from Direct Borrowings Principal	Notes from Direct Borrowings Interest
2022	$ 63,352	$ 7,767
2023	71,956	5,629
2024	75,048	2,536
2025	19,261	135
Total	$ 229,617	$ 16,067

2. Detailed Notes on All Funds (Continued)

B. Liabilities

3. Long-Term Liabilities

Douglas and Pope counties have issued debt for Pope/Douglas Solid Waste Management. Pope/Douglas Solid Waste Management has pledged revenues to cover the principal and interest payments on the issued debt, which is payable to Douglas and Pope counties. The long term debt for G.O. Revenue bonds is as follows:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2021
2019A Douglas County G.O. Revenue Refunding Bonds	2031	$775,000 - $1,110,000	4.00 - 5.00	$ 10,470,000	$ 9,015,000
2019A Pope County G.O. Revenue Bonds	2040	$185,000 - $310,000	2.50 - 3.00	$ 4,900,000	$ 4,715,000
2020A Douglas County G.O. Revenue Bonds	2041	$235,000 - $325,000	1.05 - 2.00	$ 5,560,000	$ 5,560,000
2021A Pope County G.O. Revenue Bonds	2041	$185,000 - $300,000	1.150-2.00	$ 5,125,000	$ 5,125,000
Add: Unamortized premium					$ 2,065,633
Add: Amount on refunding					$ 211,569
Total Payable to Counties					$ 26,692,202

4. Debt Service Requirements

Debt service requirements at December 31, 2021, were as follows for General Obligation bonds payable to Douglas and Pope Counties:

Year Ending December 31	General Obligation Bonds Principal	Interest
2022	$ 1,330,000	$ 778,388
2023	1,405,000	699,250
2024	1,465,000	646,700
2025	1,515,000	591,650
2026	1,575,000	534,350
2027-2031	8,820,000	1,721,900
2032-2036	4,110,000	630,328
2037-2041	4,195,000	240,680
Total	$ 24,415,000	$ 5,843,246

2. Detailed Notes on All Funds (Continued)

B. Liabilities

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Estimated Liability for Landfill Closure and Postclosure Care Costs	$ 972,074	$ 1,053,793	$ -	$ 2,025,867	$ -
Compensated Absences	338,324	163,074	143,445	357,953	149,451
Note Payable	295,998	-	66,381	229,617	63,352
General Obligation Bonds	20,155,000	5,125,000	865,000	24,415,000	1,330,000
Add: Unamortized Premium	2,305,895	145,130	385,392	2,065,633	-
Add: Amount on Refunding	232,726	-	21,157	211,569	-
Long-Term Liabilities	$ 24,300,017	$ 6,486,997	$ 1,481,375	$ 29,305,639	$ 1,542,803

In 2021, Pope County issued 2021A G.O. Revenue Bonds totaling $5,125,000, to finance the acquisition of various equipment replacements and upgrades and the construction of various building modifications.

6. Construction Commitments

PDSW has active construction and capital improvement projects as of December 31, 2021. The projects include the following:

	Spent-to-Date	Commitment
Landfill Cell 3 Construction	$ 2,563,537	$ 331,587
Radio Replacements	29,341	9,675
Landfill Camera	28,724	26,799
Replace Scale & Pit	209,401	492,810
MRF Expansion Phase-2	271,992	87,335
Compast Building Expansion	1,740,034	713,369
Environmental Center	895,142	772,760
Total Commitments	$ 5,738,171	$ 2,434,335

2. Detailed Notes on All Funds (Continued)

B. Liabilities

7. Operating Leases

PDSW had a lease agreement in place as of December 31, 2019 with Xerox Corporation for a photo copier. The lease term ended in 2020 and PDSW exercised a month-to-month option. The total payments made in 2021 were $2,926. Minimum future lease payments are as follow if they continue to lease the existing copier:

Year Ending December 31	Amount
2022	$ 2,926

3. Pension Plans

A. Defined Benefit Pension Plan

Plan Description

PDSW participates in the following cost-sharing multiple-employer defined benefit pension plan 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 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.

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

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

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 fiscal year 2021 and PDSW was required to contribute 7.50 percent for Coordinated Plan members. PDSW contributions to the General Employees Fund for the year ended December 31, 2021, were $241,572. PDSW's contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2021, PDSW reported a liability of $1,844,834 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. 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 $56,313.

