



2785 White Bear Ave N, Suite 350, Maplewood MN 55109  
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# ANNUAL FINANCIAL REPORT

YEAR ENDED DECEMBER 31, 2017

**ANNUAL FINANCIAL REPORT**  
**OF THE**  
**RAMSEY/WASHINGTON**  
**RECYCLING AND ENERGY BOARD**

**Year Ended December 31, 2017**

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

# RAMSEY/WASHINGTON RECYCLING AND ENERGY BOARD

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# INTRODUCTORY SECTION



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May 17, 2018

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

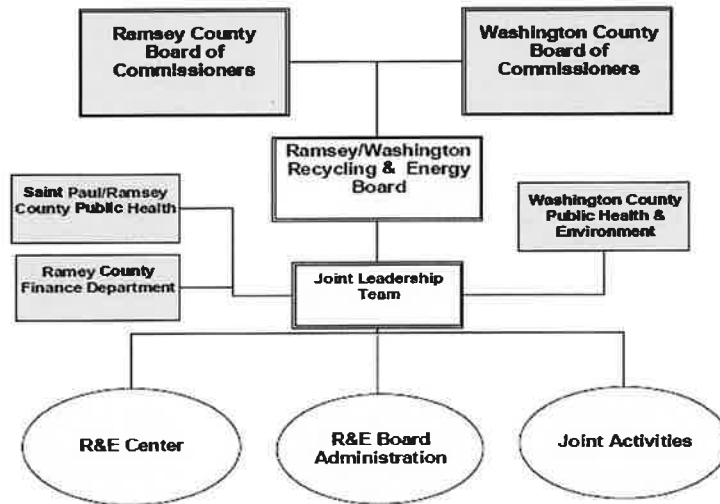
The annual financial report of the Ramsey/Washington Recycling and Energy Board (R&E Board) is submitted for the fiscal year ended December 31, 2017. This report was prepared by R&E Board Accounting staff and reviewed by the Joint Leadership Team. Responsibility for both the accuracy of the presented 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 in all material aspects and sets forth the financial position and results of operations of the R&E Board, as measured by the financial activity of its funds, and all disclosures necessary to enable maximum understanding of the financial affairs of the R&E Board.

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 2017 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 joint solid waste services to all 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. Throughout the term of the Service Agreement the Counties were responsible for paying a service fee to the facility operator, and assumed a number of business risks.

Beginning January 1, 2007, the Counties and RRT entered into a six-year Processing Agreement that shifted much of the business risk to RRT, eliminated the service fee, and obligated the Counties to pay a processing payment to the owner of the Facility for each ton of Ramsey/Washington waste delivered to the Facility, and also to pay a rebate to waste haulers that deliver waste to the Facility. 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 support funding caused the Counties to consider ownership options. Beginning January 1, 2013, a new three-year processing agreement with RRT became effective. The 2013-2015 agreement eliminated the processing payment to the owner of the facility, but continued the rebate payments to waste haulers for every ton delivered to the Facility. The agreement also included a first option to purchase for the Counties. During the term of this processing agreement the Counties conducted extensive analyses to determine whether to exercise their option to purchase. In addition, RRT and the Counties, following a process set forth in the processing agreement, arrived at an option purchase price following negotiations and arbitration.

Following extensive evaluation and public discussion, 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.

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 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 2017**

The R&E Board purchased the Ramsey/Washington Recycling and Energy Center (R&E Center) from a private business on December 31, 2015. To help with the shift from private to public ownership, the R&E Board contracted with Great River Energy Newport Services (GRENS) to operate the R&E Center through December 31, 2017. During 2017, most of the transition work was completed, and the R&E Board began full public operation on January 1, 2018. The R&E Board implemented accounting systems and policies to safeguard R&E Board assets, developed procurement guidelines and converted over 180 contracts to public sector standards, and implemented Human Resources systems for the hire of 60 former GRENS staff.

