ecomaine

Memorandum

DATE:	**October 9th, 2014**
TO:	**Chairman and Members of the Board**
FROM:	**Kevin H. Roche, CEO/General Manager**
SUBJECT:	**Agenda for the Board of Directors Meeting**

There is an **ecomaine Board Meeting** scheduled for **Thursday, October 16th @ 4:00 PM** at **ecomaine**. The agenda for this meeting is as follows:

1. Approval of the June 19th, 2014, Annual Meeting Minutes **(Attachment A)**

2. Audit Committee Report – Gary Foster – Chairman – **(Attachment B)**
   Presentation: Peter Way, Sr. Manager & Roger Lebreux, Partner
   RKO – Independent Auditors

3. Finance Committee Report – Matthew Frank – Chairman

4. Executive Committee Recommendation – Jim Gailey - Chairman
   - **Approval of the Investment Advisor**
   - **Approval of Rebates (Attachment C)**
   - **Approval of Reserve for the Recycling Revenue and Cost Sharing Program**

5. Recycling Committee Report – Erik Street – Chairman

6. Approval of the Ogunquit Withdrawal Agreement **(Attachment D)**

7. Approval of Changes to BY-LAWS **(Attachment E)**

8. Annual Report – Presentation by Kevin Roche - CEO

Future Meetings:

- Recycling Committee Meeting: October 30th, (Thursday) @ 4:00 PM
- Finance Committee Meeting: November 20th, (Thursday) @ 2:30 PM
- Executive Committee Meeting: November 20th, (Thursday) @ 4:00 PM
- Recycling Committee Meeting: December 4th, (Thursday) @ 4:00 PM
- Executive Committee Meeting: December 18th, (Thursday) @ 4:00 PM

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.)

ecomaine

DATE: June 19th, 2014

TO: Chair and Members of the Board

FROM: Kevin H. Roche, Chief Executive Officer

SUBJECT: Minutes of June 19th 2014 **ecomaine** Annual Meeting

The **ecomaine** Board of Directors Annual Meeting was held on Thursday, June 19th, 2014, at **ecomaine**. The meeting was called to order at 12:15 PM by Board Chair Mike McGovern.

There were 8 items on the Agenda

1. Welcome
2. Approval of the April 17th, 2014 Board Meeting Minutes
3. Recognition of Board Members Service
4. Remarks from CEO
5. Guest Speaker – Commissioner Patricia Aho, Department of Environmental Protection
6. Call for Committee Reports – Audit, Finance, Recycling and Nominating Committees
7. Introduction of the new Chairman of the Board
8. Vote on members of the Audit Committee, Executive Committee, Finance Committee and Recycling Committee

Item#1 – Welcome

Mr. McGovern welcomed everyone on behalf of the owner communities and acknowledged the Board and staff for their efforts in environmental stewardship. In addition, he shared his pride in his involvement, **ecomaine's** accomplishments and the talent of the Board and the able staff.

Item #2 – Approval of the April 17th, 2014 Board Meeting Minutes

Mr. Cole moved that the Board hereby approves the minutes of the April 17th, 2014 Board Meeting as presented. The motion was seconded by Mr. Brobst and passed unanimously.

Item #3 – Recognition of Board Members Service – Mr. Mike McGovern, Board Chair

Mr. McGovern recognized the five outgoing members of the board for their years of service. Mr. McGovern thanked each member for their commitment and support of the efforts of **ecomaine** and presented Mr. Jalbert of South Portland & Mr. Fitzcharles of Bridgton with a plaque. Mr. Ahlquist of Scarborough, Mr. Anton of Portland and Mr. St. Clair of Lyman were also recognized but were not able to attend.

Item #4– Remarks from Kevin Roche, CEO

Mr. McGovern introduced Mr. Roche and noted the most recent change from General Manager to CEO. Mr. McGovern spoke of Mr. Roche's accomplishments and noted his relationship and caring of **ecomaine**.

Mr. Roche gave a brief overview of the past and present accomplishments and the future vision of **ecomaine**.

Item #5 – Guest Speaker – Patrician Aho, Commissioner, Maine Department of Protection.

Commissioner Aho gave her remarks.

Jim Gailey, Chairman. Kevin H. Roche, CEO/General Manager
64 Blueberry Road, Portland, Maine 04102. Tel: 207-773-1738. Fax: 207-773-8296. www.ecomaine.org

Item #6 – Call for Committee Reports by Mr. McGovern

Audit Committee – Gary Foster, Chair

Mr. Foster gave a brief summary of the activities on the Audit Committee for the past year. He also discussed the Cash Reserve and Investment Policy that was adopted at the April 17th, 2014 Board Meeting. He briefly discussed the roles and responsibilities of the committee, management and the audit firm for FY '14 for **ecomaine**. The FY'14 audit will begin in July. The Audit Committee will be meeting on September 25th, 2014 to discuss the draft of FY'14 Audit.

Finance Committee – Troy Moon, Chair

Mr. Moon gave a brief summary on our cash reserve and investment policy, medical insurance program, the elimination of assessment fees from communities and our effort to reduce tipping fees. Mr. Moon recognized Bill Shane, Town Manager of Cumberland for his assistance with the health insurance program for **ecomaine**.

Recycling Committee – Susan McGinty, Chair

Ms. McGinty discussed the new and ongoing outreach initiatives. She briefly discussed the committee's work along with Frank Gallagher (social media) such as our website, Facebook, twitter and youtube. She gave a brief summary of the many projects the committee has worked on this last year.

Nominating Committee – Tony Plante, Chair

Mr. Plante reported that the committee selected the following members;

- Jim Gailey as Chair
- Troy Moon as Vice Chair
- Matthew Frank as Treasurer & Chair of The Finance Committee
- Gary Foster as Secretary & Chair of the Audit Committee

A motion to approve the Slate by Mr. Cole and 2nd by Mr. Bobinsky, All in favor.

Item #7 – Introduction of the new Chairman of the Board – Jim Gailey

Mr. McGovern welcomed the new chair Mr. Jim Gailey. Mr. Gailey thanked Mr. McGovern and presented Mr. McGovern with a plaque as outgoing chair of **ecomaine** Board of Directors.

Mr. Gailey thanked Mr. Roche and Mr. McGovern for their work at **ecomaine**. Mr. Gailey briefly discussed **ecomaine**'s growth and moving forward with "New Ways of Thinking". Mr. Gailey noted the 2 million in revenue returned to the communities as well as the other initiatives that will support the organization going forward. In closing Mr. Gailey discussed our need to explore new ideas and new challenges.

Item #8 – Vote on members of the Audit committee, Executive committee, Finance Committee, Recycling Committee

Mr. Plante motioned to approve the committee assignments, Seconded by Mr. Bobinsky and passed unanimously.

Mr. Gailey thanked our guest speaker, representatives from Senator Collins and Senator King's office, our selectman as well as Board Members and Staff of ecomaine.

The meeting was adjourned at 1:48.

(Attachment B)

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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, 2014 and 2013, 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 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 opinion.

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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, 2014 and 2013, 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 7 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 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.

South Portland, Maine

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This discussion and analysis of **ecomaine**'s financial performance provides an overall review of our financial activities for the year ended June 30, 2014 with the intent of looking at our financial performance as a whole. Readers should also review the financial statements and the related notes to enhance their understanding of **ecomaine**'s financial performance.

Financial Highlights

Fiscal Year 2014 was another successful year for **ecomaine.**

Comparing FY 14 Actual to FY 13 Actual

Revenue less Expenses totaled $3.2 million for FY 14 which was below the actual levels for FY 13 of $5.0 million by 36%.

Overall revenue of $23.2 million was $.6 million below FY 13. Assessments were lowered again in FY 14 by 15% along with a 20% reduction in owner tipping fees providing additional financial relief to owner communities (a priority established by the Board of Directors). Commercial tipping fees were lowered, by the same margin, to meet market conditions. On the positive side of revenue we saw very strong volume in the recycle market (up 20%) and favorable power rates (up 27%) when compared to FY 13. Cash operating costs were up 6% overall reflecting the implementation of our Capital Expenditure Policy causing certain items to be treated as expense (vs capital in prior years) and the significant increase in Recycle volumes which contributed to the 22% increase in recycle costs.

Cash generated by operations totaled $8.3 million for the year which was essentially flat to FY 13's level of $8.4 million, while capital spending (of $2.1 million) was down $2.7 million from FY 13 levels (landfill expansion in FY 13) and with no long term debt payments in FY 14 (vs $4.6 million in FY 13) our cash on hand increased $6.3 million by year end.

Comparing FY 14 Actual to FY 14 Budget

Many of the items, noted above, that occurred in FY 14 were anticipated in our FY 14 budget process.

Revenue less Expenses totaled $3.2 million for FY 14 which was ahead of our budget for FY 14 by $2.9 million. Overall revenues ($23.2 million) were over budget ($21.1 million) by 10% reflecting favorable volumes for MSW (up 6%), Recycle (up 24%) and power sold (up 6%). In addition the market rate for our power sold was 18% above budget reflecting natural gas markets in early 2014 as well as the new one year contract effective February 1, 2014. Overall cash operating expenses of $15.6 million were 4% favorable to the budgeted level of $16.3 million reflecting favorable results in all areas of **ecomaine** except the Recycle facility which incurred higher costs (3%) associated with the significantly higher volumes of material being handled.

Cash generated by operations totaled $8.3 million for the year which was $3.4 million ahead of budget reflecting the favorable revenues and cash operating expenses. In addition we moved several major capital projects into the future causing capital spending ($2.1 million) to be $1.1 million below budget.

Continuing to provide financial relief to the owner communities in a prudent manner is a high priority for **ecomaine**. Thus the Board voted to eliminate Owner Member Assessments effective July 1, 2014 reducing owner member costs by an additional $2.9 million and this is reflected in our FY 15 Budget.

