

MUNICIPAL REVIEW COMMITTEE, INC.

FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

## TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1 & 2
REQUIRED SUPPLEMENTARY INFORMATION: Management's Discussion and Analysis	3 - 11
BASIC FINANCIAL STATEMENTS:	
Governmental Fund Balance Sheet / Statement of Net Position - December 31, 2014	12
Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balances / Statement of Activities	13
Statement of Fiduciary Net Position	14
Statement of Changes in Fiduciary Net Position	15
NOTES TO FINANCIAL STATEMENTS	16 - 23
SUPPLEMENTARY INFORMATION:	
Schedule of Equity Charter Municipality Net Position	Schedule 1      24

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## Independent Auditors' Report

To the Board of the  
Municipal Review Committee, Inc.

We have audited the accompanying financial statements of the governmental activities and each major fund of Municipal Review Committee, Inc., (MRC) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise MRC'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 presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Penobscot Energy Recovery Company (PERC), which represent 29%, 30%, and 22%, respectively, of the total assets, net position, and total additions of the fiduciary fund, Joint Venture of the Charter Municipalities of Municipal Review Committee, Inc. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for PERC, is based solely on the report of the other auditors. 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 examining 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 opinions.

## Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Municipal Review Committee, Inc., as of December 31, 2014, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

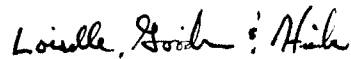
## Other Matters

### *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 11 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Government 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 audit 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 opinions on the financial statements that collectively comprise MRC's basic financial statements. The Schedule of Equity Charter Member Net Position is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Loiselle, Goodwin & Hinds

September 3, 2015  
Bangor, Maine

MUNICIPAL REVIEW COMMITTEE, INC.  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
OF THE FINANCIAL STATEMENTS FOR CALENDAR YEAR 2014

This report provides a discussion and analysis of the financial performance of the Municipal Review Committee, Inc. (MRC) and the Joint Venture of the Charter Municipalities of the Municipal Review Committee, Inc. (Joint Venture), for the fiscal year ended December 31, 2014. Please review it in conjunction with the financial statements and associated notes that follow this section.

## 1.0 Financial Highlights

Municipal Review Committee, Inc.

- Received \$292,792 in total revenue in 2014, compared to \$292,977 in total revenue in 2013. Dues from members amounted to \$223,972 in 2014, compared to \$225,571 in 2013.
- Total expenses in 2014 were \$1,028,280, compared to \$650,533 in 2013.

Joint Venture

- Distributed \$4.097 million to Charter Municipalities, thereby achieving the target values for per-ton waste disposal costs in the first two quarters of \$51 per ton for the Equity Charter Municipalities and \$54 per ton for the New Charter Municipalities, and in the last two quarters of 2014 of \$55 per ton for all Charter Municipalities.
- Represented the Equity Charter Municipalities regarding their ownership interest in the PERC partnership (25.5214 percent of the limited partnership shares, which constitute 90 percent of all shares).
- Maintained a balance of \$22.077 million, including accrued interest, in the Tip Fee Stabilization Fund as of the end of 2014 and managed the investment of the fund balance. The MRC remains positioned to utilize the Tip Fee Stabilization Fund to stabilize tipping fees through and beyond the expiration of existing business arrangements for waste disposal in 2018.
- Maintained the balance in the MRC Operating Budget Stabilization Fund at \$1.53 million, including accrued interest, by the end of 2014 and managed the investment of the fund balance. The MRC Operating Budget Stabilization Fund provides supplemental support to the MRC's budget for administration of the Joint Venture, which budget is managed separately, and serves as a source of funds to stabilize dues assessments, provide for continuation of the MRC mission after 2018, and prepare for unforeseen events.
- Held a total Net Position for the benefit of the Charter Municipalities of \$34.910 million at the close of 2014.

## 2.0 Overview of the Financial Statements

The basic financial statements are presented herein in a format that is consistent with the requirements of the Governmental Accounting Standards Board.

Municipal Review Committee, Inc.

The financial statements present the following two different views of MRC:

1. The Governmental Funds Balance Sheet / Statement of Net Position (Balance Sheet) identifies and presents values for the General Fund assets and liabilities of MRC as of the end of the calendar year. The Balance Sheet also identifies and presents adjustments for assets that are not currently available for application to expenditures, and identifies and presents net position after application of the adjustments.

The key General Fund assets shown on the Balance Sheet include the following:

- Cash, which is held in a checking account at Key Bank.
- Membership Fees Receivable, which refers to the dues members owe MRC based on tons of municipal solid waste delivered to PERC.
- Receivables from Bangor Hydro and PERC, with which MRC has agreements with for providing various services.

The Balance Sheet presents prepaid insurance, options to purchase land, and website design costs as assets that are not currently available for use to meet expenditures.

The General Fund fund balance is shown on the Balance Sheet as unrestricted and unassigned.

The net position presented on the Balance Sheet includes the value of prepaid insurance and capital assets, which are not currently available for use to meet expenditures, i.e., available within 60 days of year end.

2. The Statement of Governmental Fund Revenue, Expenditures and Changes in Fund Balances / Statement of Activities (Income Statement) identifies and presents revenues and expenditures/ expenses over the course of calendar year 2014. The Income Statement also identifies and presents the changes in the General Fund Balance over the course of 2014.

The General Fund revenues shown on the Income Statement include the following:

- Membership Fees.
- Revenue from the PERC Monitoring Agreement.
- Reimbursements of expenses and interest income.

The Income Statement presents as adjustments to expenditures the change in prepaid insurance, acquisition and depreciation of capital assets, and change in accrued vacation for the year.

#### Joint Venture

1. The Statement of Fiduciary Net Position (Balance Sheet) identifies and presents values for the Fiduciary Fund assets and liabilities of the Joint Venture as of the end of the calendar year.

The Fiduciary Fund assets shown on the Balance Sheet include the following:

- Cash and cash equivalents, which are held in a Custody Account at Bangor Savings Bank.
- The Tip Fee Stabilization Fund and the MRC Operating Budget Stabilization Fund, which are invested in a set of bonds of varying maturities and managed by an investment advisor, Peoples United Bank.
- Accrued interest on the Investments as of year-end.
- The Equity Charter Municipality investment in PERC, which is accounted for using the equity investment method. Included in the value of PERC is the Charter Municipalities' share of the reserve funds held by the Trustee as part of the security for PERC's outstanding debt.

2. The Statement of Changes in Fiduciary Net Position (Income Statement) identifies and presents increases and decreases in Fiduciary Net Position over the course of calendar year 2014.

