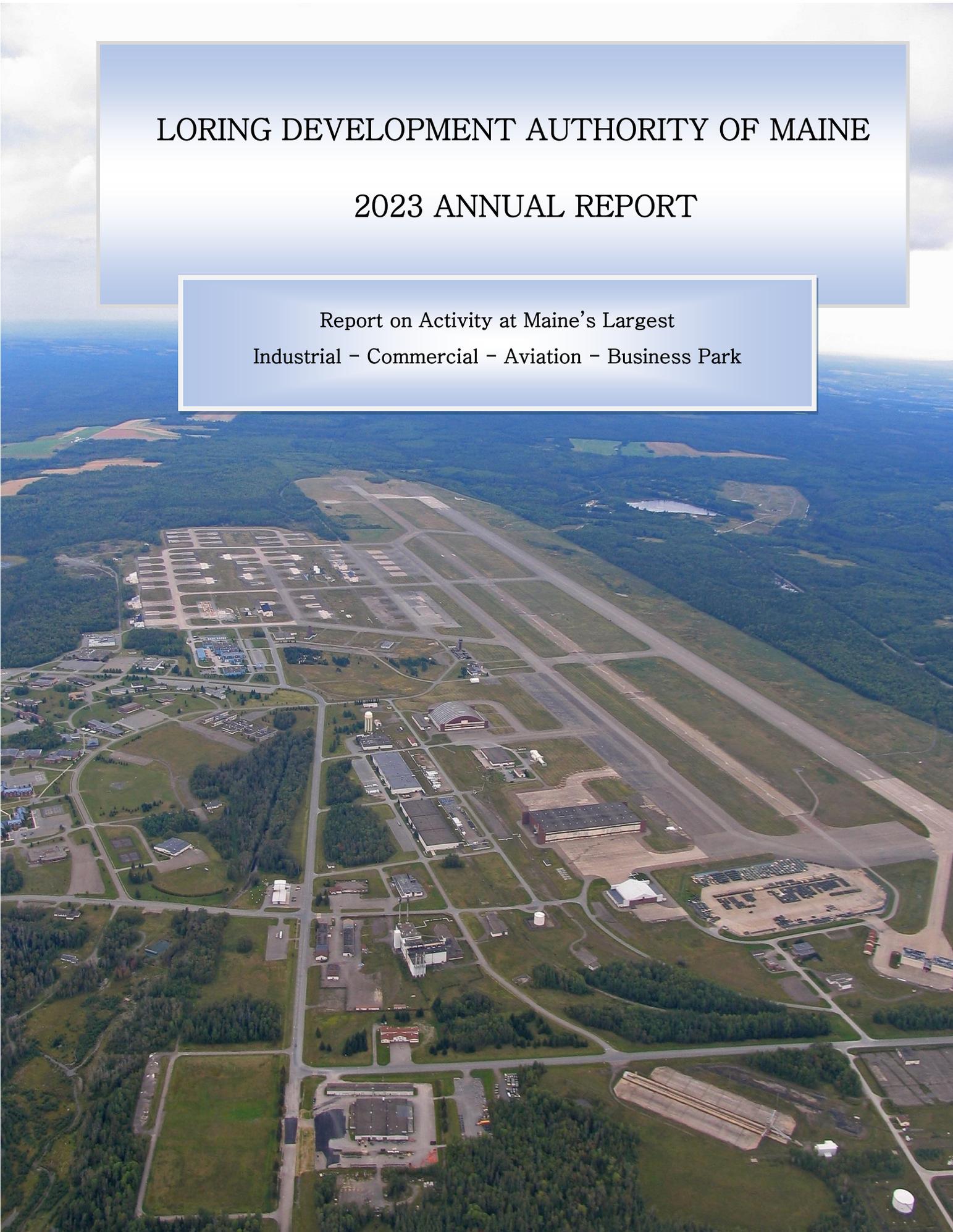


LORING DEVELOPMENT AUTHORITY OF MAINE

2023 ANNUAL REPORT

Report on Activity at Maine's Largest
Industrial - Commercial - Aviation - Business Park



**Paragraph 13080-L
Fiscal Year 2022 Annual Report
July 1, 2022 – June 30, 2023**

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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 residents and businesses that collectively employ approximately 750 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.

Businesses 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.

**PARAGRAPH 1B: AUDITED FINANCIAL STATEMENTS FOR
FISCAL YEAR 2023**

The attached Independent Auditor's Report was approved by the Loring Development Authority Board of Trustees on October 11, 2023.

**PARAGRAPH 1C: PROPERTY TRANSACTIONS DURING
FISCAL YEAR 2023**

PROPERTY TRANACTIONS

LEASES AND SALES

GREEN 4 MAINE TRANSACTION. LDA closed on a sale of property envisioned by a Purchase & Sale Agreement with Green 4 Maine, LLC., in January 2023. This property sale transferred about 390 acres of land and buildings into private ownership. Existing leases were assigned as part of the transaction and Green 4 Maine will assume responsibility for operational costs and maintenance of the buildings. Green 4 Maine anticipates that many of the buildings with existing tenants will continue to be used by the existing tenants to support current activities and associated employment. An aggressive marketing campaign will result in additional tenants to occupy vacant or under-utilized buildings. Green 4 Maine also expects to establish its own business operations utilizing some of the building space.

DG FUELS, LLC.

LDA and DG Fuels entered into a long-term lease for approximately 1,200 acres of land. DG Fuels intends to construct a biofuels refinery producing Sustainable Aviation Fuel (SAF). This green fuel is in high demand in the aviation industry. Biomass resources from northern Maine and neighboring Canada would be used to produce the SAF. The project would require the reactivation of the rail line serving Loring which has been out of service north of Presque Isle for some years. The project would likely require the placement of a new pipeline in the existing pipeline corridor to bring the finished product to Searsport where it would be transferred onto a tanker for distribution to airport on the east coast. The projected multi-billion dollar investment in the biomass facility is anticipated to create 650 permanent jobs at Loring, with additional jobs and economic spin-off in the regional economy.

SPX AIDS TO NAVIGATION. LDA and SPX Aids to Navigation entered into a short term lease for Buildings 8410 and 8412 together with access to the airfield. SPX is utilizing Loring’s facilities for the purpose of developing and testing portable airfield equipment including lighting systems used on remote airfields in connection with military or humanitarian aid operations.

