

MUNICIPAL REVIEW COMMITTEE, INC.

FINANCIAL AND OPERATING REPORTS

DECEMBER 31, 2021



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INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the remaining fund information of Municipal Review Committee, Inc. (MRC), as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise MRC's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the remaining fund information of the Municipal Review Committee, Inc. as of December 31, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Municipal Review Committee, Inc., and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Municipal Review Committee, Inc.'s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Municipal Review Committee, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Municipal Review Committee, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MRC's basic financial statements. The Schedule of Equity Joining Member Net Position is presented for purposes for additional analysis and is not a required part of the basic financial statements.

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

Haverlock, Estey & Curran

HAVERLOCK, ESTEY & CURRAN

January 16, 2024
Hampden, Maine

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2021

This section represents management's analysis of the financial condition and activities of Municipal Review Committee, Inc. (MRC) and the Joint Venture of the Joining Members of the Municipal Review Committee, Inc. (Joint Venture) for the year ended December 31, 2021. This information should be read in conjunction with the financial statements and associated notes.

Overview of Annual Financial Report

Municipal Review Committee, Inc.

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

The Government Fund Balance Sheet / Statement of Net Position identifies and presents values for the assets and liabilities of the operating fund as of December 31, 2021. The balance sheet uses the *modified accrual basis of accounting*, which provides a short-term view of MRC's cash and other financial assets and liabilities. The statement of net position includes all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by private companies. Adjustments between the two formats are provided to reconcile the statements.

The key assets shown on these statements include the following:

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

The balance sheet does not include prepaid expenses as an asset as it is not currently available for use to pay expenditures.

The fund balance presented on the balance sheet is unassigned. It has not been restricted, committed, or assigned for any special purpose.

Net position presented on the statement of activities includes prepaid expenses that are not currently available for use to meet expenditures, and accrued expenses that are not expected to be paid currently, i.e., within 60 days of year end.

The Statement of Governmental Fund Revenue, Expenditures and Changes in Fund Balances / Statement of Activities identifies and presents revenues and expenditures of the operating fund over the course of the year ended December 31, 2021. The statements report the changes in the fund balance and net position over the year ended December 31, 2021.

The key revenues shown include the following:

- a. Membership dues.
- b. Interest income.

The key expenditures shown include the following:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2021

- d. Communications.
- e. Legal, consulting, and other administrative fees relating to the Facility shutdown.
- f. Occupancy.
- g. Other administrative and miscellaneous expenses.

Adjustments between the two formats are provided to reconcile the changes in prepaid expenses and certain accrued expenses during the year.

Joint Venture

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

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

- a. A Distribution and Development Account at First National Bank (the D&D account, or formerly the Custody Account), which serves as the primary business checking account.
- b. A Contingency Account at First National Bank (formerly the MRC Operating Budget Stabilization Account), which is a business checking account.
- c. Tipping fees receivable from Joining Members for the cost of their disposal of municipal solid waste at back-up facilities.
- d. A Tip Fee Stabilization Account that consists of funds invested pursuant to an investment management agreement, and are managed by an investment advisor, First National Bank Wealth Management, in accordance with investment policies approved by the MRC Board.
- e. A Cash Collateral Account is maintained in an agency account to secure MRC's obligations under agreements with Coastal. However, Coastal cannot exercise any control over the account because it is in default of its obligations under those agreements. The funds are invested pursuant to an investment management agreement, and are managed by an investment advisor, First National Bank Wealth Management, in accordance with investment policies approved by the MRC Board.
- f. The capital assets include the Hampden Site (Site) acquired and developed for the benefit of the Equity Joining Members. It has been recorded at the cost of the Site net of the amounts paid to develop the access road, water and sewage utility installation and pump station, which were transferred to and accepted by the Town of Hampden to maintain as part of its infrastructure.

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

The Statement of Changes in Fiduciary Net Position identifies and presents increases and decreases in fiduciary net position over the course of the year ended December 31, 2021.

The Fiduciary Fund additions include the following:

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2021

The Fiduciary Fund deductions include the following:

- a) Costs incurred for disposal of municipal solid waste at bypass disposal facilities.
- b) Disposal cost offset payments to Joining Members.
- c) Transfers to MRC for administrative expenses associated with the Facility shutdown.
- d) Costs incurred to secure the Facility.

Condensed Comparative Financial Statements

Municipal Review Committee, Inc.

The following condensed information summarizes the net position from the government-wide statements of net position at December 31, 2021 and December 31, 2020.

	<u>Governmental Activities</u>		<u>Total % Change</u>
	<u>2021</u>	<u>2020</u>	
Cash	\$ 133,009	\$ 213,814	(37.79)%
Member dues receivable	41,501	40,356	2.84%
Other assets	<u>2,027</u>	<u>6,148</u>	(67.03)%
Total Assets	176,537	260,318	(32.18)%
Current liabilities	<u>90,480</u>	<u>63,161</u>	43.25%
 <i>Net Position:</i>			
Unrestricted	<u>\$ 86,057</u>	<u>\$ 197,157</u>	(56.35)%

The following condensed information is summarized from the government-wide statements of activities for the year ended December 31, 2021, and the eighteen months ended December 31, 2020, and reflect how the changes in net position compare with the prior period.

