



Financial Statements

June 30, 2019 and 2018

ecomaine
Financial Statements
For the Years Ended June 30, 2019 and 2018

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Independent Auditor's Report

Board of Directors
ecomaine

Report on the Financial Statements

We have audited the accompanying financial statements of ecomaine as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise ecomaine's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of ecomaine, as of June 30, 2019 and 2018, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and the schedule of changes in ecomaine's total health plan OPEB liability and related ratios on page 23, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise ecomaine's basic financial statements. Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Schedule 1 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, schedule 1 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



October 4, 2019

South Portland, Maine

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2019

Using this Annual Report

This discussion and analysis of ecomaine's financial performance provides an overall review of our financial activities for the year ended June 30, 2019. It consists of a series of financial statements and notes to those statements that are prepared and organized so the reader can understand ecomaine as an entire operating entity as well as providing a detailed look at our specific financial conditions. Readers should also review the financial statements and the related notes to enhance their understanding of ecomaine's financial performance.

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

These two statements report ecomaine's net position and changes in such net position. This change in position is important because it tells the reader whether the financial position of the Organization has improved or diminished. However, in evaluating the overall position of ecomaine, non-financial information such as the condition of ecomaine's capital assets will also need to be evaluated.

Financial Highlights

Comparing FY 19 Actual to FY 18 Actual

FY 19 Revenue less Expenses (change in net position) was a loss of \$0.2 million compared to the FY 18 loss of \$1.2 million reflecting favorable operating and non-operating expenses.

- *FY 19 revenues (\$18.6 million) were \$0.2 million down from FY 18 Revenues (\$18.8 million) primarily as a result of weak revenue per ton in the recycle markets. This decline was offset in part with higher tipping fee revenues for both the waste and recycling operations.*
 - ✓ Total solid waste volume received by ecomaine was down about 1.0% totaling 174,091 tons in FY 19 compared with 175,898 tons in FY 18. Overall tipping fees were \$70.67 per ton in FY 19 compared to \$68.32 in FY 18. This 3.4% increase in revenue per ton more than offset the lost revenue due to a reduction in overall tonnage. As a result, tipping fees for solid waste totaled \$12.3 million in FY 19 compared to \$12.0 million in FY 18.
 - ✓ Inbound recycle volume totaled 34,932 tons in FY 19 down about 10.1% from FY 18, which was 38,861 tons, while the market value for outbound recycle material averaged just under \$52.86 per ton reflecting a weak recycling market. As a result, recycling revenues were down \$0.5 million in FY 19 from FY 18 or 22%.
 - ✓ In FY 19, ecomaine sold 81,616 MWH's of electricity into the New England power grid which was down 3.5% from FY 18. The market value of the power averaged \$52.33 per MWH which was up 3.9% from FY 18 (\$50.35/MWH). As a result, revenue from power sales totaled \$4.3 million in FY 19 which was nearly equal to the revenue in FY 18.

Management's Discussion and Analysis, Continued

- *Total operating expenses (\$20.3 million) were \$1.1 million favorable to FY 18 expenses (\$21.4 million). Part of this favorable variance was comprised of a \$457K favorable variance in depreciation expense due to a number of fixed assets that have become fully depreciated during FY 19. WTE had a \$328K favorable variance due to a reduction in labor, spare parts and outside services. Recycling had a \$459K favorable variance primarily due to the \$302K favorable variance in the purchase price of recycle material and a savings in spare parts expense.*
- *Non-operating Revenue (Expense) totaled \$1.6 million in FY 19, which was up \$0.3 million from FY 18. This was a reflection of the recent strong financial market's impact on our cash reserve funds.*

Cash balances on hand (including Investment Reserves) totaled \$27.3 million at year end FY 19, which was a decrease of \$3.0 from FY 18.

- The cash generated by Operations in FY 19 totaling \$2.5 million was \$0.3 million higher than in FY 18 primarily as a result of favorable variances in operating expenses, as mentioned above.
- Another favorable variance was the impact of the strong financial markets adding \$1.5 million to Net Income, which was slightly higher than we saw in FY 18.
- Partially offsetting these items was a \$3.0 million increase in capital spending (totaling \$7.0 million) over FY 18, which included the expansion at the landfill, a portion of the building improvements with the WTE building, the rebuilding of the plates and electrodes in the WTE facility and fire alarm detection system planned for FY20.

The total Net Position for ecomaine decreased from \$45.2 million at the end of FY 18 to \$45.0 million at the end of FY 19.

