

MUNICIPAL REVIEW COMMITTEE, INC.

FINANCIAL AND OPERATING REPORTS

DECEMBER 31, 2020



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Municipal Review Committee, Inc.
Orono, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the remaining fund information of Municipal Review Committee, Inc. (MRC), as of and for the eighteen-month period ended December 31, 2020, 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 preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund and the remaining fund information of Municipal Review Committee, Inc. as of December 31, 2020, and the respective changes in financial position for the eighteen-month period then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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 Joining Member Net Position is presented for purposes for additional analysis and is not a required part of the basic financial statements.

The Schedule of Equity Charter Joining Member Net Position is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Equity Charter Joining Member Net Position is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Haverlock, Estey & Curran

HAVERLOCK, ESTEY & CURRAN

March 11, 2022
Hampden, Maine



MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Eighteen Months Ended December 31, 2020

This section represents management's analysis of the financial condition and activities of Municipal Review Committee, Inc. (MRC) and the Joint Venture of the Member Municipalities of the Municipal Review Committee, Inc. (Joint Venture) for the eighteen-month period ended December 31, 2020. This information should be read in conjunction with the financial statements and associated notes.

Overview of Annual Financial Report

Municipal Review Committee, Inc.

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

The Government Fund 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 eighteen-month period ended December 31, 2020. The Balance Sheet also presents adjustments for long-term assets and fund balances that are not readily available for application to expenditures 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:

- a. Cash, which is held in a checking account at First National Bank.
- b. Membership Fees Receivable, which refers to the dues members owe MRC based on delivery of municipal solid waste to waste facilities.

The Balance Sheet does not present prepaid expenses as it is an asset that is not currently available for use to meet 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 cost of prepaid expenses that is not currently available for use to meet expenditures, i.e., available within 60 days of year end.

The Statement of Governmental Fund Revenue, Expenditures and Changes in Fund Balances / Statement of Activities (Income Statement) identifies and presents revenues and expenditures over the course of the eighteen months ended December 31, 2020. The Income Statement also identifies and presents the changes in the fund balance and net position over the eighteen months ended December 31, 2020.

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

- a. Membership fees.
- b. Site lease payments.
- c. Miscellaneous and interest income.

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

- a. Payroll costs for an executive director.
- b. Consulting fees for managing contracts, agreements, and the Joint Venture's assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Eighteen Months Ended December 31, 2020

- c. Legal fees.
- d. Legislative advocacy and communications.
- e. Legal and consulting fees relating to the Facility shutdown.
- f. Other administrative and miscellaneous expenses.

The Income Statement presents as adjustments to expenditures the changes in prepaid expenses and accrued vacation for the eighteen-month period.

Joint Venture

The Statement of Fiduciary Net Position identifies and presents values for the Fiduciary Fund assets and liabilities of the Joint Venture as of the end of the eighteen-month period.

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

- a. A checking account at First National Bank serves as the primary Custody Account. A money market fund at Bangor Savings Bank, closed subsequent to the end of the eighteen-month period, served as the Custody Account for part of the period.
- b. Accounts receivable from Joining Members for their tipping fees payable to MRC for their disposal of municipal solid waste at back-up facilities and reimbursements receivable from the indenture trustee of Coastal's lenders (Trustee).
- c. Financial investments, consisting of the Tip Fee Stabilization Account and the Operating Budget Stabilization Account, which are invested pursuant to an investment management agreement, and which are managed by an investment advisor, First National Bank Wealth Management, in accordance with investment policies approved by the MRC Board.
- d. A Cash Collateral Account maintained in an agency account to secure MRC's obligations under agreements with Coastal. The Cash Collateral Account is held for the benefit of the MRC pursuant to appropriate control agreements between Coastal and the MRC.
- e. The capital assets include the Hampden Site (Site) held for the benefit of the Equity Joining Members, which is recorded at the costs incurred for acquisition and improvements, which included an access road, water and wastewater services, electricity supply, and wetlands mitigation in support of Site development. During 2020 the access road, water and sewage utility installation and pump station were accepted by the Town of Hampden, and the cost of these improvements have been removed from the reported value.

Liabilities shown include disposal cost offset payments payable to Joining Members and tipping-fees payable to backup municipal solid waste disposal facilities. The net position is the excess of total assets over total liabilities.

The Statement of Changes in Fiduciary Net Position identifies and presents increases and decreases in fiduciary net position over the course of the eighteen months ended December 31, 2020.

The Fiduciary Fund additions include the following:

- a) Tipping fees from Joining Members.
- b) Reimbursements from the Trustee.
- c) Interest and dividend income and other changes in investment values.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Eighteen Months Ended December 31, 2020

The Fiduciary Fund deductions include the following:

- a) Costs incurred for disposal of member municipal solid waste at back-up facilities.
- b) Disposal cost offset payments to Joining Members.
- c) Transfers to MRC for administrative expenses associated with the Facility shutdown and MRC's budget.
- d) Costs incurred to clean up and secure the Facility.

Condensed Comparative Financial Statements

Municipal Review Committee, Inc.

MRC's net position increased \$180,471, or 1,081.57%, during the eighteen months ended December 31, 2020. The following table summarizes this change from June 30, 2019 to December 31, 2020.

	<u>Governmental Activities</u>		<u>Total % Change</u>
	<u>2020</u>	<u>2019</u>	
Cash	\$ 213,814	\$ 47,913	346.25%
Membership fees receivable	40,356	28,293	42.64%
Other assets	<u>6,148</u>	<u>14,880</u>	(58.68)%
Total Assets	260,318	91,086	185.79%
Accounts payable and accruals	<u>63,161</u>	<u>74,400</u>	(15.11)%
<i>Net Position:</i>			
Unrestricted	<u>\$ 197,157</u>	<u>\$ 16,686</u>	1,081.57%

MRC's changes in net position are summarized in the following table for the eighteen months ended December 31, 2020, and the fifteen months ended June 30, 2019.

	<u>Governmental Activities</u>		<u>Total % Change</u>
	<u>2020</u>	<u>2019</u>	
Membership fees	\$ 214,583	\$ 166,326	29.01%
Site lease payments	74,503	100,000	25.50%
Other revenue	<u>992</u>	<u>10,117</u>	(90.19)%
Total Revenues	290,078	276,443	4.93%
Total Expenses	<u>(880,368)</u>	<u>(810,306)</u>	8.65%
Deficiency of Revenues over Expenses before Transfers	(590,290)	(533,863)	(10.57)%
Transfers from Fiduciary Fund	770,761	24,884	2,997.42%
Transfers to Fiduciary Fund	<u>-</u>	<u>(139,969)</u>	(100.00)%
Change in Net Position	180,471	(648,948)	na
Beginning Net Position	<u>16,686</u>	<u>665,634</u>	
Ending Net Position	<u>\$ 197,157</u>	<u>\$ 16,686</u>	

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Eighteen Months Ended December 31, 2020

Joint Venture

The Joint Venture's net position decreased from \$17.37 million to \$8.57 million, or 50.65%, during the eighteen months ended December 31, 2020. The following table summarizes these changes from June 30, 2019 to December 31, 2020.