During 2017, Ramsey and Washington Counties completed the waste designation implementation process. Waste designation is the term used in Minnesota law which allows the Counties to enact an ordinance requiring all or a portion of solid waste to be delivered to a designated waste management facility. State law provides detailed direction, under the approval authority of the Minnesota Pollution Control Agency (MPCA), for implementing designation.

The R&E Board coordinated preparation of the Ramsey and Washington Counties Joint Waste Designation Plan (Designation Plan) and development of county ordinances over a two-year period.

A successful program to increase recycling in the non-residential sector, called BizRecycling continued to grow in 2017. Since 2003, the two counties, through the joint powers board, have worked to increase recycling by businesses and institutions. In 2003 the R&E Board retained EcoConsilium, Inc. (formerly J.L. Taitt and associates), to provide outreach and technical assistance to non-residential generators of organic waste, specifically institutional generators. The R&E Board then retained Minnesota Waste Wise Foundation in 2013, to provide outreach and technical assistance to businesses on recycling and organic waste management. The R&E Board has contracted with Second Harvest Heartland for food rescue services, recovering edible food waste primarily from grocery stores and supplying it to recipient agencies such as food shelves and homeless shelters. The R&E Board continued a starter grant program in 2017 that uses financial grants aimed at commercial businesses to increase recycling and organics management. In 2017, 119 grantees received over \$805,779 in grant funds.

The R&E Board provides outreach and promotion 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 nonresidential audiences; the R&E Board's efforts are designed to complement the work of each County.

Activities in 2017 included publications (a comprehensive "Green Guide") mailed directly to households in both counties, online advertising, lending Trash Trunks for group educational activities, as well as tours of the R&E Center. An important component of the future of waste processing is to provide information and outreach to stakeholders. A public relations firm was retained to cultivate participation by stakeholders like waste haulers, energy providers, business associations, and homeowners.

### **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 of the R&E Board 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 the 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, which 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 and Energy Board members for their interest and support in planning and conducting financial activities in a responsible manner.

Sincerely,



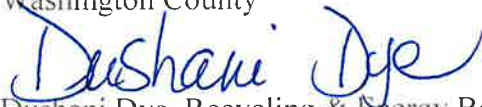
Kris Wehlage, Accounting Manager  
Ramsey/Washington Recycling and Energy Board



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



Nicole Stewart, Recycling & Energy Board Joint Leadership Team  
Washington County



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

# RAMSEY/WASHINGTON RECYCLING AND ENERGY BOARD

## ORGANIZATION December 31, 2017

### Board

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Victoria Reinhardt	Chair	Commissioner-Ramsey County
Fran Miron	Vice-Chair	Commissioner-Washington County
Toni Carter	Member	Commissioner-Ramsey County
Gary Kriesel	Member	Commissioner-Washington County
Rafael Ortega	Member	Commissioner-Ramsey County
Stan Karwoski	Member	Commissioner-Washington County
MaryJo McGuire	Member	Commissioner-Ramsey County
Karla Bigham	Member	Commissioner-Washington County
Blake Huffman	Member	Commissioner-Ramsey County
Dave Benke	Ex-Officio	Minnesota Pollution Control Agency
Bill Sumner	Ex-Officio	Newport City Council

### County Attorneys

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George Kuprian	Washington County
John Ristad	Ramsey County

### Joint Leadership Team

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

### Support & Advisory Staff

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Gail Blackstone	Ramsey County	Human Resources Director
Lee Mehrkens	Ramsey County	Finance Director
Jim Hall	Ramsey County	Chief Information Officer
Tabatha Hansen	Washington County	Financial Services Director



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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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

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, and each major fund of the Ramsey/Washington Recycling and Energy Board as of and for the year ended December 31, 2017, 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, and each major fund of the Ramsey/Washington Recycling and Energy Board as of December 31, 2017, 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.

