ecomaine

Memorandum

DATE: October 4, 2013

TO: Chairman and Members of the Board

FROM: Kevin H. Roche, General Manager

SUBJECT: **Agenda for the October 10, 2013, Audit Committee Meeting**

There is an **ecomaine** **Audit Committee Meeting** scheduled for **Thursday, October 10, 2013 at 3:00PM** at the Waste-to-Energy Facility. The agenda for this meeting is as follows:

1. Approval of the April 11, 2013, Audit Committee Meeting Minutes ***(Attachment A)***
2. Audit review of the draft audit report from Runyon Kersteen Ouellette (RKO) for FY 13 ***(Attachment B)***
3. Future Meetings
   - OPEN HOUSE: October 5th (Saturday) from 8:30AM to 11:30AM.
   - Full Board Meeting: October 10th (Thursday) @ 4:00PM.
   - Recycling Committee Meeting: October 24th (Thursday) @ 4:00PM.
   - Finance Committee Meeting: November 14th (Thursday) @ 2:30PM.
   - Executive Committee Meeting: November 14th (Thursday) @ 4:00PM.
   - Recycling Committee Meeting: November 21st (Thursday) @ 4:00PM.
   - Executive Committee Meeting: December 19th (Thursday) @ 4:00PM.

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

Attachment A

ecomaine

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

Associate Members
Baldwin
Hiram
Naples
Parsonsfield
Porter
Saco
Standish

Contract Members
Andover
Cornish
Harpswell
Livermore Falls
Manchester
Monmouth
Old Orchard Beach
Poland
Readfield
Sanford
Wayne

DATE: April 12, 2013

TO: Chair and Members of the Board

FROM: Kevin H. Roche, General Manager

SUBJECT: Minutes of the April 11, 2013 Audit Committee Meeting

There was an **ecomaine** Audit Committee Meeting on Thursday, April 11, 2013, at the Waste-to-Energy facility at 3:00PM.

There were six items on the Agenda:
1. Approval of the January 10, 2013, Audit Committee Meeting minutes
2. Audit Proposal
3. External Auditor Selection
4. Audit Scheduling
5. Review of duties and responsibilities associated with the Audit
6. Future Meetings

Item #1 – Approval of the January 10, 2013, Audit Committee Meeting Minutes

Ms. Boudreau moved to approve the minutes of the January 10, 2013, Audit Committee Meeting. The motion was seconded by Mr. Fitzcharles and passed unanimously.

Item #2 – Audit Proposal

Mr. Peter Way, of Runyon Kersteen Ouellette (RKO) presented the Audit Proposal.

Item #3 – External Auditor Selection

Ms. McGinty moved to select Runyon Kersteen Ouellette for **ecomaine's** FY 13 Audit. The motion was seconded by Ms. Boudreau and passed unanimously.

Item #4 – Audit Scheduling

The Audit Report will be ready for review with the Audit Committee in October, 2013.

Item #5 – Review of duties and responsibilities associated with the Audit

Committee members reviewed the responsibilities of the various parties, lead by Peter Way of RKO.

Item #6 – Future Meetings

The next Audit Committee Meeting will be in September, 2013, exact date/time to be determined.

Ms. Boudreau made a motion to adjourn the meeting. The motion was seconded by Ms. McGinty and all were in favor.

PRESENT:	**ABSENT:**
L. Boudreau	R. Ahlquist
R. Fitzcharles	M. Bobinsky
G. Foster	D. Morton
S. McGinty	D. Sherman
R. Brobst	

Other: Peter Way, Runyon Kersteen Ouellette.

Staff: A. Birt and K. Roche.

ecomaine

Financial Statements

June 30, 2013 and 2012

DRAFT

Independent Auditor's Report

Board of Directors
ecomaine

We have audited the accompanying statements of net position of **ecomaine** as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinions.

Board of Directors
ecomaine

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of ecomaine, as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof 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 6 and the schedule of funding progress on page 19 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 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.

October 10, 2013
South Portland, Maine

DRAFT

This discussion and analysis of **ecomaine**'s financial performance provides an overall review of **ecomaine's** financial activities for the year ended June 30, 2013 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

Continuing the trend that has been underway for several years **ecomaine** had a solid FY 13. Revenues less expenses for the fiscal year ending June 30, 2013 totaled just under $5 million, $1.7 million below FY 2012's level of $6.7 million but $1.9 million ahead of the FY 13 budget. Cash generated from operations in 2013 totaled $8.4 million down from last year's level of $11.3 million, but ahead of the $7.7 million budgeted for FY 13. **ecomaine** made final debt service payments totaling $4.6 million and invested $4.8 million in capital improvements including a $1.9 million landfill expansion in FY 13. Our recycle market and the market rates for power sold were both soft but we had one of the best years ever in terms of the quantity of power sold with 90,000 MWH's of electricity going onto the New England power grid. Our continued strong financial position has allowed the Board of Directors to again reduce assessments in order to provide financial relief to the member communities. In FY 11 Owner Member Assessments totaled just under $4.7 million annually and effective with FY 15 they will total $2.4 million – a 48% reduction in 4 years. In addition, effective July 1, 2013, **ecomaine** has lowered our tipping fees for Owner Member Communities and Commercial Accounts by 20% to provide additional financial relief and to meet market conditions.

