

MUNICIPAL REVIEW COMMITTEE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2011

**LOISELLE, GOODWIN & HINDS**

CERTIFIED PUBLIC ACCOUNTANTS

## TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION: Management's Discussion and Analysis	2 - 9
BASIC FINANCIAL STATEMENTS:	
Governmental Fund Balance Sheet / Statement of Net Assets - December 31, 2011	10
Statement of Governmental Fund Revenue, Expenditures, and Changes in Fund Balances / Statement of Activities	11
Statement of Fiduciary Net Assets	12
Statement of Changes in Fiduciary Net Assets	13
NOTES TO FINANCIAL STATEMENTS	14 - 21
SUPPLEMENTARY INFORMATION:	
Schedule of Equity Charter Municipality Net Assets	22
	Schedule 1

# LOISELLE, GOODWIN & HINDS

CERTIFIED PUBLIC ACCOUNTANTS

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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 the major funds of Municipal Review Committee, Inc., (MRC) as of and for the year ended December 31, 2011, which collectively comprise MRC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of MRC's management. 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MRC's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of Municipal Review Committee, Inc., as of December 31, 2011, 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.

The Management's Discussion and Analysis on pages 2 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 Assets 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 express no opinion on it.



Loiselle, Goodwin & Hinds

October 5, 2012  
Bangor, Maine

**MUNICIPAL REVIEW COMMITTEE, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF THE FINANCIAL STATEMENTS FOR CALENDAR YEAR 2011**

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, 2011. 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 \$389,088 in total revenue in 2011, compared to \$361,241 in total revenue in 2010. Dues from members amounted to \$233,571 in 2011, compared to \$237,521 in 2010.
- Total expenses in 2011 were \$414,674, compared to \$407,777 in 2010.

*Joint Venture*

- Distributed \$4.76 million to Charter Municipalities, thereby achieving the target values for per-ton waste disposal costs for the Equity Charter Municipalities of \$45 per ton in the first two quarters of 2011 and \$46 per ton in the last two quarters of 2011; and for the New Charter Municipalities of \$54 per ton throughout the year.
- Sustained ownership interest in the PERC partnership at 25.5214 percent of the limited partnership shares.
- Supported refinancing of PERC's outstanding debt with a bank loan from TDBank. The refinancing enabled PERC to reduce its requirement for cash reserves from \$10.0 million to \$2.0 million. Consistent with the financing agreements, the MRC received one-third of the cash released when the reserve requirement was reduced (\$2.667 million).
- Maintained a balance of \$20.858 million in the Tip Fee Stabilization Fund as of the end of 2011 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.
- Increased the balance in the MRC Operating Budget Stabilization Fund to \$2,652,770 by the end of 2011, largely through a deposit into the fund of \$2.0 million of the MRC's share of funds released from reserve after the PERC refinancing. The MRC Operating Budget Stabilization Fund provides the MRC with resources to be prepared for the costs of unforeseen contingencies.
- Sustained Net Assets of \$34.947 million at the close of 2011.

**2.0 Overview of the Financial Statements**

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

*Municipal Review Committee, Inc.*

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

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

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

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

The Balance Sheet presents prepaid insurance and Website design costs as assets that are not currently available for use to meet expenditures.

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

The Net Assets presented on the Balance Sheet include the value of prepaid insurance and capital assets, that are not currently available for use to meet expenditures.

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 2011. The Income Statement also identifies and presents the changes in the General Fund Balance over the course of 2011.

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 the changes in prepaid insurance, capital assets, and other receivables over the year.

#### Joint Venture

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

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

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

The Fiduciary Fund liabilities shown on the Balance Sheet include the distributions payable to the Charter Municipalities in the first quarter of 2012.

2. The Statement of Changes in Fiduciary Net Assets (Income Statement) identifies and presents increases and decreases in Fiduciary Net Assets over the course of calendar year 2011.

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

- o Performance Credits as a result of PERC operations that were distributed to MRC on behalf of the Charter Municipalities.
- o Partnership earnings as a result of a part ownership of PERC, of which some (Net Cash Flow) was distributed to MRC on behalf of the Equity Charter Municipalities.
- o Interest income and changes in investment fund values.

