



January 31, 2012

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

Invitation to Submit a Proposal - Annual Audit
Fiscal Year Ending June 30, 2012

ecomaine is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal year ending June 30, 2012 as detailed below and in the attached Appendix A.

ecomaine, (formerly Regional Waste Systems, Inc.) is a 501(c)(3) quasi-municipal solid waste management corporation owned by 21 communities and serving an additional 23 associate and/or contract member communities. The organization is governed by a twenty-nine member Board of Directors with the members appointed by the twenty-one owner communities. All owner communities have executed a perpetual Interlocal Agreement as well as perpetual waste handling agreements; whereas, the non-owner members have executed fixed term waste and/or recycle handling agreements with **ecomaine**. We own and operate a waste-to-energy plant and a single-sort recycling facility, both of which are located in Portland, as well as a 260-acre landfill located in South Portland, Scarborough and Westbrook.

Associate Members

- Baldwin
- Hiram
- Naples
- Parsonsfield
- Porter
- Saco
- Standish

ecomaine uses the accrual method of accounting and, in accordance with GASB Statement No. 20, follows the pronouncements of the FASB issued before November 30, 1989, except where those pronouncements conflict with GASB pronouncements. We plan to implement GASB 62 when it becomes effective. **ecomaine** utilizes Great Plains software for its general ledger, financial statements, accounts payable, payroll, and accounts receivable. We use Timetrak for payroll time collection and Encore software (as provided by Core Computing Solutions) for our scale house system.

Contract Members

- Andover
- Cornish
- Eliot
- Greenland, NH
- Harpwell
- Jay
- Livermore Falls
- Manchester
- Monmouth
- Newington, NH
- North Haven
- Old Orchard Beach
- Poland
- Readfield
- Sanford
- Wayne

Complete, written proposals shall be submitted in sealed envelopes, not later than 1:00PM, Friday, March 2, 2012. They should be clearly marked "Proposal for Annual Audit" and addressed to:

Gary Foster
Chairman **ecomaine** Audit Committee
64 Blueberry Road
Portland, Maine 04102

At that time the proposals will be opened and evaluated in accordance with the specifications provided in Appendix A. Vendors are required to submit an original, signed proposal and two additional copies. Late, incomplete or proposals submitted electronically will not be accepted.

The selected vendor will be required to sign a contract acceptable to **ecomaine**. If vendors have a standard contract, or a proposed contract, a copy should be included with their proposal.

In addition to a contract, **ecomaine** will require the successful vendor to provide appropriate insurance certificates with limits acceptable to **ecomaine**.

Each proposal must be signed by a person authorized to bind the vendor to a contract.

Each vendor must indicate in the proposal that they have read and understand all conditions outlined in this invitation and the attached Appendix A.

Selected sections of vendor responses may be incorporated as part of any contracts executed between **ecomaine** and the vendor. This invitation and the attached Appendix A will be made a part of the contract by reference.

ecomaine reserves the right to negotiate with the selected vendor as to the scope of services and price, whether or not the proposal is the lowest cost to **ecomaine**.

ecomaine reserves the right to waive or disregard any informality, irregularity, or deficiency in any proposal received and to reject any or all proposals or accept any proposal for whatever reason it determines such actions to be in the best interests of **ecomaine**.

Gary Foster
Chairman
ecomaine Audit Committee



Invitation to Submit a Proposal - Annual Audit
Fiscal Year Ending June 30, 2012
Appendix A

Sealed proposals for performing the **ecomaine** annual audit for the year ended June 30, 2012, with the possibility of four additional subsequent annual audits, will be received at **ecomaine** in accordance with the attached invitation. It is the intent of **ecomaine** to award the audit contract for a one year period with an option to extend the contract annually for four more years. Future years' audit cost will be subject to negotiations satisfactory to **ecomaine** and the audit firm.

The external audit will provide a full audit for the fiscal year ending June 30, 2012 to include financial and compliance reviews according to generally accepted auditing standards for all **ecomaine** accounts.

The final audit reports for the year ended June 30, 2012 and any subsequent audits will be submitted no later than 120 days from the end of the physical year.

If required, separate letters addressing comments and recommendations in the areas of management and financial control shall be submitted and shall conform to the above time limitations.

The audit firm must fill out, complete and file any and all necessary reports required by any entity with regard to the audit of **ecomaine**.

One or more of the firms submitting a proposal may be selected for an oral presentation with the **ecomaine** Audit Committee prior to the **ecomaine** board making a decision.

ecomaine expects the selected audit firm to provide consultation and advice on an ongoing basis as relates to auditing, accounting, reporting, taxation and operating questions as they may arise, as part of the contract price. In addition, **ecomaine** expects the audit firm to provide information on current developments which might affect the financial operations of **ecomaine**.

The firm agrees to provide its working papers, or copies thereof, to **ecomaine** as requested.

The partner in charge of the **ecomaine** audit will be available to attend and participate in public meetings at which the **ecomaine** audit may be discussed and at meetings with **ecomaine** staff.

In order to establish a uniform review process, it is requested that all proposals be organized in the following manner:

A. Title Page

- Show the request for proposal subject, firm name, local address, telephone number, name of contact person and date.

B. Table of Contents

- Include a clear identification of the material by section and by page number.

C. Letter of Transmittal (limit this section to two pages.)

- Briefly state the proposer's understanding of the work to be done and make a commitment to perform the work within the time period specified herein.
- Give the names of the persons who will be authorized to make representations for the proposal, their titles, addresses and telephone numbers. This letter must be signed by an authorized representative of the firm.

D. Profile of the Proposer

- Indicate whether the firm is local, national or international.
- Give the location of the office from which the work is to be done and the number of partners, managers, supervisors, seniors and other professional staff employed at that office.
- Describe the range of activities performed by the local office such as audit, accounting, tax service, data processing service or management services.
- Describe the local office computer capabilities, including the numbers and classifications of personnel skilled in computer sciences who will work on the audit.

E. Summary of Proposer's Qualifications

- Identify the partners, managers and supervisors who will work on the audit, including staff from other than the local office. Resumes from each supervisory person to be assigned to the audit should be included as an appendix.
- Describe recent local and regional office auditing experience similar to the type of audit requested and give the names and telephone numbers of client officials responsible for three of the audits, which may be municipal if not public waste-to-energy plants.

