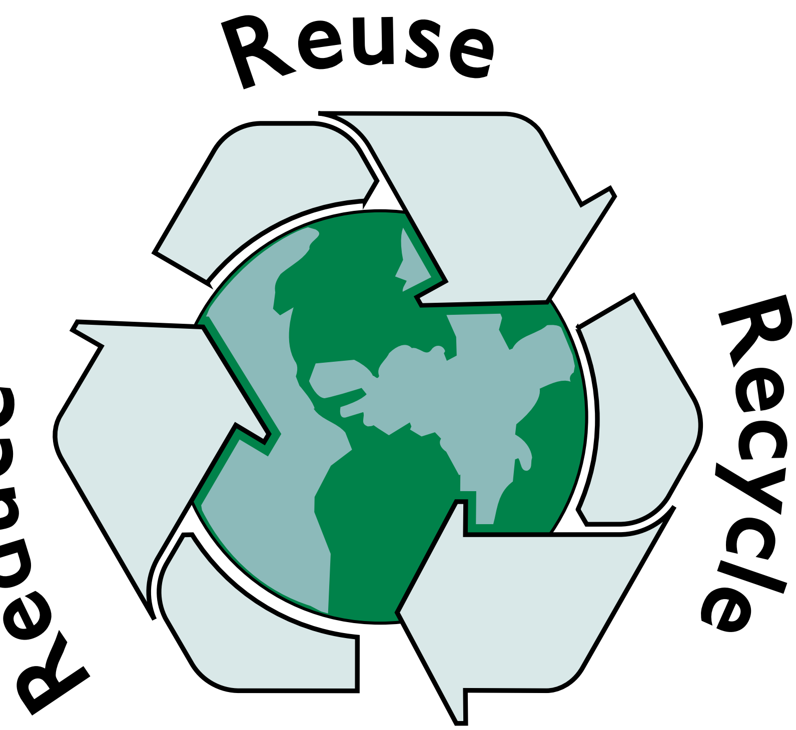
Ramsey/Washington County
Resource Recovery Project
Ramsey and Washington Counties, Minnesota

Annual Financial Report

Year Ended December 31, 2014



ANNUAL FINANCIAL REPORT

OF THE

RAMSEY/WASHINGTON COUNTY
RESOURCE RECOVERY PROJECT

Year Ended December 31, 2014

Prepared by:
Finance Department
Ramsey County, Minnesota

RAMSEY/WASHINGTON COUNTY
RESOURCE RECOVERY PROJECT

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INTRODUCTORY SECTION

RAMSEY/WASHINGTON COUNTY
RESOURCE RECOVERY PROJECT
2785 White Bear Avenue • Suite 350 • Maplewood, Minnesota 55109 • 651.266.1194 • 651.266.1177

July 14, 2015

Honorable Chair & Members
Ramsey/Washington County Resource Recovery Project Board
15 W. Kellogg Blvd
St. Paul, MN 55102

The annual financial report of the Ramsey/Washington County Resource Recovery Project (Project) is submitted for the fiscal year ended December 31, 2014. This report was prepared by the Ramsey County Finance Department. Responsibility for both the accuracy of the presented **data and completeness and fairness of the presentation, including all disclosures, rests with** administration of the Project.

We believe the data are accurate in all material aspects and sets forth the financial position and results of operations of the Project, as measured by the financial activity of its fund, and all disclosures necessary to enable maximum understanding of the financial affairs of the Project.

Organization and Purpose

The Ramsey/Washington County Resource Recovery Project Board was established according to a Joint Powers Agreement approved by Ramsey and Washington Counties, in recognition of the need for developing alternatives to landfill disposal of solid waste and for recovering valuable resources, and in response to the directives of the State of Minnesota. In 2014 the Project Board consisted of four Washington County Commissioners and five Commissioners from Ramsey County.

At inception, 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 Processing Agreement that obligated the Counties to pay a processing payment to the owner of the facility for each ton of Ramsey/Washington waste delivered to the facility up to 350,000 tons, and also to pay a rebate to waste haulers that deliver waste to the Facility. RRT was responsible for contracting with waste haulers for delivery of waste, and for meeting a number of service guarantees. This agreement expired December 31, 2012.