The Fiduciary Fund additions shown on the Income Statement include the following:

- Performance Credits as a result of PERC operations that were distributed to MRC on behalf of the Charter Municipalities.
- Partnership earnings as a result of a part ownership of PERC.
- Interest income and changes in investment fund values.

The Fiduciary Fund deductions shown on the Income Statement include the following:

- Quarterly distributions of cash paid to the Charter Municipalities.
- Operating transfers from the Operating Budget Stabilization Fund to MRC, to be used by MRC for administrative expenses and for expenses associated with planning for the fulfillment of the MRC mission after the existing arrangements expire in 2018. The MRC made such transfers in 2014 in the amount of \$686,000.

### 3.0 Analysis of Overall Financial Position and Results of Operations

#### Municipal Review Committee, Inc.

MRC's net position decreased \$49,488 or 45.88% in 2014. The following table summarizes this change.

	<u>Governmental Activities</u>		<u>Total %</u>
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Cash	\$ 9,604	\$ 57,411	(87.38)%
Membership Fees Receivable	56,438	56,502	(0.11)%
Options to Purchase Land	85,000	20,000	325.00%
Other Assets	<u>28,924</u>	<u>27,954</u>	3.47%
Total Assets	179,966	161,867	11.18%
Current Liabilities	<u>121,589</u>	<u>54,002</u>	125.16%
Total Net Position	<u>\$ 58,377</u>	<u>\$ 107,865</u>	(45.88)%

MRC's changes in net position are summarized in the following table.

	<u>Governmental Activities</u>		<u>Total %</u>
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Membership Fees	\$ 223,972	\$ 225,571	(0.71)%
Other Revenue	<u>68,820</u>	<u>67,406</u>	2.10%
Total Revenues	292,792	292,977	(0.06)%
Total Expenses	(1,028,280)	(650,533)	58.07%
Transfers from Fiduciary Fund	<u>686,000</u>	<u>329,000</u>	108.51%
Change in Net Position	(49,488)	(28,556)	(73.30)%
Beginning Net Position	<u>107,865</u>	<u>136,421</u>	
Ending Net Position	<u>\$ 58,377</u>	<u>\$ 107,865</u>	

#### Joint Venture

The MRC manages the assets of the Charter Municipalities in order to achieve two key objectives. First, MRC seeks to distribute sufficient cash on a quarterly basis to the Charter Municipalities in order to reduce their net cost for disposal of waste at the PERC facility to a pre-determined system-wide average per-ton net cost known as the "target value." In the first two quarters of calendar year 2014, the target values were \$51 per ton for Equity Charter Municipalities and \$54 per ton for New Charter Municipalities. In the last two quarters of calendar year 2014, the target value was \$55 per ton for all Charter Municipalities. Second, MRC seeks to position the Charter Municipalities to continue to achieve target

values to be determined by the MRC Board of Directors through 2018 by (a) ensuring that the Facility maintains its performance in providing waste disposal services; (b) maintaining an appropriate ownership position in the PERC partnership; (c) setting aside sufficient funds in the Tip Fee Stabilization Fund, and (d) managing other net position.

The Joint Venture's net position increased from \$34.50 million to \$34.91 million, or 1.19%, in 2014. The following table summarizes these changes.

	<u>Fiduciary Activities</u>		<u>Total % Change</u>
	<u>2014</u>	<u>2013</u>	
Cash and Investments	\$25,586,174	\$25,324,817	1.03%
Investment in PERC	<u>10,300,414</u>	<u>10,200,747</u>	0.98%
Total Assets	35,886,588	35,525,564	1.02%
Tipping Fee Rebates Payable	<u>976,380</u>	<u>1,025,551</u>	(4.79)%
Total Net Position	<u>\$34,910,208</u>	<u>\$34,500,013</u>	1.19%

The Joint Venture's changes in net position are summarized in the following table.

	<u>Fiduciary Activities</u>		<u>Total % Change</u>
	<u>2014</u>	<u>2013</u>	
PERC Performance Credits	\$ 3,872,626	\$ 4,322,347	(10.40)%
Share of PERC's Net Income	1,118,652	107,072	944.77%
Investment Income	<u>153,120</u>	<u>(45,278)</u>	-
Total Additions	5,144,398	4,384,141	17.34%
Total Deductions	<u>4,734,203</u>	<u>4,678,329</u>	1.19%
Change in Net Position	410,195	(294,188)	-
Beginning Net Position	<u>34,500,013</u>	<u>34,794,201</u>	
Ending Net Position	<u>\$34,910,208</u>	<u>\$34,500,013</u>	

MRC distributed sufficient cash in each of the four quarters of 2014 to achieve the target values as shown in the following table:

<i>Quarter</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
Tip fee, prior quarter	\$74.75	\$76.00	\$77.00	\$77.00
Distribution to Equity Charter Municipalities	\$23.75	\$25.00	\$22.00	\$22.00
Net disposal cost for Equity Charter Municipalities, system weighted average	\$51.00	\$51.00	\$55.00	\$55.00
Target value for Equity Charter Municipalities	\$51.00	\$51.00	\$55.00	\$55.00
Distribution to New Charter Municipalities	\$20.75	\$22.00	\$22.00	\$22.00
Net disposal cost for New Charter Municipalities	\$54.00	\$54.00	\$55.00	\$55.00
Target value for New Charter Municipalities	\$54.00	\$54.00	\$55.00	\$55.00

All values are in dollars per ton.

By the end of 2014, the balance in the Tip Fee Stabilization Fund was \$22.077 million. Based on the funds available as of the end of 2014 and the anticipated Performance Credits and PERC partnership distributions (assuming that the PERC facility will continue to perform as it has in the past few years), MRC has projected that the Charter Municipalities will have sufficient resources to continue to achieve the target values through 2018.



A key purpose of the Tip Fee Stabilization Fund is to position the Charter Municipalities to realize the benefits of affordable, long-term, environmentally sound disposal of MSW beyond 2018. Maintaining the existing target value unchanged, however, would draw down most of the balance in the Tip Fee Stabilization Fund by 2018, thereby undermining the capability to achieve MRC's mission beyond 2018.

