ecomaine

Memorandum

DATE: October 8, 2009

TO: Chairman and Members of the Board

FROM: Kevin H. Roche, General Manager

SUBJECT: **Agenda for the Audit Committee Meeting**

There is an **ecomaine Audit Committee Meeting** scheduled for **Thursday, October 15, 2009 at 3:00 p.m.** The agenda for this meeting is as follows:

1. Approval of the May 21, 2009 Audit Committee Meeting Minutes ***(Attachment A)***

2. Presentation of FY '09 audited Financial Statements
   - Runyon Kersteen Ouellette

3. Discussion between the Audit Committee & RKO

4. Other

5. Future Meetings:
   - Board Meeting: October 15th @ 4:00 p.m.
     (immediately following Audit Committee Meeting).
   - Finance Committee: Monday, November 2nd @ 4:00 p.m.
   - Recycling Committee: Thursday, November 5th @ 4:00 p.m.
   - Executive Committee: Thursday, November 19th @ 4:00 p.m.
   - Recycling Committee: Thursday, December 3rd @ 4:00 p.m.
   - Executive Committee: Thursday, December 17th @ 4:00 p.m.

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.)

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Attachment A

DATE: May 22, 2009

TO: Chair and Members of the Audit Committee

FROM: Kevin H. Roche, General Manager

SUBJECT: Minutes of 5/21/09 **ecomaine** Audit Committee Meeting

The Audit Committee of **ecomaine** met on Thursday, May 21, 2009, at the Waste-to-Energy facility. The meeting was called to order at 2:35PM.

There were nine items on the Agenda:

1. Approval of 12/11/08 Audit Committee Meeting minutes
2. Review of Audit Committee Responsibilities
3. Review of Year-end Audit Procedures and Schedule
4. Selection of Auditors
5. Review of **ecomaine's** internal control procedures
6. Review of **ecomaine's** ethical policies
7. Special Procedures
8. Other Items
9. Future Meetings

Item #1 – Approval of the 12/11/08 Audit Committee Meeting Minutes

Mr. Van Gaasbeek moved that "**The Audit Committee hereby approves the minutes of the December 11, 2008 Audit Committee meeting as presented**". The motion was seconded by Mr. Gray and passed with a unanimous vote of the Committee.

Item #2 – Review of Audit Committee Responsibilities

Ms. Kathy Tyson of Runyon Kersteen Ouellette passed around a handout that summarized Audit Committee Responsibilities and she gave an overview of the highlights.

She stated that is it not unusual for an Audit Committee to have four meetings per year, two at the least, being a pre-Audit and a post-Audit meeting.

Mr. Doane noted that over the next couple of months, **ecomaine** will be doing some of the asset work that RKO was formerly engaged in for **ecomaine.**

Item #3 – Review of Year-End Audit Procedures and Schedule

Mr. Peter Way of Runyon Kersteen Ouellette referred to Attachment B, the RKO engagement letter and stated that the Audit report would be available by the end of September 30, 2009. As such, the Audit Committee should meet soon afterwards to review and approve, in order to meet loan covenant requirement.

ecomaine's auditors will not be required to work on Schedules #2 through #6 as **ecomaine** staff has reviewed the supplemental schedules and only work on Schedule 1 will be required of the auditors. (Staff will review the budget to actual numbers with the Board on their own.)

Item #5 – Review of ecomaine's Internal Control Procedures

Mr. Eric Doane, **ecomaine** Finance & Administration Director, passed around a handout *(**ecomaine** Internal Accounting Control/Key Controls)* and gave a brief overview of the document.

Item #6 – Review of ecomaine's Ethical Policies

The Committee's attention was directed to Attachment C (**ecomaine's** Personnel Manual). The General Manager reviewed some of the ethical policies with the Committee and informed them that, over the past year, he has met with all **ecomaine** employees and reviewed it with them. It was noted that every **ecomaine** employee has signed a document stating that they have read and understood the personnel manual.

Item #7 – Special Procedures

At the December 11, 2008 Audit Committee Meeting, it was discussed whether or not RKO should do an "audit" of sorts of Mr. Marzilli to ensure that when the reins change, we have something in the minutes or documentation to Mr. Roche from RKO stating that all is fine as Mr. Marzilli retires. ***At that time, Mr. Loveitt made a motion that RKO do an audit when the Finance Director transition is complete. Ms. McGinty seconded the motion and it was unanimously approved by the Committee.***

At today's Audit Committee Meeting (May 21, 2009) the Committee decided not to pursue any further action on this motion.

Mr. Van Gaasbeek asked Ms. Tyson about a possible "certified error fall-out" document for Board members and stated it was something that came out of the Enron situation. Ms. Tyson stated that she will look into this and report back to the Committee.

Mr. Way noted that the form on the back of Attachment B needs to be signed and returned to RKO.

The Management letter draft will be available September, 2009.

Ms. Tyson and Mr. Way then left the meeting.

Item #4 – Selection of Auditors

Mr. Van Gaasbeek made a motion to recommend to the Executive Committee to engage/hire RKO to do **ecomaine's** Audit. The motion was seconded by Mr. Morton. Mr. Van Gaasbeek then asked if the cost of the audit would decrease as RKO will not be working on Schedules #2 though #6. Mr. Roche stated that he will get clarification on that and the motion was unanimously approved *"as amended with the clarification"* by the Committee.

Mr. Bobinsky then made a motion to adjourn the meeting. The motion was seconded by Mr. Van Gaasbeek. By unanimous vote of the Committee, the meeting adjourned at 3:47PM.

PRESENT:	**ABSENT:**
M. Bobinsky	S. McGinty
G. Foster	
J. Gray	
D. Morton	
L. Van Gaasbeek	
R. Brobst	
D. Doughty	
W. Lord	

Other: K. Tyson, P. Way of Runyon Kersteen Ouellette

Staff: D. Doane, E. Doane, K. Roche and L. Trufant.

RKO
handouts

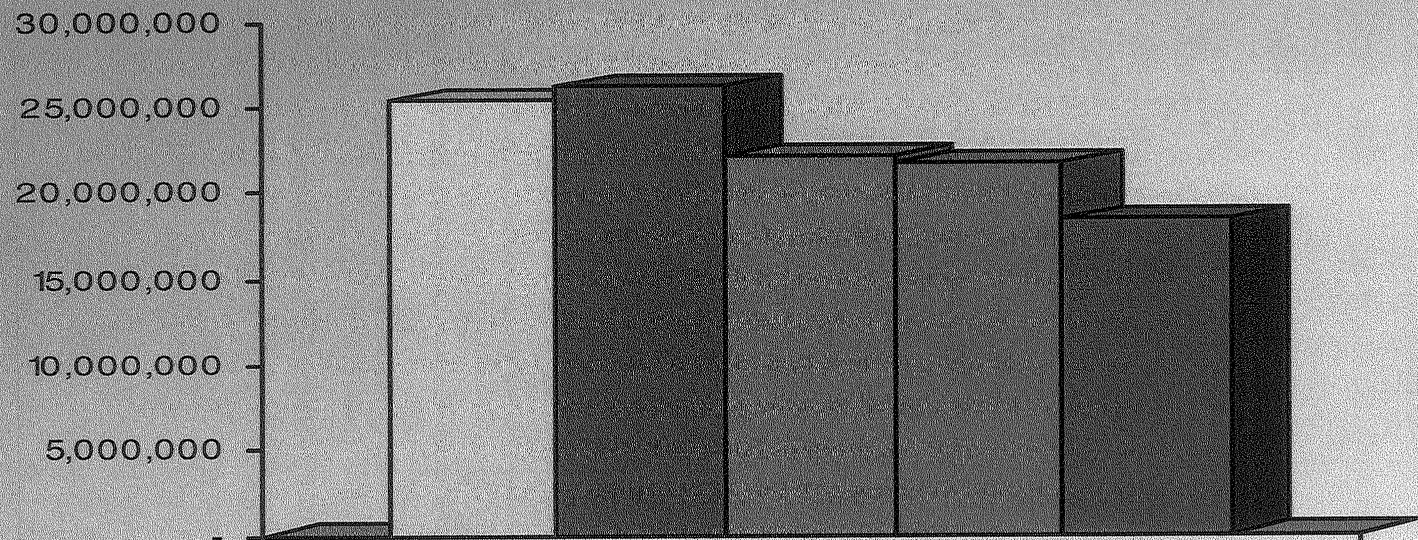
ecomaine

FINANCIAL STATEMENT PRESENTATION

June 30, 2009

KEY PERFORMANCE INDICATORS

CASH AND INVESTMENTS



	Cash and investments
2005	25,330,780
2006	26,200,620
2007	22,182,572
2008	21,726,401
2009	18,428,930

Runyon Kersteen Ouellette

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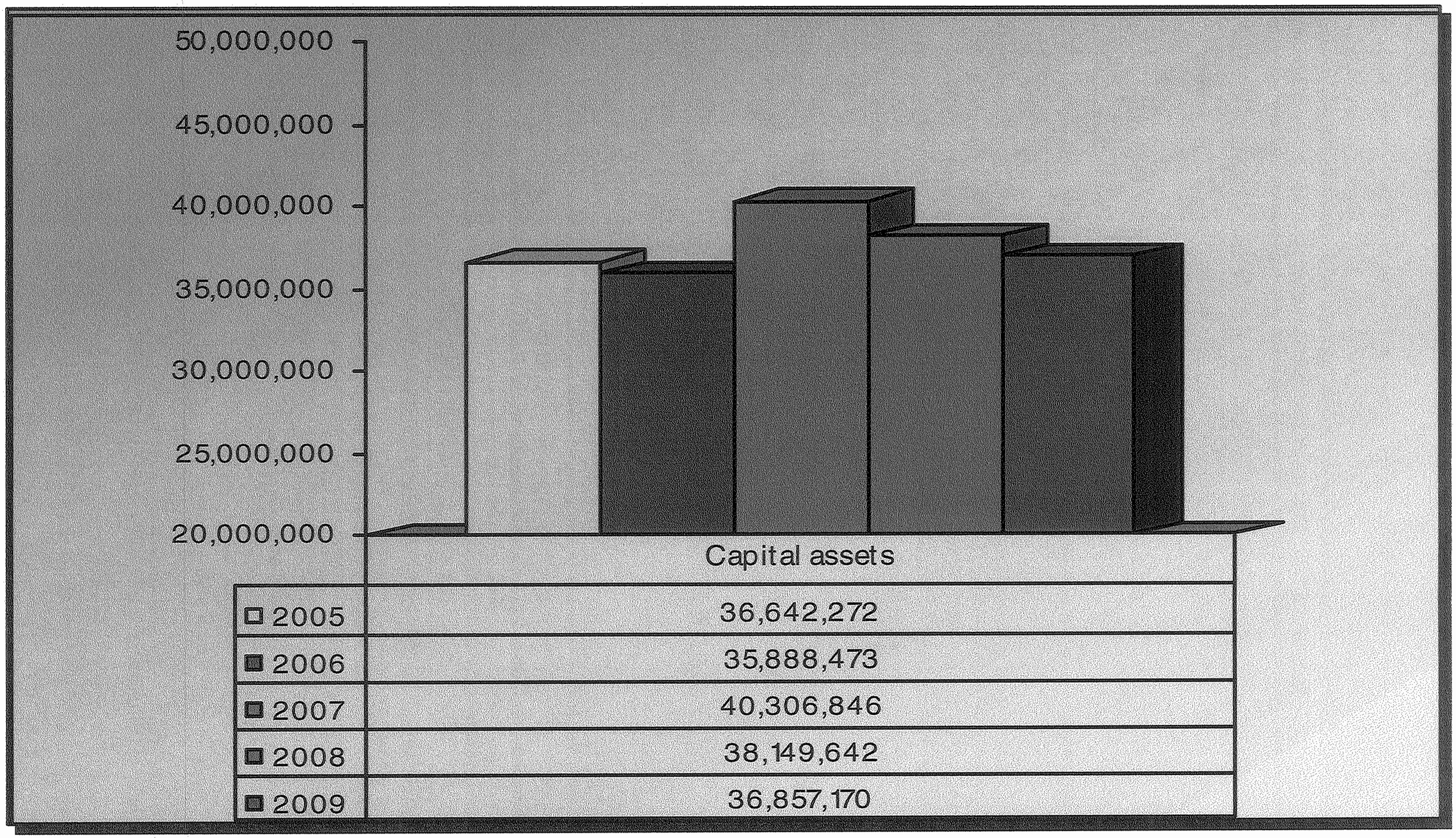
CAPITAL ASSETS



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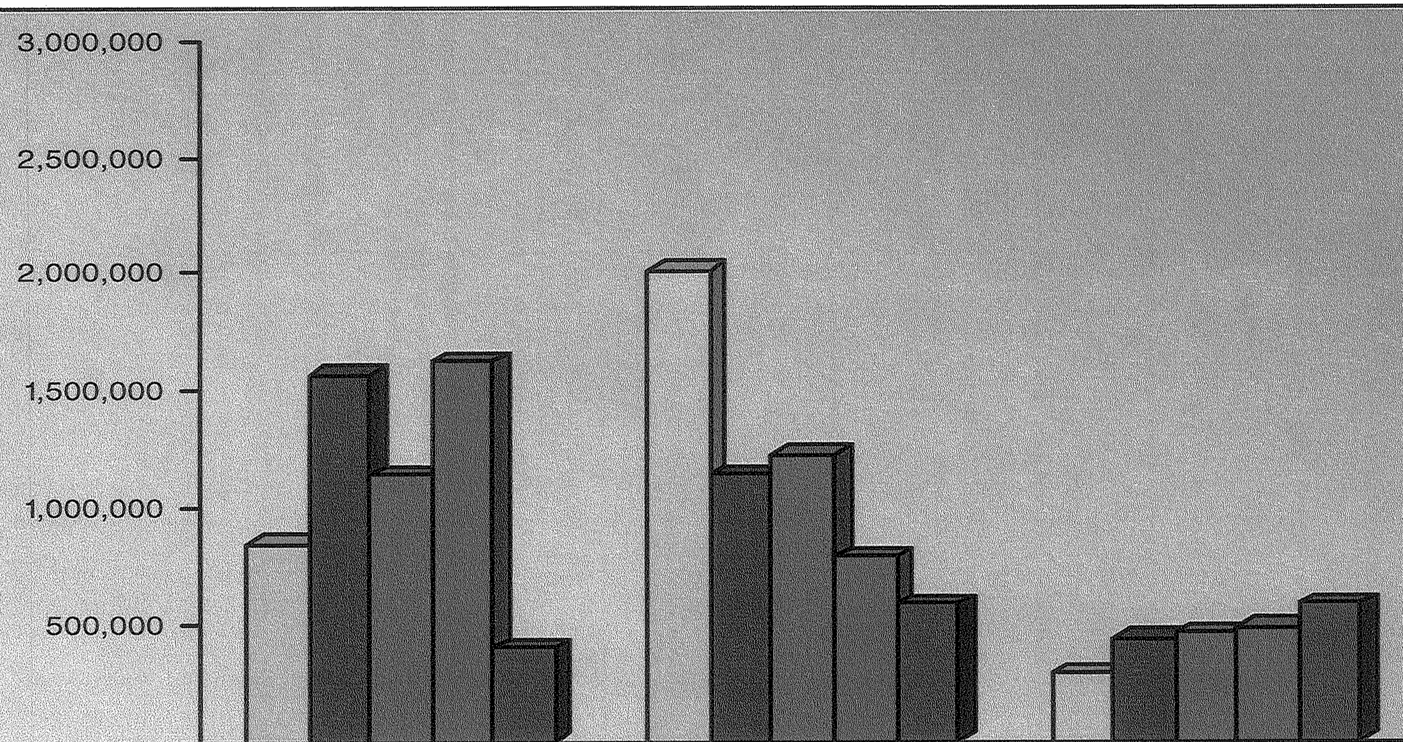
LIABILITIES



	Payables	Accrued expenses	Accrued salaries/benefits
2005	844,951	2,010,992	288,271
2006	1,570,568	1,137,204	437,086
2007	1,135,696	1,225,065	465,391
2008	1,621,529	788,205	487,274
2009	395,861	589,495	582,456

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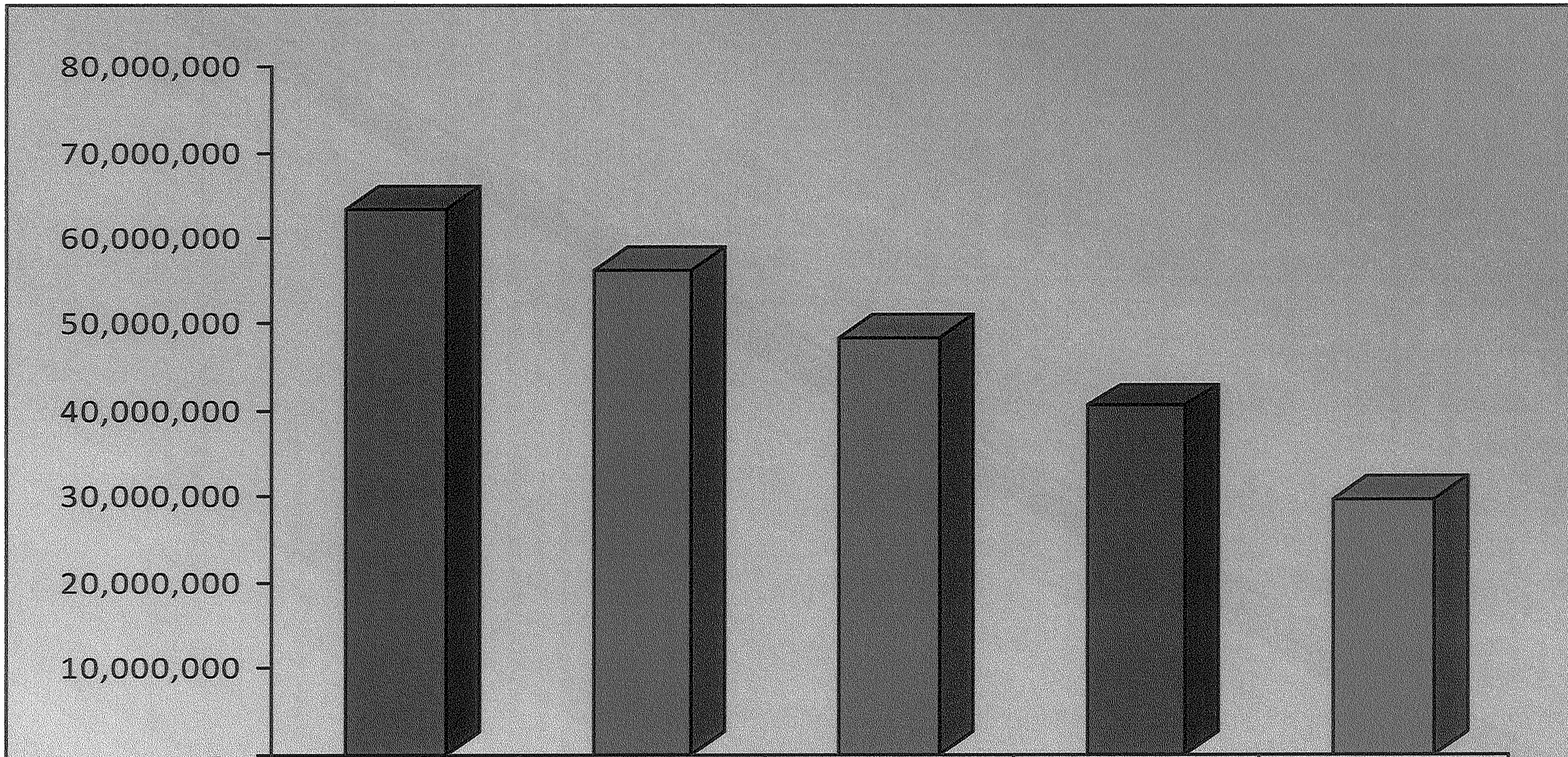
TOTAL OUTSTANDING DEBT



	2005	2006	2007	2008	2009
Total Debt	63,456,880	56,309,689	48,557,867	40,471,044	29,884,222

Runyon
Kersteen
Ouellette

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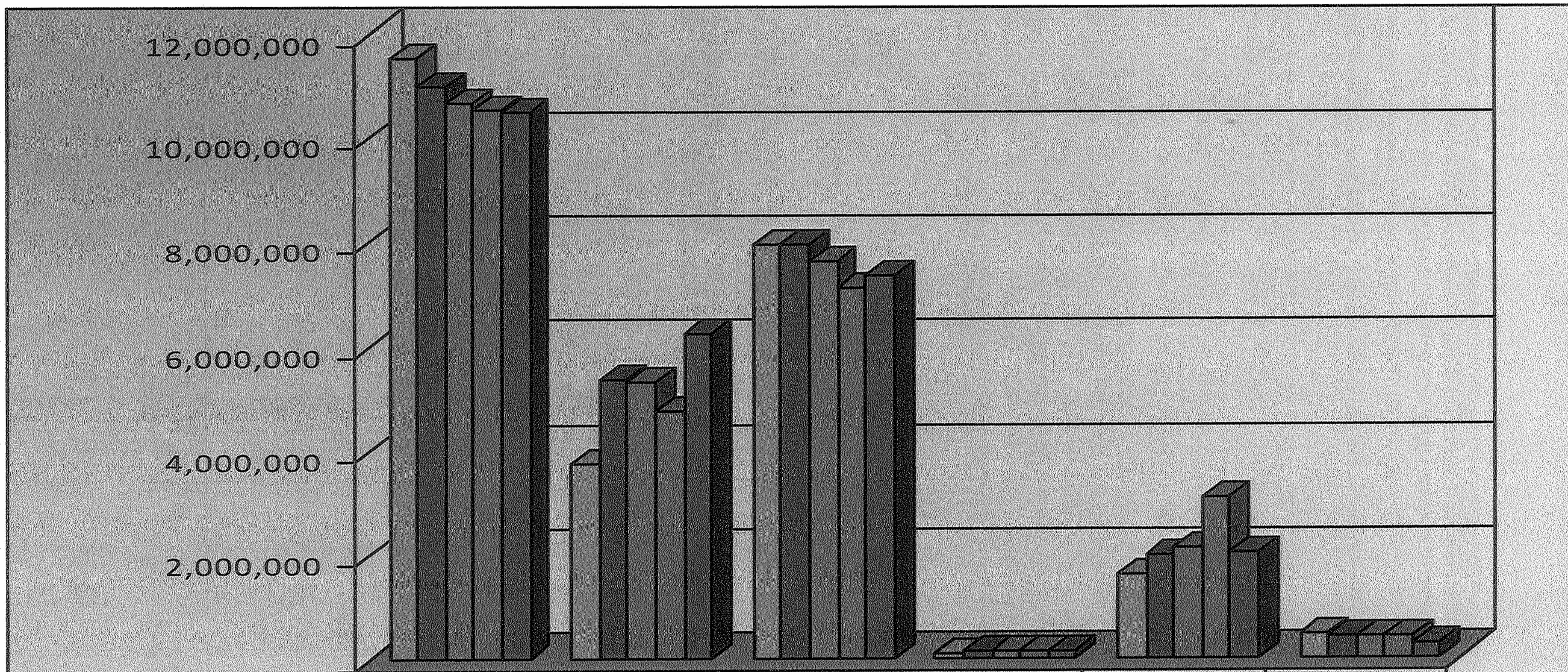
OPERATING REVENUES



	Municipal assessments and tipping fees	Electrical generating	Commercial tipping fees	Materials recovery assessment	Sale of recycled goods	Other income
2005	11,558,810	3,736,197	7,949,267	108,936	1,613,018	455,671
2006	10,994,069	5,358,168	7,918,139	118,038	1,984,262	405,799
2007	10,681,155	5,288,450	7,611,200	129,116	2,128,692	429,247
2008	10,524,386	4,745,063	7,111,188	138,284	3,112,437	405,551
2009	10,466,602	6,250,476	7,317,587	141,722	2,034,325	265,297

Runyon Kersteen Ouellette

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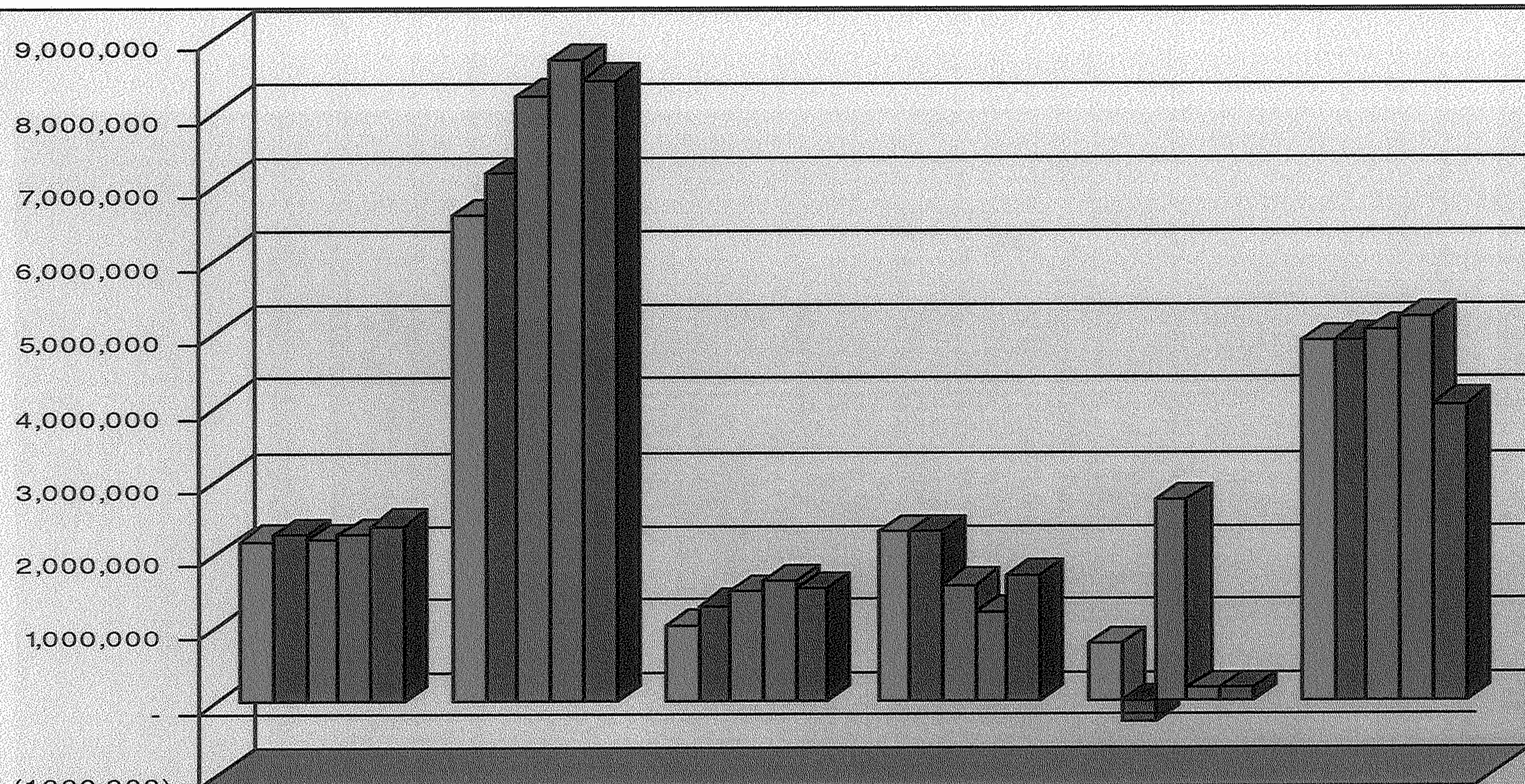
OPERATING EXPENSES



	Administrative expenses	Facility operating expenses	Recycling operating expenses	Landfill/Ashfill operating expenses	Landfill closure and post-closure	Depreciation & amortization
2005	2,176,661	6,597,668	1,026,181	2,314,546	784,356	4,890,721
2006	2,256,137	7,140,173	1,291,059	2,287,907	(282,638)	4,902,911
2007	2,193,468	8,230,531	1,501,988	1,578,110	2,740,387	5,017,189
2008	2,265,231	8,718,902	1,636,370	1,190,468	186,620	5,200,630
2009	2,392,696	8,440,743	1,508,877	1,690,169	188,841	4,014,904

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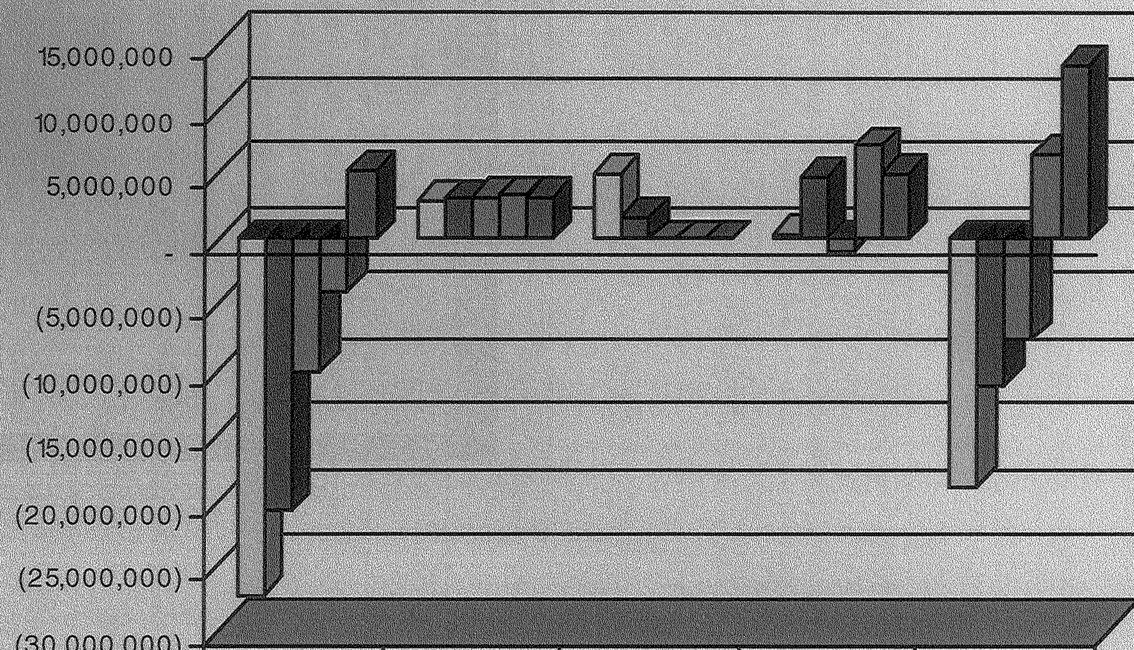
NET ASSETS



	Invested in capital assets, net	Restricted - debt service reserve	Restricted - construction funds	Unrestricted	Total
2005	(27,137,199)	3,000,066	4,965,295	376,855	(18,794,983)
2006	(20,655,161)	3,112,594	1,688,612	4,734,480	(11,119,475)
2007	(10,105,606)	3,260,671	7,743	(800,831)	(7,638,023)
2008	(3,991,493)	3,356,914	4,568	7,228,811	6,598,800
2009	5,216,714	3,291,443	4,528	4,961,125	13,473,810

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

ecomaine

Financial Statements

June 30, 2009 and 2008

Independent Auditor's Report

Board of Directors
ecomaine

We have audited the accompanying statements of net assets of **ecomaine** as of June 30, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of **ecomaine's** management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 8, 2009
South Portland, Maine

This discussion and analysis of **ecomaine**'s financial performance provides an overall review of **ecomaine**'s financial activities for the year ended June 30, 2009. The intent of this discussion and analysis is to look at **ecomaine**'s financial performance as a whole. Readers should also review the financial statements to enhance their understanding of **ecomaine**'s financial performance.

Financial Highlights

The fiscal year ended June 30, 2009 was a challenging year for **ecomaine.** Despite the economic slowdown, **ecomaine** was able to increase revenues slightly compared to 2008 and to control costs. The result was that the Change in Net Assets Prior to Extraordinary Item increased from $5.5 million in 2008 to $6.9 million in 2009. The strong results allowed us to pay down our debt by $10.4 million during the year. At June 30, 2009 our total bond debt, including current and long-term portions, was $29.9 million. On July 1, 2009 scheduled debt payments of an additional $8.1 million were made. **ecomaine** plans to continue the aggressive debt repayment schedule for the next few years with the last debt payment due July 1, 2014.

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 statements of net assets and statements of revenues, expenses, and changes in net assets provide information about the activities of **ecomaine** as a whole and present a longer-term view of our finances. They include all assets and liabilities using the accrual basis of accounting, similar to the accounting method used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash was received or paid.

These two statements report **ecomaine** net assets and changes in those net assets. This change in assets 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 charges fees to its customers to cover all or most of the costs of certain services it provides. In the statements of net assets and statements of revenues, expenses, and changes in net assets, all of these activities are reported as business-type activities.

ecomaine as a Whole

The Statements of Net Assets looks at **ecomaine** as a whole. Table 1 below is a summary of **ecomaine**'s net assets for 2009 with comparative numbers for 2008.

Table 1
Net Assets

		2009	2008
Assets			
Current and other	$	24,751,260	28,132,592
Capital assets		36,857,170	38,149,642
Total Assets		61,608,430	66,282,234
Liabilities			
Current liabilities		1,740,874	3,068,541
Long-term debt outstanding			
Due within One Year		8,135,000	8,290,000
Due in More than One Year		21,749,222	32,181,044
Other liabilities		16,509,524	16,143,849
Total Liabilities		48,134,620	59,683,434
Net Assets			
Invested in Capital Assets, net of related debt		5,216,714	(3,991,493)
Restricted		3,295,971	3,361,482
Unrestricted		4,961,125	7,228,811
Total Net Assets	$	13,473,810	6,598,800

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

Assets:

The $4.674 million decrease in total assets is the net result of a decrease of $3.297 million in restricted cash, cash equivalents, and investments; an increase of $.106 million in accounts receivable, inventory and prepaid expenses; a decrease of $.190 million for the amortization of debt issuance and restricting costs; and a net decrease of $1.292 million in capital assets.

Liabilities:

Total liabilities decreased by $11.548 million. This net change was caused by $10.587 million decrease in short and long-term debt resulting from payments on the bonds; a decrease in accounts payable, accrued expenses including accrued salaries and benefits of $1.329 million; an increase of $87,000 in capital leases; an increase of $.189 million in accrued landfill closure liability; and an increase of $92,000 in post-retirement benefits.

Table 2
Changes in Net Assets

	2009	2008	Increase (decrease)
Revenues			
Operating Revenues	$ 26,476,009	26,036,909	439,100
Non-operating Revenues:			
Interest income	203,637	589,266	(385,629)
Total Revenues	26,679,646	26,626,175	53,471
Operating Expenses			
Facility Operations	8,440,743	8,718,902	(278,159)
Landfill Operations	1,690,169	1,190,468	499,701
Recycling Operations	1,508,877	1,636,370	(127,493)
Landfill Closure and Postclosure care costs	188,841	186,620	2,221
Administration	2,392,696	2,265,231	127,465
Depreciation and Amortization	4,014,904	5,200,630	(1,185,726)
Nonoperating Expenses:			
Interest	1,448,289	1,925,080	(476,791)
All Other	120,117	2,755	117,362
Total Expenses	19,804,636	21,126,056	(1,321,420)
Increase in net assets - prior to Extraordinary item	6,875,010	5,500,119	1,374,891
Extraordinary item - Reduction in estimated landfill accrual	-	8,736,704	(8,736,704)

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

Operating revenues for fiscal year 2009 increased by $439,000 or 1.7% from the prior year. Electrical generation increased by $1.5 million (31.7%) due to higher prices and utilization time. Significant decreases to commodities prices caused recycling revenue to decrease by $1.1 million (-34.6%) for the year. Revenues generated by tipping fees increased by $81,000 (.6%). Increased spot market tonnage offset decreases to municipal and commercial tonnage from member communities.

Operating expenses increased by $252,000 or 1.8% compared to the prior year. The management at ecomaine managed expense levels closely during the year due to the economic climate. Depreciation decreased by $1.0 million as a result of older assets becoming fully depreciated. Interest expense decreased by $477,000 mainly due to principal reductions of $10.4 million made during the year. Interest income decreased $385,000 as a result of lower investment levels and decline in interest rates.

Analysis of Fiscal Year 2009 Actual Results Compared to Budget

Details for the below analysis can be found in the Budget to Actual schedule on page 25 of the notes to the financial statements.

Operating Revenues

Operating revenue was unfavorable to budget by $.242 million. The variance components of that variance are discussed in more detail below.

Owners, associate, and commercial tipping fees were unfavorable to budget by a combined $1.154 million due to lower tonnage coming to the facility. Spot market revenue were positive to budget by $.899 million due to bringing additional tonnage to help offset the lower tonnage in other categories, as noted above.

The waste-to-energy plant operated at a higher utilization factor during the year which created a favorable revenue variance of $.423 million compared to budget. The plant performed well during the winter months, which generates the highest rates.

Revenue from the sales of recycled goods was unfavorable by $.367 million during the year.

Commodities prices decreased significantly during the year as the result of the country-wide economic slowdown. The company began charging some customers for various non-valuable recyclable items. Those revenues amounted to $.137 million during the year.

Other operating revenues were unfavorable to budget by $.198 million due to lower tonnage from miscellaneous infrequent customers.

Operating Expenses

Operating expenses were favorable to budget by $.594 million due to savings in most of the operating categories.

Administrative operating expenses were $.396 million favorable to budget mainly due to favorable variances in insurance ($221,000), environmental management ($96,000), computer ($22,000), and consulting ($26,000).

Facility operating expenses were favorable by $.235 million. Personnel costs were favorable by $76,000 mainly to the lower workers compensation insurance. Replacement space parts and building and ground maintenance were favorable by $248,000 and $123,000, respectively. Chemical were unfavorable by $60,000.

Recycling operating expenses were favorable by $.071 million. Favorable variances occurred in personnel costs ($30,000), recyclable material ($60,000), and gas & electric ($20,000). Unfavorable variances occurred in replacement spare parts ($27,000) and baling wire ($26,000).

Landfill / ashfill operating expenses were favorable by $.041 million. Personnel costs were favorable by $27,000. Favorable variances were experienced in cleaning ($92,000) and geo-membrane ($145,000). Unfavorable variances occurred in water & sewer ($78,000), outside services ($130,000), and rental equipment ($49,000).

Host community expenses were favorable by $40,000. The budget anticipated an increase in this category, but actual expense was the same as the prior year. Landfill closure and postclosure costs were not budgeted, therefore the actual expense of $189,000 is also the variance amount.

Depreciation and amortization also were not included in the budget. Therefore the expense of $4.015 million is an unfavorable variance. Post retirement benefits were not included in the budget; the $92,220 was thus an unfavorable variance.

Non-operating income (expense)

Interest income was $96,000 lower than budget due to lower interest rate earned on investments. Interest expense was favorable by $422,000 due to lower interest rates and over-estimating the budgeted amount. Post-retirement benefit costs of $92,000 were not budgeted. Contingency expense was favorable by $289,000 due to those funds not being expended during the year.

Total revenue less expenses

The unfavorable variance in total revenue less expenses is $3.141 million. The variance occurs due to certain non-cash items; such as depreciation and amortization, landfill closure and postclosure costs, and post-retirement benefit costs, that were not budgeted. Excluding these non-cash items, actual results were favorable to budget by $1.154 million.

Capital Assets

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

	2009	2008
Land - waste-to-energy facility	$ 1,475,061	1,475,061
Vehicles	321,175	73,810
Office furniture and equipment	85,331	-
Recycling facility and equipment	3,437,629	3,671,075
Balefill/ashfill/leachate site	6,545,008	6,965,289
Baler	1,177,142	1,355,247
Waste-to-energy facility	23,815,824	24,609,160
Total Capital Assets	$ 36,857,170	38,149,642

Capital additions for 2009 were $2.704 million compared to $2.859 million for 2008. The company made key investments in information technology during 2009 including upgrading the network server, additional personal computers and new accounting software. These investments will enhance our effectiveness and provide efficiencies in the future. Current year depreciation was $3.996 million.

Debt

Table 4
Outstanding Debt at Year-End

	2009	2008
Variable Rate Demand Bonds	$ 24,600,000	33,440,000
Fixed Rate Serial Bonds	5,175,000	6,750,000
Total Debt	$ 29,775,000	40,190,000

During the fiscal year ended June 30, 2009, $10.4 million worth of bonds were paid off.

Current Financial Activities and Economic Factors Including Next Year's Budget

In the FY '10 Budget, the tipping fee was maintained at $88 per ton for all commercial and residential trash and the annual assessment to Corporate members is to remain at FY '09 levels.

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 Eric Doane, Director of Finance and Administration, at (207) 773-1738.

ecomaine
Statements of Net Assets
June 30, 2009 and 2008

		2009	2008
ASSETS			
Current assets:			
Cash and cash equivalents	$	6,010,052	8,653,935
Cash and equivalents held by trustee for current obligations		9,122,907	9,710,984
Accounts receivable, net		1,993,634	2,025,526
Inventory		1,854,425	1,734,624
Prepaid expenses		244,271	225,751
Total current assets		19,225,289	22,350,820
Capital assets, net		36,857,170	38,149,642
Restricted cash, equivalents, and investments:			
Debt service reserve fund		3,291,443	3,356,914
Construction funds		4,528	4,568
Total restricted cash, equivalents, and investments		3,295,971	3,361,482
Other assets:			
Idle asset - Gorham property		2,230,000	2,230,000
Debt issue and restructuring costs, net		-	190,290
Total other assets		2,230,000	2,420,290
Total assets	**$**	**61,608,430**	**66,282,234**
LIABILITIES			
Current liabilities:			
Current installments of long-term debt		8,135,000	8,290,000
Current installments of capital leases		173,062	171,533
Accounts payable		395,861	1,621,529
Accrued expenses		589,495	788,205
Accrued salaries and compensated absences		582,456	487,274
Total current liabilities		9,875,874	11,358,541
Post-retirement benefit liability		92,220	-
Long-term debt, less current installments		21,749,222	32,181,044
Capital leases, less current installments		1,583,172	1,498,558
Accrued landfill closure and postclosure care liabilities		14,834,132	14,645,291
Total liabilities	**$**	**48,134,620**	**59,683,434**
NET ASSETS			
Invested in capital assets, net of related debt		5,216,714	(3,991,493)
Restricted - debt service reserve		3,291,443	3,356,914
Restricted - construction funds		4,528	4,568
Unrestricted		4,961,125	7,228,811
Total net assets	**$**	**13,473,810**	**6,598,800**

See accompanying notes to financial statements.

ecomaine
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30, 2009 and 2008

		2009	2008
Operating revenues:			
Municipal assessments and tipping fees	$	10,466,602	10,524,386
Electrical generating revenues		6,250,476	4,745,063
Commercial tipping fees and spot market waste		7,317,587	7,111,188
Gorham property assessment		141,722	138,284
Sales of recycled goods		2,034,325	3,112,437
Other operating income		265,297	405,551
Total operating revenues		26,476,009	26,036,909
Operating expenses:			
Administrative expenses		2,392,696	2,265,231
Facility operating expenses		8,440,743	8,718,902
Recycling operating expenses		1,508,877	1,636,370
Landfill/ashfill operating expenses		1,690,169	1,190,468
Landfill closure and postclosure care costs		188,841	186,620
Total operating expenses other than depreciation and amortization		14,221,326	13,997,591
Net operating income before depreciation and amortization		12,254,683	12,039,318
Depreciation		3,996,436	5,016,321
Amortization of debt issue and restructuring costs		18,468	184,309
Net operating income		8,239,779	6,838,688
Non-operating revenues (expenses):			
Interest income		203,637	589,266
Interest expense		(1,448,289)	(1,925,080)
Post-retirement benefit		(92,220)	-
Contingency expense		(27,897)	(2,755)
Net non-operating expenses		(1,364,769)	(1,338,569)
Change in net assets prior to extraordinary item		6,875,010	5,500,119
Extraordinary item - reduction in estimated landfill accrual		-	8,736,704
Total net assets, beginning of year		6,598,800	(7,638,023)
Total net assets, end of year	**$**	**13,473,810**	**6,598,800**

See accompanying notes to financial statements.

ecomaine
Statements of Cash Flows
Years Ended June 30, 2009 and 2008

		2009	2008
Cash flows from operating activities:			
Receipts from assessments and tipping fees	$	17,799,172	17,776,905
Receipts from electrical generating revenues		6,267,383	4,580,067
Receipts from other sources		2,441,344	3,347,843
Payments to employees		(6,487,451)	(5,895,310)
Payments to suppliers		(4,067,716)	(2,251,807)
Contractual payments		(4,774,021)	(5,718,443)
Net cash provided by operating activities		11,178,711	11,839,255
Cash flows from capital and related financing activities:			
Payments of interest		(1,646,999)	(1,764,947)
Repayment of long-term debt		(10,598,990)	(8,271,317)
Net cash used in capital and related financing activities		(12,245,989)	(10,036,264)
Cash flows from investing activities:			
Receipts of interest		203,637	599,955
Purchases of property, plant and equipment		(2,433,830)	(2,859,117)
Net cash used in investing activities		(2,230,193)	(2,259,162)
Net decrease in cash		(3,297,471)	(456,171)
Cash and cash equivalents balance, beginning of year		21,726,401	22,182,572
Cash and cash equivalents balance, end of year	**$**	**18,428,930**	**21,726,401**
Reconciliation of net operating income to net cash provided by operating activities:			
Net operating income	$	8,239,779	6,838,688
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation and amortization		4,014,904	5,200,630
Contingency expense		(27,897)	(2,755)
(Increase) decrease in assets:			
Accounts receivable		31,892	(768,954)
Inventory		(119,801)	(156,136)
Prepaid expenses		(18,520)	33,446
Increase (decrease) in liabilities:			
Accounts payable		(1,225,668)	485,833
Accrued salaries and compensated absences		95,181	21,883
Accrued landfill closure and postclosure care liabilities		188,841	186,620
Net cash provided by operating activities	**$**	**11,178,711**	**11,839,255**

See accompanying notes to financial statements.

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 37 municipalities in Cumberland, Oxford, and York counties in Maine. Owned and controlled by 21 of these municipalities, **ecomaine** creates electricity through its processing of waste. **ecomaine** also operates an extensive recycling program.

Merger with Regional Waste Systems - During the fiscal year ended June 30, 2006 the Board of Directors of Regional Waste Systems (RWS) and **ecomaine** determined it to be in the best interests of both organizations that RWS be merged into **ecomaine**. Thus, in April 2006 an Agreement and Plan of Merger was adopted and approved by both Boards. On July 1, 2006 RWS was merged into **ecomaine**, with **ecomaine** continuing as the surviving corporation. On this date, all of the rights, powers, immunities, property and debts due to RWS were vested in **ecomaine**; and all debts, liabilities, obligations and restrictions of RWS attached to **ecomaine**.

Method of Accounting - ecomaine uses the accrual method of accounting where assets are recorded during the period in which they are earned and liabilities are recorded during the period in which they are incurred. In accordance with Government Accounting Standards Board (GASB) Statement No. 20, **ecomaine** follows the pronouncements of the Financial Accounting Standards Board (FASB) issued before November 30, 1989 except where those pronouncements conflict with GASB pronouncements.

Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. Integrys Energy Services, 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 $25,000 and $25,565 at June 30, 2009 and 2008, 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 credit to trade accounts receivable.

Inventory - Inventory is comprised of consumable items used in production and spare parts. Inventory is stated at the lower of cost or market determined on the first-in, first-out basis.

Capital Assets - Capital assets are recorded at cost. All costs incurred for construction, additions, and improvements to the facility, including interest during construction, are capitalized.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES, CONTINUED

Depreciation has been provided over the estimated useful lives of the assets using the straight-line method, as follows:

Equipment	5 - 10 years
Vehicles	5 years
Ashfill/balefill	15 years
Baler plant	25 years
Waste-to-energy facility	20 - 45 years

Debt Issue and Restructuring Costs - Such costs are amortized using the straight-line method over the term of the associated debt. Accumulated amortization amounted to $1,995,871 and $1,805,581 at June 30, 2009 and 2008.

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. As a governmental entity pursuant to Section 115(1), **ecomaine** is not required to file IRS Form 990, Return of Organization Exempt from Income Tax, on an annual basis.

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.

CASH, EQUIVALENTS, AND INVESTMENTS HELD BY TRUSTEE

Under the terms of a Trust Indenture, U.S. Bank, acting as Trustee, holds unexpended bond proceeds and operating funds in certain funds and accounts as specified in the bond series indenture. At June 30, 2009 and 2008, such amounts held by the Trustee consisted of money market funds. The fair value approximates the carrying value at June 30, 2009 and 2008.

	2009	2008
For current obligations:		
Bond fund	$ 9,039,194	9,627,518
Arbitrage rebate fund	83,713	83,466
	9,122,907	9,710,984
For long-term obligations:		
Debt service reserve fund	3,291,443	3,356,914
Construction funds	4,528	4,568
Totals	$ 12,418,878	13,072,466

DEPOSITS

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, **ecomaine's** deposits may not be returned to it. **ecomaine** does not have a deposit policy for custodial credit risk. As of June 30, 2009, **ecomaine** reported deposits of $6,010,052 with a bank balance of $5,919,347. Of **ecomaine's** bank balance of $5,919,347, $-0- was exposed to custodial credit risk. The entire balance was covered by the F.D.I.C. or by additional insurance purchased on behalf of **ecomaine** by the respective banking institutions.

INVESTMENTS

ecomaine's policy is to invest all available funds at the highest possible rates, in conformance with legal and administrative guidelines, while avoiding unreasonable risk. The funds are invested in liquid investments with maturities planned to coincide with **ecomaine's** cash needs during the year.

At June 30, 2009, 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.

CAPITAL ASSETS

Capital assets at June 30, 2009 and 2008 consisted of the following:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets, not being depreciated:				
Land - waste-to-energy/ashfill	$ 1,475,061	-	-	1,475,061
Total capital assets, not being depreciated	1,475,061	-	-	1,475,061
Capital assets being depreciated:				
Vehicles	339,501	299,071	-	638,572
Office equipment	22,952	106,083	-	129,035
Recycling facility and equipment	5,091,536	25,934	-	5,117,470
Balefill/ashfill/leachate site	17,518,199	-	-	17,518,199
Baler	4,452,616	-	-	4,452,616
Waste-to-energy facility	87,690,409	2,272,876	-	89,963,285
Total capital assets being depreciated	115,115,213	2,703,964	-	117,819,177
Less accumulated depreciation:				
Vehicles	(265,691)	(51,706)	-	(317,397)
Office equipment	(22,952)	(20,752)	-	(43,704)
Recycling facility and equipment	(1,420,461)	(259,380)	-	(1,679,841)
Balefill/ashfill/leachate site	(10,552,910)	(420,281)	-	(10,973,191)
Baler	(3,097,369)	(178,105)	-	(3,275,474)
Waste-to-energy facility	(63,081,249)	(3,066,212)	-	(66,147,461)
Total accumulated depreciation	(78,440,632)	(3,996,436)	-	(82,437,068)
Total capital assets	**$ 38,149,642**	**(1,292,472)**	**-**	**36,857,170**

POWER PURCHASE AGREEMENTS

During the fiscal years ended June 30, 2009 and 2008, **ecomaine's** electric energy sales were governed by a Power Purchase Agreement with Integrys Energy Services, Inc. for sale of its power at contracted rates. The prior agreement expired January 31, 2008; the current agreement commenced February 1, 2008 and expires January 31, 2011. At June 30, 2009 and 2008, electrical generating revenues amounted to $6,250,476 and $4,745,063, respectively.

LONG-TERM DEBT

ecomaine has issued several separate series of tax exempt and taxable bonds, the activity for which consisted of the following:

	Balance June 30, 2008	Additions	Paydowns	Balance June 30, 2009	Amounts due in one year
Series N ($2,480,000 authorized, variable rate demand bonds, weekly variable interest rate, taxable, issued September 1993, maturing July 1, 2014)	$ 1,840,000	-	(230,000)	1,610,000	240,000
Series R ($21,735,000 authorized, variable rate demand bonds, taxable, issued April 2001, maturing July 1, 2012)	9,100,000	-	(2,350,000)	6,750,000	1,350,000
Series S ($6,750,000 authorized, serial bonds, varying interest rates, 4.45% in the fiscal year ended June 30, 2009, taxable, issued June 2003, maturing July 1, 2012)	6,750,000	-	(1,575,000)	5,175,000	-
Series T ($19,055,000 authorized, serial bonds, 3% - 5% in 2009, taxable, issued June 2005, maturing July 1, 2010)	11,900,000	-	(3,795,000)	8,105,000	3,960,000
Series U ($15,205,000 authorized, serial bonds, 3.25% - 5% in 2009, issued June 2005, maturing July 1, 2011)	10,600,000	-	(2,465,000)	8,135,000	2,585,000
	40,190,000	-	(10,415,000)	29,775,000	8,135,000
Unamortized premium on bonds	594,044	-	(297,022)	297,022	-
Unamortized deferred amount on refinancing bonds	(313,000)	-	125,200	(187,800)	-
Long-term debt	$ 40,471,044	-	(10,586,822)	29,884,222	8,135,000

The obligations of **ecomaine** to pay the principal and interest on each series of bonds are payable from, and secured by, system revenues, including amounts payable under the Waste Handling Agreements, the Interlocal Agreement, and the Power Purchase Agreement. The bonds of each series are also secured by funds held under the Trust Indenture, including amounts deposited in the debt service reserve fund and including investment earnings on all such funds. The bonds of each series are special revenue obligations of **ecomaine**, payable solely

LONG TERM DEBT, CONTINUED

from the sources described in the offering statement. The bonds do not constitute a debt or liability within the meaning of any constitutional or statutory provision of, or a pledge of the full faith and credit of: the State of Maine; Cumberland County, Maine; York County, Maine; or any political subdivision of the State of Maine.

ecomaine has no taxing power. However, pursuant to the Waste Handling Agreements, the participating municipalities are obligated severally to deliver certain of the solid waste produced within each such participating municipality to **ecomaine** for processing and to make service payments and pay tipping fees for such processing in amounts which, when added to other available monies, will at least equal required debt service on the bonds of each series. The obligations of the participating municipalities under the Waste Handling Agreements are secured by the full faith and credit of the participating municipalities subject to certain limitations.

Under an indenture agreement, the following funds and accounts have been established and are currently held by the Trustee: a reserve fund; a principal account; an interest account; a restricted account; a redemption account; a debt service reserve fund; a construction fund; a fee disbursement fund; a fixed rate conversion fund; a rebate fund; and a rebate escrow fund.

On June 28, 2005 **ecomaine** issued $34,260,000 of current refunding bonds Series T & U, which were used to redeem the principal amount of the outstanding Series P & Q bonds on July 1, 2005 (subsequent to the fiscal year-end). As of June 30, 2005 Series T & U bond proceeds, net of premium/discount, were held in a money market fund maintained by the trust department of a financial institution. Total bond proceeds of $35,118,600 consisted of the principal amount of $34,430,000 and an original issue premium of $688,600. This premium is being amortized over the life of the bonds as follows:

Original issue premium	$ 1,485,111
Less: Accumulated amortization	(1,188,089)
Unamortized June 30, 2009 balance	**$ 297,022**

The portion of the proceeds from these bonds used to redeem Series P & Q bonds was as follows:

Principal balance of Series P & Q	$ 34,430,000
Plus: Call premiums paid	688,600
Total redemption price	**$ 35,118,600**

In accordance with GASB #23, the loss on redemption of Series P & Q should be amortized over the shorter of the remaining life of the old bonds or the remaining life of the new bonds as follows:

Remaining unamortized Series P & Q issue costs	$ -
Call premium paid to retire bonds	688,600
Deferred amount on refunding	688,600
Less: Accumulated amortization	(500,800)
Unamortized deferred amount on refunding	**$ 187,800**

LONG TERM DEBT, CONTINUED

Debt service requirements for all outstanding debt are as follows:

	Interest	Principal	Total
2010	$ 1,435,900	8,135,000	9,570,900
2011	885,025	10,450,000	11,335,025
2012	409,181	6,630,000	7,039,181
2013	86,850	3,975,000	4,061,850
2014	24,000	285,000	309,000
2015	-	300,000	300,000
Totals	$ 2,840,956	29,775,000	32,615,956

CAPITAL LEASES

Capital leases consisted of the following at June 30, 2009 and 2008:

	2009	2008
$1,700,000 of equipment, net book value of $1,657,500, due in annual payments of $209,042, including interest of 6.37% per annum, with a final payment in March 2019, secured by the equipment	$ 1,498,558	1,602,478
$176,234 of equipment, net book value of $164,485, due in monthly payments of $4,126, including interest of 5.95% per annum, with a final payment in May 2013, secured by the equipment	172,966	-
$93,900 of equipment, net book value of $87,640, due in monthly payments of $2,194, including interest of 6.00% per annum, with a final payment in January 2013, secured by the equipment	84,710	-
$85,127 of equipment, net book value of $$42,563, due in monthly payments of $1,916, including interest of 4.0% per annum, with a final payment in May 2009, secured by the equipment	-	20,657
$165,500 of equipment, net book value of $82,750, due in monthly payments of $3,742, including interest of 4.25% per annum, with a final payment in March 2009, secured by the equipment	-	33,091
$69,100 of equipment, net book value of $34,550, due in monthly payments of $1,568, including interest of 4.25% per annum, with a final payment in March 2009, secured by the equipment	-	13,865
	1,756,234	1,670,091
Less current portion	173,062	171,533
Totals	$ 1,583,172	1,498,558

CAPITAL LEASES, CONTINUED

The capitalized lease obligation at June 30, 2009 represents the present value of the future minimum payments as follows:

2010	$ 284,879
2011	284,863
2012	284,871
2013	269,799
2014	209,042
Thereafter	1,045,201
Total minimum payments	2,378,655
Less amount representing interest	(622,421)
Present value of minimum lease payments	**$ 1,756,234**

ARBITRAGE REBATE

Under income tax regulations, **ecomaine** is obligated to rebate to the United States certain arbitrage amounts. Calculation of such arbitrage rebate amounts is required on the fifth anniversary of the bond issues. During prior years, amounts were placed in a Rebate Fund held by the Trustee based on income tax regulations then in effect. The penalty payment for the fiscal years ended June 30, 2009 and 2008 was $ -0- in both years. **ecomaine** has set aside $83,713 and $83,466 as of June 30, 2009 and 2008, respectively, in an arbitrage rebate fund.

DEBT SERVICE RESERVE

Under the terms of the indenture, the debt service reserve funds are required to be funded at $3,000,000. Funds deposited in the debt service reserve fund shall be used for the payment of principal and interest on all bonds to the extent necessary if amounts from other sources are insufficient for such purpose. At June 30, 2009 and 2008, the debt service reserve funds aggregated $3,291,443 and $3,356,914, respectively.

RETIREMENT PLAN

Nonunion - All non-union employees are covered by a defined contribution plan after their probationary period is completed. **ecomaine** contributed 8% in 2009 and 2008 of the covered employees' gross pay on covered wages of $1,654,602 and $1,437,827, respectively. Pension expense amounted to $132,368 and $115,026 for the years ended June 30, 2009 and 2008, respectively.

Union - In accordance with an agreement with its Union, **ecomaine** contributes to the Union's Pension Plan. The contributions equal 5.25% or 5% of compensation received for hours worked by each eligible plan participant. Pension expense amounted to $135,893 and $131,403 for the years ended June 30, 2009 and 2008, respectively, on covered wages of $2,588,433 and $2,502,916, respectively. The Pension Fund is a defined contribution pension program that provides retirement and certain ancillary benefits to eligible plan participants.

RETIREMENT PLAN, CONTINUED

Other Plans - In addition to the above plan, a second defined contribution 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 $2,869 and $2,705 on covered wages of $143,450 and $135,237 for the years ended June 30, 2009 and 2008, respectively.

Social Security - **ecomaine** participates in the Social Security retirement program. **ecomaine's** contributions to Social Security were $323,798 and $286,714 for the years ended June 30, 2009 and 2008, respectively.

UNRESTRICTED NET ASSETS

Unrestricted net assets consisted of the following at June 30, 2009 and 2008:

	2009	2008
Designated for:		
Capital replacement	$ 1,158,761	606,227
Long-term maintenance fees	500,000	500,000
Landfill expansion	129,969	129,969
Regulatory penalties	84,082	84,082
Debt stabilization	1,777,654	1,777,654
Electrical revenue	484,589	484,589
Bond interest	428,709	428,709
Tipping fees	3,091,372	3,091,372
Recycling Facility Electrical Connection	-	230,000
Landfill long-term maintenance	-	109,277
Total designated	7,655,136	7,441,879
Undesignated	(2,694,011)	(213,068)
Total unrestricted	**$ 4,961,125**	**7,228,811**

Capital Replacement - The funds are intended to be used to repair, replace, or upgrade parts of the facility that may experience premature wear or damage.

Long-term Maintenance Fees - Prior to 1990 **ecomaine** charged various amounts on a per ton basis for the purpose of establishing a fund for future long-term maintenance costs at the balefill location. Commencing in 1990, specific per ton fees were no longer incorporated in the rate structure.

UNRESTRICTED NET ASSETS, CONTINUED

Landfill Expansion - This balance was created in response to **ecomaine's** decision subsequent to fiscal 2005 to expand the landfill site. Funds were set aside primarily to meet fiscal 2007 costs related to increasing the landfill's capacity.

Regulatory Penalties - This reserve was designated to receive funds in order to fulfill any future liabilities assessed by government regulatory agencies.

Debt Stabilization - This balance was established as a result of the June 2005 debt refinancing. Funds will be set aside in years in which debt obligations have been reduced, so that the resulting reserves will lessen or eliminate the need for increased revenues in years in which obligations will be greater.

Electrical Revenue - This balance was created to provide a hedge against the inability to produce power or unexpected decreases in the rate for which **ecomaine** can sell their power.

Bond Interest - This balance was created to provide a hedge against unexpected/unbudgeted increases in the variable rate bond rates.

Tipping Fees - This balance was created to provide a hedge against the impact on the tip fees of the diversion of large amounts of MSW to other facilities.

Recycling Facility Electrical Connection - This reserve was established to fund an electrical connection of the recycling building to the primary facility.

Other Long-term Maintenance - This reserve was established to set aside funds for landfill-related maintenance projects.

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 deprecation, 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, 2009 and 2008:

	2009	2008
Capital assets	$ 119,294,238	117,860,578
Accumulated depreciation	(82,437,068)	(79,710,936)
Bonds payable	(29,884,222)	(40,471,044)
Capital leases	(1,756,234)	(1,670,091)
Total invested in capital assets net of related debt	**$ 5,216,714**	**(3,991,493)**

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. As permitting for the facility had expired and the Board indicated its willingness to sell the site to a third party, at June 30, 1997 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.

As of the report date, no decision has been made as to the eventual use of the property.

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. **ecomaine** first estimated the cost to perform all closure and postclosure care in 1997.

CLOSURE AND POSTCLOSURE CARE COSTS, CONTINUED

During the fiscal year ended June 30, 2008 **ecomaine** engineers again revisited the analysis to reflect updated estimates of the aforementioned costs. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. **ecomaine** anticipates financing closure costs by funding and using reserves and/or the issuing bonds at the time of closure. A summary of estimated landfill closure and postclosure care costs is as follows:

	2009	2008
Total estimated future landfill closure and postclosure care costs	$ 22,216,763	22,216,763
Estimated capacity used	66.77%	65.92%
Estimated gross landfill closure and postclosure care costs - end of year	14,834,132	14,645,291
Amounts actually expended	N/A	N/A
Estimated liability for landfill closure and postclosure care costs - end of year	14,834,132	14,645,291
Estimated remaining landfill closure and postclosure care costs to be recognized	$ 7,382,631	7,571,472

OPERATING LEASES

ecomaine leases office equipment under the terms of operating leases expiring through 2013. Future minimum payments under the leases are as follows:

2010	$ 4,854
2011	5,303
2012	5,793
2013	4,694

Rent expense paid under these operating leases totaled $6,492 and $9,471 for the years ended June 30, 2009 and 2008, respectively.

OTHER POST EMPLOYMENT BENEFITS

The Governmental Accounting Standards Board (GASB) recently promulgated its Statement 45 which addressed the reporting and disclosure requirements for other post employment benefits (OPEB). GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by **ecomaine** for the fiscal year ended June 30. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits 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 45. An OPEB liability actuarial valuation was completed by the consultants in May 2009.

Plan Descriptions - In addition to providing pension benefits, **ecomaine** provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage.

Funding Policy and Annual OPEB Cost - GASB Statement 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.

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

Normal cost	$ 58,877
Amortization of unfunded	31,535
Interest	1,808
Annual required contribution	$ 92,220

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, 2009 was as follows:

Annual required contribution	$ 92,220
Actual contribution	-
Percent contributed	0.00%
Actuarial accrued liability	$ 567,125
Plan assets	-
Unfunded actuarial accrued liability	$ 567,125
Covered payroll	4,497,961
Unfunded actuarial accrued liability as a percentage of covered payroll	12.00%

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

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 (only one year available) that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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	1/1/09
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0% - 9.6%

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Retiree Healthcare Plan

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]
12/31/08	$ -	$567,125	$567,125	0.00%	$4,497,961	12.00%

SUBSEQUENT EVENTS

In accordance with Statement of Financial Accounting Standards No. 165, *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through October 8, 2009 which is the date these financial statements were issued.

ecomaine
Schedule of Municipal Assessments and Tipping Fees
Years Ended June 30, 2009 and 2008

		2009	2008
Members			
Bridgton	$	208,024	206,667
Casco		73,771	70,764
Cumberland		179,392	187,195
Cape Elizabeth		265,673	258,963
Falmouth		208,330	207,388
Freeport		163,749	163,305
Gorham		169,284	156,679
Gray		197,903	187,713
Harrison		91,563	89,495
Hollis		131,153	141,625
Limington		143,530	135,381
Lyman		102,740	107,145
Ogunquit		55,140	56,042
Pownal		27,841	27,066
Portland		883,635	883,785
North Yarmouth		103,244	100,144
Scarborough		515,805	516,931
South Portland		568,131	546,850
Waterboro		177,544	171,893
Windham		175,226	165,552
Yarmouth		237,023	230,610
Total members assessments		4,678,701	4,611,193
Associate members tip fees		864,095	851,433
Municipal tipping fees		4,923,806	5,061,760
Total municipal assessments and tipping fees	**$**	**10,466,602**	**10,524,386**

See independent accountant's report.

Schedule 2

ecomaine
Budget to Actual
Year Ended June 30, 2009

		Budget	Actual	Variance	Change
Operating revenues:					
Municipal assessments	$	4,678,654	4,678,701	47	0.0%
Owners tipping fees		5,040,128	4,787,218	(252,910)	-5.0%
Associate tipping fees		866,149	864,095	(2,054)	-0.2%
Commercial tipping fees		6,331,709	5,433,109	(898,600)	-14.2%
Spot market tipping fees		1,000,000	1,884,478	884,478	88.4%
Electrical generating revenues		5,826,649	6,250,476	423,827	7.3%
Sales of recycled goods		2,401,086	2,034,325	(366,761)	-15.3%
Recycling tipping fees		-	136,588	136,588	n/a
Gorham property assessments		110,000	141,722	31,722	28.8%
Other operating income		463,556	265,297	(198,259)	-42.8%
Total operating revenues		26,717,931	26,476,009	(241,922)	-0.9%
Operating expenses					
Administrative expenses		2,273,976	1,877,567	(396,409)	-17.4%
Facility operating expenses		8,675,438	8,440,743	(234,695)	-2.7%
Recycling operating expenses		1,579,447	1,508,877	(70,570)	-4.5%
Landfill/ashfill operating expenses		1,730,970	1,690,169	(40,801)	-2.4%
Host community		555,000	515,129	(39,871)	-7.2%
Landfill closure and postclosure costs		-	188,841	188,841	n/a
Total operating expenses		14,814,831	14,221,326	(593,505)	-4.0%
Net operating income other than depreciation and amortization		11,903,100	12,254,683	351,583	3.0%
Depreciation and amortization		-	4,014,904	4,014,904	n/a
Net operating income		11,903,100	8,239,779	(3,663,321)	-30.8%
Non-operating income (expense)					
Interest income		300,000	203,637	(96,363)	-32.1%
Interest expense		(1,870,000)	(1,448,289)	421,711	-22.6%
Post-retirement benefit		-	(92,220)	(92,220)	n/a
Contingency		(316,750)	(27,897)	288,853	-91.2%
Total non-operating		(1,886,750)	(1,364,769)	521,981	-27.7%
Total revenues less expenses	$	10,016,350	6,875,010	(3,141,340)	-31.4%
Addback: items not budgeted					
Depreciation and amortization		-	4,014,904	4,014,904	
Landfill closure and postclosure costs		-	188,841	188,841	
Post-retirement benefit		-	92,220	92,220	
Total revenues less expenses: adjusted	$	10,016,350	11,170,975	1,154,625	

See independent accountant's report.

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.

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,

October 8, 2009

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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.

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
Adjusting Journal Entries JE # 1		ZZ00.1		
Proposed by client during field work -- to reconcile cash rollforward				
00-00-3001	CHARGES TO RETAINED EARNINGS		2,025.73	
00-00-4065	RECYCLING MATERIAL RECOVERY			2,025.73
Total			2,025.73	2,025.73
Adjusting Journal Entries JE # 3		ZZ01		
To bring Designated Capital Reserve to correct June 30 '09 balance.				
00-00-3003	CAPITAL RESERVE		3,730,009.78	
00-00-3020	FUND BALANCE (RET EARNINGS)			3,730,009.78
Total			3,730,009.78	3,730,009.78
Adjusting Journal Entries JE # 5		CC6		
To amortize fiscal '09 unamortized bond premium				
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
Total			297,022.19	297,022.19
Adjusting Journal Entries JE # 6		per client...AA3.1		
To record entry for additional accrued expenses at end of year (proposed by client during field work)				
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
Total			87,402.68	87,402.68
Adjusting Journal Entries JE # 8		BB5		
To recognize Post Retirement Benefit per GASB 45				
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
Total			92,220.00	92,220.00
Adjusting Journal Entries JE # 9		BB4.1		
Per client analysis: To adjust accrual for landfill liability based on fiscal 2009 activity.				
00-00-7040	LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS		188,841.00	
00-00-2901	ACCRUED CLOSURE-BALEFILL			188,841.00
Total			188,841.00	188,841.00

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
Proposed JE # 2		**02c.1**		
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
Total			**25,734.40**	**25,734.40**
Proposed JE # 4		**G 01**		
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
Total			**15,356.91**	**15,356.91**

DRAFT

Lynne Trufant

From: Lynne Trufant
Sent: Wednesday, October 14, 2009 3:38 PM
To: Anton, John; Auden, Ed; Bickford, Erving; Board of Selectmen - Town of Pownal (selectmen@pownalmaine.org); Bobinsky, Mike; Boudreau, Linda; Bradstreet, Alan; Brobst, Richard; Cabana, Debora; Cole, Dave; D'Andrea, Karen; Doughty, Dennis ; Fortier, Tom; Foster, Gary; Gailey, Jim; Gray, Joseph; Johnson, Mahlon; Jordan, Penny; Lynne Trufant; Mavodones, Nick; McGinty, Susan; McGovern, Mike; Miner, Noah; Moon, Troy; Morton, Dave (Town Manager, Town of Casco); Olmstead, Dale; Plante, Anthony; Plante, Bradley (Town Manager and Road Commissioner, Town of Harrison) ; Regier, Rod; Rodden, Bonny; Shaw, Mike ; Smith, Patricia; St. Clair, Maurice ; Van Gaasbeek, Len
Cc: Nadzo, Nick; Nadeau, Sherry
Subject: regarding 10/15/09 ecomaine Audit & Board Meetings
Attachments: Draft ecomaine FS Version 2.pdf

Dear Board Members:

Runyon Kersteen Ouellette has completed their Audit of the ecomaine Financial Statements for the year ending June 30, 2009. They are attached to this e-mail for your review.

These financial statements will be reviewed in detail at the Audit Committee Meeting and the Board Meeting scheduled for tomorrow.

Please feel free to contact me if you have any questions.

Sincerely,

Kevin H. Roche,
General Manager
ecomaine

ecomaine DRAFT

Financial Statements

June 30, 2009 and 2008

Independent Auditor's Report

Board of Directors
ecomaine

We have audited the accompanying statements of net assets of **ecomaine** as of June 30, 2009 and 2008, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of **ecomaine's** management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. Schedules 1 and 2 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

October 8, 2009
South Portland, Maine

This discussion and analysis of **ecomaine**'s financial performance provides an overall review of **ecomaine**'s financial activities for the year ended June 30, 2009. The intent of this discussion and analysis is to look at **ecomaine**'s financial performance as a whole. Readers should also review the financial statements to enhance their understanding of **ecomaine**'s financial performance.

Financial Highlights

The fiscal year ended June 30, 2009 was a challenging year for **ecomaine.** Despite the economic slowdown, **ecomaine** was able to increase revenues slightly compared to 2008 and to control costs. The result was that the Change in Net Assets Prior to Extraordinary Item increased from $5.5 million in 2008 to $6.9 million in 2009. The strong results allowed us to pay down our debt by $10.4 million during the year. At June 30, 2009 our total bond debt, including current and long-term portions, was $29.9 million. On July 1, 2009 scheduled debt payments of an additional $8.1 million were made. **ecomaine** plans to continue the aggressive debt repayment schedule for the next few years with the last debt payment due July 1, 2014.

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 statements of net assets and statements of revenues, expenses, and changes in net assets provide information about the activities of **ecomaine** as a whole and present a longer-term view of our finances. They include all assets and liabilities using the accrual basis of accounting, similar to the accounting method used by the private sector. The basis for this accounting takes into account all of the current year's revenues and expenses regardless of when the cash was received or paid.

These two statements report **ecomaine** net assets and changes in those net assets. This change in assets 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 charges fees to its customers to cover all or most of the costs of certain services it provides. In the statements of net assets and statements of revenues, expenses, and changes in net assets, all of these activities are reported as business-type activities.

ecomaine as a Whole

The Statements of Net Assets looks at **ecomaine** as a whole. Table 1 below is a summary of **ecomaine**'s net assets for 2009 with comparative numbers for 2008.

Table 1
Net Assets

	2009	2008
Assets		
Current and other	$ 24,751,260	28,132,592
Capital assets	36,857,170	38,149,642
Total Assets	61,608,430	66,282,234
Liabilities		
Current liabilities	1,740,874	3,068,541
Long-term debt outstanding		
Due within One Year	8,135,000	8,290,000
Due in More than One Year	21,749,222	32,181,044
Other liabilities	16,509,524	16,143,849
Total Liabilities	48,134,620	59,683,434
Net Assets		
Invested in Capital Assets, net of related debt	5,216,714	(3,991,493)
Restricted	3,295,971	3,361,482
Unrestricted	4,961,125	7,228,811
Total Net Assets	$ 13,473,810	6,598,800

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

Assets:

The $4.674 million decrease in total assets is the net result of a decrease of $3.297 million in restricted cash, cash, equivalents, and investments; an increase of $.106 million in accounts receivable, inventory and prepaid expenses; a decrease of $.190 million for the amortization of debt issuance and restricting costs; and a net decrease of $1.292 million in capital assets.

Liabilities:

Total liabilities decreased by $11.548 million. This net change was caused by $10.587 million decrease in short and long-term debt resulting from payments on the bonds; a decrease in accounts payable, accrued expenses including accrued salaries and benefits of $1.329 million; an increase of $87,000 in capital leases; an increase of $.189 million in accrued landfill closure liability; and an increase of $92,000 in post-retirement benefits.

Table 2
Changes in Net Assets

	2009	2008	Increase (decrease)
Revenues			
Operating Revenues	$ 26,476,009	26,036,909	439,100
Non-operating Revenues:			
Interest income	203,637	589,266	(385,629)
Total Revenues	26,679,646	26,626,175	53,471
Operating Expenses			
Facility Operations	8,440,743	8,718,902	(278,159)
Landfill Operations	1,690,169	1,190,468	499,701
Recycling Operations	1,508,877	1,636,370	(127,493)
Landfill Closure and Postclosure care costs	188,841	186,620	2,221
Administration	2,392,696	2,265,231	127,465
Depreciation and Amortization	4,014,904	5,200,630	(1,185,726)
Nonoperating Expenses:			
Interest	1,448,289	1,925,080	(476,791)
All Other	120,117	2,755	117,362
Total Expenses	19,804,636	21,126,056	(1,321,420)
Increase in net assets - prior to Extraordinary item	6,875,010	5,500,119	1,374,891
Extraordinary item - Reduction in estimated landfill accrual	-	8,736,704	(8,736,704)

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

Operating revenues for fiscal year 2009 increased by $439,000 or 1.7% from the prior year. Electrical generation increased by $1.5 million (31.7%) due to higher prices and utilization time. Significant decreases to commodities prices caused recycling revenue to decrease by $1.1 million (-34.6%) for the year. Revenues generated by tipping fees increased by $81,000 (.6%). Increased spot market tonnage offset decreases to municipal and commercial tonnage from member communities.

Operating expenses increased by $252,000 or 1.8% compared to the prior year. The management at ecomaine managed expense levels closely during the year due to the economic climate. Depreciation decreased by $1.0 million as a result of older assets becoming fully depreciated. Interest expense decreased by $477,000 mainly due to principal reductions of $10.4 million made during the year. Interest income decreased $385,000 as a result of lower investment levels and decline in interest rates.

Analysis of Fiscal Year 2009 Actual Results Compared to Budget

Details for the below analysis can be found in the Budget to Actual schedule on page 26 of the notes to the financial statements.

Operating Revenues

Operating revenue was unfavorable to budget by $.242 million. The variance components of that variance are discussed in more detail below.

Owners, associate, and commercial tipping fees were unfavorable to budget by a combined $1.154 million due to lower tonnage coming to the facility. Spot market revenue were positive to budget by $.899 million due to bringing additional tonnage to help offset the lower tonnage in other categories, as noted above.

The waste-to-energy plant operated at a higher utilization factor during the year which created a favorable revenue variance of $.423 million compared to budget. The plant performed well during the winter months, which generates the highest rates.

Revenue from the sales of recycled goods was unfavorable by $.367 million during the year.

Commodities prices decreased significantly during the year as the result of the country-wide economic slowdown. The company began charging some customers for various non-valuable recyclable items. Those revenues amounted to $.137 million during the year.

Other operating revenues were unfavorable to budget by $.198 million due to lower tonnage from miscellaneous infrequent customers.

Operating Expenses

Operating expenses were favorable to budget by $.594 million due to savings in most of the operating categories.

Administrative operating expenses were $.396 million favorable to budget mainly due to favorable variance in insurance ($221,000), environmental management ($96,000), computer ($22,000), and consulting ($26,000).

Facility operating expenses were favorable by $.235 million. Personnel costs were favorable by $76,000 mainly to the lower workers compensation insurance. Replacement space parts and building and ground maintenance were favorable by $248,000 and $123,000, respectively. Chemical were unfavorable by $60,000.

Recycling operating expenses were favorable by $.071 million. Favorable variances occurred in personnel costs ($30,000), recyclable material ($60,000), and gas & electric ($20,000). Unfavorable variances occurred in replacement spare parts ($27,000) and baling wire ($26,000).

Landfill / ashfill operating expenses were favorable by $.041 million. Personnel costs were favorable by $27,000. Favorable variances were experienced in cleaning ($92,000) and geo-membrane ($145,000). Unfavorable variances occurred in water & sewer ($78,000), outside services ($130,000), and rental equipment ($49,000).

Host community expenses were favorable by $40,000. The budget anticipated an increase in this category, but actual expense was the same as the prior year. Landfill closure and postclosure costs were not budgeted, therefore the actual expense of $189,000 is also the variance amount.

Depreciation and amortization also were not included in the budget. Therefore the expense of $4.015 million is an unfavorable variance. Post retirement benefits were not included in the budget; the $92,220 was thus an unfavorable variance.

Non-operating income (expense)

Interest income was $96,000 lower than budget due to lower interest rate earned on investments. Interest expense was favorable by $422,000 due to lower interest rates and over-estimating the budgeted amount. Post-retirement benefit costs of $92,000 were not budgeted. Contingency expense was favorable by $289,000 due to those funds not being expended during the year.

Total revenue less expenses

The unfavorable variance in total revenue less expenses is $3.141 million. The variance occurs due to certain non-cash items; such as depreciation and amortization, landfill closure and postclosure costs, and post-retirement benefit costs, that were not budgeted. Excluding these non-cash items, actual results were favorable to budget by $1.154 million.

Capital Assets

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

	2009	2008
Land - waste-to-energy facility	$ 1,475,061	1,475,061
Vehicles	321,175	73,810
Office furniture and equipment	85,331	-
Recycling facility and equipment	3,437,629	3,671,075
Balefill/ashfill/leachate site	6,545,008	6,965,289
Baler	1,177,142	1,355,247
Waste-to-energy facility	23,815,824	24,609,160
Total Capital Assets	$ 36,857,170	38,149,642

Capital additions for 2009 were $2.704 million compared to $2.859 million for 2008. The company made key investments in information technology during 2009 including upgrading the network server, additional personal computers and new accounting software. These investments will enhance our effectiveness and provide efficiencies in the future. Current year depreciation was $3.996 million.

Debt

Table 4
Outstanding Debt at Year-End

		2009	2008
Variable Rate Demand Bonds	$	24,600,000	33,440,000
Fixed Rate Serial Bonds		5,175,000	6,750,000
Total Debt	$	29,775,000	40,190,000

During the fiscal year ended June 30, 2009, $10.4 million worth of bonds were paid off.

Current Financial Activities and Economic Factors Including Next Year's Budget

In the FY '10 Budget, the tipping fee was maintained at $88 per ton for all commercial and residential trash and the annual assessment to Corporate members is to remain at FY '09 levels.

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 Eric Doane, Director of Finance and Administration, at (207) 773-1738.

ecomaine
Statements of Net Assets
June 30, 2009 and 2008

		2009	2008
ASSETS			
Current assets:			
Cash and cash equivalents	$	6,010,052	8,653,935
Cash and equivalents held by trustee for current obligations		9,122,907	9,710,984
Accounts receivable, net		1,993,634	2,025,526
Inventory		1,854,425	1,734,624
Prepaid expenses		244,271	225,751
Total current assets		19,225,289	22,350,820
Capital assets, net		36,857,170	38,149,642
Restricted cash, equivalents, and investments:			
Debt service reserve fund		3,291,443	3,356,914
Construction funds		4,528	4,568
Total restricted cash, equivalents, and investments		3,295,971	3,361,482
Other assets:			
Idle asset - Gorham property		2,230,000	2,230,000
Debt issue and restructuring costs, net		-	190,290
Total other assets		2,230,000	2,420,290
Total assets	**$**	**61,608,430**	**66,282,234**
LIABILITIES			
Current liabilities:			
Current installments of long-term debt		8,135,000	8,290,000
Current installments of capital leases		173,062	171,533
Accounts payable		395,861	1,621,529
Accrued expenses		589,495	788,205
Accrued salaries and compensated absences		582,456	487,274
Total current liabilities		9,875,874	11,358,541
Post-retirement benefit liability		92,220	-
Long-term debt, less current installments		21,749,222	32,181,044
Capital leases, less current installments		1,583,172	1,498,558
Accrued landfill closure and postclosure care liabilities		14,834,132	14,645,291
Total liabilities	**$**	**48,134,620**	**59,683,434**
NET ASSETS			
Invested in capital assets, net of related debt		5,216,714	(3,991,493)
Restricted - debt service reserve		3,291,443	3,356,914
Restricted - construction funds		4,528	4,568
Unrestricted		4,961,125	7,228,811
Total net assets	**$**	**13,473,810**	**6,598,800**

See accompanying notes to financial statements.

ecomaine
Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30, 2009 and 2008

		2009	2008
Operating revenues:			
Municipal assessments and tipping fees	$	10,466,602	10,524,386
Electrical generating revenues		6,250,476	4,745,063
Commercial tipping fees and spot market waste		7,317,587	7,111,188
Gorham property assessment		141,722	138,284
Sales of recycled goods		2,034,325	3,112,437
Other operating income		265,297	405,551
Total operating revenues		26,476,009	26,036,909
Operating expenses:			
Administrative expenses		2,392,696	2,265,231
Facility operating expenses		8,440,743	8,718,902
Recycling operating expenses		1,508,877	1,636,370
Landfill/ashfill operating expenses		1,690,169	1,190,468
Landfill closure and postclosure care costs		188,841	186,620
Total operating expenses other than depreciation and amortization		14,221,326	13,997,591
Net operating income before depreciation and amortization		12,254,683	12,039,318
Depreciation		3,996,436	5,016,321
Amortization of debt issue and restructuring costs		18,468	184,309
Net operating income		8,239,779	6,838,688
Non-operating revenues (expenses):			
Interest income		203,637	589,266
Interest expense		(1,448,289)	(1,925,080)
Post-retirement benefit		(92,220)	-
Contingency expense		(27,897)	(2,755)
Net non-operating expenses		(1,364,769)	(1,338,569)
Change in net assets prior to extraordinary item		6,875,010	5,500,119
Extraordinary item - reduction in estimated landfill accrual		-	8,736,704
Total net assets, beginning of year		6,598,800	(7,638,023)
Total net assets, end of year	$	**13,473,810**	**6,598,800**

See accompanying notes to financial statements.

ecomaine
Statements of Cash Flows
Years Ended June 30, 2009 and 2008

		2009	2008
Cash flows from operating activities:			
Receipts from assessments and tipping fees	$	17,799,172	17,776,905
Receipts from electrical generating revenues		6,267,383	4,580,067
Receipts from other sources		2,441,344	3,347,843
Payments to employees		(6,487,451)	(5,895,310)
Payments to suppliers		(4,067,716)	(2,251,807)
Contractual payments		(4,774,021)	(5,718,443)
Net cash provided by operating activities		11,178,711	11,839,255
Cash flows from capital and related financing activities:			
Payments of interest		(1,646,999)	(1,764,947)
Repayment of long-term debt		(10,598,990)	(8,271,317)
Net cash used in capital and related financing activities		(12,245,989)	(10,036,264)
Cash flows from investing activities:			
Receipts of interest		203,637	599,955
Purchases of property, plant and equipment		(2,433,830)	(2,859,117)
Net cash used in investing activities		(2,230,193)	(2,259,162)
Net decrease in cash		(3,297,471)	(456,171)
Cash and cash equivalents balance, beginning of year		21,726,401	22,182,572
Cash and cash equivalents balance, end of year	**$**	**18,428,930**	**21,726,401**
Reconciliation of net operating income to net cash provided by operating activities:			
Net operating income	$	8,239,779	6,838,688
Adjustments to reconcile net operating income to net cash provided by operating activities:			
Depreciation and amortization		4,014,904	5,200,630
Contingency expense		(27,897)	(2,755)
(Increase) decrease in assets:			
Accounts receivable		31,892	(768,954)
Inventory		(119,801)	(156,136)
Prepaid expenses		(18,520)	33,446
Increase (decrease) in liabilities:			
Accounts payable		(1,225,668)	485,833
Accrued salaries and compensated absences		95,181	21,883
Accrued landfill closure and postclosure care liabilities		188,841	186,620
Net cash provided by operating activities	**$**	**11,178,711**	**11,839,255**

See accompanying notes to financial statements.

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 37 municipalities in Cumberland, Oxford, and York counties in Maine. Owned and controlled by 21 of these municipalities, **ecomaine** creates electricity through its processing of waste. **ecomaine** also operates an extensive recycling program.

Merger with Regional Waste Systems - During the fiscal year ended June 30, 2006 the Board of Directors of Regional Waste Systems (RWS) and **ecomaine** determined it to be in the best interests of both organizations that RWS be merged into **ecomaine**. Thus, in April 2006 an Agreement and Plan of Merger was adopted and approved by both Boards. On July 1, 2006 RWS was merged into **ecomaine**, with **ecomaine** continuing as the surviving corporation. On this date, all of the rights, powers, immunities, property and debts due to RWS were vested in **ecomaine**; and all debts, liabilities, obligations and restrictions of RWS attached to **ecomaine**.

Method of Accounting - ecomaine uses the accrual method of accounting where assets are recorded during the period in which they are earned and liabilities are recorded during the period in which they are incurred. In accordance with Government Accounting Standards Board (GASB) Statement No. 20, **ecomaine** follows the pronouncements of the Financial Accounting Standards Board (FASB) issued before November 30, 1989 except where those pronouncements conflict with GASB pronouncements.

Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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. Integrys Energy Services, 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 $25,000 and $25,565 at June 30, 2009 and 2008, 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 credit to trade accounts receivable.

Inventory - Inventory is comprised of consumable items used in production and spare parts. Inventory is stated at the lower of cost or market determined on the first-in, first-out basis.

Capital Assets - Capital assets are recorded at cost. All costs incurred for construction, additions, and improvements to the facility, including interest during construction, are capitalized.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES, CONTINUED

Depreciation has been provided over the estimated useful lives of the assets using the straight-line method, as follows:

Equipment	5 - 10 years
Vehicles	5 years
Ashfill/balefill	15 years
Baler plant	25 years
Waste-to-energy facility	20 - 45 years

Debt Issue and Restructuring Costs - Such costs are amortized using the straight-line method over the term of the associated debt. Accumulated amortization amounted to $1,995,871 and $1,805,581 at June 30, 2009 and 2008.

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. As a governmental entity pursuant to Section 115(1), **ecomaine** is not required to file IRS Form 990, Return of Organization Exempt from Income Tax, on an annual basis.

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.

CASH, EQUIVALENTS, AND INVESTMENTS HELD BY TRUSTEE

Under the terms of a Trust Indenture, U.S. Bank, acting as Trustee, holds unexpended bond proceeds and operating funds in certain funds and accounts as specified in the bond series indenture. At June 30, 2009 and 2008, such amounts held by the Trustee consisted of money market funds. The fair value approximates the carrying value at June 30, 2009 and 2008.

	2009	2008
For current obligations:		
Bond fund	$ 9,039,194	9,627,518
Arbitrage rebate fund	83,713	83,466
	9,122,907	9,710,984
For long-term obligations:		
Debt service reserve fund	3,291,443	3,356,914
Construction funds	4,528	4,568
Totals	**$ 12,418,878**	**13,072,466**

DEPOSITS

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, **ecomaine's** deposits may not be returned to it. **ecomaine** does not have a deposit policy for custodial credit risk. As of June 30, 2009, **ecomaine** reported deposits of $6,010,052 with a bank balance of $5,919,347. Of **ecomaine's** bank balance of $5,919,347, $-0- was exposed to custodial credit risk. The entire balance was covered by the F.D.I.C. or by additional insurance purchased on behalf of **ecomaine** by the respective banking institutions.

INVESTMENTS

ecomaine's policy is to invest all available funds at the highest possible rates, in conformance with legal and administrative guidelines, while avoiding unreasonable risk. The funds are invested in liquid investments with maturities planned to coincide with **ecomaine's** cash needs during the year.

At June 30, 2009, 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.

CAPITAL ASSETS

Capital assets at June 30, 2009 and 2008 consisted of the following:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets, not being depreciated:				
Land - waste-to-energy/ashfill	$ 1,475,061	-	-	1,475,061
Total capital assets, not being depreciated	1,475,061	-	-	1,475,061
Capital assets being depreciated:				
Vehicles	339,501	299,071	-	638,572
Office equipment	22,952	106,083	-	129,035
Recycling facility and equipment	5,091,536	25,934	-	5,117,470
Balefill/ashfill/leachate site	17,518,199	-	-	17,518,199
Baler	4,452,616	-	-	4,452,616
Waste-to-energy facility	87,690,409	2,272,876	-	89,963,285
Total capital assets being depreciated	115,115,213	2,703,964	-	117,819,177
Less accumulated depreciation:				
Vehicles	(265,691)	(51,706)	-	(317,397)
Office equipment	(22,952)	(20,752)	-	(43,704)
Recycling facility and equipment	(1,420,461)	(259,380)	-	(1,679,841)
Balefill/ashfill/leachate site	(10,552,910)	(420,281)	-	(10,973,191)
Baler	(3,097,369)	(178,105)	-	(3,275,474)
Waste-to-energy facility	(63,081,249)	(3,066,212)	-	(66,147,461)
Total accumulated depreciation	(78,440,632)	(3,996,436)	-	(82,437,068)
Total capital assets	**$ 38,149,642**	**(1,292,472)**	**-**	**36,857,170**

POWER PURCHASE AGREEMENTS

During the fiscal years ended June 30, 2009 and 2008, **ecomaine's** electric energy sales were governed by a Power Purchase Agreement with Integrys Energy Services, Inc. for sale of its power at contracted rates. The prior agreement expired January 31, 2008; the current agreement commenced February 1, 2008 and expires January 31, 2011. At June 30, 2009 and 2008, electrical generating revenues amounted to $6,250,476 and $4,745,063, respectively.

LONG-TERM DEBT

ecomaine has issued several separate series of tax exempt and taxable bonds, the activity for which consisted of the following:

	Balance June 30, 2008	Additions	Paydowns	Balance June 30, 2009	Amounts due in one year
Series N ($2,480,000 authorized, variable rate demand bonds, weekly variable interest rate, taxable, issued September 1993, maturing July 1, 2014)	$ 1,840,000	-	(230,000)	1,610,000	240,000
Series R ($21,735,000 authorized, variable rate demand bonds, taxable, issued April 2001, maturing July 1, 2012)	9,100,000	-	(2,350,000)	6,750,000	1,350,000
Series S ($6,750,000 authorized, serial bonds, varying interest rates, 4.45% in the fiscal year ended June 30, 2009, taxable, issued June 2003, maturing July 1, 2012)	6,750,000	-	(1,575,000)	5,175,000	-
Series T ($19,055,000 authorized, serial bonds, 3% - 5% in 2009, taxable, issued June 2005, maturing July 1, 2010)	11,900,000	-	(3,795,000)	8,105,000	3,960,000
Series U ($15,205,000 authorized, serial bonds, 3.25% - 5% in 2009, issued June 2005, maturing July 1, 2011)	10,600,000	-	(2,465,000)	8,135,000	2,585,000
	40,190,000	-	(10,415,000)	29,775,000	8,135,000
Unamortized premium on bonds	594,044	-	(297,022)	297,022	-
Unamortized deferred amount on refinancing bonds	(313,000)	-	125,200	(187,800)	-
Long-term debt	$ 40,471,044	-	(10,586,822)	29,884,222	8,135,000

The obligations of **ecomaine** to pay the principal and interest on each series of bonds are payable from, and secured by, system revenues, including amounts payable under the Waste Handling Agreements, the Interlocal Agreement, and the Power Purchase Agreement. The bonds of each series are also secured by funds held under the Trust Indenture, including amounts deposited in the debt service reserve fund and including investment earnings on all such funds. The bonds of each series are special revenue obligations of **ecomaine**, payable solely

LONG TERM DEBT, CONTINUED

from the sources described in the offering statement. The bonds do not constitute a debt or liability within the meaning of any constitutional or statutory provision of, or a pledge of the full faith and credit of: the State of Maine; Cumberland County, Maine; York County, Maine; or any political subdivision of the State of Maine.

ecomaine has no taxing power. However, pursuant to the Waste Handling Agreements, the participating municipalities are obligated severally to deliver certain of the solid waste produced within each such participating municipality to **ecomaine** for processing and to make service payments and pay tipping fees for such processing in amounts which, when added to other available monies, will at least equal required debt service on the bonds of each series. The obligations of the participating municipalities under the Waste Handling Agreements are secured by the full faith and credit of the participating municipalities subject to certain limitations.

Under an indenture agreement, the following funds and accounts have been established and are currently held by the Trustee: a reserve fund; a principal account; an interest account; a restricted account; a redemption account; a debt service reserve fund; a construction fund; a fee disbursement fund; a fixed rate conversion fund; a rebate fund; and a rebate escrow fund.