January 1, 2013, a new three-year processing agreement with RRT became effective. RRT continues to accept mixed municipal solid waste generated in Ramsey and Washington Counties, as well as other counties, and process it into fuel that is used at two electric generating plants owned by Xcel Energy. The new agreement eliminates the processing payment to the owner of the facility but continues the rebate payments to waste haulers for every ton delivered to the Facility. The rebate is $28 per ton and the Counties' 2014 exposure for this expense is capped at $8.4 million. Any hauler rebates above $8.4 million paid in a single year of the contract term will be reimbursed to the Project by RRT.

The Project functions using the staff of the two Counties under a Joint Powers Agreement (JPA). The administrative structure outlined in the current JPA includes:

- A Joint Staff Committee (JSC) comprised of one (1) member of the Washington County Department of Health and Environment, one (1) member of the Saint Paul - Ramsey County Department of Public Health, Environmental Health Section, one (1) member of the Ramsey County Finance Department. Authorization to the JSC to carry out project management activities is provided for in the Joint Powers Agreement

- Staff support is provided by the Saint Paul – Ramsey County Department of Public Health and the Washington County Department of Public Health. Activities include project administration, financial management, and clerical support. Staff support is reimbursed to Ramsey County by the Project.

- Designation of the lead staff person for the Joint Staff Committee as the County Staff Person on the Joint Staff Committee from the County represented by the Chair of the Project Board.

- Advisory support by representatives of the two County Attorney's offices and Finance departments of each County.

The operations of the Project have been financed by Ramsey and Washington Counties in proportion to the estimated quantity of waste generated by each county as set forth in the Joint Powers Agreement.

Reporting Entity

Significant Events in 2014

The work of the Project Board in the second year of the three year processing agreement focused on answering three key questions: What should be the future of waste processing in the East Metro; how should waste processing be integrated in the solid waste system; what should be the role of the Counties to assure that processing is part of the system? In seeking answers to these questions, the Project Board was guided by principles that included planning for a 20-30 year horizon, building on the current system and allowing for changes in processing to emerge over time; assuring flexibility; managing risks; and pivoting the view of waste from a problem to be dealt with to a resource that adds value to the local economy and environment.

To help answer the question of how waste should be processed in the future, the Project Board obtained information on multiple processing options and agreed to include four possible alternatives in the work scope. These are: increased source separation efforts for recycling and organics from residential and non-residential waste generators; the use of mixed waste processing to recover some recyclables and organics that remain in mixed municipal solid waste; organic waste being used as a feedstock for anaerobic digestion; and a transition from using refuse derived fuel (RDF) for electrical generation to using RDF for gasification to produce biofuels.

In addition, the Project Board decided to continue to examine two principal types of waste assurance: waste designation (flow control) and economic incentives. With regard to governance, the Project Board decided to focus on how a joint powers agreement can best be used to further the system changes.

The Project Board also reviewed a financial analysis of policy options related to system design and potential ownership of the resource recovery facility in Newport. The analysis included calculations of historic and current costs of the solid waste system. The Project Board projected future system costs under several scenarios including public and private ownership of the Newport facility. Under the public ownership option, capital and operating costs of acquiring and operating the Newport facility were estimated. Options for paying for waste processing if the resource recovery facility is privately-owned and options for paying for development of new technology under private ownership were studied.

The Project's work plan in 2015 includes further refining technology, financial, and policy analysis that can guide the Project Board as it prepares to decide the counties' role in waste processing.

During 2014, the Project continued a joint County effort to build on its previous work on organic waste management. Since 2003, the Project has retained a consultant, JL Taitt and Associates, to provide outreach and technical assistance to non-residential generators of organic waste, specifically institutional generators. Beginning in 2013 the Project retained Minnesota Waste Wise Foundation to provide outreach and technical assistance to businesses on recycling and organic waste management. For five years, the Project has contracted with Second Harvest Heartland for food rescue services - recovering edible food waste - primarily from grocery stores and supplying it to recipient agencies such as food shelves and homeless shelters. In 2014, the Project implemented a starter grant program that uses financial grants aimed at commercial businesses to increase recycling and organics management. In 2014, 82 grantees received over $400,000 in grant funds.