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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'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.

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.

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The statements of net position look at **ecomaine** as a whole. Table 1 below is a summary of **ecomaine's** net position for 2014 with comparative numbers for 2013.

Table 1
Net Position

		2014	2013
ASSETS			
Current and other	$	35,486,804	29,098,650
Capital assets		29,082,176	31,183,549
Total assets		64,568,980	60,282,199
LIABILITIES			
Current liabilities		2,311,333	1,528,848
Long-term debt outstanding			
Other liabilities		16,581,740	16,246,576
Total liabillities		18,893,073	17,775,424
NET POSITION			
Invested in capital assets, net of related debt		29,082,176	31,183,549
Unrestricted		16,593,731	11,323,226
Total net position	$	45,675,907	42,506,775

Details for Table 1 can be found on the Statements of Net Position on page 8 in the financial statements.

Assets

The $4.3 million increase in total assets during FY 14 reflects a $6.3 million increase in cash balances partially offset by a decrease in net capital assets of $2.1 million.

Liabilities

Total liabilities increased by $1.1 million during the year as a result of $.8 million increase in current liabilities (primarily timing in accounts payable) along with an increase of $.2 million in the landfill close and post close liability as a result of normal capacity utilization in 2014.

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Table 2
Changes in Net Position

	2014	2013	Increase (decrease)
REVENUES			
Operating revenues	$ 23,163,042	23,772,889	(609,847)
Total revenues	23,163,042	23,772,889	(609,847)
OPERATING EXPENSES			
Administration	2,531,444	2,447,226	84,218
Facility operations	9,412,289	9,018,812	393,477
Recycling operations	2,017,161	1,652,454	364,707
Landfill operations	1,600,635	1,569,934	30,701
Landfill closure and Postclosure care costs	239,703	257,852	(18,149)
Post-retirement benefit	95,461	-	95,461
Depreciation and amortization	4,194,858	4,015,074	179,784
Total operating expenses	20,091,551	18,961,352	1,130,199
Non-operating revenues (expenses):			
Interest income	42,929	70,227	(27,298)
Interest expense	-	(416)	416
Gain on disposition of assets	35,000	30,924	4,076
All other	19,712	56,536	(36,824)
Net non-operating revenues (expenses)	97,641	157,271	(59,630)
Increase in net position	$ 3,169,132	4,968,808	(1,799,676)

Details for Table 2 can be found in the Statements of Revenues, Expenses, and Changes in Net Position on page 9 of the financial statements.

Operating Revenues

Total operating revenues for 2014 decreased by $.6 million or 3%, compared to the prior year. As noted above Owner Member Assessments were lowered (by $.5 million) while Owner and Commercial MSW tipping fees were lowered (by 20%) in FY 14. As a result, Commercial MSW volume climbed by over 9% (6,377 tons) and owner volume was up by 3% (1,498 tons) from FY 13 levels. Spot Market volume with its lower market value declined by 5% (2,096 ton).

Outbound Recycle volume was up 22% (10,180 tons) reflecting a short term opportunity to bring in recycle from out of state as well as a significant increase in landfill metal mining volumes. With these volume changes and rates for recycle material that were essentially flat between FY 13 and FY 14, we saw Recycle Revenue climb $.7 million (23%) over 2013.

The volume of power sold in FY 14 was down about 4% (3,439 MWH's) from FY 13 (a record year) while we saw a significant increase in the market value of the power with rates averaging $52.79 per MWH (up 27% over the FY 13 rate). As a result power revenues were up $.8 million (22%) over FY 13.

Total Expenses

Total operating expenses increased by $1.1 million or 6% when compared to 2013 with about $.5 million of this increase resulting from the implementation of our new Capital Expenditure Policy (certain items classified as operating expense in FY 14 that would have been classified as capital in prior years). In addition the WTE facility saw higher outside service costs offset in part by lower gas usage while the Recycle facility saw higher operating costs reflecting the increased volume being processed along with higher purchased recycle material costs and the addition of a Supervisory position. Administrative costs were up reflecting a more normal staff level and higher public relations costs while the landfill saw lower leachate processing costs.

Non cash costs were unfavorable by $.3 million reflecting higher depreciation resulting from our capital expenditures program and the recording of Post Retirement Benefit costs.

Analysis of Fiscal Year 2014 Actual Results Compared to Budget

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

Total Revenue less Expenses

Revenue less Expenses for FY 2014 totaled just under $3.2 million and was favorable to budget by $2.9 million. The budget was developed in a somewhat conservative manner due to the uncertainty in the recycling and power markets and the trend of lower owner MSW volumes.

Operating Revenues

Total operating revenue of $23.2 million was favorable to budget by $2.0 million (10%).

Total MSW Tipping Fees of $11.9 million were favorable to budget by $.4 million (3%) reflecting total inbound MSW volumes of 181,315 tons (6% over budget). All markets were over budget with Commercial volume 8% favorable and owner volume favorable by 4%. Spot market rates were down 13% from budget while other rates were essentially flat to budget.

As noted above Recycle volumes were very strong this year as we took advantage of a short term opportunity to bring in recycle from out of state. Total inbound recycle at 41,968 tons (record year) was 22% over budget (34,552 tons). In addition the Landfill Metal Mining Project had a great year recovering 14,860 tons of metal from the ash compared to the budget volume of 10,000 tons. Soft market rates in the recycle market continue the trend that started several years and with the volume increases overall recycle revenue was $3.5 million ($.7 million over budget).

Electrical revenue was 26% ($.9 million) favorable to budget reflecting both positive volume (86,562 MWH's sold vs. 81,557 budgeted) and favorable market rates ($52.79/MWH vs. $44.65 budgeted). Natural gas supplies were very tight this winter driving up power rates in January and February. In addition we put in place a new one year contract effective February 1 with rates that were higher than anticipated in the budget.

Operating Expenses

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

The WTE facilities cash costs were 4% ($.4 million) under budget reflecting lower gas usage, and favorable maintenance costs. The recycle Facility costs were unfavorable by 3% reflecting the higher volumes discussed above, Landfill operating costs were favorable by 3% reflecting lower leachate processing costs and the administration area was essentially flat to budget. The $.3 million contingency that was included in the budget for operating costs was not required.

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Overall non cash operating costs were favorable by $.1 million reflecting lower depreciation (reduced capital spending) and lower Landfill Close /Post Close Costs (lower usage).

Capital Assets

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

		2014	2013
Land-waste-to-energy facility	$	1,517,764	1,517,764
Vehicles		770,143	695,288
Office furniture and equipment		139,381	68,288
Recycling facility and equipment		3,243,551	3,387,622
Balefill/ashfill/leachate site		6,089,505	6,853,004
Waste-to-energy facility		17,321,832	18,661,583
Total capital assets	$	29,082,176	31,183,549

Gross capital additions for 2014 totaled $2.1 million against a budget of $3.2 million. We deferred several projects relating to air emission controls as we studied the possibility of a Bag House to replace our Electrostatic Precipitators (ESP). The decision was made not to move forward with the more expensive Bag House and we will schedule modifications to the ESP over the next few years. We had also included in the budget the expansion of the Tipping Floor in the Recycle facilities to better handle the volumes we are receiving but decided we could delay that for another year.

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Current Financial Activities and Economic Factors Included in the FY 2015 Budget

In our budget process for FY 15 we continued in a conservative manner as the power and recycle markets are somewhat volatile.

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 and thus our FY 15 budget includes the complete elimination of Owner Member Assessments effective July 1, 2014 reducing **ecomaine** revenues and lowering owner member costs by about $4.7 million annually. In addition, effective July 1, 2013 we lowered Owner Community Member and Commercial Account MSW tipping fees by 20% reducing owner costs by another $.9 million annually. Both of these owner benefits are in the FY 15 Budget.

We have also included lower power sales in the FY 15 budget as it has been seven years since the steam turbine has undergone an inspection and we must do this in 2015. This effort coupled with necessary modifications to the boiler and Electrostatic Precipitators along with the expansion of the Recycle Tipping Floor will add about $2.5 million in FY 15 to our normal capital efforts.

January 1, 2014 **ecomaine** implemented a high deductible medical program and our new Wellness program--both of which will have a positive impact on **ecomaine's** operating costs and employee health in the future.

All of the above items have been included in our FY 15 Budget that was approved by the board in April. This budget assumes we will generate about $2.6 million in cash from operations and use about $4.5 million in our capital improvement program in FY 15 reducing our cash balance by about $1.8 million at year end.

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.

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Statements of Net Position
June 30, 2014 and 2013

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		2014	2013
ASSETS			
Current assets:			
Cash and cash equivalents	$	29,316,709	23,060,385
Accounts receivable, net		1,883,790	1,982,809
Inventory		2,554,175	2,362,098
Prepaid expenses		232,130	193,358
Total current assets		33,986,804	27,598,650
Capital assets, net		29,082,176	31,183,549
Other assets:			
Idle asset - Gorham property		1,500,000	1,500,000
Total other assets		1,500,000	1,500,000
Total assets	**$**	**64,568,980**	**60,282,199**
LIABILITIES			
Current liabilities:			
Accounts payable	$	1,293,294	590,067
Accrued expenses		86,696	36,861
Accrued salaries and compensated absences		931,343	901,920
Total current liabilities		2,311,333	1,528,848
Post-retirement benefit liability		390,165	294,704
Accrued landfill closure and postclosure care liabilities		16,191,575	15,951,872
Total liabilities	**$**	**18,893,073**	**17,775,424**
NET POSITION			
Invested in capital assets, net of related debt		29,082,176	31,183,549
Unrestricted		16,593,731	11,323,226
Total net position	**$**	**45,675,907**	**42,506,775**

See accompanying notes to financial statements on pages 10-18.

ecomaine
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2014 and 2013

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		2014	2013
Operating revenues:			
Municipal assessments and tipping fees	$	7,594,918	8,762,949
Electrical generating revenues		4,569,868	3,752,470
Commercial tipping fees and spot market waste		7,202,432	8,098,281
Recycling tipping fees		104,072	67,819
Gorham property assessments		166,230	170,312
Sales of recycled goods		3,434,385	2,807,955
Other operating income		91,137	113,103
Total operating revenues		23,163,042	23,772,889
Operating expenses:			
Administrative expenses		2,531,444	2,447,226
Facility operating expenses		9,412,289	9,018,812
Recycling operating expenses		2,017,161	1,652,454
Landfill/ashfill operating expenses		1,600,635	1,569,934
Landfill closure and postclosure care costs		239,703	257,852
Post-retirement benefits		95,461	-
Total operating expenses other than depreciation and amortization		15,896,693	14,946,278
Net operating income before depreciation and amortization		7,266,349	8,826,611
Depreciation		4,194,858	4,015,074
Net operating income		3,071,491	4,811,537
Non-operating revenues (expenses):			
Interest income		42,929	70,227
Interest expense		-	(416)
Miscellaneous receipts		19,712	56,536
Gain on disposition of assets		35,000	30,924
Net non-operating revenue (expenses)		97,641	157,271
Change in net positions		3,169,132	4,968,808
Total net position, beginning of year		42,506,775	37,537,967
Total net position, end of year	**$**	**45,675,907**	**42,506,775**

See accompanying notes to financial statements on pages 10-18.

ecomaine
Statements of Cash Flows
Years Ended June 30, 2014 and 2013

		2014	2013
Cash flows from operating activities:			
Receipts from assessments and tipping fees	$	15,000,441	17,220,583
Receipts from electrical generating revenues		4,569,868	3,752,470
Receipts from other sources		3,691,752	3,091,370
Payments to employees		(7,085,904)	(7,356,798)
Payments to suppliers		(4,366,398)	(4,750,156)
Contractual payments		(3,537,879)	(3,584,478)
Net cash and cash equivalents provided by operating activities		8,271,880	8,372,991
Cash flows from capital and related financing activities:			
Payments of interest		-	(416)
Repayment of long-term debt		-	(4,560,000)
Net cash and cash equivalents used in capital and related financing activities		-	(4,560,416)
Cash flows from investing activities:			
Receipts of interest		42,929	70,227
Purchases of property, plant and equipment		(2,058,485)	(4,751,348)
Net cash and cash equivalents used in investing activities		(2,015,556)	(4,681,121)
Net increase (decrease) in cash		6,256,324	(868,546)
Cash and cash equivalents balance, beginning of year		23,060,385	23,928,931
Cash and cash equivalents balance, end of year	**$**	**29,316,709**	**23,060,385**
Reconciliation of net operating income to net cash and cash equivalents provided by operating activities:			
Net operating income	$	3,071,491	4,811,537
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation and amortization		4,194,858	4,015,074
Purchase discounts		19,712	56,536
(Increase) decrease in assets:			
Accounts receivable		99,019	291,534
Inventory		(192,077)	(233,703)
Prepaid expenses		(38,772)	50,323
Increase (decrease) in liabilities:			
Accounts payable		703,227	(902,769)
Accrued salaries and compensated absences		29,423	71,935
Accrued expenses		49,835	(45,328)
Post-retirement benefit liability		95,461	-
Accrued landfill closure and postclosure care liabilities		239,703	257,852
Net cash provided by operating activities	**$**	**8,271,880**	**8,372,991**

See accompanying notes to financial statements on pages 10-18.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

Reporting Entity - **ecomaine** was incorporated during the fiscal year ended June 30, 2006 under the laws of the State of Maine. **ecomaine** is a non-profit solid waste management corporation serving 54 municipalities in southern Maine and New Hampshire. Owned and controlled by 21 of these municipalities at June 30, 2014, **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, 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 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. Constellation Energy Commodities Group Inc, a purchaser of **ecomaine's** electrical outlet, is also afforded credit. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. The allowance for doubtful accounts was $29,679 and $30,411 at June 30, 2014 and 2013, 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.

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. As of June 30, 2014, **ecomaine** reported deposits of $29,316,709 with a bank balance of $29,282,659. As of June 30, 2013, **ecomaine** reported deposits of $23,060,385 with a bank balance of $23,178,839. At both June 30, 2014 and 2013, 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 $29,750,000 which expired on September 23, 2014. As of the report date, the Letter of Credit had been renewed for an additional quarter.

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.

At both June 30, 2014 and 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.

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DEPOSITS AND INVESTMENTS, CONTINUED

Cash Reserves: 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 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.

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.

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.

	2014	2013
Landfill Closure and Postclosure Care Cost Reserve	$ 3,055,331	1,701,671
Short-Term Capital Reserve	3,258,373	3,254,225
Long-Term Capital Reserve	4,010,310	4,005,200
Operating Cash Balance Reserve	8,162,533	7,503,788
Total reserve	**$ 18,486,547**	**16,464,884**

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CAPITAL ASSETS

Capital assets at June 30, 2014 and 2013 consisted of the following:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets, not being depreciated:				
Land-waste-to-energy/ashfill	$ 1,517,764	-	-	1,517,764
Total capital assets, not being depreciated	1,517,764	-	-	1,517,764
Capital assets being depreciated:				
Vehicles	1,180,773	237,779	(70,000)	1,348,552
Office equipment	236,723	93,001	-	329,724
Recycling facility and equipment	13,087,549	387,989	-	13,475,538
Balefill/ashfill/leachate site	19,509,712	-	-	19,509,712
Waste-to-energy facility	93,489,428	1,374,716	(46,192)	94,817,952
Total capital assets being depreciated	127,504,185	2,093,485	(116,192)	129,481,478
Less accumulated depreciation:				
Vehicles	(485,485)	(162,924)	70,000	(578,409)
Office equipment	(168,435)	(21,908)	-	(190,343)
Recycling facility and equipment	(9,699,927)	(532,060)	-	(10,231,987)
Balefill/ashfill/leachate site	(12,656,708)	(763,499)	-	(13,420,207)
Waste-to-energy facility	(74,827,845)	(2,714,467)	46,192	(77,496,120)
Total accumulated depreciation	(97,838,400)	(4,194,858)	116,192	(101,917,066)
Total capital assets being depreciated, net	29,665,785	(2,101,373)	-	27,564,412
Total capital assets	**$ 31,183,549**	**(2,101,373)**	-	**29,082,176**

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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:

	2014	2013
Capital assets	$130,999,242	128,975,754
Accumulated depreciation	(101,917,066)	(97,792,205)
Total invested in capital assets net of related debt	**$ 29,082,176**	**31,183,549**

IDLE ASSET - GORHAM PROPERTY

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

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

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

POWER PURCHASE AGREEMENTS

During the fiscal years ended June 30, 2014 and 2013, **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, 2014; the current agreement commenced February 1, 2014 and expires January 31, 2015. At June 30, 2014 and 2013, electrical generating revenues amounted to $4,569,868 and $3,752,470, respectively.

RETIREMENT PLANS

Nonunion - All non-union employees are covered by a defined contribution plan after their probationary period is completed. **ecomaine** contributed 8% in 2014 and 2013 of the covered employees' gross pay on covered wages of $1,883,984 and $1,708,208, respectively. Pension expense amounted to $151,750 and $136,649 for the years ended June 30, 2014 and 2013, 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 $158,903 and $150,468 for the years ended June 30, 2014 and 2013, respectively, on covered wages of $3,026,724 and $2,866,049, 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 $12,957 and $9,460 on covered wages of $162,723 and $159,637 for the years ended June 30, 2014 and 2013, respectively.

Social Security - **ecomaine** participates in the Social Security retirement program. **ecomaine's** contributions to Social Security were $383,027 and $364,740 for the years ended June 30, 2014 and 2013, 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.

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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:

	2014	2013
Total estimated future landfill closure and postclosure care costs	$ 22,216,761	22,216,761
Estimated capacity used	72.88%	71.80%
Estimated gross landfill closure and postclosure care costs - end of year	16,191,575	15,951,872
Amounts actually expended	N/A	N/A
Estimated liability for landfill closure and postclosure care costs - end of year	16,191,575	15,951,872
Estimated remaining landfill closure and postclosure care costs to be recognized	$ 6,025,186	6,264,889

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.

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OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

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

	2014	2013	2012
Normal cost	$ 44,304	34,608	34,608
Amortization of unfunded	36,217	30,786	30,786
Adjustment to ARC	(16,964)	(13,345)	(9,661)
Interest	13,329	10,525	7,977
Annual required contribution	$ 76,886	62,574	63,710

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:

	2014	2013	2012
Annual required contribution	$ 76,886	62,574	63,710
Actual contribution	-	-	-
Percent contributed	0.00%	0.00%	0.00%
Actuarial accrued liability	651,316	553,647	553,647
Plan assets	-	-	-
Unfunded actuarial accrued liability	651,316	553,647	553,647
Covered payroll	4,875,911	4,733,894	4,524,794
Unfunded actuarial accrued liability as a percentage of covered payroll	13.40%	11.70%	12.20%

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

	2014	2013	2012
OPEB liability, July 1	$ 293,344	230,770	167,060
Annual OPEB Cost	76,886	62,574	63,710
Less: Implicit contributions	(2,776)	-	-
OPEB liability, June 30	$ 367,454	293,344	230,770

The post-retirement benefit liability at June 30, 2014 is $390,165, resulting in an excess of $22,711.

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.

