RAMSEY/WASHINGTON
RECYCLING & ENERGY
CONNECTING VALUE TO WASTE

ANNUAL FINANCIAL REPORT

YEAR ENEDED DECEMBER 31, 2021

ANNUAL FINANCIAL REPORT

OF THE

RAMSEY/WASHINGTON
RECYCLING AND ENERGY BOARD

Year Ended December 31, 2021

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, 2022

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

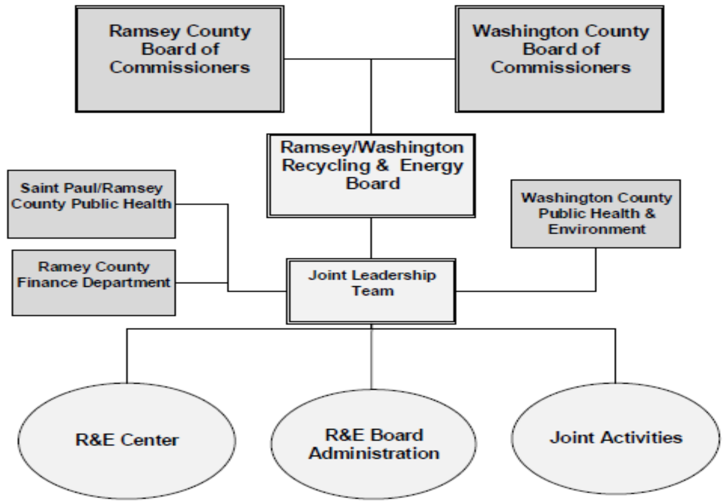
The annual financial report of the Ramsey/Washington Recycling & Energy Board (R&E Board) is submitted for the fiscal year that ended December 31, 2021. This report was prepared by the R&E Board accounting staff and reviewed by the Joint Leadership Team. Responsibility for both the accuracy of the presented 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 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 2021 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.



Ramsey and Washington Counties began to work on waste-to-energy as an alternative to landfilling through a joint powers agreement in 1982. Following selection of refuse-derived fuel technology instead of mass burn technology, the two Counties began to work jointly in 1987 through a new 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 serving as the financial liaison. 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 benefit 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 2022

Despite the COVID-19 pandemic and related economic downturn, the R&E Board was able to continue to operate the R&E Center (an essential function) and other programs in a safe manner.

The R&E Center processed 399,018 tons of waste in 2021, recovering 20,161 tons of metal for recycling, producing enough refuse-derived fuel to power 12,300 homes, and generating 95,052 fewer tons of greenhouse gas emissions than if the waste had been landfill. With waste designation in place through County ordinances, all trash generated in the two Counties is required to be delivered to the R&E Center where it can be processed to recover value.

The R&E Board approved a $41 million processing improvements project in 2020 that started construction in 2021 with an anticipated completion date in the summer of 2023. The processing improvements project will enable the R&E Center to recycle food scraps, cardboard, and plastics. The R&E Board also secured a $7 million Capital Assistance Program grant in 2021 from the State of Minnesota (through the MPCA) to help fund this project. This grant is expected to be received in 2022.

In 2022, the R&E Board is developing the Food Scrap Pickup Program for full launch to residents in Ramsey and Washington counties in 2023. In 2022 the key components under development include the R&E Center construction and equipment installation for food scrap bag recovery, a bag manufacturer of the custom food scrap bags, a website for residents to order the bags and learn about the program, customer support services for resident with questions or need assistance, a warehouse and fulfillment center to distribute the bags to residents and development of communications and educational assets. The R&E Board will conduct a pilot program in fall of 2022 to test the implementation under limited parameters. Phase 1 is expected to launch in early 2023 to start the scale up of the program with select cities, and the additional phases are expected to launch in 2023 and roll out over several months to ultimately become available to all resident in both Counties by the end of 2023.