- *Total Assets for ecomaine increased by \$0.3 million to \$63.2 million from the FY 18 total of \$62.9 million.*
 - ✓ *Current assets increased to \$9.1 million from the \$8.4 million held at the end of FY 18 reflecting increases in cash & cash equivalents of \$0.5 million and \$0.1 million in accounts receivable.*
 - ✓ *Capital assets net of depreciation were up \$3.1 million to \$31.0 million reflecting the impact of depreciation (totaling \$3.9 million) with total capital spending of \$7.0 million in FY 19.*
 - ✓ *Our cash reserves totaled \$23.2 million at the end of FY 19 and were down \$3.5 million from FY 18 year end reflecting the addition of \$7.0 million capital improvements in Equipment, Building and Land Fill expansion (as approved by the board in October) along with the impact of the strong financial market during FY 19.*
- *Total Liabilities for ecomaine increased from \$17.7 million at the end of FY 18 to \$18.2 million at the end of FY 19.*

Management's Discussion and Analysis, Continued

- ✓ Current Liabilities totaled \$1.5 million at the end of FY 19 up from \$1.2 million at the end of FY 18, reflecting primarily an increase in accrued payables due to the construction in progress for the building renovation in progress.
- ✓ Long-term liabilities are up \$0.2 million primarily as a result of the increase of \$0.2 million for accrued landfill closing.

Comparing FY 19 Actual to FY 19 Budget

FY 18 Revenue less Expenses was a loss of \$2.6 million compared to the FY 19 budgeted loss of \$2.8 million reflecting a \$0.2 favorable variance due to favorable operating costs and strong financial markets.

- *FY 19 revenues (\$18.6 million) were \$0.4 million below the FY 19 budgeted revenues (\$19.0 million) primarily as a result of the weak recycling markets.*
 - ✓ Inbound recycling volume totaled 34,932 tons in FY 19 down about 10% from the FY 19 budget (38,861 tons) while the market value for outbound recyclable material averaged just under \$34 per ton compared to \$56 per ton in the budget reflecting a weak recycling market. As a result, recycling revenues were down \$0.5 million from the FY 19 budget or 22%.
 - ✓ Total solid waste volume received by ecomaine was slightly down from budget totaling 174,091 tons in FY 19 compared with 175,899 tons included in the FY 19 Budget. There was an increase with commercial volume (86,540 tons) being up 5,091 tons or 6%. Spot volume was down 80% but was offset by the increase in Contract Tonnage was up 84% due to the shift of Spot market moving to the contract market. As a result, tipping fees for solid waste totaled \$12.3 million in FY 19 compared to \$12.2 million in FY 19 budget.
 - ✓ In FY 19, ecomaine sold 81,616 MWH's of electricity into the New England power grid which was down less than 6% from the FY 19 budget while the market value of the power averaged \$52.33 per MWH which was up 6% compared to the FY 19 budget. As a result, revenue from power sales totaled \$4.3 million in FY 19 which was down 1% from the FY 19 budget.
- *Total operating expenses (\$20.3 million) were \$1.5 million favorable to the FY 19 budgeted expenses (\$21.8 million) primarily reflecting a favorable variance in Waste to Energy and Recycling operations along with a budgeted contingency for unexpected items.*
 - ✓ In addition, departmental operating expenses totaled \$16.1 million, down \$0.9 million from the FY 19 budgeted departmental expenses of \$17.0 million. Administrative, Waste to Energy and Recycling operating costs were favorable \$1.0 million while Landfill costs were \$0.1 million unfavorable reflecting some savings on operation expenses.
 - ✓ Depreciation expense was \$0.2 million favorable to budget in FY 2019.
- *Non-Operating Revenue (Expense) was \$1.5 million favorable in FY 19 compared to budget primarily as a result of the recent strong financial market's impact on our cash reserve funds.*

Management’s Discussion and Analysis, Continued

Cash balances on hand (including Investment Reserves) decreased in FY 19 by \$3.0 million compared with an FY 19 budgeted decrease in cash of \$7.0 million.

- The cash generated by Operations in FY 19 totaled \$2.5 million and was \$.9 million greater than in the FY 19 budget primarily as a result of lower operating costs.
- Also on the positive side was the impact of the strong financial markets adding \$1.5 million more to cash balances than budgeted in FY 19.
- Capital expenditures were below budget by \$1.6 million reflecting a delay in the completion of the building improvement project.

The statements of net position look at ecomaine as a whole. Table 1 below is a summary of ecomaine's net position for 2019 with comparative numbers for 2018.

Details for Table 1 can be found on the Statements of Net Position on page 9 in the financial statements.

**Table 1
Net Position**

		<u>2019</u>	<u>2018</u>
ASSETS			
Current and other	\$	9,414,926	8,529,767
Capital assets, net		30,954,350	27,818,784
Investment reserves		<u>22,858,045</u>	<u>26,550,883</u>
Total assets	\$	<u>63,227,321</u>	<u>62,899,434</u>
LIABILITIES			
Current liabilities		1,454,711	1,227,100
Other liabilities		<u>16,712,178</u>	<u>16,492,873</u>
Total liabilities	\$	<u>18,166,889</u>	<u>17,719,973</u>
DEFERRED INFLOWS OF RESOURCES - OPEB	\$	<u>64,216</u>	<u>6,487</u>
NET POSITION			
Net investment in capital assets		30,954,350	27,818,784
Unrestricted		<u>14,041,866</u>	<u>17,354,190</u>
Total net position	\$	<u>44,996,216</u>	<u>45,172,974</u>

Management's Discussion and Analysis, Continued

Details for Table 2 can be found in the Statements of Revenues, Expenses, and Changes in Net Position on page 10 of the financial statements.

Table 2
Changes in Net Position FY 19 compared to FY 18

	<u>2019</u>	<u>2018</u>	<u>Increase (decrease)</u>
REVENUES			
Operating revenues	\$ 18,579,960	\$ 18,812,174	\$ (232,214)
Total revenues	<u>18,579,960</u>	<u>18,812,174</u>	<u>(232,214)</u>
OPERATING EXPENSES			
Administration	2,791,697	2,740,466	51,231
Waste-to-Energy operations	9,389,047	9,717,360	(328,313)
Recycling operations	2,032,494	2,490,994	(458,500)
Landfill operations	1,950,085	1,794,473	155,612
Landfill closure and Postclosure care costs	263,379	254,884	8,495
Post-retirement benefit	47,094	55,575	(8,481)
Depreciation	<u>3,859,420</u>	<u>4,316,892</u>	<u>(457,472)</u>
Total operating expenses	20,333,216	21,370,644	(1,037,428)
Non-operating revenues:			
Interest income	430,639	370,923	59,716
Gain on investments	1,103,328	883,729	219,599
Gain on disposition of assets	-	37,160	(37,160)
All other	<u>42,531</u>	<u>14,868</u>	<u>27,663</u>
Net non-operating revenues	<u>1,576,498</u>	<u>1,306,680</u>	<u>269,818</u>
Increase (decrease) in net position	<u>\$ (176,758)</u>	<u>\$ (1,251,790)</u>	<u>\$ 1,075,032</u>

Capital Expenditures and Asset Values

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

	<u>2019</u>	<u>2018</u>
Land at WTE facility	\$ 2,015,201	\$ 2,015,201
Construction in progress	4,857,748	-
Vehicles	899,349	1,185,636
Office equipment	141,735	244,385
Recycling facility and equipment	1,090,617	1,550,654
Balefill/ashfill/leachate site	3,178,397	3,433,412
Waste-to-energy facility	<u>18,771,303</u>	<u>19,389,496</u>
Total capital assets	\$ <u>30,954,350</u>	\$ <u>27,818,784</u>

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 Don Hebert, Director of Finance and Administration, at (207) 523-3107.

ecomaine
Statements of Net Position
June 30, 2019 and 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 4,172,513	3,641,942
Accounts receivable, net	1,798,159	1,702,101
Inventory	2,858,725	2,801,314
Prepaid expenses	264,870	241,659
Total current assets	9,094,267	8,387,016
Noncurrent assets:		
Capital assets, net	30,954,350	27,818,784
Reserves:		
Cash and cash equivalents - reserves	320,659	142,751
Investment - reserves	22,858,045	26,550,883
Total reserves	23,178,704	26,693,634
Total noncurrent assets	54,133,054	54,512,418
Total assets	63,227,321	62,899,434
LIABILITIES		
Current liabilities:		
Accounts payable	339,638	264,399
Accrued expenses	987,357	839,193
Accrued salaries	127,716	123,508
Total current liabilities	1,454,711	1,227,100
Noncurrent liabilities:		
Other post-employment benefit liability	769,600	780,235
Accrued compensated absences	859,801	893,240
Accrued landfill closure and postclosure care liabilities	15,082,777	14,819,398
Total noncurrent liabilities	16,712,178	16,492,873
Total liabilities	18,166,889	17,719,973
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to OPEB	64,216	6,487
Total deferred inflows of resources	64,216	6,487
NET POSITION		
Net investment in capital assets	30,954,350	27,818,784
Unrestricted	14,041,866	17,354,190
Total net position	\$ 44,996,216	45,172,974

See accompanying notes to financial statements.

ecomaine
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended June 30, 2019 and 2018