The Fiduciary Fund deductions include distributions to the Charter Municipalities.

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

#### Municipal Review Committee, Inc.

MRC's net assets decreased \$25,586 or 17.81% in 2011. The following table summarizes this change.

	<u>Governmental Activities</u>		<u>Total %</u>
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Cash	\$ 38,307	\$ 58,140	(34.11)%
Other Assets	<u>105,120</u>	<u>121,539</u>	(13.51)%
Total Assets	143,427	179,679	(20.18)%
Current Liabilities	<u>25,339</u>	<u>36,005</u>	(29.62)%
Total Net Assets	<u>\$ 118,088</u>	<u>\$ 143,674</u>	(17.81)%

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

	<u>Governmental Activities</u>		<u>Total %</u>
	<u>2011</u>	<u>2010</u>	<u>Change</u>
Membership Fees	\$ 233,571	\$ 237,521	(1.66)%
Other Revenue	<u>110,517</u>	<u>123,720</u>	(10.67)%
Total Revenues	344,088	361,241	(4.75)%
Total Expenses	(414,674)	(407,777)	1.69%
Transfer from Fiduciary Fund	<u>45,000</u>	-	-
Change in Net Assets	(25,586)	(46,536)	45.02%
Beginning Net Assets	<u>143,674</u>	<u>190,210</u>	
Ending Net Assets	<u>\$ 118,088</u>	<u>\$ 143,674</u>	

#### Joint Venture

The MRC manages the assets of the Charter Municipalities in order to achieve two key objectives. First, the MRC seeks to distribute sufficient cash on a quarterly basis to the Charter Municipalities in order to reduce their net cost for disposal of waste at the PERC facility to a pre-determined system-wide average per-ton net cost known as the "target value." In 2011, the target values for Equity Charter Municipalities were \$45 per ton in the first two quarters and \$46 per ton in the last two quarters, which represented the first increase in the target value since 1998. The target value for the New Charter Municipalities was \$54 per ton throughout the year. Second, the 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 Assets.

The Joint Venture's net assets decreased from \$35.38 million to \$34.95 million, or 1.23%, in 2011. The following table summarizes these changes.

	<b>Fiduciary Activities</b>		<b>Total % Change</b>
	<b>2011</b>	<b>2010</b>	
Cash and Investments	\$25,851,628	\$23,390,388	10.52%
Investment in PERC	<u>10,286,372</u>	<u>13,259,694</u>	(22.42)%
Total Assets	36,138,000	36,650,082	(1.40)%
Current Liabilities	<u>1,191,425</u>	<u>1,267,530</u>	(6.00)%
Total Net Assets	<u>\$34,946,575</u>	<u>\$35,382,552</u>	(1.23)%

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

	<b>Fiduciary Activities</b>		<b>Total % Change</b>
	<b>2011</b>	<b>2010</b>	
PERC Performance Credits	\$ 3,251,938	\$ 2,868,299	13.38%
Share of PERC's Net Income	609,850	816,388	(25.30)%
Investment Income	<u>483,085</u>	<u>488,533</u>	(1.12)%
Total Additions	4,344,873	4,173,220	4.11%
Total Deductions	<u>4,762,180</u>	<u>4,959,681</u>	(3.98)%
Change in Net Assets	(417,307)	(786,461)	46.94%
Beginning Net Assets	35,382,552	36,169,013	
Distributions to ECMs	<u>(18,670)</u>	<u>-</u>	
Ending Net Assets	<u>\$34,946,575</u>	<u>\$35,382,552</u>	

MRC distributed sufficient cash in each of the four quarters of 2011 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	\$73.00	\$74.20	\$71.50	\$71.00
Distribution to Equity Charter Municipalities	\$28.00	\$29.20	\$25.50	\$25.00
Net disposal cost for Equity Charter Municipalities, system weighted average	\$45.00	\$45.00	\$46.00	\$46.00
Target value for Equity Charter Municipalities	\$45.00	\$45.00	\$46.00	\$46.00
Distribution to New Charter Municipalities	\$19.00	\$20.20	\$17.50	\$17.00
Net disposal cost for New Charter Municipalities	\$54.00	\$54.00	\$54.00	\$54.00
Target value for New Charter Municipalities	\$54.00	\$54.00	\$54.00	\$54.00

All values are in dollars per ton.