	<u>Governmental Activities</u>		<u>Total % Change</u>
	<u>2021</u>	<u>2020</u>	
Member dues	\$ 163,319	\$ 214,583	(23.89)%
Site lease payments	-	74,503	(100.00)%
Other revenue	<u>720</u>	<u>992</u>	(27.42)%
Total Revenues	164,039	290,078	(43.45)%
General administration	307,748	620,255	(50.38)%
Facility shutdown administration	<u>413,003</u>	<u>260,113</u>	58.78%
Total Expenses	<u>720,751</u>	<u>880,368</u>	(18.13)%
Deficiency of Revenues over Expenses before Transfers	(556,712)	(590,290)	(5.69)%
Transfers from Fiduciary Fund	<u>445,612</u>	<u>770,761</u>	(42.19)%
Change in Net Position	(111,100)	180,471	(161.56)%
Beginning Net Position	<u>197,157</u>	<u>16,686</u>	
Ending Net Position	<u>\$ 86,057</u>	<u>\$ 197,157</u>	

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2021

Joint Venture

The following condensed information summarizes the net position from the fiduciary statements of net position at December 31, 2021 and December 31, 2020.

	Fiduciary Activities		Total %
	<u>2021</u>	<u>2020</u>	Change
Cash and investments	\$ 5,633,020	\$ 7,521,932	(25.11)%
Tipping fees receivable	467,344	688,938	(32.16)%
Other receivables	-	15,342	(100.00)%
Investment in Hampden site	<u>1,138,748</u>	<u>1,138,748</u>	0.00%
Total Assets	7,239,112	9,364,960	(22.70)%
Current liabilities	<u>849,468</u>	<u>795,063</u>	6.84%
Total Net Position	<u>\$ 6,389,644</u>	<u>\$ 8,569,897</u>	(25.44)%

The following condensed information is summarized from the statements of changes in fiduciary net position for the year ended December 31, 2021, and the eighteen months ended December 31, 2020, and reflect how the changes in fiduciary net position compare with the prior period.

	Fiduciary Activities		Total %
	<u>2021</u>	<u>2020</u>	Change
Tipping fees received	\$ 6,457,667	\$ 3,919,834	64.74%
Reimbursements from Trustee	61,589	214,238	(71.25)%
Investment income (loss)	(15,907)	331,797	(104.79)%
Note receivable from Coastal	-	(1,500,000)	100.00%
Total Additions	<u>6,503,349</u>	<u>2,965,869</u>	131.22%
Members' MSW disposal costs	\$ 7,310,303	\$ 4,093,026	78.60%
Disposal cost offset payments	591,637	906,281	(34.72)%
Facility shutdown costs	336,050	916,932	(63.36)%
Town acceptance of road, etc.	-	5,075,757	(100.00)%
Transfers to MRC	<u>445,612</u>	<u>770,761</u>	(42.19)%
Total Deductions	<u>8,683,602</u>	<u>11,762,757</u>	(26.18)%
Change in Net Position	(2,180,253)	(8,796,888)	75.22%
Beginning Net Position	<u>8,569,897</u>	<u>17,366,785</u>	
Ending Net Position	<u>\$ 6,389,644</u>	<u>\$ 8,569,897</u>	

Analysis of Overall Financial Position and Results of Operations

The financial statements indicate a decline in the net position of governmental and fiduciary activities over the course of the past twelve months. MRC's net position decreased \$111,100, or 56.35%. The Joint Venture's net position decreased from \$8.57 million to \$6.39 million, or 25.44%. Key contributors to the decline were payments for bypass disposal fees in excess of the tipping fees collected, disposal cost offset payments to the Joining Members, unreimbursed payments to secure the Facility, and significant administrative costs associated with the effort to locate a purchaser of the Facility and negotiate and close on all of the agreements necessary to resume operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2021

As of the end of the Records Period, the key financial obligations of the MRC involved maintenance of reserve funds in accordance with its agreements with Coastal and with the Joining Members, including the following, all of which were satisfied as indicated:

1. *Maintain minimum balances in the Cash Collateral Account and the Tip Fee Stabilization Account.* At the end of the Records Period, the market values (including accrued interest) were \$3,814,813 for the Tip Fee Stabilization Account and \$1,527,305 for the Cash Collateral Account. Note that at the end of the Records Period, Coastal was in default on both the Site Lease and the Master Waste Supply Agreements, which are the agreements that set out the minimum balances.
2. *Reserve \$1.5 million for distributions to Joining Members in the three years following the Facility commercial operations date.* From the commercial operations date of November 1, 2019, through the end of the Records Period, the MRC had approved payment of distributions to Joining Members of \$1,252,736.79, with the remaining obligation estimated to be \$425,000.

Among the obligations of the MRC to the Joining Members are the satisfaction of the requirements in Exhibit B of the Joinder Agreements to maintain reserves. All requirements are satisfied as of the end of the Records Period. The following table compares the reserve fund requirements with available resources:

<i>Reserve fund requirement</i>	<i>Resources available to satisfy the requirement</i>
\$5.0 million for actual expenditures for acquisition of the site and development of related infrastructure	Satisfied by expenditures in 2016 and 2017.
Delivery Sufficiency Reserve Fund	Satisfied with the Cash Collateral Account opened in 2017. Coastal and the Trustee consented to reduce the minimum balance to \$1,500,000 until the Promissory Note is repaid. Coastal is in default of the Master Waste Supply Agreement, which sets out the minimum balance obligation.
\$1.0 million for Bridge Waste transportation costs	Satisfied by the balance in the Distribution and Development Account supplemented with funds available from the Tip Fee Stabilization Account
Up to \$7.0 million as the Building Reserve	Coastal is in default of the Site Lease, which sets out the minimum balance obligation.
\$1.167 million as the Closure Reserve Fund	Satisfied by prior expenditures.
\$1.5 million in the Target Value Reserve Fund	Satisfied by available funds of more than \$425,000 in the Tip Fee Stabilization Account.