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 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** 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.

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 position, all of these activities are reported as business-type activities.

ecomaine as a whole

The statements of net position look at **ecomaine** as a whole. Table 1 below is a summary of **ecomaine**'s net position for 2013 with comparative numbers for 2012.

Table 1
Net Position

	2013	2012
ASSETS		
Current and other	$ 29,098,650	30,075,350
Capital assets	31,183,549	30,416,351
Total assets	60,282,199	60,491,701
LIABILITIES		
Current liabilities	1,528,848	2,405,010
Long-term debt outstanding		
Due within one year	-	4,560,000
Due in more than one year	-	-
Other liabilities	16,246,576	15,988,724
Total liabillities	17,775,424	22,953,734
NET POSITION		
Invested in capital assets, net of related debt	31,183,549	25,856,351
Restricted	-	1,800,195
Unrestricted	11,323,226	9,881,421
Total net position	$ 42,506,775	37,537,967

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

Assets

The $.2 million decrease in total assets during FY 13 reflects a $.9 million decrease in cash balances partially offset by an increase in capital assets, net of depreciation, of $.7 million.

Liabilities

Total liabilities decreased by $5.2 million during the year as a result of $4.6 million in bond principal payments along with a reduction in the Account's Payable balances offset in part by an increase of $.3 million in the landfill close and post close liability as a result of capacity utilization in 2013.

Table 2
Changes in Net Position

	2013	2012	Increase (decrease)
REVENUES			
Operating revenues	$ 23,772,889	25,355,077	(1,582,188)
Total revenues	23,772,889	25,355,077	(1,582,188)
OPERATING EXPENSES			
Administration	2,447,226	2,432,537	14,689
Facility operations	9,018,812	8,693,408	325,404
Recycling operations	1,652,454	1,779,621	(127,167)
Landfill operations	1,569,934	1,603,147	(33,213)
Landfill closure and Postclosure care costs	257,852	277,316	(19,464)
Post-retirement benefit	-	-	-
Depreciation and amortization	4,015,074	3,807,890	207,184
Total operating expenses	18,961,352	18,593,919	367,433
Non-operating revenues (expenses):			
Interest income	70,227	54,698	15,529
Interest expense	(416)	(112,684)	112,268
Gain on disposition of assets	30,924	-	30,924
All other	56,536	6,656	49,880
Net non-operating revenues (expenses)	157,271	(51,330)	208,601
Increase in net position	$ 4,968,808	6,709,828	(1,741,020)

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

Operating Revenues

Total operating revenues for 2013 decreased by $1.6 million or 6.2%, compared to the prior year reflecting a reduction in owner assessments and a soft recycle market. The **ecomaine** Board of Directors reduced assessments for FY 13 by $1.0 million (22.5%) from FY 12. FY 13 MSW volumes overall were up 2.2% over FY 12 adding to revenue while recycle volume were essentially flat to FY 12. We noted last year that we might be seeing the beginning of a softening of the recycle market and that has come to pass with the market value of the recycle material down by 23.5% from FY 12 lowering recycle revenue by $.9 million. Revenue from power sales totaled $3.8 million in FY 13, up slightly from FY 12, reflecting one of the best years ever for **ecomaine** in terms of the quantity of power sold with over 90,000 MWH's (up 6.2% over FY 12) going onto the New England power grid. However the market value for our power was down by about 4.7% from FY 12 averaging $41.69 per MWH.

Total Expenses

Total operating expenses increased by \$.4 million or 2% when compared to 2012. The WTE facility cash operating costs were up 3.7% (\$.3 million) with gas use (fuel quality) and slightly higher gas rates accounting for the majority of this increase. Recycle facility operating costs were favorable by 7.1% (\$.1 million) reflecting the soft recycle market resulting in lower prices paid for recycle material, landfill operating costs were favorable by 2.1% (favorable vehicle maintenance costs) and administration costs were essentially flat to FY 12. Non cash costs were unfavorable by \$.2 million reflecting higher depreciation resulting from our capital expenditures program. In addition, interest expense was favorable by \$.1 million reflecting the pay off of our long-term debt.

Details for the analysis below can be found in the <u>Budget to Actual</u> schedule on page 21.