***Other Matters***

***Required Supplementary Information***

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

***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.



REBECCA OTTO  
STATE AUDITOR



GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

May 8, 2018

## FINANCIAL SECTION

## **MANAGEMENT'S DISCUSSION AND ANALYSIS** **(Unaudited)**

The management of the Ramsey/Washington Recycling and Energy Board (R&E Board), formerly known as the Ramsey/Washington County Resource Recovery Project, offers readers of its financial statements, this narrative overview and analysis of its financial activities for the fiscal year ended December 31, 2017. 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 21 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 \$7,409,519 (net position). Of this amount, (\$345,313) is the net investment in capital assets, and \$7,754,832 is unrestricted net position.
- The total net position increased by \$1,323,500. This compares with 2016 when the net position increased \$2,840,476.

### **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.

- 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.

### **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 \$7,409,519, and \$6,086,019 at the close of 2016.

## Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 6,667,603	\$ 3,999,231	\$ 12,389,741	\$ 14,209,020	\$ 19,057,344	\$ 18,208,251
Capital Assets	-	-	22,146,405	23,279,825	22,146,405	23,279,825
Total Assets	<u>6,667,603</u>	<u>3,999,231</u>	<u>34,536,146</u>	<u>37,488,845</u>	<u>41,203,749</u>	<u>41,488,076</u>
Deferred Outflows of Resources	179,053	-	-	-	179,053	-
Other Liabilities	1,331,657	1,903,956	5,284,346	5,641,096	6,616,003	7,545,052
Long Term Liabilities	172,366	-	27,138,368	27,857,005	27,310,734	27,857,005
Total Liabilities	<u>1,504,023</u>	<u>1,903,956</u>	<u>32,422,714</u>	<u>33,498,101</u>	<u>33,926,737</u>	<u>35,402,057</u>
Deferred Inflows of Resources	46,546	-	-	-	46,546	-
Net Position:						
Net Investment in Capital Assets	-	-	(345,313)	57,112	(345,313)	57,112
Unrestricted	5,296,087	2,095,275	2,458,745	3,933,632	7,754,832	6,028,907
Total Net Position	<u>\$ 5,296,087</u>	<u>\$ 2,095,275</u>	<u>\$ 2,113,432</u>	<u>\$ 3,990,744</u>	<u>\$ 7,409,519</u>	<u>\$ 6,086,019</u>

## Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program Revenues:						
Charges for Services and Other	\$ 9,762,338	\$ 6,177,182	\$ 34,401,771	\$ 32,639,509	\$ 44,164,109	\$ 38,816,691
General Revenues:						
Investment Earnings	22,902	5,845	62,287	17,146	85,189	22,991
Miscellaneous	-	6,602	61,085	63,091	61,085	69,693
Gain on Sale of Capital Assets	-	-	19,439	-	19,439	-
Capital Contributions	-	-	-	5,710,000	-	5,710,000
Total Revenues	<u>9,785,240</u>	<u>6,189,629</u>	<u>34,544,582</u>	<u>38,429,746</u>	<u>44,329,822</u>	<u>44,619,375</u>
Expenses:						
Sanitation	6,584,428	7,339,897	36,421,894	34,439,002	43,006,322	41,778,899
Increase/(Decrease) in Net Position	3,200,812	(1,150,268)	(1,877,312)	3,990,744	1,323,500	2,840,476
Net Position – Beginning	2,095,275	3,245,543	3,990,744	-	6,086,019	3,245,543
Net Position – Ending	<u>\$ 5,296,087</u>	<u>\$ 2,095,275</u>	<u>\$ 2,113,432</u>	<u>\$ 3,990,744</u>	<u>\$ 7,409,519</u>	<u>\$ 6,086,019</u>

**Governmental Fund.** At the end of 2017, the General Fund’s fund balance was \$5,346,532. As a measure of the General Fund’s liquidity, it may be useful to compare fund balance to expenditures. The fund balance represents 82% of total expenditures.

