

CommonWealth

Resource Management Corporation

16 October 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 Third Quarter of 2024

Dear Members of the Committee:

CommonWealth Resource Management Corporation (CRMC) herein presents financial statements through the third 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 sold 90 percent of the MRC's ownership interest in MWS LLC to a private company, Innovative Resource Recovery, LLC (Innovative), pursuant to a Membership Interests Purchase Agreement, (MIPA), an amended and restated Site Lease and other complementary agreements. Subject to these agreements, Innovative 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, to pay property tax and sewer fees owed to the Town of Hampden. The agreements had Innovative assume other liabilities and responsibilities, including having Innovative 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 year 2023 and into calendar year 2024. The statements are unaudited, though adjustments were made for consistency with the final audits of financial condition of the MRC and the Joint Venture for calendar years 2021 and 2022 and the draft audit for 2023. The adjustments include restatement of the basis for the values of the Site owned by the MRC; the Contingent Payment due to the MRC from Innovative upon resuming of commercial operation as part of the Innovative's agreements for purchase of membership interests in MWS LLC; and the MRC equity investment in MWS LLC as of the end of each calendar quarter. Note also the changes starting July 1, 2023, after the MRC sold membership interests in MWS LLC to Innovative -- after which the MRC phased out its role 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 draft version of the presentation of MRC and Joint Venture financials by the auditor for calendar year 2023. Further adjustments might be required upon further adjustments, final review and approval of the 2023 audit, which is pending, as well as upon the audit to be performed in 2025 of the quarterly financial information for calendar year 2024.

As shown, as of October 1, 2024, the Joint Venture had total assets of **\$8,779,080.40** 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:
 - **\$1,079,332.81**, consisting of \$1,075,503.42 in cash and short-term investments, and \$3,588.81 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.
 - **\$5,011.40** in the Development and Distribution Account (the D and D Account, formerly the Custody Account) held at First National Bank. In prior quarters, the D and D Account had held funds awarded to the MRC by the Pandemic Recovery for an Innovative Maine Economy (PRIME) Fund to be used to fund of staff positions. As of the end of the third quarter of 2024, the MRC had transferred all of the remaining \$26,647 of the granted funds to the Operating Account to pay staff costs. The balances shown do not account for an outstanding check issued to the Town of Vassalboro in February 2023, which check remains undeposited.
 - 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:

- **\$51,465.30** held at Androscoggin Bank, consisting of \$49,500 face value of Certificates of Deposit, \$502.09 in a checking account and \$1,463.61 in accrued interest.
- **\$1,036,972.38**, in the Tip Fee Stabilization Account managed by First National Wealth Management (affiliated with First NB), consisting of \$1,034,316.81 in investment value and \$2,655.57 in accrued interest. The investments include fixed income assets (market value of \$955,751.62 for a mix of US Treasury bills, US agency bond funds and commercial bank CDs) plus \$78,565.19 in cash equivalents. There were no withdrawals during the quarter.
- **\$343,896.94**, in the Cash Collateral Agency Account managed by First National Wealth Management, consisting of \$343,194.17 in investment value and \$702.77 in accrued interest. The investments include short-term fixed income funds valued at \$314,564.18; and cash and equivalents of \$28,629.99. 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. This transfer process, which would close the account and consolidate the assets in other accounts, was in process as of this writing.

CRMC notes that under the new agreements between the MRC and Innovative there is less reason than previously to maintain multiple separate accounts. In general, the MRC is in the process of making new arrangements for fund management and consolidating the cash accounts to simplify accounting and reduce banking fees.

2. Other assets that include:

- An 88-acre site (the Site) accessible from Harold Bouchard Way off Coldbrook Road in Hampden, Maine, valued by the auditor at **\$5,000,000.00**. This amount reflects the net present value of site lease payments over the term of the Site Lease as extended to 40 years from the commercial operation date, as calculated by the auditor. The calculation assumes annual escalation at the capped value of three percent per year per the amended Site Lease, Exhibit D, which payments are discounted at a rate of four percent per year. This amount is consistent with the option price at which the Innovative could purchase the Site from the MRC if the option to buy is exercised pursuant to Section 3.2 and Exhibit C of the amended Site Lease. As of July 1, 2023, this amount replaces the \$1,138,748.27 as described in prior asset management letters, which was 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.
- **\$1,052,898.75** receivable as a contingent payment due to the MRC upon the resumption of commercial operation of the Facility per the MIPA. This amount is based on the Purchase Price in the MIPA less the pre-paid Exclusivity Fee and less lien payments, property taxes and sewer fees, and other pre-closing MRC liabilities assumed by Innovative as of the closing.