LICENSES

POTATO STORAGE. LDA entered into license agreements with two local farmers who needed additional storage for their extraordinarily large crop of potatoes in the fall of 2021. During the fall of 2022, LDA also provided storage for one farmer who had lost a storage due to weather

related damage, and another farmer with surplus potatoes. In both cases, potatoes were stored temporarily and moved out by January 2023.

APACHE BOATWORKS, K & S TIMING, LLC, CUMBERLAND MOTOR CLUB, INC. The runway at Loring was used by the three Maine organizations in support of their respective events, including land sailing, land speed racing, and motor cross.

**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, 2023 TO OCTOBER 15, 2023 AND
PROPOSED ACTIVITIES FOR FISCAL YEAR 2024**

SUBSEQUENT EVENTS

A summary of the activities on the Loring Commerce Centre between July 1, 2023 and October 15, 2023 are provided below.

LORING OPEN HOUSE 2023. Green 4 Maine hosted an Open House event on July 1. The event was held on the tarmac near the Arch Hangar, and a number of aircraft were able to attend the associated fly-in. Formal remarks were followed by a ribbon cutting for the BD Solar, one of Loring’s new community solar projects.

AIRPORT MASTER PLAN CONTRACT EXECUTED. LDA and the aviation consulting firm Dubois and King signed a contract supported by a grant from the Department of Defense, Office of Local Defense Community Cooperation, for the preparation of an airport master plan. With the completion of this plan, LDA will seek to gain the FAA’s approval for Loring’s airport to be included in the National Plan of Integrated Airport Systems (NPIAS). LDA’s vision for the airport is to use it in a manner that complements other airports in the region and takes advantage of the very large aviation buildings and extensive infrastructure that are unique to Loring’s aviation complex. The focus would be on aviation and aerospace businesses that include large aircraft Maintenance, Repair and Overhaul (MRO), cargo and distribution, testing and development of new aircraft and aircraft systems, including unmanned aircraft systems, urban air mobility and other autonomous air vehicles, and various roles in the emerging space industry including a spaceport. Gaining the NPIAS designation from the FAA would permit the airport to tap significant federal resources available for airport capital improvements. This would also be most helpful in pursuing the State’s vision for a statewide space complex of which Loring would be a significant part.

PROPOSED AND PROJECTED ACTIVITIES FOR FISCAL YEAR 2023

In addition to working to ensuring that our existing tenants remain viable business entities, the LDA intends to carry out the following activities in fiscal year 2024:

SUSTAINABILITY TASK FORCE. Continue to Move forward with recommendations of the Consultants in their Sustainability Task Force Report to the Governor last year.

MARKETING. One recommendation of the Task Force report, a major marketing program, is underway and is generating new prospects with potential for significant new developments at Loring. Steve Levesque of SHL Enterprise Solutions continues to pursue marketing opportunities

and is working to complement marketing efforts underway by Green 4 Maine. SHL's contract extends into the 4th quarter of FY 2024.

GREEN 4 MAINE (G4M). Continue working with the G4M principals, supporting the startup of three new businesses and the sale of several buildings. Moving forward with the G4M proposal is one of the recommendations of the task force report. Ideally, G4M would over time become the master developer of the Loring properties with LDA providing public infrastructure support.

DG FUELS. Continue to work with DG Fuels and various state and federal agencies to create the opportunity for DG Fuels to move forward with its biofuels project.

ACTIVE PROSPECTS. Continue supporting proposed development projects in cooperation with G4M, including manufacturing prospects, fuel pipeline and corridor energy projects, renewable energy generation projects, aviation maintenance, and various aviation and aerospace operations at the Loring International Airport.

MUNICIPAL SERVICES. Continue working with the Town of Limestone to develop sustainable emergency services for the community, including Loring. A Tax Increment Financing (TIF) district for part of Loring is being pursued by Green 4 Maine. The sale to Green 4 Maine creates a potential future tax base for Limestone that could be helpful in supporting future services at Loring.

PFAS INVESTIGATIONS. Continue supporting the Air Force's PFAS investigations at Loring; results of the PFAS testing at Loring will be available soon. A remedial investigation is underway and some preliminary results were presented to property owners and other stakeholders in March 2023. Much additional information has been collected since then and will eventually be available to the public. PFAS was detected in soils and groundwater at various sites where it was expected to be present. With the conclusion of the remedial investigation, a Remedial Action plan will be proposed and available for public comment.

SPACE INDUSTRY. Continue to work with the newly-established Maine Space Corporation and other partners in developing the space industry in Maine. Maine's location is an advantage for polar launches and infrastructure at the former military installations at Loring and Brunswick could support the space industry.

INFRASTRUCTURE IMPROVEMENT. Move forward with roadway repairs and demolition with a \$3.1 million federal grant awarded this year; complete a \$4.6 million sewers improvement project and pursue funding for stormwater infrastructure and facilities improvements.

SOLAR PROJECTS. Continue to support the construction and operation of the SynerGen and BD Solar projects at Loring.

FOREIGN TRADE ZONE DESIGNATION. LDA has engaged a consultant to prepare and file an application for a Foreign Trade Zone designation. This will be attractive to potential future manufacturers who source some product components from other countries as it will provide relief from duties. The designation will be an attractive component of LDA's on-going marketing campaign.

OPPORTUNITY ZONES. Take advantage of the 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.

**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**

Although proceeds of the sale of property have improved LDA's balance sheet significantly, LDA continues to struggle with the costs of providing basic services to support the development project. These include plowing and maintenance of roadways and other public infrastructure, provision of police, fire and ambulance services, and provision of drinking water and wastewater treatment.

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 duration with a review requirement, but was later amended so that the increase to 100% was for one year only. Three years ago, a Governor's bill that would have reinstated the 100% increase for 2 years was in the Revisor's office but was not considered because the legislature adjourned early due to the pandemic. State Funding in 2022 provided \$1.3 million in the DECD budget to address a cash shortfall in LDA's budget and to initiate the marketing program cited above.

While the redevelopment of Loring is back on track, additional funding through some mechanism will be required in order to support the existing jobs as well as the expected growth in jobs. LD 1981, carried over from the first regular session, offers and potential solution to the financial issues affecting LDA.

ATTACHMENT

LORING COMMERCE CENTRE TENANTS

APTIM. an environmental engineering firm working for the Air Force Civil Engineering Center, occupies Building #8412.

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.

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.

Consolidated Communications. Consolidated Communications leases a former communications site on Route 89 in Limestone where it set up a satellite tracking and communications station.

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 558 people.

Elevate Audio and Visual Company. Multi-faceted arts and audio-visual materials.

