

2018 ANNUAL REPORT



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Loring Development Authority of Maine Fiscal Year 2018 Annual Report July 1, 2017 – June 30, 2018

PARAGRAPH 1A: DESCRIPTION OF THE AUTHORITY'S OPERATIONS

Loring Development Authority (LDA) is responsible for the redevelopment of the properties of the state's largest industrial park, Loring Commerce Centre, formerly Loring Air Force Base, in support of new job creation and new economic activity. LDA manages the 3,700-acre business-commercial and industrial park including a 1,600-acre aviation complex; serves as landlord to leasehold businesses and supplies municipal-type services to approximately 300 residents and to 28 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 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 2018 ACCOMPLISHMENTS

THE FOLLOWING SUMMARIZES THE LDA'S ACCOMPLISHMENTS FOR FISCAL YEAR 2018, WHICH SUPPORT ITS PRIMARY MISSION OF JOB CREATION AND FACILITY ABSORPTION ON LORING COMMERCE CENTRE.

LORING INDUSTRIES, LLC. Loring Industries (LI) together with New England Kenworth (NEK) provide sales and service of Kenworth Trucks, maintenance and overhaul of buses and other large vehicles and heavy equipment, and manufacturing services from their Loring location. NEK also operates a TRP truck parts outlet in building #7210. Work completed by LI includes end-of-life and mid-life bus overhauls, overhauls of coach buses, trucks, snowplows and other municipal equipment, and landfill compactors. Loring Industries and New England Kenworth employ twenty-four people.

LI also leases building #2501 the former Loring Inn and has invested in improvements. Now known as the Bunker Inn, it serves as guest quarters for business affiliates and is open to the public with 20 suites available.

MAINE MILITARY AUTHORITY. MMA's contract the Massachusetts Bay Transit Authority (MBTA), for the refurbishment of 32 articulating buses will be complete in August 2018. Unless

additional contracts and workload are secured, MMA plans to return the buildings it leases to LDA. The status of the equipment in the buildings is of concern; the equipment is being used by both MMA and Loring Industries for refurbishing vehicles.

AVIATION PROJECT. A year after an aviation company began the process of establishing operations at Loring and storing significant quantities of aviation equipment here, the company is apparently no longer actively pursuing the project. However, other significant aviation interests have materialized and LDA will pursue these in lieu of the earlier project.

LDA requested that the Loring airport be included in the State Aviation System Plan (SASP) as encouraged by MDOT. Inclusion in SASP is a precondition to be included in the FAA's National Plan of Integrated Airport Systems (NPIAS), which is a precondition to receiving funding support through the Airport Improvement Plan (AIP) or Military Airports Program (MAP). AIP and MAP represent potential sources of funding for airport improvements.

Opportunity Zone designation. Loring, along with the town of Limestone, has been designated an Opportunity Zone. The new federal Opportunity Zone program is intended to attract new investments, providing tax incentives for investments made in designated areas. LDA is to be included with DECD and Maine & Company's marketing efforts to attract opportunity zone investors.

RANGER SOLAR. In October 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 projected 100-megawatt solar energy facility would be one of the largest, if not the largest in New England. Ranger has assigned much its portfolio of solar projects to Nextera. The lease affords Nextera several years to evaluate the opportunity before committing to construction.

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.

ALTAEROS ENERGIES. Altaeros Energies, a technology development company, tested its communications-based aerostat at Loring. The aerostats, known as super towers, were developed to bring cellular and broadband internet services to remote areas. Altaeros plans to commercialize the equipment and has met with state's broadband initiative office, ConnectME.

SFE MANUFACTURING, INC. – SFE, a stainless food equipment manufacturer now leases space in building #8712 at Loring. The company relocated to the commerce center after building it had been leasing in Fort Fairfield was sold.

LATTICE TECHNOLOGIES. Lattice Technologies, a consulting firm performing services in the defense sector, leases an office at Loring. The founder and owner of Lattice is an Aroostook County native and is recently retired from military service.

FRONTIER TRANSPORT, INC. Frontier Transport, an agriculture and wood biomass-based company, renewed its lease for Dock 22. It has leased the building since 2007, using it for storage and distribution operations.

INLAND WINDS PROPERTY MANAGEMENT. Inland Winds leases and operates the residential properties at Loring, which include three and four-bedroom townhouses. 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 remains open for business, with the help of dedicated volunteers and experienced employees. 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 open house in 2018. The events bring many people from around the world to 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 attract racers from all over the US and Canada and help to expose 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 of spectators, they do bring drivers and car enthusiasts to the area who provide increased traffic to restaurants, hotels and other businesses.

PROSPECTS. Active prospects include various types of businesses including an energy project that proposes to create an energy park at Loring, air cargo operations, transportation, manufacturing, technology and warehousing. The availability of unique or specialized facilities at Loring is an important attraction for companies.

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 \$2.9 million. Construction work for a \$370,000 project is expected to be completed 2018. 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.

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.

RECORD OF DECISION OU 12 TO BE AMENDED. The Air Force has identified specific buildings and land potentially affected by soil vapor intrusion (SVI). SVI occurs when 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, preventing residential, school or day care use and implementing institutional controls to avoid or minimize exposure to SVI. The amendment would have minimal impact on LDA reuse activity since the buildings in question are industrial buildings with good air exchange. The Air Force is considering installing mitigation systems for active buildings and also monitoring actively marketed buildings.