	2019	2018
Operating revenues:		
Tipping fees	\$ 5,877,628	5,209,629
Electrical generating revenues	4,270,887	4,257,098
Commercial tipping fees and spot market waste	6,425,415	6,806,892
Recycling tipping fees	522,668	269,741
Sales of recycled goods	1,376,697	2,165,413
Other operating income	106,665	103,401
Total operating revenues	18,579,960	18,812,174
Operating expenses:		
Administrative expenses	2,791,697	2,740,466
Waste-to-energy operating expenses	9,389,047	9,717,360
Recycling operating expenses	2,032,494	2,490,994
Landfill/ashfill operating expenses	1,950,085	1,794,473
Landfill closure and postclosure care costs	263,379	254,884
Other post-employment benefits	47,094	55,575
Total operating expenses other than depreciation	16,473,796	17,053,752
Net operating income (loss) before depreciation	2,106,164	1,758,422
Depreciation	3,859,420	4,316,892
Net operating income (loss)	(1,753,256)	(2,558,470)
Non-operating revenues:		
Interest and dividend income	430,639	370,923
Miscellaneous receipts	42,531	14,868
Gain on investments	1,103,328	883,729
Gain on disposition of assets	-	37,160
Net non-operating revenue	1,576,498	1,306,680
Change in net position	(176,758)	(1,251,790)
Total net position, beginning of year	45,172,974	46,424,764
Total net position, end of year	\$ 44,996,216	45,172,974

See accompanying notes to financial statements.

ecomaine
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Receipts from assessments and tipping fees	\$ 12,729,653	12,719,493
Receipts from electrical generating revenues	4,270,887	4,257,098
Receipts from other sources	1,483,362	2,268,814
Payments to employees	(7,686,749)	(7,442,292)
Payments to suppliers	(8,320,493)	(9,522,754)
Net cash and cash equivalents provided by (used in) operating activities	2,476,660	2,280,359
Cash flows from capital and related financing activities:		
Purchases of property, plant and equipment	(6,994,986)	(4,097,915)
Sale of other assets	-	37,160
Net cash and cash equivalents provided by (used in) capital and related financing activities	(6,994,986)	(4,060,755)
Cash flows from investing activities:		
Sale (purchase) of investments	3,692,838	(3,225,066)
Gain on investments	1,103,328	883,729
Interest income	430,639	370,923
Net cash and cash equivalents provided by (used in) investing activities	5,226,805	(1,970,414)
Net increase (decrease) in cash	708,479	(3,750,810)
Cash and cash equivalents balance, beginning of year	3,784,693	7,535,503
Cash and cash equivalents balance, end of year	4,493,172	3,784,693
Less cash and cash equivalents - reserves	(320,659)	(142,751)
Cash and cash equivalents	4,172,513	3,641,942
Reconciliation of net operating income (loss) to net cash and cash equivalents provided by operating activities:		
Net operating income (loss)	(1,753,256)	(2,558,470)
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities:		
Depreciation	3,859,420	4,316,892
Purchase discounts	42,531	14,868
(Increase) decrease in assets:		
Accounts receivable	(96,058)	433,231
Inventory	(57,411)	7,021
Prepaid expenses	(23,211)	(44,174)
Increase (decrease) in liabilities:		
Accounts payable	75,239	(324,748)
Accrued salaries	4,208	(109)
Accrued compensated absences	(33,439)	23,735
Accrued expenses	148,164	101,654
Other post-employment benefits liability	(10,635)	49,088
Accrued landfill closure and postclosure care liabilities	263,379	254,884
Deferred inflows of resources	57,729	6,487
Net cash provided by (used in) operating activities	\$ 2,476,660	2,280,359

See accompanying notes to financial statements.

ecomaine
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 59 municipalities in southern Maine and New Hampshire. Owned and controlled by 21 of these municipalities at June 30, 2019, ecomaine creates electricity through its processing of waste. ecomaine also operates an extensive recycling program.

Measurement Focus and Basis of Accounting - The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of the related cash flows.

The Organization distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations of ecomaine. The principal operating revenues of ecomaine are tipping fees, electric energy sales, and the sale of recycled goods. Operating expenses include the cost of operating the facility, recycling, landfill, closure, postclosure, and administrative expenses. All revenues and expenses not meeting this determination are reported as nonoperating revenues and expenses.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents - ecomaine considers all highly liquid instruments (primarily money market funds and other U.S. Treasury obligations) with original maturities of three months or less to be cash equivalents.

Accounts Receivable - ecomaine provides credit to users of their facility, including municipalities and private waste transporters, substantially all of whom are located in southern Maine. Exelon Generation Company, purchasers of ecomaine's electrical output, are 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 \$22,002 and \$29,581 at June 30, 2019 and 2018, respectively. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction in trade accounts receivable.

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

ecomaine
Notes to Financial Statements, continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES, CONTINUED

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in the financial statements. The cost of prepaid expense is recorded as expenses when consumed rather than when purchased.

Capital Assets - Capital assets are recorded at cost. All costs incurred for construction, additions, and improvements to the facility, including interest during construction of more than \$20,000 and an estimated useful life of more than one year are capitalized. Donated capital assets are reported at their estimated acquisition cost at the date of donation. To costs for normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Equipment	5 - 30 years
Vehicles	5 - 7 years
Ashfill/balefill	15 - 20 years
Recycling plant	25 years
Waste-to-energy facility	20 - 45 years

Deferred Inflows and Outflows of Resources - In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent a consumption or acquisition of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time. ecomaine has deferred outflows and inflows that relate to the other post-employment benefit liability, which include ecomaine's contributions subsequent to the measurement date, which is recognized as a reduction of the net other post-employment benefit liability in the subsequent year. They also include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between ecomaine contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. They also include the net difference between projected and actual earnings on plan investments, which is deferred and amortized over a five-year period.