Thus, at its October 2010 meeting, the MRC Board of Directors voted to adopt a Target Value Step Increase Implementation Plan to implement an increase in target values on an annual basis through 2018. This plan established increased target values for the Equity Charter Municipalities as follows:

\$46 per ton as of July 1, 2011  
\$48 per ton as of July 1, 2012  
\$51 per ton as of July 1, 2013  
\$55 per ton as of July 1, 2014  
\$59 per ton as of July 1, 2015  
\$63 per ton as of July 1, 2016  
\$67 per ton as of July 1, 2017

The target value for the New Charter Municipalities was set at \$54 per ton through July 1, 2014, and then set at \$55 per ton for the remainder of 2014. From 2015 and thereafter, the target values for the New Charter Municipalities are the same as the target values for the Equity Charter Municipalities per the schedule set forth above.

The intent of these increases is to avoid a spike in disposal costs; prepare the Charter Municipalities for post-2018 disposal costs; and, to maintain funds in reserve for use in enhancing the negotiating position and capacity of MRC to make available the best possible post-2018 arrangements for management of MSW for the Charter Municipalities.

#### **4.0 Significant Transactions**

MRC managed the following transactions on a routine basis during the year:

- Receipt of Performance Credits from PERC on a monthly basis.
- Receipt of partnership distributions from PERC on a monthly basis.
- Distribution of cash to Charter Municipalities to achieve the target values on a quarterly basis.
- Transfer of funds from the Custody Account to the Tip Fee Stabilization Fund in the fourth quarter of 2014.
- Transfer of funds to the MRC Operating Account from the Custody Account in the first, third and fourth quarters of 2014.

#### **5.0 Capital Assets and Debt Administration**

MRC had no outstanding debt in 2014.

MRC no longer receives payments of principal and interest on the promissory note from Bangor Hydro, as had been the case in 2008 and in prior years. Bangor Hydro made the last payment of principal and interest on the Note in May 2008.

## **6.0 Economic Factors and Significant Foreseeable Future Conditions**

MRC notes the following significant foreseeable future conditions with the potential to affect performance in 2014 and beyond:

- Facility Maintenance Costs. The facility operator, acting for PERC, LP, is planning to incur major maintenance expenditures for the Facility to ensure that operations continue through and beyond 2018. Implementation of capital and maintenance investments in the Facility's major processing and production systems will continue to be an integral factor in maintaining economic performance in 2015 and thereafter. The total cost of the investments required to sustain economic performance has increased in recent years. There is no assurance that the level of future investment in capital and major maintenance projects at the Facility as required to maintain current levels of performance will not exceed projections in the coming years, or that performance will be maintained at current levels.

As a facility with a nameplate generating capacity of more than 20 MW, the Facility is required to comply with new requirements for the reliability and security of the regional electric grid, as overseen by the Northeast Power Coordinating Council (NPCC), the North American Electricity Reliability Corporation (NERC) and other related organizations of applicable jurisdiction. These requirements, which can require changes to physical plant as well as development and documentation of operating procedures, continue to evolve and expand. There is no assurance regarding the nature of the full set of NPCC and NERC requirements that the Facility might be required to implement, nor is there assurance regarding the cost and impact on performance of satisfying such requirements.

- Waste Acquisition. In 2014, PERC received 312,315 tons of municipal solid waste (MSW). The MSW included 119,344 tons of MSW from commercial and spot market arrangements to supplement the 179,493 tons of MSW reported by PERC as delivered by Charter Municipalities and 13,478 tons of MSW delivered by other municipalities. MSW deliveries to PERC by Charter Municipalities increased by 345 tons (0.2 percent) from 2013 to 2014, and, per PERC's records, fell short by 4,759 tons of the guaranteed annual tonnage (GAT) that the Charter Municipalities, in aggregate, were obligated to deliver to PERC in 2014 to avoid shortfall penalties. Such shortfall does not account for MSW delivered to PERC that originated within the boundaries of Charter Municipalities but was credited to the accounts of commercial haulers. Whether such shortfall penalties will be assessed in 2015 for shortfalls in 2014 and prior years, and the magnitude of such penalties, had not been finalized as of this writing.

Quantities of MSW available to the PERC facility have declined for a number of reasons, including lingering effects of the economic downturn; waste reduction or diversion through pay-as-you-throw and similar programs; and increased recycling resulting from new single-stream programs. There is no assurance that MSW from the commercial and spot market arrangements will continue to be available to PERC in the future in the same quantities as it was acquired in the past, nor is there assurance that the quantities of MSW delivered by the Charter Municipalities, which include significant amounts of MSW originating from commercial sources within their borders and delivered to the account of the municipalities, will not decline from delivery levels in prior years. Thus, there is no assurance that the Charter Municipalities will not be exposed to further delivery shortfall penalties in future years. Moreover, there is no assurance that the Charter Municipalities will not be exposed to reduced Performance Credits and distributions of cash from the PERC Partnership due to reduced economic performance at PERC as a result of declines in waste deliveries.

- Competition with other disposal facilities. PERC actively competes with other disposal facilities to acquire MSW as needed to allow the facility to operate at capacity. Competing disposal facilities at the start of 2014 include two other operating municipal waste combustion facilities in Maine;

operating landfills that are permitted to accept MSW in Maine; and facilities that are located outside of Maine. Failure of PERC to attract sufficient MSW to allow the facility to operate at capacity, or loss of significant quantities of MSW to competing disposal facilities, could have a significant adverse impact on the economic performance of PERC in 2015 and thereafter, and could adversely affect the capability for Charter Municipalities to achieve the target values through 2018.

The competitive market for disposal of MSW in Maine changed dramatically in 2013 due to the following events:

1. The Maine Energy Resource Company (MERC) facility in Biddeford was shut down permanently at the end of 2012. The MERC facility had previously accepted for disposal about 120,000 tons per year of MSW generated in Maine and nearly 170,000 tons per year of MSW from other states. Such MSW must now be managed through other facilities.
2. The Juniper Ridge Landfill in Old Town applied for and received approval from the Maine DEP to amend its operating license to allow acceptance for disposal, under a number of stated conditions, of unprocessed in-state MSW that had previously been accepted at the Maine Energy Resource Company (MERC) facility in Biddeford. The license amendment was requested by a corporate affiliate of Casella Waste Systems, Inc. (Casella), which operates the Juniper Ridge Landfill, and which owned and operated the MERC facility, through corporate affiliates.
3. In light of the above, the PERC partnership, PERC's private owners, and Casella negotiated a new contract (the Casella-PERC Contract) regarding delivery of MSW to the PERC facility from in-state sources, including MSW that had previously been delivered to the MERC facility.

