

ecomaine  
Statement of Revenue and Expenses  
For the month ended September 30, 2009

|   | <u>Actual</u>            | <u>September<br/>Budget</u> | <u>Variance</u>          |
|---|--------------------------|-----------------------------|--------------------------|
| Operating revenues                          |                          |                             |                          |
| Municipal assessments                       | \$389,167.06             | \$389,887.82                | (\$720.76)               |
| Owners tipping fees                         | 406,032.07               | 374,814.00                  | 31,218.07                |
| Associate tipping fees                      | 72,065.05                | 69,137.08                   | 2,927.97                 |
| Commercial tipping fees                     | 435,393.79               | 377,967.33                  | 57,426.46                |
| Spot market tipping fees                    | 306,567.49               | 196,338.58                  | 110,228.91               |
| Electrical generating revenues              | 555,760.82               | 513,025.00                  | 42,735.82                |
| Sales of recycled goods                     | 200,629.33               | 83,333.33                   | 117,296.00               |
| Recycling tipping fees                      | 3,128.55                 | 8,333.33                    | (5,204.78)               |
| Gorham property assessments                 | 9,166.67                 | 9,166.67                    | 0.00                     |
| Other operating income                      | 11,614.34                | 27,083.34                   | (15,469.00)              |
|   | <u>2,389,525.17</u>      | <u>2,049,086.48</u>         | <u>340,438.69</u>        |
| Operating expenses                          |                          |                             |                          |
| Administrative expenses                     | 203,766.91               | 202,769.24                  | 997.67                   |
| Waste-to-energy operating expenses          | 584,179.78               | 589,887.95                  | (5,708.17)               |
| Recycling operating expenses                | 114,000.33               | 127,098.49                  | (13,098.16)              |
| Landfill/ashfill operating expenses         | 149,342.35               | 145,406.47                  | 3,935.88                 |
| Contingency                                 | 0.00                     | 31,250.00                   | (31,250.00)              |
| Landfill closure and postclosure care costs | 0.00                     | 0.00                        | 0.00                     |
| Depreciation & amortization                 | 450,000.00               | 450,000.00                  | 0.00                     |
|   | <u>1,501,289.37</u>      | <u>1,546,412.15</u>         | <u>(45,122.78)</u>       |
| Net operating income                        | <u>888,235.80</u>        | <u>502,674.33</u>           | <u>385,561.47</u>        |
| Non-operating income (expense)              |                          |                             |                          |
| Interest income                             | 5,640.26                 | 16,041.67                   | (10,401.41)              |
| Interest expense                            | (87,018.11)              | (128,741.66)                | 41,723.55                |
|   | <u>(81,377.85)</u>       | <u>(112,699.99)</u>         | <u>31,322.14</u>         |
| Total revenue less expenses                 | <u><u>806,857.95</u></u> | <u><u>389,974.34</u></u>    | <u><u>416,883.61</u></u> |

ecomaine  
Statement of Revenue and Expenses  
For the Three Months Ending September 30, 2009

|   | Actual                     | YTD<br>Budget              | Variance                   |
|---|----------------------------|----------------------------|----------------------------|
| Operating revenues                          |                            |                            |                            |
| Municipal assessments                       | \$1,169,988.37             | \$1,169,663.46             | \$324.91                   |
| Owner's tipping fees                        | 1,261,282.61               | 1,124,442.00               | 136,840.61                 |
| Associate tipping fees                      | 238,863.02                 | 207,411.24                 | 31,451.78                  |
| Commercial tipping fees                     | 1,395,696.02               | 1,133,901.99               | 261,794.03                 |
| Spot market tipping fees                    | 897,973.29                 | 589,015.74                 | 308,957.55                 |
| Electrical generating revenues              | 1,805,668.73               | 1,651,004.00               | 154,664.73                 |
| Sales of recycled goods                     | 530,490.68                 | 249,999.99                 | 280,490.69                 |
| Recycling tipping fees                      | 14,988.94                  | 24,999.99                  | (10,011.05)                |
| Gorham property assessments                 | 27,501.01                  | 27,500.01                  | 1.00                       |
| Other operating income                      | 37,717.18                  | 81,250.02                  | (43,532.84)                |
| Total operating revenues                    | <u>7,380,169.85</u>        | <u>6,259,188.44</u>        | <u>1,120,981.41</u>        |
| Operating expenses                          |                            |                            |                            |
| Administrative expenses                     | 578,389.44                 | 608,307.72                 | (29,918.28)                |
| Waste-to-energy operating expenses          | 1,678,601.59               | 2,015,466.15               | (336,864.56)               |
| Recycling operating expenses                | 319,020.77                 | 381,295.47                 | (62,274.70)                |
| Landfill/ashfill operating expenses         | 419,712.52                 | 392,864.95                 | 26,847.57                  |
| Contingency                                 | 0.00                       | 93,750.00                  | (93,750.00)                |
| Landfill closure and postclosure care costs | 0.00                       | 0.00                       | 0.00                       |
| Depreciation & amortization                 | 1,350,000.00               | 1,350,000.00               | 0.00                       |
| Total operating expenses                    | <u>4,345,724.32</u>        | <u>4,841,684.29</u>        | <u>(495,959.97)</u>        |
| Net operating income                        | <u>3,034,445.53</u>        | <u>1,417,504.15</u>        | <u>1,616,941.38</u>        |
| Non-operating income (expense)              |                            |                            |                            |
| Interest income                             | 16,628.91                  | 48,125.01                  | (31,496.10)                |
| Interest expense                            | (270,425.22)               | (386,224.98)               | 115,799.76                 |
| Net non-operating                           | <u>(253,796.31)</u>        | <u>(338,099.97)</u>        | <u>84,303.66</u>           |
| Total revenue less expenses                 | <u><u>2,780,649.22</u></u> | <u><u>1,079,404.18</u></u> | <u><u>1,701,245.04</u></u> |



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## Summary: Landfill Open House

"The Science behind Your Landfill"

Saturday, October 10, 2009 10:30-1:00

**Attendance:** Steady flow all day, estimated at 200 people

### Advance Publicity:

- ▶ Paid radio advertising (part of remote broadcast package)
- ▶ Calendar listings in newspapers and on-line newsletters
- ▶ Feature news article (PPH, Waterville Sentinel, Lewiston SJ)
- ▶ E-mail flyers to middle and high school science teachers and social studies teachers, Boy Scouts, Sierra Club, Appalachian Mountain Club, NRCM, Audubon, town clerks, public works directors, community TV, town committees, eco-Excellence Award winners, etc.