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OTHER POSTEMPLOYMENT BENEFITS, CONTINUED

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

Actuarial valuation date	1/1/14
Actuarial cost method	Projected unit credit cost method
Amortization method	Level dollar
Remaining amortization period	30 years

Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	3.00%
Healthcare inflation rate	4.60% - 9.00%

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Retiree Healthcare Plan

Fiscal year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) – Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) /c]
2010	1/1/09	$ -	$ 340,262	$ 340,262	0.00%	$ 4,445,697	7.70%
2011	1/1/11	-	553,647	553,647	0.00%	4,436,838	12.50%
2012	1/1/11	-	553,647	553,647	0.00%	4,524,794	12.20%
2013	1/1/11	-	553,647	553,647	0.00%	4,733,894	11.70%
2014	1/1/14	-	651,316	651,316	0.00%	4,875,911	13.40%

Schedule 1

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ecomaine
Schedule of Municipal Assessments and Tipping Fees
Years Ended June 30, 2014 and 2013

		2014	2013
Members			
Bridgton	$	131,453	152,579
Casco		52,117	59,290
Cumberland		94,579	112,413
Cape Elizabeth		156,545	188,759
Falmouth		120,551	144,951
Freeport		102,792	120,868
Gorham		123,815	139,479
Gray		147,639	164,494
Harrison		56,139	66,277
Hollis		55,007	70,215
Limington		97,488	112,896
Lyman		64,845	72,637
Ogunquit		35,454	40,751
Pownal		14,049	18,039
Portland		572,772	662,543
North Yarmouth		42,686	57,969
Scarborough		305,189	359,452
South Portland		380,378	441,218
Waterboro		126,570	150,603
Windham		124,205	141,250
Yarmouth		137,836	165,426
Total members' assessments		2,942,109	3,442,109
Associate members tip fees		906,862	878,519
Contract members tip fees		283,452	272,172
Municipal tipping fees		3,462,495	4,170,149
Total municipal assessments and tipping fees	**$**	**7,594,918**	**8,762,949**

ecomaine
Budget to Actual
Year Ended June 30, 2014

		Actual	Budget	Variance	Change
Operating revenues:					
Municipal assessments	$	2,942,109	2,942,104	5	0.0%
Owners tipping fees		3,462,495	3,311,261	151,234	4.6%
Associate and contract tipping fees		1,190,314	1,127,756	62,558	5.5%
Commercial tipping fees		5,193,757	4,833,364	360,393	7.5%
Spot market tipping fees		2,008,675	2,203,636	(194,961)	-8.8%
Electrical generating revenues		4,569,868	3,641,827	928,041	25.5%
Sales of recycled goods		3,434,385	2,780,018	654,367	23.5%
Recycling tipping fees		104,072	48,000	56,072	116.8%
Gorham property assessments		166,230	158,842	7,388	4.7%
Other operating income		91,137	94,000	(2,863)	-3.0%
Total operating revenues		23,163,042	21,140,808	2,022,234	9.6%
Operating expenses:					
Administrative expenses		2,531,444	2,539,332	7,888	0.3%
Waste-to-energy operating expenses		9,412,289	9,841,118	428,829	4.4%
Recycling operating expenses		2,017,161	1,967,419	(49,742)	-2.5%
Landfill/ashfill operating expenses		1,600,635	1,654,062	53,427	3.2%
Contingency		-	250,000	250,000	n/a
Landfill closure and postclosure care costs		239,703	278,402	38,699	13.9%
Post-retirement benefit		95,461	95,000	(461)	-0.5%
Total operating expenses		15,896,693	16,625,333	728,640	4.4%
Net operating income other than depreciation and amortization		7,266,349	4,515,475	2,750,874	60.9%
Depreciation and amortization		4,194,858	4,300,000	105,142	2.4%
Net operating income		3,071,491	215,475	2,856,016	1325.5%
Non-operating income (expense):					
Interest income		42,929	35,000	7,929	22.7%
Miscellaneous receipts		19,712	5,000	14,712	294.2%
Gain on disposition of assets		35,000	-	35,000	n/a
Net non-operating		97,641	40,000	57,641	144.1%
Total revenues less expenses	**$**	**3,169,132**	**255,475**	**2,913,657**	**1140.5%**

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To the Audit Committee
ecomaine

We have audited the financial statements of ecomaine for the year ended June 30, 2014. 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 17, 2014 as well as in our letter to you dated April 17, 2014. 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. No new accounting policies were adopted and the application of existing policies was not changed during 2014. 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.

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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 material or other misstatements detected as a result of audit procedures and recorded by management. The attached report summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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 management representation letter dated ___________.

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 ecomaine'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.

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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 ecomaine'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

We applied certain limited procedures to management's discussion and analysis and the schedule of funding progress, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on Schedules 1 and 2, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, 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.

Restriction on Use

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,

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Client: *ecomaine - ecomaine*
Engagement: *2014 AU - ecomaine*
Period Ending: *6/30/2014*
Trial Balance: *TB*
Workpaper: *02c - Proposed JE Report*

Account	Description	Debit	Credit
Proposed JE # 1001			
To bring the accrual for the post employment benefit liabiliy to the correct balance per the actuarial analysis			
00-00-2930	Accrued Post Retirement Benefits	22,711.00	
60-00-7045	Admin - Post Retirement Benefits		22,711.00
Total		**22,711.00**	**22,711.00**

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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, 2014, 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 ------------- 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.

Report date
Runyon Kersteen Ouellette

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OTHER MATTERS

Procurement Process

During our discussions with the Director of Finance and Administration we noted that **ecomaine** has contracted with an outside party to perform an in-depth analysis of its entity wide purchasing process, an endeavor that was ongoing as of our fieldwork in early August of 2014. We understand that such process is intended to ensure that the acquisition of goods and services is designed to best meet the current and future needs of the Organization. The identification of procurement risks, their management and ongoing monitoring are all likely to be important considerations in the effort to design an approach to the purchase of goods and services from outside suppliers that enhances **ecomaine's** operations both on a day to day basis and in the longer term. We encourage management to provide appropriate and timely communication to the Board and any relevant committees in regards to the above considerations, so that all responsible **ecomaine** representatives are adequately informed in a manner to ensure that they continue to exercise their oversight duties appropriately.

Management's Response:

As noted above we have selected a vendor to work with us on this effort and are well underway. They are to bring back a list of recommendations for consideration by Management in September. Once we agree on the recommendations we want to implement we will work with them to develop an implementation plan/schedule and will provide updates to the committees as appropriate.

Cash Balances

Repeated from June 30, 2013: During the course of our June 2013 engagement we noted that as of June of 2013 the Organization had cash and cash equivalent balances of $23,060,385. This balance reflected the positive operating results experienced by **ecomaine** in recent years, and we congratulated management on the numerous efforts undertaken that have been so favorably rewarded. Of the aforementioned balance, approximately $14.2 million was deposited in a checking account at TD Bank. Given the significance of the balance, we wished 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.

June 2014 Update: Current year operations have resulted in an increase in cash of approximately $6.3 million as of June 30, 2014. We noted that during the current year **ecomaine** approved a "Cash Reserve & Investment Policy" designed both to reserve funds for various projects and cash flow requirements as well as to generate a long-term rate of return commensurate with risk and liquidity needs. It is our understanding that management is in the process of contracting with an outside provider to move forward in implementing the aforementioned objectives; we encourage the continuation of the endeavor.

Management's Response:

*With the exception of about $25,000 (which is associated with a debit card) the entire **ecomaine** cash balance is on deposit at TD Bank in our checking account. We have hired an outside firm to provide an RFP for investment advisory services and that was sent to 14 firms seeking proposals. We have narrowed the list of potentials to 4 and interviewed each of them. We recommended one of the finalists to the Finance and Executive committees in September and with Board approval will move ahead with implementation in November.*

ecomaine

(Attachment C)

Community	09/10	10/11	11/12	12/13	13/14	FY 10 to FY 14 Avg Tons	FY 10 to FY 14 Avg %	Assessment / Rebate FY 11	FY 12	FY 13	FY 14	FY 15	FY 15 Vs FY 14	FY 15 Vs FY 11
ecomaine Assessments & Rebates - FY 15 -- excluding MSW Tipping Fees														
Bridgton	2,220	2,250	2,243	2,079	2,119	2,182	4.52%	$ 205,264	$ 195,760	$ 152,579	$ 131,453	$ (45,201)	$ (176,654)	$ (250,466)
Cape Elizabeth	2,624	2,542	2,515	2,432	2,474	2,528	5.24%	265,435	248,891	188,759	156,545	(52,366)	(208,911)	(317,801)
Casco	909	904	904	884	898	900	1.86%	75,965	74,085	59,290	52,117	(18,639)	(70,756)	(94,604)
Cumberland	1,708	1,605	1,511	1,467	1,339	1,526	3.16%	167,794	149,244	112,413	94,579	(31,609)	(126,188)	(199,404)
Falmouth	2,141	1,961	1,957	2,057	2,078	2,029	4.20%	204,171	190,875	144,951	120,551	(42,029)	(162,580)	(246,200)
Freeport	1,832	1,644	1,592	1,575	1,583	1,645	3.41%	163,972	157,494	120,868	102,792	(34,077)	(136,869)	(198,049)
Gorham	2,148	2,144	2,154	2,233	2,332	2,202	4.56%	176,394	173,943	139,479	123,815	(45,614)	(169,430)	(222,009)
Gray	2,610	2,558	2,568	2,505	2,684	2,585	5.35%	206,496	205,356	164,494	147,639	(53,544)	(201,182)	(260,039)
Harrison	950	905	898	873	904	906	1.88%	91,982	87,334	66,277	56,139	(18,767)	(74,905)	(110,749)
Hollis	945	944	961	978	1,001	966	2.00%	116,273	100,517	70,215	55,007	(20,005)	(75,011)	(136,278)
Limington	1,650	1,541	1,539	1,465	1,463	1,532	3.17%	151,241	145,602	112,896	97,489	(31,723)	(129,212)	(182,963)
Lyman	1,133	1,093	1,107	1,080	1,092	1,101	2.28%	97,299	86,942	72,637	64,845	(22,805)	(87,650)	(120,104)
North Yarmouth	578	566	580	564	620	582	1.20%	98,265	84,566	57,969	42,686	(12,049)	(54,734)	(110,314)
Ogunquit							0.00%	53,778	51,625	40,751	35,454	-	(35,454)	(53,778)
Portland	10,115	9,735	9,446	9,378	9,392	9,613	19.91%	887,676	851,728	662,543	572,770	(199,120)	(771,891)	(1,086,797)
Pownal	203	168	178	178	189	183	0.38%	28,289	25,404	18,039	14,049	(3,793)	(17,842)	(32,082)
Scarborough	5,396	5,313	5,357	5,306	5,391	5,353	11.09%	508,747	475,250	359,452	305,189	(110,870)	(416,059)	(619,617)
South Portland	6,662	6,226	6,244	5,873	5,699	6,141	12.72%	582,174	565,700	441,218	380,378	(127,194)	(507,573)	(709,368)
Waterboro	2,456	1,804	1,794	1,752	1,945	1,952	4.04%	181,408	174,203	150,603	126,570	(40,423)	(166,994)	(221,831)
Windham	2,232	2,116	2,103	2,058	2,151	2,132	4.42%	181,474	178,682	141,250	124,205	(44,159)	(168,364)	(225,633)
Yarmouth	2,350	2,190	2,192	2,154	2,100	2,221	4.60%	234,556	218,905	165,426	137,836	(46,014)	(183,850)	(280,570)
Total	50,861	48,210	47,843	46,891	47,454	48,278	100.00%	$4,678,654	$4,442,109	$3,442,109	$2,942,109	($1,000,000)	($3,942,109)	($5,678,654)
Owner Tipping Fees @ $88/Ton (FY 2011) or $70.50 (FY 2015)								4,248,502				3,403,629		(844,872)
Owner Tipping Fees and Assessments / Rebates								$8,927,156				$2,403,629		($6,523,526)
% change FY 15 vs FY 11														-73.1%