Elite Management Services, LLC. This company provides comprehensive property management and maintenance services.

Eternal Mind, Inc. - AI Quantum Computing Company. Data center company utilizing artificial intelligence technologies.

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.

First Cut Hay Co., LLC. A newly formed company, First Cut Hay, stores and processes hay and animal feed products at Loring.

Fork in the Road Food Services. Food truck and catering services.

Frontier Transport, LLC. Frontier Transport stores, processes, and transports agricultural and wood biomass products for local customers. The company with its partner Triple G Sales also offers a farm equipment storage in a leased facility at Loring.

Green 4 Maine. Companies affiliated with Green 4 Maine have leased space in the Loring Applied Technology Center; the companies are Green 4 Maine Homes, LLC, Maine Agricultural Association, LLC New England Structural Engineering Services, and Green 4 Maine Creative Arts and Digital Media Center.

Guerrette Sales, Inc. Distribution and sales of agricultural goods and food packaging.

Henry's Carpentry. Carpentry shop.

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.

Jason Dionne Trucking. The company occupies building #8264 at Loring, in support of his trucking business.

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.

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 110 people.

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.

Northern Storage. Seasonal storage of boats and RV's.

Novel Energy Solutions, LLC. Novel Energy Solutions, LLC, a solar energy company, warehouses materials, to be used in the construction of solar arrays in the county, at Loring.

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.

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.

Runway Auto and Small Engine Repair Auto, snowmobile and ATV repair shop.

SFE Manufacturing. SFE Manufacturing, operates an equipment fabrication business at Loring, serving commercial, industrial, and government customers. SFE employs approximately 23 people.

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.

SPX Aids to Navigation. SPX designs and builds airport navigation infrastructure and is testing new airport lighting systems at Loring immense airfield.

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.

SynerGen Solar, LLC. SynerGen Solar, LLC exercised its lease option this year and began the construction phase of its project. The company now leases approximately 20-acres on the north side of Northcutt Road, where it has installed an electrical power generating solar facility which is now operational.

The Bunker Inn. The Bunker Inn, located in the former visiting officer's quarters, is open to the public with twenty suites available. People traveling for business or pleasure make use of this unique facility, with many repeat guests.

The Loring Air Museum. The Loring Air Museum, formerly Loring Military Heritage Center, is a museum of Loring Air Force Base history. It was created and continues to be operated by a group of enthusiastic and dedicated volunteers. The museum maintains an impressive collection of Loring memorabilia and artifacts and conducts open houses, with historic tours of Loring, that are well attended.

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. The solar arrays are now owned by the Town of Limestone, providing power to the Limestone Water and Sewer District and the Maine School of Science and Mathematics.

WSP USA Environment & Infrastructure, Inc. an environmental engineering firm working for the Air Force Civil Engineering Center, occupies offices in the LDA office building and space in the Arch hangar.

NOTE: Although every effort has been made to present a thorough listing of Loring-based businesses and employers, this list may not reflect all tenants or sub-tenants of third party property owners such as Green 4 Maine.

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LORING DEVELOPMENT AUTHORITY OF MAINE

FINANCIAL STATEMENTS

JUNE 30, 2023

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LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2023 and 2022

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, 2023. The LDA is a component unit of the State of Maine with a mission to create jobs and positive economic growth by redevelopment of approximately 3,700 acres of the former Loring Air Force Base located in Limestone, Maine.

Report Layout

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

Financial Highlights

- Total net position decreased by \$7,215,363. Operations decreased net position by \$1,233,213. Revenues were down due to a decrease in state assistance while expenses decreased due to decreases in salaries and benefits, depreciation and utilities.
- Total revenues of \$1,584,837 are comprised of 29% from lease revenue, 50% from state assistance, 1% from federal grants and 18% from water and sewer fees.
- 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 \$1.9 million in fiscal year 2023.
- The LDA sold a substantial portion of its real property in 2023 resulting in a loss on the disposal of property in the amount of \$6,010,305.

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:

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

LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2023 and 2022

UNAUDITED

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 \$39,136,462 as compared to a capital asset balance of \$53,077,979 for the prior year ending June 30, 2022.

Table 1 provides condensed data of the Statements of Net Position for the fiscal years ended 2023 and 2022.

Table 1

Net Position

	<u>2023</u>	<u>2022</u>
Current assets	\$ 950,476	\$ 1,110,868
Net capital assets	39,136,462	53,077,979
Construction in progress	108,850	87,535
Leases receivable	150,623	482,248
Notes receivable, net of current portion	<u>4,500,000</u>	<u>47,271</u>
Total Assets	<u>44,846,411</u>	<u>54,805,901</u>
Deferred Outflows of Resources	<u>67,486</u>	<u>97,747</u>
Current Liabilities	308,610	2,228,100
Long-term Liabilities	<u>535,116</u>	<u>1,135,940</u>
Total Liabilities	843,726	3,364,040
Deferred Inflows of Resources	<u>382,342</u>	<u>636,416</u>
Total Net Position	\$ <u>43,687,829</u>	\$ <u>50,903,192</u>

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 position value for the current year in combination with the prior year's net position value to reflect the net position balance as of June 30, 2023.

LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2023 and 2022

UNAUDITED

Table 2 shows the changes in net position for the fiscal years 2023 and 2022.

Table 2

Changes in Net Position

	<u>2023</u>	<u>2022</u>
Revenues:		
Program Revenues		
State Assistance	\$ 818,728	\$ 1,897,547
General Revenues		
Lease and Other	<u>766,109</u>	<u>698,731</u>
Total Operating Revenues	<u>1,584,837</u>	<u>2,596,278</u>
Operating Expenses:		
Salaries and Benefits	369,489	430,585
Travel	1,858	2,050
Contracted Services	658,087	599,330
Depreciation	723,896	968,899
Legal and Audit	11,605	6,287
Marketing	15,600	514
Supplies and Expenses	102,820	74,338
Maintenance	198,667	116,263
Utilities	509,277	753,682
Uncollectable Accounts	131,906	151,327
Interest expense	72,384	64,622
Other General and Administrative	<u>22,461</u>	<u>61,258</u>
Total Operating Expenses	<u>2,818,050</u>	<u>3,229,155</u>
Loss from Operations	<u>(1,233,213)</u>	<u>(632,877)</u>
Other Revenues & Expenses		
Other	<u>(5,982,150)</u>	<u>85,051</u>
Change in Net Position	\$ <u>(7,215,363)</u>	\$ <u>(547,826)</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.