### Exhibits & Activities:

- ▶ Tours of the landfill were very popular; there were always people waiting for a turn despite using 2 vans and 1 golf cart; comments following the tour indicated that it was very educational and surprising, as well as enjoyable; tour drivers reported that there had been many questions and a high level of interest; a tour summary was given to each adult
- ▶ Gas readings using handheld equipment
- ▶ Water pH readings (hands-on) using samples of leachate & water
- ▶ Live remote radio broadcast with free promotional items from the station (music CDs) and from **ecomaine** (20 T-shirts, 80 Frisbees, pens, recycling magnets, recycling bins, 10 biodiesel debate CDs)
- ▶ Land surveying demonstration: interested audience, but could not staff continuously
- ▶ Composting demonstration by Master Composter Phil Hildebrandt of the Town of Yarmouth
- ▶ Several aerial maps showing the landfill location were of interest
- ▶ Enlarged photos of landfill wildlife and scenery
- ▶ Visual representation of the 90% reduction in volume when trash is burned (10 filled garbage bags vs. 1 garbage bag)
- ▶ Model plane club fly-overs
- ▶ Toy garbage truck races were popular with children, as were the Frisbees and balloons
- ▶ Four pieces of work trucks and other equipment were displayed for children to sit in
- ▶ **ecomaine** literature about all three facilities
- ▶ 13 attendees filled out a form requesting notification of future events
- ▶ Hotdogs, popcorn, drinks

### Result:

People were surprised and very impressed at the landfill location, lack of odor, large acreage, and the science of a modern landfill below the surface. Many people seemed excited about their discoveries and were looking forward to telling others.



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## Statement of Revenues and Expenses Year Ended June 30, 2009

|  | Budget               | Forecast             | Actual               | Actual vs. Forecast Variance | % Change      | Actual vs. Budget Variance | % Change      |
|--|----------------------|----------------------|----------------------|------------------------------|---------------|----------------------------|---------------|
| Operating revenues                     |                      |                      |                      |                              |               |                            |               |
| Municipal assessments                  | \$ 4,678,654         | \$ 4,678,654         | \$ 4,678,701         | \$ 47                        | 0.0%          | 47                         | 0.0%          |
| Owners tipping fees                    | 5,040,128            | 4,734,490            | 4,787,218            | 52,728                       | 1.1%          | (252,910)                  | -5.0%         |
| Associate tipping fees                 | 866,149              | 873,348              | 864,095              | (9,253)                      | -1.1%         | (2,054)                    | -0.2%         |
| Commercial tipping fees                | 6,331,709            | 5,336,056            | 5,433,109            | 97,053                       | 1.8%          | (898,600)                  | -14.2%        |
| Spot market tipping fees               | 1,000,000            | 1,839,500            | 1,884,478            | 44,978                       | 2.4%          | 884,478                    | 88.4%         |
| Electrical generating revenues         | 5,826,649            | 6,026,649            | 6,250,476            | 223,827                      | 3.7%          | 423,827                    | 7.3%          |
| Sales of recycled goods                | 2,401,086            | 2,138,345            | 2,034,325            | (104,020)                    | -4.9%         | (366,761)                  | -15.3%        |
| Recycling tipping fees                 | -                    | 131,511              | 136,588              | 5,077                        | 3.9%          | 136,588                    | n/a           |
| Gorham property assessments            | 110,000              | 110,000              | 141,722              | 31,722                       | 28.8%         | 31,722                     | 28.8%         |
| Other operating income                 | 463,556              | 329,141              | 265,297              | (63,844)                     | -19.4%        | (198,259)                  | -42.8%        |
| <b>Total operating revenues</b>        | <b>26,717,931</b>    | <b>26,197,694</b>    | <b>26,476,009</b>    | <b>278,315</b>               | <b>1.1%</b>   | <b>(241,922)</b>           | <b>-0.9%</b>  |
| Operating expenses                     |                      |                      |                      |                              |               |                            |               |
| Administrative expenses                | 2,273,976            | 2,018,392            | 1,877,567            | (140,825)                    | -7.0%         | (396,409)                  | -17.4%        |
| WTE operating expenses                 | 8,675,438            | 8,663,872            | 8,440,743            | (223,129)                    | -2.6%         | (234,695)                  | -2.7%         |
| Recycling operating expenses           | 1,579,447            | 1,498,217            | 1,508,877            | 10,660                       | 0.7%          | (70,570)                   | -4.5%         |
| Landfill / ash fill operating expenses | 1,730,970            | 1,579,879            | 1,690,169            | 110,290                      | 7.0%          | (40,801)                   | -2.4%         |
| Host community                         | 555,000              | 555,000              | 515,129              | (39,871)                     | -7.2%         | (39,871)                   | -7.2%         |
| Contingency                            | 316,750              | 50,000               | 27,897               | (22,103)                     | -44.2%        | (288,853)                  | -91.2%        |
| <b>Total operating expenses</b>        | <b>15,131,581</b>    | <b>14,365,360</b>    | <b>14,060,382</b>    | <b>(304,978)</b>             | <b>-2.1%</b>  | <b>(1,071,199)</b>         | <b>-7.1%</b>  |
| <b>Net operating income</b>            | <b>11,586,350</b>    | <b>11,832,334</b>    | <b>12,415,627</b>    | <b>583,293</b>               | <b>4.9%</b>   | <b>829,277</b>             | <b>7.2%</b>   |
| Non-operating income (expense)         |                      |                      |                      |                              |               |                            |               |
| Depreciation                           | -                    | -                    | -                    | -                            | -             | -                          | -             |
| Interest income                        | 300,000              | 250,000              | 203,637              | (46,363)                     | -18.5%        | (96,363)                   | -32.1%        |
| Interest expense                       | (1,870,000)          | (2,042,694)          | (1,448,289)          | 594,405                      | -29.1%        | 421,711                    | -22.6%        |
| <b>Total non-operating</b>             | <b>(1,570,000)</b>   | <b>(1,792,694)</b>   | <b>(1,244,652)</b>   | <b>548,042</b>               | <b>-30.6%</b> | <b>325,348</b>             | <b>-20.7%</b> |
| <b>Total revenues less expenses</b>    | <b>\$ 10,016,350</b> | <b>\$ 10,039,640</b> | <b>\$ 11,170,975</b> | <b>\$ 1,131,335</b>          | <b>11.3%</b>  | <b>\$ 1,154,625</b>        | <b>11.5%</b>  |

**ecomaine**  
 Designated Capital Fund  
 Year Ended June 30, 2009

|                                  | <u>Budget</u>     | <u>Capital<br/>Budget</u> | <u>Actuals<br/>Expense<br/>Budget</u> | <u>Total</u>        |
|----------------------------------|-------------------|---------------------------|---------------------------------------|---------------------|
| Balance 6/30/2008                | 606,227           | 606,227                   | -                                     | 606,227             |
| Approved 2009 funding            | 1,649,230         | 1,649,230                 | 452,645                               | 2,101,875           |
| Subtotal                         | <u>2,255,457</u>  | <u>2,255,457</u>          | <u>452,645</u>                        | <u>2,708,102</u>    |
| Spending for 2009                | ( 2,055,000 )     | ( 2,298,808 )             | ( 405,158 )                           | ( 2,703,966 )       |
| Projected balance 6/30/2009      | <u>200,457</u>    | <u>( 43,351 )</u>         | <u>47,487</u>                         | <u>4,136</u>        |
| 2009 results in excess of budget | -                 |                           | 1,154,625                             | 1,154,625           |
| Requested 2010 funding           | 1,814,153         |                           |                                       | 1,814,153           |
| Planned spending for 2010        | ( 1,746,000 )     |                           |                                       | ( 1,746,000 )       |
| Projected balance 6/30/2010      | <u>\$ 268,610</u> | <u>\$ ( 43,351 )</u>      | <u>\$ 1,202,112</u>                   | <u>\$ 1,226,914</u> |

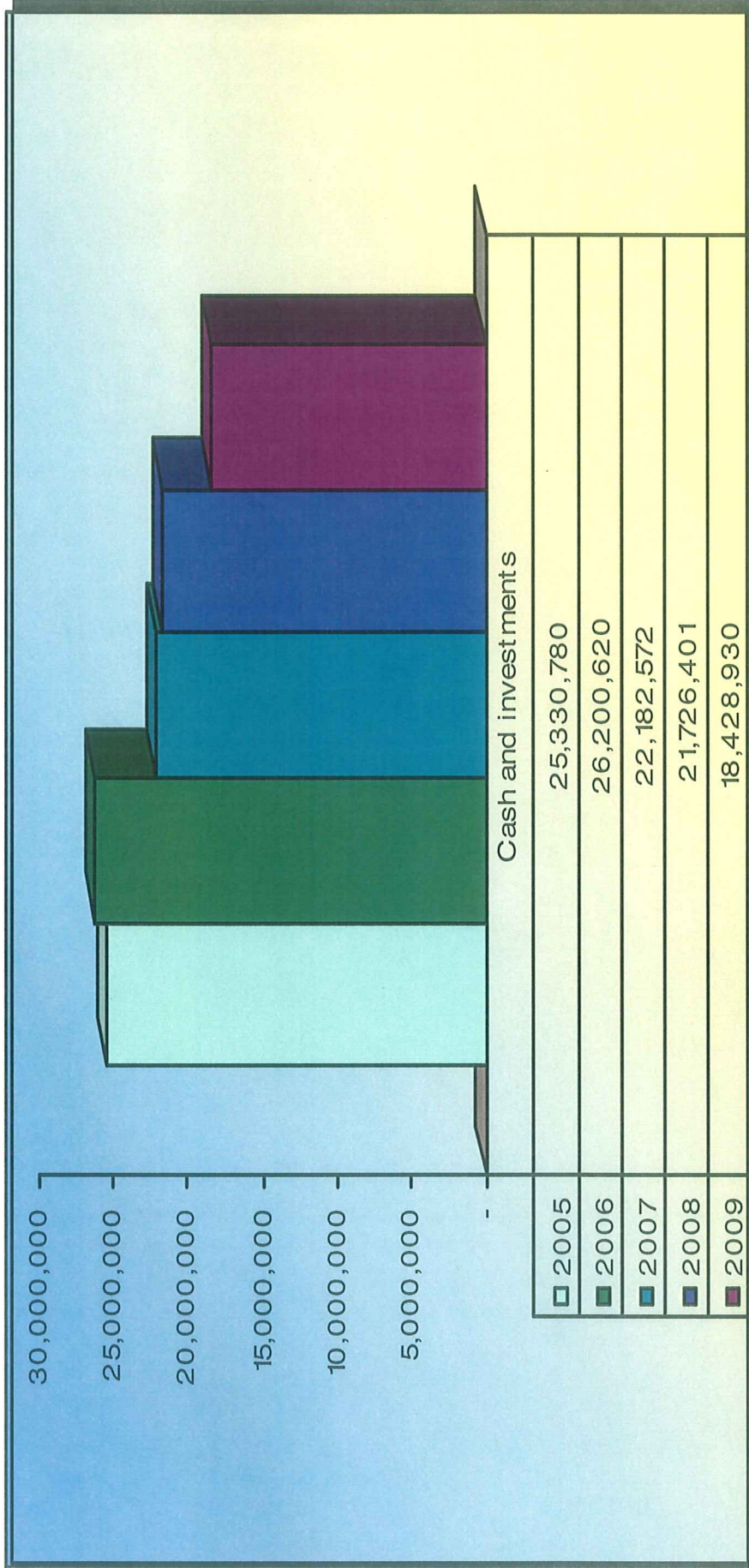
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## FINANCIAL STATEMENT PRESENTATION

June 30, 2009

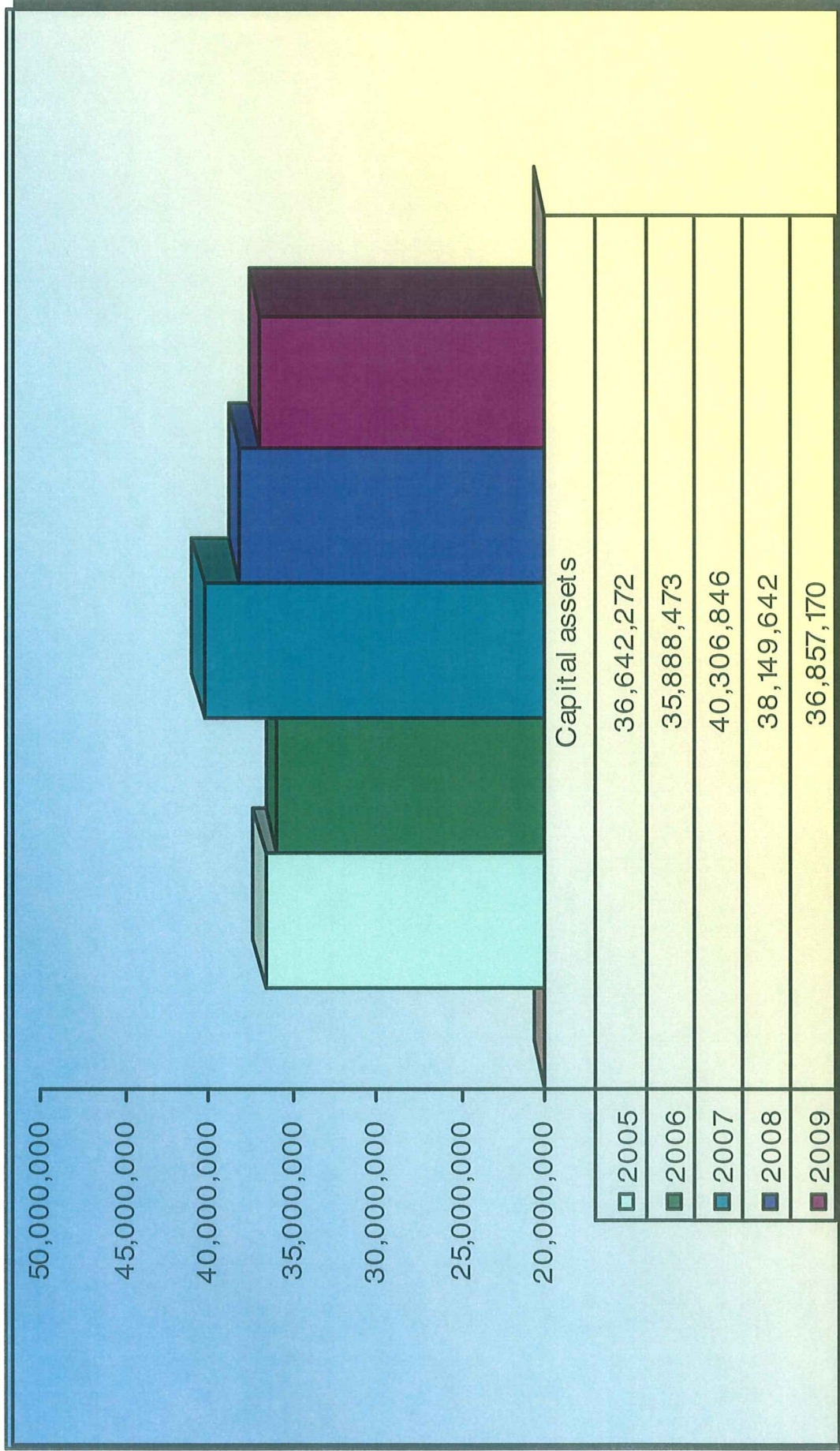
### KEY PERFORMANCE INDICATORS

#### CASH AND INVESTMENTS



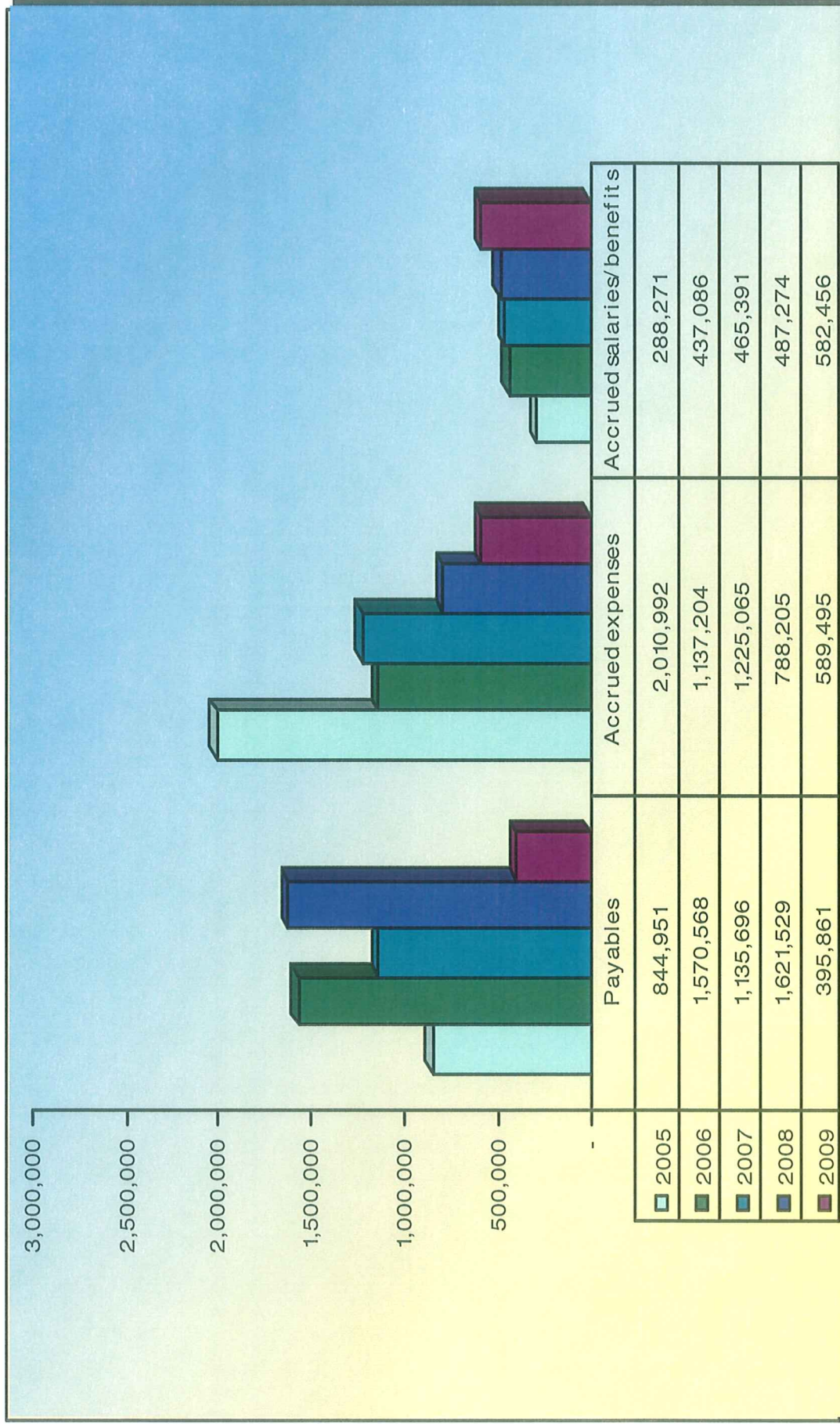
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## CAPITAL ASSETS



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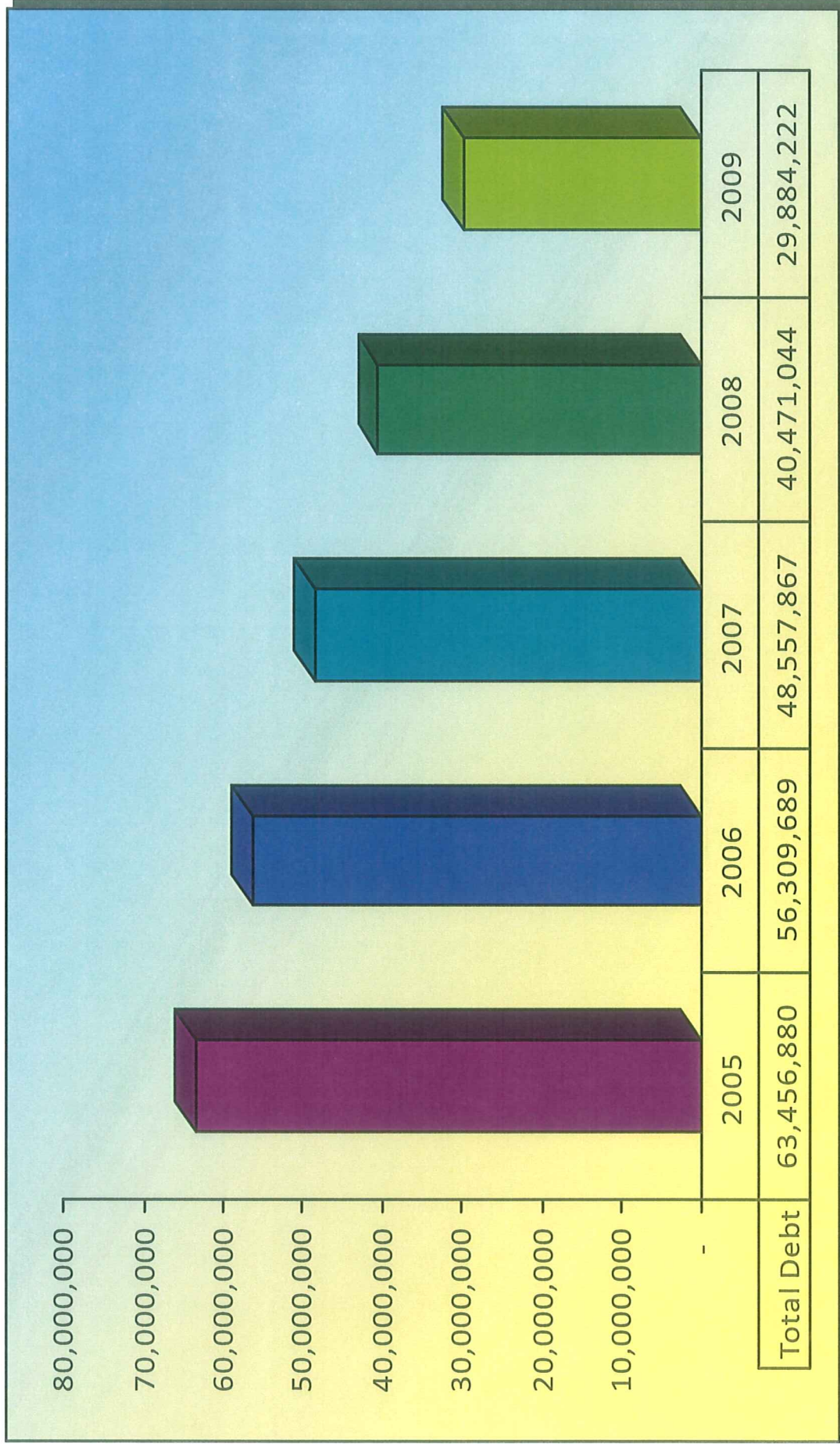
## LIABILITIES





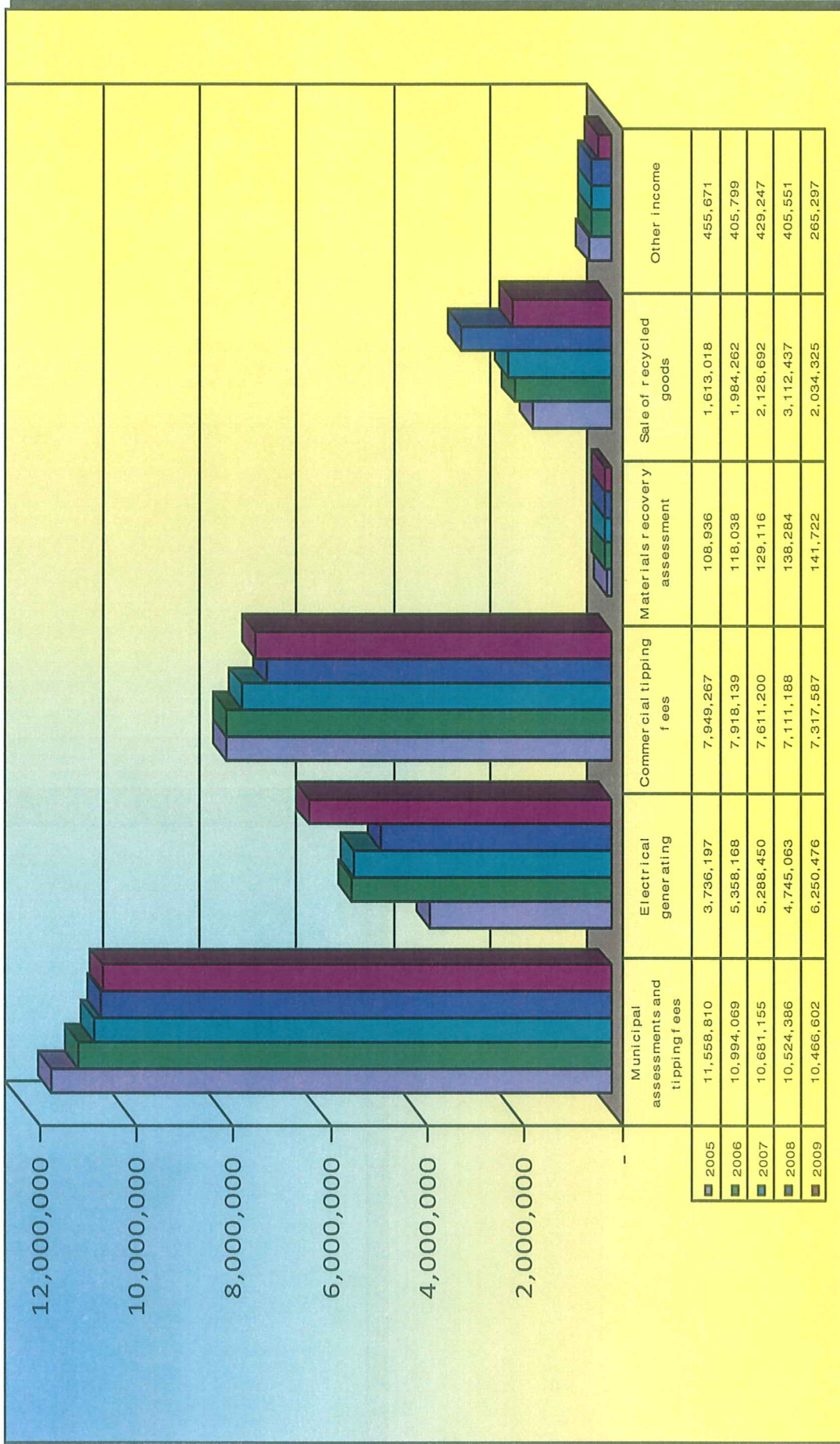
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## TOTAL OUTSTANDING DEBT