Compensated Absences - Under terms of personnel policies and union negotiated contracts, employees are granted vacation and sick and service time in varying amounts and are, in some cases, entitled to payment for unused vacation or sick and service payment upon termination or retirement. Compensated absences are accrued when incurred.

Net Position Flow Assumption - Although not a formal policy, when both restricted and unrestricted resources are available for use, it is ecomaine's intent to use restricted resources first, then unrestricted resources as they are needed.

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.

ecomaine
Notes to Financial Statements, continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES, CONTINUED

Reclassifications - Certain prior year balances have been reclassified for comparative purposes to conform to the current year financial statement presentation. Such reclassifications had no effect on the results of operations as previously reported.

DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk - Deposits: Custodial credit risk is the risk that in the event of a bank failure, ecomaine's deposits may not be returned to it. As of June 30, 2019, ecomaine reported deposits of \$4,172,513 with a bank balance of \$4,437,671. As of June 30, 2018, ecomaine reported deposits of \$3,641,942 with a bank balance of \$3,765,105. At both June 30, 2019 and 2018, none of ecomaine's bank balances were exposed to custodial credit risk. The balances at June 30, 2019 and 2018 were covered by the F.D.I.C. or collateralized by a Stand-by Letter of Credit issued by the Federal Home Loan Bank of Pittsburgh in the amount of \$4,850,000 and \$3,750,000, respectively.

B. Investments

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

At June 30, 2019, ecomaine had the following investments and maturities:

	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>Level 1 inputs</u>
Certificates of Deposit	\$ 1,296,137	524,272	771,865	N/A
U.S. Government Securities	9,357,544	2,494,806	6,862,738	9,357,544
Equities/stock	8,970,018	Not Applicable		8,970,018
Mutual funds	914,953	Not Applicable		914,953
Money Market	2,319,393	Not Applicable		2,319,393
Total Investments	\$ 22,858,045	3,019,078	7,634,603	21,561,908

ecomaine
Notes to Financial Statements, continued

DEPOSITS AND INVESTMENTS, CONTINUED

At June 30, 2018, ecomaine had the following investments and maturities:

	<u>Fair</u> <u>Value</u>	<u>Less than</u> <u>1 year</u>	<u>1-5 years</u>	<u>Level 1</u> <u>inputs</u>
Certificates of Deposit	\$ 2,115,335	596,400	1,518,936	N/A
U.S. Government Securities	12,902,703	2,213,721	10,688,982	12,902,703
Equities/stock	8,702,169	Not Applicable		8,702,169
Mutual funds	664,340	Not Applicable		664,340
Money Market	2,166,336	Not Applicable		2,166,336
Total Investments	\$ 26,550,883	2,810,121	12,207,918	24,435,548

ecomaine's policy is that all funds will be invested in accordance with Maine State law while the principal objectives in investing any ecomaine funds are safety, liquidity, and returns.

Cash and Investment Reserves - ecomaine's Board of Directors approved the establishment of cash and investment reserves, with the knowledge that general economic conditions and other needs may impact both the timing of the funding and the usage of such reserves in a manner not originally intended. Such reserves consist of the following:

Operating Cash Reserve - The funds are intended to provide for routine operating cash and financial security in the event of extraordinary events that cause either a significant decrease in operating revenues or a significant increase in operating expenses.

Required Landfill Closure/Post Closure Reserve - The funds deposited in the required landfill closure reserve shall be used for funding the landfill's closure/post closure costs as required by Section 8 of the Interlocal Solid Waste Agreement dated December 1, 2005.

Discretionary Landfill Closure/Post Closure Reserve - To be used to provide periodic funding for the landfill closure and post closure care costs during the remaining useful life of the landfill and following closure.

Short-term Capital Reserve - The funds are intended to provide for routine capital projects in the event of unanticipated circumstances.

Long-term Capital Reserve - The funds are intended to provide for large new capital projects which have not been provided for in the annual capital plan.

	<u>2019</u>	<u>2018</u>
Operating Cash Reserve	\$4,368,193	8,301,636
Landfill Closure Reserve - Required	309,601	301,753
Landfill Closure Reserve - Discretionary	10,546,784	9,789,027
Long-term Capital Reserve	5,356,349	4,984,354
Short-term Capital Reserve	2,597,777	3,316,864
Total reserve	\$23,178,704	26,693,634

ecomaine
Notes to Financial Statements, continued

DEPOSITS AND INVESTMENTS, CONTINUED

Custodial Credit Risk - investments: For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, ecomaine will not be able to recover the value of its investments that are in the possession of an outside party. ecomaine has the following policies for custodial credit risk.

