

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

**Tri-County Solid Waste
Management Commission
St. Cloud, Minnesota**

Year Ended December 31, 2020

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 100 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 Minnesota’s local 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.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.osa.state.mn.us

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**Tri-County Solid Waste
Management Commission
St. Cloud, Minnesota**

Year Ended December 31, 2020



Office of the State Auditor

**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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

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

ORGANIZATION
2020

<u>Board of Directors</u>	<u>Position</u>	<u>County</u>	<u>Term Expires</u>
Warren Peschl	Member	Benton	December 31, 2020
Jake Bauerly	Vice Chair	Benton	December 31, 2020
Lisa Fobbe	Member	Sherburne	December 31, 2020
Felix Schmiesing	Secretary-Treasurer	Sherburne	December 31, 2020
Leigh Lenzmeier	Member	Stearns	December 31, 2020
Tarryl Clark	Chair	Stearns	December 31, 2020
Jeff Mergen	Member	Stearns	December 31, 2020
Joe Perske	Member	Stearns	December 31, 2020
<u>Coordinator</u>			
Timothy Oswald			Indefinite



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, 2020, 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, 2020, and the changes in its financial position 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 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/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

January 18, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(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, 2020. 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			Percent (%) Change
	2020	2019	Increase/ (Decrease)	
Assets				
Current and other assets	\$ 548,596	\$ 556,697	\$ (8,101)	(1.46)
Capital assets – net of depreciation	364	727	(363)	(49.93)
Total Assets	\$ 548,960	\$ 557,424	\$ (8,464)	(1.52)
Liabilities				
Current liabilities	\$ -	\$ 6,786	\$ (6,786)	(100.00)
Net Position				
Investment in capital assets	\$ 364	\$ 727	\$ (363)	(49.93)
Unrestricted	548,596	549,911	(1,315)	(0.24)
Total Net Position	\$ 548,960	\$ 550,638	\$ (1,678)	(0.30)

The Commission's total net position for the year ended December 31, 2020, was \$548,960. Unrestricted net position, totaling \$548,596, is available to finance the Commission's day-to-day operations.

	Changes in Net Position			Percent (%) Change
	2020	2019	Increase/ (Decrease)	
Operating Revenues				
Miscellaneous	\$ 851	\$ 965	\$ (114)	(11.81)
Operating Expenses				
Administration and overhead	\$ 178,854	\$ 172,214	\$ 6,640	3.86
Depreciation	363	361	2	0.55
Total Operating Expenses	\$ 179,217	\$ 172,575	\$ 6,642	3.85
Operating Income (Loss)	\$ (178,366)	\$ (171,610)	\$ (6,756)	3.94
Nonoperating Revenues (Expenses)				
Contributions from counties	176,688	176,726	(38)	(0.02)
Change in Net Position	\$ (1,678)	\$ 5,116	\$ (6,794)	(132.80)

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 Tri-County Solid Waste Management Commission's Coordinator, Timothy Oswald, 3601 – 5th Street South, Waite Park, Minnesota 56387.

BASIC FINANCIAL STATEMENTS

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

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2020**

Assets

Current assets

Cash and cash equivalents	\$ 548,596
Capital assets – net of accumulated depreciation	<u>364</u>

Total Assets	\$ <u>548,960</u>
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Net Position

Investment in capital assets	\$ 364
Unrestricted	<u>548,596</u>

Total Net Position	\$ <u><u>548,960</u></u>
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**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, 2020**

Operating Revenues	
Miscellaneous	\$ <u>851</u>
Operating Expenses	
Administration and overhead	\$ 178,854
Depreciation	<u>363</u>
Total Operating Expenses	<u>\$ 179,217</u>
Operating Income (Loss)	\$ (178,366)
Nonoperating Revenues (Expenses)	
Contributions from counties	<u>176,688</u>
Change in Net Position	\$ (1,678)
Net Position – January 1	<u>550,638</u>
Net Position – December 31	<u><u>\$ 548,960</u></u>

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

EXHIBIT 3

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Receipts from customers and users	\$ 851
Payments to suppliers	(35,232)
Payments to member county	<u>(150,408)</u>
Net cash provided by (used in) operating activities	\$ (184,789)
Cash Flows from Noncapital Financing Activities	
Contributions from counties	<u>176,688</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (8,101)
Cash and Cash Equivalents at January 1	<u>556,697</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 548,596</u></u>
 Reconciliation of operating income (loss) to net cash provided by (used in) operating activities	
Operating income (loss)	<u>\$ (178,366)</u>
 Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 363
Increase (decrease) in accounts payable	(153)
Increase (decrease) in due to other governments	<u>(6,633)</u>
Total adjustments	<u>\$ (6,423)</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (184,789)</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

1. Summary of Significant Accounting Policies

The Tri-County Solid Waste Management Commission's (Commission) 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, 2020. 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 a custodial fund in its financial statements.

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

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 investment in capital assets and 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.

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

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:

<u>Assets</u>	<u>Years</u>
Furniture	7
Equipment	5
Buildings	15

3. 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.

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report 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. Currently, the Commission has no items that qualify for reporting in this category.

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

1. Summary of Significant Accounting Policies

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

4. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position will sometimes report 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. Currently, the Commission has no items that qualify for reporting in this category.

5. 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.

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

Assets

A. 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.

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

2. Detailed Notes

Assets (Continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets depreciated				
Machinery, furniture, and equipment	\$ 1,815	\$ -	\$ -	\$ 1,815
Less: accumulated depreciation for				
Machinery, furniture, and equipment	<u>1,088</u>	<u>363</u>	<u>-</u>	<u>1,451</u>
Total Capital Assets, Net	<u>\$ 727</u>	<u>\$ (363)</u>	<u>\$ -</u>	<u>\$ 364</u>

3. 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 2020 and 2021. 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.



**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, 2020, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated January 18, 2022.

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 contracting and bidding, deposits and 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 Commission's noncompliance with the above referenced provisions, insofar as they relate to accounting matters. The provisions for deposits and investments were tested in conjunction with our audit of Stearns County, Minnesota, which holds the Commission's cash and investments.

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/Julie Blaha

JULIE BLAHA
STATE AUDITOR

January 18, 2022

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR