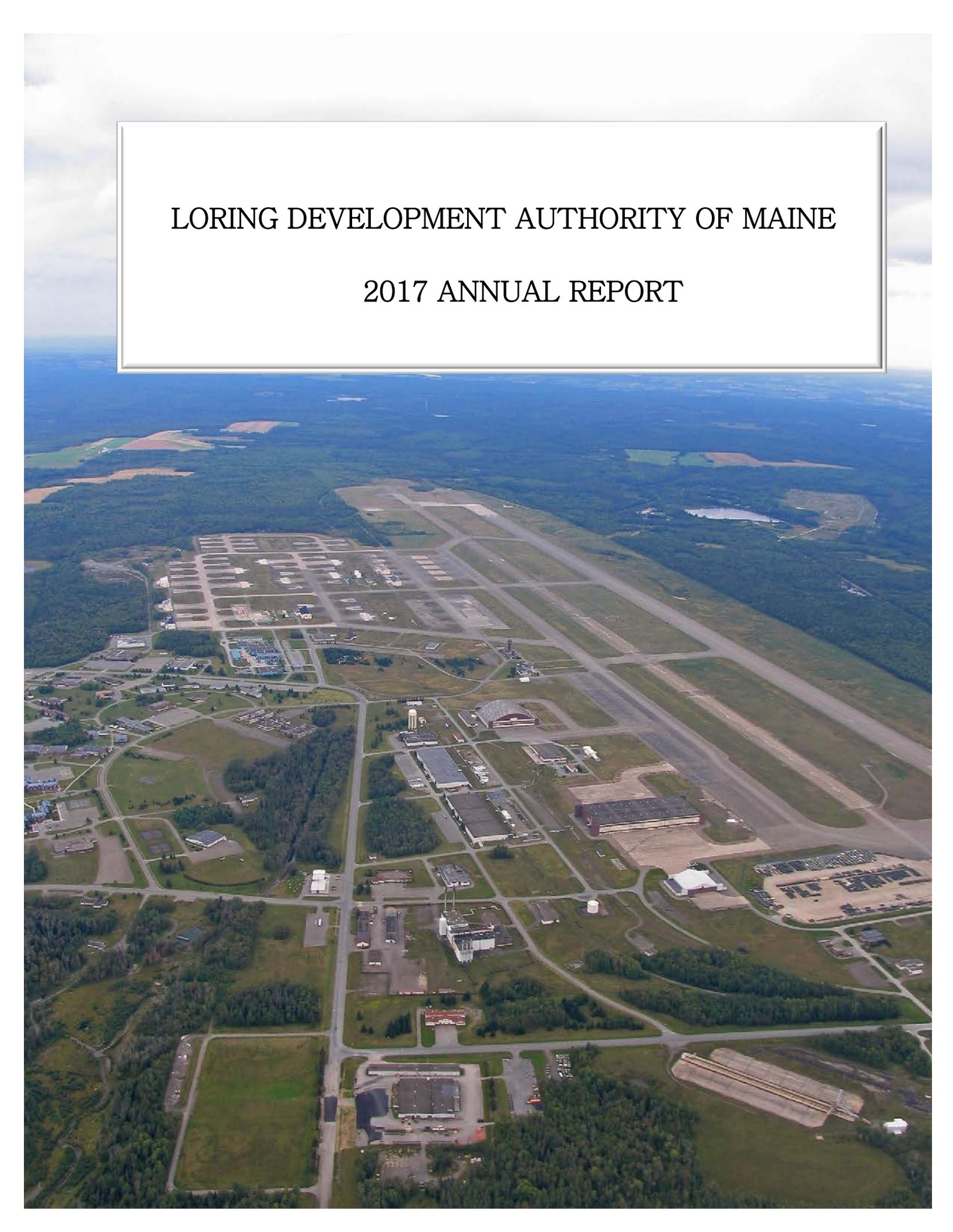


# MAINE STATE LEGISLATURE

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An aerial photograph of an airport and its surrounding area. The airport features a long runway, taxiway, and parking lots. There are several large hangars and buildings, including a prominent red-roofed hangar. The surrounding landscape is a mix of green fields, forests, and some residential or commercial buildings. The sky is overcast with grey clouds. A white rectangular box with a thin black border is centered in the upper portion of the image, containing the title text.

LORING DEVELOPMENT AUTHORITY OF MAINE  
2017 ANNUAL REPORT





LORING COMMERCE CENTRE

**Memorandum**

**To:** State Law Librarian  
**From:** Donna Sturzl, Loring Development Authority  
**Date:** October 30, 2017  
**Subject:** Loring Development Authority of Maine 201<sup>7</sup> Annual Report

Pursuant to "Section 14080-L Annual Report" of the Loring Development Authority of Maine's (LDA) enabling legislation, please find enclosed a complete report of the activities of the LDA for the fiscal year ended June 30, 2017. The report includes a summary of the LDA's development activities and audited financial statements for FY17. Subsequent events through October 15, 2017 and proposed activities for FY18 are also reported.

If you have any questions, please call me at 328-7005 x 3.

Enclosure



**Paragraph 13080-L  
Fiscal Year 2017 Annual Report  
July 1, 2016 – June 30, 2017**

	<b>Page</b>
<b>Paragraph 1A: Description of the Authority’s Operations .....</b>	<b>2</b>
<b>Paragraph 1B: Authority’s Audited Financial Statements for the Year Ended June 30, 2017 .....</b>	<b>9</b>
<b>Paragraph 1C: Property Transactions .....</b>	<b>10</b>
<b>Paragraph 1D: An accounting of all activities of any special utility..... district formed under Section 13080-G (None)</b>	<b>11</b>
<b>Paragraph 1E: A listing of any property acquired by eminent domain..... under Section 13080-G (None)</b>	<b>11</b>
<b>Paragraph 1F: A listing of any bonds issued (None) .....</b>	<b>11</b>
<b>Paragraph 1G: Subsequent Events and Proposed Activities.....</b>	<b>12</b>
<b>Paragraph 1H: Further Actions Suitable for Achieving the Purposes of this Article .....</b>	<b>15</b>
<b>Addendums.....</b>	<b>16</b>
<b>1) Loring Development Authority Board of Trustees</b>	
<b>2) Loring Development Authority Development &amp; Field Staff</b>	
<b>3) Loring Commerce Centre Tenants</b>	

**PARAGRAPH 1A: DESCRIPTION OF THE AUTHORITY'S OPERATIONS**

Loring Development Authority (LDA) is responsible for the redevelopment of the properties formerly comprising the Loring Air Force Base, for the purpose of creating new jobs and new economic activity following the base's closure. Accomplishing that mission requires LDA to manage the 3,700-acre business-commercial and industrial park including a 1,600-acre aviation complex; serve as landlord to leasehold businesses and supply municipal-type services to approximately 300 residents and to 26 businesses that collectively employ approximately 800 people and occupy 1 million square feet of space in numerous major buildings. LDA operates a water treatment plant, water distribution system, and a wastewater collection system; maintains and plows 26 miles of roadways; performs grounds maintenance on hundreds of acres of developed and developable property; and through arrangements with the Town of Limestone and others, secures fire, ambulance, and law enforcement services and contracts for wastewater treatment. The LDA works with prospective businesses to develop opportunities to reuse additional facilities and properties, create additional employment and economic activity both at Loring and in the broader region.

Employers at Loring represent industrial, manufacturing, agriculture, forestry, energy, telecommunications, commercial, back-office, education, recreation, conservation and aviation sectors. A profile of the employers at Loring, included in an addendum at the end of this report, illustrates the significant level and diversity of economic activity generated by the reuse of facilities at Loring Commerce Centre.

**FISCAL YEAR 2017 ACCOMPLISHMENTS**

**THE FOLLOWING SUMMARIZES THE LDA'S ACCOMPLISHMENTS FOR FISCAL YEAR 2017, WHICH SUPPORT ITS PRIMARY MISSION OF JOB CREATION AND FACILITY ABSORPTION ON LORING COMMERCE CENTRE.**

**LORING INDUSTRIES, LLC.** Loring Industries (LI), a company formed to facilitate new business activity at Loring in collaboration with the Maine Military Authority (MMA) and LDA in 2014, became privately owned in January 2017. Joseph Alosa Sr. of Concord, N.H is now the principal owner of Loring Industries. Also the owner of New England Kenworth (NEK), Mr. Alosa has extensive experience in the transportation industry, and has many contacts in that industry which will help tremendously in the growth and development of Loring Industries and its relationship to MMA. As a private entity, LI is able to pursue business opportunities with various partners, and can attract capital as any private enterprise might.

LI has attracted contracts for refurbishing buses and other vehicles including end-of-life bus overhauls, overhauls of coach buses and landfill compactors.

LI together with New England Kenworth opened a TRP truck parts outlet in building #7210. Loring Industries and New England Kenworth have hired twenty-four people.

LI also leases building #2501 the former Loring Inn and has invested in improvements. The building is used as guest quarters for business affiliates, but may be open to the public in the future.

**MAINE MILITARY AUTHORITY.** In addition to its capacity to rebuild military vehicles, MMA has developed a reputation for rebuilding transit buses. MMA's contract the Massachusetts Bay Transit Authority (MBTA), for the refurbishment of 32 articulating buses, proved to be challenging; however, after a work stoppage last fall, the MBTA bus project resumed in May and laid-off employees were recalled. More bus operators are seeing the financial benefits that result from a mid-life overhaul. MMA is working with Loring Industries to complete the MBTA project and both are pursuing future bus refurbishment projects.

**AVIATION PROJECT.** LDA is working with an established aviation company that has begun the process of establishing an aircraft maintenance, repair and overhaul (MRO) operation at Loring Commerce Centre. The company intends to occupy two buildings initially, the Arch Hangar and the former Jet Engine Shop, then lease other hangars and aviation facilities within the first two years.

After a binding letter of intent for the MRO project was approved, 34 truckloads of aviation equipment were shipped to Loring. Efforts to facilitate the establishment of the MRO operation at Loring, include repairs and upgrades to key facilities such as the Arch Hangar and Operations Building. A tail dock enclosure is proposed for installation at the Snow Barn Hangar at Loring so that it can accommodate larger aircraft.

Items remaining to be addressed include securing resources to upgrade facilities and acquire equipment needed for airfield operations; attracting and housing aviation mechanics and technicians; determining if the airport status should change from private to public and what support is available from the FAA.

The housing item is partially addressed by the sale of building #2500, the former Bas Officers Quarters at Loring, to the MRO company. The building was first sold in 2007 and later acquired by the town of Limestone for back taxes. The town was looking for a buyer.

**AIRPORT MANAGER.** LDA collaborated with the City of Presque Isle to secure the services of Scott Wardwell, the Airport Manager for the Northern Maine Regional Airport (KPQI) in Presque Isle. Mr. Wardwell assisted LDA with aviation matters in the past; his expertise in airport management is crucial to the development of the new aviation project.

**RANGER SOLAR.** On October 3, 2017, LDA and Ranger Solar, a grid-scale solar developer, executed a lease agreement for up to 996 acres of land at Loring for the development of a utility-scale solar energy project. The lease allows Ranger Solar to evaluate the best placement for solar equipment; at least 600 of the initial 996 acres are expected ultimately to be utilized for solar energy production. Locating the project at Loring makes use of its large tracts of open, previously developed land and existing electrical infrastructure. The project is compatible with future development including aviation uses. The 100 megawatt solar energy facility will be the largest in the state of Maine and the New England region. Construction is expected to begin in 2019, creating about 300 one to two-year construction jobs. The project, once built and

operational, will support several permanent jobs. Ranger Solar would be the project developer, but would then sell the project to one or more operators.

**LORING HOLDINGS, LLC.** Loring Holdings continues to work on a project called Maine Power Express, which involves the construction of a DC power converter plant with a transmission line in the Searsport pipeline right-of-way and underwater to southern New England. The Maine Power Express project would bring renewable energy from northern Maine and Canada to southern New England. If built, the LDA would be compensated for the additional uses of the pipeline corridor under a New Facilities Payment Agreement.

**STRAIGHT LINE FENCING.** The former laundry facility, building #7330, is now being leased to the owners of a fence manufacturing and installation company. The lease agreement includes an option to purchase the building and an expectation that the building will be improved during the ten-year lease term so that it can serve as a manufacturing facility.

