STATE OF MINNESOTA
Office of the State Auditor

Patricia Anderson
State Auditor

TRI-COUNTY SOLID WASTE COMMISSION
ST. CLOUD, MINNESOTA

YEAR ENDED DECEMBER 31, 2004

Description of the Office of the State Auditor

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

Tax Increment Financing, Investment and Finance - 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 Employee's 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@state.mn.us
www.auditor.state.mn.us

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TRI-COUNTY SOLID WASTE COMMISSION
ST. CLOUD, MINNESOTA

Year Ended December 31, 2004

Audit Practice Division
Office of the State Auditor
State of Minnesota

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TRI-COUNTY SOLID WASTE COMMISSION
ST. CLOUD, MINNESOTA

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Introductory Section

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TRI-COUNTY SOLID WASTE COMMISSION
ST. CLOUD, MINNESOTA

ORGANIZATION
2004

Board of Directors	Position	County	Term Expires
Felix Schmeising	Chair	Sherburne	December 31, 2005
Larry Haws	Vice Chair	Stearns	December 31, 2005
Duane Grandy	Member	Benton	December 31, 2005
Dan Lieser	Member	Benton	December 31, 2005
John Riebel	Member	Sherburne	December 31, 2005
Leigh Lenzmeier	Member	Stearns	December 31, 2005
Don Otte	Member	Stearns	December 31, 2005
Vince Schaefer	Member	Stearns	December 31, 2005

Coordinator			
Jerry Johnson			Indefinite

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

PATRICIA ANDERSON
STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tri-County Solid Waste Commission

We have audited the basic financial statements of the Tri-County Solid Waste Commission as of and for the year ended December 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the management of the Tri-County Solid Waste 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 Commission at December 31, 2004, 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.

As discussed in the notes to the financial statements, the Tri-County Solid Waste Commission adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, as amended; and Statement No. 38, *Certain Financial Statement Note Disclosures*, as of and for the year ended December 31, 2004. These statements result in a change in format and content of the basic financial statements.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental 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 supplemental information. However, we did not audit the information and express no opinion on it.

/s/Pat Anderson	*/s/Greg Hierlinger*
PATRICIA ANDERSON STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

End of Fieldwork: October 6, 2005

MANAGEMENT’S DISCUSSION AND ANALYSIS

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TRI-COUNTY SOLID WASTE COMMISSION
ST. CLOUD, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2004
(Unaudited)

The Tri-County Solid Waste 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, 2004. 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 fund 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

	2003	2004	Increase/ (Decrease)	Percent Change (%)
Assets				
Current and other assets	$ 379,373	$ 478,792	$ 99,419	26.21
Capital assets, net	268,282	244,314	(23,968)	(8.93)
Total Assets	$ 647,655	$ 723,106	$ 75,451	11.65
Liabilities				
Current liabilities	$ 43,963	$ 39,092	$ (4,871)	(11.08)
Noncurrent liabilities	35,486	35,758	272	0.77
Total Liabilities	$ 79,449	$ 74,850	$ (4,599)	(5.79)
Net Assets				
Invested in capital assets	$ 268,282	$ 244,314	$ (23,968)	(8.93)
Unrestricted	299,924	403,942	104,018	34.68
Total Net Assets	$ 568,206	$ 648,256	$ 80,050	14.09

The increase in total assets from 2003 to 2004 is due mainly to income received from the sale of ferrous metals recycled at the NRG facility in Elk River and payment of the waste processing credit from the State of Minnesota. This processing credit revenue will be used to reduce tipping fees at the Elk River and Perham facilities in 2005.