F. Additional Data

- Since data not specifically requested must not be included in the foregoing proposal sections, give any additional information considered essential to the proposal in this section

G. Compensation

- Estimate the total hours and the resulting all-inclusive maximum fee for which the requested work for the year ended June 30, 2012 will be done. An appendix stating the hourly rates for staff classifications is required. The maximum fee for

each year of the balance of the engagement will be mutually agreed upon by **ecomaine** and the proposer.

H. Reports

- The audit firm will provide **ecomaine** with the requested number of copies of the financial report and any required letters of communication (normally 50-60).

I. Proposal Evaluations

- Evaluation of the proposals received will include, but not be limited to, any of the following:
 - ✓ Relevant experience of the firm.
 - ✓ Qualifications of the personnel to be assigned.
 - ✓ References of the firm.
 - ✓ Ability to communicate audit plans in a clear, convincing manner.
 - ✓ Maximum cost of the audit.

Questions regarding this proposal should be directed via e-mail to Arthur P Birt, Director of Finance and Administration, at birt@ecomaine.org no later than 1:00 pm on Monday February 27, 2012. All questions and answers will be provided to all prospective proposers via e-mail by 5:00 pm on Wednesday February 29, 2012.

ecomaine reserves the right to waive any informalities, to accept any proposal, or to reject any or all proposals, if it feels it is in the best interests of **ecomaine** to do so. Final approval of the engagement will be subject to the approval of the **ecomaine** Audit Committee.

Attachments: Copy of June 30, 2011 audit report

ecomaine

Financial Statements

June 30, 2011 and 2010



Certified Public Accountants and Business Consultants

Independent Auditor's Report

Board of Directors
ecomaine

We have audited the accompanying statements of net assets of **ecomaine** as of June 30, 2011 and 2010, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of **ecomaine's** management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **ecomaine**, as of June 30, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 6 be presented to supplement the basic financial statements. Such information, 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 by 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the management's discussion and analysis on pages 1 through 6 because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors
ecomaine

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. Schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in cursive script, reading "Raymond Weston Ouellette".

September 22, 2011
South Portland, Maine

ecomaine
Management's Discussion and Analysis
Fiscal Year Ended 2011

This discussion and analysis of **ecomaine's** financial performance provides an overall review of **ecomaine's** financial activities for the year ended June 30, 2011 with the intent of looking at **ecomaine's** financial performance as a whole. Readers should also review the financial statements and the related notes to enhance their understanding of **ecomaine's** financial performance.

Financial Highlights

Fiscal 2011 was a good year for **ecomaine** following a similar 2010. Revenues less expenses for the fiscal year ending June 30, 2011, which totaled just under \$8 million, were \$1.4 million below 2010's level of \$9.4 million but \$2.4 million above budget. Cash generated from operations in 2011 totaled \$13.8 million down slightly from last year's level of \$14.5 million. **ecomaine** made its scheduled debt and interest payments in FY 11 and was also able to pay off several long term leases early saving on future interest costs. Principal payments on our bonds & notes during these two years totaled \$19.3 million and on July 1, 2011 we made additional scheduled payments totaling \$6.6 million. As a result **ecomaine** owes \$4.6 million in long term debt. In addition during 2011 we invested \$1.3 million in capital improvements or about the same level as in 2010.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand **ecomaine** as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at our specific financial conditions.

The statement of net assets and the statement of revenues, expenses and changes in net assets provide information about the activities of **ecomaine** as a whole and present a longer-term view of our finances. They include all assets and liabilities using the accrual basis of accounting, similar to the accounting method used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash was received or paid.

These two statements report **ecomaine's** net assets and changes in those net assets. This change in assets is important because it tells the reader whether the financial position of the Organization has improved or diminished. However, in evaluating the overall position of **ecomaine**, non-financial information such as the condition of **ecomaine's** capital assets will also need to be evaluated.

ecomaine receives fees from its customers for certain services. They also receive revenue from selling electricity and recyclable material. In the statement of net assets and statement of revenues, expenses, and changes in net assets, all of these activities are reported as business-type activities.

ecomaine
Management's Discussion and Analysis, Continued

ecomaine as a Whole

The statements of net assets looks at **ecomaine** as a whole. Table 1 below is a summary of **ecomaine's** net assets for 2011 with comparative numbers for 2010.

**Table 1
Net Assets**

	2011	2010
Assets		
Current and other	\$ 27,999,846	29,602,367
Capital assets	<u>31,637,148</u>	<u>34,270,893</u>
Total Assets	<u><u>59,636,994</u></u>	<u><u>63,873,260</u></u>
Liabilities		
Current liabilities	1,907,447	1,899,550
Long-term debt outstanding:		
Due within one year	6,630,000	10,450,000
Due in more than one year	4,560,000	11,940,000
Other liabilities	<u>15,711,408</u>	<u>16,731,035</u>
Total Liabilities	<u><u>28,808,855</u></u>	<u><u>41,020,585</u></u>
Net Assets		
Invested in capital assets, net of related debt	20,447,148	10,301,202
Restricted	3,291,997	3,291,617
Unrestricted	<u>7,088,994</u>	<u>9,259,856</u>
Total Net Assets	<u><u>\$ 30,828,139</u></u>	<u><u>22,852,675</u></u>

Details for Table 1 can be found on the Statements of Net Assets on page 7 in the financial statements.

Assets

The \$4.2 million decrease in total assets reflects a decrease in capital assets, net of depreciation, of \$2.6 million, a reduction in cash and cash equivalents of \$1.0 million, and an unrealized loss of \$.7 million recorded for the Gorham Property to reflect current market value.