The new Casella-PERC contract would have Casella deliver up to 100,000 tons per year of MSW to the PERC facility, including up to 30,000 tons per year of MSW that had previously been delivered to the MERC facility from in-state sources. Thus, the new arrangements provides additional assurance that the PERC facility will be able to secure sufficient MSW to operate at or near its full capacity with maximum reliance on MSW generated within Maine and with reduced reliance on MSW imported from other states. Actual deliveries from Casella's affiliated companies in 2014 were on the order of 68,000 tons and did reduce reliance on other sources of out-of-state MSW to enable the PERC Facility to operate at or capacity. Nonetheless, there is no certainty that the PERC facility will not face shortfalls in the availability of MSW as required to operate at full capacity. Such circumstances might have a significant adverse impact on the economic performance of PERC in 2015 and beyond.

Environmental regulation. Many aspects of the operation of the Facility are subject to stringent regulation of the Maine Department of Environmental Protection (the DEP) and by other federal, state, and local agencies. Thus, there is always a risk that changes in applicable law, regulations, or regulatory policies and enforcement practices will have an adverse impact on the Facility's performance or the economics of continuing Facility operation. The Facility works diligently to comply with all applicable environmental laws, regulations, permits, and policies. In addition, MRC works jointly with PERC on an ongoing basis to monitor potential changes in applicable laws, regulations, permits, and policies in order to identify initiatives that might have an adverse impact on the Facility and to ensure that such impacts are recognized and given due consideration. Nevertheless, there is no assurance that the Facility will not be adversely affected in the future by changes in applicable law, regulation, regulatory policy, or enforcement practices.

The products of combustion at the Facility that are emitted to the atmosphere include, among other things, carbon dioxide, which is considered a contributor to global warming and, pursuant to a 2009 ruling of the U.S. Environmental Protection Agency, is also considered a regulated pollutant. The contribution to global warming by the Facility's emissions of carbon dioxide is more than offset by

two factors of its operation. First, the Facility combusts municipal solid waste that, had it been deposited in a landfill, might have caused emission to the atmosphere of methane and other greenhouse gases with a greater overall contribution to global warming than the carbon dioxide emitted from the Facility. Second, the Facility generates electricity from the combustion of waste that displaces a like amount of electricity that might have been generated from combustion of fossil fuels at facilities with emissions that contribute proportionately more to global warming than the Facility. Nonetheless, both the U.S. Congress and the U.S. Environmental Protection Agency are considering new measures to control carbon dioxide emissions and global warming that might have an adverse impact on Facility operations. There is no assurance as to what the nature or magnitude of such impacts might be.

- Electric utility regulation. In 2014, approximately 58 percent of all revenue realized by PERC was in the form of payments for electricity purchased by Bangor Hydro pursuant to a Power Purchase Agreement (PPA) that was originally executed in 1984 and is expected to remain in effect through March 31, 2018. Such purchases undertaken pursuant to the PPA in 2013 were at prices generally in excess of market rates for electricity and associated products. In recognition of the PPA prices for electricity and related contract terms, in 1998 the PPA was amended to provide cost mitigation to Bangor Hydro. Such amendment was reviewed and approved by the Maine Public Utilities Commission (the Maine PUC), which has regulatory jurisdiction over Bangor Hydro and its power purchase arrangements. The Maine PUC ruled that the above-market purchases of electricity by Bangor Hydro pursuant to the PPA qualify as “stranded costs” and has set forth a procedure for recovery of such costs on an ongoing basis. Nevertheless, there is no assurance that the Facility might not be adversely affected in the future by changes in the regulatory treatment of electricity purchases pursuant to the PPA or by changes in the procedures for recovery of stranded costs.
- Emerging technologies. The MRC is aware of numerous new technologies that are being developed to process and dispose of municipal solid waste, including approaches that utilize new equipment for mixed waste processing, sorting, pelletization, gasification, pyrolysis, plasma arc destruction, anaerobic digestion, thermal de-polymerization and for other purposes. Several reference facilities utilizing these technologies are being constructed and operated in the United States on a commercial basis. Although there are no facilities applying such technologies to solid waste management that are operating or under construction in Maine, it is possible that such a technology will be developed and emerge in the future with adverse economic consequences on the PERC Facility. MRC continues to work with the private partners in PERC to monitor and evaluate the emergence of such technologies from the perspective of (a) modifying the PERC facility to incorporate such technology; or (b) evaluating whether a facility incorporating such technology might be developed as a successor for managing MSW currently delivered to the PERC facility after the existing disposal agreements expire in 2018.
- Post-2018 planning initiative. The MRC is proceeding with development of a new facility to manage MSW originating in its member municipalities after the existing disposal agreements expire in 2018. To this end, the MRC has selected a developer of an emerging technology, Fiberight, Inc. (Fiberight), that would own and manage design, permitting, financing, construction and operation of the new facility on a site secured by the MRC. The MRC has also taken steps to secure commitments from its member municipalities to consider participation in the facility being developed.

At this time, the MRC intends to have its member municipalities manage their MSW through delivery to the PERC Facility through and into 2018 in accordance with the existing disposal agreements. Nonetheless, the MRC recognizes that its efforts to evaluate and develop alternatives after the disposal agreements expire in 2018 might have impacts on the performance of the existing facilities and under the existing arrangements prior to their expiration in 2018. There is no assurance as to what the nature or magnitude of such impacts might be.

There has been disagreement between the private and public sector partners in the PERC Partnership regarding the preferred course of action after 2018 and the management of funds related to the future of the PERC Facility. The partners have disagreed regarding expenditure of partnership funds on professional and legal services; on government relations and lobbying regarding legislation that might affect the competitiveness of the PERC Facility after 2018; and on related matters. As 2018 approaches, additional disagreements might occur regarding expenditures on capital projects or improvements to the PERC Facility related to life extension or continued operations after 2018. There is no assurance as to what the nature or magnitude of the impacts might be of such disagreements or expenditures on the economic performance of the PERC Facility. In this context, the MRC has filed suit in federal court against the private general partner in the PERC facility to seek recovery of certain funds that such general partner diverted from the PERC Partnership without what the MRC would consider to be proper authorization. There is no assurance as to the costs or results of such suit or how such results might affect future cash flows from the PERC Partnership or to the MRC.

## ***7.0 Contact Information***

More information on MRC and the Joint Venture may be obtained at MRC's administrative office, 395 State Street, Ellsworth, ME 04605.