MARKETING EFFORTS

WEBSITE. Loring.org was designed to provide downloadable data for available facilities, up-todate 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 various business development websites such as the Limestone Chamber of Commerce, Northern Maine Development Commission, The Yellow Pages online, AviationAcres.com, AirNav.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

NEW PARTNERS. Dennis McCartney, Economic Development Coordinator for the town of Limestone, has partnered with Mike Bouchard, a county resident and Air Force veteran, to champion development efforts in Limestone including Loring. The two have established an office at Loring, committing many hours of their personal time to build relationships with industry and community leaders, promote local assets and opportunities and spur new economic activity in the county. Some initiatives include manufacturing and energy projects as well as showcasing area assets and investment opportunities.

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.

POSSIBLE BRAC ROUND. There has been some discussion in Congress of another potential BRAC (Base Realignment and Closure) round. The Defense Authorization Act calls for streamlining DFAS (Defense Finance and Accounting Service) centers and there was concern for the impact it could have on DFAS Limestone. However, thanks to our Congressional delegation, the act includes language that prevents closure of the centers without a BRAC process.

QUASI-STATE ENTITY REVIEW. The Labor, Commerce, Research and Economic Development Committee (LCRED) determined that the LDA's policy is consistent with the requirements of the law but should be more specific and explicitly track the language of the law. LDA Trustees adopted amendments to the LDA's Quasi-independent State Entity Financial Reporting Policy, according the LCRED determination.

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. 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 (AP). LDA's President & CEO serves on the Board of Directors of Aroostook Partnership. The Partnership represents many economic development interests ranging from 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. Retired AP President, Robert Dorsey, served on the LDA's Advisory Group. AP works to support new projects, providing the assistance needed to promote and develop local assets. The partnership encourages and helps to coordinate collaboration between business, education, government and other parties. AP can also help LDA with marketing and with promoting the benefits of the county's rural lifestyle.

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.

MRRA BOARD MEMBERSHIP. LDA President & CEO, Carl Flora, has been reappointed to the board of trustees for the Midcoast Regional Redevelopment Authority (MRRA). MRRA Executive Director, Steve Levesque, is an LDA trustee.

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 seeks assistance through grants available through the Maine Department of Economic and Community Development including CDBG grants accessed through the Town of Limestone. Routine annual appropriations ceased after the FY 2011 budget year. All LDA funding supports the reuse of the former military facilities including newly developing projects.

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). LDA received half of the grant funds, \$750,000, in fiscal year 2018 and upon the recommendation of the Commissioner of DECD and the approval of the Governor, LDA will receive another \$750,000 in 2019. The funding will support new business development at Loring. However, LDA was unable to collect nearly \$800,000 owed by Maine Military Authority (mostly for rent) and has categorized its collectability as doubtful and has written off that receivable in FY 2017.

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. Contributions to this fund for fiscal year 2017 totaled \$519,272. 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 2018, the LDA received revenues from its tenants, property transactions and miscellaneous revenues in the amount of \$1,978,147.

MACHIAS SAVINGS BANK. LDA has a \$1.5 million line of credit from Machias Savings Bank. The line assists in the management of cash flow. At the end of FY 2018, funds advanced under the line of credit totaled \$1,304,000.

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.

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.

PARAGRAPH 1B: AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2018

The attached Independent Auditor's Report was approved by the Loring Development Authority Board of Trustees on October 31, 2018.

FINANCIAL STATEMENTS

JUNE 30, 2018

Chester M. Kearney, Certified Public Accountants

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MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2018 and 2017

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, 2018. 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 increased by \$461,065. This is due to capital assistance from federal and state agencies and non-cash contributions of capital assets. Operations decreased net position by \$444,575. Revenues were down due to a decrease in state assistance and lease revenue while expenses were down due to a decrease in salaries and benefits and a decrease in uncollectable accounts.
- Total revenues of \$3,692,611 are comprised of 31% from lease revenue, 34% from state assistance, 13% from federal grants, 12% from private donations and 10% from other LDA operations.
- Due to a challenging economic environment net jobs have declined 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 2018.
- 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, 2018, a total of \$6,152,615 has been spent on these projects. \$350,840 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:

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2018 and 2017

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 \$56,339,169 as compared to a capital asset balance of \$56,691,621 for the prior year ending June 30, 2017.

During the year ended June 30, 2018 the LDA implemented GASB #75 which requires the recognition of a liability, deferred outflows of resources and deferred inflows of resources on the Statement of Net Position. The 2017 Net Position has been restated as a result of implementing this new accounting standard.

Table 1 provides condensed data of the Statements of Net Position for the fiscal years ended 2018 and 2017.

Table 1

Net Position

	2018	2017
Current assets Net capital assets Construction in progress Notes receivable, net of current portion	\$ 1,729,244 56,339,169 350,840 <u>1,257,939</u>	\$ 1,850,795 56,691,621 36,258 <u>1,560,172</u>
Total Assets	<u>59,677,192</u>	60,138,846
Deferred Outflows of Resources	10,479	<u>1,400</u>
Current Liabilities Long-term Liabilities	1,728,187 <u>1,385,245</u>	2,042,673 <u>1,570,502</u>
Total Liabilities	3,113,432	3,613,175
Deferred Inflows of Resources	700,356	1,114,253
Total Net Position	\$ <u>55,873,883</u>	\$ 55,412,818

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, 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2018 and 2017

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Table 2 shows the changes in net position for the fiscal years 2018 and 2017.

