

CommonWealth

Resource Management Corporation

15 July 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 Second Quarter of 2024

Dear Members of the Committee:

CommonWealth Resource Management Corporation (CRMC) herein presents financial statements through the second quarter of 2024 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 manages 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 2024.

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 sale of interests brought material improvement in the financial position of the Joint Venture and the MRC. Proceeds from the sale were used to pay all liens on the Site that continued through the receivership process, and to settle property tax and lien payments owed to the Town of Hampden. The agreements also have integrated receive tip fees from the Joining Members and pay the associated bypass disposal costs. The redevelopment effort by Innovative is ongoing.

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 and into 2024. The statements are unaudited, though

adjustments were made for consistency with the audits of financial condition of the MRC and the Joint Venture for calendar years 2021 and 2022. The adjustments include restatement of the basis for the MRC equity investment in MWS LLC as of the end of 2022, as well as recognition of the role of MWS LLC as of July 1, 2023, in receiving tip fees from MRC members; paying disposal costs for MSW delivered to disposal sites by MRC members; and paying ongoing costs of the Facility, including utilities and property taxes. With these adjustments, the financials presented in Tables 1 and 2 are consistent with the presentation of MRC and Joint Venture financials by the auditor for calendar year 2022. Further adjustments might be required upon completion of the 2023 audit, which is in progress.

As shown, as of July 1, 2024, the Joint Venture had total assets of **\$5,687,064.34** comprised of the following:

1. Cash, cash equivalents and financial investment accounts held in six 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); two investment accounts managed by First National Wealth Management (the Tip Fee Stabilization Account; and the Cash Collateral Account); and bank CDs and an accompanying checking account started in first quarter of 2024 at the Androscoggin Bank. The cash positions include:
 - **\$1,067,858.28**, consisting of \$1,064,178.57 in cash and short-term investments, and \$3,679.71 in accrued interest, in the ICS Sweep Account. This account was established in September 2023 to invest the net proceeds received by the MRC from the sale of the position in MWS LLC to Integrated. The account goal is to achieve interest earnings on deposited funds while maintaining liquidity.
 - **\$31,517.90** in the Development and Distribution Account (the D and D Account, formerly the Custody Account) held at First National Bank, which includes funds awarded to the MRC by 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 the second quarter of 2024, the MRC had expended \$15,820 of the granted funds on staff costs, leaving an unexpended balance of \$26,647. The MRC anticipates transferring the remainder of the funds from the Joint Venture to the MRC Operating Account in 2024.
 - 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.

The investment account positions include:

- **\$50,821.37**, consisting of \$49,500 face value of Certificates of Deposit, \$501.35 in a checking account and \$820.02 in accrued interest, all held at Androscoggin Bank.
- **\$997,947.28**, consisting of \$993,332.03 in investment value and \$4,615.25 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 \$925,687.42 for a mix of US Treasury bills, US agency bond funds and commercial bank CDs) plus \$67,644.42 in cash equivalents. There were no withdrawals during the quarter.

- **\$329,094.24**, consisting of \$328,638.13 in investment value and \$750.24 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 \$303,146.67; and cash and equivalents of \$25,491.46. There were no withdrawals during the quarter. Though this account is technically in the name of Coastal Resources of Maine, LLC, the MRC had received approval from the receiver as part of resolution of the receivership process to transfer the balance to the MRC Operating Account.

CRMC notes that under the new agreements between the MRC and Innovative there is less reason than previously to maintain multiple separate accounts. The MRC is in the process of consolidating the cash accounts to simplify accounting and reduce banking fees.

2. Physical assets 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 **\$2,024,265.00** based on the MRC's purchase price of **\$1,500,000.00** in August 2022 for the Facility and related assets, as well as other capitalized expenditures. The MRC has also made refundable utility deposits totaling **\$73,164.87**. The balance sheet value does not account for the market value of the Facility as a going concern or as assets for redevelopment. The actual value basis 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 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 2023.

The Balance Sheet shows that the Joint Venture has no payables as of July 1, 2024. Bypass disposal costs payable are not shown as a liability. Such costs are now paid by MWS LLC.

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 **\$5,687,064.34**.

Joint Venture statements of activities and changes in net position

Table 2 presents additions (revenues) and deductions (expenditures) of the Joint Venture for the second quarter of 2024 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 **\$18,410.90** 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. Thus, the Joint Venture experienced a Change in Position that was a net increase of **\$18,410.90** over the quarter.

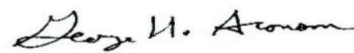
As of July 1, 2024, the MRC was in compliance with all requirements for reserve funds per Exhibit B, Section 2 of the Joinder Agreements.

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

1. Continue 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

Table 1	Balance Sheet for the Joint Venture
Table 2	Change in Fund Balance for the Joint Venture

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 2Q 2024, adjusted for draft audit through 4Q 2022									
	Notes	Unaudited 1-Jul-24	Unaudited 1-Apr-24	Unaudited 1-Jan-24	Unaudited 1-Oct-23	Unaudited 1-Jul-23	Unaudited 1-Apr-23	Audited 1-Jan-23	
ASSETS									
Cash and cash equivalents									
Contingency Account (First National Bank WM)	1	-	-	-	3,052.79	716,280.49	852,162.65	408,277.34	
D and D Account (First National Bank)	2	31,517.90	31,190.50	37,181.58	101,599.38	101,210.04	101,183.88	96,398.41	
ICS Sweep Account	3	1,064,178.57	1,052,961.45	1,018,284.75	1,074,992.47				
Accrued interest	3	3,679.71	3,774.07	3,807.72					
Accounts receivable									
Tip Fees receivable for Joining Members MSW	4					479,277.22	588,096.25	692,130.33	
Investments accounts									
Androscoggin Bank									
CD Balance	3	49,500.00	49,500.00						
Cash Balance	3	501.35	500.29						
Accrued interest	3	820.02	184.62						
Tip Fee Stabilization Fund									
Account balance (at First National Wealth Management)	3	993,332.03	990,506.83	985,851.55	939,766.62	946,139.64	997,758.37	1,040,327.76	
Accrued income	3	4,615.25	2,476.25	4,095.74	2,252.39	4,201.05	2,212.70	3,880.67	
Cash Collateral Account/Delivery Sufficiency Fund	5								
Account balance (at First National Wealth Management)	3	328,638.13	327,491.92	327,402.75	309,434.32	314,541.61	314,935.83	306,572.37	
Accrued income (at First National Wealth Management)	3	750.24	536.37	396.25	450.35	406.72	334.07	203.88	
Investment in Site and Facilities									
Investment in Hampden Site	6	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	
Equity in MWS LLC	7	2,024,265.00	2,024,265.00	2,024,265.00	2,024,265.00	2,024,265.00	2,024,265.00	2,024,265.00	
Utility deposits		73,164.87	73,164.87	73,164.87	-	-	-	-	
TOTAL ASSETS		5,713,711.34	5,695,300.44	5,613,198.48	5,594,561.59	5,725,070.04	6,019,697.02	5,710,804.03	
LIABILITIES AND NET POSITION									
Liabilities									
Accrued bypass disposal for Joining Member MSW	4	-	-	-	-	597,731.00	691,273.90	555,637.83	
Distribution payable to Joining Members, current quarter		-	-	-	-	-	-	36,074.24	
Payments to Joining Members deferred		-	-	-	88,709.53	92,137.58	92,137.58	92,137.58	
Due to Operating Fund (PRIME Grant)	2	26,647.00	26,647.00	32,467.00	42,467.00	42,467.00	42,467.00	42,467.00	
Notes payable to Facility lienholders							256,421.00	416,265.00	
Facility property taxes and sewer liens payable					-	683,252.00	683,252.00	345,641.00	
Total liabilities		26,647.00	26,647.00	32,467.00	131,176.53	1,415,587.58	1,765,551.48	1,488,222.65	
Net Position held for the benefit of Joining Members		5,687,064.34	5,668,653.44	5,580,731.48	5,463,385.06	4,309,482.46	4,254,145.54	4,222,581.38	
TOTAL LIABILITIES AND NET POSITION		5,713,711.34	5,695,300.44	5,613,198.48	5,594,561.59	5,725,070.04	6,019,697.02	5,710,804.03	
NOTES									
1	Unexpended funds moved to ICS Sweep Account in after July 1, 2023								
2	PRIME grant funds held in D and D Account. Anticipate transfer to Operating Account.								
3	Includes investments valued at market value and accrued income stated separately.								
4	Tip fee receivables and disposal cost payables assumed by MWS LLC as of July 1 2023.								
5	Cash Collateral Account technically held in name of Coastal Resources of Maine, LLC. Can be transferred to MRC Operating Account per prior approval from resolution of receivership process.								
6	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.								
7	Value based on net purchase price paid on August 9, 2022 for 100% ownership shares.								
	Does not account for payments deferred until after resumption of commercial operations or for MRC share of market value of MWS LLC.								
	Book cost shown is presumed to be less than market value of MRC share of equity in MWS LLC (10% of total equity value)								