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. PDSW's proportionate share 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. PDSW's proportionate share was .0432 percent at the end of the measurement period and .0382 percent for the beginning of the period.

3. Pension Plans (Continued)

A. Defined Benefit Pension Plan (Continued)

Pension Costs (Continued)

PDSW proportionate share of the net pension liability	$ 1,844,834
State of Minnesota's proportionate share of the net pension liability associated with PDSW,	$56,313
Total	$ 1,901,147

There were no provision changes during the measurement period.

For the year ended December 31, 2021, PDSW recognized pension expense of $158,525 for its proportionate share of the General Employees Plan’s pension expense. In addition, PDSW recognized as additional $4,544 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, 2021, 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	$ 11,334	$ 56,457
Changes in Actuarial Assumptions	1,126,417	40,809
Net Difference Between Projected and Actual Investment Earnings	-	1,597,704
Changes in Proportion	340,605	-
Contributions Paid to PERA Subsequent to the Measurement Date	122,608	-
Total	$ 1,600,964	$ 1,694,970

$122,608 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

3. Pension Plans (Continued)

A. Defined Benefit Pension Plan (Continued)

Pension Costs (Continued)

Year Ending December 31:	Pension Expense Amount
2022	$ 64,589
2023	92,917
2024	61,657
2025	(435,777)

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	33.5%	5.10%
International Equity	16.5%	5.30%
Private Markets	25.0%	5.90%
Fixed Income	25.0%	0.75%
Total	100%	

3. Pension Plans (Continued)

A. Defined Benefit Pension Plan (Continued)

Actuarial Methods and Assumptions

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

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

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

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

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

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

Changes in Actuarial Assumptions
- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, 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.

3. Pension Plans (Continued)

A. Defined Benefit Pension Plan (Continued)

Actuarial Methods and Assumptions

Discount Rate

The discount rate used to measure the total pension liability in 2021 was 6.50 percent. 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.

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 (5.5%)	Discount Rate (6.5%)	1% Increase in Discount Rate (7.5%)
PDSW's Proportionate Share of the General Employees Fund's Net Pension Liability	$3,762,519	$1,844,834	$271,256

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 board members participate in 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. 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 2021 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
$150	$150	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 total landfill capacity used as of each balance sheet date. Individual cells are deprecated using a straight line method based on number of years expected to be in use. The landfill closure and post closure care liability at December 31, 2021 is $2,025,867. Of this liability, $536,943 represents the cumulative amount reported to date based on the use of 36.1% 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 $951,302 as the remaining estimated capacity is filled. The remaining portion of the liability of $1,488,924 is based on the cost of the closed cells and life used out of the current cells in operation. These amounts are based on what it would cost to perform all closure and post closure care in 2021.

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

PDSWM is required by state and federal laws and regulations to make annual contribution to a trust to finance closure and post closure care. PDSWM has been in compliance with these requirements, and, at December 31, 2021, investments of $1,808,047 are held for these purposes. These are reported as restricted assets on the statement of net position. PDSWM's present financial obligation is calculated to be $3,486,522 due to the assumptions and inclusions stipulated by the MPCA and incorporated into the revised financial assurance plan (SEH, July 2021) at a much higher stipulated inflation rate. If these funds and 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 2021. 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 MN PEIP for employee health coverage.

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, 2021.

Designated for Equipment Replacement	$ 729,825
Designated for Landfill Construction	265,000
	$ 994,825

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

C. Operating Budgets

	Budget	Actual	Variance Favorable (Unfavorable)
Operating Revenues	$ 9,434,868	$ 9,159,917	$ (274,951)
Operating Expenses	11,411,584	14,957,564	(3,545,980)
Operating Income (Loss)	$ (1,976,716)	$ (5,797,647)	$ (3,820,931)
Nonoperating Revenues (Expenses)	$ 2,394,000	$ 2,579,083	185,083
Change in Net Position	$ 417,284	$ (3,218,564)	$ (3,635,848)

D. Other Postemployment Benefits (OPEB)

Plan Description

PDSW administers an other postemployment benefit plan, a single employer plan that provides basic medical and hospitalization plan coverage to eligible retirees. PDSW provides benefits for retirees as required by Minn Stat. 471.61, subd 2b. PDSW's policy allows employees retiring under PERA to continue their coverage under the PDSW's group health insurance program for life. There are 48 active employees, 2 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 2021.

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

D. Other Postemployment Benefits (OPEB) (Continued)

Plan Description (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 2021 PDSW paid benefits in the amount of $14,124.

