

MEMORANDUM

TO: MRC Member Communities
FROM: Greg Louder, MRC Executive Director
DATE: August 15, 2016
RE: **MRC Financial Statements for 2015 and Independent Auditor's Report**

Please find enclosed a copy of the MRC's Financial Statements for 2015, along with the Independent Auditor's Report from our auditor, Loiselle, Goodwin & Hinds. MRC records are audited by a third party auditor on an annual basis to provide member communities with the best possible information on the financial position of the MRC and the joint venture while also providing an ongoing tool to support municipal accounting and audit requirements. To maintain total transparency, the MRC presents updates on its budgets and costs and on assets managed by the MRC in public session at quarterly MRC board meetings and annual membership meetings, and quarterly update information is posted on the MRC website (mrcmaine.org/resources/).

The audit of the MRC Financial Statements provides an independent view of both the activities of the General Fund, used for MRC administrative functions, and the activities of the joint venture of the Equity Charter Municipalities of MRC, Inc., related to funds managed by the MRC on behalf of its member communities since 1999 in connection with the implementation of the PERC contract restructuring process or so-called "Parity Deal". The Financial Statement also includes a Management Discussion and Analysis prepared by the MRC. These disclosures discuss past financial performance, economic factors and significant foreseeable future conditions that may impact the position of the joint venture.

The Independent Auditor's Report expresses the opinion of the auditor on the financial statements based on the audit. As stated in that report, the auditor finds that the financial statements

"...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, 2015, and the respective changes in financial positions, for the year then ended in conformity with accounting principles generally accepted in the United States of America."

At its meeting on July 27, 2016, the MRC Board voted to accepted the audit as presented. The MRC Board also voted for and directed staff to institute procedures to establish additional clear distinction between funding for MRC general administration, representation and oversight tasks before March 31, 2018, which costs are shared among all Charter Municipalities, and funds for oversight of the development of the Fiberight facility in Hampden, which would serve Joining Members on April 1, 2018 and thereafter, which costs will be shared among Joining Members only. To this end, all MRC costs related to oversight of and activities related to the Fiberight project incurred after June 30, 2016 (the end of the period for becoming a Joining Member) are being accounted for separately to preclude their allocation to Departing Municipalities. The vote of the MRC Board (which includes four Board members from Departing Municipalities) on this matter was unanimous.

The Hampden facility is still on track to open by April 1, 2018. More information on the status of the Hampden facility, and on MRC management of reserve funds, will follow in separate communications.

Note that the MRC Financial Statements and Independent Auditor's Report includes a table of Equity Charter Municipality net positions as of December 31, 2015, that shows the holdings as of that date of each Equity Charter Municipality in each reserve fund managed by the MRC. The table also presents the positions of each Equity Charter Municipality in the Debt Service Reserve Fund, as well as the value of the net investment in PERC (a non-cash asset) prepared by the auditor and using the equity method of accounting. By presenting this information in an unbundled fashion, each Equity Charter Municipality will have the information needed to make its own decisions regarding how to value its net position in the Joint Venture.

The MRC is also aware that member communities may have received information from other sources that question the MRC's management of reserve funds, approach to administration and authority to carry out its duties. If you have any questions regarding these or other matters, please contact Greg Louder, MRC Executive Director, at 664-1700 or 866-254-3507.

Enclosure: MRC Financial Statements for 2015 and Independent Auditor's Report

MUNICIPAL REVIEW COMMITTEE, INC.

FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

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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, 2015, 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 26%, 26%, and 11%, 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, 2015, 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.

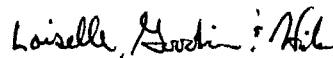
Other Matters

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 14 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

August 1, 2016
Bangor, Maine

MUNICIPAL REVIEW COMMITTEE, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF THE FINANCIAL STATEMENTS FOR CALENDAR YEAR 2015

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, 2015. 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 \$294,181 in total revenue in 2015, compared to \$292,792 in total revenue in 2014. Dues from members amounted to \$224,367 in 2015, compared to \$223,972 in 2014.
- Total expenses in 2015 were \$736,748, compared to \$1,028,280 in 2014.

Joint Venture

- Distributed \$3.73 million to Charter Municipalities, thereby achieving the target values for per-ton waste disposal costs of \$55 per ton in the first two quarters and \$59 per ton for the last two quarters of 2015.
- 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 \$24.659 million, in the Tip Fee Stabilization Fund as of the end of 2015 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 of \$862,529, by the end of 2015 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 \$36.781 million at the close of 2015, including \$9.678 million in value of the Equity Charter Municipality share of the PERC partnership and \$27.103 million in other, more liquid, net assets.

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 of MRC ("General Fund") are presented in two different formats:

1. The Governmental Funds Balance Sheet / Statement of Net Position ("Balance Sheet") identifies and presents values for the General Fund assets and liabilities 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 between the two formats.

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

- 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, site development and website design costs as adjustments, as they are assets that are not currently available for use to meet current expenditures.

The fund balance presented on the Balance Sheet is unassigned. It has not been restricted, committed, or assigned.

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 2015. The Income Statement also identifies and presents the changes in the fund balance and net position over the course of 2015.

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:

- The Custody Account, which is invested in a U.S. government money market account held by Bangor Savings Bank.
- The Tip Fee Stabilization Fund and the MRC Operating Budget Stabilization Fund, which are primarily invested in a set of bonds and certificates of deposit having varying maturities and managed by an investment advisor, Peoples United Bank, in accordance with investment policies approved by the MRC Board.
- The Equity Charter Municipality investment in the PERC partnership, which is accounted for using the equity investment method. Included in the value of PERC is the Equity Charter Municipalities' share of the reserve funds held by the Trustee as part of the security for PERC's outstanding debt.

The liability shown on the Balance Sheet is the tipping fee rebates payable to the Charter Municipalities in the first quarter of 2016 based on tipping fees paid for the fourth quarter of 2015, including pro rata allocation among Equity Charter Municipalities of amounts payable to New Charter Municipalities. Net position is comprised of the carrying value of the investment in PERC and the various funds in excess of the distributions payable.