Table 2

Changes in Net Position

D	<u>2018</u>		2017
Revenues: Program Revenues			
State Assistance	\$ 1,269,273	\$	1,776,853
General Revenues			
Lease and Other	1,517,698		<u>1,314,420</u>
Total Operating Revenues	2,786,971		3,091,273
Operating Expenses:			
Salaries and Benefits	739,217		811,784
Travel	3,335		4,997
Contracted Services	421,905		478,707
Depreciation	1,003,862		893,840
Legal and Audit	20,883		13,151
Marketing	450		37,245
Supplies and Expenses	110,248		127,661
Maintenance	199,183		144,704
Utilities	608,142		636,857
Uncollectable accounts	1,684		869,320
Other General and Administrative	122,637		110,808
Total Operating Expenses	3,231,546		4,129,074
Loss from Operations	(444,575)		<u>(1,037,801)</u>
Other Revenues & Expenses			
Other	905,640		<u>779,758</u>
Loss on Capital Asset Value Adjustment			(5,248,702)
GASB #75 Implementation Adjustment		2.7	(99,306)
Change in Net Position	\$ <u>461,065</u>	\$	<u>(5,606,051)</u>

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.

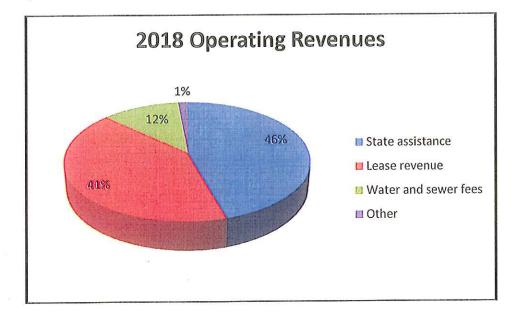
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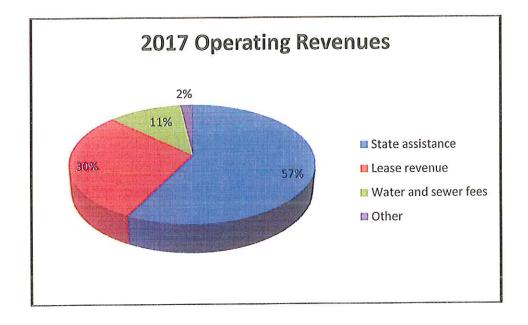
MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2018 and 2017

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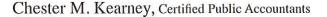
The Loring Development Authority's Funds

The Loring Development Authority's Funds are accounted for using the accrual basis of accounting. Total revenues and other sources amounted to \$3,692,611 in 2018 and \$3,871,031 in 2017. Operating revenues for the two years as represented in the tables below totaled \$2,786,971 in 2018 and \$3,091,273 in 2017. State grants and assistance represents 34% and 57% of the LDA's operating revenues for the last two years.





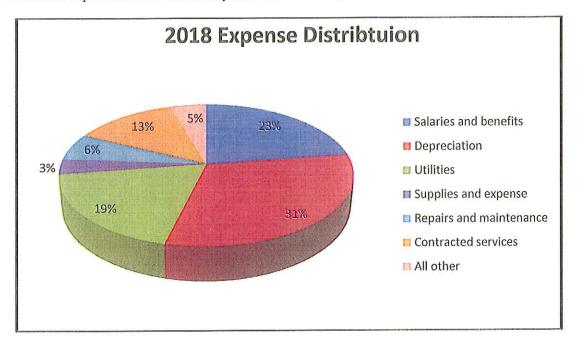
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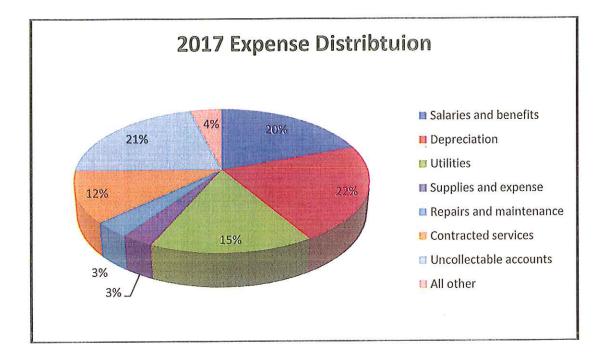


MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2018 and 2017

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Operating expenses amounted to \$3,231,546 in 2018 and \$4,129,074 in 2017. The following charts reflect the expenditures for the fiscal years ended June 30, 2018 and 2017.





MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2018 and 2017

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Capital Assets

At the end of fiscal year 2018, the Loring Development Authority had land, buildings, improvements, structures and facilities of \$69,746,252. All assets were donated to LDA by the U.S. Air Force or purchased. Net of depreciation, these assets were recorded at \$56,339,169. Table 3 shows capital assets, net of accumulated depreciation.

Table 3

Capital Assets at June 30 (Net of Depreciation)

	<u>2018</u>	2017
Land Buildings Equipment and Improvements Special Use Structures Aviation Facilities Roadways and Accessories Pipeline	<pre>\$ 10,467,199 13,581,779 5,880,859 5,450,989 15,578,087 3,410,256 2,000,000</pre>	\$ 10,190,499 13,893,372 5,916,879 5,688,540 15,578,087 3,424,244 2,000,000
Total Net Capital Assets	\$ <u>56,339,169</u>	\$ <u>56,691,621</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 \$1,304,000 outstanding as of June 30, 2018.

The LDA took on bonded debt of \$454,720 in 2010 for the purpose of upgrading sewer lines. As of June 30, 2018 the balance on this debt is \$261,463.

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, 2018 is \$298,075.