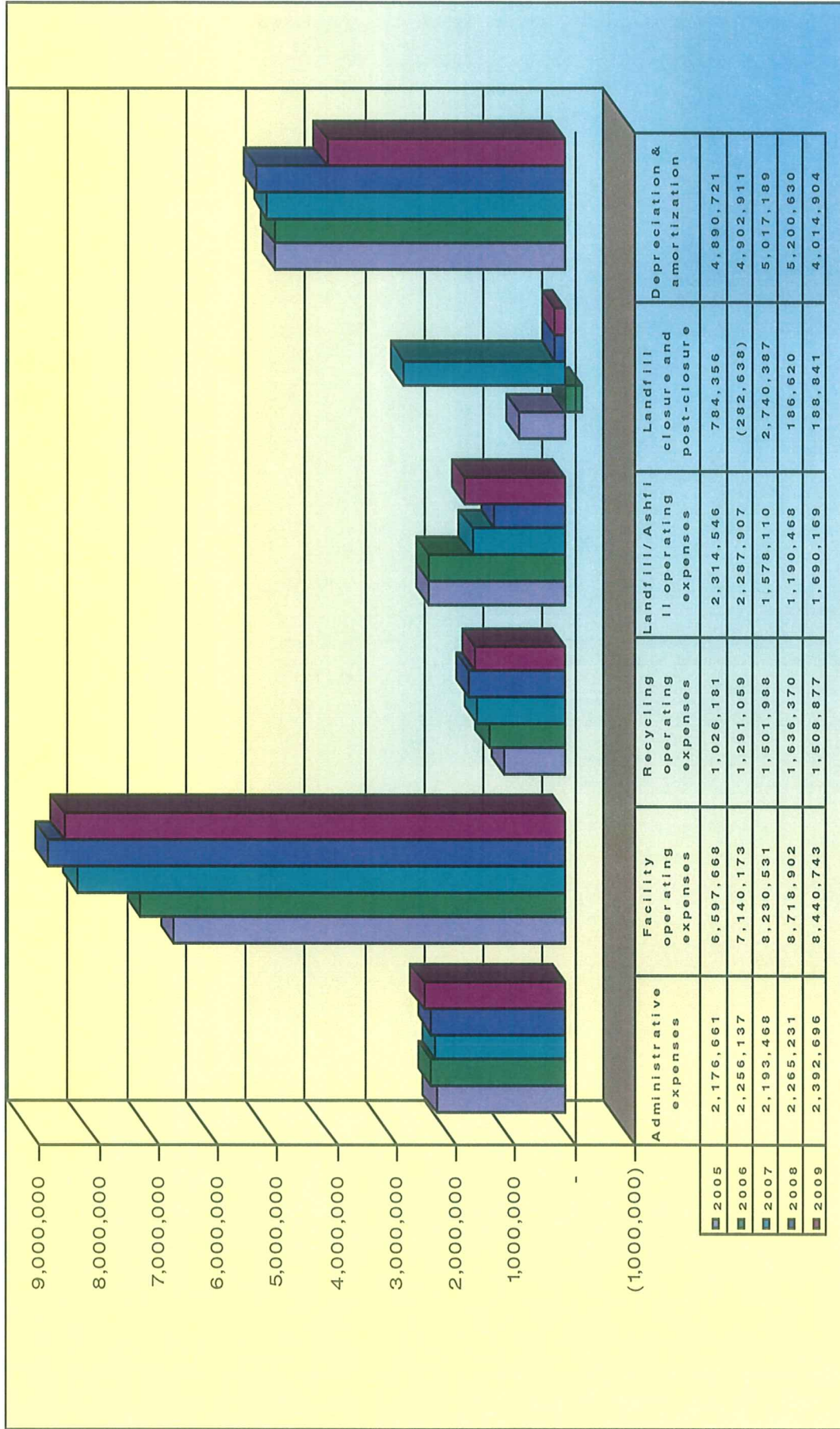
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## OPERATING REVENUES