**MUNICIPAL REVIEW COMMITTEE, INC.**  
**GOVERNMENTAL FUNDS BALANCE SHEET / STATEMENT OF NET POSITION**  
**DECEMBER 31, 2014**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<b>ASSETS</b>			
Cash - Checking Account	\$ 9,604	-	\$ 9,604
Membership Fees Receivable	56,438	-	56,438
Accounts Receivable - Bangor Hydro	14,658	-	14,658
Reimbursements Receivable - PERC	2,640	-	2,640
Prepaid Insurance	-	\$ 10,750	10,750
Capital Assets:			
Options to Purchase Land	-	85,000	85,000
Website Design Costs	-	876	876
Total Capital Assets	<u>-</u>	<u>85,876</u>	<u>85,876</u>
Total Assets	<u>\$ 83,340</u>	<u>96,626</u>	<u>179,966</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 103,830	-	103,830
Accrued Payroll	2,906	-	2,906
Accrued Vacation	-	14,853	14,853
Total Liabilities	<u>106,736</u>	<u>14,853</u>	<u>121,589</u>
<b>FUND BALANCES / NET POSITION</b>			
<i>Fund Balances:</i>			
Unassigned	<u>(23,396)</u>	<u>23,396</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 83,340</u>		
<i>Net Position:</i>			
Invested in Capital Assets		85,876	85,876
Unrestricted		<u>(27,499)</u>	<u>(27,499)</u>
Total Net Position		<u>\$ 58,377</u>	<u>\$ 58,377</u>

**MUNICIPAL REVIEW COMMITTEE, INC.**  
**STATEMENT OF GOVERNMENTAL FUND REVENUE, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES / STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUE</b>			
Membership Fees	\$ 223,972	-	\$ 223,972
PERC Monitoring Agreement	58,056	-	58,056
Reimbursements for PERC Oversight Committee Expenses	10,560	-	10,560
Interest Income	204	-	204
Total Revenue	292,792	-	292,792
<b>EXPENDITURES / EXPENSES</b>			
<i>Current:</i>			
Legal Fees	176,700	-	176,700
Payroll Costs	127,889	\$ 6,583	134,472
Consulting - Resource Management	100,810	-	100,810
Legislative Advocacy and Communications	55,570	-	55,570
Administrative and Miscellaneous	37,945	584	38,529
Insurance	11,750	(1,206)	10,544
Audit Fee	11,500	-	11,500
Occupancy	8,400	-	8,400
<i>Post-2018 Planning:</i>			
Consulting	175,754	-	175,754
Legal	148,230	-	148,230
RFEI Process	61,991	-	61,991
Communications	61,984	-	61,984
DEP Process	39,024	-	39,024
Other	4,772	-	4,772
<i>Capital Outlay:</i>			
Option to Purchase Land	65,000	(65,000)	-
Total Expenditures / Expenses	1,087,319	(59,039)	1,028,280
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES</b>			
	(794,527)	794,527	-
<b>OTHER FINANCING SOURCES AND USES</b>			
Transfers from the MRC Operating Budget Stabilization Fund of the Joint Venture of the Charter Municipalities of Municipal Review Committee, Inc.	686,000	(686,000)	-
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>			
	(108,527)	108,527	-
<b>TRANSFERS FROM FIDUCIARY FUND</b>	-	686,000	686,000
<b>CHANGE IN NET POSITION</b>	-	\$ (49,488)	(49,488)
<b>FUND BALANCE / NET POSITION - January 1, 2014</b>	85,131		107,865
<b>FUND BALANCE / NET POSITION - December 31, 2014</b>	\$ (23,396)		\$ 58,377

The accompanying notes are an integral part of these financial statements.

**MUNICIPAL REVIEW COMMITTEE, INC.  
STATEMENT OF FIDUCIARY NET POSITION  
JOINT VENTURE OF THE CHARTER MUNICIPALITIES  
OF MUNICIPAL REVIEW COMMITTEE, INC.  
DECEMBER 31, 2014**

	<u>Fiduciary Fund</u>
<b>ASSETS</b>	
Custody Account	\$ 1,977,458
Tip Fee Stabilization Fund	22,020,353
MRC Operating Budget Stabilization Fund	1,526,966
Accrued Interest Income	61,397
Investment in PERC	<u>10,300,414</u>
Total Assets	<u>35,886,588</u>
 <b>LIABILITIES</b>	
Tipping Fee Rebates Payable	<u>976,380</u>
 <b>NET POSITION</b>	
Held for the Benefit of the Equity Charter Municipalities of Municipal Review Committee, Inc.	<u>\$ 34,910,208</u>



**MUNICIPAL REVIEW COMMITTEE, INC  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
JOINT VENTURE OF THE CHARTER MUNICIPALITIES  
OF MUNICIPAL REVIEW COMMITTEE, INC.  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Fiduciary Fund</u>
<b>ADDITIONS</b>	
PERC Performance Credits	\$ 3,872,626
Interest and Dividend Income	234,968
Net Earnings from Investment in PERC	1,118,652
Appreciation (Depreciation) of Investments	<u>(81,848)</u>
Total Additions	<u>5,144,398</u>
<b>DEDUCTIONS</b>	
Rebates of Tipping Fees	4,048,203
MRC Operating Budget Stabilization Fund Transfers to General Fund	<u>686,000</u>
Total Deductions	<u>4,734,203</u>
<b>CHANGE IN NET POSITION</b>	410,195
<b>NET POSITION - January 1, 2014</b>	<u>34,500,013</u>
<b>NET POSITION - December 31, 2014</b>	<u>\$ 34,910,208</u>

**MUNICIPAL REVIEW COMMITTEE, INC.  
NOTES TO FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Municipal Review Committee, Inc. (MRC) was organized as a nonprofit corporation in 1991 to better ensure the continuing availability to its members of long-term, reliable, safe, and environmentally sound methods of solid waste disposal at a stable and reasonable cost. It was formed by municipalities with waste disposal agreements with Penobscot Energy Recovery Company Limited Partnership (PERC). Its members (also known as Charter Municipalities) include counties, refuse disposal districts, public waste disposal corporations, municipalities, and other quasi-municipal entities. Only municipalities within the State of Maine may be eligible for membership upon execution of a waste-disposal agreement with MRC.

MRC's Board of Directors is elected by the Charter Municipalities, and must be persons who, at the time of their election, are either elected or appointed officials, employees, or legal residents of the Charter Municipalities. As of December 31, 2014, MRC's membership was made up of 86 "Equity" Charter Municipalities and 47 "New" Charter Municipalities.

MRC's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for governmental nonprofit entities through its pronouncements (Statements and Interpretations). The more significant accounting policies, established in GAAP and used by the Reporting Entity, are discussed below.

**A. Financial Reporting Entity**

The financial reporting entity is comprised of the following:

Primary Government	Municipal Review Committee, Inc.
Component Unit	Joint Venture of the Charter Municipalities of Municipal Review Committee, Inc.

