RAMSEY/WASHINGTON
RECYCLING & ENERGY
CONNECTING VALUE TO WASTE

ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2019

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ANNUAL FINANCIAL REPORT

OF THE

RAMSEY/WASHINGTON RECYCLING AND ENERGY BOARD

Year Ended December 31, 2019

Prepared by:
Accounting Department
Ramsey/Washington Recycling and
Energy Board

RAMSEY/WASHINGTON RECYCLING AND ENERGY BOARD

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INTRODUCTORY SECTION

RAMSEY/WASHINGTON
RECYCLING & ENERGY
CONNECTING VALUE TO WASTE

June 17, 2020

Honorable Chair and Members
Ramsey/Washington Recycling & Energy Board
2785 White Bear Avenue, Suite 350
Maplewood, MN 55109

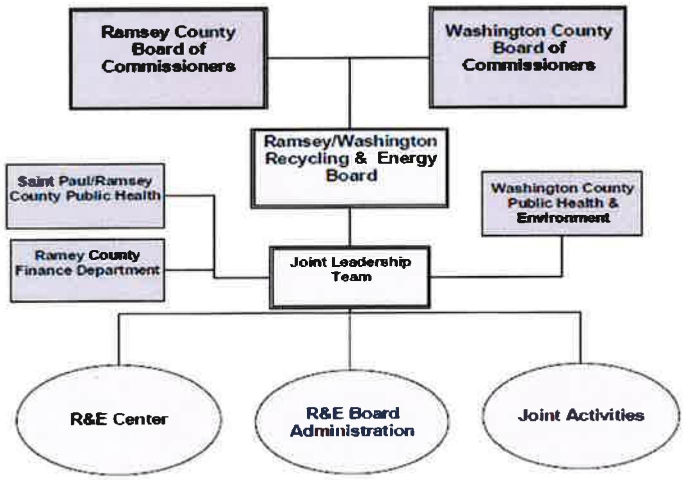
The annual financial report of the Ramsey/Washington Recycling & Energy Board (R&E Board) is submitted for the fiscal year that ended December 31, 2019. This report was prepared by R&E accounting staff and reviewed by the Joint Leadership Team. Responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with administration of the R&E Board. We have prepared this report in conformity with generally accepted accounting principles (GAAP) as set forth in the pronouncements of the Governmental Accounting Standards Board (GASB).

We believe the data is accurate and sets forth the financial position and results of operations of the R&E Board, as measured by the financial activity of its funds. We believe we have made all disclosures necessary to enable maximum understanding of the financial affairs of the organization.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

Organization and Purpose

The R&E Board was established according to a joint powers agreement approved by Ramsey and Washington Counties, in recognition of the need for managing solid waste to recover resources and energy in the East Metro area, and in response to the directives of the State of Minnesota. In 2019 the R&E Board consisted of five Ramsey County commissioners, four Washington County commissioners and two ex-officio non-voting members, one from the Minnesota Pollution Control Agency (MPCA) and one from the City of Newport. The R&E Board provides a range of solid waste services to residents, businesses and institutions in the two Counties.



The two Counties began to work jointly in 1987 through a joint powers board called the Ramsey/Washington Resource Recovery Project Board (Project Board). The Project Board administered the responsibilities of both counties regarding their joint service agreement with Northern States Power Company (NSP) for design, construction, ownership and operation of the Resource Recovery Facility located in the City of Newport. In 1993, the service agreement with NSP was amended to transfer ownership of the Newport Facility from NSP to NRG Energy, Inc. In June 2006, the service agreement was amended to transfer the ownership of, and responsibility for, the facility from NRG to Resource Recovery Technologies (RRT). The Service Agreement remained in effect until December 31, 2006.

Beginning January 1, 2007, the Counties and RRT entered into a six-year processing agreement. Both counties' solid waste master plans supported waste processing and favored private sector ownership as long as the Facility could compete in the marketplace. RRT's need for increased public funding caused the counties to pursue ownership options. Following a second three-year processing agreement with RRT, the Counties decided to purchase the Facility from RRT. In September 2015, the Ramsey and Washington County Boards adopted an amended and restated joint powers agreement (JPA). That agreement broadened the powers of the former Project Board and was renamed the Ramsey/Washington Recycling and Energy Board (R&E Board).

The administrative structure outlined in the current JPA includes:

- A Joint Leadership Team (JLT) comprised of one member of the Washington County Department of Public Health and Environment; one member of the Saint Paul-Ramsey County Public Health, Environmental Health Division; and one member of the Ramsey County Finance Department. Authorization to the JLT to carry out project management activities is provided for in the joint powers agreement and bylaws adopted by the R&E Board.

- The R&E Board is authorized to employ staff. Other staff support is provided by the Saint Paul-Ramsey County Public Health, Environmental Health Division and the Washington County Department of Public Health and Environment.

- The R&E Board entered into a fiscal agent agreement with Ramsey County for financial management, and a purchase of services agreement with Ramsey County for human resources services.

- Legal representation for the R&E Board is provided by both the Ramsey and Washington County Attorney's offices. Special legal counsel may be retained upon the advice of those offices. Risk management services are provided through a consultant.

Reporting Entity Significant Events in 2019

With input from staff, the organization defined its vision, mission, and values.

The R&E Board decided to eliminate the hauler rebate (subsidy) beginning in 2020. This subsidy was initiated prior to waste designation and was an incentive for haulers to deliver waste to the R&E Center instead of landfills. With waste designation in place, which requires trash to be delivered to the R&E Center where it can be processed to recover value, the subsidy is no longer necessary.

The R&E Center processed 428,956 tons of waste in 2019, recovering 15,409 tons of metal for recycling, producing enough refuse-derived fuel to power 40,000 homes, and generating 108,132 fewer tons of greenhouse gas emissions than if the waste had been landfilled.

BizRecycling continues to be a successful program to increase recycling in the non-residential sector and saw continued expansion in 2019. BizRecycling is grant program that uses financial grants aimed at commercial businesses to increase and improve recycling and organics management. In 2019, $1,000,310 in grant funds were awarded, helping 93 businesses start organics collection programs, 46 businesses start recycling programs, and 155 businesses expand or improve existing programs.

In 2019, BizRecycling piloted an expansion to include multi-unit dwellings. The pilot was successful, and multi-units will be incorporated into the program in 2020.

The R&E Board provides outreach and education to both counties on general solid waste issues. Working jointly provides efficiency in design and delivery of messages, as well as consistency in the East Metro area. Each County incorporates its own efforts to reach various residential and non-residential audiences; R&E's efforts are designed to complement the work of each County.

The R&E Board entered into a Joint Powers Agreement in 2018 with Hennepin County to form the Partnership on Waste and Energy. Through the Partnership on Waste and Energy, Ramsey, Washington, and Hennepin Counties continue collaborating on legislation and policy development, communication and outreach, and planning and evaluation of waste processing.