Analysis of Fiscal Year 2013 Actual Results Compared to Budget

Total Revenue less Expenses

Revenue less Expenses for FY 2013 totaled just under \$5 million and was favorable to budget by \$1.9 million. The budget was developed in a somewhat conservative manner due to the uncertainty in the recycle and power markets and continuing trends of lower owner MSW tonnages.

Operating Revenues

Total operating revenue of \$23.8 million was favorable to budget by \$1.0 million (4.5%). Electrical revenue was 23% (\$.7 million) favorable to budget reflecting both positive volume (90,001 MWH's sold vs. 79,053 budgeted) and favorable market rates (\$41.69/MWH vs. \$38.59 budgeted). Overall MSW tipping fee revenue was \$.4 million (2.8%) favorable to budget with the spot market experiencing strong volume (24.8% over budget) which more than offset slightly unfavorable MSW market rates in all categories. As noted in last year's comments in FY 12 we were beginning to see the recycle market soften and those conditions did continue thru all of FY 13. With the soft market conditions recycle volume and values were 1.3% and 1.6% respectively below our budget for FY 13 and as a result recycle revenue ended the year \$.1 million (3.9%) below budget.

Operating Expenses

Total operating expenses plus depreciation were favorable to budget by \$.7 million or 3.7%.

Recycle facility cash operating costs were favorable to budget by 9.4% (\$.2 million) reflecting favorable prices paid for recycle material (soft recycle market) and baling wire purchase (timing) offset in part higher maintenance costs on facility (aging) and silver bullets. Cash operating costs at the landfill operation were favorable by 4.1% (\$.1 million) reflecting costs that became part of the landfill expansion capital project (geomembrane and certain maintenance costs). Administration expenses overall were flat to the budget with favorable insurance premiums (markets), computer maintenance costs (stable, more effective staff), and payroll (vacant positions), offset by higher Legal Costs (extended labor negotiations and other contractual issues, legislative activities), and Consulting Costs (Organics Recovery, Medical Insurance study). WTE operating costs were unfavorable to budget by .8% reflecting higher payroll costs (associated with the new labor contracts), and chemicals (lime usage). These unfavorable costs in the WTE facility were partially offset in part by favorable maintenance and utility costs (both associated with a good operating year) and lower compliance costs (favorable bids and less testing required).

A portion of the budgeted contingency expense was effectively used to cover general wage increases (included in each department actual operating expenses) as the impact of these items was unknown when the budget was developed.

Post Retirement benefits were favorable to budget by $.1 million reflecting revised actuarial reports.

Capital Assets

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

		2013	2012
Land-waste-to-energy facility	$	1,517,764	1,475,061
Vehicles		700,282	95,685
Office furniture and equipment		68,288	65,377
Recycling facility and equipment		3,298,146	2,979,232
Balefill/ashfill/leachate site		7,317,729	5,583,905
Waste-to-energy facility		18,281,340	20,217,091
Total capital assets	$	31,183,549	30,416,351

Gross capital additions for 2013 totaled $4.8 million against a budget of $5.5 million. One of the more significant projects completed this year included Phase II of the Landfill Expansion at a cost of $1.9 million (budget was $2.1 million). Several smaller projects that were budgeted in FY 13 were not able to be completed this year and will be carried over into FY 14. In addition the ESP Rebuild project (budgeted for $.5 million) was deferred into the future when we will have completed a more comprehensive evaluation of the opportunities associated with the Precipitators.

Debt

Table 4
Outstanding Debt at Year-End

		2013	2012
Variable rate demand bonds	$	-	2,760,000
Fixed rate serial bonds		-	1,800,000
Total debt	$	-	4,560,000

During the fiscal year ended June 30, 2013, principal payments totaling $4,560,000 were made and all existing long-term bonds were paid off.

Current Financial Activities and Economic Factors Included in the FY 2014 Budget

In our budget process for FY 14 we continued in a conservative manner assuming that Power Sales, Recycle markets and MSW volumes would remain relatively flat. Our Cash Reserve Policy provides that when our financial position permits it, our first priority is to provide financial relief to our owner member communities. Looking out over the next few years the board believes our financial condition continues to be sound. Therefore (and as announced last fall) our FY 14 budget includes a further $.5 million reduction in Owner Member Assessments effective July 1, 2013 bringing total assessments down from $4.7 million in FY 11 to $2.9 million in FY 14 – a reduction of $1.8 million (37.1%) in just three years. In addition, effective July 1, 2013 we lowered Owner Community Member and Commercial Account MSW tipping fees by 19.8% and have included the impact of this change in our FY 14 budget. Our budget indicates that we will generate about $4.9 million in cash from operations and use about $3.2 million in our capital improvement program in FY 14.

A further $.5 million reduction in assessments, effective July 1, 2014, was approved by the **ecomaine** board on September 12, 2013.