**RESIDENTIAL OPERATIONS.** Having acquired the residential properties at Loring, LDA operated the apartment rental business while seeking a new operator. In February 2016, the residential properties were leased to a private party operating under the name Inland Winds Property Management. The first year of operations for the new managers was a successful one; improvements have been made and new tenants have moved in. Housing availability is important to larger business prospects, who have indicated a need for on-premises housing for a portion of their workforce.

**GOLF OPERATIONS.** The Limestone Country Club was open for business again during the summer of 2017. Having engaged the help of dedicated volunteers and experienced employees, the business has made good progress. It continues to represent a valuable amenity for Loring and the larger community.

**LORING MILITARY HERITAGE CENTER (LMHC).** The LMHC, a museum showcasing Loring's military history, hosted another very successful open house. The events bring many people from around the world to Loring. The highlight of the reunion, fly-bys of a KC-135 tanker and a B-52, were a fitting tribute to the many service members who served at Loring.

**LAND SPEED RACING.** Loring Timing Association (LTA) continues to host land speed racing events at Loring, making use of the 12,100 foot runway. The events bring people from many places to the community and has exposed Loring's facilities and airfield to companies interested in automotive product testing, research and development.

**AUTOCROSS EVENT.** Cumberland Motor Club Inc. continues to hold autocross precision driving events at Loring. The events consist of automobiles, including high performance cars, being operated within a defined course. Although the race events do not attract huge crowds they do bring visitors to the area who provide increased traffic to restaurants, hotels and other businesses.

**AROOSTOOK BAND OF MICMACS.** LDA has had discussions with All Nations Global Solutions regarding opportunities for Loring businesses to partner with All Nations. The organization carries out economic development projects for the benefit of the Aroostook Band of Micmacs (ABM). It qualifies for super 8-A status when competing for federal procurements and can partner with private industry to carry out contracts.

**PROSPECTS.** Active prospects include various types of businesses including manufacturing, data services and technology companies and warehousing. Prospects have cited the quality and of the labor force as a central reason for their interest in the area. The availability of unique or specialized facilities at Loring is another attraction for companies.

**WATER SUPPLY SYSTEM UPGRADES PHASES 1, 2 AND 3.** LDA and the Air Force entered into a Memorandum of Agreement, which included a payment to LDA of \$1.5 million for upgrades to the water treatment plant and distribution system. The MOA and payment addresses the Air Force's responsibility to provide potable water to Loring, where groundwater contamination prevents the use of wells. The funding matched a \$1,132,000 grant from the Economic Development Administration (EDA) and a \$2,264,000 infrastructure improvement project was completed last year. This year, Phase 3 of the water system improvement project was completed. Systems were installed to address disinfection byproducts in the water supply system as required by current drinking water standards. The \$1.1 million project was funded by a \$507,780 loan from the Drinking Water State Revolving Loan Fund and by part of a \$1 million Community Development Block Grant (CDBG). About \$200,000 of the loan is forgiven; addition financial assistance from the Air Force helped to secure the loan. The CDBG was secured with the help of the Town of Limestone. (The balance of the CDBG, approximately \$336,000, will fund additional sewer rehabilitation at Loring.)

Completion of the water system upgrades brought Loring's water system in compliance with the regulatory standards for trihalomethanes (TTHM's). The water system continues to meet all other regulatory standards.

**INFLOW AND INFILTRATION (I/I) REDUCTION AT LORING COMMERCE CENTRE.** Reduction of the I/I of ground and surface water in Loring's wastewater collection systems is an ongoing project. Upgrades to the system to date total approximately \$2.6 million. Construction work for a \$336,000 project is expected to be completed in October and November 2017. The work includes replacing worn collection lines and manholes, and abandoning a section of the collection system, redirecting it with a new line. The project is designed to achieve maximum I & I reduction with the available funding.

**MAPPING PROJECT FOR WATER INFRASTRUCTURE.** Begin this fall, two University of Maine at Presque Isle students will work on a Geographic Information System (GIS) mapping project for LDA, mapping water distribution infrastructure. Hydrant locations will be mapped first. The students are working under the guidance of Professor Chunzeng Wang.

**FIRE AND AMBULANCE.** Crown Ambulance continues to supply a two-person crew for ambulance service at Loring and all of Limestone, and Caswell. The ambulance crew is housed at the Loring Fire Station and has access to Loring's fire truck and associated equipment. Fire response falls under the authority of the Limestone Fire Department. The ambulance crew may be called upon occasionally to do long distance transports and when that happens, coverage will be by the crew based in Fort Fairfield.

**CODES ENFORCEMENT OFFICER.** LDA and the City of Presque Isle renewed the agreement by which LDA obtains the services of George Howe, Codes Enforcement Officer for the city, on an as-needed basis.

**AIR FORCE ENVIRONMENTAL BRIEFING ON PFCs OR "PERFLUORINATED COMPOUNDS.** In 2009, EPA issued a Preliminary Health Advisory for two compounds, PFOS and PFOA,

recommending provisional drinking water standards for two specific PFCs (PFOS & PFOA). PFCs are a group of manmade chemicals that had been used for a wide variety of products including food grade uses such as Teflon and fast food wrappers. PFCs were found in firefighting foams used after 1970 and the Air Force has identified PFCs in groundwater at Loring's former fire training area. This has been the case with many closed bases. The Air Force began to assess other potential PFC sites at Loring during 2016. Because the drinking water supply does not come from wells, any PFC sites identified will have minimal or no impact on Loring's redevelopment.

**POSSIBLE AMENDMENT BY AIR FORCE OF OU 12 RECORD OF DECISION.** The Air Force is now monitoring for potential soil vapor intrusion (SVI) whereby contaminants in the soil or groundwater become vaporized and find their way through a floor slab and into a building. An amendment of the OU 12 (Groundwater) Record of Decision would create use restrictions for several Loring buildings, thereby preventing residential, school or day care use. The amendment would have minimal impact on LDA reuse activity since the buildings in question are industrial buildings with good air exchange. LDA anticipates that routine testing of work spaces in suspect buildings will take place.

## **MARKETING EFFORTS**

**WEBSITE.** Loring.org was designed to provide downloadable data for available facilities, up-to-date information, ease in making in-house changes and an efficient delivery of board meeting documents. LDA regularly responds to inquiries submitted through the website.

## **PROMOTING LORING**

Loring's facilities, attributes and contact information are available on numerous business development websites such as The Maine Chamber, The Yellow Pages online, www.aviationacres.com and other aviation interests.

Following a request for proposals to provide real estate services, the LDA signed an Exclusive Right to Sell Listing Agreement with Re/Max Central to provide Sales Agent services and exposure on the Multiple Listing Service for designated Loring properties. The goal is to promote Loring properties, for sale or lease, to the widest possible audience. For properties not specifically listed, LDA maintains an "Open Listing" and encourages all real estate brokers to bring prospective purchasers or commercial lessees to Loring.

## **PUBLIC OUTREACH**

**STAKEHOLDER AND BUSINESS DEVELOPMENT MEETINGS.** The LDA President & CEO regularly leads tours and presents Loring's buildings and assets to potential tenants and visitors. He also promotes Loring and northern Maine when participating in speaking engagements and meetings regionally and state-wide.

**PUBLIC BOARDS AND AFFILIATIONS.** The LDA President & CEO serves in a voluntary capacity on regional and state-wide Boards, networking within various communities and acquainting people with Loring Commerce Centre, the State of Maine's largest industrial, business and aviation complex.

## **OTHER ACTIVITIES & EFFORTS**

**LDA ADVISORY GROUP.** LDA Trustees established an Advisory Group for LDA. The function of the group is to work with the LDA President to generate and develop new ideas and proposals for the use of Loring's assets. Members would be volunteers; there would be no cost to LDA. Board member Dana Saucier was appointed to serve as the Board's designee; other trustees are to inform Mr. Saucier of their interest in working with the advisory group. The LDA board chair will also serve ex-officio.

**AROOSTOOK PARTNERSHIP.** LDA's President & CEO serves on the Board of Directors of Aroostook Partnership. Aroostook Partnership represents many economic development interests ranging from numerous private sector businesses and non-profits as well as public sector entities like Northern Maine Development Commission, the University and Community College, and the LDA.

**TECHNOLOGY AND INNOVATION WORKING GROUP.** Representatives of Maine School of Science and Math (MSSM), Aroostook Partnership, and LDA held a series of discussion on identifying and making use of regional assets and new technology. Assets at Loring such as the Three-Ring Binder and the Loring Applied Technology Center are part of the discussion. Another tremendous asset in the county is MSSM. The group is working to build relationships with MSSM students and alumni in an effort to prepare for and take advantage of quickly changing technology as outlined in an eye-opening presentation called the "Speed of Change".

**ENERGY GROUP.** The Aroostook Energy Association is a new organization whose members are large energy users in the county. LDA has been invited to participate and to represent the interests of Loring's large electric users. According to Miles Williams, LDA Trustee and now Board Chair, there were about 30 members in the association in February 2017. The association intends to work with Emera in the hope of securing the best possible energy rates for both supply and transmission.

**MITC FORUM.** Having attended at an international business forum hosted by the Maine International Trade Center, LDA representatives learned that the number of jobs in Maine dependent on international trade increased considerably as the economy recovered from the recession. They also learn that the results of a recent Gallop poll showed that Maine residents were among the most satisfied with their state and least likely to want to move away. Evidence of people wanting to stay in Maine is the level of underemployment in the state. People often take jobs that don't fully utilize their skills so that they can live in Maine. Aroostook County is no exception; underemployment is a chronic problem in the county. Maine's stable, skilled workforce is a great asset for attracting new businesses to the state.

**KEEPING INFORMED.** When relevant to the LDA's activities, LDA staff members actively participate in community and state economic development efforts, serving on various boards, attending workshops, development forums and trainings, keeping abreast of programs and other opportunities available to businesses.

## **LDA FUNDING**

**STATE OF MAINE.** LDA used to receive annual grants of up to \$326,000 through the DECD budget. The routine annual appropriations ceased after the FY 2011 budget year. LDA seeks

assistance through grants available through the Maine Department of Economic and Community Development including CDBG grants accessed through the Town of Limestone. All LDA funding supports the reuse of the former military facilities including newly developing projects.

**TAX INCREMENT FINANCING FUND.** The Loring Tax Increment Financing (TIF) Program allows the LDA to receive 50% of the Maine State Income Tax withheld from incremental jobs created at the Loring Commerce Centre. LD 1670, An Act to Attract Investment to Loring Commerce Centre, provided additional funding for one year; funding received for fiscal year 2017 was increased to 100%. Contributions to this fund for fiscal year 2017 totaled \$1,326,853. These funds are used to fund municipal service costs and maintenance of public infrastructure.

**PROPERTY SALE, LEASE, MUNICIPAL SERVICES AND MISCELLANEOUS REVENUES.** During fiscal year 2017, the LDA received revenues from its tenants, from the sale of land and personal property and from miscellaneous revenues in the amount of \$1,340,442.

**MACHIAS SAVINGS BANK.** LDA's \$1,250,000 line of credit from Machias Savings Bank was increased to \$1.5 million. The line assists in the management of cash flow. At the end of FY 2017, funds advanced under the line of credit totaled \$1,436,000.

**MACHIAS SAVINGS BANK.** LDA secured a \$65,000 short-term bank loan in May to assist with year-end cash flow; the loan is due in full in July 2017. (Subsequent Note: the loan was paid in full in July 2017).

**CDBG GRANT.** A \$1 million Department of Economic and Community Development Community Development Block Grant was awarded to the Town of Limestone on behalf of the LDA in July 2015. The grant assisted with water treatment system upgrades needed to achieve Disinfection By-Product (DBP) removal in the water supply system. It is also being used to upgrade a portion of the existing wastewater collection system to reduce the inflow and infiltration of ground and surface water in the system.

**MAINE DRINKING WATER STATE REVOLVING FUND (DWSRF).** LDA worked with the Maine Bond Bank to close on a \$507,780 DWSRF loan. A portion of the loan, 40%, is forgiven; the remaining 60% or \$304,668 will be repaid over 30 years. The DWSRF funds were used to match the CDBG grant and were used on the water treatment system improvement project.

