ecomaine

Financial Statements

June 30, 2016 and 2015

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, 2016 and 2015, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2016 and 2015, 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 14, 2016
South Portland, Maine

ecomaine
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2016

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, 2016. 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

Comparing FY 16 Actual to FY 15 Actual

FY 16 Revenue less Expenses was a loss of $1.1 million compared to the FY 15 loss of $1.0 million.

FY 16 revenues ($18.6 million) and total operating expenses ($19.9 million) were both flat to FY 15 levels. FY 15 revenues were reduced when we rebated $1.0 million to our owner communities which was not repeated in FY 16. However offsetting this positive change in revenues in FY 16 we saw lower market values for both recyclable material and electricity sold reflecting soft market conditions. Cash operating costs of $15.3 million in FY 16 were 3% below FY 15 levels but were offset with higher depreciation charges associated with our capital program. Cash balances on hand (including Investment Reserves) increased in FY 16 by $2 million compared to a $2.8 million reduction in FY 15 reflecting lower capital spending and the sale of the Gorham Land in FY 16.

Comparing FY 16 Actual to FY 16 Budget

Total Revenue less Expenses for FY 16 was a loss of $1.1 million compared to a budgeted loss of $2.1 million.

Overall revenue of $18.6 million was $.2 million below the budget primarily as a result of the tactical decision to reduce Spot MSW volumes. Total operating expenses (including contingency) of $19.8 million were $1.1 million favorable to budget primarily as a result of favorable costs in the WTE facility partially offset with higher depreciation charges reflecting our capital program. Capital expenditures in FY 16 were $3.0 million favorable to budget (with several projects underway but not completed) and we sold the Gorham Land (not budgeted). As a result our cash balances (including Investment Reserves) increased by $2.0 million compared to the $3.0 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 2016 with comparative numbers for 2015.

Table 1
Net Position

		2016	2015
ASSETS			
Current and other	$	13,774,081	17,083,664
Capital assets		29,039,060	31,078,756
Investment Reserves		19,697,661	15,547,915
Total assets		62,510,802	63,710,335
LIABILITIES			
Current liabilities		1,736,841	2,178,168
Other liabilities		17,257,346	16,891,405
Total liabillities		18,994,187	19,069,573
NET POSITION			
Invested in capital assets, net of related debt		29,039,060	31,078,756
Unrestricted		14,477,555	13,562,006
Total net position	$	43,516,615	44,640,762

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 $1.2 million reflecting a reduction in Net Property Plant & Equipment (lower capital spending in FY 16) and the sale of the Gorham property (Book value of $1.5 million) offset in part with an increase in cash (including the Investment Reserves) of $2.0 million.

Liabilities

FY 16 total liabilities were flat to FY 15 year end with current accrued expenses declining by $.4 million (reflecting the cold outage in FY 15) offset in part with an increase in the Accrued Landfill Close & Post Close Costs (reflecting landfill utilization in FY 16).

Table 2
Changes in Net Position FY 16 compared to FY 15

		2016	2015	Increase (decrease)
REVENUES				
Operating revenues	$	18,619,303	18,621,330	(2,027)
Total revenues		18,619,303	18,621,330	(2,027)
OPERATING EXPENSES				
Administration		2,522,222	2,632,616	(110,394)
Waste to Energy operations		8,946,000	9,222,332	(276,332)
Recycling operations		2,173,789	2,088,193	85,596
Landfill operations		1,641,948	1,802,372	(160,424)
Landfill closure and Postclosure care costs		295,483	259,935	35,548
Post-retirement benefit		70,458	49,730	20,728
Depreciation and amortization		4,201,984	3,804,881	397,103
Total operating expenses		19,851,884	19,860,059	(8,175)
Non-operating revenues (expenses):				
Interest income		208,463	93,863	114,600
Gain (loss) on investment		(41,844)	25,152	(66,996)
Gain (loss) on disposition of assets		(65,385)	40,000	(105,385)
All other		7,200	44,569	(37,369)
Net non-operating revenues (expenses)		108,434	203,584	(95,150)
Increase (decrease) in net position	$	(1,124,147)	(1,035,145)	(89,002)

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 16 Actual to FY 15 Actual

Total Revenue less Expenses for FY 16 was a loss of $1.1 million compared to the FY 15 loss of $1.0 million.

Operating Revenues

Total operating revenues for 2016 of $18.6 million were flat to FY 15.

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). This rebate did not happen again in FY 16.

Overall FY 16 revenues from MSW tipping fees were flat to FY 15. Inbound MSW volumes were down 2% overall (176,361 tons in FY 16 vs. 180,587 tons in FY 15) while the average tipping fee was up 2% in FY 16. Spot MSW volume was down 15% (5,995 tons) reflecting a tactical decision to reduce spot volume for a period while owner and other tons were up 1% overall (1,769 tons).

Our Recycle facility processed 41,011 tons of recycle material which was down 6% from FY 15 (a record year). Unfortunately the recycle market remains soft and the market values reflect that fact with average rates down

6% from FY 15. As a result overall recycle revenue for FY 16 was down $.6 million (19%) from FY 15 and over $1.0 million from FY 14.

The volume of power sold in FY 16 (92,744 MWH's) was a record year for **ecomaine** exceeding the prior record (established just 3 years ago in FY 13) by 3% (2,743 MWH's) and FY 15 by 20% (when the Turbine /Generator was out of service for a period undergoing a major overhaul). Unfortunately the market value of the power sold was down 24% (averaging $45.09/MWH compared to $59.93/MWH in FY 15). As a result even with a record production year overall energy revenue was down 9% from FY 15.

Total Operating Expenses

Total operating expenses of $19.9 million were flat to FY 15.

Overall cash costs were down $.5 million with Admin down $.1 million (legal fees), WTE facility costs down $.3 million (lower payroll, as well as lower gas & chemical usage & price), Recycle facility up $.1 million (higher payroll) and landfill costs down $.2 million (lower maintenance costs). Non cash costs were unfavorable by $.5 million reflecting higher depreciation from capital spending.

Comparing FY 2016 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 2016 was a loss of $1.1 million and was favorable to budget by $1.0 million.

Operating Revenues

Total operating revenue of $18.6 million was unfavorable to budget by $.2 million (1%).

Total MSW Tipping Fees of $11.8 million were unfavorable to budget by $.2 million reflecting total inbound MSW volumes of 176,361 tons (3% under budget of 181,938 tons). Volumes in all markets were over budget with the exception of the Spot Market (down 19% - 7,702 tons). A tactical decision was made in FY 16 to lower spot volumes for a period in order to reduce MSW temporarily stored at Landfill. Market rates for MSW in FY 16 averaged $67.03/ton or 2% over budget ($65.92).

Total inbound recycle at 41,011 tons was 1% under budget (41,608 tons) while soft market rates continue the trend that started several years. As a result recycle revenue was down $.1 million (3%) below budget.

Electrical revenue was 2% ($.1 million) under budget reflecting positive volume sold (92,744 MWH's vs 87,442 budget – up 6%) offset in part by unfavorable rates ($45.09/MWH vs $46.91/MWH budgeted).

Operating Expenses

Total operating expenses of $19.9 million were favorable to budget by $1.1 million or 5%.

Overall cash costs (including contingency) were down $1.4 million with WTE facility costs down $1.0 million (lower payroll, lower gas & chemical usage & price, & lower maintenance costs), Admin down $.2 million (lower payroll and legal fees), recycle down $ .1 million (lower maintenance costs), and landfill was flat to budget. Contingency of $.1 million was not used. Non cash costs were unfavorable by $.3 million reflecting higher depreciation from the capital program.

Capital Expenditures and Asset Values

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

		2016	2015
Land at WTE facility	$	2,015,201	1,969,001
Vehicles		779,208	752,185
Office furniture and equipment		162,219	195,310
Recycling facility and equipment		2,438,497	2,762,114
Balefill/ashfill/leachate site		4,592,374	5,342,723
Waste-to-energy facility		19,051,561	20,057,423
Total capital assets	$	29,039,060	31,078,756

Our budget for capital expenditures was a total of $5.1 million for FY 16 (well above a "normal year") and we actually spent $2.1 million. Several larger WTE projects were budgeted in FY 16 (Refuse Crane, Boiler Inconel Work, and Locker Room Renovations) with work starting in FY 16 that will be completed in FY 17.

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, 2016 and 2015

		2016	2015
ASSETS			
Current assets:			
Cash and cash equivalents	$	5,914,305	6,298,130
Accounts receivable, net		1,885,906	1,943,169
Inventory		2,641,991	2,487,755
Prepaid expenses		405,802	190,326
Total current assets		10,848,004	10,919,380
Capital assets, net		29,039,060	31,078,756
Reserves:			
Cash and cash equivalents - reserves		2,926,077	4,664,284
Investment - reserves		19,697,661	15,547,915
Total reserves		22,623,738	20,212,199
Other assets:			
Idle asset - Gorham property		-	1,500,000
Total other assets		-	1,500,000
Total assets	**$**	**62,510,802**	**63,710,335**
LIABILITIES			
Current liabilities:			
Accounts payable	$	565,208	1,027,084
Accrued expenses		270,515	170,698
Accrued salaries and compensated absences		901,118	980,386
Total current liabilities		1,736,841	2,178,168
Post-retirement benefit liability		510,352	439,894
Accrued landfill closure and postclosure care liabilities		16,746,994	16,451,511
Total liabilities	**$**	**18,994,187**	**19,069,573**
NET POSITION			
Invested in capital assets, net of related debt		29,039,060	31,078,756
Unrestricted		14,477,555	13,562,006
Total net position	**$**	**43,516,615**	**44,640,762**

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

ecomaine
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2016 and 2015

		2016	2015
Operating revenues:			
Municipal assessments and tipping fees	$	4,829,015	3,696,175
Electrical generating revenues		4,182,191	4,616,876
Commercial tipping fees and spot market waste		6,991,984	7,122,767
Recycling tipping fees		140,644	130,981
Sales of recycled goods		2,369,969	2,956,003
Other operating income		105,500	98,528
Total operating revenues		18,619,303	18,621,330
Operating expenses:			
Administrative expenses		2,522,222	2,632,616
Waste-to-energy operating expenses		8,946,000	9,222,332
Recycling operating expenses		2,173,789	2,088,193
Landfill/ashfill operating expenses		1,641,948	1,802,372
Landfill closure and postclosure care costs		295,483	259,935
Post-retirement benefits		70,458	49,730
Total operating expenses other than depreciation		15,649,900	16,055,178
Net operating income before depreciation		2,969,403	2,566,152
Depreciation		4,201,984	3,804,881
Net operating income (loss)		(1,232,581)	(1,238,729)
Non-operating revenues (expenses):			
Interest and dividend income		208,463	93,863
Miscellaneous receipts		7,200	44,569
Gain (loss) on investments		(41,844)	25,152
Gain (loss) on disposition of assets		(65,385)	40,000
Net non-operating revenue (expenses)		108,434	203,584
Change in net positions		(1,124,147)	(1,035,145)
Total net position, beginning of year		44,640,762	45,675,907
Total net position, end of year	**$**	**43,516,615**	**44,640,762**