Liabilities

Total liabilities decreased by \$12.2 million during the period largely as a result of \$11.2 million in bond principal payments and \$1.6 million in capital lease payments. The increase was partially offset by an increase of \$.3 million in the landfill closure/postclosure liability as a result of capacity utilization in 2011, and a \$.3 million increase in liabilities associated with payroll and post retirement benefits.

ecomaine
Management's Discussion and Analysis, Continued

Table 2
Changes in Net Assets

	2011	2010	Increase (decrease)
Revenues			
Operating revenues	\$ 27,736,255	28,429,230	(692,975)
Non-operating revenues:			
Interest income	41,984	65,667	(23,683)
Total Revenues	<u>27,778,239</u>	<u>28,494,897</u>	<u>(716,658)</u>
Operating Expenses			
Administration	2,395,035	2,436,755	(41,720)
Facility operations	8,791,874	8,468,831	323,043
Recycling operations	1,735,334	1,637,156	98,178
Landfill operations	1,532,805	1,532,135	670
Landfill closure and postclosure care costs	278,202	304,370	(26,168)
Post-retirement benefit	101,242	101,242	-
Depreciation and amortization	3,918,179	3,886,599	31,580
Total Operating Expenses	<u>18,752,671</u>	<u>18,367,088</u>	<u>385,583</u>
Nonoperating (expenses) / income:			
Interest	(428,832)	(891,965)	(463,133)
Unrealized loss on idle asset	(730,000)	-	730,000
All other	108,728	143,021	(34,293)
Total Expenses and Other Nonoperating	<u>19,802,775</u>	<u>19,116,032</u>	<u>686,743</u>
Increase (Decrease) in Net Assets	<u>\$ 7,975,464</u>	<u>9,378,865</u>	<u>(1,403,401)</u>

Details for Table 2 can be found in the Statements of Revenues, Expenses, and Changes in Net Assets on page 8 of the financial statements.

Operating Revenues

Operating revenues for 2011 decreased by \$.7 million or 2.5%, compared to the prior year with revenues from the sales of electricity down by \$1.2 million as a result of very competitive market conditions. In addition, overall tipping fees declined by \$.7 million as a result of an intended reduction in Spot market tons from the 2010 level offset in part with an increase in the more valuable Commercial tonnage. The market for recycle materials continued the rebound that started in 2010 and revenues from this market were \$1.1 million over 2010.

ecomaine
Management's Discussion and Analysis, Continued

Total Expenses

Total expenses increased by \$.7 million or 3.6% when compared to 2010. Included in this increase was a \$730,000 unrealized loss associated with the write down of the Gorham property to reflect market value. Operating costs for the Waste to Energy facility was \$.3 million higher associated with compensated absences, higher building & grounds maintenance, and higher gas costs. Recycle Operating costs were \$.1 million unfavorable from higher prices paid for inbound recycle materials, extra temporary help and additional baling wire purchases. Partially offsetting some of these cost increases was a \$.5 million reduction in interest expense as a result of principal payments and lower interest rates.

Details for the analysis below can be found in the Budget to Actual schedule on page 22 of the notes to the financial statements.

Analysis of Fiscal Year 2011 Actual Results Compared to Budget

Total Revenue less Expenses

Revenue less Expenses for 2011 totaled just under \$8 million and was favorable to budget by \$2.4 million. The budget was developed in a conservative manner due to the uncertainty in the markets and continuing trends of lower MSW tonnages.

Operating Revenues

Operating revenue of \$27.7 million was favorable to budget by \$2.8 million or 11.4%. Revenue from the sale of recyclable material was positive to budget by \$1.7 million reflecting additional volume (2,314 tons or 6.9% over budget) and a strong market resulting in good pricing for ecomaine. Tipping fees were collectively \$1 million favorable to budget with total MWS volume exceeding budget by 5,220 tons or 3.2%. Member MSW tons were above budget (63,204 tons actual vs. 60,550 tons budget) while we took in fewer Spot Tons offset in part by more favorable Commercial tons. Electrical revenue was \$.1 million favorable due to higher generation (86,386 MWH's sold vs. 77,353 budgeted) offset in part by lower sales values due to soft market conditions (\$67 per MWH vs. \$73 budget).

Operating Expenses

Operating expenses were favorable to budget by \$.2 million or 1.5% overall as follows:

Administrative expenses were favorable by \$87,000 primarily as a result of favorable market conditions for business insurance (property, liability, etc.) lowering expense by \$105,000 and favorable Host Community Payments of \$40,000 reflecting continued lower MSW volumes. Partially offsetting these favorable items was an increase of \$54,000 in temporary help for the finance group.

The Waste to Energy Facility operating expenses were unfavorable to budget by \$31,000 overall. Unfavorable variances included \$137,000 for additional labor in the cold outage (scrubbers), \$124,000 for compensated absences and \$96,000 for building maintenance (HVAC). Favorable variances included \$145,000 in gas & electric, \$123,000 in payroll and benefits, and \$51,000 in waste disposal.

ecomaine
Management's Discussion and Analysis, Continued

Recycling operating expenses were unfavorable to budget by \$157,000 as a result of \$81,000 more for inbound recycle materials and \$67,000 more for baling wire costs.

The Landfill area was favorable to budget by \$18,000 and included \$57,000 in lower payroll & benefits costs, \$38,000 in lower engineering consulting, and \$20,000 in lower rental equipment. Unfavorable variances included \$54,000 for compensated absences and \$34,000 for Force Main Cleaning.

The budgeted contingency expense (\$250,000) was not spent.

Depreciation and amortization expense was \$80,000 favorable as a result of below budget capital expenditures during the year.

Landfill closure and postclosure were \$278,000 unfavorable and Post-retirement benefits were unfavorable by \$101,000. Both of these are non cash items and were unbudgeted.

Non-operating Income (Expense)

Interest expense was \$322,000 lower than budgeted due lower interest rates on the variable rate debt.

In 2011 we recorded an unrealized loss on the Gorham property totaling \$730,000 bringing the carrying value of the property down from \$2,230,000 to \$1,500,000 reflecting market conditions for real estate.