**Proprietary Fund.** At the end of 2017, the Proprietary Fund’s net position was \$2,113,432. As a measure of the Proprietary Fund’s liquidity, it may be useful to compare net position to expenditures. The net position represents 6% of total expenses.



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

	<b>Business-Type Activities</b>	
	<b>2017</b>	<b>2016</b>
Land	\$ 877,858	\$ 877,858
Buildings	7,636,586	7,909,321
Machinery and Equipment	13,631,961	14,492,646
Total Capital Assets	\$ 22,146,405	\$ 23,279,825

The R&E Board's Long-Term Debt

	<b>Business-Type Activities</b>	
	<b>2017</b>	<b>2016</b>
Advance From Other Governments	\$ 27,857,005	\$ 28,588,000

**Economic Factors and Next Year's Budget and Rates**

The R&E Board approved the 2018 General Fund budget for \$10,725,643, which represents a 28% increase from 2017.

**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.

**RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

	<b>GOVERNMENTAL ACTIVITIES</b>	<b>BUSINESS-TYPE ACTIVITIES</b>	<b>TOTAL</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Investments	\$ 4,558,766	\$ 7,590,510	\$ 12,149,276
Accounts Receivable	-	2,871,470	2,871,470
Due From Other Governments	2,108,837	116,086	2,224,923
Inventories	-	1,811,675	1,811,675
<b>Total Current Assets</b>	<b>6,667,603</b>	<b>12,389,741</b>	<b>19,057,344</b>
<b>Noncurrent Assets</b>			
<b>Capital Assets</b>			
<b>Nondepreciable</b>			
Land	-	877,858	877,858
<b>Depreciable</b>			
Buildings	-	8,182,057	8,182,057
Machinery and Equipment	-	17,853,475	17,853,475
Less: Accumulated Depreciation	-	(4,766,985)	(4,766,985)
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>22,146,405</b>	<b>22,146,405</b>
<b>Total Assets</b>	<b>6,667,603</b>	<b>34,536,146</b>	<b>41,203,749</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Outflows	179,053	-	179,053
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Salaries Payable	11,337	-	11,337
Accounts Payable	1,280,704	4,039,176	5,319,880
Interest Payable	-	283,903	283,903
Due to Other Governments	29,030	242,630	271,660
Compensated Absences - Current	10,586	-	10,586
Advance From Other Government - Current	-	718,637	718,637
<b>Total Current Liabilities</b>	<b>1,331,657</b>	<b>5,284,346</b>	<b>6,616,003</b>
<b>Non Current Liabilities</b>			
Advance From Other Governments	-	27,138,368	27,138,368
Net Pension Liability	172,366	-	172,366
<b>Total Non Current Liabilities</b>	<b>172,366</b>	<b>27,138,368</b>	<b>27,310,734</b>
<b>Total Liabilities</b>	<b>1,504,023</b>	<b>32,422,714</b>	<b>33,926,737</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Inflows	46,546	-	46,546
<b>NET POSITION</b>			
Net Investment in Capital Assets	-	(345,313)	(345,313)
Unrestricted	5,296,087	2,458,745	7,754,832
<b>TOTAL NET POSITION</b>	<b>\$ 5,296,087</b>	<b>\$ 2,113,432</b>	<b>\$ 7,409,519</b>

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

**RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
<b>Expenses</b>			
Sanitation			
Materials and Services	\$ 6,584,428	36,421,894	\$ 43,006,322
Total Program Expenses	<u>6,584,428</u>	<u>36,421,894</u>	<u>43,006,322</u>
<b>Program Revenues</b>			
Charges for Services and Other	9,762,338	34,401,771	44,164,109
Net Program Revenues (Expenses)	<u>3,177,910</u>	<u>(2,020,123)</u>	<u>1,157,787</u>
<b>General Revenues</b>			
Investment Earnings	22,902	62,287	85,189
Miscellaneous	-	61,085	61,085
Gain on Sale of Capital Assets	-	19,439	19,439
Total General Revenues	<u>22,902</u>	<u>142,811</u>	<u>165,713</u>
Increase (Decrease) in Net Position	3,200,812	(1,877,312)	1,323,500
Net Position - Beginning	2,095,275	3,990,744	6,086,019
Net Position - Ending	<u>\$ 5,296,087</u>	<u>\$ 2,113,432</u>	<u>\$ 7,409,519</u>