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

ecomaine
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

		2016	2015
Cash flows from operating activities:			
Receipts from assessments and tipping fees	$	12,018,906	10,890,544
Receipts from electrical generating revenues		4,182,191	4,616,876
Receipts from other sources		2,475,469	3,054,531
Payments to employees		(7,141,692)	(7,097,509)
Payments to suppliers		(8,946,106)	(8,628,377)
Net cash and cash equivalents provided by operating activities		2,588,768	2,836,065
Cash flows from investing activities:			
Purchase of investments		(4,149,746)	(15,547,915)
Gain (loss) on investments		(41,844)	25,152
Interest income		208,463	93,863
Purchases of property, plant and equipment		(2,162,288)	(5,761,460)
Sale of other assets		1,434,615	-
Net cash and cash equivalents used in investing activities		(4,710,800)	(21,190,360)
Net increase (decrease) in cash		(2,122,032)	(18,354,295)
Cash and cash equivalents balance, beginning of year		10,962,414	29,316,709
Cash and cash equivalents balance, end of year	$	8,840,382	10,962,414
Less cash and cash equivalents - reserves		(2,926,077)	(4,664,284)
Cash and cash equivalents	**$**	**5,914,305**	**6,298,130**
Reconciliation of net operating loss to net cash and cash equivalents provided by operating activities:			
Net operating loss	$	(1,232,581)	(1,238,729)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:			
Depreciation		4,201,984	3,804,881
Purchase discounts		7,200	44,569
(Increase) decrease in assets:			
Accounts receivable		57,263	(59,379)
Inventory		(154,236)	66,420
Prepaid expenses		(215,476)	41,804
Increase (decrease) in liabilities:			
Accounts payable		(461,876)	(266,210)
Accrued salaries and compensated absences		(79,268)	49,043
Accrued expenses		99,817	84,002
Post-retirement benefit liability		70,458	49,729
Accrued landfill closure and postclosure care liabilities		295,483	259,935
Net cash provided by operating activities	**$**	**2,588,768**	**2,836,065**

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 57 municipalities in southern Maine and New Hampshire. Owned and controlled by 20 of these municipalities at June 30, 2016, **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.

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 at June 30, 2016 and 2015, 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, 2016, **ecomaine** reported deposits of $5,914,305 with a bank balance of $6,450,987. As of June 30, 2015, **ecomaine** reported deposits of $6,298,130 with a bank balance of $6,311,203. At both June 30, 2016 and 2015, none of **ecomaine's** bank balances were exposed to custodial credit risk. The balances at June 30, 2016 and 2015 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 $7,000,000 and $20,000,000, respectively.

B. Investments

ecomaine categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

At June 30, 2016 **ecomaine** had the following investments and maturities:

	Fair Value	Less than 1 year	1-5 years	More than 5 years	Level 1 inputs
Certificates of Deposit	$ 2,258,999	755,251	1,503,748	-	2,258,999
U.S. Government Securities	12,597,642	4,029,102	8,568,540	-	12,597,642
Equities/stock	4,710,641	Not applicable		-	4,710,641
Mutual funds	130,379	Not applicable		-	130,379
Total Investments	**$ 19,697,661**	**4,784,353**	**10,072,288**	**-**	**19,697,661**

DEPOSITS AND INVESTMENTS, CONTINUED

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.

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.

	2016	2015
Operating Cash Reserve	$ 8,249,690	8,174,074
Landfill Closure Reserve - Required	300,941	300,152
Landfill Closure Reserve - Discretionary	6,214,445	3,922,781
Short-Term Capital Reserve	4,057,653	3,265,183
Long-Term Capital Reserve	502,516	4,049,714
Recycling Revenue and Cost Sharing Reserve	3,298,493	500,295
Total reserve	**$ 22,623,738**	**20,212,199**

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.

DEPOSITS AND INVESTMENTS, CONTINUED

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 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, 2016, **ecomaine's** investments were rated as follows by Standard & Poor's.

Credit Risk Rating:

U.S. Government Securities with AA+ Ratings	$ 12,597,642
Total	**$ 12,597,642**

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

CAPITAL ASSETS

Capital assets at June 30, 2016 and 2015 consisted of the following:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Capital assets, not being depreciated:				
Land-waste-to-energy/ashfill	$ 1,969,001	46,200	-	2,015,201
Total capital assets, not being depreciated	1,969,001	46,200	-	2,015,201
Capital assets being depreciated:				
Vehicles	1,578,672	273,560	(131,858)	1,720,374
Office equipment	418,939	18,990	-	437,929
Recycling facility and equipment	13,480,017	167,746	-	13,647,763
Balefill/ashfill/leachate site	19,528,287	13,741	-	19,542,028
Waste-to-energy facility	99,825,788	1,642,051	-	101,467,839
Total capital assets being depreciated	134,831,703	2,116,088	(131,858)	136,815,933
Less accumulated depreciation:				
Vehicles	(826,487)	(246,537)	131,858	941,166
Office equipment	(223,629)	(52,081)	-	275,710
Recycling facility and equipment	(10,717,903)	(491,363)	-	11,209,266
Balefill/ashfill/leachate site	(14,185,564)	(764,090)	-	14,949,654
Waste-to-energy facility	(79,768,365)	(2,647,913)	-	82,416,278
Total accumulated depreciation	(105,721,948)	(4,201,984)	131,858	109,792,074
Total capital assets being depreciated, net	29,109,755	(2,085,896)	-	27,023,859
Total capital assets	**$ 31,078,756**	**(2,039,696)**	**-**	**29,039,060**

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:

	2016	2015
Capital assets	$ 138,831,134	136,800,704
Accumulated depreciation	(109,792,074)	(105,721,948)
Total invested in capital assets net of related debt	**$ 29,039,060**	**31,078,756**

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, 2016, **ecomaine** sold the property for $1,750,000. However, ecomaine is required to pay $20,000 per year for the next five years for road and trail construction on that property. **ecomaine** has reflected a liability of $100,000 in its financial statements. After all costs related to the sale, **ecomaine** realized a loss of $80,385 on the sale.

POWER PURCHASE AGREEMENTS

During the fiscal years ended June 30, 2016 and 2015, **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, 2016; the current agreement commenced February 1, 2016 and expires January 31, 2017. At June 30, 2016 and 2015, electrical generating revenues amounted to $4,182,191 and $4,616,876, 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 2016 and 2015 of the covered employees' gross pay on covered wages of $2,035,364 and $1,959,688, respectively. Pension expense amounted to $164,520 and $156,775 for the years ended June 30, 2016 and 2015, 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 $145,211 and $143,595 for the years ended June 30, 2016 and 2015, respectively, on covered wages of $2,781,359 and $2,735,143, 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, 2016, 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 $17,180 and $16,743 on covered wages of $171,796 and $168,231 for the years ended June 30, 2016 and 2015, respectively.

Social Security - **ecomaine** participates in the Social Security retirement program. **ecomaine's** contributions to Social Security were $396,474 and $397,695 for the years ended June 30, 2016 and 2015, 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:

	2016	2015
Total estimated future landfill closure and postclosure care costs	$ 22,216,761	22,216,761
Estimated capacity used	75.38%	74.05%
Estimated gross landfill closure and postclosure care costs - end of year	16,746,994	16,451,511
Amounts actually expended	N/A	N/A
Estimated liability for landfill closure and postclosure care costs - end of year	16,746,994	16,451,511
Estimated remaining landfill closure and postclosure care costs to be recognized	$ 5,469,767	5,765,250

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:

	2016	2015	2014
Normal cost	$ 44,304	44,304	44,304
Amortization of unfunded	36,217	36,217	36,217
Adjustment to ARC	(25,430)	(21,250)	(16,964)
Interest	19,184	16,293	13,329
Annual required contribution	$ 74,275	75,564	76,886

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:

	2016	2015	2014
Annual required contribution	$ 74,275	75,564	76,886
Actual contribution	-	-	-
Percent contributed	0.00%	0.00%	0.00%
Actuarial accrued liability	651,316	651,316	651,316
Plan assets	-	-	-
Unfunded actuarial accrued liability	651,316	651,316	651,316
Covered payroll	5,129,258	5,044,484	4,875,911
Unfunded actuarial accrued liability as a percentage of covered payroll	12.70%	12.91%	13.40%

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

	2016	2015	2014
OPEB liability, July 1	$439,728	367,454	293,344
Annual OPEB Cost	74,275	75,564	76,886
Less: Implicit contributions	(3,817)	(3,290)	(2,776)
OPEB liability, June 30	$ 510,186	439,728	367,454