Financial Management

The R&E Board uses the Ramsey County accounting system, as provided by the joint powers agreement.

Internal Controls:
Management of the R&E Board is responsible for establishing and maintaining internal controls designed to ensure that the assets are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the costs of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

We believe that R&E Board's internal accounting controls adequately safeguard assets and provide reasonable assurance and proper recording of financial transactions.

Budgetary Control:
Budgetary control is maintained at a departmental level by encumbrance of estimated purchase and contract amounts prior to the release of purchase orders and contract payments to vendors. Purchase orders or contracts that result in an overrun of line item balances are not released until additional appropriations are made available.

Notes to the Financial Statements:
The Notes to the Financial Statements, presented with the financial statements, are an integral part of this annual financial report and should be read for a fuller understanding of the statements and information presented within.

Independent Audit:
Minnesota state law requires an audit of the books of account, financial records and transactions. This requirement has been complied with and the independent auditor's report has been included in this report. The Office of the State Auditor will issue a management and compliance letter covering the review made as part of the R&E Board's system of internal control and compliance with applicable legal provisions. The management and compliance letter will not modify or affect, in any way, this report on the financial statements.

Acknowledgements

We thank the Ramsey/Washington Recycling & Energy Board members for their interest and support in planning and conducting financial activities in a responsible manner.

Sincerely,

Kris Wehlage, Accounting Manager
Ramsey/Washington Recycling & Energy Board

Zack Hansen, Recycling & Energy Board Joint Leadership Team
Ramsey County Environmental Health Division

Nicole Stewart, Recycling & Energy Board Joint Leadership Team
Washington County Public Health and Environmental Health Department

Dushani Dye, Recycling & Energy Board Joint Leadership Team
Ramsey County Finance Department

RAMSEY/WASHINGTON
RECYCLING AND ENERGY BOARD

ORGANIZATION
December 31, 2019

Board

Fran Miron	Chair	Commissioner-Washington County
Victoria Reinhardt	Vice-Chair	Commissioner-Ramsey County
Toni Carter	Secretary/Treasurer	Commissioner-Ramsey County
Wayne Johnson	Member	Commissioner-Washington County
Stan Karwoski	Member	Commissioner-Washington County
Gary Kriesel	Member	Commissioner-Washington County
Trista MatasCastillo	Member	Commissioner-Ramsey County
MaryJo McGuire	Member	Commissioner-Ramsey County
Rafael Ortega	Member	Commissioner-Ramsey County
Dave Benke	Ex-Officio	Minnesota Pollution Control Agency
Bill Sumner	Ex-Officio	Newport City Council

County Attorneys

Kevin Magnuson	Washington County
John Ristad	Ramsey County

Joint Leadership Team

Zack Hansen	Ramsey County	Environmental Health (Lead Staff)
Nicole Stewart	Washington County	Public Health and Environment
Dushani Dye	Ramsey County	Finance

Support & Advisory Staff

Gail Blackstone	Ramsey County	Human Resources Director
Lee Mehrkens	Ramsey County	Finance Director
Rich Christensen	Ramsey County	Chief Information Officer
Tabatha Hansen	Washington County	Accounting & Finance Director

FINANCIAL SECTION

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

JULIE BLAHA
STATE AUDITOR

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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

Ramsey/Washington Recycling and Energy Board
Maplewood, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ramsey/Washington Recycling and Energy Board as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Ramsey/Washington Recycling and Energy Board'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 opinions 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 Ramsey/Washington Recycling and Energy Board'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 Ramsey/Washington Recycling and Energy Board'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 opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ramsey/Washington Recycling and Energy Board as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle
As discussed in Note 1 to the financial statements, in 2019, the Ramsey/Washington Recycling and Energy Board adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

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 GASB, 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.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ramsey/Washington Recycling and Energy Board's basic financial statements. The Introductory Section as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

JULIE BLAHA STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

July 17, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

The management of the Ramsey/Washington Recycling and Energy Board (R&E Board), offers readers of its financial statements, this narrative overview and analysis of its financial activities for the fiscal year ended December 31, 2019. Readers are encouraged to consider this information in conjunction with additional information that has been furnished in the letter of transmittal and notes to the financial statements which can be found on pages 1 and 23 respectively, of this report.

Financial Highlights

- The assets and deferred outflows of resources of the R&E Board exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $9,213,461 (net position). Of this amount, $4,492,056 is the net investment in capital assets, and $4,721,405 is unrestricted net position.

- The total net position increased by $883,739. This compares with 2018 when the net position increased $920,203.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the R&E Board's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the R&E Board's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the R&E Board's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the R&E Board is improving or deteriorating.

The Statement of Activities presents information showing how the R&E Board's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund financial statements – A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The R&E Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The General Fund of the R&E Board is classified as a governmental fund and the Enterprise Fund is classified as a proprietary fund.

1) Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and governmental activities.

The basic governmental fund financial statements can be found on Exhibits C and D of this report.

2) Proprietary funds are used to account for operations financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs of providing services be financed or recovered primarily through user charges. The R&E Board maintains one proprietary fund. The proprietary fund statements provide separate information for the Enterprise Fund.

The basic proprietary fund financial statements can be found on Exhibits E through G of this report.

3) Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the R&E Board's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on Exhibit H and I of this report.

Financial Analysis of the Ramsey/Washington Recycling and Energy Board

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The R&E Board's net position at the close of the most recent fiscal year was $9,213,461, and $8,329,722 at the close of 2018. The increase in net position was partially due to the tipping fee increase of $3/ton for 2019 compared to 2018, as well as the completion of the Bulky Waste Residue Load Out project.

Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current Assets	$ 5,595,992	$ 5,415,246	$ 12,171,714	$ 15,497,314	$ 17,767,706	$ 20,912,560
Capital Assets	-	-	26,758,583	23,333,421	26,758,583	23,333,421
Total Assets	5,595,992	5,415,246	38,930,297	38,830,735	44,526,289	44,245,981
Deferred Outflows of Resources	416,961	316,004	2,391,987	1,553,801	2,808,948	1,869,805
Current Liabilities	2,517,764	2,180,665	4,910,399	5,730,810	7,428,163	7,911,475
Long Term Liabilities	524,485	318,375	29,940,033	29,287,842	30,464,518	29,606,217
Total Liabilities	3,042,249	2,499,040	34,850,432	35,018,652	37,892,681	37,517,692
Deferred Inflows of Resources	60,292	64,514	168,803	203,858	229,095	268,372
Net Position:						
Net Investment in Capital Assets	-	-	4,492,056	25,289	4,492,056	25,289
Unrestricted	2,910,412	3,167,696	1,810,993	5,136,737	4,721,405	8,304,433
Total Net Position	$ 2,910,412	$ 3,167,696	$ 6,303,049	$ 5,162,026	$ 9,213,461	$ 8,329,722