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.

DRAFT

ecomaine
Statements of Net Position
June 30, 2013 and 2012

		2013	2012
ASSETS			
Current assets:			
Cash and cash equivalents	$	23,060,385	19,181,650
Cash and equivalents held by trustee for current obligations		-	2,947,086
Accounts receivable, net		1,982,809	2,274,343
Inventory		2,362,098	2,128,395
Prepaid expenses		193,358	243,681
Total current assets		27,598,650	26,775,155
Capital assets, net		31,183,549	30,416,351
Restricted cash, equivalents, and investments:			
Debt service reserve fund		-	1,800,195
Total restricted cash, equivalents, and investments		-	1,800,195
Other assets:			
Idle asset - Gorham property		1,500,000	1,500,000
Total other assets		1,500,000	1,500,000
Total assets	**$**	**60,282,199**	**60,491,701**
LIABILITIES			
Current liabilities:			
Current installments of long-term debt	$	-	4,560,000
Accounts payable		590,067	1,492,836
Accrued expenses		36,861	82,189
Accrued salaries and compensated absences		901,920	829,985
Total current liabilities		1,528,848	6,965,010
Post-retirement benefit liability		294,704	294,704
Accrued landfill closure and postclosure care liabilities		15,951,872	15,694,020
Total liabilities	**$**	**17,775,424**	**22,953,734**
NET POSITION			
Invested in capital assets, net of related debt		31,183,549	25,856,351
Restricted - debt service reserve		-	1,800,195
Unrestricted		11,323,226	9,881,421
Total net position	**$**	**42,506,775**	**37,537,967**

See accompanying notes to financial statements on pages 10-19.

ecomaine

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2013 and 2012

		2013	**2012**
Operating revenues:			
Municipal assessments and tipping fees	$	8,490,777	9,588,832
Electrical generating revenues		3,752,470	3,707,430
Commercial tipping fees and spot market waste		8,098,281	7,916,180
Contract member tipping fees		272,172	162,285
Recycling tipping fees		67,819	42,343
Gorham property assessments		170,312	157,384
Sales of recycled goods		2,807,955	3,694,277
Other operating income		113,103	86,346
Total operating revenues		23,772,889	25,355,077
Operating expenses:			
Administrative expenses		2,447,226	2,432,537
Facility operating expenses		9,018,812	8,693,408
Recycling operating expenses		1,652,454	1,779,621
Landfill/ashfill operating expenses		1,569,934	1,603,147
Landfill closure and postclosure care costs		257,852	277,316
Total operating expenses other than depreciation and amortization		14,946,278	14,786,029
Net operating income before depreciation and amortization		8,826,611	10,569,048
Depreciation		4,015,074	3,807,890
Net operating income		4,811,537	6,761,158
Non-operating revenues (expenses):			
Interest income		70,227	54,698
Interest expense		(416)	(112,684)
Miscellaneous receipts		56,536	6,656
Gain on disposition of assets		30,924	-
Net non-operating revenue (expenses)		157,271	(51,330)
Change in net positions		4,968,808	6,709,828
Total net position, beginning of year		37,537,967	30,828,139
Total net position, end of year	**$**	**42,506,775**	**37,537,967**

See accompanying notes to financial statements on pages 10-19.

ecomaine

Statements of Cash Flows

Years Ended June 30, 2013 and 2012

		2013	2012
Cash flows from operating activities:			
Receipts from assessments and tipping fees	$	17,220,583	17,634,670
Receipts from electrical generating revenues		3,752,470	3,824,959
Receipts from other sources		3,091,370	3,897,011
Payments to employees		(7,356,798)	(7,029,426)
Payments to suppliers		(4,750,156)	(3,596,501)
Contractual payments		(3,584,478)	(3,385,223)
Net cash and cash equivalents provided by operating activities		8,372,991	11,345,490
Cash flows from capital and related financing activities:			
Payments of interest		(416)	(222,257)
Repayment of long-term debt		(4,560,000)	(6,630,000)
Net cash and cash equivalents used in capital and related financing activities		(4,560,416)	(6,852,257)
Cash flows from investing activities:			
Receipts of interest		70,227	54,698
Purchases of property, plant and equipment		(4,751,348)	(2,587,094)
Net cash and cash equivalents used in investing activities		(4,681,121)	(2,532,396)
Net increase (decrease) in cash		(868,546)	1,960,837
Cash and cash equivalents balance, beginning of year		23,928,931	21,968,094
Cash and cash equivalents balance, end of year	**$**	**23,060,385**	**23,928,931**
Reconciliation of net operating income to net cash and cash equivalents provided by operating activities:			
Net operating income	$	4,811,537	6,761,158
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation and amortization		4,015,074	3,807,890
Purchase discounts		56,536	-
(Increase) decrease in assets:			
Accounts receivable		291,534	42,559
Inventory		(233,703)	(93,213)
Prepaid expenses		50,323	(57,356)
Increase in liabilities:			
Accounts payable		(902,769)	551,393
Accrued salaries and compensated absences		71,935	55,743
Accrued expenses		(45,328)	-
Accrued landfill closure and postclosure care liabilities		257,852	277,316
Net cash provided by operating activities	**$**	**8,372,991**	**11,345,490**

See accompanying notes to financial statements on pages 10-19.