Analysis of Balances and Transactions of Individual Funds

The General Fund of MRC recognized \$164,039 in total revenue for the year ended December 31, 2021, compared to \$290,078 in total revenue for the eighteen months ended December 31, 2020. There were no site lease payments received in the year ended December 31, 2021. Significant administrative costs were incurred in each period for finding a buyer of the Facility and for negotiating and closing on legal agreements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2021

The Fiduciary Fund of MRC performed the following during the year ended December 31, 2021:

- Managed a total Net Position for the benefit of the Joining Members that declined 25.44% as a result of ongoing costs over the Records Period from \$8.570 million to \$6.390 million.
- Managed total assets over the Records period, that declined from \$9.365 million to \$7.239 million, a 22.70% decrease.
- Had total payables at the end of the Records Period of \$849,468, an increase of 6.84% over the total at the end of the prior period. The increase was from real estate taxes payable that were no longer being paid by Coastal.
- Distributed the following amounts to Joining Members in this period to offset disposal costs and lost fee reimbursements:
 - \$196,678 in the first calendar quarter of 2021.
 - \$120,861 in the second calendar quarter of 2021.
 - \$156,275 in the third calendar quarter of 2021.
 - \$169,401 in the fourth calendar quarter of 2021.
- Made the following transfers to the MRC Operating Fund to support payment of administrative costs made from the Operating Fund:
 - \$90,000 in the first calendar quarter of 2021.
 - \$125,000 in the third calendar quarter of 2021.
 - \$230,612 in the fourth calendar quarter of 2021.

Note that the Operating Fund was used to make cash payments of \$306,167 for services to secure the Facility, of which \$260,916 were reimbursed from Joint Venture funds either for past interest earned (\$158,000) or for specific approved reimbursements (\$102,916).

- Had cash expenditures of \$131,425 to secure the Facility and ensure compliance with environmental and permit requirements and received \$76,931 in cash as reimbursements from the Trustee or other parties during the Records Period.
- Had cash expenditures for tipping fees at back-up disposal facilities of \$7.372 million during the Records Period, for which \$6.679 million in cash was received from Joining Members.

In February 2020, by agreement with Coastal and its lenders, the MRC provided an interim loan of \$1.5 million to Coastal from funds in the Cash Collateral Account. The interim loan was intended to provide Coastal with cash for a period of several months, during which Coastal would secure additional investment of \$15 million that would be used to support additional upgrades to achieve profitability at the Facility and to repay the interim loan. Coastal ultimately failed to secure the additional investment, and as a consequence failed to repay the interim loan to the MRC.

The MRC negotiated an arrangement with a prospective purchaser of the Facility that proposed to repay the interim loan on behalf of Coastal, but that arrangement failed to close. When the MRC's financial statements for 2020 were prepared, the MRC wrote down the carrying value of the interim loan to its fair value at the end of 2020, as required by generally accepted accounting principles (GAAP). The MRC financials for 2021 continue to carry the value of the Interim Loan at zero.

Prior to the start of the Records Period, the MRC had reported the value of the Site at its historical cost as required by GAAP based on cumulative amounts invested in Site acquisition and infrastructure, which totaled \$6,297,589.85 through 2020. In 2020, the MRC contributed the access road, the pump station and certain water and wastewater infrastructure to the Town of Hampden. The Town accepted these assets from the MRC and will maintain them in the future. As a result, the carrying value of the Site has been reduced to \$1,138,748.27 to account for the historical cost of the assets contributed to the Town. The fair value of the Site has not been the subject of a recent appraisal but may not have decreased because of the Town's acceptance.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2021

Significant Capital Asset and Long-term Debt Activity

MRC has no outstanding long-term debt.

The book value of the Site at the end of the Records Period, including improvements and capitalized value of services, was \$1,138,748.27.

Currently Known Facts, Decisions, or Conditions

The Joint Venture is comprised of 83 separate municipalities and public entities, known as Joining Members, which represent 115 Maine municipalities as shown in Figure ES-1. Joining Members are divided into Equity Joining Members and New Joining Members depending on when they became MRC members. Each Joining Member has entered into a long-term agreement (a Joinder Agreement) with the MRC for delivery of municipal solid waste (MSW) as of April 1, 2018, to a new processing facility developed by a private entity, Coastal Resources of Maine, LLC (Coastal), on land (the Site) purchased and owned by the MRC in Hampden, Maine (the Facility). The MRC entered into a Site Lease Agreement with Coastal regarding development of the Facility on the Site, as well as a Master Waste Supply Agreement to accept and manage MSW delivered on behalf of Joining Members.

Coastal operated the Facility on a commercial basis over the period from November 1, 2019, through May 27, 2020. On May 28, 2020, Coastal suspended operations of the Facility, because it lacked cash to pay essential vendors and to meet payroll expenses. All MSW deliveries from Joining Members were diverted to back-up disposal facilities. With Coastal ceasing operations and no longer present on the Site, the MRC stepped in to secure the Facility and to avoid noncompliance with environmental permits and licenses. Coastal's failure to fulfill its obligations were defaults under the Site Lease and Master Waste Supply Agreement. Coastal was also in default to its lenders by virtue of failure to pay debt service and in default to the MRC by virtue of failure to make payments on an unsecured loan. In addition, the MRC paid property taxes to the Town of Hampden that Coastal had not paid and that were overdue.