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services and Other	$ 9,780,831	$ 10,725,643	$ 38,090,319	$ 37,387,447	$ 47,871,150	$ 48,113,090
General Revenues:						
Intergovernmental Revenue	-	-	600,000	-	600,000	-
Investment Earnings	79,662	84,093	166,848	128,349	246,510	212,442
Miscellaneous	2,228	-	183,811	98,445	186,039	98,445
Transfers	(500,000)	(1,592,557)	500,000	1,592,557	-	-
Total Revenues and Transfers	9,362,721	9,217,179	39,540,978	39,206,798	48,903,699	48,423,977
Expenses:						
Sanitation	9,620,005	11,345,570	38,399,955	36,158,204	48,019,960	47,503,774
Change in Net Position	(257,284)	(2,128,391)	1,141,023	3,048,594	883,739	920,203
Net Position – Beginning	3,167,696	5,296,087	5,162,026	2,113,432	8,329,722	7,409,519
Net Position – Ending	$ 2,910,412	$ 3,167,696	$ 6,303,049	$ 5,162,026	$ 9,213,461	$ 8,329,722

Governmental Fund. The General Fund's fund balance at the close of the most recent fiscal year was $3,120,414 and $3,258,191 at the close of 2018. The decrease in net position is due to the transfer to the Enterprise Fund. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to expenditures. The fund balance represents 33% of total expenditures.

Proprietary Fund. The Enterprise Fund's net position at the close of the most recent fiscal year was $6,303,049 and $5,162,026 at the close of 2018. The increase in net position was partially due to the tipping fee increase of $3/ton for 2019 compared to 2018, as well as the completion of the Bulky Waste Residue Load Out project. As a measure of the Enterprise Fund's liquidity, it may be useful to compare net position to expenses. The net position represents 16% of total expenses.

General Fund Highlights
The overall net change in fund balance was $493,110 less than the final amended budget. The decrease was largely due to the transfer out that was not budgeted for.

The R&E Board's Capital Assets
(Net of Accumulated Depreciation)

	Business-Type Activities	
	2019	2018
Land	$ 877,858	$ 877,858
Construction in Progress	-	589,851
Buildings and Improvements	12,336,341	8,291,238
Machinery and Equipment	13,544,384	13,574,474
Total Capital Assets	$ 26,758,583	$ 23,333,421

The change in Capital Assets is largely due to purchasing 28 trailers from the retired Great River Energy (GRE) facility and the Bulky Waste Residue Load Out project.

The R&E Board's Long-Term Debt

	Business-Type Activities	
	2019	2018
Notes Payable	$ 27,631,274	$ 28,673,418

Economic Factors and Next Year's Budget and Rates

The R&E Board approved the 2020 General Fund budget for $7,089,964 plus an additional $1,964,000 from Ramsey County used to create new programs and expand on current programs. The total 2020 General Fund budget, included Ramsey County's additional funding, is $9,053,964 which represents an 8% decrease from 2019.

Request for Information

This financial report is designed to give a general overview of the R&E Board's finances. Requests for additional information or questions concerning any information provided in this report should be addressed to: Ramsey/Washington Recycling and Energy Board, 2785 White Bear Avenue, Suite 350, Maplewood MN 55109.

EXHIBIT A

RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD
STATEMENT OF NET POSITION
DECEMBER 31, 2019

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets			
Cash and Pooled Investments	$ 5,435,535	$ 4,660,161	$ 10,095,696
Petty Cash	250	-	250
Accounts Receivable	-	5,520,677	5,520,677
Due From Other Governments	660,207	78,176	738,383
Internal Balances	(500,000)	500,000	-
Inventories	-	1,412,700	1,412,700
Total Current Assets	5,595,992	12,171,714	17,767,706
Noncurrent Assets			
Capital Assets			
Nondepreciable			
Land	-	877,858	877,858
Depreciable			
Buildings and Improvements	-	13,575,135	13,575,135
Machinery and Equipment	-	21,345,808	21,345,808
Less: Accumulated Depreciation	-	(9,040,218)	(9,040,218)
Total Noncurrent Assets	-	26,758,583	26,758,583
Total Assets	5,595,992	38,930,297	44,526,289
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Outflows	416,961	2,391,987	2,808,948
LIABILITIES			
Current Liabilities			
Salaries Payable	20,845	138,696	159,541
Accounts Payable	2,410,288	3,047,182	5,457,470
Interest Payable	-	269,687	269,687
Due to Other Governments	44,445	250,619	295,064
Compensated Absences - Current	42,186	145,201	187,387
Notes Payable - Current	-	1,059,014	1,059,014
Total Current Liabilities	2,517,764	4,910,399	7,428,163
Noncurrent Liabilities			
Notes Payable	-	26,572,260	26,572,260
Net Pension Liability	524,485	3,367,773	3,892,258
Total Noncurrent Liabilities	524,485	29,940,033	30,464,518
Total Liabilities	3,042,249	34,850,432	37,892,681
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Inflows	60,292	168,803	229,095
NET POSITION			
Net Investment in Capital Assets	-	4,492,056	4,492,056
Unrestricted	2,910,412	1,810,993	4,721,405
TOTAL NET POSITION	$ 2,910,412	$ 6,303,049	$ 9,213,461

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

EXHIBIT B

RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Expenses			
Sanitation			
Materials and Services	$ 9,620,005	$ 38,399,955	$ 48,019,960
Total Program Expenses	9,620,005	38,399,955	48,019,960
Program Revenues			
Charges for Services and Other	9,780,831	38,090,319	47,871,150
Net Program Revenues (Expenses)	160,826	(309,636)	(148,810)
General Revenues			
Intergovernmental Revenue	-	600,000	600,000
Investment Earnings	79,662	166,848	246,510
Miscellaneous	2,228	183,811	186,039
Transfers	(500,000)	500,000	-
Total General Revenues and Transfers	(418,110)	1,450,659	1,032,549
Change in Net Position	(257,284)	1,141,023	883,739
Net Position - Beginning	3,167,696	5,162,026	8,329,722
Net Position - Ending	$ 2,910,412	$ 6,303,049	$ 9,213,461

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

RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD
BALANCE SHEET
GENERAL FUND
DECEMBER 31, 2019