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 2015.

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.
- Investment 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 the General Fund, 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. Such transfers in 2015 amounted to \$676,400.

3.0 Analysis of Overall Financial Position and Results of Operations

Municipal Review Committee, Inc.

MRC's net position increased \$233,833 or 400.56% in 2015. The following table summarizes this change.

	<u>Governmental Activities</u>		<u>Total %</u>
	<u>2015</u>	<u>2014</u>	<u>Change</u>
Cash	-	\$ 9,604	(100.00)%
Membership Fees Receivable	\$ 56,209	56,438	(0.41)%
Options to Purchase Land	125,000	85,000	47.06%
Fiberight Site Development Costs	212,532	-	na
Other Assets	30,614	28,924	5.84%
Total Assets	424,355	179,966	135.80%
Current Liabilities	132,145	121,589	8.68%
<i>Net Position:</i>			
Invested in Capital Assets	337,824	85,876	293.39%
Unrestricted	(45,614)	(27,499)	(65.91)%
Total Net Position	<u>\$ 292,210</u>	<u>\$ 58,377</u>	400.56%

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

	<u>Governmental Activities</u>		<u>Total %</u>
	<u>2015</u>	<u>2014</u>	<u>Change</u>
Membership Fees	\$ 224,367	\$ 223,972	0.18%
Other Revenue	69,814	68,820	1.44%
Total Revenues	294,181	292,792	0.47%
Total Expenses	(736,748)	(1,028,280)	(28.35)%
Transfers from Fiduciary Fund	676,400	686,000	(1.40)%
Change in Net Position	233,833	(49,488)	na
Beginning Net Position	58,377	107,865	
Ending Net Position	<u>\$ 292,210</u>	<u>\$ 58,377</u>	

Joint Venture

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 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 2015, the target value was \$55 per ton for all Charter Municipalities. In the last two quarters of calendar year 2015, the target value was \$59 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 \$34.91 million to \$36.78 million, or 5.36%, in 2015. The following table summarizes these changes.

	<u>Fiduciary Activities</u>		<u>Total %</u>
	<u>2015</u>	<u>2014</u>	<u>Change</u>
Cash and Investments	\$27,897,817	\$25,586,174	9.03%
Investment in PERC	9,678,083	10,300,414	(6.04)%
Total Assets	37,575,900	35,886,588	4.71%
Tipping Fee Rebates Payable	795,183	976,380	(18.56)%
Total Net Position	<u>\$36,780,717</u>	<u>\$34,910,208</u>	5.36%

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

	<u>Fiduciary Activities</u>		<u>Total %</u>
	<u>2015</u>	<u>2014</u>	<u>Change</u>
PERC Performance Credits	\$ 5,221,329	\$ 3,872,626	34.83%
Share of PERC's Net Income	690,071	1,118,652	(38.31)%
Investment Income	184,850	153,120	20.72%
Total Additions	6,096,250	5,144,398	18.50%
Total Deductions	<u>4,225,741</u>	<u>4,734,203</u>	(10.74)%
Change in Net Position	1,870,509	410,195	356.00%
Beginning Net Position	<u>34,910,208</u>	<u>34,500,013</u>	
Ending Net Position	<u>\$36,780,717</u>	<u>\$34,910,208</u>	

MRC distributed sufficient cash in each of the four quarters of 2015 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	\$77.00	\$78.25	\$79.50	\$79.00
Distribution to Charter Municipalities	\$22.00	\$23.25	\$20.50	\$20.00
Net disposal cost for Charter Municipalities	\$55.00	\$55.00	\$59.00	\$59.00
Target value for Charter Municipalities	\$55.00	\$55.00	\$59.00	\$59.00

All values are in system-weighted average dollars per ton.

By the end of 2015, the balance in the Tip Fee Stabilization Fund was \$24.659 million, including accrued investment income. Based on the funds available as of the end of 2015 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 deplete 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 second and third quarters of 2015.
- Transfer of funds to the MRC Operating Account from the Custody Account in the first and second quarters of 2015.

5.0 Capital Assets and Debt Administration

MRC had no outstanding debt in 2015.

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 promissory 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 2015 and beyond:

- Electric utility regulation. In 2015, approximately 58 percent of the 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 until February 14, 2018. Such purchases undertaken pursuant to the PPA in 2015 were at prices significantly 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 ("Maine PUC"), which has regulatory jurisdiction over Bangor Hydro and its power purchase arrangements. 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 prior to the expiration of the PPA.

- Facility maintenance costs. The facility operator, acting for PERC, LP, is planning to incur major maintenance expenditures for the PERC Facility to ensure that operations continue through March 31, 2018. Implementation of capital and maintenance investments in the PERC Facility's major processing and production systems will continue to be an integral factor in maintaining its economic performance in 2016 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 for maintenance of current levels of performance will not exceed projections in the coming years, or that performance will be maintained at current levels. Moreover, the expiration of the PPA will dramatically reduce revenues to the PERC Facility. The MRC believes that the PERC Facility will not be economically viable starting in 2018 after the termination of the PPA, in part because PERC will not be able to sustain the same level of operations and maintenance starting in 2018.

As a facility with a nameplate generating capacity of more than 20 MW, the PERC 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 and software 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 PERC Facility might be required to implement, nor is there assurance regarding the cost and impact on performance of satisfying such requirements.

- Waste acquisition. In 2015, PERC recorded that it received 311,718 tons of municipal solid waste (MSW). The MSW included 123,435 tons of MSW from commercial and spot market arrangements to supplement the 175,497 tons of MSW reported by PERC as delivered by Charter Municipalities and 12,786 tons of MSW delivered by other municipalities. MSW deliveries to PERC by Charter Municipalities decreased by 3,995 tons (-2.2 percent) from 2014 to 2015, and, per PERC's records, fell short by 8,755 tons of the guaranteed annual tonnage (GAT) that the Charter Municipalities, in aggregate, were obligated to deliver to PERC in 2015 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. The MRC has not received notice from PERC related to a shortfall in deliveries. Whether a shortfall penalty will be assessed in 2016 for the delivery shortfalls in 2015, or for shortfalls in 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 2016 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 2016 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 120,000 tons per year of MSW generated in Maine and 170,000 tons per year of MSW from other states. Such MSW must now be managed through other facilities.
2. In 2013, 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 up to 81,800 tons per year of unprocessed in-state MSW that had previously been accepted at the Maine Energy Resource Company (MERC) facility in Biddeford, but excluding (a) out-of-state waste; and (b) waste originating in areas that are under contract for delivery for disposal to a competing facility (such as the PERC Facility). 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 were intended to provide additional assurance that the PERC facility would 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 67,000 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 2016 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.