Additional investments made to the R&E Center in 2021 include adding a robotic sorter to remove additional high value ferrous metals such as aluminum cans and enclosing the refuse derived fuel load-out area to reduce odors and litter. The R&E Board completed its remodel of the R&E Center's administration building which had not been updated since 1985 and had a leaking roof, poor windows and inefficient lighting.

BizRecycling continued to be a successful program to increase recycling in the business sector. BizRecycling is grant program that uses financial grants aimed at commercial businesses to increase and improve recycling and organics management. BizRecycling also provides grants to multi-unit residential properties. During 2021 BizRecycling adapted its grant programs to reflect business needs during the pandemic, with an emphasis on reaching small businesses and minority-owned businesses.

One of the R&E Board's priorities is food waste reduction, and during 2021, in an effort to reduce food waste and provide for food security for residents, the R&E Board engaged partners and provided grants resulting in over 10 million pounds of food being recovered and redistributed.

The R&E Board provides outreach and education in 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; the R&E Board'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 collaborate 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 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 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

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

Michael Reed

Michael Reed, R&E Joint Leadership Team
Ramsey County Environmental Health Division

Nicole Stewart

Nicole Stewart, R&E Joint Leadership Team
Washington County Public Health and Environmental Department

Renee M. Vought

Renee Vought, R&E Joint Leadership Team
Ramsey County Finance Department

RAMSEY/WASHINGTON
RECYCLING AND ENERGY BOARD

ORGANIZATION
December 31, 2021

Board

Fran Miron	Chair	Commissioner-Washington County
Victoria Reinhardt	Vice-Chair	Commissioner-Ramsey County
Wayne Johnson	Secretary/Treasurer	Commissioner-Washington County
Nicole Frethem	Member	Commissioner-Ramsey County
Stan Karwoski	Member	Commissioner-Washington County
Trista MatasCastillo	Member	Commissioner-Ramsey County
MaryJo McGuire	Member	Commissioner-Ramsey County
Rafael Ortega	Member	Commissioner-Ramsey County
Lisa Weik	Member	Commissioner-Washington County
Dave Benke	Ex-Officio	Minnesota Pollution Control Agency
Tom Ingemann	Ex-Officio	Newport City Council

County Attorneys

Kevin Magnuson	Washington County
John Ristad	Ramsey County

Joint Leadership Team

Michael Reed	Ramsey County	Environmental Health
Nicole Stewart	Washington County	Public Health and Environment
Renee Vought	Ramsey County	Finance

Support & Advisory Staff

Alexandra Kotze	Ramsey County	Finance Director
Tabatha Hansen	Washington County	Accounting & Finance Director

FINANCIAL SECTION

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

INDEPENDENT AUDITOR'S REPORT

Ramsey/Washington Recycling and Energy Board
Maplewood, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2021, 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.

In our opinion, the accompanying 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, 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Ramsey/Washington Recycling and Energy Board, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ramsey/Washington Recycling and Energy Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;

- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ramsey/Washington Recycling and Energy Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; the Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Budgetary Comparison; the Schedule of Proportionate Share of Net Pension Liability; and the Schedule of Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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
Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Julie L. Blaha	Dianne Syverson
JULIE BLAHA	DIANNE SYVERSON, CPA
STATE AUDITOR	DEPUTY STATE AUDITOR

June 17, 2022

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, 2021. 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 25 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 $14,918,448 (net position). Of this amount, $3,623,593 is the net investment in capital assets, and $11,294,855 is unrestricted net position.

- The total net position increased by $2,460,581. This compares with 2020 when the net position increased by $3,244,406.

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 Exhibits 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 $14,918,448, and $12,457,867 at the close of 2020. The increase in net position was partially due to the tipping fee increase of $3/ton for 2021 compared to 2020, as well as the COVID-19 pandemic slowing growth, and expansion of programs in Joint Activities. Businesses were shut down or were operating at reduced capacities for much of 2021, which resulted in substantial savings in the government-wide activities.

Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and Other Assets	$ 5,031,479	$ 4,444,325	$ 37,140,345	$ 23,845,346	$ 42,171,824	$ 28,289,671
Capital Assets	-	-	41,260,432	27,251,282	41,260,432	27,251,282
Total Assets	5,031,479	4,444,325	78,400,777	51,096,628	83,432,256	55,540,953
Deferred Outflows of Resources	352,771	246,884	2,364,976	2,008,316	2,717,747	2,255,200
Current Liabilities	1,406,240	1,590,217	4,246,122	8,643,077	5,652,362	10,233,294
Long-Term Liabilities	417,275	599,547	62,286,129	34,351,154	62,703,404	34,950,701
Total Liabilities	1,823,515	2,189,764	66,532,251	42,994,231	68,355,766	45,183,995
Deferred Inflows of Resources	384,590	18,452	2,491,199	135,839	2,875,789	154,291
Net Position:						
Net Investment in Capital Assets	-	-	3,623,593	1,044,308	3,623,593	1,044,308
Unrestricted	3,176,145	2,482,993	8,118,710	8,930,566	11,294,855	11,413,559
Total Net Position	$ 3,176,145	$ 2,482,993	$ 11,742,303	$ 9,974,874	$ 14,918,448	$ 12,457,867

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program Revenues:						
Charges for Services and Other	$ 9,086,897	$ 9,053,964	$ 39,135,992	$ 37,553,520	$ 48,222,889	$ 46,607,484
Operating Contributions	-	-	1,280,000	-	1,280,000	-
General Revenues:						
Investment Earnings	1,971	16,095	8,026	25,459	9,997	41,554
Miscellaneous	1,528	1,693	388,910	1,082,967	390,438	1,084,660
Transfers	(1,500,000)	(2,500,000)	1,500,000	2,500,000	-	-
Total Revenues and Transfers	7,590,396	6,571,752	42,312,928	41,161,946	49,903,324	47,733,698
Expenses:						
Sanitation	6,897,244	6,999,171	40,545,499	37,490,121	47,442,743	44,489,292
Change in Net Position	693,152	(427,419)	1,767,429	3,671,825	2,460,581	3,244,406
Net Position – Beginning	2,482,993	2,910,412	9,974,874	6,303,049	12,457,867	9,213,461
Net Position – Ending	$ 3,176,145	$ 2,482,993	$ 11,742,303	$ 9,974,874	$ 14,918,448	$ 12,457,867

Governmental Fund. The General Fund's fund balance at the close of the most recent fiscal year was $3,731,597 and $2,922,224 at the close of 2020. The increase in fund balance was largely due to a reduction in due to other funds from the prior year. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to expenditures. The fund balance represents 55% of total expenditures.

Proprietary Fund. The Enterprise Fund's net position at the close of the most recent fiscal year was $11,742,303 and $9,974,874 at the close of 2020. The increase in net position was partially due to the tipping fee increase of $3/ton for 2021 compared to 2020, as well as the transfer from the General Fund. As a measure of the Enterprise Fund's liquidity, it may be useful to compare net position to expenses. The net position represents 29% of total expenses.

General Fund Highlights
The overall fund balance was $1,156,312 less than the final amended budget. The variance 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	
	2021	2020
Land	$ 877,858	$ 877,858
Construction in Progress	16,959,639	1,860,566
Buildings and Improvements	11,390,431	11,863,386
Machinery and Equipment	12,032,504	12,649,472
Total Capital Assets	$ 41,260,432	$ 27,251,282

The change in capital assets is largely due to the enhancement project that started in 2021.

The R&E Board's Long-Term Debt

	Business-Type Activities	
	2021	2020
Notes Payable	$ 60,696,676	$ 31,572,261

The change in long-term debt is due to the receipt of funding from Ramsey and Washington Counties for the enhancement project.

Economic Factors and Next Year's Budget and Rates

The R&E Board approved the 2022 General Fund budget for $10,707,727 which includes two new programs starting in 2022. They are Community Waste Solution and Food Scrap Recycling and assist in waste being recycled upstream. The 2022 General Fund budget is $10,707,727 which represents a 18% increase from 2021.