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, 2018 is \$94,830.

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MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2018 and 2017

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, 2018 is \$81,225.

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, 2018 is \$194,151.

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, 2018 is \$339,990.

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, 2018 the balance on this debt is \$284,357.

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.



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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

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, 2018 and 2017, 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, 2018 and 2017, 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 and the Schedule of Changes in Net OPEB Liability and Related Ratios on Page 22 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. 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 4, 2018 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 4, 2018

STATEMENTS OF NET POSITION

JUNE 30, 2018 AND 2017

ASSETS

ASSETS	2018	<u>2017</u> (<u>Restated</u>)
CURRENT ASSETS		
Cash and temporary investments (Note 3)	\$ 462,330	\$ 701,274
Due from State of Maine (Note 9)	519,273	663,427
Accounts receivable, net	411,748	174,474
Grants receivable	22,813	
Current portion of notes receivable	302,345	302,233
Inventory	10,847	9,387
EIVED ADDETD (Mat. 12)	1,729,356	1,850,795
FIXED ASSETS (Note 13) Capital assets	69,746,252	69,134,089
Less accumulated depreciation	(13,407,083)	(12,442,468)
Less accumulated depresation	56,339,169	56,691,621
OTHER ASSETS		
Construction in progress	350,840	36,258
Notes receivable (Note 12)	1,257,827	1,560,172
	1,608,667	1,596,430
TOTAL ASSETS	\$ 59,677,192	\$ 60,138,846
DEFERRED OUTFLOWS OF RESOURCES	1,400	1,400
Prepaid expense Deferred outflows related to OPEB (Note 21)	9,079	1,400
Defended outflows related to OPEB (Note 21)	\$ 10,479	\$ 1,400
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 79,654	\$ 115,675
Accrued expenses	88,660	98,227
Short-term debt (Note 15)		65,300
Line of credit (Note 8)	1,304,000	1,436,000
Current portion of long-term debt	255,873	327,471
	1,728,187	2,042,673
LONG-TERM DEBT (Note 14)		
Notes Payable	1,554,091	1,798,667
Less Current Portion	(255,873)	(327,471)
	1,298,218	1,471,196
OPEB LIABILITY (Note 21)	87,027	99,306
TOTAL LIABILITIES	\$ 3,113,432	\$ 3,613,175
DEFERRED INFLOWS OF RESOURCES	161 102	603 030
Grants authorized and unexpended (Note 9)	451,102 225,000	582,838 525,000
Unearned lease revenue (Note 7) Deferred inflows related to OPEB (Note 21)	22,103	525,000
Prepaid rent	2,151	6,415
Tephteren		
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 700,356	\$ 1,114,253
NET POSITION		
Invested in capital assets, net of related debt	54,785,078	54,892,954
Unrestricted	1,088,805	519,864
TOTAL NET POSITION	\$ 55,873,883	\$ 55,412,818

See notes to financial statements

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2018 AND 2017

		<u>2018</u>	<u>2017</u> (Restated)
OPERATING REVENUES	¢	1,269,273	\$ 1,776,853
State assistance (Note 9)	φ	1,154,938	919,305
Lease revenue Water and sewer fees		322,475	338,027
Other		40,285	57,088
One		2,786,971	3,091,273
OPERATING EXPENSES			
Salaries and benefits		739,217	811,784
Depreciation		1,003,862	893,840
Utilities		608,142	636,857
Supplies and expense		110,248	127,661
Repairs and maintenance		199,183	144,704
Contracted services		421,905	478,707
Legal and audit		20,883	13,151
Insurance		28,180	26,812
Communications		13,108	14,179 4,997
Travel		3,335 81,349	69,817
Interest expense and bond bank fees		450	37,245
Marketing		1,684	869,320
Uncollectable accounts	<u>.</u>	3,231,546	4,129,074
	-	3,231,340	4,129,074
LOSS FROM OPERATIONS		(444,575)	(1,037,801)
NON-OPERATING REVENUES/(EXPENSES)		166.010	<i>750 700</i>
Federal and State assistance for capital projects (Note 9)		466,843	753,733
Gain on sale of surplus property		1,555	20,643
Non-cash contributions		433,284 5,610	5,382
Interest income		(1,652)	5,582
OPEB Expense (Note 21)		905,640	779,758
		200,010	
LOSS ON CAPITAL ASSET VALUE ADJUSTMENT (Note 13)			(5,248,702)
ADJUSTMENT RELATED TO OPEB EXPENSE			(99,306)
CHANGE IN NET POSITION		461,065	(5,606,051)
NET POSITION - BEGINNING OF YEAR		55,412,818	61,018,869
NET POSITION - END OF YEAR	\$	55,873,883	\$ 55,412,818

