



Memorandum

DATE: April 10, 2014

TO: Chairman and Members of the Board

FROM: Kevin H. Roche, CEO

SUBJECT: Agenda for the Audit Committee Meeting

There is an ecomaine Audit Committee Meeting scheduled for Thursday, April 17, 2014 at 3:00PM at the Waste-to-Energy Facility. The agenda for this meeting is as follows:

1. Approval of the October 10, 2013, Audit Committee Meeting Minutes (*Attachment A*)
2. Audit Proposal (*Attachment B*)
3. External Auditor Selection
4. Audit Scheduling
5. Review of Audit Committee Roles & Responsibilities (*Attachment C*)
6. Future Meetings
 - Full Board Meeting: April 17th (Thursday) @ 4:00PM.
 - Recycling Committee Meeting: April 24th (Thursday) @ 4:00PM.
 - Finance Committee Meeting: May 20th (Tuesday) @ 2:30PM.
 - Executive Committee Meeting: May 20th (Tuesday) @ 4:00PM.
 - Recycling Committee Meeting: May 22nd (Thursday) @ 4:00PM.
 - Annual Meeting: June 19th (Thursday) @ 11:30AM.

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

Owner Communities

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

DATE: October 11, 2013
TO: Chair and Members of the Board
FROM: Kevin H. Roche, CEO
SUBJECT: Minutes of the October 10, 2013 Audit Committee Meeting

There was an **ecomaine** Audit Committee Meeting on Thursday, October 10, 2013, at the Waste-to-Energy facility at 3:00PM.

There were three items on the Agenda:

1. Approval of the April 11, 2013, Audit Committee Meeting minutes
2. Audit review of the draft audit report from Runyon Kersteen Ouellette (RKO) for FY
3. Future Meetings

Associate Members

Baldwin
Hiram
Naples
Parsonsfield
Porter
Saco
Standish

Item #1 – Approval of the April 11, 2013, Audit Committee Meeting Minutes

Mr. Sherman moved to approve the minutes of the April 11, 2013, Audit Committee Meeting. The motion was seconded by Ms. Boudreau and passed unanimously.

Item #2 – Audit review of the draft audit report from Runyon Kersteen Ouellette (RKO) for FY13

Mr. Foster introduced Kathy Tyson, Partner and Peter Way, Senior Manager, of Runyon Kersteen Ouellette (RKO). They reviewed the independent audit report, management discussion and analysis, statement of net position, letter to the Audit Committee and the Management Letter. Issues relayed in the Management Letter were: use of debit cards, cash balances, capital assets and related software and recycling.

Ms. Boudreau suggested that we look at options for investing our cash. This issue was placed on the Finance Committee Agenda (November). Staff has been in discussions with several banks discussing alternatives for these types of investments.

Mr. Morton made a motion to accept the Audit Report and recommended go to the full Board. The motion was seconded by Ms. Boudreau and all were in favor.

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

Ms. Boudreau made a motion to adjourn the meeting. The motion was seconded by Mr. Sherman and all were in favor. The meeting adjourned at 3:57PM.

PRESENT:

L. Boudreau
G. Foster
S. McGinty
R. Brobst

ABSENT:

S. McGinty

Other: Kathy Tyson and Peter Way, Runyon Kersteen Ouellette.

Staff: A. Birt and K. Roche.

April 17, 2014

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

We are pleased to confirm our understanding of the services we are to provide for ecomaine for the year ended June 30, 2014.

We will audit the financial statements of ecomaine, which comprise the statements of financial position as of June 30, 2014 and 2013, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement ecomaine's 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to ecomaine's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding 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 audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1) Management's Discussion and Analysis.

We have also been engaged to report on supplementary information other than RSI that accompanies the financial statements. We will subject the following supplementary information to the auditing procedures applied in our 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, in accordance with auditing standards generally accepted in the United States of America, and our auditor's report will provide an opinion on it in relation to the financial statements as a whole:

2) Schedules 1 and 2 (referenced from June 30, 2013 financial statements)



Audit Objective

The objective of our audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or to issue a report as a result of this engagement.

Audit Procedures

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

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

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our audit will include obtaining an understanding of the Organization and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit,

we will communicate to you and those charged with governance internal control related matters that are required to be communicated under professional standards.

Management Responsibilities

You agree to assume all management responsibilities for the services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

You are responsible for establishing and maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles. You are also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the organization from whom we determine it necessary to obtain audit evidence. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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

You are responsible for the preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon.

Engagement Administration, Fees, and Other

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

Roger A. Lebreux is the engagement partner and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it. We expect to begin our audit on August 11, 2014, with some preliminary work to be conducted in June, and to complete and issue our reports no later than September 30, 2014.

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Audit Committee
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We estimate that our fees for these services will be \$21,500. The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the engagement. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

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

Very truly yours,

Peter H. Way, CPA
Runyon Kersteen Ouellette

RESPONSE:

This letter correctly sets forth the understanding of ecomaine.

Signature: _____

Title: _____

Date: _____

Audit Committee

“Role of the Audit Committee”

- 1. Oversee the financial reporting and annual audit process*
- 2. Monitor internal controls*
- 3. Oversee the hiring and performance of the external auditors*

Review with management and auditors prior to start of audit:

- Planning, timing, and scope of audit (engagement letter)*
- Prior year audit findings / recommendations*
- New accounting or regulatory issues*
- Fraud concerns*
- Other concerns*

Review with management and auditors after audit fieldwork:

- Draft Annual financial statements and related footnotes*
- Management judgments and estimates*
- Audit adjustments*
- Consistency of accounting principles*
- Clarity of disclosures*
- Disagreements with management*
- Consultation with other accountants*
- Difficulties encountered in performing the audit*
- Internal control matters*
- Fraud*

Monitor internal controls

- With assistance of management, determine significant internal control areas (transaction types, account balances, or disclosures)*
- Gain an understanding (over time) of policies and procedures*
- Oversee compliance with policies and procedures as deemed necessary*
- Other – code of conduct / ethics policies; procedures for employee complaints (regarding questionable accounting and auditing matters); complaints from member communities.*

Oversight of hiring and performance of external auditors

- Determine need for periodic RFP*
- Oversee RFP, interviews and hiring*