Authorized Securities and Transactions for All Investments Favoring Lower Risk and Higher Liquidity:

The investments of these funds will be in demand accounts and time certificates of deposits, U.S. Treasury obligations, federal instrumentality securities, and money market mutual funds. They are all to be guaranteed by the federal government or one of its agencies backed by the federal government. The demand accounts and time certificates of deposit are to be provided by institutions insured by the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Share Insurance Fund (NCUSIF), or the successors to these federal agencies.

Authorized Securities and Transactions for Investments Favoring Reduced Liquidity, and Greater Returns:

The investments in these funds is to be in individual equities, equity mutual funds, bond mutual funds, or other investments that 1) may risk loss of principal, and 2) are subject to Maine law and the Prudent Investor Rule. No single fixed income security will comprise more than 10% of the total value of each of the reserves, unless fully backed by the federal government or its agencies and instrumentalities.

Interest Rate Risk - investments: ecomaine does have a policy related to investment rate risk. This policy details that the investment and cash management portfolio be designed to attain a market value rate of return throughout budgetary and economic cycles, taking into account prevailing market conditions, risk constraints for eligible securities and cash flow requirements. Unless matched to a specific cash flow, ecomaine is not allowed to directly invest in securities maturing more than three years from the date of purchase.

Credit Risk - investments: Maine statutes authorize ecomaine to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. ecomaine does have a formal policy related to credit risk as is detailed above. At June 30, 2019, ecomaine's investments were rated as follows by Standard & Poor's.

Credit Risk Rating:

U.S. Government Securities with AA+ Ratings:	
United States Treasury Notes	\$ 5,389,705
Federal National Mortgage Assoc.	597,324
Farm Credit System	1,144,423
Federal Home Loan Bank	2,226,092
<hr/>	
Total	\$ 9,357,544

The remainder of ecomaine's investments are not rated.

ecomaine
Notes to Financial Statements, continued

CAPITAL ASSETS

Capital assets at June 30, 2019 and 2018 consisted of the following:

	Balance <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2019</u>
Capital assets, not being depreciated:				
Land-waste-to-energy/ashfill	\$ 2,015,201	-	-	2,015,201
Construction in progress	-	4,857,748	-	4,857,748
Total capital assets, not being depreciated	2,015,201	4,857,748	-	6,872,949
Capital assets being depreciated:				
Vehicles	2,486,775	16,753	(711,803)	1,791,725
Office equipment	681,601	-	(339,121)	342,480
Recycling facility and equipment	13,801,647	637	(5,963,415)	7,838,869
Balefill/ashfill/leachate site	19,622,630	155,767	(11,592,404)	8,185,993
Waste-to-energy facility	107,219,683	1,961,625	(68,255,077)	40,926,231
Total capital assets being depreciated	143,812,336	2,134,782	(86,861,820)	59,085,298
Less accumulated depreciation:				
Vehicles	(1,301,139)	(303,040)	711,803	(892,376)
Office equipment	(437,216)	(102,650)	339,121	(200,745)
Recycling facility and equipment	(12,250,993)	(460,674)	5,963,415	(6,748,252)
Balefill/ashfill/leachate site	(16,189,218)	(410,782)	11,592,404	(5,007,596)
Waste-to-energy facility	(87,830,187)	(2,582,274)	68,257,533	(22,154,928)
Total accumulated depreciation	(118,008,753)	(3,859,420)	86,864,276	(35,003,897)
Total capital assets being depreciated, net	25,803,583	(1,724,638)	(2,456)	24,081,401
Total capital assets	\$ 27,818,784	3,133,110	(2,456)	30,954,350

NET INVESTMENT IN CAPITAL ASSETS

Net Position - Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable. ecomaine's net investment in capital assets, were calculated as follows at June 30:

	<u>2019</u>	<u>2018</u>
Capital assets	\$ 65,958,247	145,827,537
Accumulated depreciation	(35,003,897)	(118,008,753)
Total net investment in capital assets	\$ 30,954,350	27,818,784

ecomaine
Notes to Financial Statements, continued

LONG-TERM LIABILITIES

Long-term Debt - The following is a summary of long-term debt transactions of ecomaine for the year ended June 30, 2019:

	Beginning <u>balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>balance</u>	Due within <u>one year</u>
Business-type activities:					
Other post-employment benefit liability	\$ 780,235	-	10,635	769,600	-
Accrued compensated absences	893,240	-	33,439	859,801	-
Accrued landfill closure liability	14,819,398	263,379	-	15,082,777	-
Total business-type long-term liabilities	\$ 16,492,873	263,379	44,074	16,712,178	-

POWER PURCHASE AGREEMENTS

During the fiscal years ended June 30, 2019 and 2018, ecomaine's electric energy sales were governed by a Power Purchase Agreement with an outside third party for sale of its power at contracted rates. The prior agreement expired January 31, 2019; the current agreement commenced February 1, 2019 and expires January 31, 2020. At June 30, 2019 and 2018, electrical generating revenues amounted to \$4,270,887 and \$4,257,098, respectively.