By the end of 2011, the balance in the Tip Fee Stabilization Fund was \$20.86 million. Based on the funds available as of the end of 2011, and the anticipated Performance Credits and PERC partnership distributions (assuming that the PERC facility will continue to perform in the future as it has in the past few years), MRC continues to project that the Charter Municipalities would have sufficient resources to continue to achieve the target values through 2018. Maintaining the existing target value unchanged, however, would draw down almost entirely the balance in the Tip Fee Stabilization Fund by 2018, thereby depleting the capability to stabilize tip fees should the existing arrangements be extended beyond 2018. Moreover, MRC is projecting that tipping fees in any extended arrangement would need to be significantly higher than the current target values for a variety of reasons, most particularly the projected decline in electricity revenues after the expiration in 2018 of the existing sales agreement.

In this context, at its October 2010 meeting, the MRC Board of Directors voted to adopt a Target Value Step Increase Implementation Plan (the "Plan") to implement an increase in target values on an annual basis through 2018. The Plan establishes 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 would stay at \$54 per ton through July 1, 2014, and then increase in accordance with the scheduled set forth above thereafter.

The intent of these increases is to avoid a spike in disposal costs; prepare the Charter Municipalities for higher 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 extension/purchase terms 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.
- Transfers of funds to the Custody Account from the Tip Fee Stabilization Fund in the second quarter of 2011.

As of the end of 2011, the remaining \$0.667 million in cash that had been released from reserve funds held by the Trustee to the bond financing remained in the Custody Account. The MRC Board was negotiating with the private partners in PERC an agreement to swap such cash that had been released to the MRC from reserves for an identical amount of cash being held by the private partners as part of the reserves for the loan financing. No such agreement had been fully negotiated as of the end of 2011.

During 2011, the Charter Municipalities incurred a penalty of \$98,326.82 to PERC for a shortfall in deliveries of municipal solid waste as compared to the Guaranteed Annual Tonnage. The penalty was initially paid by the MRC, but will be reimbursed by the Charter Municipalities having shortfalls through direct payments, offsets, and debits against account balances.

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

MRC had no outstanding debt in 2011.

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



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

MRC notes the following significant foreseeable future conditions with the potential to affect performance in 2012:

- **Facility Maintenance Costs.** The Facility Operator is planning to incur major maintenance expenditures for the Facility to ensure that operations continue through and beyond 2018. Implementation of capital and maintenance investments in the Facility's major processing and production systems will continue to be an integral factor in maintaining economic performance in 2012 and thereafter. The costs of such investments have increased in recent years. There is no assurance that the level of future investment in capital and major maintenance projects at the Facility as required to maintain current levels of performance will not increase substantially in excess of projections in the coming years.

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

- **Waste Acquisition.** In 2011, PERC received 117,088 tons of municipal solid waste (MSW) from commercial and spot market arrangements to supplement the 183,274 tons of MSW delivered by Charter Municipalities and 13,426 tons of MSW delivered by other municipalities. MSW deliveries to PERC by Charter Municipalities declined by 3,583 tons from 2010 to 2011, a drop of 2.0 percent, and, per PERC's records, fell short by 2,561 tons of the guaranteed annual tonnage (GAT) that the Charter Municipalities, in aggregate, were obligated to deliver to PERC in 2011 to avoid shortfall penalties. Whether such shortfall penalties will be assessed, 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 partnership distributions 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 municipal solid waste as needed to allow the facility to operate at capacity. Competing disposal facilities include the three 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 2012 and thereafter, and could adversely affect the capability for Charter Municipalities to achieve the target values through 2018.

- **Regulatory limits on competition.** The development of new capacity for MSW disposal in Maine is restrained by two regulatory factors: namely, a regulatory ban on the permitting of new commercial solid waste disposal facilities, and contract terms and permit conditions that restrict the disposal of MSW at existing landfills. There are two landfills that, by virtue of their locations, might compete with the PERC Facility for MSW: the state-owned Juniper Ridge Landfill, which is located in Old Town, Maine, within 25 miles of the PERC Facility; and the privately-owned Crossroads Landfill, which is located in Norridgewock, Maine, approximately 75 miles from the PERC Facility. If such regulatory ban is modified or repealed, or if the contract terms and permit conditions that control how the Juniper Ridge Landfill and/or the Norridgewock Landfill accept MSW for disposal are modified, then the PERC Facility might lose significant quantities of MSW to competing disposal facilities. Such a loss could have a significant adverse impact on the economic performance of PERC in 2012 and thereafter, and could adversely affect the capability for Charter Municipalities to achieve the target values at current levels through 2018.

On September 10, 2010, the Maine Department of Environmental Protection (Maine DEP) issued a regulatory decision that allows the Juniper Ridge Landfill to accept additional amounts of MSW for disposal. In particular, the decision allows MSW to be deposited into the landfill as "soft layer" material, which is the first layer of material to be deposited directly onto the liner that is placed at the bottom of each new landfill base cell. As a consequence of this decision, in 2011 the Juniper Ridge Landfill accepted 22,229 tons of MSW that it would not previously been allowed to accept. Appeals of this order by the MRC were unsuccessful.

The MRC views this order by the Maine DEP as a threat that might cause significant quantities of MSW to be diverted from the PERC Facility. Such loss could have a significant adverse impact on the economic performance of PERC, and, consequently, on the Charter Municipalities, in 2012 and thereafter.

- The MRC is monitoring the progress of legislative proposals carried-over from the 2011 First Regular Legislative Session to the 2012 Second Regular Legislative Session. One legislative proposal would allow the private owner of the Crossroads Landfill, which is located in Norridgewock, Maine, approximately 75 miles from the PERC Facility, the ability to seek a significant expansion that is precluded under current law. If the legislation is passed into law in a manner that provides for the acceptance of MSW without limitation, then significant quantities of MSW might be diverted from PERC to the expanded facility. Such a loss could have a significant adverse impact on the economic performance of PERC, and, consequently, on the Charter Municipalities, in 2012 and thereafter.
- **Environmental regulation.** Many aspects of the operation of the Facility are subject to stringent regulation of the Maine Department of Environmental Protection (the DEP) and by other federal, state, and local agencies. Thus, there is always a risk that changes in applicable, law, regulations, or regulatory policies and enforcement practices will have an adverse impact on the Facility's performance or the economics of continuing Facility operation. The Facility works diligently to comply with all applicable environmental laws, regulations, permits, and policies. In addition, MRC works jointly with PERC on an ongoing basis to monitor potential changes in applicable laws, regulations, permits, and policies in order to identify initiatives that might have an adverse impact on the Facility and to ensure that such impacts are recognized and given due consideration. Nevertheless, there is no assurance that the Facility will not be adversely affected in the future by changes in applicable law, regulation, regulatory policy, or enforcement practices.

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

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

- Electric utility regulation. In 2011, approximately 56 percent of all revenue realized by PERC was in the form of payments for electricity purchased by Bangor Hydro pursuant to a Power Purchase Agreement (PPA) that was originally executed in 1984 and is expected to remain in effect through March 31, 2018. Such purchases undertaken pursuant to the PPA in 2011 were at prices generally in excess of market rates for electricity and associated products. In recognition of the PPA prices for electricity and related contract terms, in 1998 the PPA was amended to provide cost mitigation to Bangor Hydro. Such amendment was reviewed and approved by the Maine Public Utilities Commission (the Maine PUC), which has regulatory jurisdiction over Bangor Hydro and its power purchase arrangements. The Maine PUC ruled that the above-market purchases of electricity by Bangor Hydro pursuant to the PPA qualify as "stranded costs" and has set forth a procedure for recovery of such costs on an ongoing basis. Nevertheless, there is no assurance that the Facility might not be adversely affected in the future by changes in the regulatory treatment of electricity purchases pursuant to the PPA or by changes in the procedures for recovery of stranded costs.
- Emerging technologies. MRC is aware of numerous new technologies that are being developed to process and dispose of municipal solid waste, including approaches that utilize gasification, pyrolysis, plasma arc destruction, anaerobic digestion, thermal de-polymerization, and other methods. At this point, none of these technologies has been demonstrated on a commercial basis to provide substantial economic, technical, and environmental advantages for solid waste management as compared to the PERC Facility, and there are no facilities applying such technologies to solid waste management that are operating or under construction in Maine. Nevertheless, it is possible that such a technology will be developed and emerges in the future as a disruptive technology that is competitive with the PERC Facility, with adverse economic consequences on the Facility.