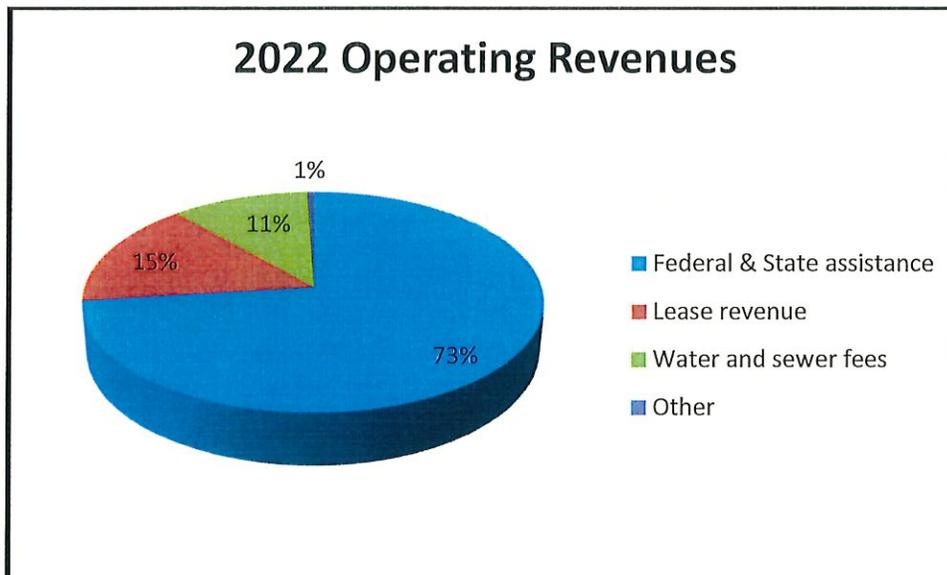
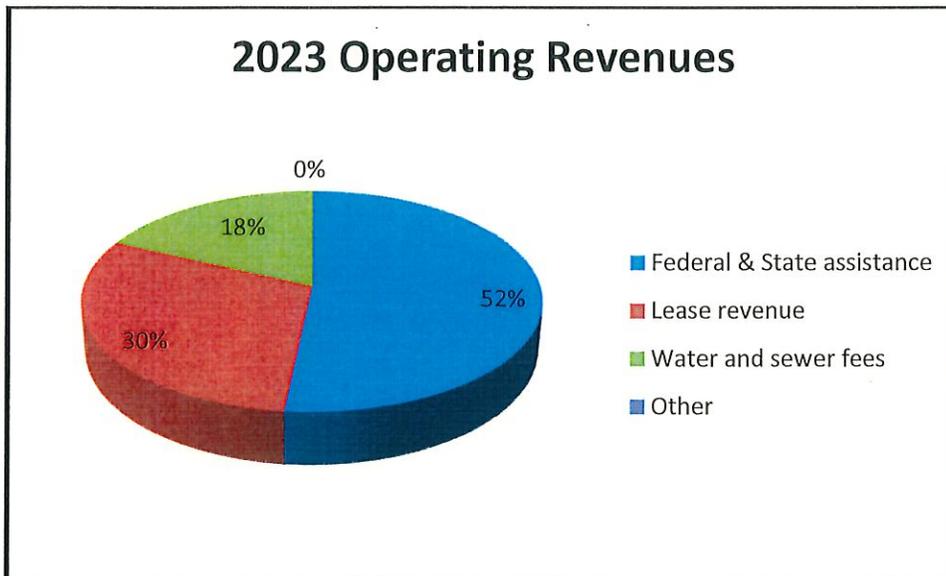
LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2023 and 2022

UNAUDITED

The Loring Development Authority's Funds

The Loring Development Authority's Funds are accounted for using the accrual basis of accounting. Total revenues and other sources amounted to \$1,631,301 in 2023 and \$2,701,441 in 2022. Operating revenues for the two years as represented in the tables below totaled \$1,584,837 in 2023 and \$2,596,278 in 2022. Federal and state grants and assistance represents 52% and 73% of the LDA's operating revenues for the last two years.

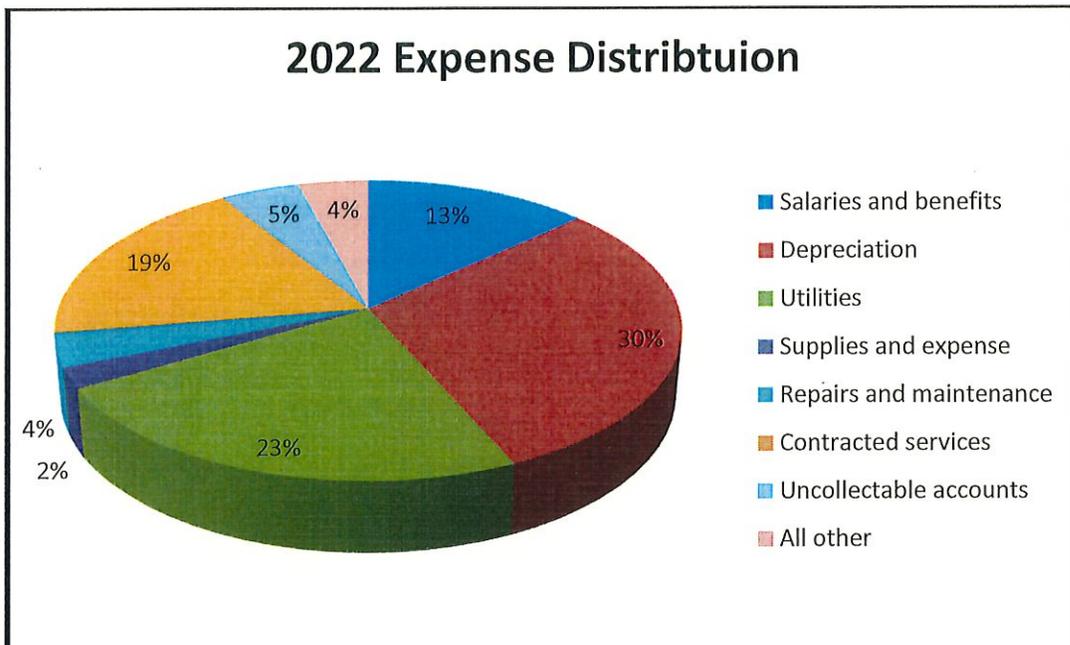
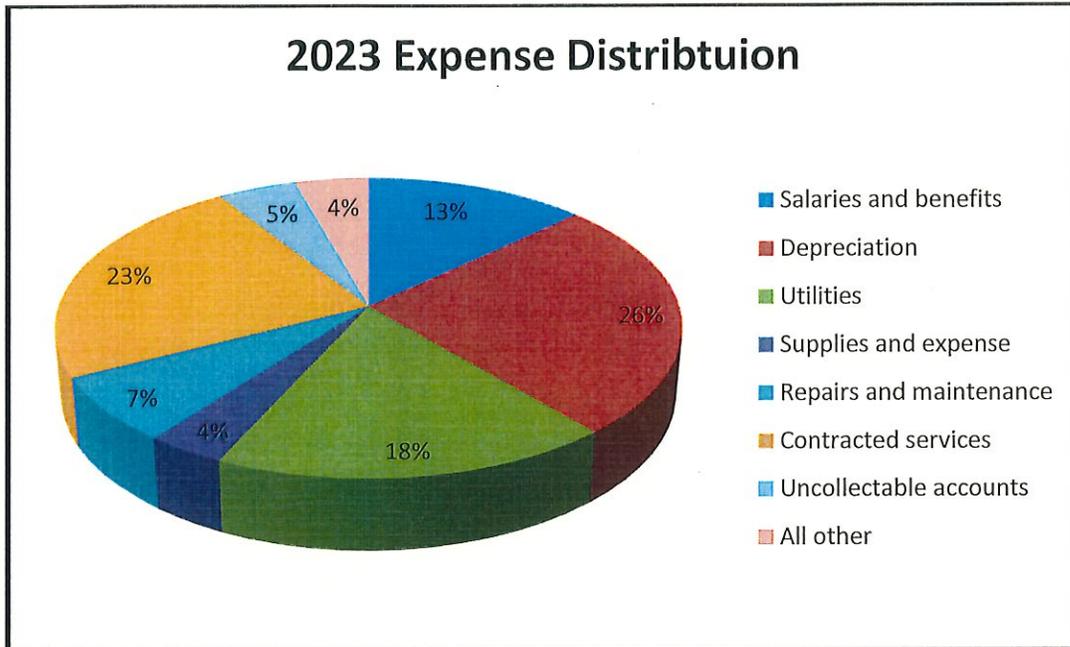


LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2023 and 2022

UNAUDITED

Operating expenses amounted to \$2,818,050 in 2023 and \$3,229,155 in 2022. The following charts reflect the expenditures for the fiscal years ended June 30, 2023 and 2022.



LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2023 and 2022

UNAUDITED

Capital Assets

At the end of fiscal year 2023, the Loring Development Authority had land, buildings, improvements, structures and facilities of \$47,267,652. A significant portion of these assets were donated to LDA by the U.S. Air Force or purchased. Net of depreciation, these assets were recorded at \$39,136,462. In 2023 the LDA sold assets with a carrying value of approximately \$13,000,000 to a private developer. Table 3 shows capital assets, net of accumulated depreciation.

Table 3

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

	<u>2023</u>	<u>2022</u>
Land	\$ 8,494,599	\$ 10,444,599
Buildings	2,488,306	11,779,978
Equipment and Improvements	4,003,801	5,529,276
Special Use Structures	3,599,419	4,720,885
Aviation Facilities	15,319,407	15,355,143
Roadways and Accessories	3,230,930	3,248,098
Pipeline	<u>2,000,000</u>	<u>2,000,000</u>
Total Net Capital Assets	\$ <u>39,136,462</u>	\$ <u>53,077,979</u>

Budgeting

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

Debt

The LDA took on bonded debt of \$454,720 in 2010 for the purpose of upgrading sewer lines. As of June 30, 2023 the balance on this debt is \$147,784.

The LDA entered into a loan agreement with USDA Rural Development in the year ended June 30, 2010. The balance as of June 30, 2023 is \$270,476.

The LDA used proceeds from the sale of land and buildings to pay off its line of credit and other debt during the year ended June 30, 2023.

LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Years Ended June 30, 2023 and 2022

UNAUDITED

On January 2, 2019 the Authority entered into an agreement with the Maine Military Authority (MMA) by which the Authority received equipment valued at \$207,000. Under the terms of the agreement the Authority could not sell or transfer ownership of the assets for a period of ten (10) years. During the ten (10) year period the Authority was obligated to pay 25% of any lease revenue received for the use of the equipment.

The State of Maine released the LDA from the agreement and allowed it to transfer the equipment as part of the real estate sale that occurred in 2023. The LDA recognized the \$207,000 as state assistance on the statement of revenues, expenditures and changes in net position.

The LDA sold real estate for \$7,250,000 with \$2,750,000 due at closing and the remaining amount due in a lump sum 10 years from the date of closing with quarterly interest payments being made during the 10-year period.

Future Developments

The LDA has developed collaborations with other economic development groups which have proven effective at identifying development prospects and has begun working with private developers who are interested in purchasing real estate. 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 wastewater 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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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

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

Adverse and Unmodified Opinions

We have audited the accompanying financial statements of the business-type activities of the Loring Development Authority of Maine, as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Adverse

Adverse Opinion on Aggregate Discretely Presented Component Unit

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly the financial position of the Aggregate Discretely Presented Component Unit of the Loring Development Authority of Maine, as of June 30, 2023 and 2022, or the changes in financial position or cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion on Business-type Activities

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Loring Development Authority of Maine, as of June 30, 2023 and 2022, 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.

Basis for Adverse and Unmodified Opinions

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

Matter Giving Rise to Adverse Opinion on Aviation Fund on Aggregate Discretely Presented Component Unit

Management has not included the financial data for the Authority's legally separate component unit, Loring Industries, LLC in the financial statements. Accounting principles generally accepted in the United States of America require financial data for those component units to be reported with the financial data of the Authority unless the Authority also issues financial statements for the financial reporting entity that include the financial data for its component units. The Authority has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses of the business-type activities and the omitted major fund has not been determined.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages I through VII and the Schedule of Changes in Net OPEB Liability and Schedule of Employer's Share of OPEB Contributions on Page 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2023 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 solely 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 the effectiveness of the Loring Development Authority's 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 25, 2023