**U.S. AIR FORCE FUNDING** LDA received \$300,000 from the Air Force in 2016 for work on the water supply system at Loring. The funding assures the LDA will be able to repay the loan portion of the DWSRF funding through the Maine Municipal Bond Bank. It supplements the \$1.5 million provided by the Air Force in 2009 to complete the work required to continue to supply water to the former Loring Air Force Base tenants.

**LD 1643.** LD 1643, An Act To Provide Funding to the Loring Development Authority of Maine, was approved in June 2017. It provides \$1.5 million for grants to the LDA from the Department of Economic and Community Development (DECD). Upon the recommendation of the Commissioner of DECD and the approval of the Governor, LDA will receive \$750,000 in both fiscal year 2018 and 2019. The funding will support new business development at Loring.

**PARAGRAPH 1B:      AUDITED FINANCIAL STATEMENTS FOR  
FISCAL YEAR 2017**

The attached Independent Auditor's Report was approved by the Loring Development Authority Board of Trustees on October 11, 2017.

**LORING DEVELOPMENT AUTHORITY OF MAINE**

**FINANCIAL STATEMENTS**

**JUNE 30, 2017**

## TABLE OF CONTENTS

	PAGE
<b>GENERAL-PURPOSE FINANCIAL STATEMENTS</b>	
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>I-VII</b>
<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1-2</b>
<b>STATEMENTS OF NET POSITION</b>	<b>3</b>
<b>STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES     IN NET POSITION</b>	<b>4</b>
<b>STATEMENTS OF CASH FLOWS</b>	<b>5</b>
<b>NOTES TO FINANCIAL STATEMENTS</b>	<b>6-18</b>
<b>ADDITIONAL REPORTS</b>	
<b>INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER     FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS     BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN     ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b>	<b>19-20</b>

# LORING DEVELOPMENT AUTHORITY OF MAINE

## MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2017 and 2016

### UNAUDITED

The management of the Loring Development Authority of Maine (LDA) is providing the following discussion and analysis of the financial activities for the year ended June 30, 2017. The LDA is a component unit of the State of Maine with a mission to create jobs and positive economic growth by redevelopment of approximately 3,700 acres of the former Loring Air Force Base located in Limestone, Maine.

#### Report Layout

The management's discussion and analysis is intended to make reports more understandable, easier to read, comprehensible and to explain significant changes and financial positions between the current and prior year.

#### Financial Highlights

- Total net position decreased by \$5,506,745. This is due to a reduction in lease revenue resulting from cutbacks at Maine Military Authority, the departure of long-term tenants and a revaluation of buildings donated by the Air Force. Expenditures have also decreased, when excluding bed debt expense, however the budget is not designed to fund the Authority's annual depreciation expense which results in the net decrease in net position from operations.
- Total revenues of \$3,871,031 are comprised of 24% from lease revenue, 46% from state assistance, 19% from federal grants and 11% from other LDA operations.
- Despite a challenging economic environment net jobs have remained consistent over the past fiscal year.
- The annual Caretaker grant revenue for the maintenance and operation of essential services and facility maintenance ceased in September 2004. The LDA now relies on lease income, state assistance and other operations to support these operations. The LDA's cost for facility maintenance, operations of water distribution and sewer collection systems, maintenance of a network of roads, parking lots, airfield pavements, together with services for wastewater treatment, fire, police and ambulance protection was approximately \$2.2 million in fiscal year 2017.
- The LDA received various federal grants, low interest loans and 0% interest loans for the purpose of upgrading sewer lines, the water treatment facilities and various other facilities. As of June 30, 2017, a total of \$5,838,033 has been spent on these projects. \$36,258 represents Construction in Progress, the remainder has been placed in service.

#### Basic Financial Statements

The LDA's financial reports are prepared using proprietary fund (enterprise fund) accounting which is the same basis as private-sector business enterprises and utilizes the accrual basis of accounting. The accrual basis of accounting records income as it is earned and costs as incurred. The basic financial statements include the following:

LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Years Ended June 30, 2017 and 2016

UNAUDITED

Statements of Net Position  
Statements of Revenues, Expenses and Changes in Net Position  
Statements of Cash Flows

The Statements of Net Position exhibits the balance of current and capital assets less current liabilities and a net asset balance. As required by GASB 34, the LDA has included the estimated fair market value of net assets (structures, vehicles and equipment, aviation facilities, roads and accessory facilities, special use structures and land) which were given to the LDA at no cost by the United States Air Force. The carrying value of total capital assets for the current year is \$56,691,621 as compared to a capital asset balance of \$61,066,366 for the prior year ending June 30, 2016.

Table 1 provides condensed data of the Statements of Net Position for the fiscal years ended 2017 and 2016.

**Table 1**

**Net Position**

	<u>2017</u>	<u>2016</u>
Current assets	\$ 2,150,795	\$ 2,817,671
Net capital assets	56,691,691	61,066,366
Construction in progress	36,258	441,801
Notes receivable, net of current portion	<u>1,260,172</u>	<u>1,562,405</u>
<b>Total Assets</b>	<b><u>60,138,846</u></b>	<b><u>65,888,243</u></b>
Deferred Outflows of Resources	<u>1,400</u>	<u>1,400</u>
Current Liabilities	2,042,673	1,661,468
Long-term Liabilities	<u>1,471,196</u>	<u>1,787,968</u>
<b>Total Liabilities</b>	<b>3,513,869</b>	<b>3,449,436</b>
Deferred Inflows of Resources	<u>1,114,253</u>	<u>1,421,338</u>
<b>Total Net Position</b>	<b>\$ <u>55,512,124</u></b>	<b>\$ <u>61,018,869</u></b>

The Statements of Revenues, Expenditures and Changes in Net Position reports the federal and state assistance and operations revenue, less operating costs in order to reflect the change in net asset value for the current year in combination with the prior year's net asset value to reflect the net asset balance as of June 30, 2017.

LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Years Ended June 30, 2017 and 2016

UNAUDITED

Table 2 shows the changes in net position for the fiscal years 2017 and 2016.

**Table 2**

**Changes in Net Position**

	<u>2017</u>	<u>2016</u>
Revenues:		
Program Revenues		
State Assistance	\$ 1,176,853	\$ 956,135
General Revenues		
Lease and Other	<u>1,314,420</u>	<u>1,560,064</u>
<b>Total Operating Revenues</b>	<b><u>3,091,273</u></b>	<b><u>2,516,199</u></b>
Operating Expenses:		
Salaries and Benefits	811,784	847,747
Travel	4,997	4,828
Contracted Services	478,707	500,197
Depreciation	893,840	999,398
Legal and Audit	13,151	10,840
Marketing	37,245	37,169
Supplies and Expenses	127,661	135,648
Maintenance	144,704	157,373
Utilities	636,857	625,766
Uncollectable accounts	869,320	202,043
Other General and Administrative	<u>110,808</u>	<u>121,797</u>
<b>Total Operating Expenses</b>	<b><u>4,129,074</u></b>	<b><u>3,642,806</u></b>
<b>Loss from Operations</b>	<b><u>(1,037,801)</u></b>	<b><u>(1,126,607)</u></b>
Other Revenues		
Other	<u>779,758</u>	<u>176,315</u>
<b>Loss on Capital Asset Value Adjustment</b>	<b>(5,248,702)</b>	
<b>Change in Net Position</b>	<b>\$ <u>(5,506,745)</u></b>	<b>\$ <u>(950,292)</u></b>

The Statements of Cash Flows are included, which discloses net cash provided by, or used in operating activities, noncapital financial activities, and from capital and related financing activities. From these statements, the reader can obtain comparative information on the sources and uses of cash for the reported years.

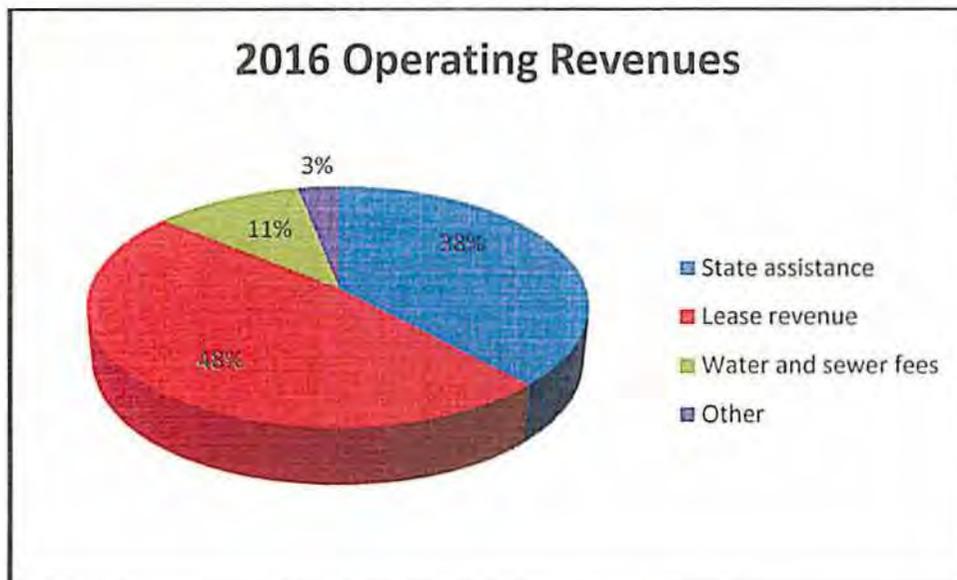
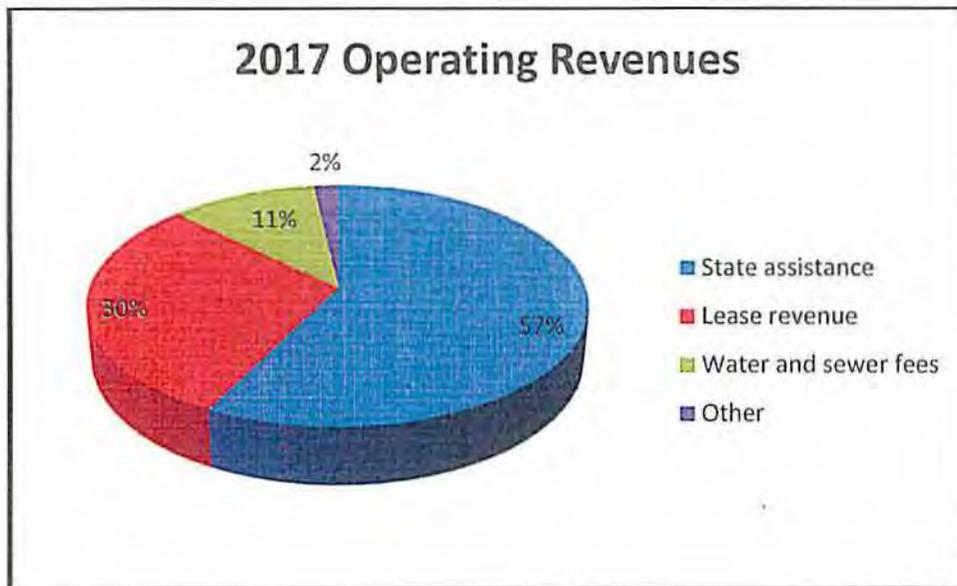
LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Years Ended June 30, 2017 and 2016

UNAUDITED

The Loring Development Authority's Funds

The Loring Development Authority's Funds are accounted for using the accrual basis of accounting. Total revenues and other sources amounted to \$3,871,031 in 2017 and \$2,763,769 in 2016. Operating revenues for the two years as represented in the tables below totaled \$3,091,273 in 2017 and \$2,516,199 in 2016. State grants and assistance represents 57% and 38% of the LDA's operating revenues for the last two years.