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 46 municipalities in southern Maine and New Hampshire. Owned and controlled by 21 of these municipalities, **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 assessments, tipping fees, receipts from the sale of spot market waste, electric energy sales, and the sale of recycled goods. 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.

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 Energy, 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 $30,411 and $31,877 at June 30, 2013 and 2012, 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.

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.

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 - 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.

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.

DEPOSITS AND INVESTMENTS

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, 2013, **ecomaine** reported deposits of $23,060,385 with a bank balance of $23,178,839. As of June 30, 2012, **ecomaine** reported deposits of $19,181,650 with a bank balance of $19,251,776. At both June 30, 2013 and 2012, 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 $25,000,000 which expires on September 24, 2013. As of the report date, the Letter of Credit had been renewed for an additional quarter.

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, 2013, 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.

DEPOSITS AND INVESTMENTS, CONTINUED

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, 2013 and 2012, such amounts held by the Trustee consisted of money market funds. At June 30, 2012 the fair value was $4,747,281. At June 30, 2013 the fund was no longer required and had been liquidated.

Other Cash Reserves: During the fiscal year ended June 30, 2012 ecomaine's Board of Directors approved the establishment of cash 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. These reserves at June 30, 2013 have been included in cash and cash equivalents and are as follows:

Landfill Closure and Postclosure Care Cost Reserve - The reserve is intended to fund the landfill closure and postclosure care costs during the remaining useful life of the landfill. The balance at June 30, 2013 is $1,701,671.

Short-Term Capital Reserve - The funds are intended to provide for routine capital projects in the event of unanticipated circumstances. The balance at June 30, 2013 is $3,254,225.

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. The balance at June 30, 2013 is $4,005,200.

Operating Cash Balance 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. The balance at June 30, 2013 is $7,503,718.

CAPITAL ASSETS

Capital assets at June 30, 2013 and 2012 consisted of the following:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets, not being depreciated:				
Land-waste-to-energy/ashfill	$ 1,475,061	42,703	-	1,517,764
Total capital assets, not being depreciated	1,475,061	42,703	-	1,517,764
Capital assets being depreciated:				
Vehicles	733,405	766,353	(365,178)	1,134,580
Office equipment	216,507	20,216	-	236,723
Recycling facility and equipment	5,501,389	64,289	-	5,565,678
Balefill/ashfill/leachate site	17,649,823	1,867,089	-	19,516,912
Baler	4,452,616	-	-	4,452,616
Waste-to-energy facility	94,391,092	2,114,198	-	96,505,290
Total capital assets being depreciated	122,944,832	4,832,145	(365,178)	127,411,799
Less accumulated depreciation:				
Vehicles	(576,409)	(130,491)	272,602	(434,298)
Office equipment	(150,991)	(17,444)	-	(168,435)
Recycling facility and equipment	(2,004,827)	(262,705)	-	(2,267,532)
Balefill/ashfill/leachate site	(12,179,925)	(483,983)	-	(12,663,908)
Baler	(3,809,786)	(178,105)	-	(3,987,891)
Waste-to-energy facility	(75,281,604)	(2,942,346)	-	(78,223,950)
Total accumulated depreciation	(94,003,542)	(4,015,074)	272,602	(97,746,014)
Total capital assets being depreciated, net	28,941,290	817,071	(92,576)	29,665,785
Total capital assets	**$ 30,416,351**	**859,774**	**(92,576)**	**31,183,549**

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:

	Balance June 30, 2012	Additions	Paydowns	Balance June 30, 2013
Series N ($2,480,000 authorized, variable rate demand bonds, weekly variable interest rate, taxable, issued September 1993, maturing July 1, 2014, paid off early in August, 2012)	$ 860,000	-	(860,000)	-
Series R ($21,735,000 authorized, variable rate demand bonds, taxable, issued April 2001, maturing July 1, 2012)	1,900,000	-	(1,900,000)	-
Series S ($6,750,000 authorized, serial bonds, fixed annual interest rates, 4.45% in the fiscal year ended June 30, 2013, non-taxable, issued June 2003, maturing July 1, 2012)	1,800,000		(1,800,000)	-
Long-term debt	**$ 4,560,000**	**-**	**(4,560,000)**	**-**

The obligations of **ecomaine** to pay the principal and interest on each series of bonds were 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 were 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 were special revenue obligations of **ecomaine**, payable solely from the sources described in the offering statement. The bonds did 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.