See notes to financial statements

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STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,235,875	\$ 695,470
Cash received from governmental assistance	1,413,427	1,469,768
Cash received from other income	40,285	57,088
Cash paid for salaires and benefits	(749,691)	(811,469)
Cash paid for contract services	(421,905)	(478,707)
Cash paid for goods and services	(1,022,694)	(1,040,658)
Interest paid	(81,349)	(69,817)
Net cash provided by/(used in) operating activities	413,948	(178,325)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Net advances/(payments) on line of credit	(132,000)	267,000
Proceeds from/(payments on) short-term debt	(65,300)	65,300
Payments on long-term debt	(244,576)	(243,998)
Interest received	5,610	5,382
Net cash provided by/(used in) investing activities	(436,266)	93,684
The cash provided by (abou in) intosting activities		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for capital acquisitions and construction	(532,708)	(1,362,254)
Federal grants received for capital projects	312,294	753,733
Payments on note receivable	2,233	302,130
Sale of property	1,555	20,643
Net cash used in financing activities	(216,626)	(285,748)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(238,944)	(370,389)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	701,274	1,071,663
CASH AND CASH EQUIVALENTS AT END OF YEAR	462,330	701,274
RECONCILIATION OF LOSS FROM OPERATIONS TO NET		
CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES	(444,575)	(1,037,801)
Loss from operations Adjustments to reconcile loss from operations	(441,575)	
to net cash provided by/(used in) operating activities		
Depreciation	1,003,862	893,840
	(1,652)	05030.10
OPEB Expense Changes in assets and liabilities	(1,002)	
Operating accounts receivable, net	(237,274)	278,650
Operating funds due from other governments	144,154	17,708
	(1,460)	232
Inventory	(36,021)	(24,184)
Accounts payable	(4,264)	(307,085)
Prepaid rent	(9,567)	(201,000)
Accrued expenses	(9,079)	
Deferred outflows related to OPEB	(12,279)	
OPEB Liability		315
Deferred inflows related to OPEB	22,103 858,523	859,476
	030,323	
Net cash provided by/(used in) operating activities	\$ 413,948	\$ (178,325)

See notes to financial statements

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NOTES TO FINANCIAL STATEMENTS

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Chester M. Kearney, Certified Public Accountants

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 nocost, 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.

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.

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 outflows of resources as of June 30, 2018 consist of prepaid utility expenses and items relating to other post employment benenfits.

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.

New Accounting Policies

For the fiscal year ending June 30, 2018 the Authority adopted the provisions of Statement No. 75 of the Governmental Accounting Standards Board (GASB) Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans. GASB 75 requires the net OPEB liability to be measured and reported as the total OPEB liability less the amount of the OPEB plan's fiduciary net position. In addition, GASB 75 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources and expenses. Due to the adoption of GASB 75, the Authority has restated its opening net position as detailed in Note #22.

(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 \$462,330 and \$701,274 as of June 30, 2018 and 2017, 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.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(3) CASH AND TEMPORARY INVESTMENTS (cont'd.)

As of June 30, 2018 and 2017 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, 2018 and 2017 is \$24,916 and \$28,367, respectively.

(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 \$27,499 and \$29,209 for the years ended June 30, 2018 and 2017.

(6) RENTAL OF FACILITIES

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

As of June 30 2018, the future minimum lease payments for the next 5 years are as follows:

Fiscal year ending June 30:	Amount
2019	\$554,850
2020	381,717
2021	358,544
2022	52,051
2023	<u>50,448</u>

<u>\$1,397,610</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.

In August 2018 the MMA ceased operations however 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 \$59,212 for the fiscal year ended June 30, 2019.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(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, 2018 and 2017 the amount included as deferred inflows was \$225,000 and \$525,000, respectively.

The Authority records a deferred inflow of resources related to OPEB obligations, this amount is further detailed in Note 21.

(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 3.50%, with a maximum limit of \$1,500,000. As of June 30, 2018, the line of credit balance was \$1,304,000, leaving \$196,000 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 February 15, 2018 the Authority was awarded a \$750,000 grant to defray operating expenses and to support implementation of a reuse strategy for the period of February 16, 2018 to June 30, 2018.

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% (100% for the year ended June 30, 2017) of the State income tax withholding from these incremental jobs. 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 \$519,272 and \$1,326,853 for the years ending June 30, 2018 and 2017, respectively.

Department of Transportation (DOT) – The state of Maine DOT awarded the Authority a grant of \$1,000,000 for airport facility renovations. \$98,773 was spent in the year ended June 30, 2018 and \$0 was spent in the year ended June 30, 2017. \$7,825 of the balance was unexpended as of June 30, 2018 and is recorded as grants authorized and unexpended.

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NOTES TO FINANCIAL STATEMENTS (cont'd.)

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

- (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, 2018 the Authority expended \$52,706 of these funds on the water system while \$428,158 remains to be spent and is recorded as grants authorized and unexpended.
- (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, 2018, \$979,905 has been received and expended of which \$315,364 was expended and recognized as revenue in the year ended June 30, 2018.

(10) CONCENTRATION OF RISK

Federal and State funding

The LDA received approximately 34% of its operating revenue from state funding for the year ended June 30, 2018. The ability to continue its operations is dependent on continued funding.

Accounts receivable

For the year ended June 30, 2018, approximately 93% of the Authority's accounts receivable was due from 3 customers. \$797,611 of this amount has be 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 \$800,970 and \$801,056 for the years ended June 30, 2018 and 2017. As of June 30, 2018, all but \$797,611 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. The note balance as of June 30, 2018 and 2017 is \$60,172 and \$62,405 respectively.

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NOTES TO FINANCIAL STATEMENTS (cont'd.)

(12) NOTES RECEIVABLE (cont'd.)

Penobscot Natural Gas

On September 24, 2010, pursuant to an amendment a sale/lease agreement with Loring Bioenergy, 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.

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, 2018 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:

Description	Estimated lives
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.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(13) CAPITAL ASSETS (cont'd.)