7.0 Post-2018 Planning Initiative and Implementation

As described previously, the PPA that provides the PERC facility with 58 percent of its revenues, through prices that are significantly in excess of market prices, is scheduled to terminate on February 14, 2018. After a lengthy evaluation process, the MRC believes that the PERC facility will not be economically viable after the PPA expires in 2018.

In recognition of the need for capacity to accept and process MSW after the PERC facility closes, MRC has proceeded with sponsorship of the development of a new facility to manage MSW originating in its member municipalities after the existing disposal agreements expire early in 2018. To this end, MRC has performed the following:

- Issued a Request for Expressions of Interest (RFEI) to solicit responses from vendors that might design, develop, finance, construct and operate a facility to accept and process MSW into marketable products starting on April 1, 2018.
- Reviewed and evaluated 15 proposals from vendors that responded to the RFEI.
- Selected as most advantageous 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 to be secured by the MRC.
- Acquired an option to purchase a suitable site for development of the Facility in Hampden, Maine.
- Entered into a Development Agreement dated February 4, 2015, with Fiberight regarding the development of a facility on the Hampden site.
- Worked with Fiberight to submit applications to the Maine Department of Environmental Protection for an air emissions license and a solid waste facility license for the facility being developed at the Hampden site.
- Entered into a Waste Disposal Agreement with Waste Management Disposal Services of Maine, Inc. dba Crossroads Landfill (Crossroads Landfill), dated August 24, 2015, for disposal of solid

waste residuals from the Fiberight facility, as well as MSW that the Fiberight facility cannot accept for processing after April 1, 2018.

- Negotiated a Master Waste Supply Agreement and a Site Lease with Fiberight regarding development and construction of the facility at the Hampden site by April 1, 2018; commitments to deliver MSW to the facility as of April 1, 2018, and thereafter; operation of the facility to accept delivered MSW; and related business arrangements.
- Negotiated a form of Joinder Agreement that has been distributed to each Charter Municipality as a contractual basis for providing MSW to the Facility in Hampden for an initial term of 15 years starting on April 1, 2018. The form of Joinder Agreement provides a basis for allocation of all of the cash assets of the Equity Charter Municipalities as of April 1, 2018. Under that allocation, \$5.0 million would be used to purchase and develop the Hampden site. The remaining funds would be used to support the anticipated MSW processing and disposal arrangements going forward for those Charter Municipalities that enter into Joinder Agreements. The allocable share of such funds would be returned to Equity Charter Municipalities that do not enter in Joinder Agreements.
- Circulated the Joinder Agreements and other related materials to all of the Charter Municipalities with a recommendation for approval of the Joinder Agreement in the first part of 2016.

MRC's expenses to support such development have been funded by reserves held in the MRC Operating Budget Stabilization Fund in accordance with the permitted uses of such funds. At this time, the effort for development of the Fiberight facility in Hampden remains on schedule and the MRC remains confident that such facility will be available to accept and process MSW when and as needed. In the event that the availability of the Fiberight facility is delayed or limited, MSW from those entities that have signed Joinder Agreements would be directed to the Crossroads Landfill under the terms of the Waste Disposal Agreement between the MRC and the Crossroads Landfill.

At this time, the MRC continues to support the obligations of its member municipalities to 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 an alternative to the PERC Facility after the disposal agreements expire in 2018 might have impacts on the performance of the existing facility and 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.

- Litigation. 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.

In this context, the MRC and five of the Equity Charter Municipalities (Bar Harbor, Fairfield, Mount Desert, Orono and Waterville) have 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. The suit was transferred to Superior Court in the State of Maine, Penobscot County, as Civil Action Docket No. CV-2015-22. The parties completed a court-mandated one-day mediation session, which was not successful in achieving a settlement. A trial is being scheduled for the fall of 2016.

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 or closure 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.

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.

8.0 Components of Equity Charter Municipality Net Position as of December 31, 2015

The MRC appreciates that certain Equity Charter Municipalities have, in the past, incorporated into their own financial statements the value of their allocated share of the assets managed by the MRC for all of the Equity Charter Municipalities. In the past, such allocated shares have been reported in the form of a single value for each Equity Charter Municipality. Given our belief that the PERC facility will close in 2018, however, the MRC believes that such allocated shares in the Joint Venture's net position ought to be unbundled in order to distinguish (a) the value of the funds being held by MRC in the name of each Equity Charter Municipality; (b) the value of funds held for stabilizing MRC's budgeted operations; and (c) the overall and net carrying values of the interest held in the PERC Partnership for each Equity Charter Municipality.

To date, the carrying value of the investment in the PERC Partnership has been determined on the equity method of accounting, i.e., by the actual investment of resources into and distributions out of the PERC Partnership, as well as a share of the earnings of the PERC Partnership based on ownership. MRC recognizes that any future cash flows from the PERC facility in 2018 or after, should it close, would be best determined by its net salvage value rather than on the basis of the equity method of accounting. Unfortunately, the PERC Partnership, as noted in the auditor's report on its 2015 financial statements, has not updated the expected residual value of property, plant and equipment, or the associated retirement obligations, for the PERC facility should it be closed in 2018. Thus, no current estimate of what the net cash flows from the PERC facility may be in 2018 or after is available.