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

In spring of 2022, the MRC reached agreement with the Trustee on an auction process for selling the Facility and other Coastal assets (together, the Assets) out of receivership to a new purchaser. As part of the agreement, the MRC retained the rights to (a) evaluate whether proposed purchasers met criteria for technical and financial capability; and (b) submit a "stalking horse" bid to purchase the Assets at a price of \$1.5 million in the event no higher bid was submitted. Although the auction attracted responses from multiple entities, none were able to demonstrate they could meet the criteria for technical and financial capability. Accordingly, in June 2022, the MRC was awarded the right to purchase the Assets pursuant to its stalking horse bid. The purchase arrangement was then challenged by six lienholders seeking payment of claims. The MRC successfully negotiated settlements with each of the six lienholders.

On August 9, 2022, Municipal Waste Solutions, LLC (MWS), a wholly owned subsidiary of MRC, Inc., closed on the purchase of the Facility Assets. The net cash purchase price was \$1,169,346.58 after credits were allowed for certain operational costs and negotiated lienholder settlements that were paid by MRC, Inc. MWS also succeeded Coastal as the counterparty to the MRC of the Site Lease and certain other agreements.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2021

After closing on the purchase, the MRC pursued arrangements to recapitalize and re-open the Facility, either through (a) partnership with a private entity, purchase a majority interest in MWS, manage and provide capital for the re-opening; or (b) public financing, enable the MRC, as the sole member and manager of MWS, to manage the re-opening process.

Throughout this period, the main roles of the MRC, as reflected in its financial statements, continued to include (a) oversight of and actions to secure the condition of the Facility, including maintaining basic utility services and complying with applicable permit conditions; (b) arranging and paying for bypass disposal for MSW delivered from Joining Members; (c) collecting tipping fees from Joining Members; and (d) providing funds to cover cash losses associated with these actions.

On June 30, 2023, the MRC closed on a sale of 90% of its ownership interests in MWS to Innovative Resource Recovery, LLC (IRR). The result was MRC retained a 10% ownership interest and IRR obtained a 90% ownership interest in MWS. The sale price was \$3,000,000. MRC, Inc. did not receive any cash at the closing, but is entitled to a contingency payment of \$1,402,898.74. This contingency payment is the \$3,000,000 net of an exclusivity fee (which operated as a deposit) and a closing cash payment (that covered lienholder payments and outstanding sewer charges and property taxes). The contingency payment is due to MRC, Inc. within 30 days after the Hampden Facility resumes commercial operations (as defined in the transaction documents).

The suspension of operations of the Facility in May 2020 has had a material adverse impact on the financial condition of the MRC. Among the costs that the MRC has managed through June 30, 2023, in order to comply with its obligations to its membership despite the suspension of operations of the Facility are the following:

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

The MRC believes that the potential value of the Facility as a going concern to accept and process MSW under the Master Waste Supply Agreement is substantial. The MRC has continued to seek a path for the Facility to be returned to full commercial operation. The MRC can provide no assurances that such efforts will be successful. The MRC has continued to honor its obligations to its members under the Master Waste Supply Agreement to make arrangements for disposal of their MSW at back-up disposal facilities, in anticipation that the Facility can be returned to full commercial operation and that Excess Bypass Costs will be reimbursed in whole or in part.

Finally, as a membership organization, the MRC recognizes that members may have preferences regarding the management of their MSW and coverage of Excess Bypass Costs that are different from the policies and intentions of the current Board of Directors and as implemented by management. The MRC believes that it has complied with all its obligations to the Joining Members under the Joinder Agreements, and that the MRC and the Joining Members continue to be bound by those agreements. The MRC can provide no assurance that its members will not dispute, or force change of, the MRC's current intention to arrange the disposal of their MSW at back-up disposal facilities, nor can the MRC anticipate with certainty how any such dispute might be resolved or how such change might be implemented.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2021

Equity Joining Member Net Position as of December 31, 2021

MRC appreciates that Equity Joining Members have, in the past, incorporated into their own financial statements the carrying value of their allocated share of net position managed by the MRC on their behalf. To this end, the supplementary information sets forth, for each Equity Joining Member, their allocated share of the net position held on its behalf by the MRC as of December 31, 2021. Included in the allocation are the cash and market value of the investments in each of the D and D Account, the Tip Fee Stabilization Account, the Contingency Account, and the Cash Collateral Agency Account; the tipping fees receivable; the carrying value of the Site; less the liabilities that have been allocated among the Equity Joining Members.

Contact Information

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

MUNICIPAL REVIEW COMMITTEE, INC.
Governmental Fund Balance Sheet / Statement of Net Position
December 31, 2021

Assets

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
<u>Assets</u>			
Cash	\$ 133,009	\$ -	\$ 133,009
Member dues receivable	41,501	-	41,501
Prepaid expenses	-	<u>2,027</u>	<u>2,027</u>
Total Assets	<u>\$ 174,510</u>	<u>2,027</u>	<u>176,537</u>

Liabilities and Net Position

<u>Liabilities</u>			
Accounts payable	\$ 83,552	-	83,552
Accrued payroll	2,278	-	2,278
Accrued employee benefits	63	<u>4,587</u>	<u>4,650</u>
Total Current Liabilities	<u>85,893</u>	<u>4,587</u>	<u>90,480</u>
 Total Liabilities	 <u>85,893</u>	 <u>4,587</u>	 <u>90,480</u>
 <u>Fund Balances / Net Position</u>			
Fund Balances:			
Unassigned	<u>88,617</u>	<u>(88,617)</u>	
Total Liabilities and Fund Balances	<u>\$ 174,510</u>		
 Net Position:			
Unrestricted		<u>\$ 86,057</u>	<u>\$ 86,057</u>

The accompanying notes are an integral part of these statements.