	Fiduciary Activities		Total % Change
	<u>2020</u>	<u>2019</u>	
Cash and investments	\$ 7,521,932	\$ 11,737,918	(35.92)%
Tipping fees receivable	688,938	-	na
Other receivables	15,342	317	4,739.75%
Investment in Hampden site	<u>1,138,748</u>	<u>5,987,429</u>	(80.98)%
Total Assets	9,364,960	17,725,664	(47.17)%
Disposal cost offset payments pay.	149,421	214,768	(30.43)%
Other payables	<u>645,642</u>	<u>144,111</u>	348.02%
Total Net Position	<u>\$ 8,569,897</u>	<u>\$ 17,366,785</u>	(50.65)%

The Joint Venture's changes in net position are summarized in the following table for the eighteen months ended December 31, 2020, and the fifteen months ended June 30, 2019.

	Fiduciary Activities		Total % Change
	<u>2020</u>	<u>2019</u>	
Tipping fees received	\$ 3,919,834	\$ 915	9,999.99%
Reimbursements from Trustee	214,238	-	na
Transfer from MRC	-	139,969	(100.00)%
Investment income	331,797	355,071	(6.55)%
Note receivable from Coastal	<u>(1,500,000)</u>	<u>-</u>	na
Total Additions	<u>2,965,869</u>	<u>495,955</u>	498.02%
Members' MSW disposal costs	\$ 4,093,026	\$ -	na
Disposal cost offset payments	906,281	1,222,856	(25.89)%
Facility shutdown costs	916,932	-	na
Town acceptance of road, etc.	5,075,757	-	na
Transfers to MRC	770,761	24,884	2,997.42%
Distributions to members	<u>-</u>	<u>11,651,160</u>	(100.00)%
Total Deductions	<u>11,762,757</u>	<u>12,898,900</u>	(8.81)%
Change in Net Position	<u>(8,796,888)</u>	<u>(12,402,945)</u>	29.07%
Beginning Net Position	<u>17,366,785</u>	<u>29,769,730</u>	
Ending Net Position	<u>\$ 8,569,897</u>	<u>\$ 17,366,785</u>	

Analysis of Overall Financial Position and Results of Operations

The Joint Venture is comprised of 83 separate municipalities and public entities, known as Joining Members, which represent 115 Maine municipalities as shown in Figure ES-1. Joining Members are divided into Equity Joining Members and New Charter Joining Members depending on when they became MRC members. Each Joining Member has entered into a long-term agreement (a Joinder Agreement) with the MRC for delivery of

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Eighteen Months Ended December 31, 2020

municipal solid waste (MSW) as of April 1, 2018, to a new processing facility developed by a private entity, Coastal Resources of Maine, LLC (Coastal), on land (the Site) purchased and owned by the MRC in Hampden, Maine (the Facility).

The MRC has entered into a Site Lease with Coastal regarding lease of the Site, as well as a Master Waste Supply Agreement regarding delivery of MSW from the Joining Members to Coastal and to the Facility. Construction of the Facility was delayed significantly. Coastal was unable to begin accepting MSW at the Facility as of the intended date of April 1, 2018; in fact, the first delivery of MSW was not accepted at the Facility until April 2019. Coastal ramped up the operation of the Facility through the summer and autumn of 2019; conducted a Performance Test on the Facility October 2019, which the Facility passed subject to ongoing conditions, and operated the Facility on a commercial basis through May 27, 2020.

During this period, Coastal attempted to raise additional capital to meet its needs. In February 2020, the MRC agreed to provide Coastal with an unsecured loan in the amount of \$1.5 million to support cash flows until additional capital could be secured. In particular, Coastal anticipated closing on additional debt financing of \$15.5 million by June 15, 2020, the proceeds of which would be used to repay the unsecured loan to the MRC. In March 2020, however, the Covid-19 pandemic began having a major impact on the capital markets. The additional debt financing was not closed, and Coastal was unable to secure additional financing.

On May 28, 2020, Coastal suspended operations of the Facility, because it lacked cash to pay essential vendors and to meet payroll expenses. All MSW deliveries from Joining Members were diverted to back-up disposal facilities. With Coastal ceasing operations and no longer present on the Site, the MRC stepped in to secure the Facility and to avoid non-compliance with environmental permits and licenses. Coastal's failure to perform its obligations were defaults under the Site Lease and Master Waste Supply Agreement. Coastal was also in default to its lenders by virtue of failure to pay debt service and in default to the MRC by virtue of failure to make payments on the unsecured loan.

In July 2020, the indenture trustee for Coastal's lenders (the Trustee) filed an action for relief with the Superior Court of Penobscot County for the State of Maine (the Court). The Court then appointed a receiver to take control of Coastal and all of its assets. In subsequent months, the MRC worked with the Trustee and the receiver to find an entity that would purchase and re-open the Facility.

The key financial obligations of the MRC as of December 31, 2020, involved the maintenance of reserve funds in accordance with its agreements with Coastal and with the Joining Members, including the following which were all satisfied:

1. Maintain a minimum balance of \$1.5 million in the Cash Collateral Account.
2. Maintain a minimum balance of \$4.0 million in the Tip Fee Stabilization Account.
3. Reserve \$1.5 million for distributions to Joining Members in the three years following the commercial operation date of the Hampden Facility. As of December 31, 2020, the remaining obligation is \$988,131.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Eighteen Months Ended December 31, 2020

Resources available for expenditure as of December 31, 2020, can be represented this way:

\$ 5,539,874	Tip Fee Stabilization Fund
1,533,958	Cash Collateral Account
<u>9,573</u>	Custody Account Balance
7,083,405	Total available
(5,500,000)	Minimum balance requirements
<u>(988,131)</u>	Reserved for distributions after the commercial operation date
<u>\$ 595,274</u>	Unrestricted and unreserved resources available

The following table lists the reserve requirements in Exhibit B of the Joinder Agreements and how they were satisfied:

