STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

TRI-COUNTY SOLID WASTE MANAGEMENT COMMISSION
ST. CLOUD, MINNESOTA

YEAR ENDED DECEMBER 31, 2008

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

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

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

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TRI-COUNTY SOLID WASTE MANAGEMENT COMMISSION ST. CLOUD, MINNESOTA

Year Ended December 31, 2008

Audit Practice Division
Office of the State Auditor
State of Minnesota

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TRI-COUNTY SOLID WASTE MANAGEMENT COMMISSION
ST. CLOUD, MINNESOTA

TABLE OF CONTENTS

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Introductory Section

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TRI-COUNTY SOLID WASTE MANAGEMENT COMMISSION
ST. CLOUD, MINNESOTA

ORGANIZATION
2008

Board of Directors	Position	County	Term Expires
DeWayne Mareck	Chair	Stearns	December 31, 2008
Joe Wollak	Vice Chair	Benton	December 31, 2008
Earl Bukowski	Member	Benton	December 31, 2008
John Riebel	Member	Benton	December 31, 2008
Felix Schmiesing	Member	Sherburne	December 31, 2008
Leigh Lenzmeier	Member	Stearns	December 31, 2008
Don Otte	Member	Stearns	December 31, 2008
Vince Schaefer	Member	Stearns	December 31, 2008

Coordinator			
Jerry Johnson			Indefinite

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Financial Section

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REBECCA OTTO
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Tri-County Solid Waste Management Commission

We have audited the basic financial statements of the Tri-County Solid Waste Management Commission as of and for the year ended December 31, 2008, as listed in the table of contents. These financial statements are the responsibility of the management of the Tri-County Solid Waste Management Commission. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Tri-County Solid Waste Management Commission at December 31, 2008, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

December 30, 2009

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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TRI-COUNTY SOLID WASTE MANAGEMENT COMMISSION
ST. CLOUD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008
(Unaudited)

The Tri-County Solid Waste Management Commission's (Commission) Management's Discussion and Analysis (MD&A) provides an overview of the Commission's financial activities for the fiscal year ended December 31, 2008. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the Commission's financial statements.

The Commission is a joint powers enterprise operation of Benton, Sherburne, and Stearns Counties, created with the intention of the counties to cooperate in a joint venture to provide the greatest public benefit possible for the entire contiguous three-county area in planning, management, and implementation of methods to deal with solid waste in Central Minnesota.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. The Commission'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 different views of the Commission's financial activities and consist of the following:

- The statement of net assets compares the assets and liabilities to give an overall view of the financial health of the Commission.

- The statement of revenues, expenses, and changes in net assets provides information on an aggregate view of the Commission's finances. All of the current year's revenues and expenses are taken into account regardless of when the cash was received or paid.

- The statement of cash flows provides sources and uses of cash for the Commission.

FINANCIAL ANALYSIS

Net Assets

	2008	2007	Increase/ (Decrease)	Percent (%) Change
Assets				
Current and other assets	$ 300,705	$ 436,336	$ (135,631)	(31.08)
Capital assets, net	165,566	184,769	(19,203)	(10.39)
Total Assets	$ 466,271	$ 621,105	$ (154,834)	(24.93)
Liabilities				
Current liabilities	$ 71,409	$ 104,626	$ (33,217)	(31.75)
Noncurrent liabilities	53,445	50,278	3,167	6.30
Total Liabilities	$ 124,854	$ 154,904	$ (30,050)	(19.40)
Net Assets				
Invested in capital assets	$ 165,566	$ 184,769	$ (19,203)	(10.39)
Unrestricted	175,851	281,432	(105,581)	(37.52)
Total Net Assets	$ 341,417	$ 466,201	$ (124,784)	(26.77)

The Commission’s total net assets for the year ended December 31, 2008, was $341,417. Unrestricted net assets, totaling $175,851, are available to finance the Commission’s day-to-day operations.

Changes in Net Assets

	2008	2007	Increase/ (Decrease)	Percent (%) Change
Operating Revenues				
Charges for services	$ 159,002	$ 57,319	$ 101,683	177.40
Miscellaneous	5,088	20,375	(15,287)	(75.03)
Total Operating Revenues	$ 164,090	$ 77,694	$ 86,396	111.20
Operating Expenses				
Administration and overhead	$ 426,904	$ 422,938	$ 3,966	0.94
Disposal of waste	317,004	91,162	225,842	247.74
Depreciation	19,203	19,258	(55)	(0.29)
Total Operating Expenses	$ 763,111	$ 533,358	$ 229,753	43.08
Operating Income (Loss)	$ (599,021)	$ (455,664)	$ (143,357)	(31.46)

	2008	2007	Increase/ (Decrease)	Percent (%) Change
Nonoperating Revenues (Expenses)				
Intergovernmental	$ 74,707	$ 106,480	$ (31,773)	(29.84)
Contributions from counties	399,530	375,933	23,597	6.28
Total Nonoperating Revenues (Expenses)	$ 474,237	$ 482,413	$ (8,176)	(1.69)
Change in Net Assets	$ (124,784)	$ 26,749	$ (151,533)	(566.50)

The large increase in charges for services is due to an increase in ferrous recycling prices. The disposal of waste expenses reflect increased tipping fees at NRG Elk River.

