ecomaine

Financial Statements

June 30, 2015 and 2014

Independent Auditor's Report

Board of Directors
ecomaine

Report on the Financial Statements

We have audited the accompanying statements of net position of **ecomaine** as of June 30, 2015 and 2014, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise **ecomaine's** basic financial statements.

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 an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 opinion.

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, 2015 and 2014, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

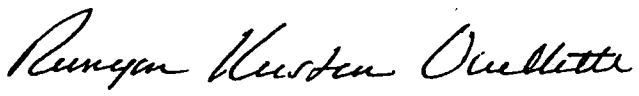
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 through 5 and the schedule of funding progress on page 18 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 or schedule of funding progress because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise **ecomaine's** basic financial statements. Schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the financial statements. Schedules 1 and 2 are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such 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, based on our audit and the procedures performed as described above, schedules 1 and 2 are fairly stated, in all material respects, in relation to the financial statements as a whole.



October 15, 2015
South Portland, Maine

Using this Annual Report

This discussion and analysis of **ecomaine's** financial performance provides an overall review of our financial activities for the year ended June 30, 2015. It consists of a series of financial statements and notes to those statements that are prepared and organized so the reader can understand **ecomaine** as an entire operating entity as well as providing a detailed look at our specific financial conditions. Readers should also review the financial statements and the related notes to enhance their understanding of **ecomaine's** financial performance.

The statement of net position and the statement of revenues, expenses and changes in net position 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 position and changes in such net position. This change in position 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.

Financial Highlights

Fiscal Year 2015 was another solid but interesting year for **ecomaine.**

Comparing FY 15 Actual to FY 14 Actual

Total Revenue less Expenses for FY 15 was a loss of $1.0 million and that was $4.2 million below the actual levels for FY 14 (gain of $3.2 million). Overall revenue of $18.6 million was $4.5 million below FY 14 ($23.2 million) reflecting the elimination of Assessments beginning in FY 15 and the approval of an unbudgeted Assessment Rebate for FY 15 totaling $1 million. The Recycle Market continued to soften and, as a result, recycle revenue was $.5 Million (13%) below FY 14. Total Cash Operating Expenses were $.2 million (1%) over last year and capital expenditures of $5.8 million were $3.7 million over last year. Working capital remained flat this year compared to a $.7 million decline in FY 14. As a result our cash balances (including Investment Reserves) declined $2.8 million compared to a $6.3 million increase last year.

Comparing FY 15 Actual to FY 15 Budget

Total Revenue less Expenses for FY 15 was a loss of $1.0 million and that was $.6 million better than the budgeted loss of $1.6 million. Overall revenue of $18.6 million was $.4 million below the budget ($19.1 million) reflecting the approval of an unbudgeted Assessment rebate for FY 15 totaling $1 million. MSW tipping fees, power market rates, and recycle volumes were all favorable adding a total of $.6 to revenue. Total Cash Operating Expenses (including contingency) were $.7 million favorable to budget and capital expenditures were $1.3 million unfavorable to budget. As a result our cash balances (including Investment Reserves) declined $2.8 million compared to the $1.8 million decline that was budgeted.

The statements of net position look at **ecomaine** as a whole. Table 1 below is a summary of **ecomaine's** net position for 2015 with comparative numbers for 2014.

Table 1
Net Position

		2015	2014
ASSETS			
Current and other	$	17,083,664	35,486,804
Capital assets		31,078,756	29,082,176
Investment Reserves		15,547,915	-
Total assets		63,710,335	64,568,980
LIABILITIES			
Current liabilities		2,178,168	2,311,333
Other liabilities		16,891,405	16,581,740
Total liabillities		19,069,573	18,893,073
NET POSITION			
Invested in capital assets, net of related debt		31,078,756	29,082,176
Unrestricted		13,562,006	16,593,731
Total net position	$	44,640,762	45,675,907

Details for Table 1 can be found on the Statements of Net Position on page 6 in the financial statements.

Assets

Total assets decreased by $.9 million reflecting a reduction in cash (including Investment Reserves) of $2.8 million (lower revenues & higher capital spending) offset in part by an increase in Net Capital assets of $2 million (higher capital spending partially offset by depreciation).

