

CommonWealth

Resource Management Corporation

16 January 2024

The Municipal Review Committee, Inc. (the MRC)
Attn.: Michael Carroll, Executive Director
20 Godfrey Drive, Suite 213
Orono, Maine 04473

RE: Joint Venture Assets Managed by the MRC:
Financial Statements for the Fourth Quarter of 2023

Dear Members of the Committee:

CommonWealth Resource Management Corporation (CRMC) herein presents financial statements through the fourth quarter of 2023 for assets of Joining Members held through the joint venture with the MRC (the Joint Venture). The Joining Members include 83 municipalities and public entities that entered into Joinder Agreements with the MRC prior to April 1, 2018, pursuant to which the MRC managed disposal of the MSW collected within their borders, and also managed related funds and assets. To accept and process the MSW, the MRC sponsored development by a private company of a mixed waste processing facility in Hampden, Maine (the Facility) on a site that the MRC had purchased for the purpose (the Site). The Facility began accepting and processing MSW in 2019, but suspended operations and was placed in receivership in 2020. The Facility remained idle through 2023.

In August 2022, the MRC formed a limited liability company, Municipal Waste Solutions, LLC (MWS LLC), to purchase the Facility and related assets out of receivership as a step toward its re-opening. On June 30, 2023, the MRC entered into a series of agreements with a private company, Innovative Resource Recovery, LLC (Innovative), involving the sale of 90 percent of the MRC's ownership position in MWS LLC to Innovative, which would redevelop, re-capitalize and re-open the Facility. The agreements are listed and summarized briefly in Attachment 1. The sale of interests brought material improvement in the financial position of the Joint Venture and the MRC.

Joint Venture quarterly balance sheets and statements of changes in fund balances

Tables 1 and 2 attached provide a Governmental Funds Balance Sheet/Statement of Net Position (Balance Sheet) and a Statement of Governmental Fund Revenues, Expenditures and Change in Fund Balance/Statement of Activities (Change in Fund Balance) for the Joint Venture on a quarterly basis through calendar years 2022 and 2023. The statements are unaudited, though adjustments were made for consistency with a draft audit completed for the MRC and the Joint Venture for calendar year 2021 and a substantially complete draft audit for the MRC and the Joint Venture calendar year 2022.

As shown, as of January 1, 2024, the Joint Venture had total assets of **\$5,107,013.72** comprised of the following:

1. Cash, cash equivalents and financial investment accounts held in five accounts, with three cash accounts at First National Bank (an ICS Sweep Account, the Development and Distribution Account (D and D Account) and the Contingency Account); and two investment accounts managed by First National Wealth Management (the Tip Fee Stabilization Account; and the Cash Collateral Account). The cash positions include:

- **\$1,018,284.75** in cash and short-term investments, and **\$3,807.72** in accrued interest, in the ICS Sweep Account. This account was established in September 2023 to increase interest earned on deposited funds while maintaining liquidity.
- **\$37,181.58** in the Development and Distribution Account (the D and D Account, formerly the Custody Account) held at First National Bank.
- A zero balance in the Contingency Account (formerly the Operating Budget Stabilization Account), which is held in a liquid money market account at First National Bank

CRMC notes that under the new agreements between the MRC and Innovative there is less reason to maintain multiple separate cash accounts. CRMC recommends evaluating consolidation of the cash accounts to simplify accounting and reduce banking fees.

The investment account positions include:

- **\$985,851.55** in investment value and **\$4,095.74** in accrued interest in the Tip Fee Stabilization Account, which is managed by First National Wealth Management (affiliated with First NB). The investments include fixed income assets (market value of \$934,660.90 for a mix of US Treasury bills, US agency bond funds and commercial bank CDs) plus \$51,190.65 in cash equivalents. There were no withdrawals during the quarter.
- **\$327,402.75** in investment value and **\$396.25** in accrued interest in the Cash Collateral Agency Account managed by First National Wealth Management. The investments include short-term fixed income funds valued at \$296,169.98; and cash and equivalents of \$31,232.77. There were no withdrawals during the quarter. Consolidation of this account with the Tip Fee Stabilization Account, which had been approved by the MRC Board at a prior meeting, is in progress.