(Attachment D)

WITHDRAWAL AGREEMENT

THIS AGREEMENT made as of the __ day of ____ 2014, by and between **ECOMAINE,** a Maine non-capital stock, non-profit, quasi-municipal corporation ("**ecomaine**") and the **TOWN OF OGUNQUIT**, a municipality and body corporate existing under the laws of the State of Maine (the "Town").

WHEREAS, twenty-one (21) cities and towns in the State of Maine, including the Town, (the "Participating Municipalities") were parties to the Regional Waste Systems, Inc. ("RWS") Interlocal Solid Waste Agreement, dated November 14, 1984, as amended; and

WHEREAS, the Town and RWS entered into a Demolition Materials Handling Agreement, dated as of August 1, 1989 ("DMHA"); and

WHEREAS, the Participating Municipalities are parties to the **ecomaine** Interlocal Solid Waste Agreement, dated as of December 1, 2005 (the "Interlocal Agreement"); and

WHEREAS, on April 13, 2006, the Town entered into the Interlocal Agreement as a Participating Municipality, pursuant to an Addendum to the Interlocal Agreement; and

WHEREAS, in accordance with the terms of the Addendum, the Town agreed to be bound by all of the terms and conditions of the Interlocal Agreement and to pay its respective obligations as a Participating Municipality of **ecomaine** under that agreement; and

WHEREAS, the Town and **ecomaine** entered into a Waste Handling Agreement dated as of June 1, 2006 ("WHA"); and

WHEREAS, effective July 1, 2006, RWS merged into and became known as **ecomaine**; and

WHEREAS, the Town, by and through its attorney, provided written notice to **ecomaine** on March 14, 2013 (the "Withdrawal Notice") of the Town's intention to withdraw from the Interlocal Agreement as of June 30, 2014; and

WHEREAS, on May 7, 2013, the Town's Board of Selectmen voted to authorize the Town Manager to take any necessary steps to withdraw from the Interlocal Agreement and terminate the WHA, including the negotiation and execution of this Agreement; and

WHEREAS, the Interlocal Agreement requires a withdrawing Participating Municipality to pay its proportionate share of the current indebtedness of **ecomaine** prior to withdrawal; and

WHEREAS, the Interlocal Agreement requires a withdrawing Participating Municipality to pay its proportionate share of any long-term indebtedness of **ecomaine** as such indebtedness becomes due and payable; and

2.3 The execution, delivery and performance of this Agreement will not violate any provision of law, any order of any court or other agency of government, **ecomaine's** by-laws or recording certificate, or any indenture, material agreement or other instrument to which **ecomaine** is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of **ecomaine**.

3. Withdrawal and Termination.

3.1 The effective date of the Town's withdrawal from the Interlocal Agreement shall be midnight on June 30, 2014 (the "Withdrawal Date"), and the Town thereafter shall no longer be a Participating Municipality of **ecomaine**.

3.2 The term of the WHA shall expire as of the Withdrawal Date. Notwithstanding the foregoing, the Town shall deliver to **ecomaine** all waste generated in the Town through June 30, 2014, as required by the terms of the WHA, and will pay **ecomaine's** invoice for the same within 7 days of the date of the invoice.

3.3 The Town hereby relinquishes its interests and rights, if any, under the DMHA.

4. Current Indebtedness. As of the Withdrawal Date, **ecomaine** has no outstanding indebtedness; therefore, the Town's obligation as set forth in the Interlocal Agreement regarding current indebtedness has been satisfied.

5. Long-Term Indebtedness. As of the Withdrawal Date, **ecomaine** has no outstanding long-term indebtedness; therefore, the Town's obligation as set forth in the Interlocal Agreement regarding long-term indebtedness has been satisfied.

6. Conveyance of Interest in Corporate Assets.

6.1 The Town shall convey to **ecomaine** and the remaining Participating Municipalities all right, title and interest of the Town in (i) all property and corporate assets owned by **ecomaine**; and (ii) all property held jointly by two or more Participating Municipalities and used by **ecomaine**.

6.2 Following the Withdrawal Date, the Town shall have no further ownership interest in any of the property and corporate assets of **ecomaine**. The Town hereby relinquishes any and all claims for the residual value of such property and assets in the event that **ecomaine** dissolves the Interlocal Agreement pursuant to Section 12 of that agreement and disposes of all **ecomaine** property, real and personal, remaining in the hands of the Treasurer, including any remaining money paid to the Participating Municipalities as of the date of such dissolution.

conditions and provisions can thereafter be applicable and effective without materially changing the obligations of either party.

9.2 This Agreement shall bind and inure to the benefit of the successors and assigns of the parties hereto.

9.3 This Agreement has been delivered and is intended to be performed in the State of Maine and shall be construed and enforced in accordance with the laws of the State of Maine.

9.4 The paragraph headings or captions set forth herein are for convenience only and shall not be held to explain, modify, amplify or aid in the interpretation, construction or meaning of this Agreement.

9.5 The Town's obligation to make the payments as described herein is unconditional and absolute, without right of setoff or abatement.

9.6 Each party promises and agrees to execute and deliver any instruments and to perform any acts which may be necessary or reasonably required in order to give full effect hereto.

9.7 This Agreement may be executed in more than one counterpart, each of which shall be deemed an original and all of which together shall constitute the same document.

IN WITNESS WHEREOF, the Town and **ecomaine** have entered this Agreement as of the date first written above.

WITNESS:

TOWN OF OGUNQUIT

_____________________________ BY:_____________________________
Its

ECOMAINE

_____________________________ BY:_____________________________
Its

ecomaine
BOARD OF DIRECTORS

RESOLUTION RELATING TO WITHDRAWAL BY PARTICIPATING MUNICIPALITY

WHEREAS, the Town of Ogunquit ("Town") is a Participating Municipality of **ecomaine;** and

WHEREAS, the **ecomaine** Interlocal Agreement provides procedures for withdrawal by a Participating Municipality; and

WHEREAS, the **ecomaine** Waste Handling Agreement provides procedures for termination by a Participating Municipality upon defeasance of the RWS Bonds; and

WHEREAS, the Town has given notice of withdrawal from the Interlocal Agreement; and

WHEREAS, upon withdrawal from the **ecomaine** Interlocal Agreement in compliance with the withdrawal provisions of the Interlocal Agreement, a Participating Municipality is released, to the extent provided in the Interlocal Agreement, from liability for any capital expenditures or borrowings made by **ecomaine** after the date of the Participating Municipality's notice to **ecomaine** of its intent to withdraw, provided that the Participating Municipality continues to be responsible for any liabilities incurred by **ecomaine** during its membership.

NOW, THEREFORE, BE IT RESOLVED: That the Chairman, or in the event of his absence, illness or other inability to act, the General Manager, shall be authorized to take or direct the taking of any action and to execute and deliver any document necessary or convenient to accept the withdrawal of the Town, including but not limited to execution of a withdrawal agreement and a mutual release substantially in the form presented at this meeting, with such changes thereto as approved by the Chairman.

DATED: _____________, 2014

Exhibit A to
Withdrawal Agreement

ASSIGNMENT OF RIGHTS

KNOW ALL MEN BY THESE PRESENTS that the TOWN OF OGUNQUIT, a municipality and body corporate existing under the laws of the State of Maine and a Participating Municipality of ECOMAINE, a Maine non-capital stock, non-profit, quasi-municipal corporation, does hereby assign, transfer, set over and release to ECOMAINE and its successors and assigns forever any and all right, title or interest in property owned by ECOMAINE or held jointly by two or more Participating Municipalities and used by ECOMAINE pursuant to Section 5(A) of the ECOMAINE Interlocal Solid Waste Agreement, including but not limited to the following: (a) all real property owned, leased, subleased, used, occupied or otherwise managed by ECOMAINE; (b) all personal property owned, leased, subleased, used or otherwise managed by ECOMAINE; and (c) all bank accounts, investment accounts, reserve funds, and other assets owned or controlled by ECOMAINE.