Liabilities

Total liabilities increased by $.2 million during the year as a result of $.3 million increase in Other Liabilities (landfill close and post close liability as a result of normal capacity utilization in FY 15) offset in part by a $.1 million reduction in current liabilities.

Table 2
Changes in Net Position FY 15 compared to FY 14

		2015	2014	Increase (decrease)
REVENUES				
Operating revenues	$	18,621,330	23,163,042	(4,541,712)
Total revenues		18,621,330	23,163,042	(4,541,712)
OPERATING EXPENSES				
Administration		2,632,616	2,531,444	101,172
Facility operations		9,222,332	9,412,289	(189,957)
Recycling operations		2,088,193	2,017,161	71,032
Landfill operations		1,802,372	1,600,635	201,737
Landfill closure and Postclosure care costs		259,935	239,703	20,232
Post-retirement benefit		49,730	95,461	(45,731)
Depreciation and amortization		3,804,881	4,194,858	(389,977)
Total operating expenses		19,860,059	20,091,551	(231,492)
Non-operating revenues (expenses):				
Interest income		110,181	42,929	67,252
Gain/loss on investment		25,152	-	25,152
Gain on disposition of assets		40,000	35,000	5,000
All other		28,251	19,712	8,539
Net non-operating revenues (expenses)		203,584	97,641	105,943
Increase in net position	$	(1,035,145)	3,169,132	(4,204,277)

Details for Table 2 can be found in the Statements of Revenues, Expenses, and Changes in Net Position on page 7 of the financial statements.

Comparing FY 15 Actual to FY 14 Actual

Total Revenue less Expense for FY 15 reflects a loss of $1.0 million which was $4.2 million below the actual levels for FY 14 when we had a gain of $3.2 million.

Operating Revenues

Total operating revenues for 2015 decreased by $4.5 million or 20%, compared to the prior year.

Owner Member Assessments were eliminated for FY 15 (vs $2.9 million in FY 14) and, in addition, after reviewing our financial position, the **ecomaine** Board of Directors approved a total of $1.0 million in assessment rebates that were paid out to Owner Communities in early FY 15 as we continue to provide financial relief to our owners (a priority established by the Board).

Overall revenues from MSW tipping fees were flat to FY 14. Inbound MSW volumes totaled 180,587 tons in FY 15 compared to 181,309 tons in FY 14 and the average tipping fee was essentially the same as in FY 14.

Our Recycle facility processed 43,667 tons of recycle material which was up about 4% over FY 14 (a record year) and is more than double the volume processed just 10 years ago (20,734 tons in FY 2005). Unfortunately the recycle market remains soft so even with increased volume the revenues from the sale of recycle material

declined. In addition, the landfill mining project terminated in FY 15 and volume from this project (6,904 tons) dropped off by 54% from FY 14 (14,860 tons). This metal mining project, which began in FY 12, has removed 38,000 tons of metal from the landfill, generated $329,000 million in revenue for **ecomaine** and added about 6 months to the life of the landfill with a value of $338,000. Overall recycle revenue for FY 15 was down $.5 million (13%) from FY 14.

The volume of power sold in FY 15 (77,551 MWH's) was down 10% from FY 14 (86,562 MWH's) reflecting the Turbine Overhaul work completed in FY 15 (required every 5 to 7 years) while the market value of the power sold averaged $59.53 / MWH compared to $52.79 in FY 14 (up 13%). As a result overall energy revenue was up 1% from FY 14.

Total Operating Expenses

Total operating expenses of $19.9 million decreased by $.2 million or 1% when compared to 2014.

Overall cash costs were up $.2 million with Admin up $.1 million (temporary help and more public relations), WTE facility costs down $.2 million (lower maintenance costs), Recycle facility up $.1 million (higher maintenance costs and operating supplies) and landfill costs up $.2 million (transitioning to new landfill manager, equipment maintenance, and temporary labor). Non cash costs were favorable by $.4 million reflecting lower depreciation and Post Retirement Benefit costs.

Comparing FY 2015 Actual Results to Budget

Details for the analysis below can be found in the Budget to Actual schedule on page 20.