The MRC has also received numerous inquiries regarding the allocation among the Equity Charter Municipalities of the funds being held in the Debt Service Reserve Fund and that are scheduled to be released to the MRC upon retirement of PERC's outstanding debt. Such funds are not included in these financial statements as a separate asset, inasmuch as these funds are included on PERC's books and included in the carrying value of the PERC Partnership. The MRC Board has previously voted to allocate such funds among the Equity Charter Municipalities in proportion to the actual share of total tons delivered by the Equity Charter Municipalities to the PERC facility over the period of the most recent refinancing (that is, from July 1, 1998, through December 31, 2017).

To address both these issues, the following table sets forth, for each Equity Charter Municipality, the allocated shares of each of the reserve funds held on its behalf by the MRC, as well as the imputed allocation to each Equity Charter Municipality of the carrying value of the PERC Partnership. Again, the overall value of the PERC Partnership in this table has been determined using the equity method of accounting instead of the net salvage value of the PERC facility. By presenting this information in an unbundled fashion, each Equity Charter Municipality will have the information needed to make its own decision regarding how to value its net position in, and any future cash flows from, the Joint Venture.

Also included in this table is a tabulation of the share of the Debt Service Reserve Fund (which is included in the carrying value of the PERC Partnership in the financial statements) allocable to each Equity Charter Municipality as of December 31, 2015. Although these data are interim values, they provide a reasonable indication of the magnitude of the final allocation that will be determined early in 2018, when all data necessary to make the final allocation will become available.

9.0 Contact Information

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

Table of Equity Charter Municipality Net Position as of December 31, 2015

Based on account balances as of December 31, 2015

	Net Funds Held for Equity Charter Municipalities				MRC	Investment in PERC Partnership			
					Operating				
		Tip Fee	Tipping Fee		Budget	Debt Service	Net		
	Custody	Stabilization	Rebates		Stabilization	Reserve	Investment		Total Net
	Account	Account	Payable	Subtotal	Account	Fund (1)	in PERC (2)	Subtotal	Position
Albion	13,411	130,119	(4,045)	139,486	4,792	7,978	37,667	45,645	189,923
Alton	4,752	50,101	(1,647)	53,205	1,726	2,633	17,584	20,217	75,148
Atkinson	2,054	17,321	(612)	18,763	606	995	5,462	6,457	25,826
Baileyville	26,846	258,755	(7,363)	278,238	8,357	14,437	61,521	75,958	362,553
Bangor	414,650	4,165,744	(140,350)	4,440,043	151,368	236,632	1,413,875	1,650,508	6,241,919
Bar Harbor	85,380	836,355	(25,097)	896,637	26,825	39,998	277,494	317,492	1,240,955
Blue Hill/Surry	64,282	579,877	(18,603)	625,556	19,297	31,228	172,461	203,689	848,543
Boothbay RRDD	69,003	755,105	(21,051)	803,057	25,086	37,991	236,157	274,147	1,102,291
Bradley	8,260	67,938	(2,498)	73,699	2,467	4,027	22,326	26,353	102,519
Brewer	84,822	1,077,430	(34,684)	1,127,568	38,349	52,971	420,582	473,553	1,639,470
Brooks	6,844	41,333	(1,785)	46,392	1,517	2,785	11,761	14,547	62,456
Brownville	9,075	104,379	(3,292)	110,162	3,871	5,550	37,675	43,225	157,257
Bucksport	18,530	319,611	(9,289)	328,853	11,655	15,419	132,914	148,333	488,840
Burnham	10,044	85,570	(2,962)	92,651	3,069	4,997	27,072	32,070	127,790
Carmel	17,999	146,081	(5,251)	158,829	5,267	8,901	43,765	52,666	216,761
Central Penobscot	37,273	291,747	(9,906)	319,113	10,129	18,216	73,107	91,323	420,565
China	19,552	266,538	(7,750)	278,340	9,941	14,161	95,497	109,658	397,939
Clifton	5,819	51,192	(1,723)	55,288	1,879	3,252	15,523	18,775	75,942
Clinton	22,603	346,233	(9,522)	359,314	12,225	18,354	127,892	146,246	517,785
Dedham	5,676	62,851	(1,908)	66,619	2,224	3,340	21,361	24,701	93,544
Dover-Foxcroft	35,401	308,446	(10,693)	333,154	10,799	17,632	96,948	114,580	458,534
Eddington	13,194	126,603	(4,456)	135,341	4,720	7,337	45,454	52,792	192,853
Enfield	12,271	112,313	(3,870)	120,714	4,042	6,375	38,178	44,553	169,310
Fairfield	50,496	467,595	(14,497)	503,594	15,644	28,911	133,584	162,495	681,733
Glenburn	35,399	271,592	(9,906)	297,085	9,701	16,997	81,756	98,753	405,540
Gouldsboro	7,365	120,651	(3,047)	124,968	4,225	5,813	40,785	46,598	175,792
Greenbush	9,777	80,374	(2,991)	87,160	2,981	4,846	26,437	31,282	121,423
Guilford	21,111	183,543	(7,016)	197,637	6,683	10,142	69,187	79,329	283,650
Hampden	53,268	501,995	(16,975)	538,288	17,218	27,148	165,997	193,146	748,651
Hancock	5,719	82,634	(2,296)	86,058	2,864	4,097	29,503	33,600	122,522
Hermon	57,048	445,672	(16,698)	486,022	15,730	26,696	134,538	161,234	662,987
Holden	16,058	135,673	(4,931)	146,800	4,645	7,357	44,972	52,330	203,774
Jackson	3,005	18,351	(795)	20,560	698	1,274	5,292	6,566	27,825
Lamoine	8,136	87,344	(2,653)	92,827	2,999	4,730	27,144	31,874	127,701
Lee	8,394	55,965	(2,399)	61,960	2,017	3,273	19,786	23,059	87,035
Levant	15,749	128,598	(4,854)	139,492	4,499	7,472	42,521	49,992	193,984
Lincoln	48,483	534,788	(17,329)	565,943	19,589	29,181	196,035	225,216	810,748
Lucerne	4,387	38,175	(1,230)	41,333	1,362	2,298	10,931	13,228	55,924
Mariaville	2,225	20,235	(674)	21,786	731	1,184	6,263	7,448	29,965
Mars Hill	17,360	133,722	(5,474)	145,609	5,139	7,798	49,402	57,201	207,949
Mattawamkeag	4,650	57,653	(1,740)	60,562	2,038	2,942	20,824	23,766	86,366
Midcoast SWD	109,611	1,091,143	(36,757)	1,163,998	37,379	55,006	403,013	458,020	1,659,396
Mid-Maine SWD	70,751	614,721	(23,835)	661,637	22,257	33,525	238,453	271,978	955,871
Milford	14,683	160,284	(5,263)	169,704	5,828	8,607	58,520	67,127	242,659
Millinocket	36,972	431,203	(13,047)	455,128	14,620	21,706	152,405	174,111	643,858
Milo	20,760	191,630	(6,596)	205,794	6,621	10,556	64,307	74,863	287,278
Monson	3,353	34,247	(1,040)	36,559	1,130	1,797	10,622	12,419	50,108
Mt. Desert/EMR	91,398	1,030,920	(28,442)	1,093,875	34,504	52,314	313,980	366,294	1,494,673
Newburg	8,117	79,503	(2,614)	85,006	3,027	5,311	26,266	31,576	119,609
Old Town	45,466	647,898	(19,954)	673,410	24,267	34,607	252,623	287,230	984,908
Orland	4,520	51,725	(2,003)	54,241	2,158	2,665	25,992	28,657	85,055
Orono	62,519	596,380	(21,389)	637,510	20,522	31,103	216,514	247,618	905,650
Otis	2,934	28,373	(970)	30,337	1,045	1,506	10,912	12,417	43,799
Palmyra	14,106	101,768	(3,963)	111,911	3,756	6,757	31,277	38,034	153,701
Parkman	3,404	28,366	(992)	30,779	963	1,588	8,406	9,994	41,735
Penobscot Co.	12,297	124,547	(4,179)	132,665	4,379	6,711	43,465	50,176	187,220
Pleasant River SWD	7,550	180,839	(4,522)	183,867	7,671	10,339	65,870	76,209	267,746
Plymouth	7,596	73,196	(2,518)	78,274	2,749	4,336	24,890	29,226	110,249
Reed Pt	1,562	13,499	(504)	14,558	475	733	4,758	5,491	20,524
Rockland	76,127	800,839	(26,076)	850,889	29,129	44,385	278,104	322,489	1,202,508