ASSETS		
Cash and Pooled Investments	$	5,435,535
Petty Cash		250
Due From Other Governments		660,207
Total Assets		6,095,992
LIABILITIES AND FUND BALANCE		
Liabilities		
Salaries Payable		20,845
Accounts Payable		2,410,288
Due to Other Funds		500,000
Due to Other Governments		44,445
Total Liabilities		2,975,578
Fund Balance		
Nonspendable		250
Unassigned		3,120,164
Total Fund Balance		3,120,414
Reconciliation to Statement of Net Position (Exhibit A)		
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources resulting from pension obligation are not available resources and, therefore are not reported in the governmental fund.		416,961
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements.		
Compensated absences		(42,186)
Net pension liability		(524,485)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and therefore are not reported in governmental funds.		(60,292)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	2,910,412

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

EXHIBIT D

RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR YEAR ENDED DECEMBER 31, 2019

Revenues		
Charges for Services and Other		$ 9,780,831
Investment Earnings		79,662
Miscellaneous		2,228
Total Revenues		9,862,721
Expenditures		
Sanitation		
Personal Services		683,965
Other Services and Charges		8,816,533
Total Expenditures		9,500,498
Excess (Deficiency) of Revenues Over Expenditures		362,223
Other Financing Sources (Uses)		
Transfers Out		(500,000)
Net Change in Fund Balance		(137,777)
Fund Balance at Beginning of Year		3,258,191
Fund Balance at End of Year		3,120,414
Reconciliation to Statement of Activities (Exhibit B)		
Net Change in Fund Balance - General Fund		(137,777)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the General Fund.		
Change in deferred pension outflows	$ 100,957	
Change in deferred pension inflows	4,222	
Change in compensated absences	(18,576)	
Change in net pension liability	(206,110)	(119,507)
Change in Net Position - Governmental Activities		$ (257,284)

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

EXHIBIT E

RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD
STATEMENT OF NET POSITION
ENTERPRISE FUND
DECEMBER 31, 2019

ASSETS	
Current Assets	
Cash and Pooled Investments	$ 4,660,161
Accounts Receivable	5,520,677
Due From Other Governments	78,176
Due From Other Funds	500,000
Inventories	1,412,700
Total Current Assets	12,171,714
Noncurrent Assets	
Capital Assets	
Nondepreciable	
Land	877,858
Depreciable	
Buildings and Improvements	13,575,135
Machinery and Equipment	21,345,808
Less: Accumulated Depreciation	(9,040,218)
Total Noncurrent Assets	26,758,583
Total Assets	38,930,297
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Outflows	2,391,987
LIABILITIES	
Current Liabilities	
Salaries Payable	138,696
Accounts Payable	3,047,182
Interest Payable	269,687
Due to other Governments	250,619
Compensated Absences	145,201
Notes Payable - Current	1,059,014
Total Current Liabilities	4,910,399
Noncurrent Liabilities	
Notes Payable	26,572,260
Net Pension Liability	3,367,773
Total Noncurrent Liabilities	29,940,033
Total Liabilities	34,850,432
DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Inflows	168,803
NET POSITION	
Net Investment in Capital Assets	4,492,056
Unrestricted	1,810,993
TOTAL NET POSITION	$ 6,303,049

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

EXHIBIT F

RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENTERPRISE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

OPERATING REVENUES	
Sales	$ 38,090,319
Miscellaneous	183,811
Total Operating Revenues	38,274,130
OPERATING EXPENSES	
Personnel Costs	6,594,788
Fuel Supply	7,193,674
Landfill	4,685,662
Waste Processing - Great River Energy	52,080
Transportation	6,790,146
Transload	2,235,940
Facility Operations	4,593,390
Supplies	2,450,598
Pension Expense	837,970
Deferred Compensation	20,577
Depreciation	2,246,538
Total Operating Expenses	37,701,363
OPERATING INCOME (LOSS)	572,767
NONOPERATING REVENUES (EXPENSES)	
Intergovernmental Revenue	600,000
Interest Expense	(648,706)
Loss on Disposal of Capital Assets	(49,886)
Investment Earnings	166,848
Total Nonoperating Revenues (Expenses)	68,256
Income Before Contributions and Transfers	641,023
OTHER FINANCING SOURCES (USES)	
Operating Transfers In	500,000
Change in Net Position	1,141,023
Total Net Position - Beginning	5,162,026
Total Net Position - Ending	$ 6,303,049

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

EXHIBIT G

RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts From Customers and Users	$ 36,988,784
Payments to Suppliers	(28,777,368)
Payments to Employees	(6,582,055)
Net Cash Provided (Used) for Operating Activities	1,629,361
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Intergovernmental Revenue	600,000
Operating Subsidies and Transfers from Other Funds	500,000
Net Cash Provided (Used) for Noncapital Financing Activities	1,100,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(5,721,587)
Principal Paid on Notes Payable	(1,042,143)
Interest Paid on Notes Payable	(655,986)
Net Cash Provided (Used) for Capital and Related Financing Activities	(7,419,716)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	166,848
Net Increase (Decrease) in Cash and Cash Equivalents	(4,523,507)
Cash and Cash Equivalents, January 1	9,183,668
Cash and Cash Equivalents, December 31	$ 4,660,161

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

EXHIBIT G

RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
DECEMBER 31, 2019

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	$	572,767
Depreciation Expense		2,246,538
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable		(777,471)
(Increase) decrease in Due From Other Funds		(500,000)
(Increase) Decrease in Due From Other Governments		(7,875)
(Increase) Decrease in Inventories		87,439
(Increase) Decrease in Deferred Pension Outflows		(838,186)
Increase (Decrease) in Salaries Payable		12,738
Increase (Decrease) in Accounts Payable		(867,631)
Increase (Decrease) in Due to Other Governments		4,313
Increase (Decrease) in Compensated Absences Payable		20,577
Increase (Decrease) in Net Pension Liability		1,711,206
Increase (Decrease) in Deferred Pension Inflows		(35,054)
Net Cash Provided (Used) by Operating Activities	$	1,629,361
Non-Cash Capital and Related Activities		
Book Value of Machinery and Equipment Disposed	$	49,887

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

EXHIBIT H

RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD
STATEMENT OF NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2019

	Custodial Fund
ASSETS	
Cash and Cash Equivalents	$ 113,325
Total Assets	113,325
LIABILITIES	
Accounts Payable	10,894
Total Liabilities	10,894
NET POSITION	
Restricted for:	
Payments to Other Entities	102,431
Total Net Position	$ 102,431

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

EXHIBIT I

RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

		Custodial Fund
Additions:		
Collections for Other Entities	$	166,500
Total Additions		166,500
Deductions:		
Payment Other Entities		123,878
Total Deductions		123,878
Change in Net Position		42,622
Net Position - Beginning		-
Change in Accounting Principle (Note 1)		59,809
Net Position - Ending	$	102,431

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ramsey and Washington Counties of Minnesota jointly entered into a construction agreement and a service agreement with Northern States Power Company (NSP) to build and operate a resource recovery facility which produces refuse derived fuel (RDF) to be burned at NSP's electric plants. The Counties administered the service agreement through a joint powers board called the Ramsey/Washington County Resource Recovery Project Board. In 1993, the service agreement with NSP was amended to transfer ownership of the Newport Facility (Facility) from NSP to NRG Energy, Inc. In 2000, NSP merged with New Century Energies to form Xcel Energy (Xcel). In June 2006, the service agreement was amended to transfer the ownership of the Facility from NRG to Resource Recovery Technologies (RRT). The service agreement remained in effect until December 31, 2006. The service agreement obligated the Counties to deliver a minimum of 280,800 tons of solid waste per year to the Resource Recovery Project (Project) and pay a service fee based upon each ton of solid waste handled by the Facility, subject to a minimum fee based on 280,800 tons per year minimum and certain other adjustments. Owners of the Facility were obligated to accept, process, transport, and dispose of most of the County waste delivered to the Facility for twenty years. The service agreement terminated December 31, 2006, and the Counties entered into a six-year Solid Waste Processing Agreement with RRT that included payments to the owner for each ton of waste and rebates to qualified haulers for each ton of waste delivered to the Facility. That agreement expired December 31, 2012.

A new three-year agreement became effective January 1, 2013, and eliminated the payment of a service fee to the owner of the Facility. When the Processing Agreement with RRT was executed, RRT stated that it intended to evolve the Facility to where it could operate as a merchant facility, eventually competing with landfills or alternative options without the Counties' subsidies. Unlike NSP and NRG, RRT contracted directly with private haulers for waste delivery. Over the six-year term of the Processing Agreement, the Counties paid RRT a processing payment, and also paid hauler rebates that incentivized the haulers to deliver waste to the Facility. The payment for processing began at $40 per ton in 2007, and declined each year to $10 per ton in 2012. Hauler rebates began at $12 per ton, and increased to $14 per ton by 2012. Total annual cost to the Counties during that period ranged from $16.8 million (2007) to $8.4 million (2012).

In 2007, not long after the Processing Agreement was executed, the U.S. Supreme Court issued a decision on waste designation, or flow control, that determined that a government using its regulatory powers to direct waste to a publicly owned and operated Facility was not in conflict with the dormant Commerce Clause. This development created an opportunity for the Counties to reevaluate the public role in the waste management system. When the Counties' Processing Agreement with RRT ended in 2013, the Counties and RRT entered into a short-term renewal agreement (the "2013-2015 Processing Agreement") and began an extensive evaluation of whether the Counties should purchase the Facility.

The issue of the failure of the market to support a merchant approach was heavily documented during negotiations for an extension of the 2013-2015 Processing Agreement with RRT during 2012. As a result, policy direction was taken based on the determination that the market had failed, and a merchant approach was determined to not be possible. It is based on this policy direction that the 2013-2015 Processing Agreement included a provision for the Counties' option to purchase, and the Counties embarked on an evaluation of the future of processing during the term of the 2013-2015 Processing Agreement. Throughout the discussion of the 2013-2015 Processing Agreement with the Board, it was clear that the 2013-2015 Processing Agreement was assuring that processing would continue while the future of processing was determined, leading to a decision point in 2015.

The 2013-2015 Processing Agreement included no direct payment for processing, but the Counties agreed to pay a hauler rebate of $28 per ton up to an aggregate amount of $8.4 million per year (corresponding to 300,000 tons per year ("TPY") guaranteed to be accepted by RRT under the Processing Agreement). Rebate amounts paid to haulers over the $8.4 million cap were reimbursed to the Counties by RRT at the end of each year.

During the time in which RRT owned and operated the Facility, the Counties were able to assist RRT in obtaining an average of approximately 322,000 tons of waste each year, ranging from a low of 304,000 tons (2008) to a high of 346,000 tons (2015). However, during that same period, an average of 111,000 TPY of waste generated in the Counties was landfilled in Minnesota, Iowa, and Wisconsin, ranging from 77,000 tons (2013) to 167,000 tons (2007). In order to secure sufficient waste to operate, RRT worked to replace those missing tons by accepting waste generated outside the Counties. To incentivize haulers to deliver out-of-county waste to the Facility, RRT charged a tipping fee below the tipping fee of $86.22 per ton for waste generated in the Counties. As a result, RRT determined that hauler rebates for Ramsey/Washington waste, likely in increasing amounts, would be necessary for the foreseeable future. This is the situation that caused the Counties to determine that a merchant approach for operating the Facility was not feasible.

Prompted by the ability to exercise an option to purchase the Facility, the joint powers board conducted a policy evaluation on the future of waste processing in the East Metro area during 2013 and 2014. As with most issues related to solid waste, the analysis began with the Counties' respective Solid Waste Management Master Plans ("Master Plans"). Those Master Plans established current County policies related to waste management, and governed the evaluation process.

The Board decided to proceed with Facility acquisition in May 2015, with follow-up action by the two County Boards in June 2015. That triggered a number of actions, including:

- Negotiation of an Asset Purchase Agreement;
- Due diligence to resolve material issues and liabilities;
- Development of a financing structure for the purchase;
- Development of a transition plan for operations and development of an interim operations agreement.

The joint powers agreement between the Counties was amended in September 2015, and the Board was renamed the Ramsey/Washington Recycling and Energy Board (R&E Board).

On December 31, 2015 at 11:59 p.m., the R&E Board acquired the Facility and took over its operations. Indicative of its longer term plans to use the Facility as a hub for ever more ambitious waste management initiatives, the R&E Board renamed the Facility the Recycling and Energy Center, or the R&E Center. The R&E Board is in the process of evaluating the R&E Center's functions and operations as well as implementing needed capital improvements aimed at improving safety and efficiency. The R&E Board will continue delivering the RDF processed at the R&E Center to Xcel Energy's RDF combustion units in Red Wing and Mankato. The R&E Board envisions the possible addition of Mixed Waste Processing ("MWP") at the R&E Center in the next few years, along with potential diversion of organics separated at the R&E Center to anaerobic digestion, as well as a shift from using all the RDF at Xcel's combustion units to gasification of some or all of the RDF into biofuels and chemicals.

The Ramsey/Washington Recycling and Energy Board financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Government Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local government through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the Ramsey/Washington Recycling and Energy Board are discussed below.

Change in Accounting Principles

During the year ended December 31, 2019, the R&E Board adopted new accounting guidance by implementing the provisions of GASB Statement No. 84. *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by including accruals and ending net position to the custodial fund not previously required. Beginning net position has been restated to reflect this change.