Changes in Net Assets

	2003	2004	Increase/ (Decrease)	Percent Change (%)
Operating Revenues				
Miscellaneous	$ 19,879	$ 79,186	$ 59,307	298.34
Operating Expenses				
Administration and overhead	$ 407,414	$ 394,912	$ (12,502)	(3.07)
Disposal of waste	283,944	197,078	(86,866)	(30.59)
Depreciation	27,439	33,779	6,340	23.11
Total Operating Expenses	$ 718,797	$ 625,769	$ (93,028)	(12.94)
Operating Income (Loss)	$ (698,918)	$ (546,583)	$ 152,335	21.79
Nonoperating Revenues (Expenses)				
Intergovernmental	$ 323,203	$ 257,908	$ (65,295)	(20.20)
Contributions from counties	379,513	368,725	(10,788)	(2.84)
Total Nonoperating Revenues (Expenses)	$ 702,716	$ 626,633	$ (76,083)	(10.83)
Change in Net Assets	$ 3,798	$ 80,050	$ 71,252	2,007.69

The increase of $59,307 in miscellaneous revenue is due to the income received from the sale of ferrous metals recycled at the NRG facility in Elk River.

CAPITAL ASSETS

Capital Assets
(Net of Depreciation)

	2003	2004	Increase/ Decrease	Percent Change (%)
Land	$ 40,000	$ 40,000	$ -	-
Buildings and improvements	226,330	196,118	(30,212)	(13.35)
Machinery, furniture, and equipment	1,953	8,196	6,243	(319.66)
Total Capital Assets	$ 268,283	$ 244,314	$ (23,969)	(8.93)

The only major additions to capital assets during 2004 were the purchase of four computers and a copier/printer/scanner. Additional information on capital assets can be found in Note 2.A.3. to the financial statements.

FUTURE EVENTS

In 2005, the Commission will spend the processing credit which will not be extended by the state. The Commission will also continue to work with consultants to investigate the feasibility of constructing a waste to energy facility in the St. Cloud area.

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 COMMISSION
ST. CLOUD, MINNESOTA

EXHIBIT 1

STATEMENT OF NET ASSETS
DECEMBER 31, 2004

Assets		
Current assets		
Cash and investments	$	416,011
Accounts receivable		1,431
Due from other governments		61,350
Total current assets	**$**	**478,792**
Capital assets		
Nondepreciable	$	40,000
Depreciable - net		204,314
Total capital assets	**$**	**244,314**
Total Assets	**$**	**723,106**
Liabilities		
Current liabilities		
Accounts payable	$	11,495
Salaries payable		14,346
Due to other governments		11,258
Compensated absences payable - current		1,993
Total current liabilities	**$**	**39,092**
Noncurrent liabilities		
Compensated absences payable - long-term		35,758
Total Liabilities	**$**	**74,850**
Net Assets		
Invested in capital assets	$	244,314
Unrestricted		403,942
Total Net Assets	**$**	**648,256**

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

TRI-COUNTY SOLID WASTE COMMISSION
ST. CLOUD, MINNESOTA

EXHIBIT 2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004

Operating Revenues		
Miscellaneous	**$**	**79,186**
Operating Expenses		
Administration and overhead	$	394,912
Disposal of waste		197,078
Depreciation		33,779
Total Operating Expenses	**$**	**625,769**
Operating Income (Loss)	**$**	**(546,583)**
Nonoperating Revenues (Expenses)		
Intergovernmental	$	257,908
Contributions from counties		368,725
Total Nonoperating Revenues (Expenses)	**$**	**626,633**
Change in Net Assets	**$**	**80,050**
Net Assets - January 1, as restated (Note 1.E.)		**568,206**
Net Assets - December 31	**$**	**648,256**

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

TRI-COUNTY SOLID WASTE COMMISSION
ST. CLOUD, MINNESOTA

EXHIBIT 3

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2004
Increase (Decrease) in Cash and Cash Equivalents

Cash Flows From Operating Activities		
Receipts from customers and users	$	78,936
Payments to suppliers		(314,742)
Payments to employees		(281,847)
Net cash provided by (used in) operating activities	**$**	**(517,653)**
Cash Flows From Noncapital Financing Activities		
Intergovernmental	$	264,958
Contributions		368,725
Net cash provided by (used in) noncapital financing activities	**$**	**633,683**
Cash Flows From Capital and Related Financing Activities		
Purchases of capital assets	**$**	**(9,811)**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**106,219**
Cash and Cash Equivalents at January 1		**309,792**
Cash and Cash Equivalents at December 31	**$**	**416,011**
Reconciliation of operating income(loss) to net cash provided by (used in) operating activities		
Operating income (loss)	**$**	**(546,583)**
Adjustments to reconcile operating income(loss) to net cash provided by (used in) operating activities		
Depreciation expense	$	33,779
(Increase) decrease in accounts receivable		(1,165)
(Increase) decrease in due from other governments		915
Increase (decrease) in accounts payable		(5,425)
Increase (decrease) in salaries payable		2,517
Increase (decrease) in due to other governments		(3,956)
Increase (decrease) in compensated absences payable		2,265
Total adjustments	**$**	**28,930**
Net Cash Provided by Operating Activities	**$**	**(517,653)**