Capital asset activity for the year ended June 30, 2018 was as follows:

CAPITAL ASSSETS ACQUIRED BY LDA (HISTORICAL COST)

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets				
Land	10,000			10,000
Equipment and improvements	11,006,087	218,126	39,250	<u>11,184,963</u>
Total at historical cost	11,016,087	218,216	39,250	11,194,963
<u>Less Accumulated Depreciation</u> Equipment and improvements Total Accumulated Depreciation	<u>2,580,134</u> 2,580,134	<u>434,084</u> 434,084	<u>39,250</u> <u>39,250</u>	<u>2,974,968</u> 2,974,968
Capital assets at historical cost, net	<u>8,435,953</u>	(215,958)		<u>8,219,995</u>

CAPITAL ASSETS ACQUIRED FROM U.S. AIR FORCE

Conital Accesta	Beginning Balance	Additions	Retirements	Ending Balance
<u>Capital Assets</u> Land	<u>10,180,499</u>	<u>276,700</u>		10,457,199
Buildings In use Leased Not in use	4,841,055 15,185,894 <u>1,509,441</u> 21,536,390	<u>156,584</u> 156,584		4,841,055 15,185,894 <u>1,666,025</u> 21,692,974
Equipment In use Not in use	136,500 _ <u>89,000</u> 225,500			136,500 <u>89,000</u> 225,500
Special use structures Water plant and distribution	<u>5,080,033</u>			<u>5,080,033</u>
Other facilities and improvements Aviation facilities Runways Structures Fuel pipeline	9,472,226 6,105,861 <u>2,000,000</u> <u>17,578,087</u>		18 T	9,472,226 6,105,861 <u>2,000,000</u> <u>17,578,087</u>
Roadways and accessories	<u>3,517,496</u>			3,517,496
Capital assets from U.S. Air Force	<u>58,118,005</u>	433,284		58,551,289

Chester M. Kearney, Certified Public Accountants

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(13) CAPITAL ASSETS (cont'd.) <u>Less Accumulated Depreciation</u>	Beginning Balance	Additions	Retirements	Ending Balance
Buildings In use Leased	2,018,217 5,624,801 7,643,018	96,823 <u>371,354</u> <u>468,177</u>		2,115,040 <u>5,996,155</u> <u>8,111,195</u>
Equipment In use	<u>136,500</u>			136,500
Special use structures Water plant and distribution	2,082,819	<u>101,601</u>		2,184,420
Total Accumulated Depreciation	<u>9,862,337</u>	569,778		10,432,115
Capital assets acquired from U. S. Air Force, net	<u>48,255,668</u>	<u>(136,494)</u>		<u>48,119,174</u>
TOTAL CAPITAL ASSETS Capital assets Less Accumulated	69,134,092 <u>(12,442,471)</u>	651,410 <u>(1,003,862)</u>	(39,250) <u>39,250</u>	69,746,252 <u>(13,407,083)</u>
Depreciation	<u>56,691,621</u>	<u>(352,452)</u>		56,339,169

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.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(13) CAPITAL ASSETS (cont'd.)

Donated assets – During the year ended June 30, 2018, the Authority was deeded 104 acres of land and structures from Bangor Gas at no cost to the Authority. The structures were booked at an estimated fair market value of \$156,584. The land was booked at an estimated value per acre of \$5,000 for 54 acres of developable land and \$100 per acre for 50 acres of undevelopable land.

(14) LONG-TERM DEBT

As of June 30 long-term debt consisted of:

As of June 30 long-term debt consisted of:	2018	2017
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.	81,225	94,254
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	298,075	303,085
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	339,990	478,512
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.	284,357	294,512
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.	94,830	132,535
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.	194,151	211,569
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%.	261,463	284,200
Less current portion	1,554,091 (<u>255,873)</u> <u>1,298,218</u>	1,798,667 <u>(327,471)</u> <u>1,471,196</u>

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, 2018:

	PRINCIPAL	INTERES	<u>TOTAL</u>
6/30/2019	255,873	31,413	287,286
6/30/2020	263,390	24,276	287,666
6/30/2021	139,885	18,384	158,269
6/30/2022	77,906	16,882	94,788
6/30/2023	76,539	15,643	92,182
2024-28	285,502	59,359	344,861
2029-33	122,884	44,392	167,276
2034-38	95,369	35,264	130,633
2039-43	103,102	24,992	128,094
2044-48	91,864	13,481	105,345
2049-53	41,777	32,493	74,270
Total	<u>1,554,091</u>	316,579	<u>1,870,670</u>

Long-term debt activity for the year ended June 30, 2018 is as follows:

Note payable –NMDC	Beginning <u>Balance</u> 94,254	<u>Advances</u>	Payments 13,029	Ending <u>Balance</u> 81,225
Note payable-USDA	303,085		5,010	298,075
Note payable –Machias Savings Bank	478,512		138,522	339,990
Bond payable – MMBB	294,512		10,155	284,357
Note payable-Katahdin Trust Company	132,535		37,705	94,830
Note payable-Katahdin Trust Company	211,569		17,418	194,151
Bond payable – MMBB	284,200		22,737	261,463
	<u>1,798,667</u>		244,576	<u>1,554,091</u>

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(15) SHORT-TERM DEBT

As of June 30 short-term debt consisted of:

	2018	<u>2017/</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.		65,300
hardward of the factors		

Short-term debt activity for the year ended June 30, 2018 is as follows:

	Beginning <u>Balance</u>	Advances	Payments	Ending <u>Balance</u>
Note payable -Machias	65.000		(5.200	0
Savings Bank	<u>65,300</u>		<u>65,300</u>	<u>0</u>