CAPITAL ASSETS

Capital Assets
(Net of Depreciation)

	2008	2007	Increase/ (Decrease)	Percent (%) Change
Land	$ 40,000	$ 40,000	$ -	-
Buildings and improvements	124,787	141,639	(16,852)	(11.90)
Machinery, furniture, and equipment	779	3,130	(2,351)	(75.11)
Total Capital Assets	$ 165,566	$ 184,769	$ (19,203)	(10.39)

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Coordinator, Jerry Johnson, 601 North 20th Avenue, St. Cloud, Minnesota 56303.

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BASIC FINANCIAL STATEMENTS

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TRI-COUNTY SOLID WASTE MANAGEMENT COMMISSION
ST. CLOUD, MINNESOTA

EXHIBIT 1

STATEMENT OF NET ASSETS
DECEMBER 31, 2008

Assets		
Current assets		
Cash and investments	$	269,021
Accounts receivable		30,447
Due from other governments		1,237
Total current assets	**$**	**300,705**
Capital assets		
Nondepreciable	$	40,000
Depreciable - net		125,566
Total capital assets	**$**	**165,566**
Total Assets	**$**	**466,271**
Liabilities		
Current liabilities		
Accounts payable	$	56,049
Salaries payable		8,982
Due to other governments		3,707
Compensated absences payable - current		2,671
Total current liabilities	**$**	**71,409**
Noncurrent liabilities		
Compensated absences payable - long-term		53,445
Total Liabilities	**$**	**124,854**
Net Assets		
Invested in capital assets	$	165,566
Unrestricted		175,851
Total Net Assets	**$**	**341,417**

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

TRI-COUNTY SOLID WASTE MANAGEMENT COMMISSION
ST. CLOUD, MINNESOTA

EXHIBIT 2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008

Operating Revenues		
Charges for services	$	159,002
Miscellaneous		5,088
Total Operating Revenues	**$**	**164,090**
Operating Expenses		
Administration and overhead	$	426,904
Disposal of waste		317,004
Depreciation		19,203
Total Operating Expenses	**$**	**763,111**
Operating Income (Loss)	**$**	**(599,021)**
Nonoperating Revenues (Expenses)		
Intergovernmental	$	74,707
Contributions from counties		399,530
Total Nonoperating Revenues (Expenses)	**$**	**474,237**
Change in Net Assets	**$**	**(124,784)**
Net Assets - January 1		**466,201**
Net Assets - December 31	**$**	**341,417**

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

TRI-COUNTY SOLID WASTE MANAGEMENT COMMISSION
ST. CLOUD, MINNESOTA

EXHIBIT 3

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008
Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities		
Receipts from customers and users	$	179,496
Payments to suppliers		(453,385)
Payments to employees		(351,020)
Net cash provided by (used in) operating activities	**$**	**(624,909)**
Cash Flows from Noncapital Financing Activities		
Intergovernmental	$	74,707
Contributions		399,530
Net cash provided by (used in) noncapital financing activities	**$**	**474,237**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**(150,672)**
Cash and Cash Equivalents at January 1		**419,693**
Cash and Cash Equivalents at December 31	**$**	**269,021**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	**$**	**(599,021)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	$	19,203
(Increase) decrease in accounts receivable		(29,178)
(Increase) decrease in due from other governments		14,137
Increase (decrease) in accounts payable		(28,129)
Increase (decrease) in salaries payable		(6,522)
Increase (decrease) in compensated absences payable		3,231
Increase (decrease) in due to other governments		1,370
Total adjustments	**$**	**(25,888)**
Net Cash Provided by (Used in) Operating Activities	**$**	**(624,909)**

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

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NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2008

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1. Summary of Significant Accounting Policies

The Tri-County Solid Waste Management Commission's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2008. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Commission has the option to apply FASB pronouncements issued after that date, the Commission has chosen not to do so. The more significant accounting policies established in GAAP and used by the Commission are discussed below.

A. Financial Reporting Entity

The Tri-County Solid Waste Management Commission is a joint powers authority between Benton, Sherburne, and Stearns Counties (the Counties) formed under a joint powers agreement entered into pursuant to Minn. Stat. § 471.59, the Joint Powers Act.

Each of the Counties is authorized and obligated pursuant to Minn. Stat. chs. 115A and 400 to provide for the management and disposal of solid waste. It is the intention of the Counties to cooperate in a joint venture to provide the greatest public benefit possible for the entire contiguous three-county area in planning, management, and implementation of methods to deal with solid waste in Central Minnesota.