Table of Equity Charter Municipality Net Position as of December 31, 2015									
Based on account balances as of December 31, 2015									
	Net Funds Held for Equity Charter Municipalities				MRC	Investment in PERC Partnership			
					Operating				
					Budget	Debt Service	Net		
	Custody	Tip Fee	Tipping Fee		Stabilization	Reserve	Investment		Total Net
	Account	Stabilization	Rebates	Subtotal	Account	Fund (1)	in PERC (2)	Subtotal	Position
		Account	Payable						
Sangerville	9,692	79,256	(2,764)	86,184	2,813	4,729	23,115	27,844	116,841
Searsport	15,898	166,335	(5,747)	176,486	5,533	7,718	67,860	75,578	257,597
Stetson	7,571	70,663	(2,210)	76,025	2,674	4,615	17,848	22,463	101,162
Steuben	9,715	82,677	(2,837)	89,554	2,846	4,675	25,022	29,697	122,098
Stonington	18,481	148,126	(4,968)	161,640	4,909	8,248	42,276	50,524	217,072
Thomaston Group	61,668	559,975	(19,060)	602,583	20,101	32,418	180,149	212,567	835,251
Thorndike	3,129	42,207	(1,227)	44,110	1,589	2,299	14,163	16,462	62,161
Troy	2,408	30,287	(926)	31,769	1,156	1,677	11,025	12,702	45,627
Union River SWD	5,840	50,599	(1,783)	54,656	1,837	3,000	15,991	18,990	75,483
Unity	14,080	120,913	(4,183)	130,810	4,264	7,160	36,992	44,152	179,226
Vassalboro	19,339	212,781	(6,990)	225,130	7,648	11,729	75,181	86,911	319,689
Veazie	9,316	108,112	(3,391)	114,037	3,812	5,668	37,991	43,659	161,507
Verona	4,325	42,762	(1,464)	45,623	1,540	2,441	14,572	17,013	64,177
Waldoboro Group	40,545	474,198	(13,886)	500,858	16,199	25,364	154,077	179,442	696,498
Waterville	93,609	1,522,351	(38,744)	1,577,215	46,688	73,293	495,882	569,175	2,193,078
Winslow	50,772	495,983	(16,347)	530,408	16,779	26,468	153,487	179,954	727,140
West Gardiner	14,797	169,685	(5,359)	179,123	5,887	8,441	60,770	69,211	254,220
Winthrop	44,987	434,830	(14,772)	465,045	14,797	22,468	150,738	173,207	653,049
Total	2,376,269	24,659,019	(795,183)	26,240,105	862,529	1,333,333	8,344,750	9,678,083	36,780,717
Notes: 1	Debt Service Reserve Funds would be released in 2018 unless drawn upon to pay debt service or costs related to recovery.								
2	The Net Investment in PERC was determined by the use of the equity method of accounting and does not indicate the market value or liquidation value. No current estimate of market value is available as of March 31, 2018, or thereafter.								
	See Section 8.0 of the Management's Discussion & Analysis.								