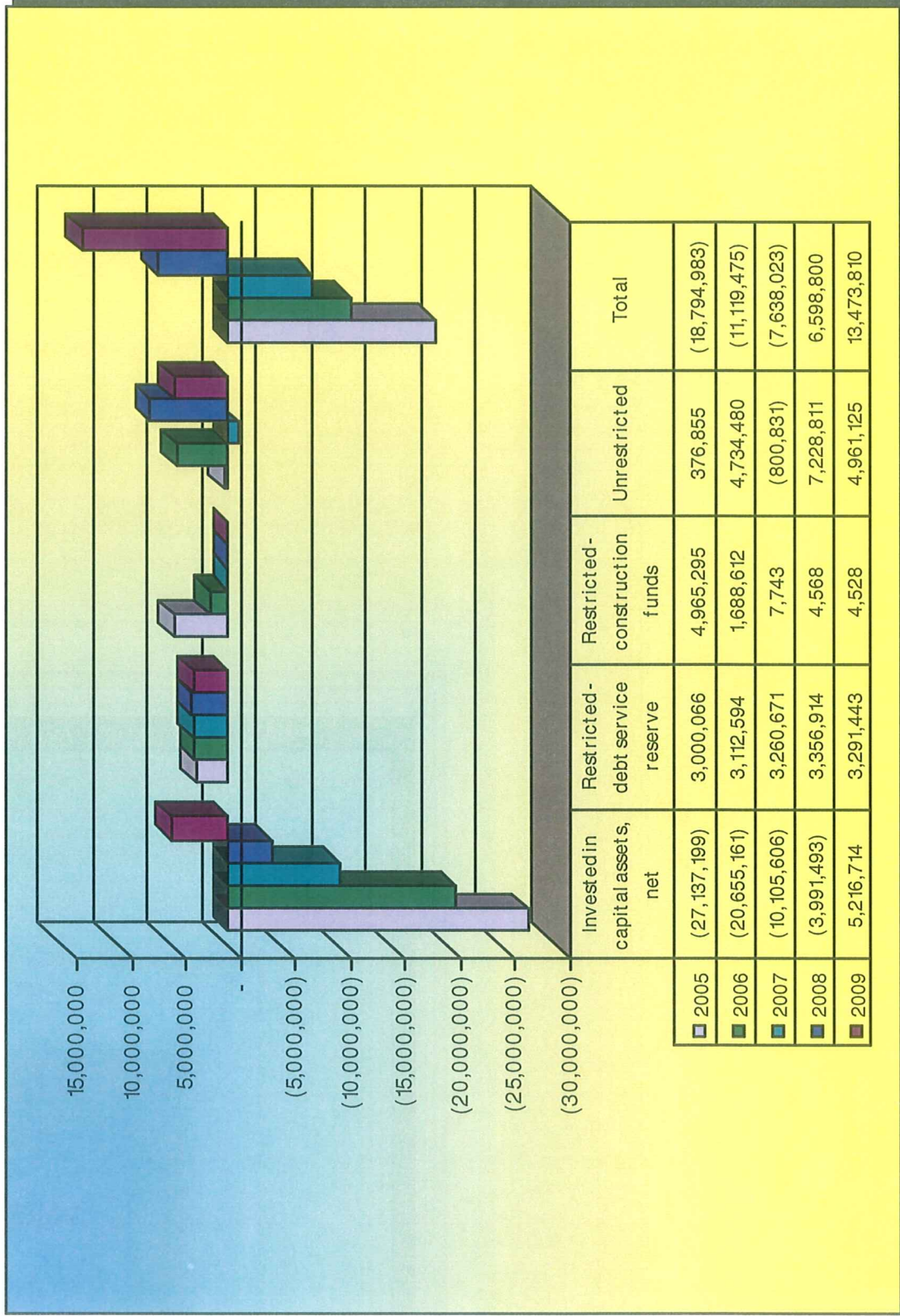
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## OPERATING EXPENSES



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## NET ASSETS



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## FINAL WORDS

This presentation is intended as a tool to assist the members of the Board of Directors, Finance and Audit Committee, and management of ecomaine in understanding its financial operating results.

The information contained in this publication should be read in conjunction with the audited financial statements and related disclosures and should not be used for any other purposes without the expressed consent of

**RUNYON KERSTEEN OUELLETTE**

Please contact us at 207-773-2986 or 1-800-486-1784  
20 Long Creek Drive, South Portland, ME 04106



*Runyon  
Kersteen  
Ouellette*

October 8, 2009

DRAFT

To the Audit Committee  
ecomaine

We have audited the financial statements of ecomaine for the year ended June 30, 2009, and have issued our report thereon dated October 8, 2009. 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 in our letter to you dated May 8, 2009 as well as during our meeting with you held on May 29, 2009. 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. As disclosed in the footnotes to the financial statements, during the year ended June 30, 2009 the Organization adopted the provisions of Governmental Accounting Standards Board (GASB) Statement 45. No other new accounting policies were adopted and the application of existing policies was not otherwise changed during 2009. 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 was 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.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Post-retirement benefits in the notes to the financial statements, which was based on an actuarial analysis contracted on behalf of the Maine Municipal Employees Health Trust.

#### *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 known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Attached is a schedule summarizing material misstatements, all of which have been corrected by management. Management had been aware that these entries were necessary, and they were recorded during the audit either as a matter of convenience or due to the timing of receipt of the relevant information. A second attached schedule 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, professional standards define a disagreement with management as 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 October 8, 2009. A copy of this letter is attached.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

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,



Client: *ecomaine - ecomaine*  
 Engagement: *2009 AU - ecomaine*  
 Period Ending: *6/30/2009*  
 Trial Balance: *TB*  
 Workpaper: *02b - Adjusting Journal Entries Report*