RETIREMENT PLANS

Nonunion - All non-union employees are covered by a defined contribution plan ("Retirement Plan of ecomaine") after their probationary period is completed. Employees are immediately vested in their own contributions as well as in ecomaine's contributions. ecomaine contributed 8% in 2019, for specified employees. For the years ended June 30, 2019 and 2018, the covered payroll totaled \$1,969,050 and \$2,178,287, respectively. Contribution expense amounted to \$184,397 and \$196,571 for the years ended June 30, 2019 and 2018, respectively.

Union - In accordance with an agreement with its Union, ecomaine contributes to the Union's Pension Plan. The contributions equal 5.25% of compensation received for hours worked by each eligible plan participant. Pension expense amounted to \$144,792 and \$139,921 for the years ended June 30, 2019 and 2018, respectively, on covered payroll of \$2,757,937 and \$2,665,162, respectively. The Pension Fund is a defined benefit pension program that provides retirement benefits to eligible plan participants. The net pension liability, deferred inflows or deferred outflows of resources, as of June 30, 2019, have not been recorded as they are immaterial to the financial statements. The net pension liability, deferred inflows and deferred outflows of resources, required disclosures, and required supplementary information will be evaluated annually to determine if recording the net pension liability and related pension expense as well as the required disclosures is necessary.

Other Plans - In addition to the above plan, a second defined contribution plan was established in the fiscal year ended June 30, 2019 to provide additional retirement contributions to specified employees. Such contribution expense amounted to \$6,996 for the year ended June 30, 2019.

Social Security - ecomaine participates in the Social Security retirement program. ecomaine's contributions to Social Security were \$417,977 and \$411,500 for the years ended June 30, 2019 and 2018, respectively.

ecomaine
Notes to Financial Statements, continued

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.

Actual costs may be higher due to inflation, changes in technology, or changes in regulations. ecomaine anticipates financing closure costs by funding and using reserves and/or the issuing of bonds at the time of closure. A summary of estimated landfill closure and postclosure care costs is as follows:

	<u>2019</u>	<u>2018</u>
Total estimated future landfill closure and postclosure care costs	\$ 22,466,181	22,466,181
Estimated capacity used	67.14%	65.96%
<hr/>		
Estimated gross landfill closure and postclosure care costs - end of year	15,082,777	14,819,398
Amounts actually expended	N/A	N/A
<hr/>		
Estimated liability for landfill closure and postclosure care costs - end of year	15,082,777	14,819,398
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Estimated remaining landfill closure and postclosure care costs to be recognized	\$ 7,383,404	7,646,783

INSURANCE REIMBURSEMENT

ecomaine made a claim to its insurance company for certain Proof of Loss dated May 1, 2019. This loss covered a period of more than the current year, however, was fully recognized in 2019. After the review of the claim, the carrier found sufficient information to honor the claim for loss and issued a refund check in the amount of \$299,229. The majority of the claim went to offset some of the previously overcharged operating expenses.

ecomaine
Notes to Financial Statements, continued

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plan

Plan Description - ecomaine sponsors a post-employment benefit plan providing health insurance to retiring employees. The plan is a single-employer defined benefit OPEB plan administered by the Maine Municipal Employees Health Trust (MMEHT). The ecomaine Board of Directors has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Benefits Provided - MMEHT provides healthcare and life insurance benefits for retirees and their dependents. ecomaine employees over the age of 55 with 5 years of continuous service are allowed to participate in the plan. Retirees that are designated in a plan pay 100% of the single coverage premium and 100% of the family coverage premium. For those ecomaine employees eligible for Medicare (post-65 Retiree Plan), the plan is offered in conjunction with Medicare Parts A and B and the Companion Plan B.

Employees Covered by Benefit Terms - At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees or beneficiaries not receiving benefits	0
Active employees	<u>67</u>
Total	<u><u>69</u></u>

Total OPEB Liability

Ecomaine's total OPEB liability of \$769,600 was measured as of January 1, 2019, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00% per year
Salary increases	2.75% per year
Discount rate	4.10%
Healthcare cost trend rates	8.00% for 2019, decreasing 0.28% per year
Retirees' share of the benefit related costs	100% of projected health insurance premiums

Discount Rate - The rate used to measure the total OPEB liability for the Health Plan was 4.10% per annum. The discount rate was based upon high quality AA/Aa or higher bond yields in effect for 20 years, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index.

