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, 2016

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 150 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 650 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, 2016

Audit Practice Division
Office of the State Auditor
State of Minnesota

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

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

ORGANIZATION
2016

Board of Directors	Position	County	Term Expires
Felix Schmiesing	Chair	Sherburne	December 31, 2016
DeWayne Mareck	Vice Chair	Stearns	December 31, 2016
Jake Bauerly	Member	Benton	December 31, 2016
Warren Peschl	Member	Benton	December 31, 2016
John Riebel	Member	Sherburne	December 31, 2016
Mark Bromenschenkel	Member	Stearns	December 31, 2016
Leigh Lenzmeier	Member	Stearns	December 31, 2016
Jeff Mergen	Member	Stearns	December 31, 2016

Coordinator			
Doug Lien			Indefinite

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tri-County Solid Waste Management Commission
St. Cloud, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the Tri-County Solid Waste Management Commission as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tri-County Solid Waste Management Commission as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

October 16, 2017

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, 2016
(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, 2016. 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 position reports the assets, deferred outflows of resources, liabilities, and deferred inflows of resources to give an overall view of the financial health of the Commission.

- The statement of revenues, expenses, and changes in net position 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 Position

	2016	2015	Increase/ (Decrease)	Percent (%) Change
Assets				
Current and other assets	$ 532,461	$ 526,660	$ 5,801	1.10
Deferred Outflows of Resources				
Deferred pension outflows	$ 50,813	$ 11,002	$ 39,811	361.85
Liabilities				
Current liabilities	$ 21,799	$ 19,221	$ 2,578	13.41
Noncurrent liabilities	124,381	81,663	42,718	52.31
Total Liabilities	$ 146,180	$ 100,884	$ 45,296	44.90
Deferred Inflows of Resources				
Deferred pension inflows	$ 14,883	$ 9,247	$ 5,636	60.95
Net Position				
Unrestricted	$ 422,211	$ 427,531	$ (5,320)	(1.24)

The Commission's total net position for the year ended December 31, 2016, was $422,211. Unrestricted net position, totaling $422,211, is available to finance the Commission's day-to-day operations.

Changes in Net Position

	2016	2015	Increase/ (Decrease)	Percent (%) Change
Operating Revenues				
Miscellaneous	$ 1,076	$ 2,016	$ (940)	(46.63)
Operating Expenses				
Administration and overhead	282,818	159,267	123,551	77.57
Operating Income (Loss)	$ (281,742)	$ (157,251)	$ (124,491)	(79.17)

		2016		2015		Increase/ (Decrease)	Percent (%) Change
Nonoperating Revenues (Expenses)							
Intergovernmental revenues	$	126,640	$	6,560	$	120,080	1830.49
Intergovernmental expenses		-		(252,174)		252,174	-
Contributions from counties		149,782		145,024		4,758	3.28
Gain on sale/disposal of capital assets		-		192,174		(192,174)	-
Total Nonoperating Revenues (Expenses)	$	276,422	$	91,584	$	184,838	201.82
Change in Net Position	$	(5,320)	$	(65,667)	$	60,347	91.90

During 2015, the Commission sold land and buildings which resulted in a gain on the sale of capital assets of $192,174.

In 2016, the Commission received a state agricultural plastic recycling grant from the Minnesota Pollution Control Agency that resulted in an increase of intergovernmental revenue and administration and overhead expenses.

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, Doug Lien, 3601 - 5th Street South, Waite Park, Minnesota 56387.

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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 POSITION
DECEMBER 31, 2016

Assets		
Current assets		
Cash and cash equivalents	**$**	**532,461**
Deferred Outflows of Resources		
Deferred pension outflows	**$**	**50,813**
Liabilities		
Current liabilities		
Accounts payable	$	95
Salaries payable		5,665
Due to other governments		3,012
Compensated absences payable - current		13,027
Total current liabilities	**$**	**21,799**
Noncurrent liabilities		
Compensated absences payable - noncurrent	$	2,218
Net pension liability		122,163
Total noncurrent liabilities	**$**	**124,381**
Total Liabilities	**$**	**146,180**
Deferred Inflows of Resources		
Deferred pension inflows	**$**	**14,883**
Net Position		
Unrestricted	**$**	**422,211**