	Custodial Fund
Net Position, January 1, 2019, as previously reported	$ -
Change in accounting principles	59,809
Net Position, January 1, 2019, as restated	$ 59,809

A. FINANCIAL REPORTING ENTITY

The R&E Board was established by a joint powers agreement dated September 22, 2015, pursuant to Minn. Stat Section 471.59. The R&E Board consists of five Ramsey County Commissioners and four Washington County Commissioners. The Commissioners are appointed by the respective County Boards with the Chair of the R&E Board rotating between the Commissioners from each County on a biennial basis. The powers of the R&E Board were expanded, most notably allowing it to own and operate the R&E Center in Newport. The purpose of the joint powers agreement is to create a structure for the joint ownership and operation of the R&E Center, and to define the responsibilities of the R&E Board.

The R&E Board has the authority to:

- Acquire, own, improve, hold and lease real and personal property;
- Manage and oversee the operation, maintenance and improvement of the R&E Center;
- Enter into contracts;
- Hire employees;
- Incur and discharge debt, including issuing bonds;
- Approve a Facility budget, including fees and charges each year; and
- Recommend a Joint Activities Budget for approval by the two County Boards.

The joint powers agreement establishes the apportionment between the two Counties of the joint activities costs and for other financial matters, such as funding an operating reserve fund and capital improvement fund, at 73 percent Ramsey County and 27 percent Washington County for the term of the agreement. The R&E Board participates in a joint venture described in Note 4.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the R&E Board except for fiduciary activities. The effect of interfund activity has been eliminated from the government wide financial statements. The R&E Board's net position is reported in two parts: net investment in capital assets and unrestricted net position. The R&E Board first utilizes restricted resources to finance qualifying activities. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are charges for services provided by a given function. Revenues not classified as program revenues are presented as general revenues. Separate financial statements are provided for the governmental fund, proprietary fund, and fiduciary fund.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide, proprietary, and fiduciary fund 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.

The Enterprise Fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operations of the Enterprise Fund is charges to customers (tipping fees) for accepting waste at the R&E Center. Operating expenses for the Enterprise Fund include the cost related to operating and maintaining the R&E Center, transporting derived fuel, processing any remaining waste, administrative expenses, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Capital contributions to the Enterprise Fund consist of cash amounts contributed to the R&E Board by Ramsey and Washington Counties in proportion to their respective obligations, 73% from Ramsey County and 27% from Washington County.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenue of the current fiscal period. Miscellaneous revenue is considered to be measurable and available only when cash is received by the government.

The R&E Board reports the General Fund as a major governmental fund. It accounts for all financial resources of the R&E Board except for those related to the operation of the R&E Center. The R&E

Board also reports an Enterprise Fund as a major fund, which accounts for the operation and maintenance of the R&E Center.

The R&E Board has a custodial fund, which is used to account for assets that the R&E Board holds for the Partnership on Waste and Energy.

D. BUDGET AND BUDGETARY ACCOUNTING

The R&E Board adopts a budget for the General Fund on the modified accrual basis of accounting. The Statement of Revenues, Expenditures, and Changes in Fund Balance (Exhibit D) is prepared on a GAAP basis. Results of operations included in the Schedule of Revenues, Expenditures, and Changes in Fund Balance-General Fund-Budgetary Comparisons (Schedule 1), are presented on a Non-GAAP budgetary basis. The primary difference between the two bases of accounting is that the "actual" column in Schedule 1 does not include expenditures from prior years' reserve for encumbrances.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, capital reserves, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances outstanding at year-end do not constitute expenditures or liabilities because the commitments will be re-apportioned and honored during the subsequent year.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOW/INFLOWS OF RESOURCES, AND EQUITY ACCOUNTS

1) Assets

Deposits and Investments

The R&E Board invests funds in Ramsey County's investment pool. Pooled investments are reported at their fair value at December 31, 2019 based on market prices. The R&E Board invests in this pool for the purpose of joint investment with the County in order to enhance investment earnings. There are no redemption limitations.

Minnesota statutes require that all R&E Board's deposits be covered by insurance, surety bond, or collateral. The R&E Board's available deposits are invested by Ramsey County in accordance with Minnesota Statutes. The types of securities available to the Ramsey County are authorized by Minn. Stat. Sections 118A.04 and 118A.05. Additional disclosures defining cash and investments can be found in the Ramsey County Comprehensive Annual Financial Report.

Earnings from these investments are allocated monthly to the R&E Board's General Fund based on average daily balances during the month. Pooled investments earnings for 2019 are $79,662.

The R&E Board has defined cash and cash equivalents in the proprietary fund as the funds invested in Ramsey County's investment pool.

Accounts Receivable

Accounts receivable consists of tipping fees due from haulers and citizens at the R&E Center. No allowance for uncollectible receivables has been provided because such amounts are not expected to be material.

Due From Other Governments

Due from other governments consists of contributions from Ramsey and Washington Counties, as well as tipping fees due from local governments at the R&E Center.

Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenses when consumed rather than when purchased.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, and similar items), and are reported in the business-type activities column in the government-wide financial statements as well as in the proprietary fund. Capital assets are defined by the R&E Board as assets with an initial, individual cost of more than $15,000 for machinery and equipment to more than $100,000 for buildings, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

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.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	10-50
Building Improvements	5-20
Infrastructure	20-75
Machinery and Equipment	2-20
Computer Software	5-10

Capital asset activity for the year ended December 31, 2019, was as follows:

Land	$ 877,858	$ -	$ -	$ 877,858
Construction in Progress	589,851	3,769,808	(4,359,659)	-
Total Capital Assets, not Being Depreciated	1,467,709	3,769,808	(4,359,659)	877,858
Capital Assets, Being Depreciated:				
Buildings and Improvements	9,131,209	4,443,926	-	13,575,135
Machinery and Equipment	19,653,069	1,867,512	(174,773)	21,345,808
Total Capital Assets Being Depreciated	28,784,278	6,311,438	(174,773)	34,920,943
Less Accumulated Depreciation for:				
Buildings and Improvements	(839,971)	(398,823)	-	(1,238,794)
Machinery and Equipment	(6,078,595)	(1,847,715)	124,886	(7,801,424)
Total Accumulated Depreciation	(6,918,566)	(2,246,538)	124,886	(9,040,218)
Total Capital Assets Being Depreciated, Net	21,865,712	4,064,900	(49,887)	25,880,725
Business-Type Activities Capital Assets, Net	$ 23,333,421	$ 7,834,708	$ (4,409,546)	$ 26,758,583

2) Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

At December 31, 2019, the R&E Board had an interfund balance of $500,000 between the General Fund and the Enterprise Fund to transfer excess funds to the Enterprise Fund in accordance with the R&E Board's fund balance policy.

The outstanding balance between funds result mainly from a time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers

Interfund transfers for the year ended December 31, 2019, consisted of a transfer of $500,000 from the General Fund due to the Enterprise Fund per the R&E Board's fund balance policy.

3) Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

Compensated Absences

It is the R&E Board's policy to permit employees to accumulate earned but unused paid time off benefits. All paid time off benefits that are vested as severance pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund only if they have matured: for example, as a result of employee resignations and retirements. The entire balance of the liability will be considered current until the balances are large enough to segregate a long-term portion. Then the current portion of the liability will be calculated based on a five-year average of historical usage.

Notes Payable

Notes payable at December 31, 2019 comprises the following individual issues:

Type of Indebtedness	Final Maturity	Original Balance	Interest Rate (%)	Date Issued	Outstanding Balance as of 12/31/19
Ramsey County Original Purchase Loan	2041	$ 17,900,000	3.0 - 3.15	12/31/2015	$ 16,281,361
Washington County Original Purchase Loan	2041	6,588,000	.55 - 3.25	12/31/2015	6,021,873
Ramsey County Bulky Waste Load-Out Loan	2023	1,120,550	0.00	7/23/2018	896,440
Washington County Bulky Waste Load-Out Loan	2023	414,500	0.00	7/9/2018	331,600
Ramsey County Operating Reserve Loan	2028	2,993,000	0.00	12/3/2015	2,993,000
Washington County Operating Reserve Loan	2028	1,107,000	0.00	12/3/2015	1,107,000
Total Notes Payable		$ 30,123,050			$ 27,631,274

	Business-Type Activities		
Years Ending December 31	R&E Center Principal	BWLO Principal	R&E Center Interest
2020	$ 752,004	$ 307,010	$ 627,904
2021	769,175	307,010	609,327
2022	786,607	307,010	590,001
2023	809,377	307,010	569,761
2024	827,586	-	548,561
2025-2029	4,497,228	-	2,388,365
2030-2034	5,180,498	-	1,690,585
2035-2039	6,007,688	-	848,527
2040-2041	2,673,072	-	70,049
Total	$ 22,303,235	$ 1,228,040	$ 7,943,080

The payment schedule above excludes the Reserve Loans as repayment terms have not yet been determined.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences	$ 23,610	$ 82,481	$ 63,905	$ 42,186	$ 42,186
Business-Type Activities					
Compensated absences	124,624	210,707	190,130	145,201	145,201
Notes Payable	28,673,418	-	104,214	28,569,204	1,059,014
Total Long-Term Liabilities	$ 28,821,652	$ 293,188	$ 358,249	$ 28,756,591	$ 1,246,401

4) 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 (expenditure/expense) until then. The R&E Board has one item that qualifies for reporting in this category: deferred pension outflows, reported in the government-wide statement of net position. These outflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience, pension plan changes in proportionate share, and contributions paid subsequent to the measurement date.

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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The R&E Board has two types of items. First, the R&E Board has deferred pension inflows, which arise only under the full accrual basis of accounting and consist of changes in actuarial assumptions and the differences between projected and actual earnings on pension plan investments. The other, unavailable revenue, arises only under a modified accrual basis of accounting and is reported only in the General Fund Balance Sheet. The General Fund reports unavailable revenue from accounts receivable and due from other governments. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

5) Net Position

Net position in the government-wide and proprietary fund financial statements is classified in the following categories:

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

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

6) Fund Balance:

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the R&E Board is “bound to honor constraints on the specific purposes for which amounts in the fund can be spent” in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Minimum Fund Balance Policy

It is the policy of the R&E Board to maintain unrestricted fund balance between 20 and 35 percent of the subsequent year's Joint Activities Budget for cash flow purposes. It is the R&E Board’s policy that if the year-end unrestricted fund balance exceeds 35 percent of the subsequent year’s budget in the General Fund, the excess amounts shall be transferred to the Enterprise Fund.

Fund Balance Components

The components for reporting the R&E Board's fund balance are nonspendable, restricted, committed, assigned, and unassigned. Nonspendable fund balance includes those amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items not expected to be converted to cash. Restrictions on fund balance are for a specific purpose, either externally imposed or imposed by law. Fund balance amounts that are committed need to be authorized prior to year-end and require a resolution by the R&E Board to establish or modify the commitment. The R&E Board is the highest level of decision making. Fund balance amounts that are assigned represent management intent for specific purposes. Assignments are subject to change and can be set by the Accounting Manager as designated by the R&E Board. The unassigned fund balance represents the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications.

The R&E Board considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. The R&E Board does not have a formal policy for its use of unrestricted fund balance amounts; therefore, it considers committed amounts to be used first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

7) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the amounts of assets, deferred overflows 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 such estimates.

2. PENSION PLANS

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.

Pension costs for the two Counties' employees assigned to work on the R&E Board remain employees of their respective organizations and thus the pension costs are budgeted in the Saint Paul-Ramsey County Public Health and Washington County Department of Public Health and Environment budgets. The Counties charge the R&E Board the portion of pension plan cost related to the staff time working to the R&E Board, which reimburses those costs out of County Project Management Services.

A. Defined Benefit Pension Plan

1. Plan Description

All full-time and certain part-time employees of the R&E Board are covered by defined benefit pension plans administered by the PERA. PERA administers the General Employees Retirement Plan (the General Employees 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 plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

The General Employees 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 Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No R&E employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

2. 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.

Beginning January 1, 2019, General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase.

For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

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.

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for Coordinated 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 Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989.

For General Employees 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.

3. 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 Plan members were required to contribute 6.50 percent, of their annual covered salary in 2019. The employee and employer contribution rates did not change from the previous year.

In 2019, the R&E Board was required to contribute 7.5 percent of annual covered salary.

The R&E Board's contribution for the General Employees Retirement Plan for the year ended December 31, 2019, was $390,511. The contributions are equal to the statutorily required contributions as set by state statute.

4. Pension Costs

At December 31, 2019, the R&E Board reported a liability of $3,892,258 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The R&E Board's proportion of the net pension liability was based on the R&E Board's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the R&E Board's proportion was 0.0704 percent. It was 0.0356 percent measured as of June 30, 2018. The R&E Board recognized pension expense of $1,329,404 for its proportionate share of the General Employees Plan's pension expense.

The R&E Board also recognized $9,061 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 Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually.

The R&E Board's proportionate share of the net pension liability	$	3,892,258
State of Minnesota's proportionate share of the net pension liability associated with the R&E Board		120,995
Total	$	4,013,253

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 58,864	$ -
Changes in actuarial assumptions	-	115,884
Difference between projected and actual investment earnings	-	113,211
Changes in proportion	2,552,885	-
Contributions paid to PERA subsequent to the measurement date	197,199	-
Total	$ 2,808,948	$ 229,095

The $197,199 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, 2020. 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
2020	$ 991,158
2021	940,217
2022	445,014
2023	6,265

5. Actuarial Assumptions

The total pension liability in the June 30, 2019, 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 for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. Inflation and investment assumptions were reviewed in the experience study report for the General Employees Plan dated June 27, 2019.