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, 2021

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Current Assets			
Cash and Pooled Investments	$ 6,047,143	$ 28,187,839	$ 34,234,982
Petty Cash	250	-	250
Accounts Receivable	3,528	5,838,712	5,842,240
Due From Other Governments	480,558	180,858	661,416
Internal Balances	(1,500,000)	1,500,000	-
Inventories	-	1,432,936	1,432,936
Total Current Assets	5,031,479	37,140,345	42,171,824
Noncurrent Assets			
Capital Assets			
Nondepreciable			
Land	-	877,858	877,858
Construction in Progress	-	16,959,639	16,959,639
Depreciable			
Buildings and Improvements	-	13,575,135	13,575,135
Machinery and Equipment	-	23,094,268	23,094,268
Less: Accumulated Depreciation	-	(13,246,468)	(13,246,468)
Total Noncurrent Assets	-	41,260,432	41,260,432
Total Assets	5,031,479	78,400,777	83,432,256
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Pension Outflows	352,771	2,364,976	2,717,747
LIABILITIES			
Current Liabilities			
Salaries Payable	36,831	201,126	237,957
Accounts Payable	1,188,703	2,229,641	3,418,344
Interest Payable	-	254,207	254,207
Due to Other Governments	74,348	252,377	326,725
Compensated Absences - Current	106,358	215,154	321,512
Notes Payable - Current	-	1,093,617	1,093,617
Total Current Liabilities	1,406,240	4,246,122	5,652,362
Noncurrent Liabilities			
Notes Payable	-	59,603,059	59,603,059
Net Pension Liability	417,275	2,683,070	3,100,345
Total Noncurrent Liabilities	417,275	62,286,129	62,703,404
Total Liabilities	1,823,515	66,532,251	68,355,766
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Inflows	384,590	2,491,199	2,875,789
NET POSITION			
Net Investment in Capital Assets	-	3,623,593	3,623,593
Unrestricted	3,176,145	8,118,710	11,294,855
TOTAL NET POSITION	$ 3,176,145	$ 11,742,303	$ 14,918,448

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, 2021

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
Expenses			
Sanitation			
Materials and Services	$ 6,897,244	$ 40,545,499	$ 47,442,743
Total Program Expenses	6,897,244	40,545,499	47,442,743
Program Revenues			
Charges for Services and Other	9,086,897	39,135,992	48,222,889
Operating Contributions	-	1,280,000	1,280,000
Total Program Revenues	9,086,897	40,415,992	49,502,889
Net Program Revenues (Expenses)	2,189,653	(129,507)	2,060,146
General Revenues			
Investment Earnings	1,971	8,026	9,997
Miscellaneous	1,528	388,910	390,438
Transfers	(1,500,000)	1,500,000	-
Total General Revenues and Transfers	(1,496,501)	1,896,936	400,435
Change in Net Position	693,152	1,767,429	2,460,581
Net Position - Beginning	2,482,993	9,974,874	12,457,867
Net Position - Ending	$ 3,176,145	$ 11,742,303	$ 14,918,448

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

EXHIBIT C

RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD
BALANCE SHEET
GENERAL FUND
DECEMBER 31, 2021

ASSETS		
Cash and Pooled Investments	$	6,047,143
Petty Cash		250
Accounts Receivable		3,528
Due From Other Governments		480,558
Total Assets		6,531,479
LIABILITIES AND FUND BALANCE		
Liabilities		
Salaries Payable		36,831
Accounts Payable		1,188,703
Due to Other Funds		1,500,000
Due to Other Governments		74,348
Total Liabilities		2,799,882
Fund Balance		
Committed		1,702,872
Unassigned		2,028,725
Total Fund Balance		3,731,597
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 obligations are not available resources and, therefore are not reported in the governmental fund.		352,771
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements.		
Compensated absences		(106,358)
Net pension liability		(417,275)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and therefore are not reported in the governmental fund.		(384,590)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$	3,176,145

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

RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND
FOR YEAR ENDED DECEMBER 31, 2021