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, 2017**

**ASSETS**

Cash and Investments	\$ 4,558,766
Due From Other Governments	2,108,837
<b>TOTAL ASSETS</b>	<u>6,667,603</u>

**LIABILITIES AND FUND BALANCE****Liabilities**

Salaries Payable	11,337
Accounts Payable	1,280,704
Due to Other Governments	29,030
<b>Total Liabilities</b>	<u>1,321,071</u>

**Fund Balance**

Unassigned	5,346,532
<b>Total Fund Balance</b>	<u>5,346,532</u>

**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 funds.	179,053
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements.	
Compensated absences	(10,586)
Net pension liability	(172,366)
Deferred inflows resulting from pension obligations are not due and payable in the current period and therefore are not reported in governmental funds.	<u>(46,546)</u>

<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>	<u>\$ 5,296,087</u>
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**RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GENERAL FUND**  
**FOR YEAR ENDED DECEMBER 31, 2017**

<b>Revenues</b>		
Charges for Services and Other	\$	10,230,945
Investment Earnings		22,902
<b>Total Revenues</b>		<u>10,253,847</u>
<b>Expenditures</b>		
Sanitation		
Personal Services		375,410
Other Services and Charges		6,161,140
<b>Total Expenditures</b>		<u>6,536,550</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>		3,717,297
<b>Fund Balance at Beginning of Year</b>		<u>1,629,235</u>
<b>Fund Balance at End of Year</b>		<u>5,346,532</u>
<b>Reconciliation to Statement of Activities (Exhibit B)</b>		
Net Change in Fund Balance - General Fund		3,717,297
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the General Fund.		
Unavailable revenue - December 31	\$	-
Unavailable revenue - January 1		<u>(468,607)</u>
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	\$	179,053
Change in deferred pension inflows		(46,546)
Change in compensated absences		(8,019)
Change in net pension liability		<u>(172,366)</u>
<b>Change in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>3,200,812</u></b>

**EXHIBIT E**

**RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD  
STATEMENT OF NET POSITION  
ENTERPRISE FUND  
DECEMBER 31, 2017**

**ASSETS**

Current Assets

Cash and Investments	\$	7,590,510
Accounts Receivable		2,871,470
Due From Other Governments		116,086
Inventories		1,811,675
<b>Total Current Assets</b>		<b>12,389,741</b>

Noncurrent Assets

Capital Assets

Nondepreciable

Land		877,858
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Depreciable

Buildings		8,182,057
Machinery and Equipment		17,853,475
Less: Accumulated Depreciation		(4,766,985)

<b>Total Noncurrent Assets</b>		<b>22,146,405</b>
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<b>Total Assets</b>		<b>34,536,146</b>
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**LIABILITIES**

Current Liabilities

Accounts Payable		4,039,176
Interest Payable		283,903
Due to other Governments		242,630
Advance From Other Governments - Current		718,637
<b>Total Current Liabilities</b>		<b>5,284,346</b>

Noncurrent Liability

Advance From Other Governments		27,138,368
<b>Total Liabilities</b>		<b>32,422,714</b>

**NET POSITION**

Net Investment in Capital Assets		(345,313)
Unrestricted		2,458,745
<b>TOTAL NET POSITION</b>	<b>\$</b>	<b>2,113,432</b>

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

**RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**ENTERPRISE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**OPERATING REVENUES**