Mortality rates were based on the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females.

ecomaine
Notes to Financial Statements, continued

OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the period June 30, 2012 through June 30, 2015.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2018	\$ 780,235
Changes for the year:	
Service cost	41,526
Interest	28,070
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(68,612)
Benefit payments	(11,619)
Net changes	(10,635)
Balance at June 30, 2019	\$ 769,600

Change in assumptions reflects a change in the discount rate from 3.44% to 4.10%.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents ecomaine's total OPEB liability calculated using the discount rate of 4.10%, as well as what ecomaine's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (3.10%) or 1 percentage-point higher (5.10%) than the current rate:

	1% Decrease (3.10%)	Discount Rate (4.10%)	1% Increase (5.10%)
Total OPEB liability	\$ 877,132	769,600	680,642

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents ecomaine's total OPEB liability calculated using the healthcare cost trend rates of 8.00% decreasing 0.28% per year, as well as what ecomaine's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower (7.00% decreasing 0.28% per year) or 1 percentage-point higher (9.00% decreasing 0.28% per year) than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB liability	\$ 668,709	769,600	893,959

ecomaine
Notes to Financial Statements, continued

OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, ecomaine recognized OPEB expense of \$47,094. At June 30, 2019, ecomaine reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	(3,993)
Changes of assumption or other inputs	-	(60,223)
Total	\$ -	(64,216)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$ (10,883)
2021	(10,883)
2022	(10,883)
2023	(10,883)
2024	(10,884)
Thereafter	(9,800)

ecomaine
Required Supplementary Information

Schedule of Changes in ecomaine's Total Health Plan OPEB Liability and Related Ratios
Last 10 Fiscal Years*

	2019	2018
Total OPEB Liability		
Service cost	\$ 41,526	37,707
Interest	28,070	28,877
Differences between expected and actual experience	-	(5,591)
Changes of assumptions or other inputs	(68,612)	(1,977)
Benefit payments	(11,619)	(9,928)
Net change in total OPEB liability	(10,635)	49,088
Total OPEB liability - beginning	780,235	731,147
Total OPEB liability - ending	\$ 769,600	780,235
Covered-employee payroll	\$ 4,476,452	5,229,408
Total Health Plan OPEB liability as a percentage of covered-employee payroll	17.20%	14.92%

**Only two years of information available.*

ecomaine
Notes to Required Supplementary Information

Total OPEB Liability

Changes of Benefit Terms - None

Changes of Assumptions - Changes of assumptions and other inputs reflects the changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal Year	Discount Rate
2019	4.10%
2018	3.44%

Additionally, the valuation method was changed from the Projected Unit Credit funding to the Entry Age Normal funding method in 2018.

ecomaine
Budget to Actual
Year Ended June 30, 2019

	Actual	Budget	Variance	Change
Operating revenues:				
Owners tipping fees	\$ 3,729,770	3,620,262	109,508	3.0%
Associate and contract tipping fees	2,147,858	2,523,760	(375,902)	-14.9%
Commercial tipping fees	6,131,770	5,647,708	484,062	8.6%
Spot market tipping fees	293,645	385,706	(92,061)	-23.9%
Electrical generating revenues	4,270,887	4,325,943	(55,056)	-1.3%
Sales of recycled goods	1,376,697	2,269,640	(892,943)	-39.3%
Recycling tipping fees	522,668	136,261	386,407	283.6%
Other operating income	106,665	104,496	2,169	2.1%
Total operating revenues	18,579,960	19,013,776	(433,816)	-2.3%
Operating expenses:				
Administrative expenses	2,791,697	2,781,192	(10,505)	-0.4%
Waste-to-energy operating expenses	9,389,047	9,969,144	580,097	5.8%
Recycling operating expenses	2,032,494	2,531,450	498,956	19.7%
Landfill/ashfill operating expenses	1,950,085	1,791,123	(158,962)	-8.9%
Contingency	-	250,000	250,000	n/a
Landfill closure and postclosure care costs	263,379	275,000	11,621	4.2%
Post-retirement benefit	47,094	85,000	37,906	44.6%
Total operating expenses	16,473,796	17,682,909	1,209,113	6.8%
Net operating income other than depreciation and amortization	2,106,164	1,330,867	775,297	58.3%
Depreciation	3,859,420	4,103,425	244,005	5.9%
Net operating loss	(1,753,256)	(2,772,558)	1,019,302	-36.8%
Non-operating income (expense):				
Interest income	490,552	45,000	445,552	990.1%
Miscellaneous receipts	42,531	-	42,531	n/a
Investment expense	(59,913)	-	(59,913)	n/a
Gain (loss) on investments	1,103,328	-	1,103,328	n/a
Net non-operating income (expense)	1,576,498	45,000	1,531,498	10
Total revenues less expenses	\$ (176,758)	(2,727,558)	2,550,800	-93.5%