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:

	2013	2012
Capital assets	$ 128,975,754	124,466,088
Accumulated depreciation	(97,792,205)	(94,049,737)
Bonds payable	-	(4,560,000)
Total invested in capital assets net of related debt	**$ 31,183,549**	**25,856,351**

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.

During the fiscal year ended June 30, 2013, no changes were reported on the fair value. As of the report date, no decision has been made as to the eventual use of the property.

POWER PURCHASE AGREEMENTS

During the fiscal years ended June 30, 2013 and 2012, **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, 2013; the current agreement commenced February 1, 2013 and expires January 31, 2014. At June 30, 2013 and 2012, electrical generating revenues amounted to $3,752,470 and $3,707,430, respectively.

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. There was no penalty payment for the fiscal years ended June 30, 2013 and 2012. **ecomaine** had set aside $83,736 as of June 30, 2012 in an arbitrage rebate fund and subsequently has liquidated the fund.

RETIREMENT PLANS

Nonunion - All non-union employees are covered by a defined contribution plan after their probationary period is completed. **ecomaine** contributed 8% in 2013 and 2012 of the covered employees' gross pay on covered wages of $1,708,208 and $1,691,804, respectively. Pension expense amounted to $136,649 and $135,345 for the years ended June 30, 2013 and 2012, 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 $150,468 and $144,332 for the years ended June 30, 2013 and 2012, respectively, on covered wages of $2,866,049 and $2,749,186, 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 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 $9,460 and $3,165 on covered wages of $159,637 and $158,220 for the years ended June 30, 2013 and 2012, respectively.

Social Security - **ecomaine** participates in the Social Security retirement program. **ecomaine**'s contributions to Social Security were $364,740 and $342,014 for the years ended June 30, 2013 and 2012, 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 bonds at the time of closure. A summary of estimated landfill closure and postclosure care costs is as follows:

	2013	2012
Total estimated future landfill closure and postclosure care costs	$ 22,216,761	22,216,761
Estimated capacity used	71.80%	70.64%
Estimated gross landfill closure and postclosure care costs - end of year	15,951,872	15,694,020
Amounts actually expended	N/A	N/A
Estimated liability for landfill closure and postclosure care costs - end of year	15,951,872	15,694,020
Estimated remaining landfill closure and postclosure care costs to be recognized	$ 6,264,889	6,522,741

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 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.

OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

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

	2013	2012	2011
Normal cost	$ 34,608	34,608	34,608
Amortization of unfunded	30,786	30,786	30,786
Adjustment to ARC	(13,345)	(9,661)	(5,910)
Interest	10,525	7,977	5,383
Annual required contribution	$ 62,574	63,710	64,867

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:

	2013	2012	2011
Annual required contribution	$ 62,574	63,710	64,867
Actual contribution	-	-	-
Percent contributed	0.00%	0.00%	0.00%
Actuarial accrued liability	553,647	553,647	553,647
Plan assets	-	-	-
Unfunded actuarial accrued liability	553,647	553,647	553,647
Covered payroll	4,733,894	4,524,794	4,436,838
Unfunded actuarial accrued liability as a percentage of covered payroll	11.70%	12.24%	12.47%

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

	2013	2012	2011
OPEB liability, July 1	$ 230,770	167,060	102,193
Annual required contribution	62,574	63,710	64,867
Less: Actual contributions	-	-	-
OPEB liability, June 30	$ 293,344	230,770	167,060

The post-retirement benefit liability at June 30, 2013 is $294,704, resulting in an excess of $1,360.

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 (five 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	1/1/11
Actuarial cost method	Projected unit credit cost method
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	$ -	$ 340,262	$ 340,262	0.00%	$ 4,497,961	7.60%
2010	1/1/09	-	340,262	340,262	0.00%	4,445,697	7.60%
2011	1/1/11	-	553,647	553,647	0.00%	4,436,838	12.47%
2012	1/1/11	-	553,647	553,647	0.00%	4,524,794	12.24%
2013	1/1/11	-	553,647	553,647	0.00%	4,733,894	11.70%

ecomaine
Schedule of Municipal Assessments and Tipping Fees
Years Ended June 30, 2013 and 2012