These financial statements present the activities of MRC (the primary government) and its component unit. As defined by GASBS No. 14, component units are legally separate entities that are included in the primary government's reporting entity because of the significance of their operating or financial relationships with the primary government. However, as the relationship between MRC and its component unit is fiduciary in nature, the component unit's activities are reported in a fiduciary fund and are not blended with the activities of MRC.

*Municipal Review Committee, Inc.*

MRC acts as a liaison for and as a representative of its members with the PERC and Emera Maine, f.k.a. Bangor Hydro-Electric Company (Bangor Hydro). In performing this function, MRC:

- Reviews PERC's monthly and annual financial performance and operating reports.
- Reviews PERC's quarterly tipping fee adjustments.
- Reviews projected and documented utilization of the Capital Maintenance and Reserve Account (CMRA) monies.
- Oversees the CMRA.
- Reviews and verifies PERC's calculation of cash and performance credits to be provided to MRC's members and PERC.

## MUNICIPAL REVIEW COMMITTEE, INC. NOTES TO FINANCIAL STATEMENTS

- Reviews PERC's compliance with performance standards.
- Participates in the Oversight Committee of the PERC Partnership.
- Enforces the priority lien MRC's members have on the CMRA monies in the event of termination of PERC's operations.
- Identifies alternative waste disposal options that may be implemented following termination of the members' waste disposal agreements with PERC, including, but not limited to, developing, financing, and/or operating a new integrated solid waste disposal facility to serve the Charter Municipalities.
- For members who elected as of September 30, 1998, to become "Equity" Charter Municipalities:
  1. Purchases, sells, and otherwise deals with the members' limited partnership interest in PERC, as well as the Net Cash Flow from the ownership of PERC; and
  2. Receives and/or directs the cash distributions from PERC known as performance credits and determines the allocation, use, and application of those funds.

### *Joint Venture of the Charter Municipalities of Municipal Review Committee, Inc.*

The Joint Venture of the Charter Municipalities of Municipal Review Committee, Inc. (Joint Venture) is an organization that resulted from a contractual arrangement among certain members of MRC (known as Equity Charter Municipalities), PERC, and Bangor Hydro. It was formed to pool resources of the Equity Charter Municipalities for the long-term goal of handling the disposal of their present and projected volumes of nonhazardous municipal solid waste at a stable and reasonable cost. Those resources are administered by MRC. New members (known as New Charter Municipalities) do not have an ongoing financial interest in the Joint Venture and do not participate in the purchase of a limited partnership interest in PERC.

In 1998, the waste disposal agreements of the Equity Charter Municipalities were amended and restated, and extended to 2018, as part of a settlement that involved the refinancing of PERC's outstanding debt and the renegotiation of a power purchase agreement between PERC and Bangor Hydro, which purchases the electrical output of PERC's waste-to-energy facility ("Facility.") In exchange for certain guarantees, the Equity Charter Municipalities negotiated to receive the following:

Performance Credits from Facility operations. The Charter Municipalities are entitled to receive one-third of the Net Distributable Cash generated from the operation of the Facility, which is known as Performance Credits. Through September 2000, 15% of the Performance Credits were required to be deposited into a restricted cash account, which could only be used for acquisitions of PERC. The Performance Credits are now being directed to the Joint Venture without any requirement for deposit into a restricted account.

Warrants to purchase 1,000,000 shares of Bangor Hydro. The Equity Charter Municipalities received warrants to purchase Bangor Hydro common stock at a price of \$7.00 per share. During the year ended December 31, 2001, the then remaining unexercised 700,900 warrants were exchanged for a \$13,667,550 promissory note from Bangor Hydro.

Bangor Hydro \$2,000,000 reserve. The Equity Charter Municipalities were entitled to receive \$2,000,000 from Bangor Hydro over a four-year period. This cash was deposited into a restricted cash account, which could only be used for acquisitions of a limited partnership interest in PERC.

**MUNICIPAL REVIEW COMMITTEE, INC.  
NOTES TO FINANCIAL STATEMENTS**

One-third of \$10,000,000 in reserves. The Charter Municipalities are entitled to receive one-third of three reserves upon PERC's repayment of its outstanding debt. These reserves were held as collateral for the bondholders. The debt was refinanced during the year ended December 31, 2012, and the requirement for PERC to maintain \$10,000,000 in the reserve accounts was reduced to \$2,000,000. MRC has received one-third of the released funds.

The waste disposal agreements of the Equity Charter Municipalities provide that the interests acquired in PERC be allocated among themselves based on their respective shares of cumulative Performance Credits and other cash flows and reserves. To facilitate this allocation, MRC allocates resources among the municipalities on the basis of actual tons of acceptable waste delivered to PERC each quarter.

In an effort to stabilize the net cost of the disposal of the Charter Municipalities' solid waste, rebates of tipping fees are paid to the Charter Municipalities on a system-wide average basis to offset the difference between the tipping fee paid and the applicable target price.

**B. Basis of Presentation**

*Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net position and the statement of activities) display information about the reporting entity as a whole. They include all funds of the reporting entity except fiduciary funds. The governmental activities are financed by administrative fees paid by members and operating transfers from the fiduciary fund's Operating Budget Stabilization Fund.

*Fund Financial Statements*

The fund financial statements of the reporting entity are organized into funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. The funds have been organized into two categories: governmental and fiduciary.

Governmental. The General Fund is the Entity's only governmental fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Fiduciary. Fiduciary funds are used to account for assets held for the benefit of other parties that generally are not used to finance the governmental entity's own operations.

**C. Measurement Focus and Basis of Accounting**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounting objective is the determination of changes in net position and financial net position. All assets and liabilities (whether current or noncurrent) are reported.

**MUNICIPAL REVIEW COMMITTEE, INC.  
NOTES TO FINANCIAL STATEMENTS**

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are generally recorded as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Entity considers revenues to be available if they are to be collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

The accounting objective of governmental funds is the presentation of the sources, uses, and balances of the Entity's expendable financial resources and related liabilities. The revenues associated with the current fiscal period and susceptible to accrual are the membership fees, PERC monitoring agreement, and reimbursements. All other governmental fund revenues are considered measurable and available only when the Entity receives cash.

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The accounting objective is the measurement of the changes in net position and financial position. All assets and liabilities (whether current or noncurrent) are reported.

**D. Assets, Liabilities, and Equity**

Membership Fees Receivable. Annually, the Board of Directors determines an administrative fee necessary to support the Entity's oversight duties. Each member pays its proportionate share based upon waste tonnage delivered to PERC. Membership Fees Receivable represents uncollateralized amounts due from members for the administrative fees.