Capital Assets

**Table 3
Capital Assets at June 30
(Net of depreciation)**

	2011	2010
Land - waste-to-energy facility	\$ 1,475,061	1,475,061
Vehicles	179,232	250,144
Office furniture and equipment	45,866	59,432
Recycling facility and equipment	3,837,123	4,149,216
Balefill/ashfill/leachate site	5,172,485	5,576,586
Waste-to-energy facility	<u>20,927,381</u>	<u>22,760,454</u>
 Total Capital Assets	 \$ <u>31,637,148</u>	 <u>34,270,893</u>

Capital additions for 2011 totaled \$1.3 million which was the same level as in 2010.

ecomaine
Management's Discussion and Analysis, Continued

Debt

Table 4
Outstanding Debt at Year-End

	2011	2010
Variable Rate Demand Bonds	\$ 4,820,000	6,770,000
Fixed Rate Serial Bonds	6,370,000	14,870,000
Term Note	<u>-</u>	<u>750,000</u>
Total Debt	<u>\$ 11,190,000</u>	<u>22,390,000</u>

During the fiscal year ended June 30, 2011, \$11.2 million worth of bonds were paid off.

Current Financial Activities and Economic Factors Included in the FY 2012 Budget

In our budget process for FY 12 we anticipated approximately a 5.1% reduction in owner member assessments providing some relief for the owners, a softening of the recycle market from its peak levels lowering total recycle revenues by about 13% from the 2011 forecast, and continued pressure on rates in the power market which will lower overall electricity market revenues for ecomaine about 31% from FY 11 forecasted levels. Cash generated by operations was budgeted at \$9.5 million for FY 12 with debt services expected to total \$6.8 million and capital spending projected at \$3.3 million.

Request for Information

This financial report is designed to provide our members, customers, investors and creditors with a general overview of ecomaine's finances and to show ecomaine's accountability for the money it receives. If you have any questions about this report or need additional information, contact Arthur P. Birt, Director of Finance and Administration, at (207) 523-3107.

ecomaine
Statements of Net Assets
June 30, 2011 and 2010

	2011	2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 11,800,843	8,360,035
Cash and equivalents held by trustee for current obligations	6,875,254	11,323,863
Accounts receivable, net	2,316,902	2,260,088
Inventory	2,028,525	1,847,574
Prepaid expenses	186,325	289,190
Total current assets	23,207,849	24,080,750
Capital assets, net	31,637,148	34,270,893
Restricted cash, equivalents, and investments:		
Debt service reserve fund	3,291,997	3,291,617
Total restricted cash, equivalents, and investments	3,291,997	3,291,617
Other assets:		
Idle asset - Gorham property	1,500,000	2,230,000
Total other assets	1,500,000	2,230,000
Total assets	\$ 59,636,994	63,873,260
LIABILITIES		
Current liabilities:		
Current installments of long-term debt	\$ 6,630,000	10,450,000
Current installments of capital leases	-	180,620
Accounts payable	941,443	675,603
Accrued expenses	191,762	473,779
Accrued salaries and compensated absences	774,242	569,548
Total current liabilities	8,537,447	12,349,550
Post-retirement benefit liability	294,704	193,462
Long-term debt, less current installments	4,560,000	11,940,000
Capital leases, less current installments	-	1,399,071
Accrued landfill closure and postclosure care liabilities	15,416,704	15,138,502
Total liabilities	\$ 28,808,855	41,020,585
NET ASSETS		
Invested in capital assets, net of related debt	20,447,148	10,301,202
Restricted - debt service reserve	3,291,997	3,291,617
Unrestricted	7,088,994	9,259,856
Total net assets	\$ 30,828,139	22,852,675

See accompanying notes to financial statements on pages 10-20.

ecomaine
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30, 2011 and 2010

	2011	2010
Operating revenues:		
Municipal assessments and tipping fees	\$ 9,838,762	10,062,963
Electrical generating revenues	5,788,360	6,941,594
Commercial tipping fees and spot market waste	7,936,545	8,392,513
Recycling tipping fees	27,023	31,744
Gorham property assessments	139,430	138,284
Sales of recycled goods	3,920,243	2,783,735
Other operating income	85,892	78,397
Total operating revenues	27,736,255	28,429,230
Operating expenses:		
Administrative expenses	2,394,160	2,436,755
Facility operating expenses	8,791,874	8,468,831
Recycling operating expenses	1,735,334	1,637,156
Landfill/ashfill operating expenses	1,532,805	1,532,135
Post-retirement benefit	101,242	101,242
Contingency expense	875	-
Landfill closure and postclosure care costs	278,202	304,370
Total operating expenses other than depreciation and amortization	14,834,492	14,480,489
Net operating income before depreciation and amortization	12,901,763	13,948,741
Depreciation	3,918,179	3,886,599
Net operating income	8,983,584	10,062,142
Non-operating revenues (expenses):		
Interest income	41,984	65,667
Interest expense	(428,832)	(891,965)
Miscellaneous receipts	108,728	143,021
Unrealized loss on idle asset	(730,000)	-
Net non-operating expenses	(1,008,120)	(683,277)
Change in net assets	7,975,464	9,378,865
Total net assets, beginning of year	22,852,675	13,473,810
Total net assets, end of year	\$ 30,828,139	22,852,675

See accompanying notes to financial statements on pages 10-20.

ecomaine
Statements of Cash Flows
Years Ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Receipts from assessments and tipping fees	\$ 17,551,748	18,007,760
Receipts from electrical generating revenues	5,964,132	6,909,659
Receipts from other sources	4,198,501	3,291,384
Payments to employees	(6,532,018)	(6,601,840)
Payments to suppliers	(3,856,032)	(3,006,250)
Contractual payments	(3,600,762)	(4,141,027)
Net cash and cash equivalents provided by operating activities	13,725,569	14,459,686
Cash flows from capital and related financing activities:		
Payments of interest	(710,849)	(1,007,681)
Repayment of long-term debt	(12,779,691)	(8,420,765)
Proceeds from long-term debt	-	750,000
Net cash and cash equivalents used in capital and related financing activities	(13,490,540)	(8,678,446)
Cash flows from investing activities:		
Receipts of interest	41,984	65,667
Purchases of property, plant and equipment	(1,284,434)	(1,300,322)
Net cash and cash equivalents used in investing activities	(1,242,450)	(1,234,655)
Net increase (decrease) in cash	(1,007,421)	4,546,585
Cash and cash equivalents balance, beginning of year	22,975,515	18,428,930
Cash and cash equivalents balance, end of year	\$ 21,968,094	22,975,515
Reconciliation of net operating income to net cash and cash equivalents provided by operating activities:		
Net operating income	\$ 8,983,584	10,062,142
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation and amortization	3,918,179	3,886,599
(Increase) decrease in assets:		
Accounts receivable	(56,814)	(123,433)
Inventory	(72,223)	6,851
Prepaid expenses	102,865	(44,919)
Increase (decrease) in liabilities:		
Accounts payable	265,840	279,742
Accrued salaries and compensated absences	204,694	(12,908)
Post-retirement benefit liability	101,242	101,242
Accrued landfill closure and postclosure care liabilities	278,202	304,370
Net cash provided by operating activities	\$ 13,725,569	14,459,686