MUNICIPAL REVIEW COMMITTEE, INC.
GOVERNMENTAL FUNDS BALANCE SHEET / STATEMENT OF NET POSITION
DECEMBER 31, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
ASSETS			
Membership Fees Receivable	\$ 56,209	-	\$ 56,209
Accounts Receivable - Bangor Hydro	14,687	-	14,687
Reimbursements Receivable - PERC	2,700	-	2,700
Prepaid Insurance	-	\$ 12,935	12,935
Capital Assets:			
Options to Purchase Land	-	125,000	125,000
Fiberight Project Site Development Costs	-	212,532	212,532
Website Design Costs	-	292	292
Total Capital Assets	<u>-</u>	<u>337,824</u>	<u>337,824</u>
Total Assets	<u>\$ 73,596</u>	<u>350,759</u>	<u>424,355</u>
LIABILITIES			
Overdrawn Checking Account	\$ 6,526	-	6,526
Accounts Payable	110,429	-	110,429
Accrued Payroll	3,367	-	3,367
Accrued Vacation	-	11,823	11,823
Total Liabilities	<u>120,322</u>	<u>11,823</u>	<u>132,145</u>
FUND BALANCES / NET POSITION			
<i>Fund Balances:</i>			
Unassigned	<u>(46,726)</u>	<u>46,726</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 73,596</u>		
<i>Net Position:</i>			
Invested in Capital Assets		337,824	337,824
Unrestricted		<u>(45,614)</u>	<u>(45,614)</u>
Total Net Position		<u>\$ 292,210</u>	<u>\$ 292,210</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, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
REVENUE			
Membership Fees	\$ 224,367	-	\$ 224,367
PERC Monitoring Agreement	58,690	-	58,690
Reimbursements for PERC Oversight Committee Expenses	10,800	-	10,800
Interest Income	324	-	324
Total Revenue	<u>294,181</u>	<u>-</u>	<u>294,181</u>
EXPENDITURES / EXPENSES			
<i>Current:</i>			
Payroll Costs	128,795	\$ (5,132)	123,663
Consulting - Resource Management	95,228	-	95,228
Legal Fees	88,971	-	88,971
Legislative Advocacy and Communications	49,388	-	49,388
Administrative and Miscellaneous	25,604	584	26,188
Insurance	10,727	(83)	10,644
Audit Fee	12,000	-	12,000
Occupancy	5,800	-	5,800
Fiberight Project and Post-2018 Planning:			
Legal Fees	144,604	-	144,604
Consulting - Resource Management	111,987	-	111,987
Communications	64,937	-	64,937
Other	3,338	-	3,338
<i>Capital Outlay:</i>			
Fiberight Project - Site Development Costs	212,532	(212,532)	-
Option to Purchase Land	40,000	(40,000)	-
Total Expenditures / Expenses	<u>993,911</u>	<u>(257,163)</u>	<u>736,748</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES	(699,730)	699,730	-
OTHER FINANCING SOURCES AND USES			
Transfers from the MRC Operating Budget Stabilization Fund of the Joint Venture of the Charter Municipalities of Municipal Review Committee, Inc.	<u>676,400</u>	<u>(676,400)</u>	-
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	(23,330)	23,330	-
TRANSFERS FROM FIDUCIARY FUND	-	<u>676,400</u>	<u>676,400</u>
CHANGE IN NET POSITION	-	<u>\$233,833</u>	233,833
FUND BALANCE / NET POSITION - January 1, 2015	<u>(23,396)</u>		<u>58,377</u>
FUND BALANCE / NET POSITION - December 31, 2015	<u>\$ (46,726)</u>		<u>\$ 292,210</u>

**MUNICIPAL REVIEW COMMITTEE, INC.
STATEMENT OF FIDUCIARY NET POSITION
JOINT VENTURE OF THE CHARTER MUNICIPALITIES
OF MUNICIPAL REVIEW COMMITTEE, INC.
DECEMBER 31, 2015**

	<u>Fiduciary Fund</u>
ASSETS	
<i>Custody Account:</i>	
Government Obligations Money Market Mutual Fund	\$ 2,376,269
<i>Tip Fee Stabilization Fund:</i>	
Certificates of Deposit	\$ 10,471,784
Government Obligations Money Market Mutual Fund	3,012,564
U.S. Government Agency Bonds	8,617,888
U.S. Treasury Notes	2,503,325
Accrued Investment Income	<u>53,458</u>
Total Tip Fee Stabilization Fund	24,659,019
<i>MRC Operating Budget Stabilization Fund:</i>	
Certificate of Deposit	50,049
Government Obligations Money Market Mutual Fund	130,796
U.S. Government Agency Bonds	679,392
Accrued Investment Income	<u>2,292</u>
Total MRC Operating Budget Stabilization Fund	862,529
Investment in PERC (per the equity method - See Note 3)	<u>9,678,083</u>
 Total Assets	 <u>37,575,900</u>
 LIABILITIES	
Tipping Fee Rebates Payable	<u>795,183</u>
 NET POSITION	
Held for the Benefit of the Equity Charter Municipalities of Municipal Review Committee, Inc.	<u>\$ 36,780,717</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, 2015**

	<u>Fiduciary Fund</u>	
ADDITIONS		
PERC Performance Credits	\$ 5,221,329	
Interest and Dividend Income	217,582	
Net Earnings from Investment in PERC	690,071	
Appreciation (Depreciation) of Investments	<u>(32,732)</u>	
Total Additions		\$ 6,096,250
DEDUCTIONS		
Rebates of Tipping Fees	3,549,341	
MRC Operating Budget Stabilization Fund Transfers to General Fund	<u>676,400</u>	
Total Deductions		<u>4,225,741</u>
CHANGE IN NET POSITION		1,870,509
NET POSITION - January 1, 2015		<u>34,910,208</u>
NET POSITION - December 31, 2015		<u>\$ 36,780,717</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, 2015, 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 the primary government.

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 and oversees the projected and documented utilization of the Capital Maintenance and Reserve Account (CMRA) monies.
- 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.

Capital Assets. Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets that have been placed into service is provided on the straight-line basis over the following estimated useful lives:

Website development costs	5 years
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The Entity has made deposits on land and has incurred costs for site development that have not yet been placed into service. These capital assets are not being depreciated.

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.

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

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.

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, 2015, \$303,034 of the Entity's deposits held in banks totaling \$10,570,402 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$303,034</u>
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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.