### **7.0 Contact Information**

More information on MRC and the Joint Venture may be obtained at MRC's administrative office, care of Eastern Maine Development Corporation, 40 Harlow Street, Bangor, ME 04401.

**MUNICIPAL REVIEW COMMITTEE, INC.**  
**GOVERNMENTAL FUNDS BALANCE SHEET / STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2011**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
<b>ASSETS</b>			
Cash - Checking Account	\$ 38,307	-	\$ 38,307
Membership Fees Receivable	58,521	-	58,521
Accounts Receivable - Bangor Hydro	27,788	-	27,788
Reimbursements Receivable - PERC	8,666	-	8,666
Prepaid Insurance	-	\$ 7,516	7,516
Capital Asset:			
Website Design Costs	-	2,629	2,629
Total Assets	<u>\$ 133,282</u>	<u>10,145</u>	<u>143,427</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ 17,311	-	17,311
Accrued Vacation	-	8,028	8,028
Total Liabilities	<u>17,311</u>	<u>8,028</u>	<u>25,339</u>
<b>FUND BALANCES / NET ASSETS</b>			
<i>Fund Balances:</i>			
Unassigned	<u>115,971</u>	<u>(115,971)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 133,282</u>		
<i>Net Assets:</i>			
Invested in Capital Asset		2,629	2,629
Unrestricted		<u>115,459</u>	<u>115,459</u>
Total Net Assets		<u>\$ 118,088</u>	<u>\$ 118,088</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, 2011**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUE</b>			
Membership Fees	\$ 233,571	-	\$ 233,571
PERC Monitoring Agreement	54,611	-	54,611
Reimbursements for Joint Legislative Advocacy and Communications Expenses	53,567	\$ (7,679)	45,888
Reimbursements for PERC Oversight Committee Expenses	9,936	-	9,936
Interest Income	82	-	82
Total Revenue	<u>351,767</u>	<u>(7,679)</u>	<u>344,088</u>
<b>EXPENDITURES / EXPENSES</b>			
Consulting - Resource Management	123,955	-	123,955
Joint Legislative Advocacy and Communications	91,776	-	91,776
Payroll Costs	107,843	2,346	110,189
Legal Fees	52,076	-	52,076
Administrative and Miscellaneous	18,492	(1,584)	16,908
Audit Fee	10,500	-	10,500
Insurance	5,862	(492)	5,370
Occupancy	3,900	-	3,900
Total Expenditures / Expenses	<u>414,404</u>	<u>270</u>	<u>414,674</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES AND USES</b>	(62,637)	62,637	-
<b>OTHER FINANCING SOURCES AND USES</b>			
Transfer from the MRC Operating Budget Stabilization Fund of the Joint Venture of the Charter Municipalities of Municipal Review Committee, Inc.	<u>45,000</u>	<u>(45,000)</u>	-
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	(17,637)	17,637	-
<b>TRANSFER FROM FIDUCIARY FUND</b>	-	<u>45,000</u>	<u>45,000</u>
<b>CHANGE IN NET ASSETS</b>	-	(25,586)	(25,586)
<b>FUND BALANCE / NET ASSETS - January 1, 2011</b>	<u>133,608</u>	-	<u>143,674</u>
<b>FUND BALANCE / NET ASSETS - December 31, 2011</b>	<u>\$ 115,971</u>	<u>\$ -</u>	<u>\$ 118,088</u>