The Project provides outreach and promotion to both Counties on general solid waste issues. Working jointly provides some efficiency in design and delivery of messages, as well as consistency in the east-metro area. Each County also has its own efforts to reach various residential and non-residential audiences; the Project's efforts are designed to complement the work of each County. Activities in 2014 included publications (a comprehensive "Green Guide") mailed directly to households in both counties, online advertising, lending Trash Trunks for group educational activities, and tours of the Facility. An important component of the future of waste processing is to provide information and outreach to stakeholders. A public relations firm was retained to cultivate participation by stakeholders like waste haulers, energy providers, business associations, and homeowners.

Under the 2013-2015 agreement, RRT had to accept at least 275,000 tons of waste from the Counties at the Facility in 2014. RRT contracted with 54 haulers who delivered over 339,000 tons of waste from Ramsey and Washington Counties. As of December 31, 2014, rebates of $28 per ton totaled $9,050,255 for municipal solid waste delivered to the Facility by haulers in compliance with rebate requirements by 12/31/14. Because the Facility is considered a "merchant facility" and can market its services more freely, RRT is able to secure waste from other counties to meet its business needs.

In addition to meeting its plant delivery minimum, RRT also met two important performance guarantees. The Facility was able to process over 90% percent of the County waste it received (85% is the required standard) and recovered over 93% percent as refuse derived fuel (RDF) and secondary materials.

Financial Management

The Project uses the Ramsey County accounting system, as provided by the Joint Powers Agreement.

Internal Controls:

Management of the County is responsible for establishing and maintaining internal controls designed to ensure that the assets of the government 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 County's internal accounting controls adequately safeguard assets and provide reasonable assurance and proper recording of financial transactions.

Budgetary Control:

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

Notes to the Financial Statements:

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

Independent Audit

Minnesota State Law requires an audit of the books of account, financial records and transactions by the State Auditor. This requirement has been complied with and the Auditor's opinion has been included in this report. The State Auditor will issue a management and compliance letter covering the review made as part of the Resource Recovery Project'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 County Resource Recovery Project Board members for their interest and support in planning and conducting the financial activities of the Project Board in a responsible manner.

Sincerely,

Zack Hansen, Lead Staff
Resource Recovery Joint Staff Committee

Lee Mehrkens, Director
Ramsey County Finance

RAMSEY/WASHINGTON COUNTY
RESOURCE RECOVERY PROJECT

ORGANIZATION
December 31, 2014

Project Board

Victoria Reinhardt	Chair	Commissioner-Ramsey County
Autumn Lehrke	Vice-Chair	Commissioner-Washington County
Ted Bearth	Member	Commissioner-Washington County
Toni Carter	Member	Commissioner-Ramsey County
Blake Huffman	Member	Commissioner-Ramsey County
Gary Kriesel	Member	Commissioner-Washington County
Fran Miron	Member	Commissioner-Washington County
Rafael Ortega	Member	Commissioner-Ramsey County
Janice Rettman	Member	Commissioner-Ramsey County

County Attorneys

Peter Orput	Washington County
John Choi	Ramsey County

Joint Staff Committee
Project Management

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

Support & Advisory Staff

Gail Blackstone	Ramsey County	Human Resources Director
Lee Mehrkens	Ramsey County	Finance Director
Johanna Berg	Ramsey County	Chief Information Officer
Melinda Kirk	Washington County	Interim Financial Services Director

FINANCIAL SECTION

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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

REBECCA OTTO
STATE AUDITOR

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

INDEPENDENT AUDITOR'S REPORT

Project Board
Ramsey/Washington County
Resource Recovery Project

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Ramsey/Washington County Resource Recovery Project as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Project's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Project's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Ramsey/Washington County Resource Recovery Project as of December 31, 2014, and the respective changes in financial position thereof and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Partial Comparative Information

We have previously audited the Ramsey/Washington County Resource Recovery Project's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 6, 2014. In our opinion, the partial comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Project's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

REBECCA OTTO	GREG HIERLINGER, CPA
STATE AUDITOR	DEPUTY STATE AUDITOR

July 14, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

The management of the Ramsey/Washington County Resource Recovery Project (Project) offers readers of its financial statements, this narrative overview and analysis of its financial activities for the fiscal year ended December 31, 2014. 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 17 respectively, of this report.

