



## Memorandum

**DATE:** March 21, 2011

**TO:** Chairman and Members of the Board

**FROM:** Kevin H. Roche, General Manager

**SUBJECT:** Agenda for the Audit Committee Meeting

There is an ecomaine Audit Committee Meeting scheduled for Thursday, March 24, 2011 at 3:00PM at the Waste-to-Energy Facility. The agenda for this meeting is as follows:

1. Approval of the September 29, 2010 Audit Committee Meeting Minutes (*Attachment A*)
2. Review of Audit Committee Roles & Responsibilities (RKO)
3. Review of FY '11 Audit Proposal from RKO (*Attachment B*)
4. Future Meetings:
  - Finance Committee/Budget Workshop: March 24<sup>th</sup> (*Thursday*) @ 4:00PM.
  - Full Board Meeting: April 21<sup>st</sup> (*Thursday*) @ 4:00PM.
  - Recycling Committee: April 27<sup>th</sup> (*Wednesday*) @ 4:00PM.
  - Executive Committee Meeting: May 19<sup>th</sup> (*Thursday*) @ 4:00PM.
  - Recycling Committee: May 25<sup>th</sup> (*Wednesday*) @ 4:00PM.
  - Annual Meeting: June 16<sup>th</sup> (*Thursday*) @ 11:30AM.

The Board of Directors may wish to go into Executive Session for any of the above items under Section 405 of Title 1 of the Maine Revised Statutes ([per the following legislative website: http://janus.state.me.us/legis/statutes/1/title1ch13sec0.html](http://janus.state.me.us/legis/statutes/1/title1ch13sec0.html).)

**Owner Communities**

Bridgton  
Cape Elizabeth  
Casco  
Cumberland  
Falmouth  
Freeport  
Gorham  
Gray  
Harrison  
Hollis  
Limington  
Lyman  
North Yarmouth  
Ogunquit  
Portland  
Pownal  
Scarborough  
South Portland  
Waterboro  
Windham  
Yarmouth

**Associate Members**

Baldwin  
Hiram  
Naples  
Parsonsfield  
Porter  
Saco  
Standish

**Recycling Members**

Andover  
Cornish  
Monmouth  
Poland  
Sanford

DATE: September 30, 2010  
TO: Chair and Members of the Audit Committee  
FROM: Kevin H. Roche, General Manager  
SUBJECT: Minutes of September 29, 2010 **ecomaine** Audit Committee Meeting

The Audit Committee of **ecomaine** met on Wednesday, September 29, 2010, at the Waste-to-Energy facility. The meeting was called to order at 4:00PM.

There were three items on the Agenda:

1. Approval of the April 15, 2010 Audit Committee Meeting minutes
2. FY 2010 - Audit Results – Kathleen Tyson and Peter Way (of Runyon Kersteen Ouellette)
3. Future Meetings

**Item #1 – Approval of the 4/15/10 Audit Committee Meeting Minutes**

Mr. Van Gaasbeek moved that “**The Audit Committee hereby approves the minutes of the April 15, 2010 Audit Committee meeting as presented**”. The motion was seconded by Mr. Morton and passed with a unanimous vote of the Committee.

**Item #2 – FY 2010 - Audit Results – Kathleen Tyson and Peter Way (of Runyon Kersteen Ouellette)**

Ms. Kathleen Tyson and Mr. Peter Way of Runyon Kersteen Ouellette handed out a slightly revised ‘Draft Audit Report’, dated 9/29/10 and reviewed this report with the Committee.

***RKO, at Mr. Morton’s request, will clarify the supplementary data that is referenced in the last sentence in the fourth paragraph of the first full page of the Draft Audit Report. The sentence presently reads “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.” RKO will reference the page numbers of the supplementary data.***

Mr. Van Gaasbeek noted that the financial statements on Pages 7, 8 and 9 reference the “accompanying notes to financial statements”. For clarification purposes, he suggested the page numbers be included in the notes.

Mr. Peter Way of RKO discussed the statement of Net Assets, Statement of Revenue, Expenses and Changes in Net Assets and the Statement of Cash Flow.

It was noted that expenses for the year were almost identical to budget for the year.

It was noted that Designated accounts in the Net Assets section have been reduced to one, Capital Replacement.