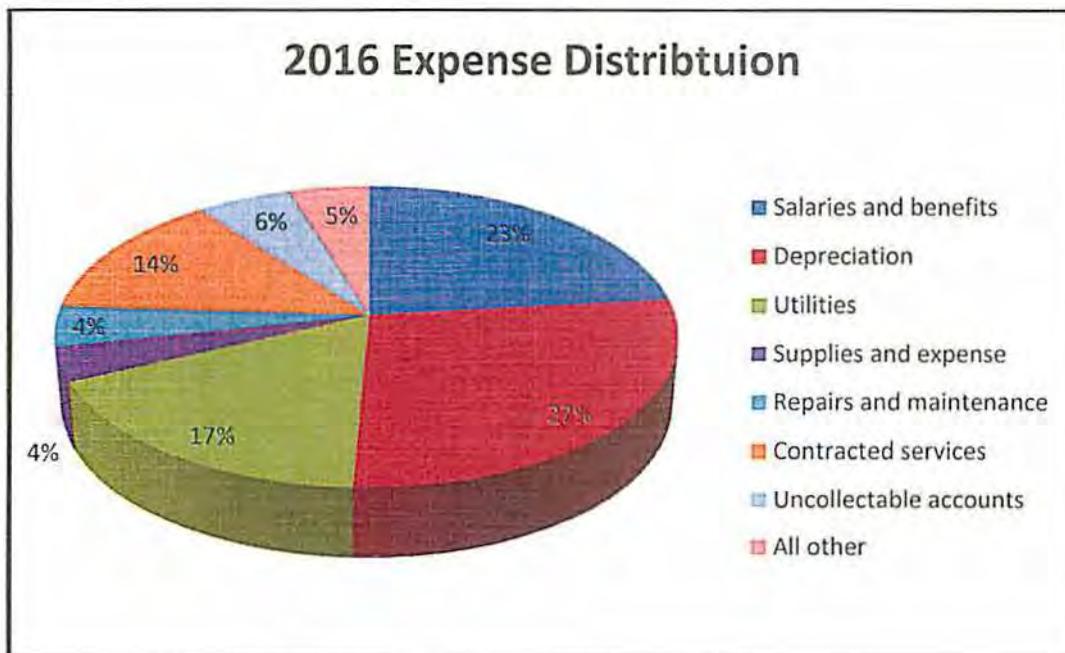
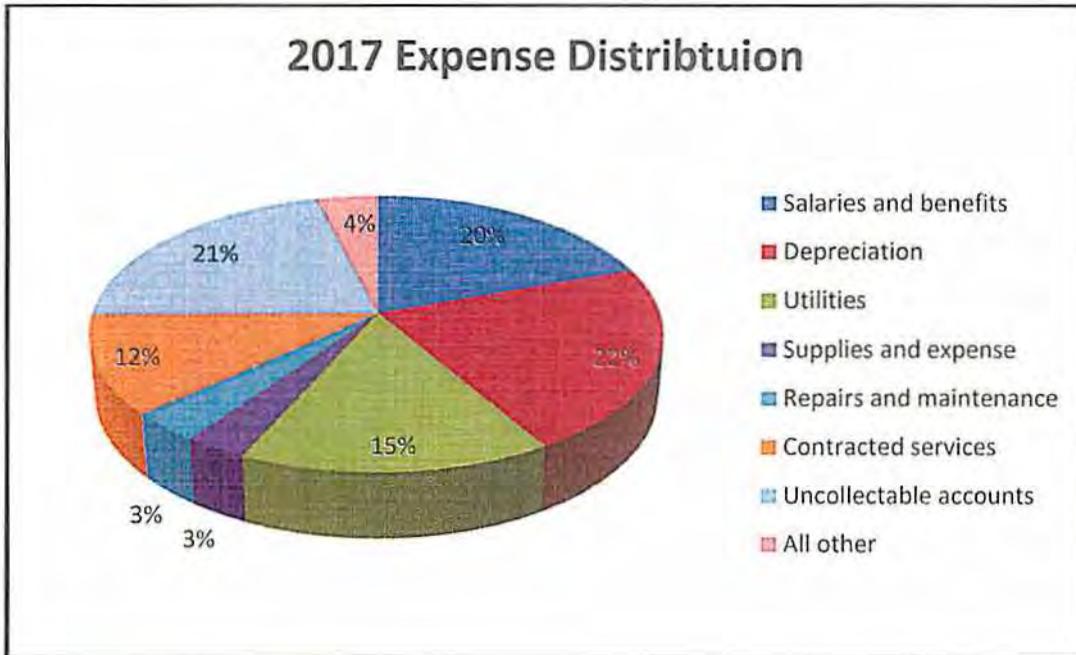


LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Years Ended June 30, 2017 and 2016

UNAUDITED

Operating expenses amounted to \$4,129,074 in 2017 and \$3,642,806 in 2016. The following charts reflect the expenditures for the fiscal years ended June 30, 2017 and 2016.



LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Years Ended June 30, 2017 and 2016

UNAUDITED

Capital Assets

At the end of fiscal year 2017, the Loring Development Authority had land, buildings, improvements, structures and facilities of \$69,134,089. All assets were donated to LDA by the U.S. Air Force or purchased. Net of depreciation, these assets were recorded at \$56,691,621. During the year the Authority adjusted the value of donated assets to better reflect the reuse potential of these assets. The adjustment resulted in a loss in the amount of \$5,248,702. Table 3 shows capital assets, net of accumulated depreciation.

**Table 3**

**Capital Assets at June 30  
(Net of Depreciation)**

	<u>2017</u>	<u>2016</u>
Land	\$ 10,190,499	\$ 10,190,499
Buildings	13,893,372	19,724,615
Equipment and Improvements	5,016,879	5,247,917
Special Use Structures	5,688,540	4,835,730
Aviation Facilities	15,578,087	15,578,087
Roadways and Accessories	3,424,244	3,489,518
Pipeline	<u>2,000,000</u>	<u>2,000,000</u>
Total Net Capital Assets	\$ <u>56,691,621</u>	\$ <u>61,066,366</u>

Budgeting

The LDA provides an annual budget for control and internal purposes only. No legally adopted budget is maintained.

Debt

The Loring Development Authority had an operating Line of Credit debt of \$1,500,000 with \$1,436,000 outstanding as of June 30, 2017.

The LDA took on bonded debt of \$454,720 in 2010 for the purpose of upgrading sewer lines. As of June 30, 2017 the balance on this debt is \$284,200.

The LDA entered into a loan agreement with USDA Rural Development in the year ended June 30, 2010. The \$330,000 proceeds from the note were used to pay off the construction line of credit which provided funds for the sewer upgrade project. The balance as of June 30, 2017 is \$303,085.

The LDA entered into a mortgage agreement with Katahdin Trust Company, receiving funds in the amount of \$350,000 secured by a commercial building and lot. The balance at June 30, 2017 is \$132,535.

LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Years Ended June 30, 2017 and 2016

UNAUDITED

The LDA entered into a lending agreement with Northern Maine Development Commission, receiving funds in the amount of \$200,000 secured by assets. The balance at June 30, 2017 is \$94,254.

In December 2014 the LDA entered into a mortgage agreement with Katahdin Trust Company, receiving funds in the amount of \$254,000 secured by a real estate. The balance at June 30, 2017 is \$211,569.

The LDA entered into a loan agreement with Machias Savings Bank, receiving funds in the amount of \$700,000 secured by the Authority's assets. The balance at June 30, 2017 is \$478,512.

The LDA took on bonded debt from the Maine Municipal Bond Bank State Drinking Water State Revolving Loan Fund of \$507,780 in 2016 for the purpose of completing the drinking water project. Of the amount borrowed, \$203,112 was forgiven at closing. As of June 30, 2017 the balance on this debt is \$294,512.

The LDA entered into a short-term lending agreement with Machias Savings Bank in May 2017, receiving funds in the amount of \$65,300 secured by assets. The balance is due in full in July 2017. The balance at June 30, 2017 is \$65,300.

Future Developments

The LDA has taken steps during the last few fiscal years to compensate for the loss of the Caretaker grant revenue which represents a current annual reduction of previous years' funding of approximately \$1.7 million per year to protect and maintain the Loring property and funds available for maintenance of vacant facilities, fire, police, water and sewer, and roadways. The Caretaker grant expired in September 2004. In order to compensate for the loss of the Caretaker grant, the LDA has reduced staff, developed agreements with local communities to provide assistance with fire protection and other essential services, and has deferred maintenance and capital expenditures on some infrastructure. The LDA has developed collaborations with other economic development groups which have proven effective at identifying development prospects. Meanwhile, as development has continued and vacant buildings have been returned to productive uses, fewer facility-maintenance resources will be needed. As listed in the financial highlights, the LDA has also secured resources from the Air Force to upgrade the water treatment plant and water distribution infrastructure and has consolidated waste water systems with a local sewer treatment district. Over the longer term, LDA's continued development will create more revenue from real estate operations that will be available to invest in repairing, replacing and upgrading infrastructure as well as further development efforts.



Chester M. Kearney  
Certified Public Accountants

12 Dyer Street, Presque Isle, Maine 04769-1550  
207-764-3171 Fax 207-764-6362

Barbara E. McGuire, CPA, CGMA  
Timothy P. Poitras, CPA, CGMA

To the Board of Trustees of the  
Loring Development Authority of Maine

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the proprietary activities of the Loring Development Authority of Maine, which comprise the statements of net position as of June 30, 2017 and 2016, and the related statements of revenues, expenditures, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Loring Development Authority of Maine, as of June 30, 2017 and 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters – Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages I through VII be presented to supplement the basic financial statements. Such information, 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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated September 5, 2017 on our consideration of Loring Development Authority of Maine's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Loring Development Authority of Maine's internal control over financial reporting and compliance.

*Chester M. Kearney*

Presque Isle, Maine  
September 5, 2017

## LORING DEVELOPMENT AUTHORITY OF MAINE

## STATEMENTS OF NET POSITION

JUNE 30, 2017 AND 2016

## ASSETS

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and temporary investments (Note 3)	\$ 701,274	\$ 1,071,663
Due from State of Maine (Note 9)	663,427	681,135
Accounts receivable, net	474,474	753,124
Current portion of notes receivable	302,233	302,130
Inventory	9,387	9,619
	<u>2,150,795</u>	<u>2,817,671</u>
<b>FIXED ASSETS (Note 13)</b>		
Capital assets	69,134,089	74,849,219
Less accumulated depreciation	<u>(12,442,468)</u>	<u>(13,782,853)</u>
	<u>56,691,621</u>	<u>61,066,366</u>
<b>OTHER ASSETS</b>		
Construction in progress	36,258	441,801
Notes receivable (Note 12)	1,260,172	1,562,405
	<u>1,296,430</u>	<u>2,004,206</u>
<b>TOTAL ASSETS</b>	<u>\$ 60,138,846</u>	<u>\$ 65,888,243</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Prepaid expense	\$ 1,400	\$ 1,400
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 115,675	\$ 139,859
Accrued expenses	98,227	97,912
Short-term debt (Note 15)	65,300	
Line of credit (Note 8)	1,436,000	1,169,000
Current portion of long-term debt	327,471	254,697
	<u>2,042,673</u>	<u>1,661,468</u>
<b>LONG-TERM DEBT (Note 14)</b>		
Notes Payable	1,798,667	2,042,665
Less Current Portion	<u>(327,471)</u>	<u>(254,697)</u>
	<u>1,471,196</u>	<u>1,787,968</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 3,513,869</u>	<u>\$ 3,449,436</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Grants authorized and unexpended (Note 9)	582,838	588,838
Unearned lease revenue (Note 7)	525,000	830,000
Prepaid rent	6,415	2,500
	<u>\$ 1,114,253</u>	<u>\$ 1,421,338</u>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	54,892,954	59,023,701
Unrestricted	<u>619,170</u>	<u>1,995,168</u>
<b>TOTAL NET POSITION</b>	<u>\$ 55,512,124</u>	<u>\$ 61,018,869</u>