The funds and entities related to the Ramsey/Washington County Resource Recovery Project included in the Annual Financial Report are considered to be under the responsibility of the Project Board. Ramsey and Washington Counties are each responsible for reporting their share of the financial information from this joint venture.

Financial Highlights

- The assets of the Ramsey/Washington County Resource Recovery Project exceeded its liabilities at the close of the most recent fiscal year by $4,730,780 (net position). This entire amount (unrestricted net position) may be used to meet ongoing obligations to creditors.

- The total net position decreased by $743,151. This compares with 2013 when the net position decreased $302,279.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Ramsey/Washington County Resource Recovery Project'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 Ramsey/Washington County Resource Recovery Project's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of Ramsey/Washington County Resource Recovery Project's assets and liabilities, with the difference between the two 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 Project is improving or deteriorating.

The Statement of Activities presents information showing how the government'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. Ramsey/Washington County Resource Recovery Project, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund of the Project is classified as a governmental fund.

Governmental funds – 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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Financial Analysis of Ramsey/Washington County Resource Recovery Project

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Ramsey/Washington County Resource Recovery Project, assets exceeded liabilities by $4,730,780 at the close of the most recent fiscal year and by $5,473,931 at the close of 2013.

Net Position

	Governmental Activities	
	2014	2013
Current and Other Assets	$ 7,175,892	$ 6,589,747
Total Assets	7,175,892	6,589,747
Other Liabilities	2,445,112	1,115,816
Total Liabilities	2,445,112	1,115,816
Net Position:		
Unrestricted	4,730,780	5,473,931
Total Net Position	$ 4,730,780	$ 5,473,931

Changes in Net Position

	Governmental Activities 2014	Governmental Activities 2013
Revenues:		
Program Revenues:		
Charges for Services and Other	$ 9,854,802	$ 10,403,176
General Revenues:		
Investment Earnings	851	2,013
Miscellaneous	6,344	14,080
Total Revenues	9,861,997	10,419,269
Expenses:		
Sanitation	10,605,148	10,721,548
Increase/(Decrease) in Net Position	(743,151)	(302,279)
Net Position – Beginning	5,473,931	5,776,210
Net Position – Ending	$ 4,730,780	$ 5,473,931

The Ramsey/Washington County Resource Recovery Project is reimbursed for all its expenditures net of revenues received by Ramsey and Washington Counties when the cash has been used.

General Fund Budgetary Highlights

Beginning in 2008, no salaries and benefits are directly charged to the Resource Recovery Project. Salaries for employees assigned to the Resource Recovery Project are budgeted in the Saint Paul-Ramsey County Public Health Department's budget. Employees then charge the Project the portion of their salaries and benefits spent working on the Project in County Project Management Services to an Other Services and Charges account.

Economic Factors Rates and Next Year's Budget

The Project is operated under a three-year Solid Waste Processing Agreement (the Agreement) with Resource Recovery Technologies (RRT) that began January 1, 2013. The Agreement includes a hauler rebate to qualified haulers who tip at the Newport Resource Recovery Facility (Facility) owned by RRT. The rebate program rebates $28 per ton for each ton the haulers deliver. The 2014 budget assumed 300,000 tons of waste deliveries at the Facility. Each county is responsible for financing its share of the estimated $8,400,000 balance needed to pay the hauler rebates, the food rescue program, and an organics management program.

The amount each county is estimated to pay for the processing costs above, based on the approved budget, is calculated as follows:

Ramsey County (73% share)	$	6,132,000
Washington County (27% share)		2,268,000
Total	$	8,400,000

Request for Information

This financial report is designed to give a general overview of the Ramsey/Washington County Resource Recovery Project's finances. Requests for additional information or questions concerning any information provided in this report should be addressed to Ramsey County Finance Department, Room 270 Courthouse, 15 West Kellogg Boulevard, St. Paul, MN 55102.