2. Physical assets valued at book cost that include:

- An 88-acre site (the Site) accessible from Harold Bouchard Way off Coldbrook Road in Hampden, Maine, valued at **\$1,138,748.27** as described in prior asset management letters, which the MRC purchased in 2017 to host the Facility. Although the MRC continues to own the Site, ownership of the access road to the Facility and certain other infrastructure has been turned over to the Town of Hampden. The value of \$1,138,748.27 is based on full book cost for Site acquisition and improvements net of the book cost of the infrastructure turned over to the Town of Hampden. The MRC has not performed an appraisal of the Site market value, which likely exceeds the book value.

- A 10-percent ownership position in MWS LLC, valued at book cost based on (a) the MRC's purchase price of **\$1,500,000.00** in August 2022 for the Facility and related assets; (b) refundable utility deposits totaling **\$73,164.87**; and (c) costs expended to transfer permits to MWS LLC in a total amount of **\$18,080.24**. The current book cost does not account for the market value of the Facility as a going concern or as assets for redevelopment. The value of the MRC's investment in MWS LLC, which is likely different from the market value, will be re-evaluated when more information is available.

The Balance Sheet does not show a separate line-item for grant funds of **\$42,467** that the MRC received from the Pandemic Recovery for an Innovative Maine Economy (PRIME) Fund and the use of which is restricted to funding of staff positions. As of the end of 2023, the MRC had expended \$15,820 of the granted funds on staff costs, leaving an unexpended balance of \$26,647. As of the end of 2023, the MRC had transferred \$10,000 from the Joint Venture to the MRC Operating Account, with remainder anticipated to be transferred in 2024. That transfer is shown on Table 2.

The Balance Sheet does not show amounts received or receivable by the MRC as management fees for services provided under the management services agreement between the MRC and Innovative, nor does it show amounts received or receivable by the MRC as lease payments under the site lease between the MRC and Innovative. The accounting treatment of both of these payments will be reconsidered upon completion and receipt of the audits of the Joint Venture financial records for 2022 and 2023.

The Balance Sheet shows that the Joint Venture has no payables as of January 1, 2024. Bypass disposal costs payable are not shown as a liability, because such costs are now being paid by MWS LLC. During the previous quarter, the MRC paid off amounts of \$88,709.53 payable to Joining Members that had previously been deferred.

Accounting for the assets described above, and with the Balance Sheet showing no liabilities, as of the end of the quarter the Joint Venture had a Net Position of **\$5,107,013.72**.

Joint Venture statements of activities and changes in net position

Table 2 presents additions (revenues) and deductions (expenditures) of the Joint Venture for the fourth quarter of 2023 and preceding quarters. The excess of revenues over expenditures, as adjusted for changes in balance sheet items, is reconciled with the change in the Net Position over each quarter. The financial statements incorporate revenues realized for services provided and expenses incurred for services incurred, but do not recognize potential revenues contingent on future satisfaction of conditions or expenses related to contingent liabilities for events yet to occur and conditions not yet satisfied. Table 2 also shows transfers to the MRC Operating Fund. As shown:

- The Joint Venture earned **\$77,827.95** during the quarter, which includes interest and dividends net of bank fees from invested funds; changes in market value of invested funds; and accrued interest.

- The Joint Venture made cash payments to distributions to Joining Members of **\$116,800.00** in the quarter reflecting reimbursements of lost fees that had been previously deferred, and payments of certain other adjustments.
- The Change in Fund Balance also reflects changes in accounts receivable and accounts payable over the quarter, as well as various adjustments and reconciliations.

Accounting for the excess of additions over deductions and adjusting for payment lags due to accounts payable and receivable and non-cash items, the Joint Venture experienced a Change in Position that was a net increase of **\$34,181.55** over the quarter.

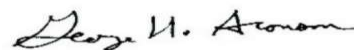
As of January 1, 2024, the MRC was in compliance with all requirements for reserve funds per Exhibit B, Section 2 of the Joinder Agreements.

Regarding the administration of funds, CRMC offers the following recommendations:

1. Evaluate consolidation of the cash accounts to simplify accounting and reduce banking fees.
2. Complete consolidation of the investment accounts, which had been approved by the MRC Board at a prior meeting.

If you have any further questions, please feel free to contact me.

Sincerely,



George H. Aronson, Principal

Attachment 1 Agreements between the NRC and Innovative
Table 1 Balance Sheet for the Joint Venture
Table 2 Change in Fund Balance for the Joint Venture

Attachment 1. Agreements between the MRC and Innovative.

The agreements entered into by the MRC on June 30, 2023, which implement a sale of interests in MWS LLC from the MRC to Innovative, include the following:

1. A membership interest purchase agreement between the MRC and Innovative, pursuant to which the MRC sold, and Innovative purchased, 90 percent of the membership interests in MWS LLC. The MRC retains ownership of 10 percent of the membership interests in MWS LLC.
2. An amended and restated limited liability company agreement among the members of MWS LLC that sets forth terms and conditions governing the operation and management of MWS LLC moving forward.
3. An amended and restated site lease between MRC as owner of the Site and MWS LLC as the owner of the Facility.
4. An amended and restated master waste supply agreement between the MRC as the representative of the Joining Members that would provide MSW under the Joinder Agreements, and MWS LLC as the owner and operator of the Facility that would accept and process the MSW after resumption of commercial operation.
5. A consent and forbearance agreement between the MRC and MWS LLC to waive contractual defaults and address business arrangements over the interim period until the Facility resumes commercial operation.
6. A management services agreement pursuant to which the MRC, in exchange for compensation in the form of management fees, would continue to oversee delivery of MSW from Joining Members to the Facility or to bypass disposal facilities; oversee collection of tipping fees from Joining Members; make arrangements for bypass disposal; and provide other services as described in the agreement.

Table 1 Joint Venture of the Joining Members of the Municipal Review Committee, Inc. Governmental Funds Balance Sheet / Statement of Net Position Quarterly Basis through 4Q 2023, adjusted for audit through 4Q 2021											
	Notes	Unaudited 1-Jan-24	Unaudited 1-Oct-23	Unaudited 1-Jul-23	Unaudited 1-Apr-23	Audit in progress 1-Jan-23	Audit in progress 1-Oct-22	Audit in progress 1-Jul-22	Audit in progress 1-Apr-22	Draft audit 1-Jan-22	
ASSETS											
Cash and cash equivalents											
Contingency Account (First National Bank WM)	1	-	3,052.79	716,280.49	852,162.65	423,517.34	556,701.06	646,592.23	91,328.85	269,574.05	
D and D Account (First National Bank)	1	37,181.58	59,132.38	58,743.04	58,716.88	54,662.41	46,678.38	27,210.99	26,153.79	22,045.91	
PRIME grant funds held in escrow			42,467.00	42,467.00	42,467.00	42,467.00					
Custody Account (Bangor Savings Bank)	1	-									
ICS Sweep Account	1	1,018,284.75	1,074,992.47								
Accrued interest	2	3,807.72									
Investments accounts											
Tip Fee Stabilization Fund											
Account balance (at First National Wealth Management)	2	985,851.55	939,766.62	946,139.64	997,758.37	1,040,327.76	1,356,646.89	1,763,281.46	3,102,531.60	3,809,371.05	
Accrued income	2	4,095.74	2,252.39	4,201.05	2,212.70	3,880.67	4,225.77	6,293.81	7,633.70	5,441.64	
Cash Collateral Account/Delivery Sufficiency Fund											
Account balance (at First National Wealth Management)	2	327,402.75	309,434.32	314,541.61	314,935.83	306,572.37	301,163.38	1,342,677.70	1,459,237.80	1,526,807.27	
Accrued income (at First National Wealth Management)	2	396.25	450.35	406.72	334.07	203.88	622.28	2,883.75	2,223.44	498.25	
Exclusivity and other escrow deposits	3				-	150,000.00	250,000.00	150,000.00			
Accounts receivable											
Tip Fees receivable for Joining Members MSW	4			479,277.22	588,096.25	313,829.33	509,506.88	478,186.49	410,993.91	134,265.96	
Reimbursements receivable for Facility costs										-	
Investment in Site and Facilities											
Value of Hampden Site	5	1,138,748.27	1,138,748.27	1,138,748.27	1,138,748.27	1,138,748.27	1,138,748.27	1,138,748.27	1,138,748.27	1,138,748.27	
Value of Investment in MWS LLC	6										
Acquisition cost for the Facility and Coastal assets	6	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00	1,500,000.00			
Utility deposits	6	73,164.87	73,164.87	73,164.87	73,164.87	73,164.87	73,164.87	73,164.87			
Improvements at cost	6	18,080.24	18,080.24	18,080.24	11,756.24	9,073.74					
TOTAL ASSETS		5,107,013.72	5,161,541.70	5,292,050.15	5,580,353.13	5,056,447.64	5,664,292.91	5,555,874.70	6,238,851.36	6,906,752.40	
LIABILITIES AND NET POSITION											
Liabilities											
Accrued bypass disposal for Joining Member MSW	10	-	-	597,731.00	691,273.90	555,637.83	485,810.93	604,115.76	105,987.59	583,783.09	
Distribution payable to Joining Members, current quarter	7	-	-	-	-	36,074.24	121,999.99	105,773.76	123,932.79	146,036.62	
Payments to Joining Members deferred	8	-	88,709.53	92,137.58	92,137.58	92,137.58	78,992.13	41,439.16			
Other payables (liens and issued checks uncashed)	9	-	-	661.25	256,421.00	431,996.25	495,370.50	310.94	310.94	367.45	
Total liabilities		-	88,709.53	690,529.83	1,039,832.48	1,115,845.90	1,182,173.55	751,639.62	230,231.32	730,187.16	
Net Position held for the benefit of Joining Members		5,107,013.72	5,072,832.17	4,601,520.32	4,540,520.65	3,940,601.74	4,482,119.36	4,804,235.08	6,008,620.04	6,176,565.24	
TOTAL LIABILITIES AND NET POSITION		5,107,013.72	5,161,541.70	5,292,050.15	5,580,353.13	5,056,447.64	5,664,292.91	5,555,874.70	6,238,851.36	6,906,752.40	
NOTES											
1	Custody Account at Bangor Savings Bank closed in 1Q 2021. Funds transferred to First National Bank D and D Account. ICS Sweep Account opened September 2023 to increase interest earned on cash balances.										
2	Assets include investments valued at market value. Accrued income stated separately.										
3	Nonrefundable deposits held subject to various Term Sheet conditions. Note that \$350,000 payment received in 2023 was used to pay Town taxes and fees within the quarter.										
4	Tip fees receivable for tonnage delivered for disposal through end of each quarter through 2Q 2023. Tip fees now paid to Innovative.										
5	Value includes book cost of Site acquisition and development, net of book cost of access road transferred to Town of Hampden. The Site market value has not been appraised independently.										
6	Value based on net purchase price paid on August 9, 2022 for 100% ownership shares. Capitalized expenses include refundable deposits and costs of long-term improvements (e.g., permit transfers) on or after August 9, 2022, from funds advanced from MRC accounts. Does not account for payments deferred until after resumption of commercial operations or for MRC share of market value of MWS LLC.										
7	Cash payable to Joining Members in subsequent quarter per the Joinder Agreements. Obligation completed 1Q2023.										
8	Fee reimbursements deferred 2Q 2022, audited/adjusted 3Q2023.										
9	Checks not cleared within 6 months of issuance										
9	Liens on assets from receivership unpaid or unclear as of end of quarter.										
10	Bypass disposal costs unpaid for tons delivered by end of quarter										
	Includes allowance for accrued disposal costs for certain unswapped tons										
	Liability transferred to MWS LLC at end of 2Q2023.										