The Commission is governed by a Board of Directors composed of eight members. Each county is entitled to no less than two and no more than four of its own Commissioners on the Board. Population of the member counties determines how many Commissioners sit on the Board. At its annual meeting, each County Board chooses its respective members to sit on the Board. Each member county appoints one staff person as an ex officio (non-voting) member.

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

The Commission is a separate entity independent of the counties which formed it. In accordance with generally accepted accounting principles, the Commission's financial statements are not included in any member county's financial statements. However, Stearns County accounts for all transactions of the Commission and shows the Commission as an agency fund in its financial statements. No single county retains control over the operations or is financially accountable for the Commission.

B. Basic Financial Statements

The accounts of the Commission are organized as an enterprise fund. The fund operating revenues result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as intergovernmental revenues and contributions from counties, result from nonexchange transactions or incidental activities. The Commission's net assets are reported in two parts: (1) invested in capital assets and (2) unrestricted net assets.

C. Measurement Focus and Basis of Accounting

The Commission'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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include all cash and pooled investments. The Commission's cash is pooled and invested with Stearns County. The County obtains collateral to cover deposits in excess of insurance coverage.

2. Receivables

All receivables are shown net of an allowance for uncollectibles.

1. Summary of Significant Accounting Policies

   D. Assets, Liabilities, and Net Assets or Equity (Continued)

      3. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements. The Commission defines capital assets as assets with an estimated useful life in excess of one year and with an individual cost of more than $1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

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

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

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

Assets	Years
Furniture	7
Equipment	5
Buildings	15

      4. Compensated Absences

The Commission uses Stearns County's non-union personnel policies regarding paid leave. Paid leave is granted in varying amounts based on employee length of service. Unused accumulated paid leave is paid to employees in varying degrees upon termination based upon the severance option chosen by the employee.

Earned but unpaid vacation, vested sick leave, and sick leave expected to vest are shown on the statement of net assets as compensated absences. Unvested sick leave is not included as a liability.

1. Summary of Significant Accounting Policies

   D. Assets, Liabilities, and Net Assets or Equity (Continued)

      5. 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

   A. Assets

      1. Cash

         Cash transactions are administered by the Stearns County Auditor/Treasurer, who is, according to Minn. Stat. §§ 118A.02 and 118A.04, authorized to deposit cash in financial institutions designated by the County Board. Minnesota statutes require that all county deposits be covered by insurance, surety bond, or collateral.

      2. Receivables

         The Commission has no receivables scheduled to be collected beyond one year.

      3. Capital Assets

         Capital asset activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 40,000	$ -	$ -	$ 40,000
Capital assets depreciated				
Buildings	$ 456,337	$ -	$ -	$ 456,337
Machinery, furniture, and equipment	29,476	-	-	29,476
Total capital assets depreciated	$ 485,813	$ -	$ -	$ 485,813

2. Detailed Notes

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	$ 314,698	$ 16,852	$ -	$ 331,550
Machinery, furniture, and equipment	26,346	2,351	-	28,697
Total accumulated depreciation	$ 341,044	$ 19,203	$ -	$ 360,247
Total capital assets depreciated, net	$ 144,769	$ (19,203)	$ -	$ 125,566
Total Capital Assets, Net	$ 184,769	$ (19,203)	$ -	$ 165,566

B. Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 52,885	$ 3,231	$ -	$ 56,116	$ 2,671

3. Pension Plans - Defined Benefit Plans

A. Plan Description

All full-time and certain part-time employees of the Tri-County Solid Waste Management Commission are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan.

3. Pension Plans - Defined Benefit Plans

A. Plan Description (Continued)

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service.

For Public Employees Retirement Fund members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for members hired prior to July 1, 1989, and is the age for unreduced Social Security benefits capped at age 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

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

3. Pension Plans - Defined Benefit Plans (Continued)

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. The Commission makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.1 and 6.0 percent, respectively, of their annual covered salary.

The Commission is required to contribute the following percentages of annual covered payroll in 2008 and 2009:

	2008	2009
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.50	6.50

The Commission's contributions for the years ending December 31, 2008, 2007, and 2006, for the Public Employees Retirement Fund were:

	2008	2007	2006
Public Employees Retirement Fund	$ 17,236	$ 15,246	$ 14,126

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

4. Risk Management

The Commission 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 the Commission carries commercial insurance. To cover these risks, the Commission has entered into a joint powers agreement with Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT) to protect against liabilities from workers' compensation and property and casualty. There were no significant reductions in insurance from the previous year or settlements in excess of insurance for any of the past three years.

4. 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 $410,000 per claim in 2008 and $430,000 per claim in 2009. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the Commission in a method and amount to be determined by MCIT.

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

Management and
Compliance Section

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TRI-COUNTY SOLID WASTE MANAGEMENT COMMISSION
ST. CLOUD, MINNESOTA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2008

I. INTERNAL CONTROL OVER FINANCIAL REPORTING

PREVIOUSLY REPORTED ITEM NOT RESOLVED

06-1 Preparation of Financial Statements

The Tri-County Solid Waste Management Commission is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of the financial statements is the responsibility of the Commission's management. Financial statement preparation in accordance with GAAP requires internal controls over both: (1) recording, processing, and summarizing accounting data (maintaining internal books and records); and (2) preparing and reporting appropriate financial statements, including the related notes to the financial statements.

The Commission, through its fiscal agent relationship with Stearns County, has established controls and procedures for the recording, processing, and summarizing of its accounting data used in the preparation of its financial statements.

As is the case with many small and medium-sized entities, the Commission has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. Accordingly, the Commission's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot be considered part of the government's internal control. This condition was caused by the Commission's decision that it is more cost effective to have its auditors prepare its annual basic financial statements than to incur the time and expense of obtaining the necessary training and expertise required to prepare the financial statements internally. As a result of this condition, the government lacks internal control over the preparation and reporting of financial statements in accordance with GAAP.

We recommend the Commission obtain the training and expertise to internally prepare its annual financial statements in accordance with GAAP. If the Commission still intends to have staff from the Office of the State Auditor assist in preparation then, at a minimum, it must identify and train individuals to obtain the expertise that can sufficiently review, understand, and approve the Commission's financial statements, including notes. As an alternative, the Commission could consider hiring an outside consultant to assist in preparing its basic financial statements.

Client's Response:

The Commission has explored the use of an outside consultant, but has chosen to use the service of the State Auditor. The Commission's staff has worked with the State Auditor's staff to understand and prepare the annual financial statements.

PREVIOUSLY REPORTED ITEM RESOLVED

Audit Adjustments (06-2)

During our prior audit, we identified material adjustments that resulted in significant changes to the Commission's financial statements.

Resolution

The audit of the basic financial statements for the year ended December 31, 2008, did not require material audit adjustments to correct general ledger account balances.

II. OTHER FINDINGS AND RECOMMENDATIONS

OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* which governs employer accounting and financial reporting for OPEB. This standard, similar to what GASB Statement 27 did for government employee pension benefits and plans, provides the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new GASB statement, accounting for OPEB is now similar to the accounting used by governments for pension plans.

In 2008, the Legislature enacted a new law, Minn. Stat. § 471.6175, intended to help local governments address their OPEB liability in at least three important ways:

- it allows governments to create both revocable and irrevocable OPEB trusts;
- it authorizes the use of a different list of permissible investments for both revocable and irrevocable OPEB trusts; and
- it also permits governments to invest OPEB trust assets with the State Board of Investment, bank trust departments, and certain insurance companies.

Some of the issues that the Commission's Board will need to address in order to comply with the statement are:

- determine if employees are provided OPEB;
- if OPEB are being provided, the Commission's Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided, and the Commission's Board determines that the establishment of a trust is desirable in order to fund the OPEB, the Commission's Board will have to comply with the new legislation enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard;
- if an OPEB trust will be established, the Commission's Board will have to decide whether to establish a revocable or an irrevocable trust, and report that trust appropriately in the financial statements; and
- in order to determine annual costs and liabilities that need to be recognized, the Commission's Board will have to decide whether to hire an actuary.

GASB Statement 45 would be applicable to the Commission for the year ended December 31, 2009.

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REBECCA OTTO
STATE AUDITOR

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND MINNESOTA LEGAL COMPLIANCE

Board of Directors
Tri-County Solid Waste Management Commission

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the Tri-County Solid Waste Management Commission as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Tri-County Solid Waste Management Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified the deficiency described in the accompanying Schedule of Findings and Recommendations as item 06-1 to be a significant deficiency in internal control over financial reporting.

Minnesota Legal Compliance

We have audited the financial statements the Tri-County Solid Waste Management Commission as of and for the year ended December 31, 2008, which collectively comprise the Commission's basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories, except that we did not test for compliance in public indebtedness because the Tri-County Solid Waste Management Commission has no long-term debt other than compensated absences.

The results of our tests indicate that, for the items tested, the Tri-County Solid Waste Management Commission complied with the material terms and conditions of applicable legal provisions.

Also included in the Schedule of Findings and Recommendations is an other item for consideration. We believe this information to be of benefit to the Tri-County Solid Waste Management Commission and are reporting it for that purpose.

The Tri-County Solid Waste Management Commission's written response to the significant deficiency identified in our audit has been included in the Schedule of Findings and Recommendations. We did not audit the Commission's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Tri-County Solid Waste Management Commission and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

December 30, 2009