See notes to financial statements

LORING DEVELOPMENT AUTHORITY OF MAINE

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>OPERATING REVENUES</b>		
State assistance (Note 9)	\$ 1,776,853	\$ 956,135
Lease revenue	919,305	1,204,858
Water and sewer fees	338,027	277,421
Other	57,088	77,785
	<u>3,091,273</u>	<u>2,516,199</u>
<b>OPERATING EXPENSES</b>		
Salaries and benefits	811,784	847,747
Depreciation	893,840	999,398
Utilities	636,857	625,766
Supplies and expense	127,661	135,648
Repairs and maintenance	144,704	157,373
Contracted services	478,707	500,197
Legal and audit	13,151	10,840
Insurance	26,812	33,509
Communications	14,179	19,512
Travel	4,997	4,828
Interest expense and bond bank fees	69,817	68,776
Marketing	37,245	37,169
Uncollectable accounts	869,320	202,043
	<u>4,129,074</u>	<u>3,642,806</u>
<b>LOSS FROM OPERATIONS</b>	<u>(1,037,801)</u>	<u>(1,126,607)</u>
<b>NON-OPERATING REVENUES/(EXPENSES)</b>		
Federal and State assistance for capital projects (Note 9)	753,733	172,847
Gain on sale of surplus property	20,643	70,271
Loss on sale of assets		(71,255)
Interest income	5,382	4,452
	<u>779,758</u>	<u>176,315</u>
<b>LOSS ON CAPITAL ASSET VALUE ADJUSTMENT (Note 13)</b>	<u>(5,248,702)</u>	
<b>CHANGE IN NET POSITION</b>	(5,506,745)	(950,292)
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>61,018,869</u>	<u>61,969,161</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 55,512,124</u>	<u>\$ 61,018,869</u>

See notes to financial statements

LORING DEVELOPMENT AUTHORITY OF MAINE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 695,470	\$ 1,318,515
Cash received from governmental assistance	1,469,768	956,135
Cash received from other income	57,088	77,785
Cash paid for salaries and benefits	(811,469)	(858,157)
Cash paid for contract services	(478,707)	(500,197)
Cash paid for goods and services	(1,040,658)	(1,248,670)
Interest paid	<u>(69,817)</u>	<u>(68,776)</u>
Net cash used in operating activities	<u>(178,325)</u>	<u>(323,365)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Net advances/(payments) on line of credit	267,000	(20,807)
Proceeds from short-term debt	65,300	-
Proceeds from long-term debt	-	700,000
Payments on long-term debt	(243,998)	(211,442)
Interest received	<u>5,382</u>	<u>4,452</u>
Net cash provided by investing activities	<u>93,684</u>	<u>472,203</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments for capital acquisitions and construction	(1,362,254)	(131,814)
Federal grants received for capital projects	753,733	246,723
Payments on note receivable	302,130	301,865
Sale of property	<u>20,643</u>	<u>70,271</u>
Net cash provided by (used in) financing activities	<u>(285,748)</u>	<u>487,045</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(370,389)</b>	<b>635,883</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b><u>1,071,663</u></b>	<b><u>435,780</u></b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u><u>701,274</u></u></b>	<b><u><u>1,071,663</u></u></b>
<b>RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED IN OPERATING ACTIVITIES</b>		
Loss from operations	<u>(1,037,801)</u>	<u>(1,126,607)</u>
Adjustments to reconcile loss from operations to net cash used in operating activities		
Depreciation	893,840	999,398
Changes in assets and liabilities		
Operating accounts receivable, net	278,650	(55,346)
Operating funds due from other governments	17,708	(8,581)
Inventory	232	3,491
Accounts payable	(24,184)	(3,583)
Deferred outflows	-	(1,400)
Deferred inflows	(307,085)	(99,837)
Security deposits	-	(20,490)
Accrued expenses	<u>315</u>	<u>(10,410)</u>
	<u>859,476</u>	<u>803,242</u>
Net cash used in operating activities	<u>\$ (178,325)</u>	<u>\$ (323,365)</u>

See notes to financial statements

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS

TABLE OF CONTENTS

	PAGE
(1) HISTORY OF THE ORGANIZATION	6
(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	7-8
(3) CASH AND TEMPORARY INVESTMENTS	8
(4) COMPENSATED ABSENCES	8
(5) PENSION PLAN	9
(6) RENTAL OF FACILITIES	9
(7) DEFERRED INFLOWS OF RESOURCES	9
(8) LINE OF CREDIT	10
(9) PUBLIC SECTOR FUNDING	10-11
(10) CONCENTRATION OF RISK	11
(11) ALLOWANCE FOR DOUBTFUL ACCOUNTS	11
(12) NOTES RECEIVABLE	11-12
(13) CAPITAL ASSETS	12-14
(14) LONG-TERM DEBT	15-16
(15) SHORT-TERM DEBT	17
(16) SUBSEQUENT EVENTS	17
(17) FAIR VALUE OF FINANCIAL INSTRUMENTS	17
(18) TAXES	17
(19) SUMMARY OF ACTIVITIES	18
(20) SUMMARY OF NON-CASH INVESTING AND FINANCING ACTIVITIES	18

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS

(1) HISTORY OF THE ORGANIZATION

On July 12, 1991, the President of the United States accepted the recommendation of the Base Closure and Realignment Commission to close Loring Air Force Base (Loring) located in the Town of Limestone, Maine, Town of Caswell, Maine, and the City of Caribou, Maine, as well as nine off-site locations used for housing, communications and water distribution. The effective date of closure was September 30, 1994. The Loring base property, which excludes any off-site locations, consists of approximately 8,700 acres of land, 3.1 million square feet of existing facility space and an aviation complex, which includes a 12,100 foot runway, related aviation facilities and operating systems.

On July 13, 1993, the Maine State Legislature enacted Public Law Chapter 474, establishing the Loring Development Authority of Maine (LDA), a public municipal corporation. The LDA is entrusted with investigating the acquisition of the properties within the geographical boundaries of Loring, and the subsequent redevelopment and management of property so acquired.

On April 4, 1997, the United States Air Force transferred approximately 3,700 acres of land, associated facilities, infrastructure and personal property to the LDA via the execution of Economic Development Conveyance (EDC) and Lease in Furtherance of Conveyance documents. This EDC document, which is a mechanism used by the Federal government to transfer former military installations to local reuse authorities for job creation and economic development purposes, transferred control of the Loring property to the LDA through a no-cost, 55-year lease, with commitments from the Air Force to transfer title to the property upon receiving environmental clearance from the Environmental Protection Agency. The conveyance documents also include a provision that provided the LDA with an average of \$2.7 million annually through September 30, 2004 to fund its municipal type functions including, but not limited to, fire and emergency services, police protection, water and waste water systems, as well as protection and maintenance of buildings, grounds and roadways. This funding expired September 30, 2004. The lease given to the LDA in 1997 was superseded in 2001 with a Quit Claim deed conveying 2,805 of the original 3,700 acres in fee title and in 2004 when the remainder of the property was conveyed by deed. The LDA also acquired a 185 mile pipeline in 2005 and a 142,000 square-foot building used by the Defense Finance and Accounting Service, subject to a leaseback arrangement.

Consistent with the LDA's enabling legislation, as amended, the Board of Trustees is comprised of thirteen (13) voting members, each of whom are nominated by the Governor of the State of Maine and confirmed by the Maine Senate. Of the thirteen (13), one is a commissioner of a department of state government, designated by the Governor to serve on the LDA Board. No less than seven of the Board of Trustees must be residents of Aroostook County and be nominated by one of the primary impacted communities, as defined in the enabling legislation. In addition, no less than four of the Board of Trustees must live outside of Aroostook County. The enabling legislation also imposes term limits on the Trustees of two consecutive four-year terms. The Board of Trustees have elected a Chair, Vice-Chair, Secretary and Treasurer to serve terms of one year. The fiscal year for the LDA runs from July 1 through June 30. The financial information of the LDA is reported as a component unit as part of the financial statements of the State of Maine.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The LDA prepares its financial statements on the accrual basis of accounting. Under the accrual basis of accounting, revenue is recognized when earned and measurable and expenses are recognized when incurred and measurable.

Measurement focus

Proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and liabilities associated with the operation of these funds are included on the Statements of Net Position. The Statements of Revenues, Expenditures, and Changes in Net Position presents the increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The Statements of Cash Flows provides information about how the Authority finances and meets the cash flow needs of its proprietary activities.

Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Budgetary information

GASB #34 requires that budgetary comparison schedules be presented only for the general fund and each major special revenue fund that has a legally adopted annual budget. The LDA currently does not legally adopt an annual budget and therefore has not presented one in these financial statements.

Cash and cash equivalents

The LDA has defined cash and cash equivalents to include cash on hand, demand deposits and cash with fiscal agents. Currently, the LDA treats all their cash as a cash equivalent because they can deposit or withdraw cash at any time without prior notice or penalty.

Defining operating revenues and expenses

The LDA's proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses of the LDA consist of federal and state assistance for non-capital transactions as well as revenue derived from rental activities and the costs of providing rental property, including depreciation and excluding interest costs. All other revenues and expenses are reported as non-operating.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Deferred Outflows of Resources

The LDA reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its statement of net position. Deferred inflows of resources as of June 30, 2017 consist of prepaid utility expenses.

Deferred Inflows of Resources

The LDA reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to future periods. The LDA will not recognize the related revenues until a future event occurs. The LDA's deferred inflows of resources are detailed in Note #7 and Note #9.

(3) CASH AND TEMPORARY INVESTMENTS

Deposits with financial institutions are subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's investment policy is to invest in regional banks and federal securities and to insure the funds to as great a degree as possible. The Authority's checking deposits at year-end were covered by Federal Depository Insurance Corporation (FDIC) or collateralized by U.S. Governmental Agency securities held in the Authority's name.

The Authority's cash balances in the financial statements are \$701,274 and \$1,071,663 as of June 30, 2017 and 2016, respectively.

The Authority's cash is categorized to give an indication of the level of risk assumed by the Authority at year-end. These categories are defined as follows:

- Category #1 - Insured or collateralized with securities held by the Authority or by its agency in the Authority's name.
- Category #2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.
- Category #3 - Uncollateralized, which includes any bank balance that is collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Authority's name.

As of June 30, 2017 and 2016 the Authority's entire balances are classified as Category 1.

(4) COMPENSATED ABSENCES

Authority employees are granted vacation and sick leave in varying amounts. Upon termination, an employee is paid the full amount of accumulated vacation days not taken. Sick leave is not payable upon termination.

The Authority's financial liability for accrued vacations at June 30, 2017 and 2016 is \$28,367 and \$26,325, respectively.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(5) PENSION PLAN

The Authority has instituted a Model Simplified Employee Pension Plan for all eligible Authority employees in accordance with Section 408(K) of the Internal Revenue Code. All Authority contributions to the employee's individual retirement account are 100% vested to the employee on the date of the contribution. Employee contributions to the plan are discretionary, subject to Internal Revenue Code limitations. Employer contributions to the plan, at 5% of regular gross wages, totaled \$29,209 and \$31,715 for the years ended June 30, 2017 and 2016.

(6) RENTAL OF FACILITIES

The Authority has leased land and buildings at Loring to various third parties under non-cancellable operating leases requiring fixed payments through 2022. The leases provide for varying terms and conditions.

As of June 30 2017, the future minimum lease payments for the next 5 years are as follows:

<u>Fiscal year ending June 30:</u>	<u>Amount</u>
2018	\$867,116
2019	807,192
2020	796,649
2021	759,560
2022	<u>702,262</u>
	<u>\$3,932,779</u>

Included in the future minimum lease payments above are rental payments from the Maine Military Authority (MMA), another authority established by the State of Maine.

The MMA has made a long-term commitment to lease the facilities. Because MMA and LDA are instrumentalities of the State, it is unclear whether the lease payment obligation is legally enforceable. The annual lease commitment of the MMA is \$355,271 until at least 2022.

(7) DEFERRED INFLOWS OF RESOURCES

The Authority received advances of rent and other receipts, which have been characterized as deferred inflows in the accompanying Statement of Net Position.

As described in Note 12, the Authority entered into an agreement with Loring Bio-Energy, LLC (LBE) whereby LBE would acquire real estate and lease a pipeline and right-of-way. In 2012 these lease rights were sold at auction to Penobscot Natural Gas. Under the terms of the lease agreement, payments began in 2013 and the Authority began to recognize revenue at that time at a rate of \$300,000 per year for a ten year period. As of June 30, 2017 and 2016 the amount included as deferred inflows was \$525,000 and \$830,000 respectively.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(8) LINE OF CREDIT

The Authority has a variable rate operating line of credit with Machias Savings Bank with interest payable at 70% of "Wall Street Prime", currently 2.975%, with a maximum limit of \$1,500,000. As of June 30, 2017, the line of credit balance was \$1,436,000, leaving \$64,000 available for use. The line is secured by the Authority's accounts and notes receivable and other general intangibles.