Sales	\$ 34,401,771
Miscellaneous	61,085
Total Operating Revenues	<u>34,462,856</u>

**OPERATING EXPENSES**

Contracted Services	6,090,640
Fuel Supply	6,073,062
Landfill	4,865,945
Waste Processing - Great River Energy	1,125,607
Transportation	6,223,613
Transload	2,230,103
Facility Operations	5,761,195
Supplies	899,346
Depreciation	2,361,581
Total Operating Expenses	<u>35,631,092</u>

**OPERATING INCOME (LOSS)**(1,168,236)**NONOPERATING REVENUES (EXPENSE)**

Interest Expense	(667,419)
Gain on Sale of Capital Assets	19,439
Loss on Disposal of Capital Assets	(123,383)
Investment Earnings	62,287
Total Nonoperating Revenues (Expenses)	<u>(709,076)</u>

**Change in Net Position**

(1,877,312)

**Total Net Position - Beginning**3,990,744**Total Net Position - Ending**\$ 2,113,432

EXHIBIT G

RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts From Customers and Users	\$ 35,799,530
Payments to Suppliers	(27,265,602)
Payments to Employees (Contracted)	<u>(6,965,413)</u>
Net Cash Provided (Used) for Operating Activities	<u>1,568,515</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds From the Sale of Capital Assets	36,961
Purchases of Capital Assets	(1,369,066)
Principal Paid on Advance From Other Governments	(730,995)
Interest Paid on Advance From Other Governments	<u>(674,453)</u>
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(2,737,553)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	<u>62,287</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,106,751)
Cash and Cash Equivalents, January 1	<u>8,697,261</u>
Cash and Cash Equivalents, December 31	<u>\$ 7,590,510</u>



EXHIBIT G

RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUND  
DECEMBER 31, 2017

Reconciliation of Operating Income to Net	
Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (1,168,236)
Depreciation Expense	2,361,581
Changes in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	1,184,531
(Increase) Decrease in Due From Other Governments	152,143
(Increase) Decrease in Inventories	(624,146)
Increase (Decrease) in Contracted Services Payable	(874,773)
Increase (Decrease) in Accounts Payable	550,552
Increase (Decrease) in Due to Other Governments	<u>(13,137)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,568,515</u>
Non-Cash Capital and Related Activities	
Book Value of Machinery and Equipment Disposed	\$ 140,905

**RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**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, Northern States Power Company 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

**RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

**RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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.

**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.

**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. 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 and proprietary fund.

**RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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

The government-wide and proprietary 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 County and Washington County 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.

**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-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.

**RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**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. The fair value of the investment is the fair value per share of the underlying portfolio. 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 types of securities available to the Ramsey County are authorized by Minn. Stat. Sections 118A.04 and 118A.05.

Earnings from these investments are allocated monthly to the R&E Board's General Fund based on average daily balances during the month.

Cash and cash equivalents are identified only for the purpose of the cash flow reporting by the proprietary fund. The R&E Board has defined cash and cash equivalents 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

**RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

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, 2017, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities:</b>				
Capital Assets not Being Depreciated:				
Land	\$ 877,858	\$ -	\$ -	\$ 877,858
Total Capital Assets, not Being Depreciated	877,858	-	-	877,858
Capital Assets, Being Depreciated:				
Buildings	8,182,057	-	-	8,182,057
Machinery and Equipment	16,928,736	1,369,066	(444,327)	17,853,475
Total Capital Assets Being Depreciated	25,110,793	1,369,066	(444,327)	26,035,532
Less Accumulated Depreciation for:				
Buildings	(272,736)	(272,735)	-	(545,471)
Machinery and Equipment	(2,436,090)	(2,088,846)	303,422	(4,221,514)
Total Accumulated Depreciation	(2,708,826)	(2,361,581)	303,422	(4,766,985)
Total Capital Assets Being Depreciated, Net	22,401,967	(992,515)	(140,905)	21,268,547
Business-Type Activities Capital Assets, Net	\$ 23,279,825	\$ (992,515)	\$ (140,905)	\$ 22,146,405

**RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**2) 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 financial statements. A liability for these amounts is reported in the governmental funds 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.