		2013	2012
Members			
Bridgton	$	152,579	195,760
Casco		59,290	74,085
Cumberland		112,413	149,244
Cape Elizabeth		188,759	248,891
Falmouth		144,951	190,875
Freeport		120,868	157,494
Gorham		139,479	173,944
Gray		164,494	205,356
Harrison		66,277	87,335
Hollis		70,215	100,517
Limington		112,896	145,602
Lyman		72,637	86,942
Ogunquit		40,751	51,625
Pownal		18,039	25,404
Portland		662,543	851,728
North Yarmouth		57,969	84,567
Scarborough		359,452	475,250
South Portland		441,218	565,700
Waterboro		150,603	174,203
Windham		141,250	178,682
Yarmouth		165,426	218,905
Total members' assessments		3,442,109	4,442,109
Associate members tip fees		878,519	885,599
Municipal tipping fees		4,170,149	4,261,124
Total municipal assessments and tipping fees	**$**	**8,490,777**	**9,588,832**

Schedule 2

ecomaine
Budget to Actual
Year Ended June 30, 2013

		Actual	Budget	Variance	Change
Operating revenues:					
Municipal assessments	$	3,442,109	3,442,109	-	0.0%
Owners tipping fees		4,170,149	4,270,441	(100,292)	-2.3%
Associate tipping fees		878,519	1,101,870	(223,351)	-20.3%
Commercial tipping fees		6,079,337	5,776,742	302,595	5.2%
Spot market tipping fees		2,291,116	1,910,271	380,845	19.9%
Electrical generating revenues		3,752,470	3,050,623	701,847	23.0%
Sales of recycled goods		2,807,955	2,922,408	(114,453)	-3.9%
Recycling tipping fees		67,819	36,000	31,819	88.4%
Gorham property assessments		170,312	164,260	6,052	3.7%
Other operating income		113,103	84,360	28,743	34.1%
Total operating revenues		23,772,889	22,759,084	1,013,805	4.5%
Operating expenses:					
Administrative expenses		2,447,226	2,448,185	959	0.0%
Waste-to-energy operating expenses		9,018,812	8,947,733	(71,079)	-0.8%
Recycling operating expenses		1,652,454	1,824,828	172,374	9.4%
Landfill/ashfill operating expenses		1,569,934	1,637,713	67,779	4.1%
Contingency		-	250,000	250,000	n/a
Landfill closure and postclosure care costs		257,852	278,402	20,550	n/a
Post-retirement benefit		-	93,474	93,474	n/a
Total operating expenses		14,946,278	15,480,335	534,057	3.4%
Net operating income other than depreciation and amortization		8,826,611	7,278,749	1,547,862	21.3%
Depreciation and amortization		4,015,074	4,200,000	184,926	4.4%
Net operating income		4,811,537	3,078,749	1,732,788	56.3%
Non-operating income (expense):					
Interest income		70,227	35,000	35,227	100.6%
Interest expense		(416)	(9,360)	8,944	-95.6%
Miscellaneous receipts		56,536	-	56,536	n/a
Gain on disposition of assets		30,924	-	30,924	n/a
Net non-operating		157,271	25,640	131,631	513.4%
Total revenues less expenses	**$**	**4,968,808**	**3,104,389**	**1,864,419**	**60.1%**

ecomaine

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

Associate Members
Baldwin
Hiram
Naples
Parsonsfield
Porter
Saco
Standish

Contract Members
Andover
Cornish
Eliot
Greenland, NH
Hampton, NH
Jay
Kittery
Limerick
Livermore Falls
Manchester
Monmouth
Newington, NH
North Haven
Old Orchard Beach
Poland
Readfield
Sanford
Stockton Springs
Swan's Island
Wayne

October 10, 2013

Runyon Kersteen Ouellette
20 Long Creek Drive
South Portland, Maine 04106

This representation letter is provided in connection with your audits of the financial statements of ecomaine, which comprise the financial position of ecomaine as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of October 10, 2013, the following representations made to you during your audit.

Financial Statements

1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 11, 2013, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the supplementary information in accordance with the applicable criteria.
2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all financial information required by generally accepted accounting principles to be included in the financial reporting entity.
3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5) Significant assumptions we used in making accounting estimates are reasonable.
6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

8) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.

9) Guarantees, whether written or oral, under which **ecomaine** is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10) We have provided you with:

    a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.

    b. Additional information that you have requested from us for the purpose of the audit.

    c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

    d. Minutes of the meetings of the Finance and Audit Committees or summaries of actions of recent meetings for which minutes have not yet been prepared.

11) All material transactions have been recorded in the accounting records and are reflected in the financial statements.

12) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:

    a. Management,

    b. Employees who have significant roles in internal control, or

    c. Others where the fraud could have a material effect on the financial statements.

14) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.

15) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.

16) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

17) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

18) We have made available to you all financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.

19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.

21) **ecomaine** has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.

22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of

financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

23) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

24) As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

25) **ecomaine** has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral – except as communicated to you and disclosed in the notes to the financial statements.

26) **ecomaine** has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

27) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

28) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

29) The financial statements properly classify all funds and activities.

30) Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.

31) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.