(9) PUBLIC SECTOR FUNDING

The LDA is currently funded through the following public sources:

(A) State of Maine:

Department of Economic and Community Development – On March 17, 2017 the Authority was awarded a \$175,000 grant to defray operating expenses and to support implementation of a reuse strategy for the period of January 1, 2017 June 30, 2017. This amount was received and expended in March 2017. On May 19, 2017, the award to the Authority was increased by \$275,000 to a total of \$450,000. The additional \$275,000 was received and expended in May 2017.

Tax Increment Financing - On July 5, 1996, the State Legislature enacted LD 1741 establishing the Loring Job Increment Financing Fund (Fund). The Fund, which has a term of thirty years, was created to establish a supplemental source of funding to subsidize future municipal service costs. This Fund will receive state income tax withholding revenues which can be attributed to incremental jobs created at Loring and will be based upon 50% of the State income tax withholding from these incremental jobs. Legislation was passed that increased the TIF percentage to 100% for the year ended June 30, 2016 only. State contributions to the Fund will be made on an annual basis and are payable by July 31 of each year. The LDA has realized revenues of \$681,135 and \$681,135 for the years ending June 30, 2017 and 2016, respectively.

Department of Transportation (DOT) – The state of Maine DOT awarded the Authority a grant of \$1,000,000 for airport facility renovations. No funds were spent in the years ended June 30, 2017 or 2016. \$106,598 of the balance remained as of that date and is recorded as grants authorized and unexpended.

(B) The United States Department of Defense – In 2009 the United States Air Force Real Property Agency made payment of \$1,500,000 to the Authority under an agreement relating to the Air Force's obligation to provide an alternative source of supply for Loring's drinking water. In 2015, upon recognizing that the initial funding was insufficient to complete the project and comply with the Safe Drinking Water Act an additional \$300,000 was approved and advanced. For the year ended June 30, 2017 the Authority expended \$6,000 of these funds on the water system while \$476,240 remains to be spent and is recorded as grants authorized and unexpended.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(9) PUBLIC SECTOR FUNDING (cont'd.)

(C) Community Development Block Grant – The Department of Economic and Community Development has provided a \$1,000,000 grant designated for repairs and upgrades to the water supply and the collection systems at the Loring Commerce Center to the Town of Limestone on behalf of the Authority. As of June 30, 2017, \$664,541 had been received and expended of which \$663,776 was recognized as revenue in the current year.

(10) CONCENTRATION OF RISK

Federal and State funding

The LDA received approximately 46% of its operating revenue from state funding for the year ended June 30, 2017. The ability to continue its operations is dependent on continued funding.

Accounts receivable

For the year ended June 30, 2017 approximately 97% of the Authority's accounts receivable was due from 3 customers. \$797,697 of this amount has been reserved as a doubtful account.

(11) ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are shown on the Statements of Net Position net of the allowance for doubtful accounts. The allowance for doubtful accounts was \$801,056 and \$19,345 for the years ended June 30, 2017 and 2016. As of June 30, 2017 all but \$65,000 due from Maine Military Authority was included in the allowance for doubtful accounts.

(12) NOTES RECEIVABLE

**British Cycle Supply Company**

On July 22, 2015 the Authority sold a building to the British Cycle Supply Company and received a promissory note in the amount of \$66,400. The note is payable to the Authority in monthly installments of \$429 including interest at 4.75% through June 2020 with a final balloon payment in the amount of \$55,595 due July 2020. The note is secured by the building. Balance as of June 30, 2017 and 2016 is \$62,405 and \$64,535 respectively.

**Penobscot Natural Gas**

On September 24, 2010, pursuant to an amendment a sale/lease agreement with Loring Bio-energy, LLC (LBE), LDA transferred assets, including the former heat plant building and real estate, to and leased a pipeline extending from Loring to Searsport, Maine in exchange for a 0% interest note in the amount of \$3,000,000. The note is payable in 10 annual installments of \$300,000 with the first installment due and payable within 30 days after the buyer commences "substantial commercial activity" or June 30, 2013, whichever comes first.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(12) NOTES RECEIVABLE (cont'd.)

In June 2012, LBE's secured creditor put the property, including the lease rights for the pipeline, up for bid at auction with Penobscot Natural Gas (PNG) being the successful bidder. PNG completed the acquisition of the foreclosed rights from LBE's lender, and negotiated an "Assumption Agreement" with the LDA. The Assumption Agreement, signed June 11, 2013, contains PNG's commitment to honor all future obligations under the LBE agreements, and also contains LDA's acknowledgement that PNG had cured existing LBE defaults and that PNG qualifies as a "permitted transferee" as defined in the LBE documents.

As of June 30, 2017 the outstanding balance due on the agreement is \$1,500,000.

(13) CAPITAL ASSETS

With the exception of the assets acquired from the United States Air Force, (see below) all capital assets are stated at cost (or estimated historical cost) and updated for additions and retirements during the year. Assets acquired with grants are also stated at cost. The Authority maintains a capitalization threshold of \$5,000. Improvements are capitalized; the cost of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Assets such as land and some land improvements are considered inexhaustible and are not being depreciated. Capital assets not in use are also not being depreciated.

Capital assets are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated lives</u>
Buildings and improvements	15-50 years
Equipment	3-5 years
Vehicles	3-5 years

On June 30, 2017 the Authority adjusted the values of buildings that were contributed by the United States Air Force to reflect revised estimates of the buildings' potential future use and value to the Authority. The adjustment reduced the original value by \$7,482,924. The total accumulated depreciation on these buildings was \$2,234,222 resulting in a recognized write down in the amount of \$5,248,702.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(13) CAPITAL ASSETS (cont'd.)

Capital asset activity for the year ended June 30, 2017 was as follows:

CAPITAL ASSETS ACQUIRED BY LDA (HISTORICAL COST)

	Beginning Balance	Additions	Retirements	Ending Balance
<u>Capital Assets</u>				
Land	10,000			10,000
Equipment and improvements	<u>9,238,290</u>	<u>1,767,797</u>		<u>11,006,087</u>
Total at historical cost	<u>9,248,290</u>	<u>1,767,797</u>		<u>11,016,087</u>
<u>Less Accumulated Depreciation</u>				
Equipment and improvements	<u>2,188,436</u>	<u>391,698</u>		<u>2,580,134</u>
Total Accumulated Depreciation	<u>2,188,436</u>	<u>391,698</u>		<u>2,580,134</u>
Capital assets at historical cost, net	<u>7,059,854</u>	<u>1,376,099</u>		<u>8,435,953</u>

CAPITAL ASSETS ACQUIRED FROM U. S. AIR FORCE

	Beginning Balance	Additions	Retirements	Ending Balance
<u>Capital Assets</u>				
Land	<u>10,180,499</u>			<u>10,180,499</u>
Buildings				
In use	6,064,303		1,223,248	4,841,055
Leased	19,601,230		4,415,336	15,185,894
Not in use	<u>3,353,781</u>		<u>1,844,340</u>	<u>1,509,441</u>
	<u>29,019,314</u>		<u>7,482,924</u>	<u>21,536,390</u>
Equipment				
In use	136,500			136,500
Not in use	<u>89,000</u>			<u>89,000</u>
	<u>225,500</u>			<u>225,500</u>
Special use structures				
Water plant and distribution	<u>5,080,033</u>			<u>5,080,033</u>
Other facilities and improvements				
Aviation facilities				
Runways	9,472,226			9,472,226
Structures	6,105,861			6,105,861
Fuel pipeline	<u>2,000,000</u>			<u>2,000,000</u>
	<u>17,578,087</u>			<u>17,578,087</u>
Roadways and accessories	<u>3,517,496</u>			<u>3,517,496</u>
Capital assets from U.S. Air Force	<u>65,600,929</u>		<u>7,482,924</u>	<u>58,118,005</u>

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(13) CAPITAL ASSETS (cont'd.)

	Beginning Balance	Additions	Retirements	Ending Balance
<u>Less Accumulated Depreciation</u>				
Buildings				
In use	2,177,340	96,823	255,946	2,018,217
Leased	<u>7,299,359</u>	<u>303,718</u>	<u>1,978,276</u>	<u>5,624,801</u>
	<u>9,476,699</u>	<u>400,541</u>	<u>2,234,222</u>	<u>7,643,018</u>
Equipment				
In use	<u>136,500</u>			<u>136,500</u>
Special use structures				
Water plant and distribution	<u>1,981,218</u>	<u>101,601</u>		<u>2,082,819</u>
Total Accumulated Depreciation	<u>11,594,417</u>	<u>502,142</u>	<u>2,234,222</u>	<u>9,862,337</u>
Capital assets acquired from U. S. Air Force, net	<u>54,006,512</u>	<u>(502,142)</u>	<u>(5,248,702)</u>	<u>48,255,668</u>
<b>TOTAL CAPITAL ASSETS</b>				
Capital assets	74,849,219	1,767,797	(7,482,924)	69,134,092
Less Accumulated Depreciation	<u>(13,782,853)</u>	<u>(893,840)</u>	<u>2,234,222</u>	<u>(12,442,471)</u>
	<u>61,066,366</u>	<u>873,957</u>	<u>(5,248,702)</u>	<u>56,691,621</u>

On April 4, 1997 the Authority received 3,700 acres of land, associated facilities, and personal property from the United States Air Force via a 55-year no cost lease. In accordance with generally accepted accounting principles all assets associated with this lease were capitalized at estimated fair market value. The Authority has since obtained this property in fee title.

During fiscal year 2005 the United States Air Force transferred to the Authority additional property consisting of a fuel pipeline and associated rights of way extending from Searsport, Maine to Limestone, Maine. The pipeline was not in service as of June 30, 2010 and the pipeline and associated easement rights were leased during the year ended June 30, 2011.

During fiscal year 2005 the United States Air Force transferred title to a building currently occupied by federal employees to the Authority. Transfer of the deed for this property was contingent upon the Authority's promise to lease the property back to the United States at no cost. The 50 year lease may be renewed, extended, or terminated by the United States at its option but the Authority is given no option to decline an extension or renewal or to terminate the lease. The United States Government may use this property for any government purpose and is not required to pay any taxes, assessments or similar charges. However, the United States Government is responsible for all costs and liabilities associated with the property as if it were the owner. Accordingly, this property is not included as a capital asset on these financial statements.

Management feels that the value of these assets could fluctuate significantly in the event that the operational status of the Authority changes.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(14) LONG-TERM DEBT

As of June 30 long-term debt consisted of:

	<u>2017</u>	<u>2016</u>
Note payable to Northern Maine Development Commission, payable in monthly installments of \$1,381 including interest at 3% per annum through May 2018; secured by assets of the Authority. The Authority has the option to extend the balloon payment due May 2018 for an additional 5 years, through May 2023 if it so opts at that time.	94,254	108,874
Note payable to USDA Rural Development, payable in annual installments of \$14,860 including interest at 3.25% per annum through August 2050; secured by assets of the Authority	303,085	307,937
Note payable to Katahdin Trust Company, payable in monthly installments of \$1,848 including interest at 4% per annum through February 2017; secured by assets of the Authority		14,552
Note payable to Machias Savings Bank, payable in monthly installments of \$12,587 including interest at 3.029% per annum through September 2020; secured by assets of the Authority	478,512	601,857
Bond payable to the Maine Municipal Bond Bank, payable in semi-annual installments of \$10,156 plus interest at 1% per annum through February 2046.	294,512	304,668
Note payable to Katahdin Trust Company, payable in monthly installments of \$3,553 including interest at 4% per annum through October 2020; secured by assets of the Authority.	132,535	169,023
Note payable to Katahdin Trust Company, payable in monthly installments of \$2,289 including interest at 4.5% per annum through December 2026; secured by real estate.	211,569	228,818
Bond payable to the Maine Municipal Bond Bank, payable in semi-annual installments of \$11,368 plus bond bank fees of \$569 per installment through October 2029. Interest rate is 0%.	<u>284,200</u>	<u>306,936</u>
	1,798,667	2,042,665
Less current portion	<u>(327,471)</u>	<u>(254,697)</u>
	<u>1,471,196</u>	<u>1,787,968</u>

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(14) LONG-TERM DEBT (cont'd.)