Table 2
Joint Venture of the Joining Members of the Municipal Review Committee, Inc.
Statement of Governmental Fund Revenues, Expenditures and
Changes in Fund Balance/Statement of Activities
Quarterly basis through 2Q 2024, audited through 4Q 2021

	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>
Period	2Q 2024	1Q 2024	4Q 2023	3Q 2023	2Q 2023	1Q 2023
from	1-Apr-24	1-Jan-24	1-Oct-23	1-Jul-23	1-Apr-23	1-Jan-23
to	1-Jul-24	1-Apr-24	1-Jan-24	1-Oct-23	1-Jul-23	1-Apr-23
ADDITIONS (revenue)						
Revenue from operations						
Tip fees received from Joining Members MSW	-	-	-	1,194,900.45	1,444,889.63	1,559,889.70
Exclusivity deposit					350,000.00	-
Revenue from investments						
Interest and dividend income net of fees						
ICS Sweep Account earnings	11,217.12	34,676.70	7,595.05	-		
ICS Sweep Account change to accrued earnings	(94.36)	(33.65)	3,807.72			
D and D (Custody) Account	327.40	343.92	582.20	389.34	113.46	111.66
Androskoggin Bank CD earnings	326.14	184.91				
Tip Fee Stabilization Fund - net earnings	6,561.44	9,892.52	11,344.28	9,623.01	5,318.72	8,656.84
Tip Fee Stabilization Fund - change to accrued income	2,139.00	(1,619.49)	1,843.35	(1,948.66)	1,988.35	(1,667.97)
Tip Fee Stabilization Fund - appreciation (depreciation)	(3,736.24)	(5,237.24)	34,740.65	(15,996.03)	(6,937.45)	13,773.77
Contingency Account (Op Budget Stab) - net earnings	-	-	0.37	3,779.43	657.57	550.65
Cash Collateral Account - net earnings	3,187.05	2,704.00	4,487.09	2,606.39	2,306.95	1,922.16
Cash Collateral Account - change to accrued income	213.87	140.12	(54.10)	43.63	72.65	130.19
Cash Collateral Account - appreciation (depreciation)	(1,730.52)	(2,614.83)	13,481.34	(7,713.68)	(2,701.17)	6,441.30
TOTAL REVENUE (ADDITIONS)	18,410.90	38,436.96	77,827.95	1,185,683.88	1,795,708.71	1,589,808.30
DEDUCTIONS (expenditures)						
Disposal costs paid for Joining Member MSW				599,045.54	1,380,093.68	933,010.63
Joining Member offsets payments			116,800.00	-	87.30	35,378.33
Liens/Town taxes and fees paid				-	397,914.57	175,592.30
Facility expenditures		515.00	18,080.24	85,709.75	118,243.00	2,682.50
Transfers to/from Operating Fund		(50,000.00)	-	152,159.82	50,000.00	30,217.47
TOTAL EXPENDITURES (DEDUCTIONS)	-	(49,485.00)	134,880.24	836,915.11	1,946,338.55	1,176,881.23
EXCESS OF ADDITIONS OVER DEDUCTIONS	18,410.90	87,921.96	(57,052.29)	348,768.77	(150,629.84)	412,927.07
ADJUSTMENTS						
Change in value of investment in MWS LLC			73,164.87	-	-	-
Change in cash payable to Joining Members					661.25	36,074.24
Change in cash payments deferred				3,428.05	-	-
Change in other payables			98,709.53	683,252.00	255,759.75	(177,767.00)
Change in disposal costs payable			-	597,731.00	93,542.90	(135,636.07)
Other adjustment (dues transfer, etc.)			2,524.31	-	(35,178.11)	-
Change in JM tip fees receivable			-	(479,277.22)	(108,819.03)	(104,034.08)
Total adjustments	-	-	174,398.71	805,133.83	205,966.76	(381,362.91)
Adjusted Excess of Additions over Deductions	18,410.90	87,921.96	117,346.42	1,153,902.60	55,336.92	31,564.16
CHANGE IN NET POSITION						
End of period	5,687,064.34	5,668,653.44	5,580,731.48	5,463,385.06	4,309,482.46	4,254,145.54
Start of period	5,668,653.44	5,580,731.48	5,463,385.06	4,309,482.46	4,254,145.54	4,222,581.38
Change in Net Position over Period	18,410.90	87,921.96	117,346.42	1,153,902.60	55,336.92	31,564.16