<i>Reserve fund requirement</i>	<i>Resources available to satisfy the requirement</i>
\$5.0 million for actual expenditures for acquisition of the site and development of related infrastructure	Satisfied by prior expenditures.
\$3.0 million for the Delivery Sufficiency Reserve Fund	Satisfied with the Cash Collateral Account opened in 2017. Coastal and the Trustee consented to reduce the minimum balance to \$1,500,000 until the Promissory Note is repaid.
\$1.0 million for Bridge Waste transportation costs	Satisfied by the balance in the Custody Account supplemented with funds available from the Tip Fee Stabilization Account
Up to \$7.0 million as the Building Reserve	Satisfied by the \$3.0 million in the Cash Collateral Account and a covenant to maintain a minimum balance of \$4.0 million in the Tip Fee Stabilization Account. Coastal and the Trustee consented to reduce the Minimum Balance in the Cash Collateral Account, to \$1.5 million, and, by implication, the overall amount of the Building Reserve, to \$5.5 million, until the Promissory Note is repaid. No additional reserve fund is required.
\$1.167 million as the Closure Reserve Fund	Satisfied by prior expenditures.
\$1.5 million in the Target Value Reserve Fund	Satisfied by available funds in the Tip Fee Stabilization Account.

Financial Highlights and Significant Transactions

Municipal Review Committee, Inc.

1. The MRC received \$290,078 of total revenue in the eighteen months ended December 31, 2020, compared to \$276,443 in total revenue in the fifteen months ended June 30, 2019. Dues from members amounted to \$214,583 during the eighteen months ended December 31, 2020, compared to \$166,326 during the fifteen months ended June 30, 2019.
2. Total expenses in the eighteen months ended December 31, 2020 were \$880,368, compared to \$810,306 in the fifteen months ended June 30, 2019.
3. Significant administrative costs associated with the effort to find a purchaser of the Facility and to negotiate and close on all of the agreements were incurred in 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Eighteen Months Ended December 31, 2020

Joint Venture

To address the financial highlights and significant transactions activities of the Joining Members, the eighteen months ended December 31, 2020, can be divided into three periods, each of which involved a somewhat different set of monetary transactions as follows:

The ramp-up period in advance of the Commercial Operations Date (July 1, 2019, through October 31, 2019), during which Coastal operated the Facility intermittently to accept some, but not all, of the MSW from Joining Members. During the ramp-up period, Coastal invoiced and collected tip fees for disposal services from all Joining Members, paid for operation of the Facility, and paid for disposal at back-up disposal facilities of MSW from Joining Members that could not be accepted at the Facility. During this period the MRC reimbursed Joining Members for extra hauling costs incurred to deliver MSW to back-up disposal facilities rather than to the Facility.

The period of commercial operations after the Commercial Operations Date (November 1, 2019, through May 27, 2020), during which Coastal was obligated to accept, but could not accept, all MSW at the Facility. During this period, Coastal invoiced and collected tip fees for disposal services from all Joining Members, paid for operation of the Facility, and paid for disposal at back-up disposal facilities of MSW from Joining Members that could not be accepted at the Facility. Coastal also reimbursed Joining Members for extra hauling costs incurred to deliver MSW to back-up disposal facilities rather than to the Facility. During this time, the MRC provided Coastal with an unsecured loan. Reimbursement for certain MRC expenses were deducted from draws on the proceeds of the unsecured loan.

The period after Coastal suspended operations of the Facility (May 28, 2020, through December 31, 2020). During this period, the MRC paid to clean up and secure the Facility; acted in the place of Coastal to invoice and collect tip fees for disposal services from all Joining Members and arrange and pay for disposal at back-up disposal facilities; and reimbursed Joining Members for extra hauling costs incurred to deliver MSW to back-up disposal facilities rather than to the Facility. The MRC then sought to recover all of these costs either from claims against Coastal; from requests to the Trustee for payment or reimbursement; or from Coastal's successor for payment or reimbursement of costs.

Regarding activities of the Joining Members in advance of the Commercial Operations Date (July 1, 2019, through October 31, 2019), the MRC:

- Managed total assets of \$17.454 million, including \$11.410 million in cash and investments and \$6.043 million for the Hampden site improvements and related capitalized services valued at cost.
- Had total payables of \$337,653, including \$172,726 payable to Joining Members or to haulers on their behalf; \$144,111 payable for Site improvements; and \$20,817 payable to the Operating Fund.
- Managed cash and investments of \$3.061 million in the Cash Collateral Account, which is held by Coastal as security for certain secured obligations under the Site Lease and Master Waste Supply Agreement. During this period, the MRC could not access these funds without the consent of Coastal.
- Distributed the following amounts to Joining Members in this period to offset disposal costs and lost fee reimbursements:
 - \$152,296 in the third calendar quarter of 2019.
 - \$161,670 in the fourth calendar quarter of 2019.
- Paid the following amounts to Joining Members and to haulers serving Joining Members to reimburse extra hauling costs for diversion of MSW to back-up disposal sites:
 - \$62,476 in the third calendar quarter of 2019.
 - \$31,872 in the fourth calendar quarter of 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Eighteen Months Ended December 31, 2020

Regarding activities of the Joining Members during the period of commercial operations after the Commercial Operations Date (November 1, 2019, through May 27, 2020), the MRC:

- Managed total assets of \$17.509 million, including \$9.759 million in cash and investments; \$6.203 million for the Hampden site improvements and related capitalized services valued at cost; and \$1.546 million for the interim loan and accrued interest and expenses, net of \$367,312 of loan proceeds held in escrow pending approval of requisitions.
- Had total payables of \$426,419, including \$121,858 payable to Joining Members or to haulers on their behalf, and \$304,561 payable for Site improvements.
- Managed cash and investments of \$1.533 million in the Cash Collateral Account, which is held by Coastal as security for certain secured obligations under the Site Lease and Master Waste Supply Agreement. During this period, the MRC could not access these funds without the consent of Coastal. Note that the Cash Collateral Account was the source of the \$1.5 million that the MRC loaned to Coastal during this period with the consent of Coastal and the Trustee.
- Distributed the following amounts to Joining Members in this period to offset disposal costs and lost fee reimbursements:
 - \$141,628 in the first calendar quarter of 2020.
 - \$121,858 in the second calendar quarter of 2020.