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, 2021, and the total OPEB liability was determined by an actuarial valuation as of January 1, 2021.

The total OPEB liability was determined by an actuarial valuation as of 1/1/2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.00%
Salary Increases	3.00%
Health Care Trend Rates	6.50% decreasing to 5.00% then 4.00%

Mortality Rates were based on Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2020 Generational Improvement Scale.

The actuarial assumptions used in the January 1, 2021 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 2.00%. The discount estimated yield of 20-year AA-related municipal bonds.

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

D. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions (Continued)

Since the most recent GASB 75 valuation, the following changes have been made:

- The discount rate was changed from 3.80% to 2.00%.
- The healthcare trend rates were changed to better anticipate short term and long- term medical increases.
- The inflation rate changed from 2.50% to 2.00%
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2020 Generational Improvement Scale.

Changes in OPEB Liability

Balances at December 31, 2020	$ 151,185
Changes for the year:	
Service Cost	17,019
Interest	6,221
Assumption Changes	(504)
Difference between Expected and Actual Experience	(47,887)
Benefit Payments	(9,049)
Net change in Total OPEB liability	(34,200)
Total OPEB, End of Year	$ 116,985

The following presents the 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 (1%)	Discount Rate (2%)	1% Increase (3%)
Total OPEB Liability	$ 123,749	$ 116,985	$ 110,580

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

D. Other Postemployment Benefits (OPEB) (Continued)

Changes in OPEB Liability (Continued)

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 (5.5% decreasing 5.00 % then 4.00%) or 1% higher (7.5% decreasing to 6.00%, then 5.00%) than the current healthcare cost trend rates:

Medical Trend Rate	1% Decrease (5.5% Decreasing to 4%)	Current Trend Rates (6.5% decreasing to 5%)	1% Increase (7.5% decreasing to 6%)
Total OPEB Liability	$ 106,379	$ 116,985	$ 129,741

For the year ended December 31, 2021, PDSW recognized OPEB expense of $13,760.

At December 31, 2021, PDSW reported deferred inflows of resources and deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual liability	$ -	$ 43,163
Changes in actuarial assumptions		1,403
Benefits paid subsequent to the measurement date	14,124	-
Total	$ 14,124	$ 44,566

$14,124 resulting from benefits paid by the employer subsequent to the measurement date which will be recognized as a reduction of the OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense amount as follows:

Year ending December 31:	OPEB Expense Amount
2022	$ (9,480)
2023	(9,480)
2024	(9,479)
2025	(8,066)
2026	(8,061)

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 77% of the total special assessment revenue coming from Douglas County of $2,242,582 and 23% from Pope County of $680,231.

PDSW paid Douglas County $30,744 for fiscal host fees in 2021.

8. Subsequent Event

Subsequent to year end, the board of directors approved the issuance of Solid Waste Revenue Bonds estimated to total $7,155,000 to finance capital.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

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POPE/DOUGLAS SOLID WASTE MANAGEMENT
ALEXANDRIA, MINNESOTA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TEN MEASUREMENT PERIODS

	2018	2019	2020	2021
Total OPEB Liability				
Service Cost	$ 12,091	$ 12,579	$ 12,956	$ 17,019
Interest	4,659	4,983	5,730	6,221
Changes of Assumptions	-	(1,967)	-	(504)
Differences Between Expected and Actual Experience	-	(6,516)	-	(47,887)
Benefit Payments	(6,056)	(8,785)	(10,578)	(9,049)
Net Change in OPEB Liability	10,694	294	8,108	(34,200)
Total OPEB Liability - beginning	132,089	142,783	143,077	151,185
Total OPEB Liability - ending	$ 142,783	$ 143,077	$ 151,185	$ 116,985
Covered-employee Payroll	$ 1,844,814	$ 2,220,207	$2,286,813	$2,779,486
OPEB Liability as a Percentage of Covered-employee Payroll	7.7%	6.0%	7.0%	4.0%

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.