See accompanying notes to financial statements on pages 10-20.

ecomaine
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

Reporting Entity - ecomaine was incorporated during the fiscal year ended June 30, 2006 under the laws of the State of Maine. **ecomaine** is a non-profit solid waste management corporation serving 40 municipalities in Cumberland, Oxford, and York counties in Maine. Owned and controlled by 21 of these municipalities, **ecomaine** creates electricity through its processing of waste. **ecomaine** also operates an extensive recycling program.

Method of Accounting - ecomaine uses the accrual method of accounting where assets are recorded during the period in which they are earned and liabilities are recorded during the period in which they are incurred. In accordance with Government Accounting Standards Board (GASB) Statement No. 20, **ecomaine** follows the pronouncements of the Financial Accounting Standards Board (FASB) issued before November 30, 1989 except where those pronouncements conflict with GASB pronouncements.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents - ecomaine considers all highly liquid instruments (primarily money market funds and other U.S. Treasury obligations) with maturities of three months or less to be cash equivalents.

Accounts Receivable - ecomaine provides credit to users of their facility, including municipalities and private waste transporters, substantially all of whom are located in southern Maine. Macquarie Group, LLC f/k/a Integrys Energy Services, Inc., a purchaser of **ecomaine's** electrical outlet, is also afforded credit. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. The allowance for doubtful accounts was \$31,877 and \$31,866 at June 30, 2011 and 2010, respectively. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable.

Inventory - Inventory is comprised of consumable items used in production and spare parts. Inventory is stated at the lower of cost or market determined on the first-in, first-out basis.

Capital Assets - Capital assets are recorded at cost. All costs incurred for construction, additions, and improvements to the facility, including interest during construction, are capitalized.

ecomaine
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES, CONTINUED

Depreciation has been provided over the estimated useful lives of the assets using the straight-line method, as follows:

Equipment	5 - 10 years
Vehicles	5 years
Ashfill/balefill	15 years
Recycling plant	25 years
Waste-to-energy facility	20 - 45 years

Income Taxes - The Organization is exempt from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code, and therefore no liability or provision for income taxes has been recorded. As a governmental entity pursuant to Section 115(1), **ecomaine** is not required to file IRS Form 990, Return of Organization Exempt from Income Tax, on an annual basis.

Reclassifications - Certain prior year balances have been reclassified to correspond to the current year's presentation. Such reclassifications had no effect on the results of operations as previously reported.

CASH, EQUIVALENTS, AND INVESTMENTS HELD BY TRUSTEE

Under the terms of a Trust Indenture, Huntington Bank, acting as Trustee, holds unexpended bond proceeds and operating funds in certain funds and accounts as specified in the bond series indenture. At June 30, 2011 and 2010, such amounts held by the Trustee consisted of money market funds. The fair value approximates the carrying value at June 30, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
For current obligations:		
Bond fund	\$ 6,791,527	11,240,146
Arbitrage rebate fund	83,727	83,717
	<u>6,875,254</u>	<u>11,323,863</u>
For long-term obligations:		
Debt service reserve fund	3,291,997	3,291,617
	<u>\$ 10,167,251</u>	<u>14,615,480</u>

DEPOSITS

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, **ecomaine's** deposits may not be returned to it. **ecomaine** does not have a deposit policy for custodial credit risk. As of June 30, 2011, **ecomaine** reported deposits of \$11,800,843 with a bank balance of \$12,438,056. Of **ecomaine's** bank balance of \$12,438,056, \$-0- was exposed to custodial credit risk. As of June 30, 2010, **ecomaine** reported deposits of \$8,360,035 with a bank balance of \$8,800,810. Of **ecomaine's** bank balance of \$8,800,810, \$-0- was exposed to custodial credit risk. The entire balance was covered by the F.D.I.C. or by additional insurance purchased on behalf of **ecomaine** by the respective banking institutions.

ecomaine
Notes to Financial Statements, Continued

INVESTMENTS

ecomaine's policy is to invest all available funds at the highest possible rates, in conformance with legal and administrative guidelines, while avoiding unreasonable risk. The funds are invested in liquid investments with maturities planned to coincide with **ecomaine's** cash needs during the year.

At June 30, 2011, all of **ecomaine's** investments were held in money market funds. These funds invest exclusively in short-term U.S. Treasury Obligations and repurchase agreements secured by U.S. Treasury Obligations. Money Market Funds are not considered securities and are exempt from credit risk disclosure requirements.

CAPITAL ASSETS

Capital assets at June 30, 2011 and 2010 consisted of the following:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets, not being depreciated:				
Land - waste-to-energy/ashfill	\$ 1,475,061	-	-	1,475,061
Total capital assets, not being depreciated	1,475,061	-	-	1,475,061
Capital assets being depreciated:				
Vehicles	659,960	12,134	-	672,094
Office equipment	140,658	30,804	-	171,462
Recycling facility and equipment	5,094,410	138,772	-	5,233,182
Balefill/ashfill/leachate site	16,961,969	-	-	16,961,969
Baler	4,452,616	-	-	4,452,616
Waste-to-energy facility	91,809,887	1,102,724	-	92,912,611
Total capital assets being depreciated	119,119,500	1,284,434	-	120,403,934
Less accumulated depreciation:				
Vehicles	(409,816)	(83,046)	-	(492,862)
Office equipment	(81,226)	(44,370)	-	(125,596)
Recycling facility and equipment	(1,944,233)	(272,358)	-	(2,216,591)
Balefill/ashfill/leachate site	(11,385,383)	(404,101)	-	(11,789,484)
Baler	(3,453,577)	(178,508)	-	(3,632,085)
Waste-to-energy facility	(69,049,433)	(2,935,796)	-	(71,985,229)
Total accumulated depreciation	(86,323,668)	(3,918,179)	-	(90,241,847)
Total capital assets	\$ 34,270,893	(2,633,745)	-	31,637,148