Total Revenue less Expenses

Revenue less Expenses for FY 2015 was a loss of $1.0 million and was favorable to budget by $.6 million.

Operating Revenues

Total operating revenue of $18.6 million was unfavorable to budget by $.4 million (2%). After reviewing our financial position, the **ecomaine** Board of Directors approved a total of $1.0 million in assessment rebates (unbudgeted) that were paid out to Owner Communities in early FY 15 as we continue to provide financial relief to our owners (a priority established by the Board).

Total MSW Tipping Fees of $11.8 million were favorable to budget by $.3 million reflecting total inbound MSW volumes of 180,587 tons (3% over budget). Volumes in all markets were over budget with the exception of Commercial (down 1% - 558 tons) while Spot was up 16% (5,400 tons). Average Spot tipping rates were 5% over budget while Commercial tipping rates averaged 2% under budget.

Total inbound recycle at 43,667 tons (another record year) was 18% over budget (37,000 tons) while soft market rates continue the trend that started several years. Also on the negative side the landfill mining project closed out earlier than anticipated (soft markets) and volume recovered (6,904 tons) was 54% below budget (15,000 tons). Overall Recycle Revenue was $.2 million favorable to budget.

Electrical revenue was 3% ($.1 million) favorable to budget reflecting positive rates ($59.53/MWH vs $57.42/MWH budgeted) offset in part by volume that was 1% below budget (77,551 MWH's sold vs. 78,432 budgeted).

Operating Expenses

Total operating expenses of $19.9 million were favorable to budget by $.8 million or 4%.

Overall cash costs were down $.7 million with WTE facility costs down $.6 million (lower maintenance costs), Admin and recycle on budget, and landfill costs up $.1 million (transitioning to new landfill manager). Contingency of $.2 million was not used. Non cash costs were favorable by $.1 million reflecting lower depreciation and Post Retirement Benefit costs.

Capital Expenditures and Asset Values

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

		2015	2014
Land at WTE facility	$	1,969,001	1,517,764
Vehicles		752,185	770,143
Office furniture and equipment		195,310	139,381
Recycling facility and equipment		2,762,114	3,243,551
Balefill/ashfill/leachate site		5,342,723	6,089,505
Waste-to-energy facility		20,057,423	17,321,832
Total capital assets	$	31,078,756	29,082,176

Our budget for capital expenditures was a total of $4.5 million for FY 15 (well above a "normal year") and we actually spent $5.8 million. The Steam Turbine overhaul that was required in FY 15 (done every 5 to 7 years) cost $2.4 million (budgeted at $1.3 million). In addition, we had to do extensive work on the steam headers in the super heater section of the boilers at a cost of $.7 million. This super heater boiler work was anticipated but in later years. On the positive side we were able to cancel the Recycle Tipping floor Expansion Project which was budgeted at $.5 million by finding an alternative solution for temporary surges in unprocessed recycle volume.

Current Financial Activities and Economic Factors Included in the FY 2016 Budget

In our budget process for FY 16 we continued in a conservative manner as the power and recycle markets are somewhat volatile. We budgeted flat MSW volumes and tipping fees, flat recycle volume and rates, and more electrical power sold to the grid than in FY 15 (Steam Turbine overhaul in FY 15) but at lower market rates. Capital spending will be another abnormal year as we move to replace one of the MWS tipping Floor cranes. As a result our budget indicates that we will again draw down our cash balances by $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 Position
June 30, 2015 and 2014

		2015	2014
ASSETS			
Current assets:			
Cash and cash equivalents	$	6,298,130	29,316,709
Accounts receivable, net		1,943,169	1,883,790
Inventory		2,487,755	2,554,175
Prepaid expenses		190,326	232,130
Total current assets		10,919,380	33,986,804
Capital assets, net		31,078,756	29,082,176
Reserves:			
Cash and cash equivalents - reserves		4,664,284	-
Investment - reserves		15,547,915	-
Total reserves		20,212,199	-
Other assets:			
Idle asset - Gorham property		1,500,000	1,500,000
Total other assets		1,500,000	1,500,000
Total assets	**$**	**63,710,335**	**64,568,980**
LIABILITIES			
Current liabilities:			
Accounts payable	$	1,027,084	1,293,294
Accrued expenses		170,698	86,696
Accrued salaries and compensated absences		980,386	931,343
Total current liabilities		2,178,168	2,311,333
Post-retirement benefit liability		439,894	390,165
Accrued landfill closure and postclosure care liabilities		16,451,511	16,191,575
Total liabilities	**$**	**19,069,573**	**18,893,073**
NET POSITION			
Invested in capital assets, net of related debt		31,078,756	29,082,176
Unrestricted		13,562,006	16,593,731
Total net position	**$**	**44,640,762**	**45,675,907**