MUNICIPAL REVIEW COMMITTEE, INC.
 Statement of Governmental Fund Revenues, Expenditures and
 Changes in Fund Balance / Statement of Activities
For the Year Ended December 31, 2021

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<u>Revenues</u>			
Member dues	\$ 163,319	\$ -	\$ 163,319
Interest income	<u>720</u>	<u>-</u>	<u>720</u>
Total Revenues	<u>164,039</u>	<u>-</u>	<u>164,039</u>
<u>Expenditures / Expenses</u>			
Salaries and wages	128,950	2,905	131,855
Consulting - Resource management	23,179	-	23,179
Legal fees	58,587	-	58,587
Consulting - Project Engineering	3,706	-	3,706
Communications	33,123	-	33,123
Professional fees	29,048	-	29,048
Facility shutdown administration	413,003	-	413,003
General administrative and miscellaneous	10,146	-	10,146
Insurance	8,484	3,620	12,104
Occupancy	5,500	500	6,000
Total Expenditures / Expenses	<u>713,726</u>	<u>7,025</u>	<u>720,751</u>
Deficiency of Revenue Over Expenditures Before Other Financing Sources and Uses	<u>(549,687)</u>	<u>549,687</u>	<u>-</u>
<u>Other Financing Sources and (Uses)</u>			
Transfers from the fiduciary fund	<u>445,612</u>	<u>(445,612)</u>	<u>-</u>
<u>Excess (Deficiency) of Revenue Over Expenditures</u>	<u>(104,075)</u>	<u>104,075</u>	<u>-</u>
<u>Operating Transfers</u>			
Transfers from fiduciary fund		<u>445,612</u>	<u>445,612</u>
Change in Net Position		<u>\$ (111,100)</u>	<u>(111,100)</u>
Fund Balance / Net Position - Beginning of Period	<u>192,692</u>		<u>197,157</u>
Fund Balance / Net Position - End of Period - Exhibit A	<u>\$ 88,617</u>		<u>\$ 86,057</u>

The accompanying notes are an integral
part of these statements.



MUNICIPAL REVIEW COMMITTEE, INC.
Statement of Fiduciary Net Position
Joint Venture of the Joining Members
of the Municipal Review Committee
December 31, 2021

	<u>Fiduciary Fund</u>
<u>Assets</u>	
Distribution and Development Account:	
Cash - Checking account	\$ 21,328
Contingency Account:	
Cash - Checking account	269,574
Tipping fees receivable from members	467,344
Tip Fee Stabilization Account:	
Money market mutual fund	\$ 315,514
Certificates of deposit	772,315
Fixed-income mutual funds	2,721,542
Accrued investment income	<u>5,442</u>
Total Tip Fee Stabilization Account	3,814,813
Cash Collateral Account:	
Money market mutual fund	56,399
Fixed-income mutual funds	1,470,408
Accrued investment income	<u>498</u>
Total Cash Collateral Account	1,527,305
Capital assets	<u>1,138,748</u>
<u>Total Assets</u>	<u>7,239,112</u>
<u>Liabilities</u>	
Disposal cost offset payments payable to members	146,037
Tipping fees payable to disposal facilities	583,783
Facility property taxes payable	<u>119,648</u>
<u>Total Liabilities</u>	<u>849,468</u>
<u>Net Position</u>	
Held for the benefit of the Equity Joining Members of the Municipal Review Committee	<u>\$ 6,389,644</u>

The accompanying notes are an integral
part of these statements.



MUNICIPAL REVIEW COMMITTEE, INC.
Statement of Changes in Fiduciary Net Position
Joint Venture of the Joining Members
of the Municipal Review Committee
For the Year Ended December 31, 2021

	<u>Fiduciary Fund</u>
<u>Additions</u>	
Investment income (loss):	
Interest and dividend income	\$ 155,691
Net depreciation in fair value of investments	<u>(171,598)</u>
Net investment income (loss)	(15,907)
Tipping fees	6,457,667
Reimbursement of facility expenditures from bondholders	<u>61,589</u>
Total Additions	<u>6,503,349</u>
<u>Deductions</u>	
Municipal solid waste disposal costs	7,310,302
Disposal cost offset payments	591,637
Transfer to General Fund	445,612
Facility shutdown costs:	
Clean up and maintenance	216,402
Property taxes	<u>119,648</u>
Total Deductions	<u>8,683,601</u>
Change in Net Position	(2,180,252)
Net Position - Beginning of Period	<u>8,569,896</u>
Net Position - End of Period - Exhibit C	<u>\$ 6,389,644</u>

The accompanying notes are an integral
part of these statements.

MUNICIPAL REVIEW COMMITTEE, INC.
Notes to Financial Statements
December 31, 2021

1. Summary of Significant Accounting Policies

Nature of the Entity

The Municipal Review Committee, Inc. (MRC), was organized as a nonprofit corporation in 1991 to better ensure the continuing ability to its members of long-term, reliable, safe and environmentally sound methods of solid waste disposal at a stable cost. Its members include counties, refuse disposal districts, public waste disposal corporations, municipalities, and other quasi-municipal entities. Only municipalities within the State of Maine may be eligible for membership upon execution of a joinder agreement with MRC. MRC's Board of Directors is elected by its members, and must be persons who, at the time of their elections, are either elected or appointed officials, employees or legal residents of the municipalities served. At December 31, 2021, MRC's membership was made up of 55 Equity Joining Members and 28 New Joining Members.