**ecomaine** is receiving monies (previously written off) from Corcoran Environmental Services and Penobscot Valve.

*Mr. Roche will send a letter to the Board and Municipal officials stating that ecomaine’s short term loan of \$750,000 has been paid in full.*

There was a brief discussion of the Landfill closure and postclosure care costs (once it is closed and capped, will have to pay to have it monitored).

*RKO’s representatives felt it would be a good idea to have Tom Raymond (ecomaine Landfill Manager) meet with the Finance Committee to discuss the Landfill’s future.*

They also stated that **ecomaine** should *begin to estimate the liability of the Long Creek Watershed Project.*

Ms. Tyson next addressed RKO’s Management letter to **ecomaine** and made two comments.

*First, she noted that it may be time for a new appraisal on the Gorham property as the last one was completed in 2005, which makes it difficult to verify the actual value of the property today.* The appraisal would not have to be in-depth, but an appraisal that would give **ecomaine** a ballpark figure of the Gorham property’s worth.

The Committee felt that it would be appropriate to let management either act or not regarding engaging an appraisal.

*Secondly,* she stated that RKO noticed that **ecomaine** has approximately 135 separate capital asset accounts in its general ledger and that perhaps *ecomaine may want to consolidate these in order to make the general ledger easier to review.* She stated this is simply a housekeeping item and that there is software available to assist in such a project.

The RKO Audit Letter was reviewed with the Committee.

Ms. Tyson and Mr. Way will have a graphic presentation for the Board regarding the Audit Report at the October 21, 2010 **ecomaine** Board Meeting. *This graphic presentation will then be placed on ecomaine’s website.*

*Mr. Van Gaasbeek made a motion “to accept the Draft Audit Report with changes” (mentioned earlier in this document). The motion was seconded by Mr. Morton and passed with a unanimous vote of the Committee.*

With no other items before the Committee, *Mr. Van Gaasbeek then made a motion to adjourn the meeting. The motion was seconded by Mr. Morton. By unanimous vote of the Committee, the meeting adjourned at 5:08PM.*

**PRESENT:**

G. Foster  
S. McGinty  
D. Morton  
L. Van Gaasbeek

**ABSENT:**

J. Gray

**Other Attendees:**

K. Tyson, P. Way (of Runyon Kersteen Ouellette)

**Staff:** E. Doane, K. Roche and L. Trufant.



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Certified Public Accountants and Business Consultants

February 16, 2011

Audit Committee  
Kevin Roche, General Manager  
Arthur Birt, Director of Finance & Administration  
ecomaine  
64 Blueberry Road  
Portland, Maine 04102-1945

We are pleased to propose our understanding of the services we are to provide for ecomaine for the year ended June 30, 2011.

We will audit the statement of financial position of ecomaine as of June 30, 2011, and the related statements of activities and cash flows for the year then ended. Also, the following additional information accompanying the basic financial statements will be subjected to the auditing procedures applied in our audit of the financial statements.

- 1) Schedules 1 and 2 (references from June 30, 2010 financial statements)

#### **Audit Objective**

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. If our opinion is other than unqualified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

#### **Audit Procedures**

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from the Organization's attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Organization or to acts by management or employees acting on behalf of the Organization.

Because an audit is designed to provide reasonable, but not absolute, assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform you of any material errors and any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform you of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our audit will include obtaining an understanding of the Organization and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

### **Management Responsibilities**

You are responsible for making all management decisions and performing all management functions; for designating an individual with suitable skill, knowledge, or experience to oversee any tax services and any other nonattest services we provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, changes in net assets, and cash flows in conformity with accounting principles generally accepted in the United States of America. You are also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Organization involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Organization received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring the Organization complies with applicable laws and regulations and for taking timely and appropriate steps to remedy any fraud, illegal acts, or violations of contracts or grant agreements that we may report.

#### **Engagement Administration, Fees, and Other**

We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing. All necessary reconciliations will also be prepared by your employees.

Kathy Tyson is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. We expect to begin our audit in August of 2011 and to issue our report by September 30, 2011.

We estimate that our fees for the engagement will not exceed \$24,000. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered as work progresses and are payable on presentation.

ecomaine  
February 16, 2011  
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We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy, and return it to us.

Very truly yours,



Peter H. Way, CPA  
Runyon Kersteen Ouellette

RESPONSE:

This letter correctly sets forth the understanding of ecomaine.

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Officer signature

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Title