See accompanying notes to financial statements on pages 9-18.

ecomaine
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2015 and 2014

		2015	2014
Operating revenues:			
Municipal assessments and tipping fees	$	3,696,175	7,594,918
Electrical generating revenues		4,616,876	4,569,868
Commercial tipping fees and spot market waste		7,122,767	7,202,432
Recycling tipping fees		130,981	104,072
Gorham property assessments		-	166,230
Sales of recycled goods		2,956,003	3,434,385
Other operating income		98,528	91,137
Total operating revenues		18,621,330	23,163,042
Operating expenses:			
Administrative expenses		2,632,616	2,531,444
Facility operating expenses		9,222,332	9,412,289
Recycling operating expenses		2,088,193	2,017,161
Landfill/ashfill operating expenses		1,802,372	1,600,635
Landfill closure and postclosure care costs		259,935	239,703
Post-retirement benefits		49,730	95,461
Total operating expenses other than depreciation		16,055,178	15,896,693
Net operating income before depreciation		2,566,152	7,266,349
Depreciation		3,804,881	4,194,858
Net operating income (loss)		(1,238,729)	3,071,491
Non-operating revenues (expenses):			
Interest and dividend income		93,863	42,929
Gain on investments		25,152	-
Miscellaneous receipts		44,569	19,712
Gain on disposition of assets		40,000	35,000
Net non-operating revenue (expenses)		203,584	97,641
Change in net positions		(1,035,145)	3,169,132
Total net position, beginning of year		45,675,907	42,506,775
Total net position, end of year	**$**	**44,640,762**	**45,675,907**

See accompanying notes to financial statements on pages 9-18.

ecomaine
Statements of Cash Flows
Years Ended June 30, 2015 and 2014

		2015	2014
Cash flows from operating activities:			
Receipts from assessments and tipping fees	$	10,890,544	15,000,441
Receipts from electrical generating revenues		4,616,876	4,569,868
Receipts from other sources		3,054,531	3,691,752
Payments to employees		(7,146,552)	(7,085,904)
Payments to suppliers		(5,451,086)	(4,366,398)
Contractual payments		(3,128,248)	(3,537,879)
Net cash and cash equivalents provided by operating activities		2,836,065	8,271,880
Cash flows from investing activities:			
Purchase of investments		(15,547,915)	-
Gain on investments		25,152	-
Receipts of interest		93,863	42,929
Purchases of property, plant and equipment		(5,761,460)	(2,058,485)
Net cash and cash equivalents used in investing activities		(21,190,360)	(2,015,556)
Net increase (decrease) in cash		(18,354,295)	6,256,324
Cash and cash equivalents balance, beginning of year		29,316,709	23,060,385
Cash and cash equivalents balance, end of year	$	10,962,414	29,316,709
Less cash and cash equivalents - reserves		(4,664,284)	-
Cash and cash equivalents	**$**	**6,298,130**	**29,316,709**
Reconciliation of net operating income (loss) to net cash and cash equivalents provided by operating activities:			
Net operating income (loss)	$	(1,238,729)	3,071,491
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:			
Depreciation		3,804,881	4,194,858
Purchase discounts		44,569	19,712
(Increase) decrease in assets:			
Accounts receivable		(59,379)	99,019
Inventory		66,420	(192,077)
Prepaid expenses		41,804	(38,772)
Increase (decrease) in liabilities:			
Accounts payable		(266,210)	703,227
Accrued salaries and compensated absences		49,043	29,423
Accrued expenses		84,002	49,835
Post-retirement benefit liability		49,729	95,461
Accrued landfill closure and postclosure care liabilities		259,935	239,703
Net cash provided by operating activities	**$**	**2,836,065**	**8,271,880**

See accompanying notes to financial statements on pages 9-18.