LORING DEVELOPMENT AUTHORITY OF MAINE

STATEMENTS OF NET POSITION

JUNE 30, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Cash and temporary investments (Note 3)	\$ 219,810	\$ 138,767
Due from State of Maine (Note 9)	611,728	539,449
Accounts receivable, net	113,376	405,685
Grants receivable	197	14,974
Current portion of notes receivable	-	2,830
Inventory	5,365	9,163
	<u>950,476</u>	<u>1,110,868</u>
FIXED ASSETS (Note 13)		
Capital assets	47,267,652	70,242,283
Less accumulated depreciation	(8,131,190)	(17,164,304)
	<u>39,136,462</u>	<u>53,077,979</u>
OTHER ASSETS		
Construction in progress	108,850	87,535
Leases receivable (Note 6)	150,623	482,248
Notes receivable (Note 12)	4,500,000	47,271
	<u>4,759,473</u>	<u>617,054</u>
TOTAL ASSETS	<u>\$ 44,846,411</u>	<u>\$ 54,805,901</u>
DEFERRED OUTFLOWS OF RESOURCES		
Prepaid expense	1,400	1,400
Deferred outflows related to OPEB (Note 19)	66,086	96,347
	<u>\$ 67,486</u>	<u>\$ 97,747</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 204,422	\$ 267,768
Accrued expenses	75,382	85,788
Short-term debt (Note 8)	-	64,990
Line of credit (Note 8)	-	1,700,000
Current portion of long-term debt	28,806	109,554
	<u>308,610</u>	<u>2,228,100</u>
LONG-TERM DEBT		
Notes Payable (Note 14)	418,260	877,679
Less Current Portion	(28,806)	(109,554)
	<u>389,454</u>	<u>768,125</u>
Due to State of Maine (Note 15)	-	207,000
	<u>389,454</u>	<u>975,125</u>
OPEB LIABILITY (Note 19)	<u>145,662</u>	<u>160,815</u>
TOTAL LIABILITIES	<u>\$ 843,726</u>	<u>\$ 3,364,040</u>
DEFERRED INFLOWS OF RESOURCES		
Grants authorized and unexpended (Note 9)	97,866	12,866
Unearned lease revenue (Note 6)	100,008	100,008
Unearned revenue (Note 7)	150,623	482,248
Deferred inflows related to OPEB (Note 19)	31,912	28,711
Prepaid rent	1,933	12,583
	<u>\$ 382,342</u>	<u>\$ 636,416</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 382,342</u>	<u>\$ 636,416</u>
NET POSITION		
Invested in capital assets, net of related debt	38,827,053	52,369,679
Unrestricted	4,860,776	(1,466,487)
TOTAL NET POSITION	<u>\$ 43,687,829</u>	<u>\$ 50,903,192</u>

See notes to financial statements

LORING DEVELOPMENT AUTHORITY OF MAINE

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
OPERATING REVENUES		
State assistance (Note 9)	\$ 818,728	\$ 1,897,547
Lease revenue	480,368	399,489
Water and sewer fees	285,696	284,370
Other	45	14,872
	<u>1,584,837</u>	<u>2,596,278</u>
OPERATING EXPENSES		
Salaries and benefits	369,489	430,585
Depreciation	723,896	968,899
Utilities	509,277	753,682
Supplies and expense	102,820	74,338
Repairs and maintenance	198,667	116,263
Contracted services	658,087	599,330
Legal and audit	11,605	6,287
Insurance	9,880	47,976
Communications	12,581	13,282
Travel	1,858	2,050
Interest expense and bond bank fees	72,384	64,622
Marketing	15,600	514
Uncollectable accounts	131,906	151,327
	<u>2,818,050</u>	<u>3,229,155</u>
LOSS FROM OPERATIONS	<u>(1,233,213)</u>	<u>(632,877)</u>
NON-OPERATING REVENUES/(EXPENSES)		
Federal and State assistance for capital projects (Note 9)	20,465	102,056
Gain on sale of surplus property	210	620
Loss on asset disposal	(6,010,305)	-
Interest income	25,789	2,487
OPEB (expense)/ recovery (Note 20)	(18,309)	(20,112)
	<u>(5,982,150)</u>	<u>85,051</u>
CHANGE IN NET POSITION	<u>(7,215,363)</u>	<u>(547,826)</u>
NET POSITION - BEGINNING OF YEAR	<u>50,903,192</u>	<u>51,451,018</u>
NET POSITION - END OF YEAR	<u>\$ 43,687,829</u>	<u>\$ 50,903,192</u>

See notes to financial statements

LORING DEVELOPMENT AUTHORITY OF MAINE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,047,723	\$ 795,646
Cash received from governmental assistance	746,449	1,458,098
Cash received from other sources	45	14,872
Cash paid for salaries and benefits	(379,895)	(401,543)
Cash paid for contract services	(658,087)	(599,330)
Cash paid for goods and services	(1,053,742)	(1,310,416)
Interest paid	<u>(72,384)</u>	<u>(64,622)</u>
Net cash used in operating activities	<u>(369,891)</u>	<u>(107,295)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Net advances on line of credit	(1,700,000)	-
Proceeds (Payments) on short-term debt	(64,990)	(35,010)
Proceeds from long-term debt	-	-
Interest received	<u>25,789</u>	<u>2,487</u>
Net cash used in non-capital financing activities	<u>(1,739,201)</u>	<u>(32,523)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for capital acquisitions and construction	(34,940)	(87,535)
Payments on long-term debt	(666,419)	(102,882)
Payments received on note receivable	2,771,252	302,699
Proceeds from capital grants	120,242	78,002
Sale of property	-	620
Net cash provided by capital financing activities	<u>2,190,135</u>	<u>190,904</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	81,043	51,086
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>138,767</u>	<u>87,681</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>219,810</u>	<u>138,767</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED IN OPERATING ACTIVITIES		
Loss from operations	<u>(1,233,213)</u>	<u>(632,877)</u>
Adjustments to reconcile loss from operations to net cash used in operating activities		
Depreciation	723,896	968,899
OPEB expense (recovery)	(18,309)	(20,112)
Changes in assets and liabilities		
Operating accounts receivable, net	292,309	106,114
Operating funds due from other governments	(72,279)	(439,449)
Inventory	3,798	(4,438)
Leases receivable	331,625	(482,248)
Accounts payable	(63,346)	(140,259)
Prepaid rent	(10,650)	6,172
Accrued expenses	(10,406)	29,042
Unearned lease revenue	(331,625)	481,749
Deferred outflows related to OPEB	30,261	(88,940)
OPEB Liability	(15,153)	120,294
Deferred inflows related to OPEB	<u>3,201</u>	<u>(11,242)</u>
	<u>863,322</u>	<u>525,582</u>
Net cash provided used in operating activities	<u>\$ (369,891)</u>	<u>\$ (107,295)</u>

See notes to financial statements

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS

(1) HISTORY OF THE ORGANIZATION

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

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

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

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

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

The LDA is comprised of business-type activities only. As prescribed by Section Sp20 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, *Special Purpose Governments*, only the financial statements required for enterprise funds are presented.