**MUNICIPAL REVIEW COMMITTEE, INC.  
STATEMENT OF FIDUCIARY NET ASSETS  
JOINT VENTURE OF THE CHARTER MUNICIPALITIES  
OF MUNICIPAL REVIEW COMMITTEE, INC.  
DECEMBER 31, 2011**

	Fiduciary <u>Fund</u>
<b>ASSETS</b>	
Custody Account	\$ 2,217,940
Tip Fee Stabilization Fund	20,858,763
MRC Operating Budget Stabilization Fund	2,652,770
Due from Charter Municipalities	9,527
Accrued Interest Income	112,628
Investment in PERC	<u>10,286,372</u>
 Total Assets	 <u>36,138,000</u>
 <b>LIABILITIES</b>	
Tipping Fee Rebates Payable	<u>1,191,425</u>
 <b>NET ASSETS</b>	
Held for the Benefit of the Equity Charter Municipalities of Municipal Review Committee, Inc.	<u>\$ 34,946,575</u>

**MUNICIPAL REVIEW COMMITTEE, INC  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
JOINT VENTURE OF THE CHARTER MUNICIPALITIES  
OF MUNICIPAL REVIEW COMMITTEE, INC.  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Fiduciary Fund</u>
<b>ADDITIONS</b>	
PERC Performance Credits	\$ 3,251,938
Interest and Dividend Income	544,597
Net Earnings from Investment in PERC	609,850
Appreciation (Depreciation) of Investments	<u>(61,512)</u>
Total Additions	<u>4,344,873</u>
<b>DEDUCTIONS</b>	
Rebates of Tipping Fees	4,717,180
MRC Operating Budget Stabilization Fund Transfer to General Fund	<u>45,000</u>
Total Deductions	<u>4,762,180</u>
<b>CHANGE IN NET ASSETS</b>	<b>(417,307)</b>
<b>NET ASSETS - January 1, 2011</b>	<b>35,382,552</b>
<b>DISTRIBUTIONS TO EQUITY CHARTER MUNICIPALITY MEMBERS</b>	<u>(18,670)</u>
<b>NET ASSETS - December 31, 2011</b>	<b><u>\$ 34,946,575</u></b>

**MUNICIPAL REVIEW COMMITTEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. 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 Charter Municipalities of Municipal Review Committee, Inc.

In determining the financial reporting entity, Municipal Review Committee, Inc. (MRC) complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*, and includes all separate legal entities whose governing body is the same or substantially the same as the primary government's. However, as the relationship between MRC and its component unit is fiduciary in nature, the component unit's activities are reported only in fiduciary funds and are not blended with the activities of MRC.

*Municipal Review Committee, Inc.*

Municipal Review Committee, Inc. 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 the Entity.

The 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, 2011, MRC's membership was made up of 86 "Equity" Charter Municipalities and 47 "New" Charter Municipalities.

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

- Review PERC's monthly and annual financial performance and operating reports.
- Review PERC's quarterly tipping fee adjustments.
- Review projected and documented utilization of the Capital Maintenance and Reserve Account (CMRA) monies.
- Oversee the CMRA.
- Review and verify PERC's calculation of cash and performance credits to be provided to MRC's members and PERC.
- Review PERC's compliance with performance standards.
- Participate in the Oversight Committee of the PERC Partnership.
- Review Bangor Hydro's financial operating information and monitor its operations, as well as the process and impact of the deregulation or restructuring of the electric power industry.



**MUNICIPAL REVIEW COMMITTEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

- Enforce the priority lien MRC's members have on the CMRA monies in the event of termination of PERC's operations.
- Receive and/or direct the performance credits from PERC and determine the allocation, use, and application of those funds.
- For members who elected as of September 30, 1998, to become "Equity" Charter Municipalities:
  1. Purchase, sell, and otherwise deal with limited partnership interests in PERC on behalf of those members, as well as the Net Cash Flow from the ownership of PERC; and
  2. Receive, hold, exchange, sell, exercise, or otherwise administer and deal with warrants for one million shares of common stock of Bangor Hydro.

*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 between 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 PERC.