(16) SUBSEQUENT EVENTS

Management has evaluated subsequent events occurring through September 4, 2018, 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, 2018, 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, 2018. No examinations have been conducted by the Federal or State taxing authorities and no correspondence has been received from these authorities.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(19) SUMMARY OF ACTIVITIES

Function	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total
General operations	(3,233,198)	1,477,413	-	900,127	(855,658)
	General revenues: State appropriations Loring Job Incremental Interest income Sale of surplus property Other income				750,000 519,273 5,610 1,555 40,285
,	Total general revenues				1,316,723
(Change in net position				461,065
]	Net position - July 1, 2017 (Restated)			55,412,818
1	Net position - June 30, 2018	3			55,873,883
(20) SUMMARY OF NON-CASH INVESTING AND FINANCING ACTIVITIES					

Non-cash investing and financing activities are as follows:	2018	2017
Donations of capital assets	433,284	

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(21) OPEB OBLIGATIONS

Plan Description

The Authority provides health insurance to its employees through Maine Municipal Employees Health Trust (MMEHT). The Authority does not provide postemployment or postretirement healthcare benefits but is subject to an implicit benefit for its members in MMEHT.

Accounting Policies

The impact of experience gains and losses and assumption changes on the Total OPEB Liability (TOL) are recognized in the OPEB expense over the average expected remaining service life of all active and inactive members of the plan. As of the beginning of the measurement period this average was 4 years.

The table below summarizes the current balances of deferred outflows of resources and deferred inflows of resources along with the recognition over the next 5 years, and thereafter:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience Difference between projected and actual earnings on OPEB plan investments		\$ 22,103
Changes of assumptions	<u> </u>	<u>\$ 22,103</u>

Amounts reported as deferred outflows and deferred inflows of resources will be recognized as OPEB expense as follows:

Year ended June 30:		
	2019	(4,342)
	2020	(4,342)
	2021	(4,342)
	2022	0
	2023	0
	Thereafter	0

As of January 1, 2018, the plan membership data is comprised of 7 active members with only an implicit benefit.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(21) OPEB OBLIGATIONS (cont'd)

Key Assumptions

Measurement Date:	January 1, 2018
Discount Rate:	3.44% per annum for year-end 2018 reporting
	3.78% per annum for year-end 2017 reporting
Trend Assumptions:	Pre-Medicare Medical – Initial trend of 8.2% applied in FYE
	2018 grading over 14 years to 4% per annum
	Pre-Medicare Drug – Initial trend of 9.6% applied in FYE
	2018 grading over 14 years to 4% per annum
	Medicare Medical – Initial trend of 4.93% applied in FYE
	2018 grading over 14 years to 4% per annum
	Medicare Drug – Initial trend of 9.6% applied in FYE 2018
	grading over 14 years to 4% per annum
Administrative and Claims	
Expense:	3% per annum

Future Plan Changes

It is assumed that the current plan and cost-sharing structure remains in place for all future years.

Demographic Assumptions

Retiree continuation:	Retirees who are current Medicare participants: 100% Retirees who are Pre-Medicare, active participants: 75% Spouses who are Pre-Medicare, active participants: 50%
Rate of mortality:	Based on 104% and 120 % of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to start of the Healthy Annuitant Mortality Table, both project from the 2006 base rates using RPEC-2015 model, with an ultimate rate of 85% for ages 20-85 grading down to an ultimate rate of 0% for ages 111-120 and convergence to the ultimate rate in the year 2020.
Marriage assumptions: Assumed rate of retirement:	A husband is assumed to be 3 years older than his wife For employees hired prior to July 1, 2014 Age $55-63 - 5\%$ Age $64-69 - 20\%$ Age $70 + -100\%$ For employees hired after July 1, 2014 Age $55-58 - 5\%$ Age $59-64 - 20\%$ Age $65-69 - 25\%$ Age $70 + -100\%$
Salary increases: Changes in assumptions:	2.75% per year Funding method was changed from Projected Unit Credit funding to Entry Age Normal funding method.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(21) OPEB OBLIGATIONS (cont'd)

Discount Rate

The discount rate used to measure the OPEB liability was 3.44% based on a measurement date of December 28, 2017. This rate is assumed to be an index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher, for pay as you go plans.

The following table shows how the net OPEB liability as of June 30, 2018 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 3.44%.

1% Decrease	Current Discount Rate	1% Increase	
2.44%	3.44%	4.44%	
\$98,838	\$87,027	\$77,146	

Changes in the healthcare trend affect the measurement of the TOL. Lower healthcare trend rates produce a lower TOL and higher healthcare trend rates produce a higher TOL. The table below shows the sensitivity of the TOL to the healthcare trend rate.

1% Decrease	Healthcare Trend Rates	1% Increase
\$77,401	\$87,027	\$98,496

A 1% decrease in the healthcare trend rate decreases the TOL by approximately 11.1% while a 1% increase in the healthcare trend rate increases the TOL by approximately 13.2%.