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, 2004

1. Summary of Significant Accounting Policies

The Tri-County Solid Waste Commission financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2004. 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.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments.* For the first time, the financial statements include a Management's Discussion and Analysis section providing an analysis of the Commission's overall financial position and results of operations.

This and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). The Commission has elected to implement all provisions of the statement in the current year.

A. Financial Reporting Entity

The Tri-County Solid Waste Commission is a joint powers authority between Benton, Sherburne, and Stearns 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.

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

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.

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 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.

1. Summary of Significant Accounting Policies (Continued)

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 receivable are shown net of an allowance for uncollectibles.

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 is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Furniture	7
Equipment	5
Buildings	15

1. Summary of Significant Accounting Policies

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

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.

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.

E. Reclassification of Fund Equity to Net Assets

The Tri-County Solid Waste Commission has implemented GASB No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments.* Implementation of this new standard required the Commission to change the format and content of the financial statements. This change must be considered when comparing financial statements of this report with those of prior reports. Implementation of the new standard required the following restatement of fund equity to net assets.

	2004
Retained earnings, as previously reported - December 31, 2003	$ 478,373
Contributed capital, as previously reported - December 31, 2003	89,833
Net Assets - December 31, 2003	$ 568,206

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 County has no receivables schedule to be collected beyond one year.

3. Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 40,000	$ -	$ -	$ 40,000
Capital assets depreciated				
Buildings	$ 458,998	$ -	$ -	$ 458,998
Machinery, furniture, and equipment	26,326	9,811	8,606	27,531
Total capital assets depreciated	$ 485,324	$ 9,811	$ 8,606	$ 486,529
Less: accumulated depreciation for				
Buildings	$ 232,669	$ 30,211	$ -	$ 262,880
Machinery, furniture, and equipment	24,373	3,568	8,606	19,335
Total accumulated depreciation	$ 257,042	$ 33,779	$ 8,606	$ 282,215
Total capital assets depreciated, net	$ 228,282	$ (23,968)	$ -	$ 204,314
Total Capital Assets, Net	$ 268,282	$ (23,968)	$ -	$ 244,314

2. Detailed Notes (Continued)

B. Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 35,486	$ 2,265	$ -	$ 37,751	$ 1,993

3. Pension Plans

A. Plan Description

All full-time and certain part-time employees of the Tri-County Solid Waste Commission are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). The 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.

The 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 of service 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.

3. Pension Plans

A. Plan Description (Continued)

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. 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.

The 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 web at 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.

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. 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 9.10 and 5.10 percent, respectively, of their annual covered salary. The Commission is required to contribute the following percentages of annual covered payroll:

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	5.53

The Commission's contributions for the years ending December 31, 2004, 2003, and 2002, were $12,388, $11,934, and $11,213, respectively, equal to the contractually required contributions for each year as set by state statute.

4. Risk Management

The Tri-County Solid Waste 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.

The Workers' Compensation Division of the 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. The MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $720,000 per claim in 2004 and $760,000 per claim in 2005. Should the MCIT Workers' Compensation Division liabilities exceed assets, the MCIT may assess the Commission in a method and amount to be determined by the MCIT.

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

Management and Compliance Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

PATRICIA ANDERSON
STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Directors
Tri-County Solid Waste Commission

We have audited the basic financial statements of the Tri-County Solid Waste Commission as of and for the year ended December 31, 2004, and have issued our report thereon dated October 6, 2005.

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 five categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, and claims and disbursements. Our study included all of the listed categories, except public indebtedness, because the Tri-County Solid Waste 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 Commission complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: October 6, 2005