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 POSITION
FOR THE YEAR ENDED DECEMBER 31, 2016

Operating Revenues		
Miscellaneous	$	1,076
Operating Expenses		
Administration and overhead		282,818
Operating Income (Loss)	**$**	**(281,742)**
Nonoperating Revenues (Expenses)		
Intergovernmental revenues	$	126,640
Contributions from counties		149,782
Total Nonoperating Revenues (Expenses)	**$**	**276,422**
Change in Net Position	**$**	**(5,320)**
Net Position - January 1		**427,531**
Net Position - December 31	**$**	**422,211**

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, 2016
Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities		
Receipts from customers and users	$	1,076
Payments to suppliers		(148,035)
Payments to employees		(123,662)
Net cash provided by (used in) operating activities	**$**	**(270,621)**
Cash Flows from Noncapital Financing Activities		
Intergovernmental revenue	$	126,640
Contributions from counties		149,782
Net cash provided by (used in) noncapital financing activities	**$**	**276,422**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**5,801**
Cash and Cash Equivalents at January 1		**526,660**
Cash and Cash Equivalents at December 31	**$**	**532,461**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	**$**	**(281,742)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
(Increase) decrease in deferred pension outflows	$	(39,811)
Increase (decrease) in accounts payable		(106)
Increase (decrease) in salaries payable		751
Increase (decrease) in due to other governments		1,206
Increase (decrease) in compensated absences payable		506
Increase (decrease) in net pension liability		42,939
Increase (decrease) in deferred pension inflows		5,636
Total adjustments	**$**	**11,121**
Net Cash Provided by (Used in) Operating Activities	**$**	**(270,621)**

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

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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 accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2016. 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 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. Each member county chooses its respective members and one staff person as an ex officio (non-voting) member.

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

1. Summary of Significant Accounting Policies (Continued)

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 position is reported as unrestricted. The Commission first utilizes restricted resources, if any, to finance qualifying activities.

C. Measurement Focus and Basis of Accounting

The Commission's financial statements are reported using the economic resources measurement focus and the full 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.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first and then unrestricted resources as needed.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes all cash. The Commission's cash is held by Stearns County. The County obtains collateral to cover deposits in excess of insurance coverage.

2. 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 acquisition value at the date of donation.

1. Summary of Significant Accounting Policies

   D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

      2. Capital Assets (Continued)

         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

         All of the Commission's capital assets were fully depreciated at December 31, 2016.

      3. 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 position as compensated absences. Unvested sick leave is not included as a liability. 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. The current portion consists of an amount based on a trend analysis of current usage of vacation and sick leave. The noncurrent portion consists of the remaining amount of vacation and sick leave.

1. Summary of Significant Accounting Policies

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

4. 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 certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; 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.

5. Pension Plan

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. Plan investments are reported at fair value.

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents 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. The Commission has one item, deferred pension outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date, differences between expected and actual pension plan economic experience, changes in actuarial assumptions, the differences between projected and actual earnings on pension plan investments, and also pension plan changes in proportionate share and, accordingly, are reported in the statement of net position.

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

6. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents 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. The Commission has one item, deferred pension inflows, that qualifies for reporting in this category. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported in the statement of net position.

7. Classification of Net Position

Net position in the financial statements is classified in the following categories:

Investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - the amount of net position that does not meet the definition of restricted or investment in capital assets.

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. Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Machinery, furniture, and equipment	$ 2,419	$ -	$ -	$ 2,419
Less: accumulated depreciation for				
Machinery, furniture, and equipment	2,419	-	-	2,419
Total Capital Assets, Net	$ -	$ -	$ -	$ -

B. Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 14,739	$ 506	$ -	$ 15,245	$ 13,027

3. Defined Benefit Pension Plan

A. Plan Description

All full-time and certain part-time employees of the Tri-County Solid Waste Management Commission are covered by a defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

B. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

The benefit provisions stated in the following paragraph 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 their public service.

3. Defined Benefit Pension Plan

B. Benefits Provided (Continued)

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive 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 remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under 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. Only Method 2 is used for members hired after June 30, 1989. Minneapolis Employees Retirement Fund members have an annuity accrual rate of 2.0 percent of average salary for each of the first ten years of service and 2.5 percent for each remaining year.