Regarding activities of the Joining Members during the period after Coastal suspended operations of the Facility (May 28, 2020, through December 31, 2020), the MRC:

- Managed total assets as of the end of the Records period of \$9.365 million, including \$7.512 million in cash and investments; and \$704,280 in receivables, made up of \$688,938 in tip fees from Joining Members and \$15,342 in approved bondholder reimbursements.
- The access road and water main construction to the Facility was completed and accepted by the town.
- Had total payables at the end of the Records Period of \$795,063, including \$149,421 payable to Joining Members; and \$645,642 to back-up disposal facilities for accepting bypass MSW from Joining Members.
- Distributed the following amounts to Joining Members in this period to offset disposal costs and lost fee reimbursements:
 - \$141,373 in the third calendar quarter of 2020.
 - \$158,796 in the fourth calendar quarter of 2020.
- Had expenditures after the suspension of operations of \$916,932 to secure the Facility and ensure compliance with environmental and permit requirements, of which \$198,896 was received as reimbursements from the Trustee during the period.

Capital Assets and Debt Administration

MRC has no outstanding long-term debt.

The ownership of the access road, pumping station, and waterline were transferred to and accepted by the town of Hampden. The cost of their construction, including the related capitalized cost of legal, engineering, and consulting services have been removed from the Joint Venture's total assets. The remaining carrying value of the Hampden site, \$1,138,748, does not include the value of the 144,000-square-foot facility, or the value of any equipment and materials that might be salvaged from the site, should it be turned over to MRC as part of a subsequent arrangement. The Site continues to be held jointly for the benefit of the Equity Joining Members. See Note 4 to the financial statements for the change in capital assets during the period.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Eighteen Months Ended December 31, 2020

Economic Factors and Significant Foreseeable Future Conditions

The suspension of operations of the Facility in May 2020, and the fact that Coastal has not paid and might not pay the unsecured loan amount of \$1.5 million, have had a material adverse impact on the financial condition of the Joint Venture. Among the costs that the MRC is managing in order to comply with its obligations to its membership despite the suspension of operations of the Facility are the following:

- Costs for disposal of MRC member MSW at back-up disposal facilities in excess of the tipping fees that the MRC is collecting from members for such disposal (Excess Bypass Costs).
- Administrative costs associated with the effort to find a purchaser of the Facility and to negotiate and close on all of the agreements required to support a return to operations.
- Ongoing costs to secure the condition of the Facility and its compliance with environmental permit conditions and requirements, not all of which have been reimbursed by the Trustee or other parties.

As of December 31, 2020, the MRC has continued its efforts to have the Facility acquired out of receivership and returned to stable operations. The MRC is also seeking to ensure that such purchaser will (a) pay for Excess Bypass Costs upon the closing of the purchase of the Facility and reimburse the MRC for such costs incurred prior to the closing; (b) reimburse the MRC for unreimbursed costs to secure the Facility, as well as administrative costs incurred in anticipation of and after the suspension of operations; and (c) repay the unsecured interim loan made to Coastal. At this time, the MRC has no assurance that the Facility will be acquired out of receivership or returned to stable operations, nor does the MRC have any assurance that any purchaser will be found or will agree to make the payments that the MRC seeks to recover as set forth above.

The MRC believes that the potential value of the Facility as a going concern to accept and process MSW under the Master Waste Supply Agreement substantially supports the value of the Site. The MRC intends to continue to seek a path for the Facility to be purchased and returned to commercial operation. The MRC can provide no assurances that such efforts will be successful. The MRC cannot provide any assurance regarding the value of the Site in the event that no purchaser is found for the Facility or regarding the fate or value of the Facility, which might be sold, dismantled or liquidated by the Trustee for the benefit of the secured creditors.

If the Facility is not purchased, the MRC is aware that additional Site clean-up costs of up to \$1 million may need to be incurred to remove 550,000 gallons of wastewater from an existing anaerobic digestion tank at the Facility and to complete other Site clean-up tasks. The MRC can provide no assurance of whether such costs would be borne by the Trustee, netted out of the proceeds of Facility liquidation, or ultimately borne by the MRC.

The MRC intends to continue to honor its obligations to its members under the Master Waste Supply Agreement to make arrangements for disposal of their MSW at back-up disposal facilities, in anticipation that the Facility can be returned to commercial operation and that Excess Bypass Costs will be reimbursed in whole or in part. Nonetheless, the MRC is aware that costs might increase for continued use of certain arrangements for disposal at back-up disposal facilities. The MRC can provide no assurance of what such increases might be or for how long existing MRC resources can be made available to cover such Excess Bypass Costs.

Finally, as a membership organization, the MRC recognizes that its membership may have preferences regarding management of their MSW and coverage of Excess Bypass Costs that are different from the policies and intentions of the current Board of Directors and as implemented by management. The MRC can provide no assurance that its members will not dispute or force change of the MRC's current intention to make arrangements for disposal of their MSW at back-up disposal facilities, nor can the MRC anticipate with certainty how any such dispute might be resolved, or how change might be implemented.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Eighteen Months Ended December 31, 2020

Equity Charter Municipality Position as of December 31, 2020

MRC appreciates that certain ECM Joining Members have, in the past, incorporated into their own financial statements the value of their allocated share of the assets managed by the MRC on their behalf. To this end, Table 1 attached hereto sets forth, for each Equity Charter Municipality, the allocated shares of each of the reserve funds held on its behalf by the MRC as of December 31, 2020.

Contact Information

More information on MRC and the Joint Venture may be obtained at MRC's website, www.mrcmaine.org.

Table 1
Equity Charter Joining Member Account Balances as of December 31, 2020 (1)