Accounts Receivable – Bangor Hydro. During the year ended December 31, 1998, MRC completed negotiations to restructure the contractual relationships among MRC, its members, Bangor Hydro, and PERC through March 31, 2018. The agreement requires Bangor Hydro to pay MRC \$10,000 each calendar quarter to cover costs associated with monitoring PERC's operations. This amount is adjusted once each year to reflect changes in the Consumer Price Index.

Custody Account. The Custody Account is the operating cash account of the Joint Venture. All deposits made to and held in this account are invested in Federated Government Obligations Money Market Fund. This investment is carried at fair value based on quoted market prices.

Tip Fee Stabilization Fund. In 2001, the Board of MRC voted to set aside a portion of the Performance Credits received each quarter into an investment account for future distributions to Charter Municipalities. In 2003, the Board voted to temporarily suspend additional purchases of PERC and to transfer to this Fund amounts in the Custody Account when they exceed a certain minimum balance. The investments in this account are carried at fair value based on quoted market prices.

Operating Budget Stabilization Fund. In 2004, the Board of MRC voted to establish this investment account from certain funds that the Joint Venture had received from the general partner of PERC. These investments may be used to provide MRC with funds each year through March 31, 2018, for balancing its annual operating budget in the event of contingencies. The investments in this account are carried at fair value based on quoted market prices.

**MUNICIPAL REVIEW COMMITTEE, INC.  
NOTES TO FINANCIAL STATEMENTS**

Net Position. Equity in government-wide financial statements is classified as net position. Net position is further classified as invested in capital assets, restricted, and unrestricted. Capital assets are assets that are associated with governmental activities and arise from expenditures of governmental fund resources. Restricted net position consists of equity with constraints placed upon its use either by (1) external groups such as creditors or the laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Equity in fiduciary fund financial statements is also classified as net position. This net position is not divided into the three categories used in government-wide financial statements. It simply reports the difference between the fund's assets and liabilities, and is shown as "Net position held for the benefit of the Equity Charter Municipalities of Municipal Review Committee, Inc."

Fund Balance. Governmental fund equity is classified as fund balance. The fund balance is further classified as restricted, committed, assigned, or unassigned. Restricted funds consist of amounts that are legally restricted by external parties or laws for a specific purpose. Committed funds consist of amounts that can only be used for a specific purpose pursuant to constraints imposed by the Board. Assigned funds represent tentative plans for future use.

**2. DEPOSITS AND INVESTMENTS**

**a. Custodial Credit Risk—Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the entity's deposits may not be returned to it. The Entity does not have a deposit policy for custodial credit risk. As of December 31, 2014, \$103,508 of the Entity's deposits held in banks totaling \$5,286,831 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized \$103,508

The Entity has not experienced any losses in the past. Management believes it is not exposed to any significant risk on its uninsured and uncollateralized cash deposits.

**b. Credit Risk, Concentration of Credit Risk, and Interest Rate Risk—Investments**

The following schedule summarizes the Fiduciary Fund's investments at December 31, 2014:

	Market Value	Investment Maturities (in Years)			Weighted Average Maturity
		Less Than 1	1-5	6-10	
U.S. Treasury Notes	\$ 3,502,550	\$ 999,960	\$ 2,502,590	-	2.20 years
U.S. Government Agency Bonds:					
Federal Home Loan Bank	10,460,875	3,863,325	6,597,550	-	1.75 years
Federal Farm Credit Bank	3,465,437	755,050	2,710,387	-	1.79 years
Federal National Mortgage Association	<u>253,418</u>	-	<u>253,418</u>	-	1.88 years
Total Bonds	14,179,730	4,618,375	9,561,355	-	1.76 years

**MUNICIPAL REVIEW COMMITTEE, INC.  
NOTES TO FINANCIAL STATEMENTS**

	<u>Market Value</u>	Investment Maturities (in Years)			<u>Weighted Average Maturity</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	
Money Market Mutual Funds:					
Federated Government Obligations Tax-Managed Fund	\$ 596,868	\$ 596,868	-	-	49 days
Total Mutual Funds Totals	<u>\$18,279,148</u>	<u>\$6,215,203</u>	<u>\$12,063,945</u>	<u>\$ -</u>	

Maine statutes authorize the Entity to invest its municipal revenues in all obligations of the U.S. government and its instrumentalities, in U.S. agencies within the three highest ratings issued by nationally recognized statistical rating organizations, in repurchase agreements secured by U.S. obligations, and in shares of registered mutual fund companies that invest in U.S. obligations. The Entity invests only in instruments allowed under Maine Law; however, it does not invest in any subordinated debt.

*Credit Risk.* Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The Entity's investments in the bonds of U.S. Agencies were all rated Aaa, AAA, and AAA by Moody's Investors Service, Standard & Poor's, and Fitch Ratings, respectively. The money market mutual funds were both rated Aaa-mf and AAAM by Moody's Investors Service and Standard & Poor's, respectively.

*Concentration of Credit Risk.* Concentration of credit risk exists when the investments in any one issuer exceed 5% of total investments. However, no concentration of credit is deemed to exist for investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds. MRC does not have a policy for managing its concentration of credit risk. The investment in bonds issued by Federal Home Loan Bank and Federal Farm Credit Bank amount to 57.23% and 18.96%, respectively, of total investments.

*Interest Rate Risk.* Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. In accordance with its investment policy, the Entity limits the weighted average maturity of its investment portfolio to within two years of the duration of a benchmark based on blended values of the Barclay's Agency 1-3 Year Index and the Barclay's U.S. Government Intermediate Bond Index.

### 3. INVESTMENT IN PERC

The Entity accounts for its investment in PERC under the equity method, that is, at cost adjusted periodically by the Entity's share of PERC's earnings or losses, and increased by contributions made and decreased by the distributions received. During the year ended December 31, 2014, the Entity received a distribution of \$1.019 million.

The Partnership has a limited life extending to December 31, 2018, unless further extended by a vote of all partners. Profits and losses, including gains and losses upon sale or refinancing, are allocated among the partners in accordance with their ownership percentages. The difference between the cost of the investment in the PERC partnership and the underlying equity in the

**MUNICIPAL REVIEW COMMITTEE, INC.  
NOTES TO FINANCIAL STATEMENTS**

partnership's capital when acquired, approximately \$1,000,000, is accounted for as goodwill not subject to amortization.