**Advance From Other Governments**

The R&E Board received financing to purchase the R&E Center from Ramsey and Washington Counties of \$24,488,000. This amount will be paid back in semi-annual installments over 25 years.

The annual requirements to amortize long-term advance from other governments outstanding as of December 31, 2017, carrying interest rates of 0.55% to 3.25% are:

Years Ending December 31	Principal	Interest
2018	718,637	662,808
2019	735,133	645,749
2020	752,005	627,904
2021	769,175	609,327
2022	786,607	590,001
2023-2027	4,263,396	2,626,698
2028-2032	4,888,593	1,987,529
2033-2037	5,660,213	1,203,353
2038-2041	5,183,246	293,150
Total	\$ 23,757,005	\$ 9,246,519

In addition, the Counties advanced the R&E Board \$4,100,000 for an operating reserve.



**RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended December 31, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Compensated absences	\$ 2,567	\$ 33,177	\$ 25,158	\$ 10,586	\$ 10,586
<b>Business-Type Activities</b>					
Advance From Other Governments	28,588,000	-	730,995	27,857,005	718,637
Total Long-Term Liabilities	<u>\$ 28,590,567</u>	<u>\$ 33,177</u>	<u>\$ 756,153</u>	<u>\$ 27,867,591</u>	<u>\$ 729,223</u>

**3) 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.

**4) 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.

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**5) 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 a minimum of two months of the subsequent year's expenditures for cash flow purposes. The R&E Board authorized the Joint Leadership Team to direct the R&E Board's fiscal agent to transfer amounts between the Enterprise Fund and the General Fund, to alleviate short-term cash shortages within one of the funds, and to be accounted for as advances to and from other funds and to be liquidated within three months.

**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 are not in spendable form, or are legally or contractually required to be maintained intact. 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 a lower level of authority designated by the R&E Board. The unassigned fund balance represents the residual net resources.

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.

**6) 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 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 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

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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 a defined benefit pension plan administered by PERA. PERA administers the General Employees Retirement Plan, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

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

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. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

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

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Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989.

For General Employees Retirement Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based on years of service and average high-five salary.

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 Retirement Plan Basic members and Coordinated members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2017.

In 2017, the R&E Board was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan	
Basic Plan members	11.78%
Coordinated Plan members	7.50

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

The R&E Board's contribution for the General Employees Retirement Plan for the year ended December 31, 2017, were \$22,102. The contributions are equal to the contractually required contributions as set by state statute.

4. Pension Costs

At December 31, 2017, the R&E Board reported a liability of \$172,366 for its proportionate share of the General Employees Retirement Plan's net pension liability.

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The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the R&E Board's proportion was 0.0027 percent. It was 0.0000 percent measured as of June 30, 2016. The R&E Board recognized pension expense of \$61,962 for its proportionate share of the General Employees Retirement Plan's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 5,681	\$ -
Changes in actuarial assumptions	-	17,280
Difference between projected and actual investment earnings	-	29,266
Changes in proportion	164,420	-
Contributions paid to PERA subsequent to the measurement date	8,952	-
Total	\$ 179,053	\$ 46,546

The \$8,952 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, 2018. 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
2018	\$ 43,624
2019	43,624
2020	43,621
2021	(7,314)

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5. Actuarial Assumptions

The total pension liability in the June 30, 2017, 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. The cost of living benefit increases for retirees are assumed to be 1.0 percent through 2044, and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Retirement Plan was dated June 30, 2015.

The long-term expected rate of return on pension plan investments is 7.5 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	39%	5.10%
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Cash	2	0.00

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2017, which remained consistent with 2016. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term

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expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. 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 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	Proportionate Share of the	
	General Employees Retirement Plan	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 267,353
Current	7.50	172,366
1% Increase	8.50	94,602

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](http://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

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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. No audited financial statements are available.