		Tip Fee	Operating	Cash			
		Stabilization	Budget	Collateral		Net	
Equity Charter	Custody	Stabilization	Stabilization	Agency		Invested in	
Joining Member	Account	Fund	Fund	Account	Subtotal	Hampden Site	Total
Albion	295.56	96,153.64	6,940.97	13,586.88	116,977.05	10,031.30	127,008.35
Alton	108.04	36,648.00	2,742.79	5,176.95	44,675.78	3,813.55	48,489.32
Atkinson	32.80	13,027.69	930.42	1,842.62	15,833.53	1,356.42	17,189.95
Bangor	8,776.02	1,533,997.36	121,008.54	430,394.49	2,094,176.41	319,873.94	2,414,050.35
Bar Harbor	378.70	306,504.42	24,146.82	85,998.89	417,028.82	63,617.45	480,646.28
Blue Hill/Surry	(617.11)	215,020.97	16,211.36	60,522.31	291,137.52	44,814.36	335,951.88
Boothbay RRDD	(298.28)	273,772.99	21,524.65	76,790.78	371,790.15	56,907.86	428,698.01
Bradley	(128.03)	25,600.16	1,956.12	7,183.77	34,612.02	5,334.98	39,947.01
Brewer	1,484.15	386,739.95	33,351.80	108,397.76	529,973.67	80,587.72	610,561.39
Brooks	(161.53)	16,429.33	1,039.52	4,620.82	21,928.14	3,426.48	25,354.62
Brownville	(66.10)	37,847.61	3,130.40	10,611.86	51,523.78	7,899.43	59,423.21
Bucksport	467.31	111,573.88	10,313.95	31,239.18	153,594.32	23,277.37	176,871.69
Carmel	(364.36)	55,238.92	4,014.14	15,508.58	74,397.28	11,512.37	85,909.65
Central Penobscot	194.56	110,986.68	7,584.22	31,173.30	149,938.76	23,099.62	173,038.37
China	184.76	94,915.67	8,033.19	26,600.12	129,733.74	19,822.01	149,555.75
Clifton	(60.60)	19,138.94	1,405.65	5,373.12	25,857.12	3,993.02	29,850.14
Dedham	(76.65)	22,819.51	1,852.98	6,398.35	30,994.20	4,753.62	35,747.81
Dover-Foxcroft	(572.96)	115,507.26	8,518.60	32,431.22	155,884.12	24,054.70	179,938.82
Eddington	(131.31)	46,807.48	3,725.80	13,132.97	63,534.94	9,770.15	73,305.09
Guilford	(367.60)	68,853.39	5,498.28	19,321.18	93,305.25	14,351.48	107,656.73
Hampden	462.37	186,063.02	14,380.49	52,208.55	253,114.43	38,710.11	291,824.54
Holden	67.28	51,004.45	3,842.58	14,320.29	69,234.60	10,609.58	79,844.18
Lee	(60.82)	21,757.33	1,633.56	6,109.93	29,440.00	4,529.89	33,969.90
Levant	(247.58)	48,663.03	3,636.50	13,661.85	65,713.80	10,129.43	75,843.23
Lucerne	(82.92)	14,278.99	1,043.41	4,008.41	19,247.89	2,975.21	22,223.09
Mariaville	(5.31)	7,519.21	570.12	2,110.10	10,194.11	1,567.41	11,761.52
Mattawamkeag	(76.62)	20,735.34	1,736.96	5,811.44	28,207.13	4,319.86	32,526.98
Mid-Maine SWD	(1,252.74)	230,586.37	18,564.52	64,705.76	312,603.90	48,051.85	360,655.76
Millinocket	(404.75)	155,826.07	12,717.12	43,695.84	211,834.28	32,417.06	244,251.34
Milo	(296.20)	71,310.38	5,451.44	20,014.95	96,480.57	14,841.90	111,322.47
Monson	4.03	12,544.08	987.13	3,517.84	17,053.08	2,605.54	19,658.62
Mt. Desert Area ADD	2,033.99	372,708.93	29,409.66	104,534.34	508,686.92	77,488.50	586,175.42
Orono	1,563.59	220,787.47	17,370.55	61,967.63	301,689.23	45,949.69	347,638.92
Otis	(97.94)	10,426.94	846.25	2,925.92	14,101.17	2,175.92	16,277.09
Palmyra	(182.73)	39,134.17	2,812.44	10,991.06	52,754.94	8,160.06	60,915.01
Parkman	(32.94)	10,681.48	773.82	2,999.19	14,421.55	2,221.46	16,643.01
Pleasant River SWD	320.44	62,149.30	5,744.24	17,388.64	85,602.62	13,056.68	98,659.31
Sangerville	54.02	29,944.20	2,135.53	8,409.40	40,543.15	6,238.51	46,781.67
Steuben	(113.75)	31,072.25	2,259.92	8,724.35	41,942.77	6,466.26	48,409.03
Thorndike	(11.25)	15,074.46	1,332.16	4,218.24	20,613.61	3,144.82	23,758.44
Troy	(49.66)	10,878.54	915.70	3,049.07	14,793.65	2,273.66	17,067.30
Union River SWD	(163.35)	18,976.29	1,426.70	5,326.36	25,565.99	3,955.87	29,521.87
Unity	(125.04)	45,380.22	3,383.06	12,737.01	61,375.25	9,449.14	70,824.39
Vassalboro	(395.63)	77,505.79	6,275.81	21,735.23	105,121.20	16,157.76	121,278.97
Verona	(65.08)	15,787.09	1,231.41	4,429.64	21,383.07	3,291.24	24,674.31
Waldoboro Group	(345.77)	171,493.98	14,116.19	48,051.84	233,316.24	35,662.98	268,979.22
Total	9,572.97	5,539,873.23	438,527.50	1,533,958.03	7,521,931.73	1,138,748.27	8,660,680.00
						Excess of payables over receivables	(90,783.00)
Notes:						Total JV Assets	8,569,897.00
1	Account balances total match values shown in Statement of Fiduciary Net Position.						
2	Allocated account balances and positions do not include accounts receivable or payable.						

MUNICIPAL REVIEW COMMITTEE, INC.
Governmental Fund Balance Sheet / Statement of Net Position
December 31, 2020

Assets

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>Assets</u>			
Cash	\$ 213,814	\$ -	\$ 213,814
Member dues receivable	40,356	-	40,356
Receivable from Coastal Resources of Maine, net of allowance of \$116,571	-	-	-
Prepaid expenses	-	6,148	6,148
Total Assets	<u>\$ 254,170</u>	<u>6,148</u>	<u>260,318</u>

Liabilities and Net Position

<u>Liabilities</u>			
Accounts payable	\$ 59,813	-	59,813
Accrued payroll	1,621	-	1,621
Accrued employee benefits	45	1,682	1,727
Total Current Liabilities	<u>61,479</u>	<u>1,682</u>	<u>63,161</u>
Total Liabilities	<u>61,479</u>	<u>1,682</u>	<u>63,161</u>
<u>Fund Balances / Net Position</u>			
Fund Balances:			
Unassigned	<u>192,691</u>	<u>(192,691)</u>	
Total Liabilities and Fund Balances	<u>\$ 254,170</u>		
Net Position:			
Unrestricted		<u>\$ 197,157</u>	<u>\$ 197,157</u>

The accompanying notes are an integral part of these statements.