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

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

The following schedule summarizes the Fiduciary Fund's marketable investments at December 31, 2015:

		Investment Maturities (in Years)			Weighted Average Maturity
	Market Value	Less Than 1	1-5	6-10	
U.S. Treasury Notes	\$ 2,503,325	\$ 499,405	\$2,003,920	-	1.73 years
U.S. Government Agency Bonds:					
Federal Home Loan Bank	6,140,808	2,562,190	3,578,618	-	1.41 years
Federal Farm Credit Bank	2,905,279	1,052,840	1,852,439	-	1.16 years
Federal National Mortgage Association	<u>251,193</u>	<u>251,193</u>	<u>-</u>	<u>-</u>	0.88 years
Total Bonds	9,297,280	3,866,223	5,431,057	-	1.32 years
Money Market Mutual Funds:					
Federated Government Obligations Tax-Managed Fund	<u>5,519,629</u>	<u>5,519,629</u>	<u>-</u>	<u>-</u>	50 days
Totals	<u>\$17,320,234</u>	<u>\$9,885,257</u>	<u>\$7,434,977</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 35.45% and 16.77%, 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.

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

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 as reported in its audited financial statements, and increased by contributions made and decreased by the distributions received. During the year ended December 31, 2015, the Entity received a distribution of \$1.312 million and no contributions were made.

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 partnership's capital when acquired, approximately \$1,000,000, is accounted for as goodwill not subject to amortization. In view of the uncertainties of PERC's viability after 2018 or its salvage value at that time, this difference may not be recoverable.

As noted on Page 12 in the management's discussion and analysis, PERC's auditors have qualified their opinion in their report on PERC's 2015 financial statements. The PERC Partnership has not re-measured the estimated retirement obligations for disposal, closure, or dismantlement of its facility since 2003, despite the approaching 2018 contractual termination date. The effects of that departure from U.S. generally accepted accounting principles are not reasonably determinable. Thus, no adjustment has been made to the Entity's share of PERC's earnings or its carrying value to account for this departure.

The ownership interests of the partners of PERC at December 31, 2015, 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, 2015, and for the year then ended, is as follows:

ASSETS

Cash and cash equivalents	\$ 6,293,525
Accounts receivable, prepaid expenses, and other assets	3,951,582
Restricted funds	3,007,474
Property, plant, and equipment, net of accumulated depreciation	<u>28,044,670</u>
Total assets	<u>\$41,297,251</u>

LIABILITIES AND PARTNERS' CAPITAL

Accounts payable, accrued expenses, and other liabilities	\$ 3,186,045
Note payable	<u>3,409,049</u>
Total liabilities	6,595,094
Partners' capital	<u>34,702,157</u>
Total liabilities and partners' capital	<u>\$41,297,251</u>

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

STATEMENT OF INCOME

Revenues	\$34,485,111
Operating expenses	<u>31,269,943</u>
Operating income before interest and other financing costs	3,215,168
Interest and other financing costs	<u>(210,845)</u>
Net income	<u>\$ 3,004,323</u>

4. CAPITAL ASSETS

A summary of changes in capital assets follows:

	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Governmental Activities				
<i>Capital assets not being depreciated:</i>				
Options to Purchase Land	\$ 85,000	\$ 40,000	-	\$ 125,000
Fiberight Site Development Costs	<u>-</u>	<u>212,532</u>	<u>-</u>	<u>212,532</u>
Total Capital Assets Not Being Depreciated	85,000	252,532	-	337,532
<i>Capital assets being depreciated:</i>				
Website Development Costs	2,921	-	-	2,921
<i>Less accumulated depreciation for:</i>				
Website Development Costs	<u>2,045</u>	<u>584</u>	<u>-</u>	<u>2,629</u>
Net Capital Assets Being Depreciated	<u>876</u>	<u>(584)</u>	<u>-</u>	<u>292</u>
Governmental Activities - Capital assets, net	<u>\$ 85,876</u>	<u>\$ 251,948</u>	<u>\$ -</u>	<u>\$ 337,824</u>

5. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A Explanation of the differences between the governmental fund balance sheet and the statement of net position—governmental activities

Fund Balance—Governmental Fund	\$ (46,726)
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	337,824
Some assets, including prepaid expenses in the governmental activities, are not financial resources and therefore are not reported in the funds.	12,935
Some liabilities, including accrued vacation, are not payable in the current period and therefore are not reported in the fund financial statements.	<u>(11,823)</u>

Net Position of Governmental Activities	<u>\$ 292,210</u>
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**MUNICIPAL REVIEW COMMITTEE, INC.
NOTES TO FINANCIAL STATEMENTS**

B. Explanation of the differences between the statement of revenues, expenditures, and changes in fund balances—governmental funds and the government-wide statement of activities

Net Change in Fund Balance—Governmental Fund \$ (23,330)

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$252,532) exceeds depreciation (\$584) in the current period. 251,948

Governmental funds report the payment of insurance the earlier of when expended or when the current financial resources are available and payments are due. However, on the statement of activities, these payments are reported as expense in the period to which they relate. 2,185

Some expenses, such as accrued vacation expense, reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the fund financial statements. 3,030

Change in Net Position of Governmental Activities \$ 233,833

6. 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.

7. SCHEDULE OF EQUITY CHARTER MUNICIPALITY NET POSITION

A significant portion of the Joint Venture's cash inflows have been allocated among the Equity Charter Municipalities on the basis of actual tons of acceptable waste delivered to PERC each quarter. Each individual 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 of PERC's earnings 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. Or, as in the case of the Debt Service Reserve Fund included in the carrying value of PERC, these funds will be allocated based on the total tons delivered by each Equity Charter Municipality from July 1, 1998, through December 31, 2017. 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 those presented here.

MUNICIPAL REVIEW COMMITTEE, INC.
NOTES TO FINANCIAL STATEMENTS

The Joint Venture's net position has been divided into three categories to show some detail of each Equity Charter Municipality's allocated share of net position. (See Management's Discussion and Analysis.) The net position includes the carrying value of the PERC Partnership based on the equity method of accounting. (See Note 3.) This value does not represent the market value of the PERC Partnership or the net cash flows that may result from its operations or termination, including the dismantlement and disposal of its facility.

8. 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, 2015.

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 2012 to 2014 were open to examination as of December 31, 2015.

9. 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, 2015, was \$2,867.