This Assignment is given in consideration of the Town of Ogunquit's withdrawal from ECOMAINE, effective June 30, 2014, pursuant to Section 9 of the ECOMAINE Interlocal Solid Waste Agreement.

IN WITNESS WHEREOF, the said Town of Ogunquit has caused this instrument to be signed and sealed in its corporate name by ____________, its ______________, thereunto duly authorized on June __, 2014.

WITNESS: TOWN OF OGUNQUIT

______________________ By: ______________________________
Its:

STATE OF MAINE
CUMBERLAND, ss. June __, 2014

Then personally appeared the above named ________________________, the _____________ of said Town of Ogunquit as aforesaid, and acknowledge the foregoing instrument to be his free act and deed in his said capacity and the free act and deed of said Town of Ogunquit.

Before me,

____
Notary Public
Print name: ____________________
My Commission Expires:__________

Exhibit B to
Withdrawal Agreement

MUTUAL RELEASE

This Mutual Release dated as of June 30, 2014, is between TOWN OF OGUNQUIT, a Maine a municipality and body corporate existing under the laws of the State of Maine (the Town) and ECOMAINE, a non-stock, non-profit corporation duly organized and existing under the laws of the State of Maine ("**ecomaine**").

This Mutual Release is part of, and should be read in conjunction with, the Withdrawal Agreement dated June 30, 2014 between the Town and **ecomaine** ("Withdrawal Agreement"). All recitals, agreements and representations contained within the Withdrawal Agreement are hereby expressly incorporated into this Mutual Release.

WHEREAS, the Town was a member of **ecomaine**, and its predecessor Regional Waste Systems, from November 14, 1984 until June 30, 2014 (hereinafter, the "Membership Period"); and

WHEREAS, **ecomaine** and the Town are parties to an Interlocal Solid Waste Agreement ("Interlocal Agreement") dated as of December 1, 2005 and Waste Handling Agreement ("WHA") dated as of June 1, 2006; and

WHEREAS, **ecomaine** and the Town have agreed that the Town shall withdraw from the Interlocal Agreement effective June 30, 2014; and

WHEREAS, **ecomaine** and the Town have agreed to terminate the WHA effective June 30, 2014;

NOW THEREFORE, the Town and **ecomaine** agree as follows:

1. The Town shall withdraw from **ecomaine** as of midnight on June 30, 2014, and

the Town and **ecomaine** RELEASE AND FOREVER DISCHARGE each other from any and all duties, liabilities, obligations, rights, claims or causes of action under, or relating in any way to any solid waste disposal facility that is constructed by **ecomaine** after the withdrawal date of June 30, 2014.

2. This Mutual Release is not intended to relieve the Town from any liabilities incurred by **ecomaine** during the Town's Membership Period, as set forth in Section 7 of the attached Withdrawal Agreement, the terms of which are hereby incorporated herein.

3. The Town hereby releases any and all right to receive any proceeds from assets or other funds payable to Participating Municipalities by **ecomaine** at any time, including without limitation claims for the residual value of the property and assets of **ecomaine** in the event that **ecomaine** dissolves pursuant to Section 12 of the Interlocal Agreement and disposes of all **ecomaine** property, real and personal, remaining in the hands of the Treasurer, including any remaining money paid to the Participating Municipalities as of the date of such dissolution.

4. This withdrawal shall not affect or eliminate any claim of either party to payment for services or other rights to payments that have accrued during the month of June, 2014 related to the Town's waste deliveries and payments for services provided by **ecomaine** under the WHA.

5. This Mutual Release binds the Town and **ecomaine**, collectively and individually, and all of their individual predecessors, successors, divisions, affiliates, subsidiaries, parents, and assigns and all of their past, present and future directors, officers, agents, employees, servants, stockholders, and attorneys.

6. This Mutual Release, together with the Withdrawal Agreement executed on _________, 2014 by the Town and **ecomaine**, contains the entire agreement between the Town

and **ecomaine**, and the terms of this Mutual Release are contractual and are not a mere recital.

7. Each of the parties hereto represents and warrants that it is a corporation duly organized, validly existing, and in good standing under the laws of the State of Maine and that it has all requisite corporate power and authority to enter into this Mutual Release. Each party further represents and warrants that the execution and delivery of this Mutual Release and the performance of that party's obligations hereunder have been duly authorized by all necessary corporate action. Each party further represents and warrants that the performance of its obligations under this Mutual Release shall have been duly authorized, and this Mutual Release is the valid and binding obligation of that party, enforceable in accordance with its terms.

8. The parties further represent and warrant (a) that by executing and delivering this Mutual Release, and fulfilling the obligations provided for herein, the parties are providing new value to each other, **ecomaine** by, among other things, agreeing to allow the Town to withdraw from the Interlocal Agreement and terminate the Waste Handling Agreement; (b) that their mutual obligations hereunder constitute the contemporaneous exchange of value; (c) that they have entered into this Mutual Release at arms length and after deliberate and thorough assessment of the merits and risks; (d) that their mutual obligations under this Mutual Release constitute reasonably equivalent value; and (e) that they are solvent.

TOWN OF OGUNQUIT

By: ______________________________

STATE OF MAINE
YORK, SS.

_________________, 2014

Personally appeared before me the above-named______________________, and acknowledged, as a duly authorized representative of the Town of Ogunquit, that he has signed the above Mutual Release as his own free act and deed.

Before me,

____
Notary Public

ECOMAINE

By: _______________________________
Kevin Roche
Its General Manager

STATE OF MAINE
CUMBERLAND, ss. _________________, 2014

Personally appeared before me the above-named Kevin Roche, General Manager and Chief Executive Officer, and acknowledged, as a duly authorized representative of **ecomaine**, that he has signed the above Mutual Release as his own free act and deed.

Before me,

____
Notary Public

(Attachment E)

BY-LAWS

OF

ecomaine

ARTICLE I
Name, Principal Office, Corporate Seal

Section l. Name. The name of the Corporation shall be ECO Maine (hereinafter referred to as the "Corporation"). The Corporation may do business in the name of "**ecomaine**."

Section 2. Principal Office. The location and principal office of the Corporation shall be in the City of Portland, State of Maine, but the Corporation may also maintain other offices in such places, either within or without the State of Maine, as the Board of Directors may designate or as the business of the Corporation may require from time to time.

Section 3. Registered Office. The registered office of the Corporation in the State of Maine may be (but need not be) the same as the principal office.

Section 4. Seal. The seal of the Corporation shall have inscribed thereon the name of the Corporation, the year of its organization, and the word "Maine."

ARTICLE II
Definitions

Section 1. Associate Member Municipalities. "Associate Member Municipalities" means such municipalities which may become party to an Associate Member Waste Handling Agreement and be accepted by the Board of Directors as an Associate Member Municipality. Any municipality shall cease to be an Associate Member Municipality upon the date of termination of its Associate Member Waste Handling Agreement.

Section 2. Board. "Board" refers to the Corporation's Board of Directors.

Section 3. Interlocal Agreement. "Interlocal Agreement" means the ECO Maine Interlocal Solid Waste Agreement, by and between the Cities of Portland and South Portland, and the Towns of Bridgton, Cape Elizabeth, Casco, Cumberland, Falmouth, Freeport, Gorham, Gray, Harrison, Hollis, Limington, Lyman, North Yarmouth, ~~Ogunquit,~~ Pownal, Scarborough, Windham, Waterboro and Yarmouth, dated as of December 1, 2005, as supplemented by an Addendum dated April 13, 2006, and by an Addendum dated June 30, 2006, and as further amended or supplemented by addendum from time to time.

Section 4. Participating Member Municipalities. "Participating Member Municipalities" means any municipalities which are or may later become a party to the Interlocal Agreement and be accepted by the Board of Directors as a Participating Member Municipality. Any municipality shall cease to be a Participating Member Municipality upon the effective date of its withdrawal from the Interlocal Agreement.

ARTICLE III
Members

The Corporation shall have no members and shall be a non-membership Corporation.

ARTICLE IV
Board of Directors

Section 1. Number and Qualifications. The business and affairs of the Corporation shall be managed by a Board of Directors elected in accordance with the procedures set forth in the Bylaws of the Corporation.

Section 2. Term of Office. Each Director shall serve for a term of three (3) years or until his or her successor is appointed and qualified. Directors shall be appointed prior to the annual meeting of the Board.

Section 3. Election of Directors. Each Participating Member Municipality shall appoint a minimum of one (1) Director to represent and vote the Voting Interest held by such Participating Member Municipality. In addition, a Participating Member Municipality whose Voting Interest is greater than five percent (5%) may appoint an additional Director for each increment of five percent (5%) or portion thereof, provided that the Voting Interest of such Municipality shall be allocated among the Directors representing such Municipality in such proportions as specified by the Municipal Officers of such Municipality, provided, however, in the event that a Participating Member Municipality is represented by more than one Director, unless otherwise provided by the Municipal Officers of such Municipality, the Voting Interest of such Municipality shall be divided equally between and voted by the Directors representing such Municipality who are actually present at such meeting.

The Municipal Officers of each Participating Member Municipality shall have the right to appoint an alternate Director or Directors who may vote the interest of the Participating Member Municipality on the Board in the absence of its appointed representative(s) to the Board.

Section 4. Vacancies. A vacancy in the Board may occur by the following means: death, resignation, or forfeiture. A member of the Board shall forfeit his/her membership if at any time during his/her term he/she lacks any qualifications of membership prescribed by these By-Laws. If he/she fails to attend at least one-half of the meetings of the Board subsequent to the preceding annual meeting of the Board, or if he/she fails to attend two (2) consecutive meetings of the Board without having provided at least one (1) day's prior notice of such absence to the Chairman, Secretary or ~~General Manager~~Chief Executive Officer, the Participating Member Municipality from which the member was appointed shall be so notified by the Chair.