Revenues		
Charges for Services and Other		$ 9,086,897
Investment Earnings		1,971
Miscellaneous		500
Total Revenues		9,089,368
Expenditures		
Sanitation		
Personal Services		1,040,588
Other Services and Charges		5,739,407
Total Expenditures		6,779,995
Excess (Deficiency) of Revenues Over Expenditures		2,309,373
Other Financing Sources (Uses)		
Transfers Out		(1,500,000)
Net Change in Fund Balance		809,373
Fund Balance at Beginning of Year		2,922,224
Fund Balance at End of Year		3,731,597
Reconciliation to Statement of Activities (Exhibit B)		
Net Change in Fund Balance - General Fund		809,373
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	$ 105,887	
Change in deferred pension inflows	(366,138)	
Change in compensated absences	(38,242)	
Change in net pension liability	182,272	(116,221)
Change in Net Position - Governmental Activities		$ 693,152

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, 2021

ASSETS	
Current Assets	
Cash and Pooled Investments	$ 28,187,839
Accounts Receivable	5,838,712
Due From Other Governments	180,858
Due From Other Funds	1,500,000
Inventories	1,432,936
Total Current Assets	37,140,345
Noncurrent Assets	
Capital Assets	
Nondepreciable	
Land	877,858
Construction in Progress	16,959,639
Depreciable	
Buildings and Improvements	13,575,135
Machinery and Equipment	23,094,268
Less: Accumulated Depreciation	(13,246,468)
Total Noncurrent Assets	41,260,432
Total Assets	78,400,777
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Pension Outflows	2,364,976
LIABILITIES	
Current Liabilities	
Salaries Payable	201,126
Accounts Payable	2,229,641
Interest Payable	254,207
Due to Other Governments	252,377
Compensated Absences	215,154
Notes Payable - Current	1,093,617
Total Current Liabilities	4,246,122
Noncurrent Liabilities	
Notes Payable	59,603,059
Net Pension Liability	2,683,070
Total Noncurrent Liabilities	62,286,129
Total Liabilities	66,532,251
DEFERRED INFLOWS OF RESOURCES	
Deferred Pension Inflows	2,491,199
NET POSITION	
Net Investment in Capital Assets	3,623,593
Unrestricted	8,118,710
TOTAL NET POSITION	$ 11,742,303

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, 2021

OPERATING REVENUES		
Sales	$	39,135,992
Miscellaneous		388,910
Operating Contributions		1,280,000
Total Operating Revenues		40,804,902
OPERATING EXPENSES		
Personnel Costs		6,811,782
Fuel Supply		5,752,942
Landfill		6,042,066
Waste Processing - Great River Energy		169,238
Transportation		6,827,374
Transload		2,392,401
Facility Operations		6,104,941
Supplies		2,809,791
Pension Expense		826,690
Deferred Compensation		33,507
Depreciation		2,145,874
Total Operating Expenses		39,916,606
OPERATING INCOME (LOSS)		888,296
NONOPERATING REVENUES (EXPENSES)		
Interest Expense		(611,675)
Loss on Disposal of Capital Assets		(17,218)
Investment Earnings		8,026
Total Nonoperating Revenues (Expenses)		(620,867)
Income Before Contributions and Transfers		267,429
OTHER FINANCING SOURCES (USES)		
Operating Transfers In		1,500,000
Change in Net Position		1,767,429
Total Net Position - Beginning		9,974,874
Total Net Position - Ending	$	11,742,303

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, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts From Customers and Users	$ 39,214,789
Payments to Suppliers	(34,504,945)
Payments to Employees	(6,784,084)
Net Cash Provided (Used) for Operating Activities	(2,074,240)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating Subsidies and Transfers from Other Funds	2,780,000
Noncapital Financing Activities	2,780,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(16,172,245)
Proceeds From Notes Issued	30,200,600
Principal Paid on Notes Payable	(1,076,185)
Interest Paid on Notes Payable	(619,562)
Net Cash Provided (Used) for Capital and Related Financing Activities	12,332,608
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest	8,026
Net Increase (Decrease) in Cash and Cash Equivalents	13,046,394
Cash and Cash Equivalents, January 1	15,141,445
Cash and Cash Equivalents, December 31	$ 28,187,839