- A 10-percent ownership position in MWS LLC, valued at **\$209,743** as calculated in the draft 2023 audit. This amount is based on 10 percent of the sum of (i) the **\$2,024,265.00** for the MRC's 100-percent ownership position in MWC LLC prior to the sale, plus (ii) utility deposits of **\$73,164.87** paid by the MRC prior to the closing. The prior value had been 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 value basis of the MRC's equity position in MWS LLC does not reflect changes in the basis of the value for MWS LLC during or after the close of the sale and might need to be updated from time to time based on future valuation of MWS LLC and on MRC capital investments, if any.

Per the draft audit of the Joint Venture financial records for 2023, the Balance Sheet does not show amounts received or receivable by the MRC for services provided under the management services agreement between the MRC and Innovative, nor does it show amounts received or receivable as lease payments under the site lease between the MRC and Innovative. Both of those payments are considered MRC general assets rather than Joint Venture assets per the recommendations of the auditor in the draft 2023 audit.

The Balance Sheet shows that the Joint Venture has no payables as of July 1, 2024, now that the PRIME grant funds have been moved to the Operating Account.

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 **\$8,779,080.40**

Joint Venture statements of activities and changes in net position

Table 2 presents additions (revenues) and deductions (expenditures) of the Joint Venture for the third quarter of 2024 and preceding quarters through 2023. 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 **\$65,552.09** 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 remaining PRIME funds held by the MRC were transferred from the Joint Venture to the MRC Operating Account, which reduced the Joint Venture accounts payable to zero. Thus, the Joint Venture experienced a Change in Position that was a net increase of **\$65,552.09** over the quarter.

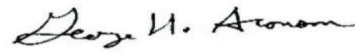
As of October 1, 2024, the MRC was in compliance with all requirements for reserve funds per Exhibit B, Section 2 of the Joinder Agreements.

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 3Q 2024, adjusted for draft audit through 4Q 2023

	Notes	Unaudited 1-Oct-24	Unaudited 1-Jul-24 (5,153.34)	Unaudited 1-Apr-24 2,371,867.00	Draft audit 1-Jan-24 2,377,020.34	Draft audit 1-Oct-23	Draft audit 1-Jul-23	Draft audit 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	5,011.40	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	1,075,503.42	1,064,178.57	1,052,961.45	1,018,284.75	1,074,992.47				
Accrued interest	3	3,588.81	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	49,500.00						
Cash Balance	3	502.09	501.02	500.00						
Accrued interest	3	1,463.61	820.71	192.05						
Tip Fee Stabilization Fund										
Account balance (at First National Wealth Management)	3	1,034,316.81	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	2,655.57	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										
Account balance (at First National Wealth Management)	3	343,194.17	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	702.77	750.24	536.37	396.25	450.35	406.72	334.07	203.88	
Investment in Site and Facilities										
Value of Hampden Site	6	5,000,000.00	5,000,000.00	5,000,000.00	5,000,000.00	5,000,000.00	5,000,000.00	1,138,748.27	1,138,748.27	
Value of Contingent Fee receivable from purchase agreement	7	1,052,898.75	1,052,898.75	1,052,898.75	1,052,898.75	1,052,898.75	1,052,898.75			
Equity in MWS LLC	8	209,743.00	209,743.00	209,743.00	209,743.00	209,743.00	209,743.00	2,024,265.00	2,024,265.00	
Utility deposits	9							73,164.87	73,164.87	
TOTAL ASSETS		8,779,080.40	8,740,175.31	8,721,771.19	8,639,662.09	8,694,190.07	8,824,698.52	6,092,861.89	5,783,968.90	
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/from Operating Fund (includes PRIME Grant)	2	-	26,647.00	26,647.00	3,167.00	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	3,167.00	131,176.53	1,415,587.58	1,765,551.48	1,488,222.65	
Net Position held for the benefit of Joining Members		8,779,080.40	8,713,528.31	8,695,124.19	8,636,495.09	8,563,013.54	7,409,110.94	4,327,310.41	4,295,746.25	
TOTAL LIABILITIES AND NET POSITION		8,779,080.40	8,740,175.31	8,721,771.19	8,639,662.09	8,694,190.07	8,824,698.52	6,092,861.89	5,783,968.90	
NOTES										
1	Unexpended funds moved to ICS Sweep Account in after July 1, 2023									
2	Accounts for (a) PRIME grant funds of \$26,647 held in D and D Account at end of 2023; net of (b) \$23,480 reconciliation of past tip fee payments. Does include undeposited check for 661.34 issued in February 2023.									
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 based on net present value of lease payments over life of lease as extended, assuming escalation at rate cap of 3 percent per year per Site Lease Exhibit D. Value consistent with sale price per conditional purchase option in Site Lease Section 3.2 and Exhibit D. Prior value was based on net book cost of Site acquisition and development.									
7	Estimated value receivable per Membership Interests Purchase Agreement (MIPA), Section 2.2, per sale closed on June 30, 2023. Based on Purchase Price less Exclusivity Fee, liens, sewer charges and other liabilities assumed by Innovative at closing per MIPA Exhibits 2.2.									
8	Value after sale based on 10 percent of MRC equity value in MWS LLC prior to sale plus utility deposits unadjusted for changes in value after sale in 2023. Does not account for revenues net of expenses in 2023 after sale, or for payments deferred until after resumption of commercial operations or for MRC share of market value of MWS LLC.									
9	Utility deposits included in basis for equity calculation after sale, stated separately before sale.									