ecomaine
Notes to Financial Statements, Continued

POWER PURCHASE AGREEMENTS

During the fiscal years ended June 30, 2011 and 2010, ecomaine's electric energy sales were governed by a Power Purchase Agreement with an outside third party for sale of its power at contracted rates. The prior agreement expired January 31, 2011; the current agreement commenced February 1, 2011 and expires January 31, 2012. At June 30, 2011 and 2010, electrical generating revenues amounted to \$5,788,360 and \$6,941,594, respectively.

LONG-TERM DEBT

ecomaine has issued several separate series of tax exempt and taxable bonds and notes, the activity for which consisted of the following:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Paydowns</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Amounts</u> <u>due in</u> <u>one year</u>
Series N (\$2,480,000 authorized, variable rate demand bonds, weekly variable interest rate, taxable, issued September 1993, maturing July 1, 2014)	\$ 1,370,000	-	(250,000)	1,120,000	260,000
Series R (\$21,735,000 authorized, variable rate demand bonds, taxable, issued April 2001, maturing July 1, 2012)	5,400,000	-	(1,700,000)	3,700,000	1,800,000
Series S (\$6,750,000 authorized, serial bonds, fixed annual interest rates, 4.45% in the fiscal year ended June 30, 2011, non-taxable, issued June 2003, maturing July 1, 2012)	5,175,000	-	(1,650,000)	3,525,000	1,725,000
Series T (\$19,055,000 authorized, serial bonds, taxable, issued June 2005, maturing July 1, 2010)	4,145,000	-	(4,145,000)	-	-
Series U (\$15,205,000 authorized, serial bonds, fixed annual interest rates, 4% in 2011, issued June 2005, maturing July 1, 2011)	5,550,000	-	(2,705,000)	2,845,000	2,845,000
Term note (\$750,000, interest only payments through July 31, 2011, principal and interest payments thereafter based on amortization of 27 months, until October 31, 2013, when remaining unpaid balance will be due in full). Interest rate is equal to 1.75% above the LIBOR, adjusted monthly (1.94% at June 30, 2011), secured by the deposit accounts of ecomaine.	750,000	-	(750,000)	-	-
Long-term debt	\$ 22,390,000	-	(11,200,000)	11,190,000	6,630,000

ecomaine
Notes to Financial Statements, Continued

LONG TERM DEBT, CONTINUED

The obligations of **ecomaine** to pay the principal and interest on each series of bonds are payable from, and secured by, system revenues, including amounts payable under the Waste Handling Agreements, the Interlocal Agreement, and the Power Purchase Agreement. The bonds of each series are also secured by funds held under the Trust Indenture, including amounts deposited in the debt service reserve fund and including investment earnings on all such funds. The bonds of each series are special revenue obligations of **ecomaine**, payable solely from the sources described in the offering statement. The bonds do not constitute a debt or liability within the meaning of any constitutional or statutory provision of, or a pledge of the full faith and credit of: the State of Maine; Cumberland County, Maine; York County, Maine; or any political subdivision of the State of Maine.

ecomaine has no taxing power. However, pursuant to the Waste Handling Agreements, the participating municipalities are obligated severally to deliver certain of the solid waste produced within each such participating municipality to **ecomaine** for processing and to make service payments and pay tipping fees for such processing in amounts which, when added to other available monies, will at least equal required debt service on the bonds of each series. The obligations of the participating municipalities under the Waste Handling Agreements are secured by the full faith and credit of the participating municipalities subject to certain limitations.

Under an indenture agreement, the following funds and accounts have been established and are currently held by the Trustee: a general revenue account; a principal account; an interest account; a debt service reserve fund; and a global rebate fund.

Debt service requirements for all outstanding debt are as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Totals</u>
2012	\$ 409,181	6,630,000	7,039,181
2013	86,850	3,975,000	4,061,850
2014	24,000	285,000	309,000
2015	-	300,000	300,000
Totals	\$ 520,031	11,190,000	11,710,031

LINE OF CREDIT

On April 13, 2010, **ecomaine** negotiated an available working line of credit in the amount of \$3,000,000 with a financial institution. Interest only payments are due monthly at variable rates which equal 1.75% above the LIBOR, adjusted monthly (1.94% at June 30, 2011); monthly principal and interest payments shall begin on April 12, 2012 or sooner if **ecomaine** should default. The working line of credit is secured by all the rates, fees, assessments or other amounts received by **ecomaine**. As of June 30, 2011, there was no outstanding balance on the line.

ecomaine
Notes to Financial Statements, Continued

CAPITAL LEASES

Capital leases consisted of the following at June 30:

	<u>2011</u>	<u>2010</u>
\$1,700,000 of equipment, net book value of \$1,317,500, due in annual payments of \$209,042, including interest of 6.37% per annum, with a final payment due in March 2019, secured by the equipment, entire balance paid off during fiscal year ended June 30, 2011	\$ -	1,387,821
\$176,234 of equipment, net book value of \$93,991, due in monthly payments of \$4,126, including interest of 5.95% per annum, with a final payment due in May 2013, secured by the equipment, entire balance paid off during fiscal year ended June 30, 2011	-	129,002
\$93,900 of equipment, net book value of \$50,080, due in monthly payments of \$2,194, including interest of 6.00% per annum, with a final payment due in January 2013, secured by the equipment, entire balance paid off during fiscal year ended June 30, 2011	-	62,868
	-	1,579,691
<u>Less current portion</u>	-	<u>180,620</u>
 Totals	 \$ -	 <u>1,399,071</u>

ARBITRAGE REBATE

Under income tax regulations, **ecomaine** is obligated to rebate to the United States certain arbitrage amounts. During prior years, amounts were placed in a Rebate Fund held by the Trustee based on income tax regulations then in effect. The penalty payment for the fiscal years ended June 30, 2011 and 2010 was \$-0- in both years. **ecomaine** has set aside \$83,727 and \$83,717 as of June 30, 2011 and 2010, respectively, in an arbitrage rebate fund.