MUNICIPAL REVIEW COMMITTEE, INC.
 Statement of Governmental Fund Revenues, Expenditures and
 Changes in Fund Balance / Statement of Activities
For the Eighteen Months Ended December 31, 2020

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<u>Revenues</u>			
Membership fees	\$ 214,583	\$ -	\$ 214,583
Site lease payments	74,503	-	74,503
Interest income	<u>992</u>	<u>-</u>	<u>992</u>
Total Revenues	<u>290,078</u>	<u>-</u>	<u>290,078</u>
<u>Expenditures / Expenses</u>			
Salaries and wages	184,361	480	184,841
Consulting - Resource management	135,651	-	135,651
Legal fees	86,552	-	86,552
Consulting - Transitional support	37,881	-	37,881
Legislative advocacy	54,314	-	54,314
Communications	43,482	(825)	42,657
Executive director services	10,043	-	10,043
Professional fees	33,100	-	33,100
Facility shutdown administration	260,113	-	260,113
General administrative and miscellaneous	15,003	-	15,003
Insurance	9,306	2,109	11,415
Occupancy	8,500	(500)	8,000
Planning contingency	<u>798</u>	<u>-</u>	<u>798</u>
Total Expenditures / Expenses	<u>879,104</u>	<u>1,264</u>	<u>880,368</u>
Deficiency of Revenue Over Expenditures Before Other Financing Sources and Uses	<u>(589,026)</u>	<u>589,026</u>	<u>-</u>
<u>Other Financing Sources and (Uses)</u>			
Transfers from the fiduciary fund	<u>770,761</u>	<u>(770,761)</u>	<u>-</u>
<u>Excess of Revenue Over Expenditures</u>	181,735	(181,735)	-
<u>Operating Transfers</u>			
Transfers from fiduciary fund		<u>770,761</u>	<u>770,761</u>
Change in Net Position		<u>\$ 180,471</u>	180,471
Fund Balance / Net Position - Beginning of Period	<u>10,956</u>		<u>16,686</u>
Fund Balance / Net Position - End of Period - Exhibit A	<u>\$ 192,691</u>		<u>\$ 197,157</u>

The accompanying notes are an integral
part of these statements.



MUNICIPAL REVIEW COMMITTEE, INC.
Statement of Fiduciary Net Position
Joint Venture of the Member Municipalities
of the Municipal Review Committee
December 31, 2020

		<u>Fiduciary Fund</u>
<u>Assets</u>		
Custody Account:		
Cash - Checking account	\$ 9,340	
Government obligations money market fund	<u>233</u>	
Total Custody Account		\$ 9,573
Tipping fees receivable from members		688,938
Receivable from bondholders for facility expenditures		15,342
Operating Budget Stabilization Account:		
Cash - Checking account		438,527
Tip Fee Stabilization Account:		
Money market mutual fund	758,055	
Certificates of deposit	2,045,065	
Fixed-income mutual funds	2,114,687	
Corporate notes	602,351	
Accrued investment income	<u>19,716</u>	
Total Tip Fee Stabilization Account		5,539,874
Cash Collateral Account:		
Money market mutual fund	153,066	
Fixed-income mutual funds	1,379,804	
Accrued investment income	<u>1,088</u>	
Total Cash Collateral Account		1,533,958
Receivable from Coastal Resources of Maine - Net of allowance of \$1,500,000		-
Capital assets		<u>1,138,748</u>
<u>Total Assets</u>		<u>9,364,960</u>
<u>Liabilities</u>		
Disposal cost offset payments payable to members		149,421
Tipping fees payable to disposal facilities		<u>645,642</u>
<u>Total Liabilities</u>		<u>795,063</u>
<u>Net Position</u>		
Held for the benefit of the Equity Charter Joining Members of the Municipal Review Committee		<u>\$ 8,569,897</u>

The accompanying notes are an integral part of these statements.



MUNICIPAL REVIEW COMMITTEE, INC.
Statement of Changes in Fiduciary Net Position
Joint Venture of the Member Municipalities
of the Municipal Review Committee
For the Eighteen Months Ended December 31, 2020

	<u>Fiduciary Fund</u>
<u>Additions</u>	
Investment income:	
Interest and dividend income	\$ 281,108
Net appreciation in fair value of investments	<u>50,689</u>
Net investment income	331,797
Tipping fees from members	3,919,470
Additional tipping fees from non-Joining Municipalities	364
Reimbursement of facility expenditures from bondholders	214,238
Impairment in value of note receivable from Coastal Resources	<u>(1,500,000)</u>
Total Additions	<u>2,965,869</u>
<u>Deductions</u>	
Municipal solid waste disposal costs of members	4,093,026
Disposal cost offset payments	906,281
Transfer to General Fund	770,761
Facility shutdown costs:	
Clean up and maintenance	575,613
Property taxes	341,319
Town acceptance of road, pump station, and water main	<u>5,075,757</u>
Total Deductions	<u>11,762,757</u>
Change in Net Position	(8,796,888)
Net Position - Beginning of Period	<u>17,366,785</u>
Net Position - End of Period - Exhibit C	<u>\$ 8,569,897</u>

The accompanying notes are an integral
part of these statements.



MUNICIPAL REVIEW COMMITTEE, INC.
Notes to Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies

Nature of the Entity

The Municipal Review Committee, Inc. (MRC), was organized as a nonprofit corporation in 1991 to better ensure the continuing ability to its members of long-term, reliable, safe and environmentally sound methods of solid waste disposal at a stable cost. Its members 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 joinder agreement with MRC. MRC's Board of Directors is elected by its members, and must be persons who, at the time of their elections, are either elected or appointed officials, employees or legal residents of the municipalities served.

MRC was originally formed by municipalities with waste disposal agreements with Penobscot Energy Recovery Company Limited Partnership (PERC). The waste disposal agreements with PERC terminated on March 31, 2018. As of April 1, 2018, MRC entered into an agreement with Coastal Resources of Maine, LLC, for disposal of municipal solid waste at a processing facility being developed in Hampden, Maine. A number of Departing Municipalities did not enter into a joinder agreement effective as of April 1, 2018, and their equity was distributed in 2018. Joining members are made up of "Equity" Charter Joining Members that had become members of MRC prior to September 30, 1998, and "New Charter" and New Joining Members. At December 31, 2020, MRC's membership was made up of 55 Equity Charter Joining Members, 25 New Charter Joining Members, and 3 New Joining Members.

MRC's financial statements are prepared in accordance with generally accepted account 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.

Financial Reporting Entity

The financial reporting entity is comprised of the following:

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

These financial statements present the activities of MRC (the primary government) and its component unit. As defined by GASB Statement 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.
Notes to Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies - continued

Municipal Review Committee, Inc.

MRC acts as a liaison for and as a representative of its members with Coastal Resources of Maine, LLC, and various area landfills. It also managed the assets accumulated by the Joint Venture of the Charter Municipalities of the Municipal Review Committee for its members who elected as of September 30, 1998, to become "Equity" Charter Municipalities.

Joint Venture of the Member Municipalities of the Municipal Review Committee

The Joint Venture of the Member Municipalities of Municipal Review Committee (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. Members that joined after September 30, 1998, do not have an ongoing financial interest in the equity of the Joint Venture.