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 3Q 2024, audited through 4Q 2022

		<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Draft audit</i>	<i>Draft audit</i>	<i>Draft audit</i>	<i>Draft audit</i>
	Period	3Q 2024	2Q 2024	1Q 2024	4Q 2023	3Q 2023	2Q 2023	1Q 2023
	from	1-Jul-24	1-Apr-24	1-Jan-24	1-Oct-23	1-Jul-23	1-Apr-23	1-Jan-23
	to	1-Oct-24	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	11,324.85	11,217.12	34,676.70	7,595.05	-		
	ICS Sweep Account change to accrued earnings	(90.90)	(94.36)	(33.65)	3,807.72			
	D and D (Custody) Account	140.50	327.40	343.92	582.20	389.34	113.46	111.66
	Androscoggin Bank CD earnings	643.97	319.36	184.91				
	Tip Fee Stabilization Fund - net earnings	10,920.58	6,561.44	9,899.66	11,344.28	9,623.01	5,318.72	8,656.84
	Tip Fee Stabilization Fund - change to accrued income	(1,959.68)	2,139.00	(1,619.49)	1,843.35	(1,948.66)	1,988.35	(1,667.97)
	Tip Fee Stabilization Fund - appreciation (depreciation)	30,064.20	(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	3,138.53	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	(47.47)	213.87	140.12	(54.10)	43.63	72.65	130.19
	Cash Collateral Account - appreciation (depreciation)	11,417.51	(1,730.52)	(2,614.83)	13,481.34	(7,713.68)	(2,701.17)	6,441.30
	TOTAL REVENUE (ADDITIONS)	65,552.09	18,404.12	38,444.10	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	(26,647.00)		(20,700.00)	(5,820.00)	152,159.82	50,000.00	30,217.47
	TOTAL EXPENDITURES (DEDUCTIONS)	(26,647.00)	-	(20,185.00)	129,060.24	836,915.11	1,946,338.55	1,176,881.23
	EXCESS OF ADDITIONS OVER DEDUCTIONS	92,199.09	18,404.12	58,629.10	(51,232.29)	348,768.77	(150,629.84)	412,927.07
ADJUSTMENTS								
	Change in value of investment in MWS LLC						(1,887,686.87)	73,164.87
	Value of Contingent Payment from purchase agreement						1,052,898.75	
	Change in value of site	-	-			-	3,861,251.73	
	Change in cash payable to Joining Members						661.25	36,074.24
	Change in cash payments deferred					3,428.05	-	-
	Change in other payables	(26,647.00)			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.)				26,004.31		(35,178.11)	-
	Change in JM tip fees receivable					(479,277.22)	(108,819.03)	(104,034.08)
	Total adjustments	(26,647.00)	-	-	124,713.84	805,133.83	3,232,430.37	(308,198.04)
	Adjusted Excess of Additions over Deductions	65,552.09	18,404.12	58,629.10	73,481.55	1,153,902.60	3,081,800.53	104,729.03
CHANGE IN NET POSITION								
	End of period	8,779,080.40	8,713,528.31	8,695,124.19	8,636,495.09	8,563,013.54	7,409,110.94	4,327,310.41
	Start of period	8,713,528.31	8,695,124.19	8,636,495.09	8,563,013.54	7,409,110.94	4,327,310.41	4,222,581.38
	Change in Net Position over Period	65,552.09	18,404.12	58,629.10	73,481.55	1,153,902.60	3,081,800.53	104,729.03