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

RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
DECEMBER 31, 2021

Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	$	888,296
Depreciation Expense		2,145,874
Changes in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable		(1,743,885)
(Increase) decrease in Due From Other Funds		220,000
(Increase) Decrease in Due From Other Governments		(66,228)
(Increase) Decrease in Inventories		61,508
(Increase) Decrease in Deferred Pension Outflows		(356,660)
Increase (Decrease) in Salaries Payable		27,695
Increase (Decrease) in Accounts Payable		(1,348,413)
Increase (Decrease) in Due to Other Governments		(2,686)
Increase (Decrease) in Compensated Absences Payable		33,507
Increase (Decrease) in Unearned Revenue		(3,116,601)
Increase (Decrease) in Net Pension Liability		(1,172,008)
Increase (Decrease) in Deferred Pension Inflows		2,355,361
Net Cash Provided (Used) by Operating Activities	$	(2,074,240)
Non-Cash Capital and Related Activities		
Book Value of Machinery and Equipment Disposed	$	17,221

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, 2021

		Custodial Fund
ASSETS		
Cash and Cash Equivalents	$	114,208
Total Assets		114,208
LIABILITIES		
Accounts Payable		18,122
Total Liabilities		18,122
NET POSITION		
Restricted for:		
Payments to Other Entities		96,086
Total Net Position	$	96,086

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, 2021

	Custodial Fund
Additions:	
Collections for Other Entities	$ 166,500
Total Additions	166,500
Deductions:	
Payments to Other Entities	205,816
Total Deductions	205,816
Change in Net Position	(39,316)
Net Position - Beginning	135,402
Net Position - Ending	$ 96,086

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DETAILED NOTES

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 re-evaluate 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; and
- 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.

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 the R&E Center 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. Any capital contributions to the Enterprise Fund are to 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 fiduciary 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. 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 R&E Board's available deposits are invested by Ramsey County in accordance with Minnesota Statutes. The types of securities available to 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 Annual Comprehensive 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 2021 is $1,971.

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

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, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital Assets not Being Depreciated:				
Land	$ 877,858	$ -	$ -	$ 877,858
Construction in Progress	1,860,566	15,099,073	-	16,959,639
Total Capital Assets, not Being Depreciated	2,738,424	15,099,073	-	17,837,497
Capital Assets, Being Depreciated:				
Buildings and Improvements	13,575,135	-	-	13,575,135
Machinery and Equipment	22,082,318	1,073,168	(61,218)	23,094,268
Total Capital Assets Being Depreciated	35,657,453	1,073,168	(61,218)	36,669,403
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,711,749)	(472,955)	-	(2,184,704)
Machinery and Equipment	(9,432,846)	(1,672,919)	44,001	(11,061,764)
Total Accumulated Depreciation	(11,144,595)	(2,145,874)	44,001	(13,246,468)
Total Capital Assets Being Depreciated, Net	24,512,858	(1,072,706)	(17,217)	23,422,935
Business-Type Activities Capital Assets, Net	$ 27,251,282	$ 14,026,367	$ (17,217)	$ 41,260,432

2) Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

At December 31, 2021, the R&E Board had an interfund balance of $1,500,000 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, 2021, consisted of a transfer of $1,500,000 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, 2021 comprises the following individual issues:

Type of Indebtedness	Final Maturity	Original Balance	Interest Rate (%)	Date Issued	Outstanding Balance as of 12/31/21
Ramsey County Original Purchase Loan	2041	$ 17,900,000	3.0 - 3.15	12/31/2015	$ 15,265,000
Washington County Original Purchase Loan	2041	6,588,000	.55 - 3.25	12/31/2015	5,517,056
Ramsey County Bulky Waste Load-Out Loan	2023	1,120,550	0.00	7/23/2018	448,220
Washington County Bulky Waste Load-Out Loan	2023	414,500	0.00	7/9/2018	165,800
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
Ramsey County Admin Building Remodel Loan	2029	3,650,000	0.00	1/8/2020	3,650,000
Washington County Admin Building Remodel Loan	2029	1,350,000	0.00	1/8/2020	1,350,000
Ramsey County Enhancement Project Loan	2041	23,890,000	5.00	3/1/2021	22,050,838
Washington County Enhancement Project Loan	2041	8,830,000	5.00	3/1/2021	8,149,762
Total Notes Payable		$ 67,843,050			$ 60,696,676

Business-Type Activities
Notes Payable Repayment Schedules

Years Ending December 31	Original Purchase Principal	R&E Center Interest	BWLO Principal	Admin Building Remodel Principal	Enhancement Project Principal	Enhancement Project Interest
2022	$ 786,607	$ 600,237	$ 307,010	$ -	$ -	$ -
2023	809,377	579,998	307,010	-	900,000	937,200
2024	827,586	58,798	-	500,000	1,100,000	887,200
2025	851,228	536,619	-	500,000	1,150,000	830,950
2026	875,343	513,402	-	500,000	1,210,000	771,950
2027-2031	4,751,944	2,178,278	-	3,500,000	5,790,000	3,140,300
2032-2036	5,496,603	1,422,439	-	-	10,710,000	1,741,000
2037-2041	6,383,368	515,688	-	-	9,340,600	602,400
Total	$ 20,782,056	$ 6,405,459	$ 614,020	$ 5,000,000	$ 30,200,600	$ 8,911,000

The payment schedule above excludes the Operating Reserve loans as formal repayment terms have not been set. However, the R&E Board did approve a plan to pay back the loans between 2025 and 2028.

Construction Commitments

The R&E Board has active construction projects as of December 31, 2021. The projects includes the administration building renovation project, the refuse derived fuel load out enclosure project, and the enhancement project. At year end, the R&E Board spent $17,057,240 on the projects and has a remaining commitment of $15,758,093.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Compensated absences	$ 68,116	$ 143,979	$ 105,737	$ 106,358	$ 106,358
Business-Type Activities					
Compensated absences	181,647	285,680	252,173	215,154	215,154
Notes Payable	31,572,261	32,720,000	3,595,585	60,696,676	1,093,617
Total Long-Term Liabilities	$ 31,822,024	$ 33,149,659	$ 3,953,495	$ 61,018,188	$ 1,415,129

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, changes in actuarial assumptions, 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 one item that qualifies for reporting in this category: deferred pension inflows, reported in the government-wide statement of net position. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience, changes in actuarial assumptions, differences between projected and actual investment earnings, and pension plan changes in proportionate share.

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 classification.

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 outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from 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.

The two Counties' employees assigned to work on the R&E Board remain employees of their respective organizations and thus the pension costs are included 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 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 the 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 Board employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

2. <u>Benefits Provided</u>

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.

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. 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. In the General Employees Plan, 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 2021.

In 2021, the R&E Board was required to contribute 7.50 percent of annual covered salary. The employee and employer rates did not change from the previous year.

The R&E Board's contributions for the General Employees Plan for the year ended December 31 2021, were $417,877. The contributions are equal to the statutorily required contributions as set by state statute.

4. Pension Costs

At December 31, 2021, the R&E Board reported a liability of $3,100,345 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the R&E Board's proportion was 0.0726 percent. It was 0.0743 percent measured as of June 30, 2020. The R&E Board recognized pension expense of $900,693 for its proportionate share of the General Employees Plan's pension expense.

The R&E Board also recognized $15,595 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's expense related to its 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 until September 15, 2031.