Future long-term debt obligations are as follows for the year ended June 30, 2017:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
6/30/2018	327,471	40,978	368,449
6/30/2019	240,016	31,413	271,429
6/30/2020	247,051	24,276	271,327
6/30/2021	122,503	18,384	140,887
6/30/2022	60,558	7,716	68,274
2023-27	306,282	64,974	371,257
2028-32	144,423	46,233	190,656
2033-37	93,966	37,175	131,141
2038-42	101,455	27,147	128,602
2043-47	100,087	15,820	115,907
2048-52	<u>54,856</u>	<u>19,416</u>	<u>74,272</u>
Total	<u>1,798,667</u>	<u>333,352</u>	<u>2,132,199</u>

Long-term debt activity for the year ended June 30, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Advances</u>	<u>Payments</u>	<u>Ending Balance</u>
Note payable –NMDC	108,874		14,620	94,254
Note payable-USDA	307,937		4,852	303,085
Note payable-Katahdin Trust Company	14,552		14,552	0
Note payable –Machias Savings Bank	601,857		123,345	478,512
Bond payable - MMBB	304,668		10,156	294,512
Note payable-Katahdin Trust Company	169,023		36,488	132,535
Note payable-Katahdin Trust Company	228,818		17,249	211,569
Bond payable – MMBB	<u>306,936</u>		<u>22,736</u>	<u>284,200</u>
	<u>2,042,665</u>		<u>243,998</u>	<u>1,798,667</u>

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(15) SHORT-TERM DEBT

As of June 30 short-term debt consisted of:

	<u>2017</u>	<u>2016</u>
Note payable to Machias Savings Bank, dated May 31, 2017, due in full on or before July 31, 2017 including interest at 3.5% per annum; secured by assets of the Authority. Debt was obtained for the purpose of purchasing equipment.	<u>65,300</u>	

Short-term debt activity for the year ended June 30, 2017 is as follows:

	<u>Beginning Balance</u>	<u>Advances</u>	<u>Payments</u>	<u>Ending Balance</u>
Note payable –Machias Savings Bank	<u>0</u>	<u>65,300</u>		<u>65,300</u>

(16) SUBSEQUENT EVENTS

Management has evaluated subsequent events occurring through September 5, 2017, the date the financial statements were available to be issued.

(17) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Authority has a number of financial instruments, none of which are held for trading purposes. The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority estimates that the fair value of all financial instruments at June 30, 2017, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying Statement of Net Position. The estimated fair value amounts have been determined by the Authority using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Authority could realize in a current market exchange.

(18) TAXES

As a governmental entity, the Authority is not subject to Federal and State income taxes, accordingly, it is not necessary to consider the effects of any uncertain tax positions.

The Authority is subject to Federal and State payrolls and is required to file the appropriate tax returns. Management believes that all required returns have been properly filed as of June 30, 2017. No examinations have been conducted by the Federal or State taxing authorities and no correspondence has been received from these authorities.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(19) SUMMARY OF ACTIVITIES

<u>Function</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total</u>
General operations	<u>(4,129,074)</u>	<u>1,257,332</u>	<u>-</u>	<u>753,733</u>	<u>(2,118,009)</u>
General revenues:					
State appropriations					450,000
Loring Job Incremental Financing					1,326,853
Interest income					5,382
Sale of surplus property					20,643
Other income					<u>57,088</u>
Total general revenues					<u>1,859,966</u>
Loss on capital asset value adjustment					<u>(5,248,702)</u>
Change in net position					(5,506,745)
Net position - July 1, 2016					<u>61,018,869</u>
Net position - June 30, 2017					<u>55,512,124</u>

(20) SUMMARY OF NON-CASH INVESTING AND FINANCING ACTIVITIES

Non-cash investing and financing activities are as follows:	<u>2017</u>	<u>2016</u>
Capital assets purchased with long-term debt		304,668
Long-term debt assumed for capital assets		(304,668)

**ADDITIONAL REPORT**



Chester M. Kearney  
Certified Public Accountants

12 Dyer Street, Presque Isle, Maine 04769-1550  
207-764-3171 Fax 207-764-6362

Barbara E. McGuire, CPA, CGMA  
Timothy P. Poitras, CPA, CGMA

To the Board of Trustees of the  
Loring Development Authority of Maine

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Loring Development Authority of Maine as of and for the year ended June 30, 2017, and the related notes to the financial statements, and have issued our report thereon dated September 5, 2017.

*Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered Loring Development Authority of Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Loring Development Authority of Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of Loring Development Authority of Maine's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and other matters***

As part of obtaining reasonable assurance about whether Loring Development Authority of Maine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Chester M. Kearney*

Presque Isle, Maine  
September 5, 2017

**PARAGRAPH 1C: PROPERTY TRANSACTIONS DURING  
FISCAL YEAR 2017**

**PROPERTY TRANSACTIONS**

**LEASES and SALES**

**LORING INDUSTRIES LEASE – COMMERCIAL BUILDING.** Loring Industries, LLC, (LI) together with New England Kenworth entered into a lease with LDA for building #7210. The building houses the TRP truck parts warehouse and sales operation and LI vehicle rebuild work space.

**LORING INDUSTRIES LEASE – RESIDENTIAL BUILDING.** Loring Industries, LLC, (LI) entered into a lease with LDA for the former officers dormitory, building #2501. Now known as the Bunker Inn, the facility is used to house LI business associates and may later be open to the public.

**RANGER SOLAR LEASE.** A lease with ranger Solar, for approximately 996 acres of land at Loring, has been signed. The lease supports the development of a utility-scale solar energy project. At least 600 of the initial 996 acres are expected to be used for solar energy production. Locating the project at Loring makes use of its large tracts of open, previously developed land and existing electrical infrastructure. The project is compatible with future development including aviation uses.

**ALTAEROS ENERGIES LEASE FOR R & D PROJECT.** LDA entered into a short-term agreement with Altaeros Energies, Inc. a wind energy technology development company, for the lease of the west bay of building #8410 and building #8409 for the period June 1, 2017 through September 30, 2017.

**LEASE AND PURCHASE OF BUILDING #7330.** A lease and purchase agreement for the former laundry building at Loring was executed this year. Kirk and Matthew Cote now occupy the building and intend to make improvements to the facility to support manufacturing.

**LIMESTONE COUNTRY CLUB.** The lease for the country club was renewed for another year. Improvements continue to be made to the course and food services were added this year.

**AIRCRAFT MAINTENANCE COMPANY.** LDA entered into a binding Letter of Intent with an undisclosed aviation company for the lease of several hangars and other buildings in connection with a planned aircraft maintenance and overhaul business.

**LICENSES**

LDA issued short-term licenses to businesses and organizations in need of short-term use of various indoor and outdoor facilities at Loring.

**PARAGRAPH 1D: ACTIVITIES OF ANY SPECIAL UTILITY DISTRICT FORMED UNDER SECTION 13080-G**

**NONE**

**PARAGRAPH 1E: LISTING OF PROPERTY ACQUIRED BY EMINENT DOMAIN UNDER SECTION 13080-G**

**NONE**

**PARAGRAPH 1F: LISTING OF BONDS ISSUED**

**NONE**

**PARAGRAPH 1G: SUBSEQUENT EVENTS – JULY 1, 2017 TO OCTOBER 15, 2017 AND  
PROPOSED ACTIVITIES FOR FISCAL YEAR 2017**

**SUBSEQUENT EVENTS**

A summary of the activities on the Loring Commerce Centre between July 1, 2017 and October 15, 2017 are provided below.

**ALTAEROS ENERGIES.** Altaeros Energies returned to Loring to do product development and testing on a tethered airborne communications platform. The company's tethered aerostat, which can at times be seen in the air at the south end of the runway, is under development. In 2013, Altaeros worked to develop and test an airborne wind turbine at Loring. The turbine has been successfully deployed in Alaska.

**LATTICE TECHNOLOGIES.** Lattice Technologies, a consulting firm performing services in the defense sector, is the newest tenant at Loring. Dan Bagley, an Aroostook native, is the founder and owner of Lattice and he is recently retired from military service. He has expertise in the field of geospatial intelligence.

**MRO PROJECT.** Work is being completed on the Arch roof and hangar heating system in support of the aviation maintenance, repair and overhaul (MRO) project.

**FIVE-YEAR PROJECTION.** Chester M. Kearney, CPAs is assisting LDA in the development of a five-year financial profile using several alternative development scenarios. The scenarios will assume best, worst and probable outcomes for several of our development initiatives such as the airport, the solar farm, the Maine Power Express, and Loring Industries.

**PHASE IV SEWER PROJECT.** The Phase IV Sewer replacement project is underway. New lines are being installed by Connecticut Road and additional work will be completed by Swamp Road adjacent to the Greenlaw Brook on refuge property. The sewer collection improvement projects continue to reduce the inflow and infiltration of ground and surface water in the collection system, which reduces the chance of sewer overflows and the cost of wastewater treatment.

**SNOWPLOW.** LDA is working on an arrangement with Joe Alosa, President of LI, to have access to a used snowplow to replace two very old units. LDA has one newer plow and the two old units, which are no longer serviceable; two snow plows are needed to keep Loring roads cleared for businesses and their employees.

**POSSIBLE BRAC ROUND.** There has been some discussion in Congress of another potential BRAC round. There are two remaining DOD facilities in Maine, the Portsmouth Naval Shipyard in Kittery, and the DFAS center in Limestone. Senator Collins and Senator King have announced their opposition to another BRAC round at this time.

## **PROPOSED AND PROJECTED ACTIVITIES FOR FISCAL YEAR 2017**

In addition to ensuring that our existing tenants remain viable business entities, the LDA intends to carry out the following activities in fiscal year 2018:

Pursue additional upgrades to Loring's already robust telecommunications infrastructure to attract other potential telecommunications and data-based businesses.

Pursue a proposal that could advance the three-ring-binder fiber network and improve broadband speed and access in the state.

Continue to assist with emerging and newly proposed development projects such as the Loring pipeline and corridor energy projects, renewable energy generation projects, future aviation projects, data and manufacturing projects, and others.

Continue to pursue rail service at Loring, which could assist in attracting large manufacturers.

Continue to work with and support established tenants to further their operations at Loring and consider how cluster development may fit in with existing or new projects.

Continue to position Loring for various aviation and aerospace operations at the Loring International Airport. Possibilities continue to include aircraft testing, research and development, maintenance, repair, overhaul, manufacturing, aircraft storage, cargo operations and activities that would support homeland security efforts as well as unmanned aircraft testing and operations and space launch operations.

Continue the upgrade of the wastewater collection system.

Continue to discuss the consolidation of municipal services with neighboring communities, and to secure support for the maintenance of roadways at Loring.

Attempt to secure payments from DFAS and Job Corps for the extraordinary demand on services they create.

Continue working with the Aroostook Band of Micmacs, collaborating on mutually beneficial development projects at Loring.

Continue working with Aroostook Partnership and the Northern Maine Development Commission on economic development projects in Aroostook County including Loring.

Focus on manufacturing as a means to re-employ former workers from the Maine Military Authority (MMA) and reoccupy facilities also once used by MMA.

Explore ways to leverage assets of Aroostook County and Loring to create economic opportunity. In particular, develop our partnerships with the Maine School of Science and Math to provide students and alumni with access to facilities and infrastructure that support testing and development of new, innovative products and technologies; and support the establish a technology incubator.

Continue demolishing substandard structures at Loring, increasing the Commerce Centre's marketability by creating open space for new construction and improving its aesthetic value.

Continue to develop and enhance long-term funding strategies that will maximize LDA's ability to reach its development objectives.

Continue to network with business leaders in the region and statewide to identify further opportunities for development at Loring including the creation of new jobs.

Continue to garner local, regional and statewide support for development efforts, in part by hosting tours of Loring for legislators, local and statewide organizations and individuals; making presentations at meetings and events; and participating in interviews with media and private organizations.

**PARAGRAPH 1H: FURTHER ACTIONS SUITABLE FOR ACHIEVING PURPOSES  
OF THIS ARTICLE**

**The Loring Development Authority recommends that the following actions be considered by the Governor and Legislature:**

**Provide for Replacement of Infrastructure**

Based on the cost of property and improvements LDA has placed into service since acquiring Loring from the Air Force, and based on estimates of value of property donated by the Air Force to LDA and placed into service, the LDA generates nearly \$1 M per year in depreciation expense. Revenues from operations are insufficient to permit LDA to fund any significant part of this depreciation.