DEBT SERVICE RESERVE

Under the terms of the indenture, as of June 30, 2011 the debt service reserve fund is required to be funded at \$3,000,000. Subsequent to the fiscal year ended June 30, 2011 the funding requirement was reduced to \$2,000,000. Funds deposited in the debt service reserve fund shall be used for the payment of principal and interest on all bonds to the extent necessary if amounts from other sources are insufficient for such purpose. At June 30, 2011 and 2010, the debt service reserve fund aggregated \$3,291,997 and \$3,291,617, respectively.

ecomaine
Notes to Financial Statements, Continued

RETIREMENT PLANS

Nonunion - All non-union employees are covered by a defined contribution plan after their probationary period is completed. **ecomaine** contributed 8% in 2011 and 2010 of the covered employees' gross pay on covered wages of \$1,619,679 and \$1,651,385, respectively. Pension expense amounted to \$129,573 and \$132,111 for the years ended June 30, 2011 and 2010, respectively.

Union - In accordance with an agreement with its Union, **ecomaine** contributes to the Union's Pension Plan. The contributions equal 5.25% of compensation received for hours worked by each eligible plan participant. Pension expense amounted to \$140,083 and \$140,828 for the years ended June 30, 2011 and 2010, respectively, on covered wages of \$2,668,278 and \$2,682,591, respectively. The Pension Fund is a defined contribution pension program that provides retirement and certain ancillary benefits to eligible plan participants.

Other Plans - In addition to the above plan, a second defined contribution was established in the fiscal year ended June 30, 2007 to provide retirement contributions in excess of 8% to specified employees. Such pension expense amounted to \$2,988 and \$2,870 on covered wages of \$149,390 and \$143,619 for the years ended June 30, 2011 and 2010, respectively.

Social Security - **ecomaine** participates in the Social Security retirement program. **ecomaine's** contributions to Social Security were \$326,564 and \$337,810 for the years ended June 30, 2011 and 2010, respectively.

UNRESTRICTED NET ASSETS

Unrestricted net assets consisted of the following at June 30:

	<u>2011</u>	<u>2010</u>
Committed for:		
Capital replacement	\$ 2,383,727	1,672,592
Uncommitted	4,705,267	7,587,264
Total unrestricted	<u>\$ 7,088,994</u>	<u>9,259,856</u>

Capital Replacement - The funds are intended to be used to repair, replace, or upgrade parts of the facility that may experience premature wear or damage.

ecomaine
Notes to Financial Statements, Continued

NET ASSETS INVESTED IN CAPITAL ASSETS NET OF RELATED DEBT

Net Assets - Net assets invested in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable. **ecomaine's** net assets invested in capital assets, net of related debt, were calculated as follows at June 30:

	<u>2011</u>	<u>2010</u>
Capital assets	\$ 121,878,995	120,594,561
Accumulated depreciation	(90,241,847)	(86,323,668)
Bonds payable	(11,190,000)	(22,390,000)
Capital leases	-	(1,579,691)
Total invested in capital assets net of related debt	\$ 20,447,148	10,301,202

IDLE ASSET - GORHAM PROPERTY

In June 1993, the Material Recovery Facility Board voted not to proceed as planned with the development of the demolition debris and recycling facility project on the **ecomaine** approved site in Gorham, Maine. Therefore, the costs associated with the development of the facility, aggregating \$8,079,467, were reported as an idle asset. **ecomaine** continued to hold the property and the associated improvements. Permitting for the facility expired at June 30, 1997 and the reported costs of this property were written down to its estimated fair market value of \$4,000,000 - resulting in an unrealized loss of \$4,079,467.

During the fiscal year ended June 30, 2005, as **ecomaine** continued to evaluate various options for the property, the facility engaged an outside appraiser to conduct an updated appraisal of the aforementioned site. With a valuation date of June 1, 2005 the property was appraised at \$2,230,000, resulting in an unrealized loss of \$1,770,000. At that time, the Board met and decided not to take any action on the property.

During the fiscal year ended June 30, 2011, **ecomaine** requested an Opinion of Value on the property. The facility engaged an outside commercial real estate firm to prepare such report. Upon completion of the report, the property was valued at approximately \$1,300,000 to \$1,600,000. At June 30, 2011, the facility has recorded an unrealized loss of \$730,000 to bring the asset to an estimated fair value of \$1,500,000.

As of the report date, no decision has been made as to the eventual use of the property.

ecomaine
Notes to Financial Statements, Continued

CLOSURE AND POSTCLOSURE CARE COSTS

State and Federal laws and regulations require **ecomaine** to place a final cover on its balefill and ashfill sites when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the dates that the landfills stop accepting waste, **ecomaine** reports a portion of these closure and postclosure costs as an operating expense in each year based on landfill capacity used as of each balance sheet date. **ecomaine** will recognize the remaining estimated cost of closure and postclosure care for the ashfill site as the remaining estimated capacity is filled.

Actual costs may be higher due to inflation, changes in technology, or changes in regulations. **ecomaine** anticipates financing closure costs by funding and using reserves and/or the issuing bonds at the time of closure. A summary of estimated landfill closure and postclosure care costs is as follows:

	<u>2011</u>	<u>2010</u>
Total estimated future landfill closure and postclosure care costs	\$ 22,216,761	22,216,763
<u>Estimated capacity used</u>	<u>69.39%</u>	<u>68.14%</u>
Estimated gross landfill closure and postclosure care costs - end of year	15,416,704	15,138,502
<u>Amounts actually expended</u>	<u>N/A</u>	<u>N/A</u>
Estimated liability for landfill closure and postclosure care costs - end of year	15,416,704	15,138,502
Estimated remaining landfill closure and postclosure care costs to be recognized	\$ 6,800,057	7,078,261

OPERATING LEASES

ecomaine leases office equipment under the terms of operating leases expiring through 2013. Future minimum payments under the leases are as follows:

2012	\$ 5,793
2013	4,694

Rent expense paid under these operating leases totaled \$6,493 and \$6,493 for the years ended June 30, 2011 and 2010, respectively.

ecomaine
Notes to Financial Statements, Continued

OTHER POSTEMPLOYMENT BENEFITS

The Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by **ecomaine** for the fiscal year ended June 30, 2009. This pronouncement requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans.

ecomaine is a member of the Maine Municipal Employees Health Trust. The Health Trust contracted with an outside consultant to assist in the determination and valuation of **ecomaine's** OPEB liability under GASB Statement No. 45. An OPEB liability actuarial valuation was completed by the consultants in May 2009 and again in September 2011.