Measurement focus

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

Use of estimates

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

Budgetary information

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

Cash and cash equivalents

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

Defining operating revenues and expenses

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

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

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

Deferred Outflows of Resources

The LDA reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its statement of net position. Deferred outflows of resources as of June 30, 2023 consist of prepaid utility expenses and items relating to other post-employment benefits.

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 #6, Note #7, Note #9 and Note #21.

(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 \$219,810 and \$138,767 as of June 30, 2023 and 2022, respectively.

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

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

As of June 30, 2023 and 2022 the Authority's entire cash and temporary investment balances are classified as Category 1.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(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, 2023 and 2022 is \$12,198 and \$23,158, 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. Accrued contributions to the plan, at 5% of regular gross wages, totaled \$15,211 and \$17,173 for the years ended June 30, 2023 and 2022.

(6) RENTAL OF FACILITIES

The Authority has leased land and buildings at Loring to various third parties under non-cancellable operating leases requiring fixed payments through 2026. The leases provide for varying terms and conditions.

As of June 30, 2023, the future minimum lease payments, discounted at a rate of 6.5%, for the next 5 years are as follows:

<u>Fiscal year ending June 30:</u>	<u>Amount</u>
2024	55,925
2025	27,997
2026	30,018
2027	17,730
2028	18,953
	<u>\$150,623</u>

The discounted lease receivable amount has also been recorded as a deferred inflow of resources as of June 30, 2023.

(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.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(7) DEFERRED INFLOWS OF RESOURCES (cont'd.)

As of June 30, 2023 and 2022 the amount included as deferred inflows was \$100,008. The balance consists of a \$100,000 partial payment of a fee for an exclusive negotiation period received from CSJ Green Eco-Energy development company and the remaining \$8 is an advance on a property insurance claim.

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

(8) LINE OF CREDIT AND SHORT-TERM DEBT

The Authority had a variable rate operating line of credit with Machias Savings Bank with interest payable at 70% of "Wall Street Prime" with a maximum limit of \$1,500,000. On January 18, 2022 the line was modified and extended with a maximum limit of \$1,700,000. As of June 30, 2022, the line of credit balance was \$1,700,000, leaving \$0 available for use. The line was paid in full and closed on January 26, 2023. The line was secured by the Authority's accounts and notes receivable, with mortgages on buildings 8700, 8702 and 7230 and other general intangibles.

On March 12, 2021 the Authority was advanced \$100,000 from Northern Maine Development Commission to be used as working capital. The balance was due in full on or before September 12, 2021 including interest accrued at 4% per annum. On June 13, 2022 the parties signed a modification agreement which extended the maturity date to July 15, 2022. As of June 30, 2023 the advance was paid in full.

(9) PUBLIC SECTOR FUNDING

The LDA is currently funded through the following public sources:

(A) State of Maine:

Tax Increment Financing – On July 5, 1996, the State Legislature enacted LD 1741 establishing the Loring Job Increment Financing Fund (Fund). The Fund, which has a term of thirty years, was created to establish a supplemental source of funding to subsidize future municipal service costs. This Fund will receive state income tax withholding revenues which can be attributed to incremental jobs created at Loring and will be based upon 50% of the State income tax withholding from these incremental jobs. 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 \$611,728 and \$539,449 for the years ending June 30, 2023 and 2022, respectively.

Department of Transportation (DOT) – The state of Maine DOT awarded the Authority a grant of \$1,000,000 for airport facility renovations. \$0 was spent in the year ended June 30, 2023 and 2022. \$7,825 of the balance was unexpended as of June 30, 2022 and is recorded as grants authorized and unexpended.

Department of Economic and Community Development (DECD) – The Authority received \$85,000 in 2023 for the purpose of renovations that will upgrade infrastructure. \$0 was expended in the year ended June 30, 2023. \$85,000 remains to be spent and is recorded as grants authorized and unexpended.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

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

(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. \$0 of these funds were spent in the year ended June 30, 2023 while for the year ended June 30, 2022 the Authority expended \$9,080 of these funds on the water system. \$5,041 remains to be spent and is recorded as grants authorized and unexpended.

(10) CONCENTRATION OF RISK

Federal and State funding

The LDA received approximately 50% of its operating revenue from state funding for the year ended June 30, 2023. The ability to continue its operations is dependent on continued funding.

Accounts receivable

For the year ended June 30, 2023, approximately 64.7% of the Authority's accounts receivable was due from 1 customer. \$455,635 (100%) of this amount has been reserved as a doubtful account.

(11) ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are shown on the Statements of Net Position net of the allowance for doubtful accounts. The allowance for doubtful accounts was \$661,635 and \$555,635 for the years ended June 30, 2023 and 2022, respectively.

(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 July 2035 the original note contained a final balloon payment in the amount of \$55,595 due July 2020 which the borrower was unable to pay so the parties have agreed to extend the note term. The note is secured by the building. The note balance as of June 30, 2022 was \$50,101. In 2023 the note was sold as part of the sale of real estate and other assets for its carrying value.

Green 4 Maine, LLC

On January 25, 2023, the LDA transferred assets, comprised of real estate and other assets, for a total of \$7,250,000. The LDA received \$2,750,000 cash at closing and a \$4,500,000 promissory note. The note is payable to the LDA in quarterly installments of interest only at 2% (\$22,500) beginning on April 25, 2023 and continuing through January 25, 2033.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(12) NOTES RECEIVABLE (cont'd.)

Principal payments on the note in the amount of \$100,000 are due on the third, fifth and seventh anniversary of the note (progress payments). The remaining balance is due in full on the maturity date of January 25, 2033. The note is secured by a mortgage on the real estate.

(13) CAPITAL ASSETS

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

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

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

On June 30, 2017 the Authority adjusted the values of buildings that were contributed by the United States Air Force to reflect revised estimates of the buildings' potential future use and value to the Authority. The adjustment reduced the original value by \$7,482,924. The total accumulated depreciation on these buildings was \$2,234,222 resulting in a recognized write down in the amount of \$5,248,702. In June 2019 an additional \$37,208 was written off.