In recent years, LDA has been successful in obtaining grants permitting considerable investments in the drinking water treatment and distribution and wastewater collection systems as well as upgrades to buildings suitable for small businesses. Three buildings have been converted so that they can be heated with multiple fuels. However, insufficient investments are being made in:

1. wastewater collection infrastructure;
2. continued energy efficiency and upgrades;
3. transportation infrastructure improvements;
4. maintenance of prime facilities; and
5. demolition and removal of substandard buildings.

A prioritized list of capital needs projected over the next 10 years was submitted to the state last year. Specific high priority (1 to 2 years) capital needs would require approximately \$3,405,000 to accomplish. Additional longer-term (3 to 10 years) capital needs are estimated at about \$12,500,000.

The LDA's **specific recommendation** at this time is to submit, for legislative approval, one or more state-wide bond referendums reflecting a total commitment of at least \$3,400,000 to complete the most pressing capital needs for Loring. Appropriate vehicles for inclusion of this funding might include a Transportation Bond, or an Economic Development Infrastructure Bond. Alternatively, include an appropriation for annual grants of up to \$1.7 M for each of the next two fiscal years.

Additionally, a 5-year extension of LD 1670 would help fill a funding gap for operations, while new businesses expand and generate revenue. Last year legislation (LD 1670) increased LDA's tax increment funding associated with Loring based jobs from 50% to 100% for one year. It was originally enacted with a 5-year review requirement, but was later amended so that the increase to 100% is for one year only.

**ADDENDUMS**

- 1. Loring Development Authority Board of Trustees**
- 2. Loring Development Authority Development and Field Staff**
- 3. Loring Commerce Centre Tenants**

## LORING DEVELOPMENT AUTHORITY OF MAINE BOARD OF TRUSTEES

The Loring Development Authority is represented by a thirteen member volunteer Board of Trustees, twelve of which are nominated by the Governor and confirmed by the State Senate and one is a Commissioner of State government designated by the Governor who serves as a voting, ex-officio member. Seven of the appointees confirmed are required to be from Aroostook County and must be nominated by the primary impacted communities surrounding Loring, while four of the appointees are required to live outside of Aroostook County and one member can reside anywhere in Maine. Trustees as of October 2017 are:

**Chair, Miles Williams**, resident of Caribou, is retired from Maine Public Service Company and is now employed by Smith's Farm. Mr. Williams has served on the LDA Board since 2012.

**Vice Chair, Mark Wilcox**, resident of Mapleton, is Area Manager for Dead River Co. Mr. Wilcox has served on the LDA Board since June 2013.

**Treasurer, Dana Saucier**, resident of Wallagrass, is a retired business Partner and Management Consultant. Mr. Saucier has served on the LDA Board since 2014.

**Secretary, Carol Bell**, resident of Presque Isle, was formerly the Project Director for ACAP in Presque Isle. Ms. Bell has served on the LDA Board since 2011.

**George Gervais**, resident of Augusta, is the Commissioner of the State Department of Economic and Community Development. Commissioner Gervais has served on the LDA Board since 2011.

**Richard Ezzy**, a resident of Caribou, is Vice President and General Manager of the business operations of County Physical Therapy. Mr. Ezzy has served on the LDA Board since 2010.

**Daniel LaPointe**, resident of Van Buren, was formerly the Director of Economic & Community Development in Van Buren. Mr. LaPointe has served on the LDA Board since 2011.

**Janet McGillan**, resident of Fort Fairfield, is the Owner/Manager of McGillan, Inc. in Fort Fairfield. Ms. McGillan has served on the LDA Board since 2011.

**Mike Edgecomb**, resident of Spruce Head, is the Business Development Manager for James W. Sewall Company. Mr. Edgecomb has served on the LDA Board since 2011.

**James Clair**, resident of Augusta, is the CEO of Clair Group. Mr. Clair has served on the LDA board since April 2013.

**Douglas Damon**, resident of Bangor, is a Real Estate Broker for Realty of Maine. Mr. Damon has served on the LDA Board since June 2013.

**Steven Levesque**, resident of Farmingdale, is the Executive Director of the Midcoast Regional Redevelopment Authority. Mr. Levesque has served on the LDA Board since 2014.

**James Cote**, resident of Limestone, is the Owner/Manager of Cote Auto in Limestone. Mr. Cote has served on the LDA Board since 2016.

## **LORING DEVELOPMENT AUTHORITY OF MAINE EMPLOYEES**

### **DEVELOPMENT STAFF**

**President & CEO, Carl W. Flora**, provides executive oversight for the Authority's operations as well as management of day-to-day operations including, but not limited to, business attraction, finance & administration, property management, municipal functions (i.e., emergency response, water/sewer, electrical distribution, roads, grounds and building maintenance), and government, public, tenant, and community relations. He serves at the pleasure of the LDA Board of Trustees. Mr. Flora has been employed at the LDA since November 15, 1995.

**Director of Finance and Accounting, Donna M. Sturzl**, is responsible for the administration of the LDA's operations and accounting controls and financial reporting systems. She is also responsible for grant research, writing and reporting and carrying out a variety of projects. Ms. Sturzl has been employed at the LDA since September 21, 2000.

**Facilities Manager, Neal R. Haines**, coordinates and oversees the day-to-day municipal services and maintenance type operations of the facility which include buildings, roads, grounds, water and wastewater plant operations and vehicle maintenance with field staff. He also monitors purchases and payment processing, oversees the computer network system, and general administrative duties including human resources. Mr. Haines has been employed at the LDA since September 26, 1994.

**Administrative Assistant**, position vacant.

### **LDA FIELD STAFF**

**Charles L. Cyr**, Roads and Grounds Maintenance Worker

**Robert G. Doucette**, Water and Wastewater Collection & Distribution Systems Worker

**Steven C. Gagnon**, Water Plant Operator

**John O. Ouellette, Jr.**, Roads and Grounds Maintenance Worker

**Wayne W. Pryor**, Electrician

**John E. Soucy, Jr.**, Utilities Maintenance Worker

**E. James Wilson Sr.**, Roads and Grounds Maintenance Worker

## **LORING COMMERCE CENTRE TENANTS**

**Aroostook National Wildlife Refuge.** The 4,700-acre refuge belongs to the National Wildlife Refuge System, a network of lands set aside specifically for the protection of wildlife and its habitat. Wetland, grassland and northern forest habitats for migratory birds and endangered species are protected on the refuge at Loring. Friends of the Aroostook National Wildlife Refuge support its programs through education, fundraising, recreational and volunteer projects. U.S. Fish & Wildlife Services employs one person at Loring.

**Bangor Gas.** Bangor Gas, a natural gas company and a subsidiary of Penobscot Natural Gas, leases the Loring to Searsport pipeline. The company has reactivated a portion of the pipeline to supply natural gas to customers along the corridor.

**Bigelow Aerospace, LLC.** Bigelow Aerospace is developing, constructing, launching and testing human-habitable space complexes, revolutionizing the space tourism industry. Bigelow has a radar installation at Loring.

**British Cycle Supply Company.** British Cycle Supply Company's operations include shipping, receiving, and warehousing classic British motorcycle parts that are acquired and sold worldwide. The company has another location in Nova Scotia, Canada.

**CB&I.** CB&I, an environmental engineering firm working for the Air Force Base Real Property Agency, occupies a building adjacent to Loring's airfield.

**Defense Finance and Accounting Service (DFAS) Center.** The DFAS center operates out of a first-class, 145,000 square foot facility where its employees have consistently performed with excellence since 1995. The center is responsible for finance and accounting services military installations across the U.S. and in foreign countries; DFAS Limestone employs 584 people.

**Equine Management, LLC.** Equine Management, LLC from Kentucky purchased a 6,800 square foot building with the intent of refurbishing it and then leasing to a related company that would provide medical license training online and eventually on site.

**Frontier Transport, LLC.** Frontier Transport stores and processes feed grain and hay for local customers. It supplies the demand for hay and straw for mulch, high-quality animal feeds, and wood and straw-based animal bedding.

**Graphic Utilities.** Graphic Utilities (GU) leases approximately 10,665 square feet of production and office space in the Loring Applied Technology Center building. The company develops, manufactures and sells innovative ink products. It employs about 10 people.

**Inland Winds Property Management.** Inland Wind's residential properties at Loring include three and four bedroom town homes and individual homes available for purchase or lease.

**Lattice Technologies, Inc.** Lattice Technologies, a consulting firm performing services in the defense sector, now occupies an office at Loring.

**Limestone Country Club.** The Limestone Country Club, Loring's nine-hole golf course, is a favorite among many golfers in the area. Operators of the country club also host community and private events.

**Limestone Rotary Club.** The Limestone Rotary Club holds its weekly meetings at Loring. It is a very active club with dedicated members working together to improve their community.

**Limestone Water & Sewer District.** The Limestone Water & Sewer District owns and operates the wastewater treatment facility at Loring, providing service to all wastewater customers in Limestone, including Loring Commerce Centre. Four people work for the district at Loring.

**Loring Holdings.** Loring Holdings (LH), a multi-faceted energy company, is working to advance energy production and transmission in Maine using facilities at Loring and the Loring to Searsport corridor. LH, along with its partners, have submitted a proposal to the Massachusetts utility commission to build the “Maine Power Express” transmission project.

**Loring Industries, LLC.** Loring Industries (LI) was established by LDA to work with Maine Military Authority (MMA). As a private enterprise, LI is making use of MMA’s well established reputation in the vehicle refurbishment industry, pursuing business opportunities and capital investments with various partners.

**Loring Job Corps Center (LJCC).** The Loring Job Corps Center, part of the Job Corps New England Region and the National Job Corps system, provides academic programs and career vocational training in multiple industries for youth ages 16-24. The Center welcomed its first 380 students in January 1997. Career Systems Development Corp. operates LJCC and employs 130 people.

**Loring Military Heritage Center.** The Loring Military Heritage Center (LMHC), a museum of Loring Air Force Base history, was created by a group of enthusiastic and dedicated volunteers. An impressive collection of Loring memorabilia and artifacts is housed in the LMHC.

**McDonald Enterprises.** McDonald Enterprises is a small custom manufacturer of wood and metal products.

**Maine Army National Guard.** The Maine Army National Guard leases a 27-acre parcel of land at Loring where it has constructed a facility to warehouse its equipment.

**Maine Military Authority.** The Maine Military Authority (MMA) opened the Army National Guard’s Maine RS Maintenance Center in 1997 with 20 employees who worked to refurbish military vehicles. It expanded in response to the military’s demand for refurbished vehicles, primarily HMMWVs, occupying nine buildings and employing hundreds of people. Today, MMA rebuilds both military and commercial vehicles; it occupies two buildings, and employs 54 people.

**New England Kenworth.** New England Kenworth, with Loring Industries, operates a TRP store at Loring, warehousing and selling vehicle parts. Expansion plans include truck sales and services.

**Pineland Farms Natural Meats.** Pineland Farms Natural Meats, Inc. operates a beef cattle feedlot in Fort Fairfield and a composting operation at Loring. Pineland’s goal is to generate 10,000 cubic yards or more of compost material a year. It is considering a consumer packaging operation, which would add value to its product. Pineland employs two people at Loring.

**Pioneer Wireless.** Pioneer Wireless, a broadband telecommunications company, now leases office space in LDA’s office building. The new location will help Pioneer capitalize on the

Three Ring binder telecommunications infrastructure, enabling it to offer dark fiber, fiber optic and other advanced services to Loring customers.

**Straight-Line Fencing.** Straight-Line Fencing, an existing company with fencing sales and installation services, is in the process of establishing manufacturing capacity for a new line of its own products.

**S.W. Collins Company.** S.W. Collins Company, a hardware and building materials supplier, located its commercial line operation in the Loring Applied Technology Center. The line features custom-built products for commercial customers, offering a wide range of highly refined wood products including custom-built cabinetry and cases. S.W. Collins employs five at Loring.

**The Power Company.** Based in Washington, Maine, the Power Company constructed two solar - voltaic systems at Loring; both have been in operation for several years. LDA purchases the electrical power generated by the solar systems at an overall cost advantage compared with the cost of electricity available through the traditional utility and energy providers.

Loring Development Authority of Maine  
154 Development Drive, Suite F  
Limestone, Maine 04750  
207-328-7005  
LDA@Loring.org