Section 5. Filling of Vacancies. If a vacancy in the membership of the Board should occur, his/her successor shall be elected in accordance with the procedure set forth in Section 3.

Section 6. Powers and Functions. The Board shall be the policy making body of the Corporation, and may exercise on behalf of the Corporation those powers and functions which are necessary or convenient to the accomplishment of the purposes stated in the Interlocal Agreement. Its functions and duties shall include:

(a) election of officers;

(b) adoption of the annual budget;

(c) adoption and amendment of these By-laws;

(d) election of members and alternate members of the Executive Committee;

(e) election of members and alternate members of the Finance Committee;

(f) election of members and alternate members of the Audit Committee;

(g) election of members and alternate members of the Recycling Committee;

(h) employment and termination of employment of the ~~General Manager~~Chief

Executive Officer.

Section 7. Annual Meeting. The Board shall meet annually at a time and place to be determined by the Chair, notice thereof being given to each Director at least five (5) days prior to the meeting. Elections of officers shall be held at the annual meeting.

Section 8. Other Meetings. Special meetings of the Board may be held at any time and place upon call by or at the request of the Chair, by a majority vote of the Executive Committee, by call of the Incorporator in the case of the first meeting of the Directors, or by request of Directors representing twenty-five per cent (25%) of the total Voting Interests of the Corporation, notice thereof being given to each Director at least five (5) days prior to the meeting.

Section 9. Notice. Notice of a meeting may be given by the Chair, Secretary, Chief Executive Officer~~General Manager~~ or by any one (l) of the Directors, and shall be given by written notice delivered personally or sent by mail or telegram to each Director at his or her address as shown by the records of the Corporation. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company.

Section 10. Voting Interest. Each Participating Member Municipality shall have a Voting Interest expressed as a percentage. The Voting Interest of each Participating Member Municipality shall be rounded off to the nearest hundredth of a per cent, and the Voting Interests of all Participating Member Municipalities shall total one hundred percent (100%). ~~The Voting Interests of all Participating Member Municipalities are set forth in Appendix A.~~ The Voting Interest for each Participating Member Municipality shall be calculated at the end of each fiscal year based on a five-year rolling average of Municipal Solid Waste (excluding Recyclable Waste) delivered to the facility by the Participating Member Municipality or its agent and processed by **ecomaine.**

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Section 11. Alternates. The Board may appoint one or more alternate members of the Executive Committee, Finance Committee and Audit Committee and any other committee that is created, and may specify their order of preference, provided that alternate members of the

Executive Committee may be designated only from among members of the Board. Each such alternate member may attend all meetings of the committee, but shall be without vote unless one or more of the regularly designated members of such committee fails to attend a meeting. In the absence of one or more of the regular members of the committee, such alternate member or members may be counted toward a quorum and may vote as though they were regular members of the committee. In the event that there are more alternate committee members present than there are absent regular committee members, the alternate members shall have the right to vote in the order of preference specified by the Directors in designating them or, if no order of preference was specified, in the order of their appointment or their listing in a single appointment.

Section 12. Voting. A simple majority, determined by the Voting Interests of Directors, shall constitute a quorum, and, except as otherwise provided in these By-Laws, action of the Board shall be by the majority of Voting Interests cast by those Directors present and voting at any duly called meeting. Except as otherwise provided in these By-Laws, each Director shall be entitled to vote the Voting Interest of the Participating Member Municipality represented by such Director or Directors.

Section 13. Restriction on Certain Expenditures. Action of the Board to approve making, financing or refinancing of any expenditure, the cost of which in the opinion of the Board is too great to be met from annual revenues, shall be by a vote of three-fourths (3/4) of the total Voting Interests of the Directors. Notice of any meeting called for the purpose of determining whether to incur the cost of such an expenditure and acting thereon shall be given to each Director at least thirty (30) days prior to the meeting.

Section 14. Rules and Regulations. The Board may adopt rules and regulations not inconsistent with these By-Laws. Except as otherwise provided in these By-Laws or in such rules and regulations, all business at meetings of the Board shall be conducted in accordance with Robert's Rules of Order.

ARTICLE V
Executive Committee

Section 1. Composition and Eligibility.

(a) There shall be an Executive Committee consisting of the following nine (9) Directors ("Municipal Directors"): two (2) members from Portland, one (1) member from South Portland, one (1) member from Scarborough and one (1) member from each of the five (5) Executive Committee Districts selected by the Directors representing the Participating Municipalities of such District. In addition, the Committee shall include the Chair, Vice-Chair, Secretary and Treasurer of the Corporation (the "Officers"); provided that, in the event an Officer(s) is not included among the Municipal Directors, the membership of the Committee shall be increased accordingly; and further provided that whenever the Committee votes on any action which directly affects property owned by the Corporation and located in Gorham, and the Director representing Gorham is not a member of the Committee, the membership of the Committee will be increased to add one (1) member from Gorham solely for the purpose of participating in such vote ; and further provided that the immediate past Chair, if a member of the Board, shall be a member of the Committee, without vote. In the event that the Directors representing the Participating Municipalities of any Executive Committee District are unable to agree on the selection of a Director to serve as the District's member on the Committee, the Chair will select a Director to be appointed by the Board to serve as such District's member on the Committee.

(b) The representatives to the Executive Committee shall be appointed by the Board at the Annual Meeting.

(c) The Executive Committee Districts shall be composed of the following Participating Member Municipalities:

(i) District 1: Bridgton; Casco; Gray; Harrison

(ii) District 2: Hollis; Limington; Lyman; ~~Ogunquit;~~ Waterboro

(iii) District 3: Gorham; Windham

(iv) District 4: Cumberland; Freeport; North Yarmouth; Pownal; Yarmouth

(v) District 5: Cape Elizabeth; Falmouth

(d) Each member of the Executive Committee shall serve for a term of three (3) years or until his or her successor is appointed and qualified.

Section 2. Officers, Vacancies, Filling of Vacancies.

(a) Officers. Officers of the Executive Committee shall include the Chair and President, Vice-Chair, Secretary and Treasurer of the Corporation, and such other officers as the Board of Directors may elect or desire. Only persons who are members of the Board of Directors shall be eligible to be officers of the Executive Committee.

(b) Vacancies. A vacancy in the Executive Committee may occur by the following means: death, resignation, or forfeiture. A member of the Executive Committee shall forfeit his/her office if at any time during his/her term of office he/she lacks any qualifications of the office prescribed by these By-Laws. If he/she fails to attend at least one-half of the meetings of the Executive Committee subsequent to the preceding annual meeting of the Board, or if he/she fails to attend two (2) consecutive meetings of the Executive Committee without having provided at least one (1) day's prior notice of such absence to the Chair, Secretary or Chief Executive Officer~~General Manager~~, the Participating Municipality from which the member was appointed shall be so notified by the Chair.

(c) Filling of Vacancies. If a vacancy in the Executive Committee should occur more than one hundred twenty (120) days prior to the next annual meeting of the Board, the Executive Committee shall call a meeting of the Board for the purpose of filling said vacancy. The Executive Committee may fill any other vacancy at any regular or special meeting from the membership of the Board, subject to the requirements of Section 1.

Section 3. Function and Powers. Except as may otherwise be provided by the Board, the Executive Committee shall have the following functions and powers:

(a) To conduct the business of the Corporation within the policy guidelines of the Board.

(b) To propose an annual budget.

(c) To provide for an annual audit.

(d) To appoint ad hoc or special committees.

(e) To receive, hold and disburse funds, set fees for services, seek and accept grants, and enter into necessary contracts for the Corporation.

(f) To review requests for membership to the Corporation and to make a recommendation to the Board concerning such requests.

(g) To direct the Chief Executive Officer~~General Manager~~ to employ or contract for the employment of a staff, including fixing of salary and benefits in accordance with policies established by the Executive Committee, except that the employment and termination of employment of the Chief Executive Officer~~General Manager~~ shall be the responsibility of the Board in accordance with Article IV, Section 6.

(h) To review and evaluate annually the performance of the Chief Executive Officer~~General Manager~~.

(i) To exercise such municipal powers as may be delegated to the Corporation by any Participating Municipality.

Section 4. Procedure.

(a) Meetings. The Executive Committee shall meet monthly or on the call of the Chair or Vice-Chair, or at the direction of the Board.

(b) Voting Interest. Each member of the Committee shall have a voting interest equal to one (1) vote, except as otherwise provided in this subsection ("Executive Committee Voting Interest"). Whenever pursuant to Section 1(a) of this Article V, the size of the Committee exceeds nine (9) members as a result of the addition of Officer(s), the Executive Committee Voting Interest of such Officer(s) and the Executive Committee Voting Interest of the Municipal Director(s), who represent the same municipality or a different municipality that is in the same Executive Committee District as the municipality represented by the Officer, shall be equal to a proportion of the total Executive Committee Voting Interest of such municipality or District. By way of example, if an Officer and an Executive Committee District representative are from the same Municipality, the Executive Committee Voting Interest of each would equal 1/2 (one half) vote. Notwithstanding any provisions in these By-Laws to the contrary, whenever, pursuant to Section 1(a) of this Article V, the size of the Committee is increased to add one (1) member from Gorham for the purpose of participating in votes on any action directly affecting property owned by the Corporation and located in Gorham, the Executive Committee Voting Interest of the member from Gorham and the member from Executive Committee District 3 shall each equal 1/2 (one-half) vote.

(c) Voting. A simple majority, determined by Executive Committee Voting Interests of the members of the Executive Committee, shall constitute a quorum. Action of the Executive Committee shall be by an affirmative vote of a majority of the Executive Committee Voting Interests of those members of the Executive Committee present and voting at any duly called meeting.