EXHIBIT A

RAMSEY / WASHINGTON COUNTY
RESOURCE RECOVERY PROJECT
STATEMENT OF NET POSITION
DECEMBER 31, 2014
WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2013

	GOVERNMENTAL ACTIVITIES	
	2014	2013
ASSETS		
Cash and Investments	$ 1,566,538	$ 2,718,809
Accounts Receivable	965,941	758,229
Due From Other Governments	4,643,413	3,112,709
Total Assets	7,175,892	6,589,747
LIABILITIES		
Accounts Payable	1,896,680	876,912
Contracts Payable	305,268	149,010
Due to Other Governments	243,164	89,894
Total Liabilities	2,445,112	1,115,816
NET POSITION		
Unrestricted	4,730,780	5,473,931
TOTAL NET POSITION	$ 4,730,780	$ 5,473,931

See accompanying notes to the financial statements.

EXHIBIT B

RAMSEY / WASHINGTON COUNTY
RESOURCE RECOVERY PROJECT
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014
WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2013

	GOVERNMENTAL ACTIVITIES	
	2014	**2013**
Expenses:		
Sanitation:		
Materials and Services	$ 10,605,148	$ 10,721,548
Total Program Expenses	10,605,148	10,721,548
Program Revenues:		
Charges for Services and Other	9,854,802	10,403,176
Net Program Expense	(750,346)	(318,372)
General Revenues:		
Investment Earnings	851	2,013
Miscellaneous	6,344	14,080
Total General Revenues	7,195	16,093
Increase (Decrease) in Net Position	(743,151)	(302,279)
Net Position - Beginning	5,473,931	5,776,210
Net Position - Ending	$ 4,730,780	$ 5,473,931

See accompanying notes to the financial statements.

EXHIBIT C

RAMSEY / WASHINGTON COUNTY
RESOURCE RECOVERY PROJECT
BALANCE SHEET GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2014
WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2013

	GENERAL FUND	
	2014	**2013**
ASSETS		
Cash and Investments	$ 1,566,538	$ 2,718,809
Accounts Receivable	965,941	758,229
Due From Other Governments	4,643,413	3,112,709
TOTAL ASSETS	7,175,892	6,589,747
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts Payable	1,896,680	876,912
Contracts Payable	305,268	149,010
Due to Other Governments	243,164	89,894
Total Liabilities	2,445,112	1,115,816
Deferred Inflows of Resources		
Unavailable Revenue	2,692,359	758,229
Fund Balance:		
Unassigned	2,038,421	4,715,702
Total Fund Balance	2,038,421	4,715,702
Reconciliation to Statement of Net Position (Exhibit A)		
Amounts reported for governmental activities in the statement of net assets are different because:		
Some receivables are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the fund financial statements.	2,692,359	758,229
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 4,730,780	$ 5,473,931

See accompanying notes to the financial statements.

EXHIBIT D

RAMSEY / WASHINGTON COUNTY
RESOURCE RECOVERY PROJECT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE IN GOVERNMENTAL FUND
FOR YEAR ENDED DECEMBER 31, 2014
WITH COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2013

	GENERAL FUND	
	2014	**2013**
Revenues:		
Charges for Services and Other	$ 8,128,384	$ 9,644,947
Investment Earnings	851	2,013
Miscellaneous	6,344	14,080
Total Revenues	8,135,579	9,661,040
Expenditures:		
Sanitation		
Other Services and Charges	10,812,860	10,721,548
Total Expenditures	10,812,860	10,721,548
Excess (Deficiency) of Revenues Over Expenditures	(2,677,281)	(1,060,508)
Fund Balance at Beginning of Year	4,715,702	5,776,210
Fund Balance at End of Year	2,038,421	4,715,702
Reconciliation to Statement of Activities (Exhibit B):		
Net Change in Fund Balances - Governmental Fund	(2,677,281)	(1,060,508)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds	1,934,130	758,229
Change in Net Position - Governmental Activities	$ (743,151)	$ (302,279)

e accompanying notes to the financial statements.