(22) RESTATEMENT OF NET POSITION

The Authority's opening net position has been restated to account for the effects of the implementation of GASB #75 as follows:

Beginning net position – as originally stated	55,512,124	
Net OPEB liability as of June 30, 2017	<u>(99,306)</u>	
Net position June 30, 2017 as restated	55,412,818	

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS

FOR THE YEAR ENDED JUNE 30, 2017

Total OPEB Liablity Service cost (BOY) Interest (includes interest on service cost) Changes of benefit terms Differences between expected and actual experience Changes of assumptions Benefit payments, including refunds of member contributions Net Change in total OPEB Liability	\$	2,175 3,819 - (29,471) 12,105 (907) (12,279)
Total OPEB Liability - Beginning Total OPEB Liability - Ending	\$ \$	99,306 87,027
Plan Fiduciary Net Position Contributions - Employer Contributions - Member Net investment income Benefit payments, including refunds of member contributions Administrative expense Net change in plan fiduciary net positions		907 - (907) -
Total Fiduciary Net Position - Beginning Total Fiduciary Net Position - Ending	\$	
Plan fiduciary net position as a percentage of the total OPEB liability		0%
Covered employee payroll Net OPEB liability as a percentage of covered employee payroll		402,382 21.6%
1 2010		

Amounts presented have a measurement date of January 1, 2018

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying independent auditors' report and notes to financial statements.

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ADDITIONAL REPORT

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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, 2018, and the related notes to the financial statements, and have issued our report thereon dated September 4, 2018.

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 4, 2018

PARAGRAPH 1C: PROPERTY TRANSACTIONS DURING FISCAL YEAR 2018

PROPERTY TRANACTIONS

LEASES and SALES

SFE MANUFACTURING, INC. SFE Manufacturing, a stainless food equipment manufacturer, entered into a six-month lease for 12,000 square feet of space in building #8712 at Loring. The company had operated in a leased building in Fort Fairfield, but had to relocate when the building was sold. If the building is needed for an alternate use, SFE will agree to vacate on 90 days' notice.

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 expanded this year.

FRONTIER TRANSPORT, INC. The lease for Dock #22 was extended for five years. Frontier Transport, and agriculture-based company, has leased Dock #22 since 2007.

LICENSES

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

Loring Development Authority of Maine Fiscal Year 2018 Annual Report July 1, 2017 – June 30, 2018

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, 2018 TO OCTOBER 15, 2018 AND PROPOSED ACTIVITIES FOR FISCAL YEAR 2018

SUBSEQUENT EVENTS

A summary of the activities on the Loring Commerce Centre between July 1, 2018 and October 15, 2018 are provided below.

LDA Trustees authorized the LDA President & CEO to execute documents to facilitate a 9-month due diligence and negotiation period with a prospect in exchange for an up-front payment of \$400,000.

Maine Military Authority (MMA) completed the work on the final bus for its contract with the Massachusetts Bay Transit Authority. With no additional work in place, employees were laid off, ending MMA's over 20-year presence at Loring.

Loring Industries (LI) is working to expand into the space that had been leased to MMA. It is currently overhauling busses for two coach bus manufactures and is working to secure additional contracts that will provide steady, long-term employment for former MMA employees and other people. New contracts would include additional bus refurbishment work, a military contract and a manufacturing project.

Mainebiz featured an article about Loring, written by Laurie Schreiber. Thank you to Mark Appleton, owner of British Cycle Supply, Ben Glass, with Altaeros Energy and Tim McCabe of Loring Industries for sharing their positive experiences of doing business at Loring. The article is providing good exposure for Loring Commerce Centre.

PROPOSED AND PROJECTED ACTIVITIES FOR FISCAL YEAR 2018

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:

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 including aircraft repair and overhaul and air cargo and logistics, data storage and processing, manufacturing and food processing 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.

Pursue Opportunity Zone investments with the town of Limestone and the State DECD office, encouraging investors to take advantage of tax incentives available for investments made in designated areas, such as Loring.

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

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

Repair Nebraska Road and transfer it to the City of Caribou.

Nebraska Road, located in Caribou, is owned in part by the city of Caribou and a 1.4 mile section is owned by LDA. The section owned by LDA is in very poor condition and may need to be closed. The road was transferred from the US Air Force to US Fish and Wildlife and then to LDA. It was in poor condition when LDA received it, with broken pavement and a poor base. It is now mostly a dirt road that is impossible to plow. If the road is closed, alternate routes would add about five miles to the commute to Loring from the northwest.

When the road was being transferred to LDA, Caribou agreed to acquire the road if it was repaired, but the repair costs, estimated to be about \$400,000, were prohibitive. LDA will need to decide if it can keep the road open year-round, if it needs to close the road in the winter or altogether or if it is of use for Caribou, transfer it to the city at no cost. Power lines and a water main that run along the road need to remain accessible.

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 in 2016. 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, the issue could be addressed by including 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. In 2016, the 127th Legislature enacted LD 1670 which 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.

Loring Development Authority of Maine Fiscal Year 2018 Annual Report July 1, 2017 – June 30, 2018

ATTACHMENTS

- 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 2018 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, 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.

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

Denise Garland, resident of Farmingdale, is the Acting Commissioner of the State Department of Economic and Community Development. Acting Commissioner Garland has served on the LDA Board since 2018.

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
James W. Alward, Roads and Grounds Maintenance Worker
John O. Ouellette, Jr., Roads and Grounds Maintenance Worker
Steven C. Gagnon, Water Plant Operator
John E. Soucy, Jr., Utilities Maintenance Worker
Vacant Position, Water and Wastewater Collection & Distribution Systems 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.

APTIM. APTIM, 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 for 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, processes, and transports agricultural and wood biomass products for local customers.

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 5 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 the Loring to Searsport pipeline corridor. LH, along with its partners, have proposed to build the "Maine Power Express" transmission project connecting renewable sources of power in Maine and Canada to southern New England via an underground and underwater transmission line.

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, pursing 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. This year, MMA completed its final contract for commercial vehicles and ended operations.

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. Pineland sells compost in bulk form to local farmers and in consumer-sized packaging at various retail outlets. 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.

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