The R&E Board's proportionate share of the net pension liability	$ 3,100,345
State of Minnesota's proportionate share of the net pension liability associated with the R&E Board	94,657
Total	$ 3,195,002

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	$ 18,471	$ 95,136
Changes in actuarial assumptions	1,893,007	69,016
Difference between projected and actual investment earnings	-	2,635,195
Changes in proportion	590,450	76,442
Contributions paid to PERA subsequent to the measurement date	215,819	-
Total	$ 2,717,747	$ 2,875,789

The $215,819 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, 2022. 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
2022	$ 422,196
2023	(16,542)
2024	(47,167)
2025	(732,348)

5. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.25 percent per year
Active member payroll growth	3.00 percent per year
Investment rate of return	6.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality Table, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent.

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. A review of inflation and investment assumptions dated June 24, 2021, was utilized.

The long-term expected rate of return on pension plan investments is 6.50 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
U.S. equities	33.50%	5.10%
Broad international stock pool	16.50	5.30
Bond pool	25.00	0.75
Alternatives	25.00	5.90

6. Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent in 2021, which is a decrease of one percent from 2020. 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 2021:

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.

- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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:

	Proportionate Share of the General Employees Plan Discount Rate	Proportionate Share of the General Employees Plan Net Pension Liability
1% Decrease	6.50%	$ 6,323,122
Current	7.50	3,100,345
1% Increase	8.50	455,860

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. During the year, the R&E Board contributed $83,250 to the Partnership on Waste and Energy. No audited financial statements are available.

5. SUBSEQUENT EVENTS

In 2021, the R&E Board was awarded a Minnesota Pollution Control Agency (MPCA) grant for $7 million for the enhancement project. It is anticipated that the $7 million will be received in 2022.

REQUIRED SUPPLEMENTARY INFORMATION

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, 2021

	BUDGET		ACTUAL ON A BUDGETARY BASIS	VARIANCE WITH BUDGET BUGET OVER (UNDER)
	ORIGINAL	FINAL		
Revenues				
Charges for Services and other	$ 9,083,369	$ 9,083,369	$ 9,086,897	$ 3,528
Investment Earnings	-	-	1,971	1,971
Miscellaneous	-	-	500	500
Total Revenues	9,083,369	9,083,369	9,089,368	5,999
Expenditures				
Personal Services	1,040,588	1,040,588	1,040,588	-
Other Services and Charges	8,042,781	6,130,138	5,792,449	337,689
Total Expenditures	9,083,369	7,170,726	6,833,037	337,689
Excess (Deficiency) of Revenues Over Expenditures	-	1,912,643	2,256,331	343,688
Other Financing Sources (Uses)				
Transfers Out	-	-	(1,500,000)	(1,500,000)
Net Change in Fund Balance	-	1,912,643	756,331	(1,156,312)
Adjustment	53,042	53,042	53,042	-
Fund Balance at Beginning of Year	2,922,224	2,922,224	2,922,224	-
Fund Balance at End of Year	$ 2,975,266	$ 6,800,552	$ 3,731,597	$ (1,156,312)

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, 2021

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
2021	0.0726%	$ 3,100,345	$ 94,657	$ 3,195,002	$ 5,489,959	56.47%	87.00%
2020	0.0743%	4,454,625	137,381	4,592,006	5,365,623	83.02%	79.06%
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.

RAMSEY / WASHINGTON RECYCLING AND ENERGY BOARD
SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2021

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)
2021	$ 417,877	$ 417,877	$ -	$ 5,571,693	7.50%
2020	405,908	405,908	-	5,412,106	7.50%
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 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:

Actual Expenditures - Budgetary Basis	$	6,833,037
Encumbrances		(276,885)
Decrease:		
Expenditures in 2021 from December 31, 2020		223,843
Expenditures - GAAP Basis	$	6,779,995
Encumbrances	$	(276,885)
Expenditures in 2021 from December 31, 2020 Reserves for Encumbrances		223,843
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	$	(53,042)

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 Facility and Finance Committee. The Facility and Finance 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:

<u>General Employees Retirement Plan</u>

<u>2021</u>

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

<u>2020</u>

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP- 2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023 and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

<u>2019</u>

- 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.