32) Provisions for uncollectible receivables have been properly identified and recorded.

33) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

34) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

35) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

36) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

37) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.

38) With respect to the supplementary Schedules 1 and 2:

    a. We acknowledge our responsibility for presenting the schedules in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the schedules have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

b. If the supplementary schedules are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

39) We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

Sincerely,

Kevin H. Roche
Chief Executive Officer

Arthur P. Birt
Director of Finance & Administration

DRAFT

October 10, 2013

To the Audit Committee
ecomaine

We have audited the financial statements of ecomaine for the year ended June 30, 2013, and have issued our report thereon dated October 10, 2013. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information during our meeting with you on April 11, 2013 as well as in our letter to you dated April 11, 2013. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by ecomaine are described in the notes to the financial statements. ecomaine adopted the provisions of Statement of Governmental Accounting Standards (GASB Statement) No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65 *Items Previously Reported as Assets and Liabilities* in 2013. No other new accounting policies were adopted and the application of existing policies was not changed during 2013. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

> Landfill closure and postclosure care costs, and the related accrued landfill closure and postclosure care liability, which were based on the capacity of the ashfill/balefill and the related cost of closure and maintenance.
>
> Depreciation expense and accumulated depreciation, which was based on historical costs and estimated useful lives.
>
> Post-retirement benefit expense and related post-retirement benefit liability, which was based on an actuarial valuation.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the attached management representation letter dated October 10, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Audit Committee and management of ecomaine and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

DRAFT

October 10, 2013

To the management of
ecomaine

In planning and performing our audit of the financial statements of **ecomaine** as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered **ecomaine's** internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **ecomaine's** internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit, we noted several matters that may represent opportunities for strengthening internal controls and operating efficiency, which we have reported as "Other Matters" in the attached schedule of comments. **ecomaine's** responses to these recommendations are also described in the accompanying schedule; we did not audit such responses and, accordingly, we express no opinion on them. This letter does not affect our report dated October 10, 2013 on the financial statements of **ecomaine**.

We will review the status of these comments during our next audit engagement. We have already discussed these suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of management and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

OTHER MATTERS

Use Of Debit Cards

Comment carried forward from 2012 letter: During our discussions with the Director of Finance and Administration we noted that **ecomaine** currently utilizes debit cards to allow several specified employees to purchase items. Debit cards give the Organization a convenient way to pay for items without needing to carry cash or write checks. Debit cards work like credit cards; however, debit cards are linked to a checking account. Although such cards are convenient, they generally do not provide the same level of fraud protection as do credit cards, which typically offer some protection from fraud or theft. Thus, we recommend that management consider replacing **ecomaine's** debit cards with purchasing cards. Such cards provide a mechanism to transact low dollar purchases of goods and services at a significantly lower cost than traditional methods. Any use of these cards should be subject to a variety of controls, to include specific limitations and prompt review.

Management's Response: *Management agrees with the above recommendation and will address it as part of a review of the entire purchasing function.*

Cash Balances

During the course of our engagement we noted that at June 30, 2013 the Organization has cash and cash equivalent balances of $23,060,385. This balance reflects the positive operating results experienced by ecomaine in recent years, and we congratulate management on the numerous efforts undertaken that have been so favorably rewarded. Of the aforementioned balance, approximately $14.2 million is deposited in a checking account at TD Bank. Given the significance of the balance, we wish to encourage the Organization to continue to consider how best to utilize these funds, while continuing to maintain sufficient dollars to meet cash flow needs.

Management's Response: *Management agrees with the above recommendation and will continue to explore alternative uses of excess cash that are consistent with ecomaine's investment policy.*

Capital Assets and related Software

Several years ago ecomaine purchased software enabling staff to maintain the Organization's capital asset records and related depreciation. In the current year staff worked diligently with management to address a comment/suggestion from last year's audit engagement, in which we noted the number of capital accounts on the general ledger was considerable and that a consolidation of such assets would provide benefit in allowing a more streamlined/straight-forward review. We applaud the considerable efforts that went into the consolidation.

During our audit procedures we did note that the reconciliation of capital assets as detailed in the capital asset software to the related general ledger accounts is an ongoing process, as at the time of our early August fieldwork the aforementioned consolidation had only recently been finalized, and thus ecomaine staff had not yet had the time needed to devote to the issue. We encourage management and staff to take whatever time is needed to make for an efficient reconciliation procedure.

Management's Response: *Management agrees and has recently met with its software representative to address the above recommendation.*

OTHER MATTERS, CONTINUED

Recycling

At the request of management we devoted additional effort to the review of the process of selling recycling materials and related activities. We discussed our observations with management and provided feedback based on the results of our procedures.

Management's Response:

Management will consider its auditor recommendations as part of its ongoing review of its control processes.