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 54 municipalities in southern Maine and New Hampshire. Owned and controlled by 20 of these municipalities at June 30, 2015, **ecomaine** creates electricity through its processing of waste. **ecomaine** also operates an extensive recycling program.

Measurement Focus and Basis of Accounting - The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Organization distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of **ecomaine**. The principal operating revenues of **ecomaine** are tipping fees, electric energy sales, and the sale of recycled goods. During the fiscal year ended June 30, 2014 the organization voted to terminate assessments charged to its owner member communities as of July 1, 2014. Operating expenses include the cost of operating the facility, recycling, landfill, closure, postclosure and administrative expenses. All revenues and expenses not meeting this determination are reported as nonoperating revenues and expenses.

During the fiscal year ended June 30, 2015 the Organization voted to provide a one-time assessment rebate to its owner member communities. The rebates, paid out prior to the fiscal year end and totaling $1,000,003, have been netted with municipal assessment and tipping fee revenue for the year ended June 30, 2015.

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 original 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. BP Energy Company, a purchaser of **ecomaine's** electrical output, 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 $29,646 and $29,679 at June 30, 2015 and 2014, 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 reduction in 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES, CONTINUED

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.

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

Equipment	5 - 30 years
Vehicles	5 - 7 years
Ashfill/balefill	15 - 20 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.

DEPOSITS AND INVESTMENTS

A. 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. As of June 30, 2015, **ecomaine** reported deposits of $6,298,130 with a bank balance of $6,311,203. As of June 30, 2014, **ecomaine** reported deposits of $29,316,709 with a bank balance of $29,282,659. At both June 30, 2015 and 2014, none of **ecomaine's** bank balances were exposed to custodial credit risk. The balances were covered by the F.D.I.C. or collateralized by a Stand-by Letter of Credit issued by the Federal Home Loan Bank of Pittsburgh in the amount of $20,000,000 which expired on July 23, 2015. The Letter of Credit was subsequently renewed until November 19, 2015 in the amount of $6,000,000.

B. Investments

At June 30, 2015 **ecomaine** had the following investments and maturities

	Fair Value	Less than 1 year	1-5 years	More than 5 years
Certificates of Deposit	$ 2,137,218	1,480,984	656,234	-
U.S. Government Securities	10,422,785	1,281,704	9,141,081	-
Equities/stock	2,781,422	Not Applicable		-
Mutual funds	206,490	Not Applicable		-
Total Investments	**$ 15,547,915**	**2,762,688**	**9,797,315**	**-**

ecomaine's policy is that all of our funds will be invested in accordance with Maine state law while the principal objectives in investing any **ecomaine** funds are safety, liquidity, and returns.

DEPOSITS AND INVESTMENTS, CONTINUED

Cash and Investment Reserves: During the fiscal year ended June 30, 2014 **ecomaine's** Board of Directors approved the establishment of cash and investment reserves, with the knowledge that general economic conditions and other needs may impact both the timing of the funding and the usage of such reserves in a manner not originally intended. Such reserves consist of the following:

Operating Cash Reserve - The funds are intended to provide for routine operating cash and financial security in the event of extraordinary events that cause either a significant decrease in operating revenues or a significant increase in operating expenses.

Required landfill Closure/Post Closure Reserve - The funds deposited in the required landfill closure account shall be used for funding the landfill/post closure as required by Section 8 of the Interlocal Solid Waste Agreement dated December 1, 2005.

Discretionary Landfill Closure/Post Closure Reserve - To be used to provide periodic funding for the landfill closure and post closure care costs during the remaining useful life of the landfill.

Short-Term Capital Reserve - The funds are intended to provide for routine capital projects in the event of unanticipated circumstances.

Long-Term Capital Reserve - The funds are intended to provide for large new capital projects which have not been provided for in the annual capital plan.

Recycling Revenue and Cost Sharing Reserve - The funds deposited in the account shall be used to provide relief to owner communities in the event of weak recycling markets.