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 purchased the electrical output of PERC's waste-to-energy facility.

The waste disposal agreements provided that the Joint Venture's assets were to be allocated among the Equity Charter Municipalities based on their respective shares of its receipts. To facilitate this allocation, MRC allocated 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 member municipalities' solid waste, rebates of tipping fees were paid to the member municipalities on a system-wide average basis to offset the difference between the tipping fee paid and a target price.

Effective April 1, 2018, the joinder agreements provided a disposal cost offset payment of \$5 per ton of municipal solid waste delivered by the Equity Joining Members and \$3 per ton to the New Joining Members. During the construction phase of the new waste processing facility, they also provided for a reimbursement of additional transportation costs and lost fees as a result of having municipal solid waste delivered to area landfills instead of the Hampden facility. These expenditures have been reported as deductions in the statement of changes in fiduciary net position.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions by management regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

MUNICIPAL REVIEW COMMITTEE, INC.
Notes to Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies - continued

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 Joint Venture.

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 cannot be used to finance the governmental entity's own operations.

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 operating income, changes in net position, and financial position. All assets and liabilities (whether current or noncurrent) are reported.

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.

MUNICIPAL REVIEW COMMITTEE, INC.
Notes to Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies - continued

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.

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

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.

Custody Account. This account, which is also known as the Distribution and Development Account, is the operating cash account of the Joint Venture.

Tip Fee Stabilization Account. In 2001, the Board of MRC voted to set aside a portion of the receipts from PERC each quarter into an investment account for future distributions to Charter Municipalities. In 2003, the Board voted to transfer to this Fund amounts in the Custody Account when they exceeded a certain minimum balance. In 2018, per agreement with Coastal Resources of Maine, LLC, the minimum balance is to be no less than \$4 million.

Operating Budget Stabilization Account. In 2004, the Board of MRC voted to establish this account, which is also known as the Contingency 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 for balancing its annual operating budget in the event of contingencies.

Cash Collateral Account. This account provides collateral security for certain obligations under the site lease agreement with Coastal Resources of Maine, LLC. The account also provides a source of funds should the Joining Members fail to deliver to the Hampden waste facility their annual commitment of tons of municipal solid waste. The minimum balance is to be no less than \$1.5 million.

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 net assets with constraints placed upon their 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 Joining Members of Municipal Review Committee."

MUNICIPAL REVIEW COMMITTEE, INC.
Notes to Financial Statements
December 31, 2020

1. Summary of Significant Accounting Policies – continued

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

Custodial Credit Risk – Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, an entity's deposits and investments may not be returned to it. The Entity does not have a deposit policy for custodial credit risk, and some of its deposits may occasionally be uninsured and uncollateralized. The Entity has not experienced any losses in the past. Management believes it is not exposed to any significant risk on uninsured and uncollateralized deposits. As of December 31, 2020, \$591,374 of the Entity's deposits and investments were exposed to custodial credit risk.

Credit Risk, Concentration of Credit Risk, and Interest Rate Risk - Investments

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. Those statutes also authorize the officers to enter into a formal agreement with a financial institution which can invest the funds pursuant to an investment management agreement. In accordance with this provision, the Entity has entered into an investment management agreement with a financial institution.

The following schedule summarizes the Fiduciary Fund's investments at December 31, 2020:

	<u>Fair Value</u>	<u>Credit Quality</u>	<u>Weighted Average Maturity (years)</u>
Negotiable certificates of deposit	\$2,045,065	Not Rated	1.05
Corporate notes	602,351	BBB+/A+	0.18
Fixed-income mutual funds:			
Money market	911,354	Not Rated	na
Intermediate bond	1,332,777	Not Rated	8.70
Intermediate bond index	455,618	Not Rated	7.30
Short-term inflation-protected bond index	651,403	Not Rated	2.70
Short-term investment	507,322	Not Rated	3.20
Total international bond index	<u>547,371</u>	Not Rated	9.70
Total fixed-income mutual funds	<u>4,405,845</u>		
Totals	<u>\$7,053,261</u>		

MUNICIPAL REVIEW COMMITTEE, INC.
Notes to Financial Statements
December 31, 2020

2. Deposits and Investments - continued

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 does not have an investment policy for managing its exposure to credit risk.

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. The Entity does not have a policy for managing its concentration of credit risk.

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. The Entity does not have an investment policy for managing its exposure to interest rate risk.

3. Reconciliation of Government-Wide and Fund Financial Statements

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

Fund Balance—Governmental Fund	\$ 192,691
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Some assets, including prepaid expenses in the governmental activities, are not financial resources and therefore are not reported in the fund financial statements.	6,148
Some liabilities, including accrued vacation, are not payable in the current period and therefore are not reported in the fund financial statements.	<u>(1,682)</u>
Net Position of Governmental Activities	<u>\$ 197,157</u>

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

Net Change in Fund Balance—Governmental Fund	\$ 181,735
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report the payment of insurance, communications, and rent at the earlier of when expended or when the current financial resources are available and payments are due. However, in the statement of activities, these payments are reported as expense in the period to which they relate.	(784)
Some expenses, such as accrued vacation, reported in the statement of activities, do not require the use of current financial resources and therefore are not reported in the fund financial statements.	<u>(480)</u>
Change in Net Position of Governmental Activities	<u>\$ 180,471</u>

MUNICIPAL REVIEW COMMITTEE, INC.
Notes to Financial Statements
December 31, 2020

4. Capital Assets

A summary of changes in capital assets follows:

	Balance <u>07/01/19</u>	<u>Additions</u>	<u>(Retirements)</u>	Balance <u>12/31/20</u>
Fiduciary Activities				
Capital assets not being depreciated:				
Land	\$1,138,748	\$ -	\$ -	\$1,138,748
Infrastructure and Project Costs	<u>4,848,681</u>	<u>227,076</u>	<u>5,075,757</u>	<u>-</u>
Total capital assets not being depreciated	<u>\$5,987,429</u>	<u>\$ 227,076</u>	<u>\$5,075,757</u>	<u>\$1,138,748</u>

5. Interfund Receivables, Payables, and Transfers

Interfund Transfers:

	Transfers from:	
	<u>General</u>	<u>Fiduciary</u>
Transfers to:		
General		<u>\$770,761</u>
Fiduciary	<u>\$ -</u>	

Transfers are used to (1) to move funds the Board has voted on to support the operations of another fund and (2) to move funds expended for capital assets on behalf of another fund.