10. OPERATING LEASE

During the year ended December 31, 2015, the Entity continued its lease for office space in Ellsworth, Maine, entering into a 12-month lease beginning April 1, 2015, at a base rate of \$450 per month. Rental expense under this lease and the prior lease for the year ended December 31, 2015, amounted to \$5,800.

11. 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, 2015

	Net Funds Held for ECMs	MRC Budget Stabilization	Investment in PERC (Note)	Net Position
Albion	\$ 139,486	\$ 4,792	\$ 45,645	\$ 189,923
Alton	53,205	1,726	20,217	75,148
Atkinson	18,763	606	6,457	25,826
Baileyville	278,238	8,357	75,958	362,553
Bangor	4,440,043	151,368	1,650,508	6,241,919
Bar Harbor	896,638	26,825	317,492	1,240,955
Blue Hill/Surry	625,557	19,297	203,689	848,543
Boothbay RRDD	803,057	25,086	274,147	1,102,291
Bradley	73,699	2,467	26,353	102,519
Brewer	1,127,568	38,349	473,553	1,639,470
Brooks	46,392	1,517	14,547	62,456
Brownville	110,161	3,871	43,225	157,257
Bucksport	328,853	11,655	148,332	488,840
Burnham	92,651	3,069	32,070	127,790
Carmel	158,828	5,267	52,666	216,761
Central Penobscot	319,113	10,129	91,323	420,565
China	278,340	9,941	109,658	397,939
Clifton	55,288	1,879	18,775	75,942
Clinton	359,314	12,225	146,246	517,785
Dedham	66,619	2,224	24,701	93,544
Dover-Foxcroft	333,155	10,799	114,580	458,534
Eddington	135,341	4,720	52,792	192,853
Enfield	120,715	4,042	44,553	169,310
Fairfield	503,594	15,644	162,495	681,733
Glenburn	297,085	9,701	98,753	405,540
Gouldsboro	124,969	4,225	46,598	175,792
Greenbush	87,160	2,981	31,282	121,423
Guilford	197,638	6,683	79,329	283,650
Hampden	538,287	17,218	193,146	748,651
Hancock	86,058	2,864	33,600	122,522
Hermon	486,023	15,730	161,234	662,987
Holden	146,799	4,645	52,330	203,774
Jackson	20,561	698	6,566	27,825
Lamoine	92,828	2,999	31,874	127,701
Lee	61,959	2,017	23,059	87,035
Levant	139,493	4,499	49,992	193,984
Lincoln	565,943	19,589	225,216	810,748
Lucerne	41,333	1,362	13,228	55,924
Mariaville	21,786	731	7,448	29,965
Mars Hill	145,609	5,139	57,201	207,949

Note: The Net Funds Held for Equity Charter Municipalities (ECM) are not available for immediate withdrawal due to various restrictions, designations, and other limitations. The Investment in PERC was determined with the use of the equity method of accounting and does not indicate the market value or liquidation value of partnership interest. No current estimate of market value as of March 31, 2018, or liquidation value as of December 31, 2018 (when the PERC partnership would be terminated), is currently available. See Note 3.

MUNICIPAL REVIEW COMMITTEE, INC.
SCHEDULE OF EQUITY CHARTER MUNICIPALITY NET POSITION
DECEMBER 31, 2015

	Net Funds Held for ECMs	MRC Budget Stabilization	Investment in PERC (Note)	Net Position
Mattawamkeag	\$ 60,562	\$ 2,038	\$ 23,766	\$ 86,366
Midcoast SWD	1,163,997	37,379	458,020	1,659,396
Mid-Maine SWD	661,636	22,257	271,978	955,871
Milford	169,704	5,828	67,127	242,659
Millinocket	455,127	14,620	174,111	643,858
Milo	205,794	6,621	74,863	287,278
Monson	36,559	1,130	12,419	50,108
Mt. Desert/EMR	1,093,875	34,504	366,294	1,494,673
Newburg	85,006	3,027	31,576	119,609
Old Town	673,411	24,267	287,230	984,908
Orland	54,240	2,158	28,657	85,055
Orono	637,510	20,522	247,618	905,650
Otis	30,337	1,045	12,417	43,799
Palmyra	111,911	3,756	38,034	153,701
Parkman	30,778	963	9,994	41,735
Penobscot Co.	132,665	4,379	50,176	187,220
Pleasant River SWD	183,867	7,671	76,209	267,746
Plymouth	78,274	2,749	29,226	110,249
Reed Plantation	14,558	475	5,491	20,524
Rockland	850,890	29,129	322,489	1,202,508
Sangerville	86,184	2,813	27,844	116,841
Searsport	176,486	5,533	75,578	257,597
Stetson	76,025	2,674	22,463	101,162
Steuben	89,555	2,846	29,697	122,098
Stonington	161,639	4,909	50,524	217,072
Thomaston Group	602,583	20,101	212,567	835,251
Thorndike	44,110	1,589	16,462	62,161
Troy	31,769	1,156	12,702	45,627
Union River SWD	54,656	1,837	18,990	75,483
Unity	130,810	4,264	44,152	179,226
Vassalboro	225,130	7,648	86,911	319,689
Veazie	114,036	3,812	43,659	161,507
Verona	45,623	1,540	17,013	64,177
Waldoboro Group	500,858	16,199	179,441	696,498
Waterville	1,577,215	46,688	569,175	2,193,078
Winslow	530,407	16,779	179,954	727,140
West Gardiner	179,122	5,887	69,211	254,220
Winthrop	465,045	14,797	173,207	653,049
Total	\$ 26,240,105	\$ 862,529	\$ 9,678,083	\$ 36,780,717

Note: The Net Funds Held for Equity Charter Municipalities (ECM) are not available for immediate withdrawal due to various restrictions, designations, and other limitations. The Investment in PERC was determined with the use of the equity method of accounting and does not indicate the market value or liquidation value of partnership interest. No current estimate of market value as of March 31, 2018, or liquidation value as of December 31, 2018 (when the PERC partnership would be terminated), is currently available. See Note 3.