**5. FINANCIAL CONDITION**

The 2017 budget assumed 385,000 tons of waste deliveries at the Facility. Each County is responsible for financing its share of the budgeted \$4,020,000 in hauler rebates. The rebates are \$12 per ton of Ramsey/Washington County waste they deliver to the facility, following application for a rebate and verification by the R&E Board.

In 2017, the total for hauler rebates was \$4,020,000 calculated as follows:

	<u>Share</u>	<u>Amount</u>
Ramsey County	73%	\$ 2,934,600
Washington County	27%	1,085,400
Total		<u>\$ 4,020,000</u>

**6. SUBSEQUENT EVENT**

On March 22, 2018, the R&E Board accepted \$1,535,000 in loans from Ramsey and Washington Counties for the additional enclosure portion of the Bulky Waste Residue Load-Out Project. Ramsey County's portion of the loan is \$1,120,550, and Washington County's portion of the loan is \$414,450. These loans are interest free; paid back in equal installments over 5 years.



**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, 2017**

	BUDGET		ACTUAL ON A BUDGETARY BASIS	VARIANCE WITH BUDGET BUGET OVER (UNDER)
	ORIGINAL	FINAL		
<b>Revenues</b>				
Charges for Services	\$ 8,419,346	\$ 8,419,346	\$ 10,230,945	\$ 1,811,599
Investment Earnings	-	-	22,902	22,902
<b>Total Revenues</b>	<u>8,419,346</u>	<u>8,419,346</u>	<u>10,253,847</u>	<u>1,834,501</u>
<b>Expenditures</b>				
Personal Services	469,846	376,682	376,682	-
Other Services and Charges	7,949,500	7,806,592	7,806,592	-
<b>Total Expenditures</b>	<u>8,419,346</u>	<u>8,183,274</u>	<u>8,183,274</u>	<u>-</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>-</u>	<u>236,072</u>	<u>2,070,573</u>	<u>1,834,501</u>
Adjustment (Note 1D)	1,646,724	1,646,724	1,646,724	-
<b>Fund Balance at Beginning of Year</b>	<u>1,629,235</u>	<u>1,629,235</u>	<u>1,629,235</u>	<u>-</u>
<b>Fund Balance at End of Year</b>	<u>\$ 3,275,959</u>	<u>\$ 3,512,031</u>	<u>\$ 5,346,532</u>	<u>\$ 1,834,501</u>

**SCHEDULE 2**

**RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD  
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA GENERAL EMPLOYEES RETIREMENT PLAN  
DECEMBER 31, 2017**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2017	0.0027%	\$ 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

**SCHEDULE 3**

**RAMSEY/WASHINGTON RECYCLING AND ENERGY BOARD**  
**SCHEDULE OF CONTRIBUTIONS**  
**PERA GENERAL EMPLOYEES RETIREMENT PLAN**  
**DECEMBER 31, 2017**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
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.

**RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD**  
**Notes to the Required Supplementary Information**  
**December 31, 2017**

**Budgetary Information**

The annual budget for the General Fund that 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:

	<b>General</b>
Actual Expenditures - Budgetary Basis	\$ 8,183,274
Encumbrances	(858,595)
Decrease:	
Expenditures in 2017 from December 31, 2016	(788,129)
Expenditures - GAAP Basis	\$ 6,536,550
Encumbrances	\$ (858,595)
Expenditures in 2017 from December 31, 2016 Reserves for Encumbrances	(788,129)
Adjustment to Reconcile Schedule of Revenues, Expenditures, and Changes in Fund Balance - General Fund - Budgetary Comparisons to Statement of Revenues, Expenditures, and Changes in Fund Balance - General Fund	\$ (1,646,724)

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 County and Washington County 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.