	2015	2014
Operating Cash Reserve	$ 8,174,074	8,162,533
Landfill Closure Reserve - Required	300,152	-
Landfill Closure Reserve - Discretionary	3,922,781	3,055,331
Short-Term Capital Reserve	3,265,183	3,258,373
Long-Term Capital Reserve	4,049,714	4,010,310
Recycling Revenue and Cost Sharing Reserve	500,295	-
Total reserve	**$20,212,199**	**18,486,547**

Custodial Credit Risk - investments: For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, **ecomaine** will not be able to recover the value of its investments that are in the possession of an outside party. **ecomaine** has the following policies for custodial credit risk.

Authorized Securities and Transactions For All Investments Favoring Lower Risk And Higher Liquidity:

The investments of these funds will be in demand accounts and time certificates of deposits, U.S. treasury obligations, federal instrumentality securities, and money market mutual funds. They are all to be guaranteed by the federal government or one of its agencies backed by the federal government. The demand accounts and time certificates of deposit are to be provided by institutions insured by the Federal

DEPOSITS AND INVESTMENTS, CONTINUED

Deposit Insurance Corporation (FDIC), the National Credit Union Share Insurance Fund (NCUSIF), or the successors to these federal agencies.

Authorized Securities And Transactions for Investments Favoring Reduced Liquidity, And Greater Returns:

The investments in these funds is to be in individual equities, equity mutual funds, bond mutual funds, or other investments that 1) may risk loss of principal, and 2) are subject to Maine law and the Prudent Investor Rule. No single fixed income security will comprise more than 10% of the total value of each of the reserves, unless fully backed by the federal government or its agencies and instrumentalities.

Interest Rate Risk - investments: **ecomaine** does have a policy related to investment rate risk. This policy details that the investment and cash management portfolio be designed to attain a market value rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities and cash flow requirements. Unless matched to a specific cash flow, **ecomaine** is not allowed to directly invest in securities maturing more than three years from the date of purchase.

Credit Risk – investments: Maine statutes authorize **ecomaine** to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. **ecomaine** does have a formal policy related to credit risk as is detailed above. At June 30, 2015, **ecomaine's** investments were rated as follows by Standard & Poor's.

Credit Risk Rating:	
U.S. Government Securities with AA+ Ratings	$ 10,422,785
Total	**$ 10,422,785**

The remainder of **ecomaine's** investments are not rated.

CAPITAL ASSETS

Capital assets at June 30, 2015 and 2014 consisted of the following:

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets, not being depreciated:				
Land-waste-to-energy/ashfill	$ 1,517,764	451,237	-	1,969,001
Total capital assets, not being depreciated	1,517,764	451,237	-	1,969,001
Capital assets being depreciated:				
Vehicles	1,348,552	230,120	-	1,578,672
Office equipment	329,724	89,215	-	418,939
Recycling facility and equipment	13,475,538	4,479	-	13,480,017
Balefill/ashfill/leachate site	19,509,712	18,575	-	19,528,287
Waste-to-energy facility	94,817,952	5,007,836	-	99,825,788
Total capital assets being depreciated	129,481,478	5,350,225	-	134,831,703
Less accumulated depreciation:				
Vehicles	(578,409)	(248,078)	-	(826,487)
Office equipment	(190,343)	(33,286)	-	(223,629)
Recycling facility and equipment	(10,231,987)	(485,916)	-	(10,717,903)
Balefill/ashfill/leachate site	(13,420,207)	(765,357)	-	(14,185,564)
Waste-to-energy facility	(77,496,120)	(2,272,245)	-	(79,768,365)
Total accumulated depreciation	(101,917,066)	(3,804,882)	-	(105,721,948)
Total capital assets being depreciated, net	27,564,412	1,545,343	-	29,109,755
Total capital assets	**$ 29,082,176**	**1,996,580**	**-**	**31,078,756**

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:

	2015	2014
Capital assets	$136,800,704	130,999,242
Accumulated depreciation	(105,721,948)	(101,917,066)
Total invested in capital assets net of related debt	**$ 31,078,756**	**29,082,176**

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 recorded an unrealized loss of $730,000 to bring the asset to an estimated fair value of $1,500,000.