(d) Rules. The Executive Committee may adopt rules and regulations not inconsistent with these By-Laws. Except as otherwise provided in these By-Laws or in such rules and regulations, all business at meetings of the Executive Committee shall be conducted in accordance with Robert's Rules of Order.

ARTICLE VI
Finance Committee

Section 1. Membership. There shall be a Finance Committee of the Treasurer, as Chair, and four (4) or more other persons appointed by the Board, provided that no more than two (2) persons who are not Directors shall be members.

Section 2. Filling of Vacancies. If a vacancy in the membership of the Committee should occur, his/her successor shall be appointed by the Chair of the Corporation to serve until the next annual meeting of the Board.

Section 3. Function and Powers. The Finance Committee shall be responsible for preparation of the annual budget for review by the Executive Committee and for oversight of the Corporation's financial matters at the direction of the Executive Committee.

Section 4. Meetings. The Finance Committee shall meet semi-annually and upon call of the Chair or a majority of its members. Notice of the time and place of the meetings shall be provided to each member of the Committee at least five (5) days prior to the meeting.

Section 5. Voting. Each member of the Finance Committee shall have one vote, and a simple majority of the members of the Finance Committee shall constitute a quorum. No action of the Finance Committee shall be valid, or binding, unless adopted by an affirmative vote of a majority of the voting members of the Finance Committee present and voting at any duly called meeting.

ARTICLE VII
Recycling Committee

Section 1. Membership. There shall be a Recycling Committee of four (4) or more persons appointed by the Board at the Annual Meeting, provided that no more than two (2) persons who are not Directors shall be members.

Section 2. Filling of Vacancies. If a vacancy in the membership of the Recycling Committee should occur, his/her successor shall be appointed by the Chair of the Corporation to serve until the next annual meeting of the Board.

Section 3. Function and Powers. The Recycling Committee shall be responsible for the Corporation's recycling activities for review by the Executive Committee and oversight of other matters at the direction of the Executive Committee.

Section 4. Meetings. The Recycling Committee shall meet semi-annually and upon call of the Chair or a majority of its members. Notice of the time and place of the meetings shall be provided to each member of the Committee at least five (5) days prior to the meeting.

Section 5. Voting. Each member of the Recycling Committee shall have one vote, and a simple majority of the members of the Recycling Committee shall constitute a quorum. No action of the Recycling Committee shall be valid, or binding, unless adopted by an affirmative vote of a majority of the voting members of the Recycling Committee present and voting at any duly called meeting.

ARTICLE VIII
Audit Committee

Section 1. Membership. There shall be an Audit Committee of three (3) or more Directors appointed by the Board.

Section 2. Filling of Vacancies. If a vacancy in the membership of the Audit Committee should occur, his/her successor shall be appointed by the Chair of the Corporation to serve until the next annual meeting of the Board.

Section 3. Function and Powers. The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities related to corporate accounting, financial reporting practices, quality and integrity of financial reports as well as legal compliance and business ethics. Key components of fulfilling this charge include:

(a) Facilitating and maintaining an open avenue of communication among the Board, the Audit Committee, senior management and the independent external accountants;

(b) Serving as an independent and objective party to monitor the Corporation's financial reporting process and internal control system; and

(c) Engaging, reviewing and appraising the efforts of the independent accountants.

Section 4. Meetings. The Audit Committee shall meet semi-annually and upon call of the Chair or a majority of its members. Notice of the time and place of the meetings shall be provided to each member of the Committee at least five (5) days prior to the meeting. All meetings will focus primarily on audit/financial issues but will also devote time to ethics and business conduct issues. The Committee will request legal updates from the Corporation's legal counsel and/or outside legal resources as they determine the need exists. ~~but no less than once during each fiscal year.~~ The Committee members will have sole discretion in determining the meeting attendees and agenda.

(a) Voting. Each member of the Audit Committee shall have one (1) vote, and a simple majority of the members of the Audit Committee shall constitute a quorum. No action of the Audit Committee shall be valid, or binding, unless adopted by an affirmative vote of a majority of the members of the Committee present and voting at any duly called meeting.

(b) Rules and Regulations. The Audit Committee may adopt rules and regulations, not inconsistent with these By-Laws, which permit the Committee to remain flexible in order to best react to changing conditions and provide reasonable assurance to the Board that the accounting and reporting practices of the Corporation are in compliance with all legal requirements.

ARTICLE IX
Officers, Elections and Vacancies

Section l. Officers. The officers of the Corporation shall consist of a Chair and President, a Vice-Chair, a Secretary and a Treasurer. Only persons who are members of the Board shall be eligible to be officers.

Section 2. Nominations. The Chair shall appoint a nominating committee of four (4) Directors. The nominating committee shall recommend a slate of officers for election at the annual meeting of the Board. Nominations may also be made from the floor by any Director present.

Section 3. Elections. Elections shall be held at the annual meeting of the Board. A majority of the Voting Interests of the Directors present is required for election to any office.

Section 4. Vacancies, Filling of Vacancies.

(a) Vacancies. A vacancy may occur by the following means: death, resignation, or forfeiture. An officer forfeits his office if at any time during his term he lacks the qualifications of his office as determined by these By-Laws.

(b) Filling of Vacancies. Should a vacancy occur in the office of Chair and President, it shall be filled temporarily by the Vice-Chair. If the vacancy in the office of Chair and President should occur more than one hundred twenty (120) days prior to the annual meeting of the Board, then a special meeting shall be called by the Vice-Chair or Secretary for the purpose of electing a new Chair and President. The Board may fill any other vacancy.

Section 5. Powers and Duties of the Chair. The Chair shall preside over all meetings of the Board and in his or her absence, the Vice-Chair shall preside. In the absence of the Vice-Chair, the Secretary or Treasurer may preside at such meetings.

Section 6. Powers and Duties of the Secretary and Treasurer. The Secretary shall record or shall cause to be recorded all the votes and proceedings of the Board meetings in books kept for that purpose. The Secretary and the Treasurer shall also perform such further duties as the Board and/or the Executive Committee may from time to time direct. The Treasurer shall chair the Finance Committee. The Treasurer may be required to give bond for the faithful discharge of his/her duties, in such sum and with such sureties as the Board may require and approve.

ARTICLE X
Finances

Section 1. Disbursements of Funds. Funds which accrue to the Corporation for its use in furthering the aims and purposes of the Corporation shall be controlled, disbursed, and accounted for in a manner prescribed by the Executive Committee for general purposes.

Section 2. Fiscal Year. The Corporation's fiscal year shall be from July 1st through June 30th.

Section 3. Payment In Lieu of Taxes. In partial consideration for the obligations of the Participating Member Municipalities resulting from provisions of the Interlocal Agreement and the applicable waste handling agreements, the Corporation shall pay in lieu of taxes a sum not less than Five Hundred Thousand Dollars ($500,000.00) annually, based upon the 1987 annual waste tonnage of Regional Waste Systems, which amount shall be increased in proportion to the waste tonnage increase from all sources, other than municipal waste, from the Participating Member Municipalities, and excluding all spot market waste, for the term of the waste handling agreements with Participating Member Municipalities, to be apportioned as follows: five-sevenths (5/7) to Portland; one-seventh (1/7) to South Portland; and one-seventh (1/7) to Scarborough. The

Corporation may pay in lieu of taxes additional amounts to any Participating or Associate Member Municipality in which any portion of the realty of the Corporation is located.

ARTICLE XI
Indemnification

To the extent permitted by the laws of the State of Maine as they may now or hereafter exist, the Corporation shall indemnify any officer, director, employee or agent of the Corporation who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, by reason of the fact that he or she is or was an officer, director, employee or agent of the Corporation, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him or her in connection with such action, suit or proceeding; provided that no indemnification shall be provided with respect to any matter as to which he or she shall have been finally adjudicated in any civil proceeding not to have acted in good faith in the reasonable belief that his or her action was in the best interests of the Corporation or, in any criminal proceeding, to have had reasonable cause to believe that his or her conduct was unlawful. To the extent permitted by law, the Corporation may purchase and maintain insurance against the liability of its officers, directors, employees or agents.

ARTICLE XII
Amendments to By-Laws

These By-Laws may be amended or altered at any meeting of the Board, provided that a written notice shall be sent to each Director no less than five (5) days before the date of such meeting, which notice shall state the proposed amendments. A two-thirds (2/3) vote of the Voting Interests of the Directors present at a duly called meeting is necessary for passage of amendments.

(Adopted 4/13/06)
(Amended 6/30/06)
(Amended 9/21/06)
(Amended 10/18/07)
(Amended 01/20/11)
(Amended 10/16/14)

~~APPENDIX A~~

~~VOTING INTERESTS~~

~~Bridgton~~	~~4.35%~~
~~Cape Elizabeth~~	~~5.11%~~
~~Casco~~	~~1.41%~~
~~Cumberland~~	~~4.09%~~
~~Falmouth~~	~~4.05%~~
~~Freeport~~	~~3.48%~~
~~Gorham~~	~~4.51%~~
~~Gray~~	~~3.54%~~
~~Harrison~~	~~1.80%~~
~~Hollis~~	~~3.02%~~
~~Limington~~	~~2.47%~~
~~Lyman~~	~~2.54%~~
~~North Yarmouth~~	~~1.83%~~
~~Ogunquit~~	~~2.82%~~
~~Portland~~	~~20.01%~~
~~Pownal~~	~~0.55%~~
~~Scarborough~~	~~9.77%~~
~~South Portland~~	~~11.67%~~
~~Waterboro~~	~~4.09%~~
~~Windham~~	~~4.08%~~
~~Yarmouth~~	~~4.81%~~
	~~100.00%~~