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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	35.50%	5.10%
International stocks	17.50	5.30
Bonds (fixed income)	20.00	0.75
Private Markets	25.00	5.90
Cash equivalents	2.00	0.00

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2019, which remained consistent with 2018. 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 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.

7. Changes in Actuarial Assumptions and Plan Provisions

   The following changes in actuarial assumptions occurred in 2019:

   - The mortality projection scale was changed from MP-2017 to MP-2018

8. Pension Liability Sensitivity

   The following presents the R&E Board's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the R&E Board's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	Discount Rate	Proportionate Share of the Net Pension Liability
1% Decrease	6.50%	$ 6,398,663
Current	7.50	3,892,258
1% Increase	8.50	1,822,723

9. 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.

3. RISK MANAGEMENT

The R&E Board is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; or natural disasters.

The R&E Board carries commercial insurance. The R&E Board has not reduced insurance coverage in the past year and has not had settlements in excess of insurance coverage.

4. JOINT VENTURE

Partnership on Waste and Energy
The R&E Board entered into a joint powers agreement with Hennepin County on November 16, 2017, pursuant to the provisions of Minn. Stat. Section 471.59, to create the Partnership on Waste

and Energy. The purpose of the agreement is to assist the Partnership on Waste and Energy in accomplishing the goals outlined in Minnesota Statutes related to waste management and Metropolitan Solid Waste Management Policy Plan, with a focus on policy development, emerging waste processing technologies, and communication, as well as coordination on energy issues related to waste and interest of the Partnership on Waste and Energy.

The Partnership on Waste and Energy Board consists of the Chair and Vice Chair of the R&E Board and a commissioner appointed by Hennepin County. The R&E Board is the Fiscal Agent of the Partnership on Waste and Energy and reports the activity as the custodial fund. No audited financial statements are available. During the year, the R&E Board contributed $83,250 to the Partnership on Waste and Energy.

5. FINANCIAL CONDITION

The 2019 budget assumed 440,000 tons of waste deliveries at the Facility. Each County is responsible for financing its share of the budgeted $4,400,000 in hauler rebates. The rebates are $10 per ton of Ramsey/Washington County waste haulers deliver to the facility, following application for a rebate and verification by the R&E Board.

In 2019, the total for hauler rebates was $4,400,000 calculated as follows:

	Share	Amount
Ramsey County	73%	$ 3,212,000
Washington County	27%	1,188,000
Total		$ 4,400,000

RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
BUDGETARY COMPARISONS (NON-GAAP BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2019

	BUDGET		ACTUAL ON A BUDGETARY BASIS	VARIANCE WITH BUDGET BUGET OVER (UNDER)
	ORIGINAL	FINAL		
Revenues				
Charges for Services and Other	$ 9,780,831	$ 9,780,831	$ 9,780,831	$ -
Investment Earnings	-	75,000	79,662	4,662
Miscellaneous	-	-	2,228	2,228
Total Revenues	9,780,831	9,855,831	9,862,721	6,890
Expenditures				
Personal Services	460,527	732,740	732,740	-
Other Services and Charges	9,320,304	9,123,091	9,123,091	-
Total Expenditures	9,780,831	9,855,831	9,855,831	-
Excess (Deficiency) of Revenues Over Expenditures	-	-	6,890	6,890
Other Financing Sources (Uses)				
Transfers Out	-	-	(500,000)	(500,000)
Adjustment (Note 1D)	355,333	355,333	355,333	-
Fund Balance at Beginning of Year	3,258,191	3,258,191	3,258,191	-
Fund Balance at End of Year	$ 3,613,524	$ 3,613,524	$ 3,120,414	$ (493,110)

The notes to the required supplementary information are an integral part of this schedule.

RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019

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 Entity Name (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
2019	0.0704%	$ 3,892,258	$ 120,995	$ 4,013,253	$ 5,049,677	77.08%	80.23%
2018	0.0356%	1,974,942	-	1,974,942	2,267,718	87.09%	79.53%
2017	0.0027%	172,366	-	172,366	187,819	91.77%	75.90%

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

The notes to the required supplementary information are an integral part of this schedule.

SCHEDULE 3

RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD
SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019

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)
2019	$ 390,511	$ 390,511	$ -	$ 5,206,123	7.50%
2018	348,630	348,630	-	4,648,400	7.50%
2017	22,102	22,102	-	294,693	7.50%

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

The notes to the required supplementary information are an integral part of this schedule.

Budgetary Information

The annual budget for the General Fund was approved by the Recycling and Energy Board (R&E Board).

The Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund is prepared on a GAAP basis. Results of operations included in the Schedule of Revenues, Expenditures, and Changes in Fund Balance - General Fund - Budgetary Comparisons are presented on a Non-GAAP budgetary basis. The primary difference between the two bases of accounting is that the "actual on a budgetary basis" column includes encumbrances and does not include expenditures from prior year budget reserves.

Adjustments necessary to convert actual expenditures reported on the budgetary basis in the Schedule of Revenues, Expenditures, and Changes in Fund Balance - General Fund - Budgetary Comparisons to the GAAP basis as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund are:

Actual Expenditures - Budgetary Basis	$ 9,855,831
Encumbrances	(1,599,465)
Increase:	
Expenditures in 2019 from December 31, 2018	1,244,132
Expenditures - GAAP Basis	$ 9,500,498
Encumbrances	$ (1,599,465)
Expenditures in 2019 from December 31, 2018 Reserves for Encumbrances	1,244,132
Adjustment to Reconcile Schedule of Revenues, Expenditures, and Changes in Fund Balance - General Fund - Budgetary Comparisions to Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund	$ (355,333)

Based on a process established by the R&E Board, the Joint Leadership Team (JLT) performs analysis, evaluations, and prepares an original draft budget for the review of the Budget Committee. The Budget Committee submits their budget and financial recommendations to the R&E Board every two years. Any supplemental budget revisions, if any, follow the same process as the original budget. The R&E Board's budget requirements are submitted to both Ramsey and Washington Counties for funding once the budget is approved.

The appropriated budget is prepared by fund. Budgets may be amended during the year with the approval of the R&E Board. The JLT is authorized to transfer budgeted amounts between funds or appropriate certain revenues received in excess of the original budget estimate. Transfers of appropriations between funds and other transfers of appropriations require JLT approval. When the R&E Board approves, the JLT directs the R&E Board's fiscal agent (Ramsey County Finance Department) to make the budget changes. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations, which are not expended, or encumbered, lapse at year end.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts, capital reserves, and other commitments for the expenditure of monies) outstanding at year end do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent year.

Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions.

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the fiscal year June 30:

General Employee Retirement Plan

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.5 percent per year thereafter, to 1.25 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.