| Account   | Description  | W/P Ref            | Debit               | Credit              |
|---|--|--------------------|---------------------|---------------------|
| <b>Adjusting Journal Entries JE # 1</b>   |  |                    |                     |                     |
| Proposed by client during field work -- to reconcile cash rollforward                                 |  | ZZ00.1             |                     |                     |
| 00-00-3001  | CHARGES TO RETAINED EARNINGS                           |                    | 2,025.73            |                     |
| 00-00-4065  | RECYCLING MATERIAL RECOVERY                            |                    |                     | 2,025.73            |
| <b>Total</b>  |  |                    | <u>2,025.73</u>     | <u>2,025.73</u>     |
| <b>Adjusting Journal Entries JE # 3</b>   |  |                    |                     |                     |
| To bring Designated Capital Reserve to correct June 30 '09 balance.                                   |  | ZZ01               |                     |                     |
| 00-00-3003  | CAPITAL RESERVE  |                    | 3,730,009.78        |                     |
| 00-00-3020  | FUND BALANCE (RET EARNINGS)                            |                    |                     | 3,730,009.78        |
| <b>Total</b>  |  |                    | <u>3,730,009.78</u> | <u>3,730,009.78</u> |
| <b>Adjusting Journal Entries JE # 5</b>   |  |                    |                     |                     |
| To amortize fiscal '09 unamortized bond premium   |  | CC6                |                     |                     |
| 00-00-2714  | SERIES T & U PREMIUM/DISCOUNT                          |                    | 297,022.19          |                     |
| 00-00-1767  | ACCUM AMORT. DEBT ISSUE COSTS                          |                    |                     | 21,338.17           |
| 00-00-2716  | DEFERRED AMOUNT ON REFUNDING                           |                    |                     | 125,200.00          |
| 00-00-7002  | AMORTIZATION EXPENSE                                   |                    |                     | 150,484.02          |
| <b>Total</b>  |  |                    | <u>297,022.19</u>   | <u>297,022.19</u>   |
| <b>Adjusting Journal Entries JE # 6</b>   |  |                    |                     |                     |
| To record entry for additional accrued expenses at end of year (proposed by client during field work) |  | per client...AA3.1 |                     |                     |
| 30-00-6109  | RECYCLING-RETIREMENT                                   |                    | 1,547.96            |                     |
| 30-00-6110  | RECYCLING-TEMPORARY HELP                               |                    | 2,355.47            |                     |
| 30-00-6110  | RECYCLING-TEMPORARY HELP                               |                    | 2,885.93            |                     |
| 30-00-6112  | RECYCLING-UNIFORMS                                     |                    | 1,932.72            |                     |
| 30-00-6229  | RECYCLING-BALING WIRE                                  |                    | 18,360.95           |                     |
| 40-00-6109  | LANDFILL-RETIREMENT                                    |                    | 1,116.14            |                     |
| 60-00-6110  | ADMIN-TEMPORARY HELP                                   |                    | 5,348.07            |                     |
| 70-00-6109  | OPS-RETIREMENT   |                    | 8,371.23            |                     |
| 70-00-6112  | OPS-UNIFORMS   |                    | 2,182.70            |                     |
| 70-00-6221  | OPS-CHEMICALS  |                    | 7,740.00            |                     |
| 70-00-6221  | OPS-CHEMICALS  |                    | 16,628.34           |                     |
| 70-00-6227  | OPS-REPLACEMENT SPARE PARTS                            |                    | 2,550.00            |                     |
| 70-00-6312  | OPS-DEP ASH FEE  |                    | 10,885.54           |                     |
| 70-00-6324  | OPS-OUTSIDE SERVICES                                   |                    | 2,435.13            |                     |
| 70-00-6325  | OPS-CEM MTNC CONTRACT                                  |                    | 3,062.50            |                     |
| 00-00-2100  | ACCOUNTS PAYABLE                                       |                    |                     | 87,402.68           |
| <b>Total</b>  |  |                    | <u>87,402.68</u>    | <u>87,402.68</u>    |
| <b>Adjusting Journal Entries JE # 8</b>   |  |                    |                     |                     |
| To recognize Post Retirement Benefit per GASB 45  |  | BB5                |                     |                     |
| 00-00-7013RKO   | POST RETIREMENT BENEFIT - MAINE MUNI HEALTH TRUST      |                    | 92,220.00           |                     |
| 00-00-2228RKO   | POST-RETIREMENT BENEFIT ACCRUAL (MAINE MUNI HEALTH TR) |                    |                     | 92,220.00           |
| <b>Total</b>  |  |                    | <u>92,220.00</u>    | <u>92,220.00</u>    |
| <b>Adjusting Journal Entries JE # 9</b>   |  |                    |                     |                     |
| Per client analysis: To adjust accrual for landfill liability based on fiscal 2009 activity.          |  | BB4.1              |                     |                     |
| 00-00-7040  | LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS            |                    | 188,841.00          |                     |
| 00-00-2901  | ACCRUED CLOSURE-BALEFILL                               |                    |                     | 188,841.00          |
| <b>Total</b>  |  |                    | <u>188,841.00</u>   | <u>188,841.00</u>   |

Client: *ecomaine - ecomaine*  
 Engagement: *2009 AU - ecomaine*  
 Period Ending: *6/30/2009*  
 Trial Balance: *TB*  
 Workpaper: *02c - Proposed JE Report*

| Account   | Description                   | W/P Ref         | Debit            | Credit           |
|---|-------------------------------|-----------------|------------------|------------------|
| <b>Proposed JE # 2</b>  |                               | <b>02c.1</b>    | DRAFT            |                  |
| Payroll taxes for January '09 that were not paid until subsequent to June 30 (due to miscommunication resulting from software conversion) |                               |                 |                  |                  |
| 10-60-00-1010   | SALARIES                      |                 | 18,737.81        |                  |
| 10-60-00-1020   | SOCIAL SECURITY               |                 | 6,996.59         |                  |
| 00-00-2223  | ACCRUED SALARIES              |                 |                  | 25,734.40        |
| <b>Total</b>  |                               |                 | <b>25,734.40</b> | <b>25,734.40</b> |
| <br><b>Proposed JE # 4</b>  |                               | <br><b>G 01</b> |                  |                  |
| To adjust amortization expense on bond costs  |                               |                 |                  |                  |
| 00-00-7002  | AMORTIZATION EXPENSE          |                 | 15,356.91        |                  |
| 00-00-1767  | ACCUM AMORT. DEBT ISSUE COSTS |                 |                  | 15,356.91        |
| <b>Total</b>  |                               |                 | <b>15,356.91</b> | <b>15,356.91</b> |

October 8, 2009

DRAFT

To the management of  
ecomaine

In planning and performing our audit of the financial statements of ecomaine for the year ended June 30, 2009, we considered ecomaine's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated October 8, 2009, on the financial statements of ecomaine.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and 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.

\* \* \* \* \*

#### **Segregation of Duties**

Creating a division of significant accounting processes between several individuals serves to minimize the potential for fraud or other irregularity, and is thus a key component of internal control.

During the course of our audit we noted that the Director of Finance and Administration has access to the General Ledger, in addition to his role as ecomaine's primary check signer. The ability for such an individual to post entries in conjunction with check signatory responsibility creates a certain lack of segregation of roles and responsibilities. Although such lack of segregation is somewhat mitigated by the responsibility for reconciling the bank statements being placed on another employee, in our judgment, separation of duties would be enhanced by allowing the Director of Finance and Administration to write-up/propose journal entries, but restricting this individual's access to the General Ledger.

ecomaine  
October 8, 2009  
Page 2

### **Check Signing**

During our meeting with the audit committee in May of 2009, we became aware that the Director of Finance and Administration was the only authorized check signer. In this employee's absence, a stamp with his signature was available for use by the Office Manager. The stamp was maintained in an office safe, to which only the Director of Finance and Administration and the Office Manager had access.

Per a discussion with the Director of Finance and Administration during field work, it is our understanding that the General Manager has been added as a second authorized signer. The stamp is still maintained in the safe, but has been used very infrequently – due to coordination of disbursements between the Director of Finance and Administration and the Office Manager. However, its existence and availability continue to create a potential risk. We would thus recommend that consideration be given to eliminating or further restricting access to the stamp.

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

Very truly yours,