For General Employees Retirement Plan 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. Disability benefits are available for vested members and are based on years of service and average high-five salary.

C. Contributions

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. These statutes are established and amended by the state legislature. General Employees Retirement Plan Basic members, Coordinated members, and Minneapolis Employees Retirement Fund members were required to contribute 9.10 percent, 6.50 percent, and 9.75 percent, respectively, of their annual covered salary in 2016.

3. Defined Benefit Pension Plan

C. Contributions (Continued)

In 2016, the Commission was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Minneapolis Employees Retirement Fund members	9.75

The employee and employer contribution rates did not change from the previous year.

The Commission's contributions for the General Employees Retirement Plan for the year ended December 31, 2016, were $7,117. The contributions are equal to the contractually required contributions as set by state statute.

D. Pension Costs

At December 31, 2016, the Commission reported a liability of $122,163 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the Commission's proportion was 0.0015 percent. It was 0.0015 percent measured as of June 30, 2015. The Commission recognized pension expense of $16,357 for its proportionate share of the General Employees Retirement Plan's pension expense.

The Commission also recognized $476 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

3. Defined Benefit Pension Plan

D. Pension Costs (Continued)

Commission's proportionate share of the net pension liability	$	122,163
State of Minnesota's proportionate share of the net pension liability associated with the Commission		476
Total	$	122,639

The Commission reported its proportionate share of the General Employees Retirement Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 9,966
Changes in actuarial assumptions	23,920	-
Difference between projected and actual investment earnings	23,276	-
Changes in proportion	-	4,917
Contributions paid to PERA subsequent to the measurement date	3,617	-
Total	$ 50,813	$ 14,883

The $3,617 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	$ 8,273
2018	8,273
2019	11,355
2020	4,412

3. Defined Benefit Pension Plan (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan were based on RP-2014 tables. The cost of living benefit increases for retirees is assumed to be 1.0 percent.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was for the period 2008 through 2015.

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

3. Defined Benefit Pension Plan (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2016, a reduction of the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

G. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

H. Pension Liability Sensitivity

The following presents the Commission's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

3. Defined Benefit Pension Plan

H. Pension Liability Sensitivity (Continued)

	Proportionate Share of the General Employees Retirement Plan	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 173,508
Current	7.50	122,163
1% Increase	8.50	79,869

I. Pension Plan Fiduciary Net Position

Detailed information about the 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; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

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 Intergovernmental 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.

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 2016 and 2017. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the Commission in a method and amount to be determined by MCIT.

4. Risk Management (Continued)

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.

REQUIRED SUPPLEMENTARY INFORMATION

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

EXHIBIT A-1

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Tri-County Solid Waste Management Commission (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0015%	$ 122,163	$ 476	$ 122,639	$ 93,357	130.86%	68.91%
2015	0.0015	79,224	N/A	79,224	90,035	87.99	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A - Not Applicable

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

EXHIBIT A-2

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	$ 7,117	$ 7,117	$ -	$ 94,890	7.50%
2015	6,477	6,477	-	86,366	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The Commission's year-end is December 31.

Defined Benefit Pension Plan - 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, 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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Management and Compliance Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Directors
Tri-County Solid Waste Management Commission
St. Cloud, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the Tri-County Solid Waste Management Commission as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 16, 2017.

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for public indebtedness and tax increment financing because the Commission has no public debt or tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that the Tri-County Solid Waste Management Commission failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. 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 Commission's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of the Board of Directors and management of the Tri-County Solid Waste Management Commission and the State Auditor 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

October 16, 2017

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

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

INTERNAL CONTROL OVER FINANCIAL REPORTING

PREVIOUSLY REPORTED ITEM RESOLVED

Audit Adjustment (2015-001)

During the previous audit, a material audit adjustment to record the 2015 sale of land and buildings owned by the Tri-County Solid Waste Management Commission was required. The adjustment decreased capital assets by $109,900, decreased accumulated depreciation by $69,900, increased the gain on the disposal of capital assets by $192,174, and increased intergovernmental expenses by $232,174.

Resolution

The Commission will review procedures over financial reporting to ensure all real estate transactions are properly recorded in the future.