6. Schedule of Equity Charter Joining Member Net Position

Before April 1, 2018, the Joint Venture's cash inflows and outflows generally were allocated among the Equity Charter Municipalities on the basis of actual tons of acceptable waste delivered to PERC each quarter. The Joint Venture's other assets were allocated among the Equity Charter Municipalities in the calendar quarter that they were converted to cash.

After March 31, 2018, cash outflows each calendar quarter are allocated based on actual tons of acceptable waste delivered to the appropriate waste facility. Investment income is allocated based on balances each Equity Charter Joining member has accumulated in prior quarters.

7. Long-Term Agreements

Site Lease Agreement. During 2017, MRC entered into an agreement to lease the Hampden Site to Coastal Resources of Maine, LLC, ("Tenant") for a 15-year period beginning with the Tenant's commercial operation date. The Tenant has the right to extend the lease term for up to five consecutive periods of five years each, provided that MRC's member municipalities continue to supply the Tenant with acceptable waste. The Tenant agreed to pay MRC rent at a rate of \$125,000 per year, payable monthly, subject to annual adjustments to reflect increases in the Consumer Price Index. Commercial operations began on November 1, 2019, but were suspended on May 28, 2020. No further lease payments are expected to be received under this agreement.

MUNICIPAL REVIEW COMMITTEE, INC.
Notes to Financial Statements
December 31, 2020

7. Long-Term Agreements - continued

Waste Supply Agreement. On behalf of the municipalities that have executed a Municipal Joinder Agreement, MRC has entered into an agreement to commit to delivering at least 102,513 tons of acceptable municipal solid waste to the waste processing facility at the Hampden Site each year for the duration of the Site Lease Agreement. A shortfall in delivering the annual tons committed could subject the Joint Venture to a substantial penalty. The Cash Collateral Account has been funded to provide a source of funds for this potential obligation. The penalty will only be enforced if sufficient quantities of acceptable municipal solid waste are not available on a commercial basis to mitigate the shortfall. The Company is required to provide notice at the end of each year whether the annual delivery commitment has been met.

8. Income Taxes

MRC 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, 2020.

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, 2020, was \$3,862.

10. 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.

11. Contingencies

Coastal has not repaid any of the \$1.5 million unsecured loan principal or the interest on such loan, nor does Management anticipate that such payment will be made by Coastal. Management continues to negotiate with Coastal's lenders and multiple third parties regarding a potential purchase of Coastal's assets out of receivership. As part of such purchase, it is possible, but not assured, that the MRC might be repaid all or part of the loan principal or interest from a successor owner of Coastal's assets.

If the Facility is not purchased, additional Site clean-up costs of up to \$1 million may be required to remove 550,000 gallons of wastewater from an existing anaerobic digestion tank at the Facility and to complete other Site clean-up tasks. There is no assurance of whether such costs would be borne by the Trustee or be netted out of the proceeds of Facility liquidation. If not, the costs may ultimately be borne by the MRC. A liability for this potential loss has not been recorded in the financial statements.

MUNICIPAL REVIEW COMMITTEE, INC.
Notes to Financial Statements
December 31, 2020

12. Subsequent Events

Subsequent to year end, the MRC has been advised that the bondholders have agreed to an MRC proposal for a process to sell the Facility and other assets out of receivership at a competitive auction scheduled to be held by June 30, 2022. Multiple buyers interested in purchasing and re-opening the Facility, largely in its current configuration, have expressed active interest in the auction. The MRC is confident that the purchase process will proceed successfully, that the Facility will be re-opened, and that waste processing services will be restored for the MRC membership.

MUNICIPAL REVIEW COMMITTEE, INC.
 Schedule of Equity Charter Joining Member Net Position
 Joint Venture of the Member Municipalities
 of the Municipal Review Committee
December 31, 2020

	Deposits and <u>Investments</u>	Net Investment in <u>Hampden Site</u>	Net Other Receivable and Payables	<u>Net Position</u>
Albion	\$ 116,977	\$ 10,031	\$ (904)	\$ 126,104
Alton	44,676	3,814	(334)	48,156
Atkinson	15,834	1,356	(173)	17,017
Bangor	2,094,176	319,874	(9,312)	2,404,738
Bar Harbor	417,029	63,617	(7,561)	473,085
Blue Hill/Surry	291,138	44,814	(6,128)	329,824
Boothbay RRDD	371,790	56,908	(7,104)	421,594
Bradley	34,612	5,335	(660)	39,287
Brewer	529,974	80,588	(3,115)	607,447
Brooks	21,928	3,426	(424)	24,930
Brownville	51,524	7,899	(846)	58,577
Bucksport	153,594	23,277	(1,125)	175,746
Carmel	74,397	11,512	(1,600)	84,309
Central Penobscot	149,939	23,100	(2,917)	170,122
China	129,734	19,822	(34)	149,522
Clifton	25,857	3,993	(456)	29,394
Dedham	30,994	4,754	(623)	35,125
Dover-Foxcroft	155,884	24,055	(3,333)	176,606
Eddington	63,535	9,770	(989)	72,316
Guilford	93,305	14,351	(1,888)	105,768
Hampden	253,114	38,710	(2,255)	289,569
Holden	69,235	10,610	(831)	79,014
Lee	29,440	4,530	(583)	33,387
Levant	65,714	10,129	(1,246)	74,597
Lucerne	19,248	2,975	(521)	21,702
Mariaville	10,194	1,567	(190)	11,571
Mattawamkeag	28,207	4,320	(529)	31,998
Mid-Maine SWD	312,604	48,052	(6,321)	354,335
Millinocket	211,834	32,417	(3,889)	240,362
Milo	96,481	14,842	(1,752)	109,571
Monson	17,053	2,606	(199)	19,460
Mt. Desert area ADD	508,687	77,489	(9,141)	577,035
Orono	301,689	45,950	(2,265)	345,374
Otis	14,101	2,176	(408)	15,869
Palmyra	52,755	8,160	(932)	59,983
Parkman	14,422	2,221	(246)	16,397
Pleasant River SWD	85,603	13,057	167	98,827
Sangerville	40,543	6,239	(910)	45,872
Steuben	41,943	6,466	(845)	47,564
Thorndike	20,614	3,145	(213)	23,546
Troy	14,794	2,274	(252)	16,816
Union River SWD	25,566	3,956	(1,028)	28,494
Unity	61,374	9,449	(924)	69,899
Vassalboro	105,121	16,158	(1,907)	119,372
Verona	21,383	3,291	(345)	24,329
Waldoboro Group	233,316	35,663	(3,693)	265,286
Total	<u>\$ 7,521,932</u>	<u>\$ 1,138,748</u>	<u>\$ (90,783)</u>	<u>\$ 8,569,897</u>