MRC was originally formed by municipalities with waste disposal agreements with Penobscot Energy Recovery Company Limited Partnership (PERC). The waste disposal agreements with PERC terminated on March 31, 2018. As of April 1, 2018, MRC entered into an agreement with Coastal Resources of Maine, LLC, for disposal of municipal solid waste at a processing facility that was being developed in Hampden, Maine. The new facility operated on a commercial basis from November 1, 2019, through May 27, 2020, and then suspended all operations. From then on, MRC has been managing the deliveries of its members' municipal solid waste to bypass disposal facilities and is searching for an entity to purchase and operate the facility.

MRC's financial statements are prepared in accordance with generally accepted account principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for governmental nonprofit entities through its pronouncements (Statements and Interpretations). The more significant accounting policies, established in GAAP and used by the Reporting Entity, are discussed below.

Financial Reporting Entity

The financial reporting entity is comprised of the following:

Primary Government	Municipal Review Committee, Inc.
Fiduciary Component Unit	Joint Venture of the Joining Members of the Municipal Review Committee

These financial statements present the activities of MRC (the primary government) and its component unit. As defined by GASB Statement No. 14, component units are legally separate entities that are included in the primary government's reporting entity because of the significance of their operating or financial relationships with the primary government. However, as the relationship between MRC and its component unit is fiduciary in nature, the component unit's activities are reported in a fiduciary fund and are not blended with the activities of the primary government.

MUNICIPAL REVIEW COMMITTEE, INC.
Notes to Financial Statements
December 31, 2021

1. Summary of Significant Accounting Policies - continued

Municipal Review Committee, Inc.

MRC acts as a liaison for and as a representative of its members with waste management facilities and various area landfills. It also manages the assets accumulated by the Joint Venture of the Joining Municipalities of the Municipal Review Committee.

Joint Venture of the Joining Members of the Municipal Review Committee

The Joint Venture of the Joining Members of Municipal Review Committee (Joint Venture) is an organization that resulted from a contractual arrangement among certain members of MRC (known then as Equity Charter Municipalities), PERC, and Bangor Hydro. It was formed to pool resources of the Equity Charter Municipalities for the long-term goal of handling the disposal of their present and projected volumes of nonhazardous municipal solid waste at a stable and reasonable cost. Those resources are administered by MRC. Members that joined after September 30, 1998, do not have an ongoing financial interest in the equity of the Joint Venture.

In 1998, the waste disposal agreements of the Equity Charter Municipalities were amended and restated, and extended to 2018, as part of a settlement that involved the refinancing of PERC's outstanding debt and the renegotiation of a power purchase agreement between PERC and Bangor Hydro, which purchased the electrical output of PERC's waste-to-energy facility.

The waste disposal agreements provided that the Joint Venture's assets were to be allocated among the Equity Charter Municipalities based on their respective shares of its receipts. To facilitate this allocation, MRC allocated resources among the municipalities on the basis of actual tons of acceptable waste delivered to PERC each quarter.

In an effort to stabilize the net cost of the disposal of the member municipalities' solid waste, rebates of tipping fees were paid to the member municipalities on a system-wide average basis to offset the difference between the tipping fee paid and a target price.

Effective April 1, 2018, new joinder agreements provided a disposal cost offset payment of \$5 per ton of municipal solid waste delivered by the remaining Equity Joining Members and \$3 per ton to the New Joining Members. During periods when the new waste processing facility is not available, they also provided for a reimbursement of additional transportation costs and lost fees as a result of having municipal solid waste delivered to area landfills instead of the Hampden facility. These expenditures have been reported as deductions in the statement of changes in fiduciary net position.

Use of Estimates

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

MUNICIPAL REVIEW COMMITTEE, INC.
Notes to Financial Statements
December 31, 2021

1. Summary of Significant Accounting Policies - continued

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., statement of net position and the statement of activities) display information about the reporting entity as a whole. They include all funds of the reporting entity except fiduciary funds. The governmental activities are financed by administrative fees paid by members and operating transfers from the Joint Venture, when required.

Fund Financial Statements

The fund financial statements of the reporting entity are organized into funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. The funds have been organized into two categories: governmental and fiduciary.

Governmental. The General Fund is the Entity's only governmental fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Fiduciary. Fiduciary funds are used to account for assets held for the benefit of other parties that generally cannot be used to finance the governmental entity's own operations.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The accounting objective is the determination of operating income, changes in net position, and financial position. All assets and liabilities (whether current or noncurrent) are reported.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are generally recorded as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Entity considers revenues to be available if they are to be collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

The accounting objective of governmental funds is the presentation of the sources, uses, and balances of the Entity's expendable financial resources and related liabilities. The revenues associated with the current fiscal period and susceptible to accrual are membership fees. All other governmental fund revenues are considered measurable and available only when the Entity receives cash.

MUNICIPAL REVIEW COMMITTEE, INC.
Notes to Financial Statements
December 31, 2021

1. Summary of Significant Accounting Policies - continued

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The accounting objective is the measurement of the changes in net position and financial position. All assets and liabilities (whether current or noncurrent) are reported.

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

Capital Assets. Capital assets purchased or acquired with an original cost of \$2,500 or more are reported at historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

Contingency Account. In 2004, the Board of MRC voted to establish this account, which was also known as the Operating Budget Stabilization Account, from certain funds that the Joint Venture had received from the general partner of PERC. These funds may be used to help MRC to balance its annual operating budget in the event of contingencies.