EXHIBIT E

RAMSEY / WASHINGTON COUNTY
RESOURCE RECOVERY PROJECT
STATEMENT OF REVENUES, EXPENDITURES, ENCUMBRANCES, AND CHANGES
IN FUND BALANCE GOVERNMENTAL FUND
BUDGETARY COMPARISONS (NON-GAAP BUDGETARY BASIS)
YEAR ENDED DECEMBER 31, 2014

	BUDGET		ACTUAL ON A BUDGETARY BASIS ENCUMBRANCES	
	ORIGINAL	FINAL	INCLUDED	VARIANCE
Revenues:				
Charges for Services	$ 10,224,046	$ 10,224,046	$ 8,128,384	$ (2,095,662)
Investment Earnings	5,000	5,000	851	(4,149)
Miscellaneous	-	-	6,344	6,344
Total Revenues	10,229,046	10,229,046	8,135,579	(2,093,467)
Expenditures:				
Other Services and Charges	11,034,046	11,831,494	11,192,305	639,189
Total Expenditures	11,034,046	11,831,494	11,192,305	639,189
Excess (Deficiency) of Revenues Over Expenditures	(805,000)	(1,602,448)	(3,056,726)	(1,454,278)
Adjustment (Note 1D)	379,445	379,445	379,445	-
Fund Balance at Beginning of Year	4,715,702	4,715,702	4,715,702	-
Fund Balance at End of Year	$ 4,290,147	$ 3,492,699	$ 2,038,421	$ (1,454,278)

See accompanying notes to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A new three-year agreement became effective January 1, 2013, and eliminated the payment of a service fee to the owner of the facility. The Counties must deliver a minimum of 350,000 tons of solid waste to the facility and are obligated to pay hauler rebates to qualified haulers who tip at the facility. The rebates are $28 per ton. The Counties' must pay rebates up to a total of $8,400,000. If the $8,400,000 threshold is exceeded, RRT will reimburse the Counties for amounts in excess of the $8,400,000.

A joint powers agreement between Ramsey and Washington Counties created the Resource Recovery Project (Project) consisting of four representatives from Washington County, and five Ramsey County Commissioners. The representatives and Commissioners are appointed by the respective County Boards with the Chair of the Project Board rotating between the Commissioners from each County on a biennial basis.

The accounting policies of the Project conform to generally accepted accounting principles. The following is a summary of the more significant policies.

A. FINANCIAL REPORTING ENTITY

The Project has the authority to make administrative decisions regarding the Processing Agreement with RRT and to administer several joint solid waste management activities, such as administering a hauler rebate program. The Project does not have the Authority for Project budget approval, levying taxes or assessing waste management service charges to finance the budget, and establishing the tipping fee to be charged at the facility, which require approval of the two County Boards.

The joint powers agreement establishes the apportionment between the two Counties of the administrative costs and processing payments to RRT, which is established in the joint powers agreement at 73 percent Ramsey County and 27 percent Washington County for the term of the agreement.

The joint powers agreement also provides that Ramsey County carries out the administrative duties of the Project, including financial management and clerical support.

The Project reimburses Ramsey County for the staffing and services provided.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all activities of the Project. 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. Separate financial statements are provided for the governmental fund.

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

The Statement of Net Position and the Statement of Activities are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 generally are recorded when a liability is incurred, as under accrual accounting.

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.

D. BUDGET AND BUDGETARY ACCOUNTING

The 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 Generally Accepted Accounting Principles (GAAP) basis. Results of operations included in the Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance-Budgetary Comparisons (Exhibit E), are presented on a Non-GAAP budgetary basis. The primary difference between the two bases of accounting is that the “actual” column in Exhibit E does not include expenditures from prior years’ reserve for encumbrances. Adjustments necessary to convert actual expenditures reported on the budgetary basis in Exhibit E to the GAAP basis as reported in Exhibit D are:

Actual Expenditures:	
Budgetary Basis-Exhibit E	$11,192,305
Decrease:	
December 31, 2014 Encumbrances	(379,445)
Expenditures GAAP Basis-Exhibit D	$10,812,860

The General Fund’s encumbrances in Exhibit E include appropriations for purchase orders and contracts issued for goods and services not received at year-end (encumbrances) and capital expenditures for which commitments to outside parties have not yet been made (capital reserves).