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, 2011, and the requirement for PERC to maintain \$10,000,000 in the reserve accounts was reduced to \$2,000,000. Thus MRC received one-third of the released funds.

**MUNICIPAL REVIEW COMMITTEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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. For 2011, MRC set a target price of \$45 per ton for the Equity Charter Municipalities and \$54 per ton for the New Charter Municipalities.

**B. Basis of Presentation**

*Government-Wide Financial Statements*

The government-wide financial statements (i.e., statement of net assets 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 generally are financed through administrative fees paid by members.

*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 cannot be 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 operating income, changes in net assets, 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.

**MUNICIPAL REVIEW COMMITTEE, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

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 assets 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 Organization's oversight duties. Each member pays its proportionate share based upon waste tonnage delivered to PERC. Membership Fees Receivable represents uncollateralized amounts due from members for the administrative fees.

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

Custody Account. The Custody Account is the operating cash account of the Joint Venture. All deposits made to and held in this account are invested in Federated Government Obligations Money Market Fund.

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.

MRC 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 up to \$45,000 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 Assets. Equity in government-wide financial statements is classified as net assets. Net assets are 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 assets consist 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.

**MUNICIPAL REVIEW COMMITTEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

Equity in fiduciary fund financial statements is also classified as net assets. These net assets are not divided into the three categories used in government-wide financial statements. They simply report the difference between the fund's assets and liabilities, and are shown as "net assets 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 government's deposits may not be returned to it. The Entity does not have a deposit policy for custodial credit risk. As of December 31, 2011, all of the Entity's deposits were held in a single checking account. All of these deposits were covered by federal depository insurance.

However, the balance in the checking account may occasionally exceed FDIC insured limits. The Entity has not experienced any losses in the account. Management believes it is not exposed to any significant risk on its cash deposits in the checking account.

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

The following schedule summarizes the Fiduciary Fund's investments at December 31, 2011:

	Market Value	Investment Maturities (in Years)			Weighted Average Maturity
		Less Than 1	1-5	6-10	
U.S. Government Agency Bonds:					
Federal Home Loan Bank	\$14,327,264	\$ 3,832,703	\$10,003,983	\$490,578	2.25 years
Federal Farm Credit Bank	5,525,395	1,894,863	3,359,937	270,595	2.08 years
Federal National Mortgage Association	<u>786,814</u>	<u>-</u>	<u>786,814</u>	<u>-</u>	3.15 years
Total Bonds	20,639,473	5,727,566	14,150,734	761,173	2.24 years
Mutual Funds:					
Federated Government Obligations Tax-Managed Fund	2,872,060	2,872,060	-	-	40 days
Federated Government Obligations Fund	<u>2,217,940</u>	<u>2,217,940</u>	<u>-</u>	<u>-</u>	36 days
Total Mutual Funds					
Totals	<u>\$25,729,473</u>	<u>\$10,817,566</u>	<u>\$14,150,734</u>	<u>\$761,173</u>	

**MUNICIPAL REVIEW COMMITTEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

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 fund was 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 55.68% and 21.47%, 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 the Lehman Brothers Intermediate Government/Credit Index.

**3. INVESTMENT IN PERC**

The Entity accounts for its investment in PERC under the equity method, that is, at cost adjusted periodically by the Entity's share of PERC's earnings or losses, and decreased by the distributions received. 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.

The ownership interests of the partners of PERC at December 31, 2011, 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	-	<u>24.3%</u>
Total	<u>10.0%</u>	<u>90.0%</u>

Summarized financial information of PERC at December 31, 2011, and for the year then ended, is as follows:

**MUNICIPAL REVIEW COMMITTEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**ASSETS**

Cash and cash equivalents	\$ 6,318,610
Accounts receivable, prepaid expenses, and other assets	3,535,052
Restricted funds	2,970,678
Property, plant, and equipment, net of accumulated depreciation	<u>41,146,142</u>
Total assets	<u>\$53,970,482</u>