POWER PURCHASE AGREEMENTS

During the fiscal years ended June 30, 2015 and 2014, **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, 2015; the current agreement commenced February 1, 2015 and expires January 31, 2016. At June 30, 2015 and 2014, electrical generating revenues amounted to $4,616,876 and $4,569,868, respectively.

RETIREMENT PLANS

Nonunion - All non-union employees are covered by a defined contribution plan ("Retirement Plan of **ecomaine**") after their probationary period is completed. Employees are immediately vested in their own contributions as well as in **ecomaine's** contributions. **ecomaine** contributed 8% in 2015 and 2014 of the covered employees' gross pay on covered wages of $1,959,688 and $1,896,875, respectively. Pension expense amounted to $156,775 and $151,750 for the years ended June 30, 2015 and 2014, 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 $143,595 and $150,105 for the years ended June 30, 2015 and 2014, respectively, on covered wages of $2,735,143 and $2,859,134, respectively. The Pension Fund is a defined benefit pension program that provides retirement benefits to eligible plan participants. The net pension liability, deferred inflows or deferred outflows, as of June 30, 2015, have not been recorded in the financial statements due to materiality. The net pension liability, deferred inflows, deferred outflows, required disclosures and required supplementary information will be evaluated annually to determine if recording the net pension liability and related pension expense as well as the required disclosures is necessary.

Other Plans - In addition to the above plan, a second defined contribution plan 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 $16,743 and $12,957 on covered wages of $168,231 and $162,723 for the years ended June 30, 2015 and 2014, respectively.

Social Security - **ecomaine** participates in the Social Security retirement program. **ecomaine's** contributions to Social Security were $397,695 and $383,027 for the years ended June 30, 2015 and 2014, respectively.

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.

CLOSURE AND POSTCLOSURE CARE COSTS, CONTINUED

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 of bonds at the time of closure. A summary of estimated landfill closure and postclosure care costs is as follows:

	2015	2014
Total estimated future landfill closure and postclosure care costs	$ 22,216,761	22,216,761
Estimated capacity used	74.05%	72.88%
Estimated gross landfill closure and postclosure care costs - end of year	16,451,511	16,191,575
Amounts actually expended	N/A	N/A
Estimated liability for landfill closure and postclosure care costs - end of year	16,451,511	16,191,575
Estimated remaining landfill closure and postclosure care costs to be recognized	$ 5,765,250	6,025,186

OTHER POSTEMPLOYMENT BENEFITS

Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, 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 June 2009, in September 2011, and in August of 2014.

Plan Descriptions - **ecomaine** sponsors a post retirement benefit plan providing health insurance to retiring employees through the Maine Municipal Employees Trust. Employees over the age of 55 with 5 years of continuous service are allowed to participate in the plan and are responsible for 100% of the premium.

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.

OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

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

	2015	2014	2013
Normal cost	$ 44,304	44,304	34,608
Amortization of unfunded	36,217	36,217	30,786
Adjustment to ARC	(21,250)	(16,964)	(13,345)
Interest	16,293	13,329	10,525
Annual required contribution	$ 75,564	76,886	62,574

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 was as follows:

	2015	2014	2013
Annual required contribution	$ 75,564	76,886	62,574
Actual contribution	-	-	-
Percent contributed	0.00%	0.00%	0.00%
Actuarial accrued liability	651,316	651,316	553,647
Plan assets	-	-	-
Unfunded actuarial accrued liability	651,316	651,316	553,647
Covered payroll	5,044,484	4,875,911	4,733,894
Unfunded actuarial accrued liability as a percentage of covered payroll	12.91%	13.40%	11.70%

Net OPEB Obligation - The net OPEB obligation was calculated as follows:

	2015	2014	2013
OPEB liability, July 1	$ 367,454	293,344	230,770
Annual OPEB Cost	75,564	76,886	62,574
Less: Implicit contributions	(3,290)	(2,776)	-
OPEB liability, June 30	$ 439,728	367,454	293,344

The post-retirement benefit liability at June 30, 2015 and 2014 was $439,894 and $390,165, resulting in an excess of $166 and $22,711, respectively.