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 are reported as assignments of fund balances and provide authority for the carry-over of appropriations to the subsequent year in order to complete these transactions.

E. ASSETS, LIABILITIES, AND EQUITY ACCOUNTS

1) Assets:

Deposits and Investments:
The Project's cash balances are invested by Ramsey County to the extent available in certificates of deposit and other authorized investments. Earnings from these investments are allocated monthly to the Project's General Fund based on average daily balances during the month.

Minn. Stat. Sections 118.A02 and 118A.04 authorize Ramsey County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the County Board.

Minnesota Statutes require that all County deposits be covered by insurance, surety bond, or collateral. The County invests available cash in various securities in accordance with requirements set forth in Minnesota Statutes. All investments are stated at fair value, except commercial paper and repurchase agreements, which are valued at cost, which approximates fair value.

Accounts Receivable:
Accounts receivable at December 31, 2014 and 2013 totaling $965,941 and $758,229 respectively, was recorded and is due from RRT for reimbursement of hauler rebates paid by the Counties in excess of $8,400,000.

Due From Other Governments:
Amounts due from other governments, at December 31, 2014 and 2013 totaling $4,643,413 and $3,112,709 respectively, and are due from Ramsey and Washington Counties.

2) Liabilities:
Long-term liabilities are accounted for in the government-wide Statement of Net Position.

3) Deferred Inflows of Resources
In addition to liabilities, the Governmental Fund Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The General Fund reports unavailable revenue from accounts receivable and due from other governments. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

4) **Fund Balance:**

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Project 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.

The components for reporting the Project's fund balance are nonspendable, restricted, committed, assigned, and unassigned. Nonspendable fund balance includes those amounts that are not in spendable form, or are legally or contractually required to be maintained intact. Restrictions on fund balance are for a specific purpose, either externally imposed or imposed by law. Fund balance amounts that are committed need to be authorized prior to year-end and require a resolution by the Project Board to establish or modify the commitment. The Project Board is the highest level of decision making. Fund balance amounts that are assigned represent management intent for specific purposes. Assignments are subject to change and can be set by a lower level of authority designated by the Project Board. The unassigned fund balance represents the residual net resources.

The Project 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 Project 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.

F. PRIOR YEAR COMPARATIVE DATA

The basic financial statements include certain prior year comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

2. PENSION PLANS

Project employees are budgeted in the Saint-Paul-Ramsey County Department of Public Health and pension plan contributions are reported by Ramsey County.

3. RISK MANAGEMENT

The Project 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 Project is a member of the Minnesota Counties Insurance Trust (MCIT) to cover property and casualty liabilities.

For liabilities, the Project carries commercial insurance. The Project has not reduced insurance coverage in the past year and has not had settlements in excess of insurance coverage in any of the past three years.

Employees of the Project are employees of the Saint Paul - Ramsey County Department of Public Health, a department of Ramsey County, and are covered for Workers' Compensation claims by Ramsey County.

The Property and Casualty Division of MCIT is self-sustaining and the Project pays an annual premium to cover current and future losses. The

MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the Project in a method and amount to be determined by MCIT.

4. FINANCIAL CONDITION

The 2014 budget assumed 300,000 tons of waste deliveries at the Facility. Each County is responsible for financing its share of the budgeted $8,400,000 in hauler rebates. The rebates are $28 per ton of Ramsey/Washington County waste they deliver to the facility, following application for a rebate and verification by the Project. The agreement calls for RRT to contract with haulers and landfills directly so the Project does not contract with haulers.

In 2014, in addition to the hauler rebates discussed above, a food rescue program was included in the 2014 budget at $40,000 and $1,045,500 was budgeted for an organics management program. The total processing service budget was $8,400,000 calculated as follows:

Ramsey County (73% share)	$ 6,132,000
Washington County (27% share)	2,268,000
Total	$8,400,000

Hauler rebates paid to haulers in excess of $8.4 million are reimbursed by RRT and are not the financial responsibility of the Project.