On June 28, 2005 **ecomaine** issued $34,260,000 of current refunding bonds Series T & U, which were used to redeem the principal amount of the outstanding Series P & Q bonds on July 1, 2005 (subsequent to the fiscal year-end). As of June 30, 2005 Series T & U bond proceeds, net of premium/discount, were held in a money market fund maintained by the trust department of a financial institution. Total bond proceeds of $35,118,600 consisted of the principal amount of $34,430,000 and an original issue premium of $688,600. This premium is being amortized over the life of the bonds as follows:

Original issue premium	$ 1,485,111
Less: Accumulated amortization	(1,188,089)
Unamortized June 30, 2009 balance	**$ 297,022**

The portion of the proceeds from these bonds used to redeem Series P & Q bonds was as follows:

Principal balance of Series P & Q	$ 34,430,000
Plus: Call premiums paid	688,600
Total redemption price	**$ 35,118,600**

In accordance with GASB #23, the loss on redemption of Series P & Q should be amortized over the shorter of the remaining life of the old bonds or the remaining life of the new bonds as follows:

Remaining unamortized Series P & Q issue costs	$ -
Call premium paid to retire bonds	688,600
Deferred amount on refunding	688,600
Less: Accumulated amortization	(500,800)
Unamortized deferred amount on refunding	**$ 187,800**

LONG TERM DEBT, CONTINUED

Debt service requirements for all outstanding debt are as follows:

	Interest	Principal	Total
2010	$ 1,435,900	8,135,000	9,570,900
2011	885,025	10,450,000	11,335,025
2012	409,181	6,630,000	7,039,181
2013	86,850	3,975,000	4,061,850
2014	24,000	285,000	309,000
2015	-	300,000	300,000
Totals	$ 2,840,056	29,775,000	32,615,056

CAPITAL LEASES

Capital leases consisted of the following at June 30, 2009 and 2008:

	2009	2008
$1,700,000 of equipment, net book value of $1,657,500, due in annual payments of $209,042, including interest of 6.37% per annum, with a final payment in March 2019, secured by the equipment	$ 1,498,558	1,602,478
$176,234 of equipment, net book value of $164,485, due in monthly payments of $4,126, including interest of 5.95% per annum, with a final payment in May 2013, secured by the equipment	172,966	-
$93,900 of equipment, net book value of $87,640, due in monthly payments of $2,194, including interest of 6.00% per annum, with a final payment in January 2013, secured by the equipment	84,710	-
$85,127 of equipment, net book value of $$42,563, due in monthly payments of $1,916, including interest of 4.0% per annum, with a final payment in May 2009, secured by the equipment	-	20,657
$165,500 of equipment, net book value of $82,750, due in monthly payments of $3,742, including interest of 4.25% per annum, with a final payment in March 2009, secured by the equipment	-	33,091
$69,100 of equipment, net book value of $34,550, due in monthly payments of $1,568, including interest of 4.25% per annum, with a final payment in March 2009, secured by the equipment	-	13,865
	1,756,234	1,670,091
Less current portion	173,062	171,533
Totals	$ 1,583,172	1,498,558

CAPITAL LEASES, CONTINUED

The capitalized lease obligation at June 30, 2009 represents the present value of the future minimum payments as follows:

2010	$ 284,879
2011	284,863
2012	284,871
2013	269,799
2014	209,042
Thereafter	1,045,201
Total minimum payments	2,378,655
Less amount representing interest	(622,421)
Present value of minimum lease payments	**$ 1,756,234**

ARBITRAGE REBATE

Under income tax regulations, **ecomaine** is obligated to rebate to the United States certain arbitrage amounts. Calculation of such arbitrage rebate amounts is required on the fifth anniversary of the bond issues. During prior years, amounts were placed in a Rebate Fund held by the Trustee based on income tax regulations then in effect. The penalty payment for the fiscal years ended June 30, 2009 and 2008 was $ -0- in both years. **ecomaine** has set aside $83,713 and $83,466 as of June 30, 2009 and 2008, respectively, in an arbitrage rebate fund.

DEBT SERVICE RESERVE

Under the terms of the indenture, the debt service reserve funds are required to be funded at $3,000,000. Funds deposited in the debt service reserve fund shall be used for the payment of principal and interest on all bonds to the extent necessary if amounts from other sources are insufficient for such purpose. At June 30, 2009 and 2008, the debt service reserve funds aggregated $3,291,443 and $3,356,914, respectively.

RETIREMENT PLAN

Nonunion - All non-union employees are covered by a defined contribution plan after their probationary period is completed. **ecomaine** contributed 8% in 2009 and 2008 of the covered employees' gross pay on covered wages of $1,654,602 and $1,437,827, respectively. Pension expense amounted to $132,368 and $115,026 for the years ended June 30, 2009 and 2008, respectively.

Union - In accordance with an agreement with its Union, **ecomaine** contributes to the Union's Pension Plan. The contributions equal 5.25% or 5% of compensation received for hours worked by each eligible plan participant. Pension expense amounted to $135,893 and $131,403 for the years ended June 30, 2009 and 2008, respectively, on covered wages of $2,588,433 and 2,502,916, respectively. The Pension Fund is a defined contribution pension program that provides retirement and certain ancillary benefits to eligible plan participants.

RETIREMENT PLAN, CONTINUED

Other Plans - In addition to the above plan, a second defined contribution 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 $2,869 and $2,705 on covered wages of $143,450 and $135,237 for the years ended June 30, 2009 and 2008, respectively.

Social Security - **ecomaine** participates in the Social Security retirement program. **ecomaine's** contributions to Social Security were $323,798 and $286,714 for the years ended June 30, 2009 and 2008, respectively.

UNRESTRICTED NET ASSETS

Unrestricted net assets consisted of the following at June 30, 2009 and 2008:

	2009	2008
Designated for:		
Capital replacement	$ 1,158,761	606,227
Long-term maintenance fees	500,000	500,000
Landfill expansion	129,969	129,969
Regulatory penalties	84,082	84,082
Debt stabilization	1,777,654	1,777,654
Electrical revenue	484,589	484,589
Bond interest	428,709	428,709
Tipping fees	3,091,372	3,091,372
Recycling Facility Electrical Connection	-	230,000
Landfill long-term maintenance	-	109,277
Total designated	7,655,136	7,441,879
Undesignated	(2,694,011)	(213,068)
Total unrestricted	**$ 4,961,125**	**7,228,811**

Capital Replacement - The funds are intended to be used to repair, replace, or upgrade parts of the facility that may experience premature wear or damage.

Long-term Maintenance Fees - Prior to 1990 **ecomaine** charged various amounts on a per ton basis for the purpose of establishing a fund for future long-term maintenance costs at the balefill location. Commencing in 1990, specific per ton fees were no longer incorporated in the rate structure.

UNRESTRICTED NET ASSETS, CONTINUED

Landfill Expansion - This balance was created in response to **ecomaine's** decision subsequent to fiscal 2005 to expand the landfill site. Funds were set aside primarily to meet fiscal 2007 costs related to increasing the landfill's capacity.

Regulatory Penalties - This reserve was designated to receive funds in order to fulfill any future liabilities assessed by government regulatory agencies.

Debt Stabilization - This balance was established as a result of the June 2005 debt refinancing. Funds will be set aside in years in which debt obligations have been reduced, so that the resulting reserves will lessen or eliminate the need for increased revenues in years in which obligations will be greater.

Electrical Revenue - This balance was created to provide a hedge against the inability to produce power or unexpected decreases in the rate for which **ecomaine** can sell their power.

Bond Interest - This balance was created to provide a hedge against unexpected/unbudgeted increases in the variable rate bond rates.

Tipping Fees - This balance was created to provide a hedge against the impact on the tip fees of the diversion of large amounts of MSW to other facilities.

Recycling Facility Electrical Connection - This reserve was established to fund an electrical connection of the recycling building to the primary facility.

Other Long-term Maintenance - This reserve was established to set aside funds for landfill-related maintenance projects.

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 deprecation, 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, 2009 and 2008:

	2009	2008
Capital assets	$ 119,294,238	117,860,578
Accumulated depreciation	(82,437,068)	(79,710,936)
Bonds payable	(29,884,222)	(40,471,044)
Capital leases	(1,756,234)	(1,670,091)
Total invested in capital assets net of related debt	**$ 5,216,714**	**(3,991,493)**

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. As permitting for the facility had expired and the Board indicated its willingness to sell the site to a third party, at June 30, 1997 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.

As of the report date, no decision has been made as to the eventual use of the property.

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. **ecomaine** first estimated the cost to perform all closure and postclosure care in 1997. In fiscal 2000, **ecomaine** engineers revisited their original estimate, and based on actual costs incurred to date and estimated remaining capacity, calculated a new estimated closure and postclosure cost of $19,856,652.

CLOSURE AND POSTCLOSURE CARE COSTS, CONTINUED

During the fiscal year ended June 30, 2008 **ecomaine** engineers again revisited the analysis to reflect updated estimates of the aforementioned costs. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. **ecomaine** anticipates financing closure costs by funding and using reserves and/or the issuing bonds at the time of closure. A summary of estimated landfill closure and postclosure care costs is as follows:

	2009	2008
Total estimated future landfill closure and postclosure care costs	$ 22,216,763	22,216,763
Estimated capacity used	66.77%	65.92%
Estimated gross landfill closure and postclosure care costs - end of year	14,834,132	14,645,291
Amounts actually expended	N/A	N/A
Estimated liability for landfill closure and postclosure care costs - end of year	14,834,132	14,645,291
Estimated remaining landfill closure and postclosure care costs to be recognized	$ 7,382,631	7,571,472

OPERATING LEASES

ecomaine leases office equipment under the terms of operating leases expiring through 2013. Future minimum payments under the leases are as follows:

2010	$ 4,854
2011	5,303
2012	5,793
2013	4,694

Rent expense paid under these operating leases totaled $6,492 and $9,471 for the years ended June 30, 2009 and 2008, respectively.

OTHER POST EMPLOYMENT BENEFITS

The Governmental Accounting Standards Board (GASB) recently promulgated its Statement 45 which addressed the reporting and disclosure requirements for other post employment benefits (OPEB). GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by **ecomaine** for the fiscal year ended June 30. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits 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 45. An OPEB liability actuarial valuation was completed by the consultants in May 2009.

Plan Descriptions - In addition to providing pension benefits, **ecomaine** provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees are required to pay 100% of the health insurance premiums to receive health benefit coverage.

Funding Policy and Annual OPEB Cost - GASB Statement 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.

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

Normal cost	$ 58,877
Amortization of unfunded	31,535
Interest	1,808
Annual required contribution	$ 92,220

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, 2009 was as follows:

Annual required contribution	$ 92,220
Actual contribution	-
Percent contributed	0.00%
Actuarial accrued liability	$ 567,125
Plan assets	-
Unfunded actuarial accrued liability	$ 567,125
Covered payroll	4,497,961
Unfunded actuarial accrued liability as a percentage of covered payroll	12.00%

OTHER POST EMPLOYMENT BENEFITS, CONTINUED

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 (only one year available) that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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	1/1/09
Actuarial cost method	Entry age normal
Amortization method	Level dollar
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.0%
Projected salary increases	N/A
Healthcare inflation rate	4.0% - 9.6%

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress

Retiree Healthcare Plan

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]
12/31/08	$ -	$567,125	$567,125	0.00%	$4,497,961	12.00%

SUBSEQUENT EVENTS

In accordance with Statement of Financial Accounting Standards No. 165, *Subsequent Events*, management has evaluated subsequent events for possible recognition or disclosure through October 8, 2009 which is the date these financial statements were issued.

ecomaine
Schedule of Municipal Assessments and Tipping Fees
Years Ended June 30, 2009 and 2008

		2009	2008
Members			
Bridgton	$	208,024	206,667
Casco		73,771	70,764
Cumberland		179,392	187,195
Cape Elizabeth		265,673	258,963
Falmouth		208,330	207,388
Freeport		163,749	163,305
Gorham		169,284	156,679
Gray		197,903	187,713
Harrison		91,563	89,495
Hollis		131,153	141,625
Limington		143,530	135,381
Lyman		102,740	107,145
Ogunquit		55,140	56,042
Pownal		27,841	27,066
Portland		883,635	883,785
North Yarmouth		103,244	100,144
Scarborough		515,805	516,931
South Portland		568,131	546,850
Waterboro		177,544	171,893
Windham		175,226	165,552
Yarmouth		237,023	230,610
Total members assessments		4,678,701	4,611,193
Associate members tip fees		864,095	851,433
Municipal tipping fees		4,923,806	5,061,760
Total municipal assessments and tipping fees	$	**10,466,602**	**10,524,386**

See independent accountant's report.

Schedule 2

ecomaine
Budget to Actual
Year Ended June 30, 2009

		Budget	Actual	Variance	Change
Operating revenues:					
Municipal assessments	$	4,678,654	4,678,701	47	0.0%
Owners tipping fees		5,040,128	4,787,218	(252,910)	-5.0%
Associate tipping fees		866,149	864,095	(2,054)	-0.2%
Commercial tipping fees		6,331,709	5,433,109	(898,600)	-14.2%
Spot market tipping fees		1,000,000	1,884,478	884,478	88.4%
Electrical generating revenues		5,826,649	6,250,476	423,827	7.3%
Sales of recycled goods		2,401,086	2,034,325	(366,761)	-15.3%
Recycling tipping fees		-	136,588	136,588	n/a
Gorham property assessments		110,000	141,722	31,722	28.8%
Other operating income		463,556	265,297	(198,259)	-42.8%
Total operating revenues		26,717,931	26,476,009	(241,922)	-0.9%
Operating expenses					
Administrative expenses		2,273,976	1,877,567	(396,409)	-17.4%
Facility operating expenses		8,675,438	8,440,743	(234,695)	-2.7%
Recycling operating expenses		1,579,447	1,508,877	(70,570)	-4.5%
Landfill/ash fill operating expenses		1,730,970	1,690,169	(40,801)	-2.4%
Host community		555,000	515,129	(39,871)	-7.2%
Landfill closure and postclosure costs		-	188,841	188,841	n/a
Total operating expenses		14,814,831	14,221,326	(593,505)	-4.0%
Net operating income other than depreciation and amortization		11,903,100	12,254,683	351,583	3.0%
Depreciation and amortization		-	4,014,904	4,014,904	n/a
Net operating income		11,903,100	8,239,779	(3,663,321)	-30.8%
Non-operating income (expense)					
Interest income		300,000	203,637	(96,363)	-32.1%
Interest expense		(1,870,000)	(1,448,289)	421,711	-22.6%
Post-retirement benefit		-	(92,220)	(92,220)	n/a
Contingency		(316,750)	(27,897)	288,853	-91.2%
Total non-operating		(1,886,750)	(1,364,769)	521,981	-27.7%
Total revenues less expenses	$	10,016,350	6,875,010	(3,141,340)	-31.4%
Addback: items not budgeted					
Depreciation and amortization		-	4,014,904	4,014,904	
Landfill closure and postclosure costs		-	188,841	188,841	
Post-retirement benefits		-	92,220	92,220	
Total revenues less expenses: adjusted	$	10,016,350	11,170,975	1,154,625	

See independent accountant's report.