Tip Fee Stabilization Account. In 2001, the Board of MRC voted to set aside a portion of the receipts from PERC each quarter into an investment account for future distributions to Charter Municipalities. In 2003, the Board voted to transfer to this Fund amounts in the Custody Account when they exceeded a certain minimum balance.

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

Net Position. Equity in government-wide financial statements is classified as net position. Net position is further classified as invested in capital assets, restricted, and unrestricted. Capital assets are assets that are associated with governmental activities and arise from expenditures of governmental fund resources. Restricted net position consists of net assets with constraints placed upon their use either by (1) external groups such as creditors or the laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Equity in fiduciary fund financial statements is also classified as net position. This net position is not divided into the three categories used in government-wide financial statements. It simply reports the difference between the fund's assets and liabilities and is shown as "net position held for the benefit of the Equity Joining Members of Municipal Review Committee."

MUNICIPAL REVIEW COMMITTEE, INC.
Notes to Financial Statements
December 31, 2021

1. Summary of Significant Accounting Policies – continued

Fund Balance. Governmental fund equity is classified as fund balance. The fund balance is further classified as restricted, committed, assigned, or unassigned. Restricted funds consist of amounts that are legally restricted by external parties or laws for a specific purpose. Committed funds consist of amounts that can only be used for a specific purpose pursuant to constraints imposed by the Board. Assigned funds represent tentative plans for future use.

2. Deposits and Investments

Custodial Credit Risk – Deposits and Investments

Custodial credit risk is the risk that in the event of a bank failure, an entity's deposits and investments may not be returned to it. The Entity does not have a deposit policy for custodial credit risk, and some of its deposits may occasionally be uninsured and uncollateralized. The Entity has not experienced any losses in the past. Management believes it is not exposed to any significant risk on uninsured and uncollateralized deposits. As of December 31, 2021, none of the Entity's deposits and investments were exposed to custodial credit risk.

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

Maine statutes authorize the Entity to invest its municipal revenues in all obligations of the U.S. government and its instrumentalities, in U.S. agencies within the three highest ratings issued by nationally recognized statistical rating organizations, in repurchase agreements secured by U.S. obligations, and in shares of registered mutual fund companies that invest in U.S. obligations. Those statutes also authorize the officers to enter into a formal agreement with a financial institution which can invest the funds pursuant to an investment management agreement. In accordance with this provision, the Entity has entered into an investment management agreement with a financial institution.

The following schedule summarizes the Fiduciary Fund's investments at December 31, 2021:

	<u>Fair</u> <u>Value</u>	<u>Credit</u> <u>Quality</u>	<u>Weighted</u> <u>Average</u> <u>Maturity</u> <u>(years)</u>
Negotiable certificates of deposit	\$ 772,315	Not Rated	1.49
Fixed-income mutual funds:			
Money market	371,913	Not Rated	na
Intermediate bond	1,345,887	Not Rated	10.44
Aggregate bond	226,895	Not Rated	8.32
Short-term inflation-protected bond index	767,016	Not Rated	2.50
Short-term investment	1,070,813	Not Rated	3.00
Total international bond index	<u>781,339</u>	Not Rated	8.70
Total fixed-income mutual funds	<u>4,563,863</u>		
Totals	<u>\$5,336,178</u>		

MUNICIPAL REVIEW COMMITTEE, INC.
Notes to Financial Statements
December 31, 2021

2. Deposits and Investments - continued

Credit Risk. Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The Entity does not have an investment policy for managing its exposure to credit risk.

Concentration of Credit Risk. Concentration of credit risk exists when the investments in any one issuer exceed 5% of total investments. However, no concentration of credit is deemed to exist for investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds. The Entity does not have a policy for managing its concentration of credit risk.

Interest Rate Risk. Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. The Entity does not have an investment policy for managing its exposure to interest rate risk.

3. Reconciliation of Government-Wide and Fund Financial Statements

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

Fund Balance—Governmental Fund	\$ 88,617
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Some assets, including prepaid expenses in the governmental activities, are not financial resources and therefore are not reported in the fund financial statements.	2,027
Some liabilities, including accrued vacation, are not payable in the current period and therefore are not reported in the fund financial statements.	<u>(4,587)</u>
Net Position of Governmental Activities	<u>\$ 86,057</u>

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

Excess (Deficiency) of Revenue over Expenditures—Governmental Fund	\$(104,075)
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report the payment of insurance and rent at the earlier of when expended or when the current financial resources are available and payments are due. However, in the statement of activities, these payments are reported as expense in the period to which they relate.	(4,120)
Some expenses, such as accrued vacation, reported in the statement of activities, do not require the use of current financial resources and therefore are not reported in the fund financial statements.	<u>(2,905)</u>
Change in Net Position of Governmental Activities	<u>\$(111,100)</u>

MUNICIPAL REVIEW COMMITTEE, INC.
Notes to Financial Statements
December 31, 2021

4. Capital Assets

A summary of changes in capital assets follows:

	Balance <u>01/01/21</u>	<u>Additions</u>	<u>(Retirements)</u>	Balance <u>12/31/21</u>
Fiduciary Activities				
Capital assets not being depreciated:				
Land	\$1,138,748	\$ -	\$ -	\$1,138,748

5. Interfund Receivables, Payables, and Transfers

Interfund Transfers:

	Transfers from:	
	<u>General</u>	<u>Fiduciary</u>
Transfers to:		
General		\$445,612
Fiduciary	\$ -	

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

6. Schedule of Equity Joining Member Net Position

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

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

7. Long-Term Agreements

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

MUNICIPAL REVIEW COMMITTEE, INC.
Notes to Financial Statements
December 31, 2021

7. Long-Term Agreements - continued

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

8. Income Taxes

MRC is tax-exempt under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), and is classified by the Internal Revenue Service (IRS) as other than a private foundation. However, the Internal Revenue Code may subject an organization to tax on unrelated business taxable income. It is Management's opinion that the Organization had no unrelated business taxable income during the year ended December 31, 2021.