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 (six years available) that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

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	1/1/14
Actuarial cost method	Projected unit credit cost method
Amortization method	Level dollar open
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	3.00%
Healthcare inflation rate	4.60% - 9.00%

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]
2010	1/1/09	$ -	$ 340,262	$ 340,262	0.00%	$ 4,445,697	7.70%
2011	1/1/11	-	553,647	553,647	0.00%	4,436,838	12.50%
2012	1/1/11	-	553,647	553,647	0.00%	4,524,794	12.20%
2013	1/1/11	-	553,647	553,647	0.00%	4,733,894	11.70%
2014	1/1/14	-	651,316	651,316	0.00%	4,875,911	13.40%
2015	1/1/14	-	651,316	651,316	0.00%	5,044,484	12.91%

Schedule 1

ecomaine
Schedule of Municipal Assessments (Rebates) and Tipping Fees
Years Ended June 30, 2015 and 2014

		2015	2014
Members			
Bridgton	$	(45,201)	131,453
Casco		(18,639)	52,117
Cumberland		(31,609)	94,579
Cape Elizabeth		(52,366)	156,545
Falmouth		(42,029)	120,551
Freeport		(34,077)	102,792
Gorham		(45,614)	123,815
Gray		(53,544)	147,639
Harrison		(18,767)	56,139
Hollis		(20,005)	55,007
Limington		(31,723)	97,488
Lyman		(22,805)	64,845
Ogunquit		-	35,454
Pownal		(3,793)	14,049
Portland		(199,122)	572,772
North Yarmouth		(12,049)	42,686
Scarborough		(110,870)	305,189
South Portland		(127,194)	380,378
Waterboro		(40,423)	126,570
Windham		(44,159)	124,205
Yarmouth		(46,014)	137,836
Total members' assessments (rebates)		(1,000,003)	2,942,109
Associate members tip fees		944,682	906,862
Contract members tip fees		295,585	283,452
Municipal tipping fees		3,455,911	3,462,495
Total municipal assessments (rebates) and tipping fees	**$**	**3,696,175**	**7,594,918**

Schedule 2

ecomaine
Budget to Actual
Year Ended June 30, 2015

		Actual	Budget	Variance	Change
Operating revenues:					
Municipal assessments (rebates)	$	(1,000,003)	-	(1,000,003)	n/a
Owners tipping fees		3,455,911	3,452,498	3,413	0.1%
Associate and contract tipping fees		1,240,267	1,193,777	46,490	3.9%
Commercial tipping fees		5,114,259	5,264,257	(149,998)	-2.8%
Spot market tipping fees		2,008,508	1,650,000	358,508	21.7%
Electrical generating revenues		4,616,876	4,503,572	113,304	2.5%
Sales of recycled goods		2,956,003	2,836,783	119,220	4.2%
Recycling tipping fees		130,981	70,000	60,981	87.1%
Other operating income		98,528	94,000	4,528	4.8%
Total operating revenues		18,621,330	19,064,887	(443,557)	-2.3%
Operating expenses:					
Administrative expenses		2,632,616	2,593,661	(38,955)	-1.5%
Waste-to-energy operating expenses		9,222,332	9,807,083	584,751	6.0%
Recycling operating expenses		2,088,193	2,087,853	(340)	0.0%
Landfill/ashfill operating expenses		1,802,372	1,744,417	(57,955)	-3.3%
Contingency		-	200,000	200,000	n/a
Landfill closure and postclosure care costs		259,935	257,952	(1,983)	-0.8%
Post-retirement benefit		49,730	95,000	45,270	47.7%
Total operating expenses		16,055,178	16,785,966	730,788	4.4%
Net operating income other than depreciation and amortization		2,566,152	2,278,921	287,231	12.6%
Depreciation		3,804,881	3,900,000	95,119	2.4%
Net operating income		(1,238,729)	(1,621,079)	382,350	-23.6%
Non-operating income (expense):					
Interest income		93,863	40,000	53,863	134.7%
Gain on investments		25,152	-	25,152	n/a
Miscellaneous receipts		44,569	5,000	39,569	791.4%
Gain on disposition of assets		40,000	-	40,000	n/a
Net non-operating		203,584	45,000	158,584	352.4%
Total revenues less expenses	**$**	**(1,035,145)**	**(1,576,079)**	**540,934**	**-34.3%**