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

Measurement Date	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 (b)	Employer's Proportionate Share of the Net Pension Liability (a) + (b)	Employer's Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	0.0350%	$1,816,058	$0	$1,816,058	$2,102,644	86.37%	78.2%
June 30, 2016	0.0342%	$2,773,460	$10,801	$2,784,261	$2,143,158	129.41%	68.9%
June 30, 2017	0.0335%	$2,138,618	$26,883	$2,165,501	$2,157,495	99.13%	75.9%
June 30, 2018	0.0339%	$1,880,633	$61,843	$1,942,476	$2,281,582	82.43%	79.5%
June 30, 2019	0.0354%	$1,957,187	$60,831	$2,018,018	$2,509,990	77.98%	80.2%
June 30, 2020	0.0382%	$2,290,265	$70,663	$2,360,928	$2,724,119	84.07%	79.1%
June 30, 2021	0.0432%	$1,844,834	$56,313	$1,901,147	$3,110,878	59.30%	87.0%

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.

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%
December 31, 2019	$193,824	($193,824)	$ -	$2,584,320	7.50%
December 31, 2020	$219,516	($219,516)	$ -	$2,926,874	7.50%
December 31, 2021	$241,572	($241,572)	$ -	$3,220,958	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.

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

2021

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, 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 in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decrease 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 form Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older

A. General Employees Fund

2020 (Continued)

Changes in Actuarial Assumptions (Continued)

- 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 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 $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

2018

Changes in Actuarial Assumptions

- 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.

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 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.

A. General Employees Fund

2018 (Continued)

Changes in Plan Provisions (Continued)

- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, 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 in Actuarial Assumptions
- 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 0.00% 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.

Changes in Plan Provisions
- The State's contribution for the Minneapolis Employees Retirement Fund equals $16,000,000 in 2017 and 2018, and $6,000,000 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 in Actuarial Assumptions
- 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%.

A. General Employees Fund

2016 (Continued)

Changes in Actuarial Assumptions (Continued)

- 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

Changes in Plan Provisions:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by $1.1 billion and increase the fiduciary plan net position by $892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of $6.0 million, which meets the special funding situation definition, was due September 2015.

OTHER POST EMPLOYMENT BENEFIT PLANS – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the OPEB valuation performed for the year ended:

2021

- The discount rate was changed from 3.80% to 2.00%.
- The healthcare trend rates were changed to better anticipate short term and long- term medical increases.
- The inflation rate changed from 2.50% to 2.00%
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2020 Generational Improvement Scale.

2019

Since the most recent GASB 75 valuation, the following changes have been made:

- The discount rate was changed from 3.30% to 3.80%
- The healthcare trend rates were changed to better anticipate short term and long- term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale.

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OTHER REQUIRED REPORTS

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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, 2021, 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, 2022.

Report on 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) as a basis for designing 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 were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2021-001 and 2021-002 that we consider to be material weaknesses.

Report on 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 financial statements. 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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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, 2022

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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 financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities of Pope/Douglas Solid Waste Management (PDSW), as of and for the year ended December 31, 2021 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, 2022.

In connection with our audit, nothing came to our attention that caused us to believe that PDSW 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 Other 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 entity's noncompliance with the above-referenced provisions, insofar as they relate to accounting matters.

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Alexandria, Minnesota
July 11, 2022

POPE/DOUGLAS SOLID WASTE MANAGEMENT
ALEXANDRIA, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2021

FINDING: 2021-001 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.

Repeat Finding: Yes, identified as prior year finding 2020-001.

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 to further segregate accounting functions.

FINDING: 2021-002 MATERIAL AUDIT ADJUSTMENTS

Condition: As part of the audit, we proposed entries relating to unearned revenues and recording retainage payable. These entries indicate a weakness in internal controls over the year-end financial reporting process. The weakness in this control procedure is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by PDSW's internal control structure.

Criteria: PDSW management is responsible for establishing and maintaining internal controls for the proper recording of all PDSW's financial transactions.

Effect: The design of the internal controls over recording unearned revenues and retainage payables could affect PDSW's ability to report accurately report year-end balances.

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

Repeat Finding: No.

Recommendation: We recommend PDSW management be consistently aware of all procedures and processes involved in recording unearned revenues and retainage payable and develop internal control policies to ensure proper recording of these items.

Views of Responsible Officials:
There is no disagreement with the audit finding. Management will continue to work at eliminating the need for audit adjustments through continued commitment to ongoing learning and review of work performed by personnel.

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS:

FINDING: 2020-002 OUT OF STATE TRAVEL POLICY

Resolution: PDSW created an out of state travel policy to be in compliance during the year.

FINDING: 2020-003 LOWEST RESPONSIBLE BIDDER

Resolution: Procedures were implemented to ensure contracts are awarded to the lowest qualified bidder.