9. Retirement Plan

MRC has sponsored a SIMPLE IRA plan for its employee and matches 100% of the employee's deferred compensation up to 3% of the employee's compensation. The expense for the year ended December 31, 2021, was \$3,024.

10. Operating Lease

MRC leased its office under a lease agreement expiring on August 31, 2021. During the year ended December 31, 2021, the lease was extended through December 31, 2022. Lease expense for the year ended December 31, 2021, amounted to \$6,000.

11. Insurance

The Entity is exposed to a variety of risks in the ordinary course of its daily activities. Some of these risks include workers' compensation, legal, and fiduciary liabilities. MRC has purchased commercial insurance policies to cover potential claims.

12. Contingencies

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

MUNICIPAL REVIEW COMMITTEE, INC.
Notes to Financial Statements
December 31, 2021

13. Subsequent Events

Subsequent to year end, the bondholders agreed to an MRC proposal for a process to sell the Facility and other assets out of receivership at a competitive auction scheduled to be held by June 30, 2022. Although the auction attracted responses from multiple entities, none were able to demonstrate they could meet the criteria for technical and financial capability. Accordingly, in June 2022, the MRC was awarded the right to purchase the Facility at its bid of \$1.5 million. On August 9, 2022, Municipal Waste Solutions, LLC (MWS), a wholly owned subsidiary of MRC, Inc., closed on the purchase of the Facility.

MRC then pursued arrangements to recapitalize and re-open the Facility. On June 30, 2023, the MRC closed on a sale of 90% of its interest in MWS to a new operator, Innovative Resource Recovery, LLC (IRR), for \$3 million. IRR will use and expand on the existing infrastructure and equipment to produce renewable natural gas and other products and reduce material going to landfills.

MUNICIPAL REVIEW COMMITTEE, INC.
 Schedule of Equity Joining Member Net Position
 Joint Venture of the Joining Members
 of the Municipal Review Committee
December 31, 2021

	<u>Deposits and Investments</u>	<u>Net Investment in Hampden Site</u>	<u>Net Other Receivable and Payables</u>	<u>Net Position</u>
Albion	\$ 92,487	\$ 10,031	\$ (5,030)	\$ 97,488
Alton	35,049	3,814	(1,908)	36,955
Atkinson	11,962	1,356	(659)	12,659
Bangor	1,547,015	319,874	(105,968)	1,760,921
Bar Harbor	320,655	63,617	(21,579)	362,693
Blue Hill/Surry	214,283	44,814	(14,751)	244,346
Boothbay RRDD	279,273	56,908	(19,010)	317,171
Bradley	24,918	5,335	(1,733)	28,520
Brewer	406,296	80,588	(27,339)	459,545
Brooks	15,812	3,426	(1,106)	18,132
Brownville	38,683	7,899	(2,636)	43,946
Bucksport	121,283	23,277	(8,049)	136,511
Carmel	52,942	11,512	(3,708)	60,746
Central Penobscot	113,367	23,100	(7,716)	128,751
China	100,536	19,822	(6,748)	113,610
Clifton	19,106	3,993	(1,315)	21,784
Dedham	22,865	4,754	(1,570)	26,049
Dover-Foxcroft	112,755	24,055	(7,830)	128,980
Eddington	47,085	9,770	(3,230)	53,625
Guilford	64,044	14,351	(4,546)	73,849
Hampden	193,545	38,710	(13,070)	219,185
Holden	53,797	10,610	(3,611)	60,796
Lee	21,747	4,530	(1,494)	24,783
Levant	47,582	10,129	(3,301)	54,410
Lucerne	13,776	2,975	(962)	15,789
Mariaville	7,585	1,567	(519)	8,633
Mattawamkeag	20,817	4,320	(1,428)	23,709
Mid-Maine SWD	221,139	48,052	(15,482)	253,709
Millinocket	156,191	32,417	(10,716)	177,892
Milo	70,445	14,842	(4,865)	80,422
Monson	12,696	2,606	(867)	14,435
Mt. Desert area ADD	398,329	77,489	(26,585)	449,233
Orono	231,389	45,950	(15,578)	261,761
Otis	9,679	2,176	(688)	11,167
Palmyra	38,419	8,160	(2,663)	43,916
Parkman	10,377	2,221	(722)	11,876
Pleasant River SWD	69,226	13,057	(4,561)	77,722
Sangerville	30,576	6,239	(2,082)	34,733
Steuben	30,577	6,466	(2,115)	34,928
Thorndike	15,648	3,145	(1,059)	17,734
Troy	10,516	2,274	(735)	12,055
Union River SWD	18,162	3,956	(1,273)	20,845
Unity	46,729	9,449	(3,170)	53,008
Vassalboro	75,991	16,158	(5,269)	86,880
Verona	15,079	3,291	(1,058)	17,312
Waldoboro Group	172,586	35,663	(11,819)	196,430
Total	<u>\$ 5,633,019</u>	<u>\$ 1,138,748</u>	<u>\$ (382,123)</u>	<u>\$ 6,389,644</u>