Plan Descriptions - In addition to providing pension benefits, **ecomaine** provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage.

Funding Policy and Annual OPEB Cost - GASB Statement No. 45 does not mandate the prefunding of postemployment benefits liability. **ecomaine** currently plans to fund these benefits on a pay-as-you-go basis. No assets have been segregated and restricted to provide postemployment benefits. The annual required contribution (ARC), an actuarial determined rate, represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize unfunded actuarial liabilities over a period not to exceed thirty years.

The following table represents the OPEB costs for the year and the annual required contribution:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Normal cost	\$ 58,877	58,877	58,877
Amortization of unfunded	36,868	36,868	31,535
Interest	5,497	5,497	1,808
Annual required contribution	\$ 101,242	101,242	92,220

Funding Status and Funding Progress - **ecomaine's** annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ending June 30, 2011 was as follows:

Annual required contribution	\$ 101,242	101,242	92,220
Actual contribution	-	-	-
Percent contributed	0.00%	0.00%	0.00%
Actuarial accrued liability	\$ 922,781	567,125	567,125
Plan assets	-	-	-
Unfunded actuarial accrued liability	\$ 922,781	567,125	567,125
Covered payroll	4,436,838	4,445,697	4,497,961
Unfunded actuarial accrued liability as a percentage of covered payroll	20.80%	12.76%	12.61%

ecomaine
Notes to Financial Statements, Continued

OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information (only one year available) that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions - Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between ecomaine and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

Actuarial valuation date	1/1/11
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0% - 9.6%

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Retiree Healthcare Plan

Fiscal year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2009	1/1/09	\$ -	\$ 567,125	\$ 567,125	0.00%	\$ 4,497,961	12.60%
2010	1/1/09	-	567,125	567,125	0.00%	4,445,697	12.76%
2011	1/1/11	-	922,781	922,781	0.00%	4,436,838	21.52%

ecomaine
 Schedule of Municipal Assessments and Tipping Fees
 Years Ended June 30, 2011 and 2010

	2011	2010
<u>Members</u>		
Bridgton	\$ 205,264	205,264
Casco	75,965	75,965
Cumberland	167,794	167,794
Cape Elizabeth	265,435	265,435
Falmouth	204,171	204,171
Freeport	163,972	163,972
Gorham	176,394	176,394
Gray	206,496	206,496
Harrison	91,982	91,982
Hollis	116,273	116,273
Limington	151,241	151,241
Lyman	97,299	97,299
Ogunquit	53,778	53,782
Pownal	28,289	28,289
Portland	887,676	887,677
North Yarmouth	98,265	98,265
Scarborough	508,747	508,747
South Portland	582,174	582,174
Waterboro	181,408	181,408
Windham	181,474	181,474
Yarmouth	234,556	234,556
Total members' assessments	4,678,653	4,678,658
Associate members tip fees	863,637	870,587
Municipal tipping fees	4,296,472	4,513,718
Total municipal assessments and tipping fees	\$ 9,838,762	10,062,963

ecomaine
Budget to Actual
Year Ended June 30, 2011

	Actual	Budget	Variance	Change
Operating revenues:				
Municipal assessments	\$ 4,678,653	4,678,654	(1)	0.0%
Owners tipping fees	4,296,472	4,156,152	140,320	3.4%
Associate tipping fees	863,637	985,088	(121,451)	-12.3%
Commercial tipping fees	5,871,407	4,806,760	1,064,647	22.1%
Spot market tipping fees	2,065,138	2,100,000	(34,862)	-1.7%
Electrical generating revenues	5,788,360	5,657,198	131,162	2.3%
Sales of recycled goods	3,920,243	2,250,000	1,670,243	74.2%
Recycling tipping fees	27,023	25,000	2,023	8.1%
Gorham property assessments	139,430	110,000	29,430	26.8%
Other operating income	85,892	125,000	(39,108)	-31.3%
Total operating revenues	27,736,255	24,893,852	2,842,403	11.4%
Operating expenses:				
Administrative expenses	2,394,160	2,481,104	(86,944)	-3.5%
Waste-to-energy operating expenses	8,791,874	8,760,797	31,077	0.4%
Recycling operating expenses	1,735,334	1,577,585	157,749	10.0%
Landfill/ashfill operating expenses	1,532,805	1,551,211	(18,406)	-1.2%
Contingency	875	250,000	(249,125)	n/a
Landfill closure and postclosure care costs	278,202	-	278,202	n/a
Post-retirement benefit	101,242	-	101,242	n/a
Total operating expenses	14,834,492	14,620,697	213,795	1.5%
Net operating income other than depreciation and amortization	12,901,763	10,273,155	2,628,608	25.6%
Depreciation and amortization	3,918,179	4,000,000	(81,821)	-2.0%
Net operating income	8,983,584	6,273,155	(2,710,429)	-43.2%
Non-operating income (expense):				
Interest income	41,984	50,000	(8,016)	-16.0%
Interest expense	(428,832)	(751,096)	322,264	-42.9%
Unrealized loss on idle asset	(730,000)	-	(730,000)	n/a
Miscellaneous receipts	108,728	-	108,728	n/a
Net non-operating	(1,008,120)	(701,096)	(307,024)	43.8%
Total revenues less expenses	\$ 7,975,464	5,572,059	2,403,405	43.1%