The post-retirement benefit liability at June 30, 2016 and 2015 was $510,352 and $439,894, resulting in an excess of $166, 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	01/01/14
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	01/01/09	$ -	$ 340,262	$ 340,262	0.00%	$ 4,445,697	7.70%
2011	01/01/11	-	553,647	553,647	0.00%	4,436,838	12.50%
2012	01/01/11	-	553,647	553,647	0.00%	4,524,794	12.20%
2013	01/01/11	-	553,647	553,647	0.00%	4,733,894	11.70%
2014	01/01/14	-	651,316	651,316	0.00%	4,875,911	13.40%
2015	01/01/14	-	651,316	651,316	0.00%	5,044,484	12.91%
2016	01/01/14	-	651,316	651,316	0.00%	5,129,258	12.70%

Schedule 1

ecomaine
Schedule of Municipal Assessments (Rebates) and Tipping Fees
Years Ended June 30, 2016 and 2015

		2016	2015
Members			
Bridgton	$	-	(45,201)
Casco		-	(18,639)
Cumberland		-	(31,609)
Cape Elizabeth		-	(52,366)
Falmouth		-	(42,029)
Freeport		-	(34,077)
Gorham		-	(45,614)
Gray		-	(53,544)
Harrison		-	(18,767)
Hollis		-	(20,005)
Limington		-	(31,723)
Lyman		-	(22,805)
Pownal		-	(3,793)
Portland		-	(199,122)
North Yarmouth		-	(12,049)
Scarborough		-	(110,870)
South Portland		-	(127,194)
Waterboro		-	(40,423)
Windham		-	(44,159)
Yarmouth		-	(46,014)
Total members' assessments (rebates)		-	(1,000,003)
Associate members tip fees		978,906	944,682
Contract members tip fees		306,831	295,585
Municipal tipping fees		3,543,278	3,455,911
Total municipal assessments (rebates) and tipping fees	**$**	**4,829,015**	**3,696,175**

Schedule 2

ecomaine
Budget to Actual
Year Ended June 30, 2016

		Actual	Budget	Variance	Change
Operating revenues:					
Owners tipping fees	$	3,543,278	3,475,065	68,213	2.0%
Associate and contract tipping fees		1,285,737	1,234,640	51,097	4.1%
Commercial tipping fees		5,263,691	5,159,337	104,354	2.0%
Spot market tipping fees		1,728,293	2,123,567	(395,274)	-18.6%
Electrical generating revenues		4,182,191	4,102,190	80,001	2.0%
Sales of recycled goods		2,369,969	2,502,410	(132,441)	-5.3%
Recycling tipping fees		140,644	100,000	40,644	40.6%
Other operating income		105,500	97,743	7,757	7.9%
Total operating revenues		18,619,303	18,794,952	(175,649)	-0.9%
Operating expenses:					
Administrative expenses		2,522,222	2,699,541	177,319	6.6%
Waste-to-energy operating expenses		8,946,000	9,954,936	1,008,936	10.1%
Recycling operating expenses		2,173,789	2,254,478	80,689	3.6%
Landfill/ashfill operating expenses		1,641,948	1,629,638	(12,310)	-0.8%
Contingency		-	119,068	119,068	n/a
Landfill closure and postclosure care costs		295,483	239,704	(55,779)	-23.3%
Post-retirement benefit		70,458	70,458	-	0.0%
Total operating expenses		15,649,900	16,967,823	1,317,923	7.8%
Net operating income other than depreciation and amortization		2,969,403	1,827,129	1,142,274	62.5%
Depreciation		4,201,984	3,987,979	(214,005)	-5.4%
Net operating income		(1,232,581)	(2,160,850)	928,269	-43.0%
Non-operating income (expense):					
Interest income		241,790	40,000	201,790	504.5%
Miscellaneous receipts		7,200	-	7,200	n/a
Investment expense		(33,327)	-	(33,327)	n/a
Gain (loss) on investments		(41,844)	-	(41,844)	n/a
Gain (loss) on disposition of assets		(65,385)	-	(65,385)	n/a
Net non-operating		108,434	40,000	68,434	171.1%
Total revenues less expenses	**$**	**(1,124,147)**	**(2,120,850)**	**996,703**	**-47.0%**