The ownership interests of the partners of PERC at December 31, 2014, are as follows:

	<u>General Partners</u>	<u>Limited Partners</u>
USA Energy Group, LLC	10.0%	42.7%
Equity Charter Municipalities of MRC	-	23.0%
PERC Holdings, LLC	-	24.3%
Total	<u>10.0%</u>	<u>90.0%</u>

Summarized financial information of PERC at December 31, 2014, and for the year then ended, is as follows:

**ASSETS**

Cash and cash equivalents	\$ 7,728,797
Accounts receivable, prepaid expenses, and other assets	4,108,171
Restricted funds	3,044,045
Property, plant, and equipment, net of accumulated depreciation	<u>31,076,268</u>
Total assets	<u>\$45,957,281</u>

**LIABILITIES AND PARTNERS' CAPITAL**

Accounts payable, accrued expenses, and other liabilities	\$ 3,515,881
Note payable	<u>5,029,835</u>
Total liabilities	8,545,716
Partners' capital	<u>37,411,565</u>
Total liabilities and partners' capital	<u>\$45,957,281</u>

**STATEMENT OF INCOME**

Revenues	\$36,659,716
Operating expenses	<u>31,489,059</u>
Operating income before interest and other financing costs	5,170,657
Interest and other financing costs	<u>(300,442)</u>
Net income	<u>\$ 4,870,215</u>

**4. OPTIONS TO PURCHASE LAND**

As part of its post-2018 planning initiative, the Entity has acquired options to purchase tracts of land in Greenbush, Argyle, and Hampden, Maine. The options allow the Entity to purchase land at a predetermined amount during initial two- or three-year and successive terms. The options will automatically renew for either two or three successive one-year terms, provided that additional option consideration is paid. The option price and any additional consideration may be applied toward the purchase price.

**5. SCHEDULE OF EQUITY CHARTER MUNICIPALITY NET POSITION**

MRC allocates most of the Joint Venture's cash inflows among the Equity Charter Municipalities on the basis of actual tons of acceptable waste delivered to PERC each quarter. Each individual



**MUNICIPAL REVIEW COMMITTEE, INC.  
NOTES TO FINANCIAL STATEMENTS**

acquisition of PERC has been allocated among the Equity Charter Municipalities based on the allocation for the calendar quarter the purchase was made. The distributions PERC makes to its partners are allocated among the municipalities based on each municipality's respective ownership of PERC at the time of the distributions.

Some of the Joint Venture's assets have not been allocated among its members yet, such as the undistributed profits of PERC. These assets will be allocated in the calendar quarter that they are converted to cash. However, for purposes of this schedule, the allocation of these assets has been estimated based on the cumulative allocations of the allocated assets. The actual allocations that will be made in the future may be different than that presented here, since it will generally be allocated based on the allocation for the quarter in which the cash is received.

**6. INCOME TAXES**

The Organization is tax exempt under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), and is classified by the Internal Revenue Service (IRS) as other than a private foundation. However, the Internal Revenue Code may subject an organization to tax on unrelated business taxable income. It is Management's opinion that the Organization had no unrelated business taxable income during the year ended December 31, 2014.

The Organization is required to file Form 990 (Return of Organization Exempt from Income Tax), which is generally subject to examination by the IRS and state authorities up to three years from the due date. Forms 990 for 2010 to 2013 were open to examination as of December 31, 2014.

**7. RETIREMENT PLAN**

MRC has sponsored a SIMPLE IRA plan for its employee and matches 100% of the employee's deferred compensation up to 3% of the employee's compensation. The expense for the year ended December 31, 2014, was \$2,632.

**8. OPERATING LEASE**

During the year ended December 31, 2012, the Entity entered into a 13-month lease for office space in Ellsworth, Maine beginning December 1, 2012, at a rate of \$450 per month. Rental expense under this lease for the year ended December 31, 2014, amounted to \$8,400. There are no further minimum lease payments remaining under this lease.

**9. INSURANCE**

The Entity is exposed to a variety of risks in the ordinary course of its daily activities. Some of these risks include workers' compensation, legal, and fiduciary liabilities. MRC has purchased commercial insurance policies to cover potential claims.

**MUNICIPAL REVIEW COMMITTEE, INC.**  
**SCHEDULE OF EQUITY CHARTER MUNICIPALITY NET POSITION**  
**DECEMBER 31, 2014**

Albion	\$ 175,886	Mattawamkeag	\$ 83,782
Alton	71,442	Midcoast SWD	1,592,677
Atkinson	23,823	Mid-Maine SWD	903,920
Baileyville	332,179	Milford	233,819
Bangor	5,896,061	Millinocket	620,980
Bar Harbor	1,172,612	Milo	268,502
Blue Hill/Surry	787,215	Monson	47,264
Boothbay RRDD	1,047,267	Mt. Desert/EMR	1,428,789
Bradley	94,618	Newburg	109,402
Brewer	1,611,767	Old Town	965,122
Brooks	54,448	Orland	85,001
Brownville	151,553	Orono	860,601
Bucksport	492,891	Otis	41,930
Burnham	117,555	Palmyra	136,761
Carmel	197,361	Parkman	38,467
Central Penobscot	374,033	Penobscot Co.	177,838
China	388,324	Pleasant River SWD	268,869
Clifton	69,555	Plymouth	103,388
Clinton	509,773	Reed Plantation	19,370
Dedham	89,543	Rockland	1,149,158
Dover-Foxcroft	424,465	Sangerville	106,493
Eddington	182,485	Searsport	251,303
Enfield	158,442	Stetson	91,686
Fairfield	611,180	Steuben	112,432
Glenburn	363,025	Stonington	197,891
Gouldsboro	174,038	Thomaston Group	777,687
Greenbush	111,745	Thorndike	59,688
Guilford	267,480	Troy	44,240
Hampden	703,333	Union River SWD	69,237
Hancock	120,359	Unity	165,236
Hermon	601,905	Vassalboro	304,844
Holden	189,506	Veazie	155,754
Jackson	23,970	Verona	60,514
Lamoine	120,091	Waldoboro Group	665,748
Lee	78,783	Waterville	2,142,822
Levant	178,363	Winslow	683,374
Lincoln	776,693	West Gardiner	247,456
Lucerne	51,064	Winthrop	621,891
Mariaville	27,936		
Mars Hill	193,501	Total	<u>\$ 34,910,208</u>

The Equity Charter Municipality Net Position is not available for immediate withdrawal due to various restrictions, designations, and other limitations on their withdrawal, direction, and application. Please refer to Management's Discussion and Analysis and the accompanying notes for additional information.