**LIABILITIES AND PARTNERS' CAPITAL**

Accounts payable, accrued expenses, and other liabilities	\$ 4,137,856
Note payable	<u>9,565,775</u>
Total liabilities	13,703,631
Partners' capital	<u>40,266,851</u>
Total liabilities and partners' capital	<u>\$53,970,482</u>

**STATEMENT OF INCOME**

Revenues	\$33,964,897
Operating expenses	<u>30,484,432</u>
Operating income before interest and other financing costs	3,480,465
Interest and other financing costs	<u>825,396</u>
Net income	<u>\$ 2,655,069</u>

**4. SCHEDULE OF EQUITY CHARTER MUNICIPALITY NET ASSETS**

MRC allocates most of the Joint Venture's cash inflows among the Equity Charter Municipalities on the basis of actual tons of acceptable waste delivered to PERC each quarter. Each individual acquisition of PERC has been allocated among the Equity Charter Municipalities based on the allocation for the calendar quarter the purchase was made. The distributions PERC makes to its partners are allocated among the municipalities based on each municipality's respective ownership of PERC at the time of the distributions.

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

**5. 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, 2011, was \$2,505.

**MUNICIPAL REVIEW COMMITTEE, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011**

**6. INSURANCE**

The Organization 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.

**7. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 5, 2012, the date on which the financial statements were available to be issued.

During 2012, MRC negotiated with the private partners in PERC an agreement to swap \$666,667 of the \$2.667 million of cash, that had been released to the MRC from debt reserves in 2011, for an identical amount of cash in the \$2,000,000 reserves that is currently securing PERC's debt. MRC will then expect to receive two-thirds of the released funds, or \$1.333 million, instead of one-third by prior agreement. In exchange for this swap, PERC has agreed to waive certain penalties that would be assessed under the Waste Disposal Agreements for a shortfall in the Charter Municipalities' Guaranteed Annual Tonnage. This event had no effect on the Entity's assets, liabilities, and net assets as of December 31, 2011.

**MUNICIPAL REVIEW COMMITTEE, INC.**  
**SCHEDULE OF EQUITY CHARTER MUNICIPALITY NET ASSETS**  
**DECEMBER 31, 2011**

Albion	\$ 175,711	Mattawamkeag	\$ 84,503
Alton	72,116	Midcoast SWD	1,580,881
Atkinson	23,614	Mid-Maine SWD	906,800
Baileyville	331,688	Milford	235,537
Bangor	5,952,477	Millinocket	620,090
Bar Harbor	1,134,073	Milo	268,239
Blue Hill/Surry	774,050	Monson	46,836
Boothbay RRDD	1,026,867	Mt. Desert/EMR	1,400,687
Bradley	93,848	Newburg	109,879
Brewer	1,638,490	Old Town	990,624
Brooks	52,437	Orland	85,879
Brownville	153,541	Orono	865,786
Bucksport	500,843	Otis	41,081
Burnham	116,350	Palmyra	135,227
Carmel	197,467	Parkman	38,011
Central Penobscot	365,057	Penobscot Co.	179,144
China	393,050	Pleasant River SWD	278,444
Clifton	68,579	Plymouth	104,027
Clinton	511,945	Reed Plantation	19,195
Dedham	89,214	Rockland	1,152,290
Dover-Foxcroft	421,706	Sangerville	105,569
Eddington	183,226	Searsport	250,062
Enfield	157,507	Stetson	91,753
Fairfield	600,978	Steuben	111,234
Glenburn	359,232	Stonington	191,715
Gouldsboro	176,890	Thomaston Group	774,085
Greenbush	111,992	Thorndike	62,462
Guilford	268,486	Troy	44,456
Hampden	699,806	Union River SWD	69,441
Hancock	121,763	Unity	164,178
Hermon	601,977	Vassalboro	308,631
Holden	188,910	Veazie	157,338
Jackson	23,643	Verona	61,409
Lamoine	120,312	Waldoboro Group	666,133
Lee	77,198	Waterville	2,171,144
Levant	178,679	Winslow	688,542
Lincoln	779,515	West Gardiner	248,961
Lucerne	50,155	Winthrop	619,970
Mariaville	27,903		
Mars Hill	195,036	Total	<u>\$ 34,946,575</u>

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