On January 25, 2023 the LDA sold capital assets with a book value of approximately \$13,230,000 to Green 4 Maine, LLC for \$7,250,000. As a result, the LDA recognized a loss on the sale in the amount of \$6,010,305.

Capital asset activity for the year ended June 30, 2023 was as follows:

CAPITAL ASSETS ACQUIRED BY LDA (HISTORICAL COST)

	Beginning Balance	Additions	Retirements	Ending Balance
<u>Capital Assets</u>				
Land	10,000			10,000
Equipment and improvements	<u>11,831,612</u>	<u>13,625</u>	<u>(2,809,847)</u>	<u>9,035,390</u>
Total at historical cost	<u>11,841,612</u>	<u>13,625</u>	<u>(2,809,847)</u>	<u>9,045,390</u>
<u>Less Accumulated Depreciation</u>				
Equipment and improvements	<u>4,753,604</u>	<u>346,423</u>	<u>(1,202,608)</u>	<u>3,897,419</u>
Total Accumulated Depreciation	<u>4,753,604</u>	<u>346,423</u>	<u>(1,202,608)</u>	<u>3,897,419</u>
Capital assets at historical cost, net	<u>7,088,008</u>	<u>(332,798)</u>	<u>(1,607,239)</u>	<u>5,147,971</u>

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(13) CAPITAL ASSETS (cont'd.)

CAPITAL ASSETS ACQUIRED FROM U. S. AIR FORCE

	Beginning Balance	Additions	Retirements	Ending Balance
<u>Capital Assets</u>				
Land	<u>10,434,599</u>		<u>(1,950,000)</u>	<u>8,484,599</u>
Buildings				
In use	4,747,037		(4,460,345)	286,692
Leased	15,185,894		(12,451,294)	2,734,600
Not in use	<u>1,666,025</u>		<u>(1,243,770)</u>	<u>422,255</u>
	<u>21,598,956</u>		<u>(18,155,409)</u>	<u>3,443,547</u>
Equipment				
In use	102,500	16,000		118,500
Not in use	<u>89,000</u>		<u>(89,000)</u>	<u>-</u>
	<u>191,500</u>	<u>16,000</u>	<u>(89,000)</u>	<u>118,500</u>
Special use structures				
Water plant and distribution	<u>5,080,033</u>			<u>5,080,033</u>
Other facilities and improvements				
Aviation facilities				
Runways	9,472,226			9,472,226
Structures	6,105,861			6,105,861
Fuel pipeline	<u>2,000,000</u>			<u>2,000,000</u>
	<u>17,578,087</u>			<u>17,578,087</u>
Roadways and accessories	<u>3,517,496</u>			<u>3,517,496</u>
Capital assets from U.S. Air Force	<u>58,400,671</u>	<u>16,000</u>	<u>(20,194,409)</u>	<u>38,222,262</u>

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(13) CAPITAL ASSETS (cont'd.)

	Beginning Balance	Additions	Retirements	Ending Balance
<u>Less Accumulated Depreciation</u>				
Buildings	<u>9,717,376</u>	<u>259,872</u>	<u>(8,554,402)</u>	<u>1,422,846</u>
Equipment In use	<u>102,500</u>	<u>16,000</u>		<u>118,500</u>
Special use structures Water plant and distribution	<u>2,590,824</u>	<u>101,601</u>		<u>2,692,425</u>
Total Accumulated Depreciation	<u>12,410,700</u>	<u>377,473</u>	<u>(8,554,402)</u>	<u>4,233,771</u>
Capital assets acquired from U. S. Air Force, net	<u>45,989,971</u>	<u>(361,473)</u>	<u>(11,640,007)</u>	<u>33,988,491</u>
TOTAL CAPITAL ASSETS				
Capital assets	70,242,283	29,625	(23,004,256)	47,267,652
Less Accumulated Depreciation	<u>(17,164,304)</u>	<u>(723,896)</u>	<u>9,757,010</u>	<u>(8,131,190)</u>
	<u>53,077,979</u>	<u>(694,271)</u>	<u>(13,247,246)</u>	<u>39,136,462</u>

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

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

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

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

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(14) LONG-TERM DEBT

As of June 30 long-term debt consisted of:

	<u>2023</u>	<u>2022</u>
Note payable to Northern Maine Development Commission, payable in monthly installments of \$1,506 including interest at 3% per annum, matures May 2023; secured by assets of the Authority. Paid in full January 2023.		19,447
Note payable to Northern Maine Development Commission, payable in monthly installments of \$3,857 including interest at 6% per annum, matures June 2025; secured by assets of the Authority. Paid in full January 2023.		138,844
Note payable to USDA Rural Development, payable in annual installments of \$14,860 including interest at 3.25% per annum, matures August 2050; secured by assets of the Authority	270,476	276,355
Note payable to US Small Business Administration, obtained through the EIDL program, payable in monthly installments of \$643 including interest at 2.75% per annum beginning June 2023, matures December 2050; unsecured. Paid in full January 2023.		150,000
Note payable to Katahdin Trust Company, payable in monthly installments of \$2,488 including interest at 6.5% per annum, matures December 2026; secured by real estate. Paid in full January 2023.		122,513
Bond payable to the Maine Municipal Bond Bank, payable in semi-annual installments of \$11,368 plus bond bank fees of \$569 per installment, matures October 2029. Interest rate is 0%.	147,784	170,520
	418,260	877,679
Less current portion	(28,806)	(109,554)
	<u>389,454</u>	<u>768,125</u>

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

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

Future long-term debt obligations are as follows for the year ended June 30, 2023:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
6/30/2024	28,806	8,790	37,596
6/30/2025	29,003	8,592	37,595
6/30/2026	29,206	8,389	37,595
6/30/2027	29,417	8,178	37,595
6/30/2028	29,634	7,961	37,595
2029-33	72,106	36,268	108,374
2034-38	44,591	29,678	74,269
2039-43	52,324	21,945	74,269
2044-48	61,398	12,871	74,269
2049-53	<u>41,775</u>	<u>2,742</u>	<u>44,517</u>
Total	<u>418,260</u>	<u>145,414</u>	<u>563,674</u>

Long-term debt activity for the year ended June 30, 2023 is as follows:

	<u>Beginning Balance</u>	<u>Advances</u>	<u>Payments</u>	<u>Ending Balance</u>
Long-Term Debt				
Note payable –NMDC	19,447		19,447	-
Note payable – NMDC	138,844		138,844	-
Note payable-USDA	276,355		5,879	270,476
Note payable – US SBA	150,000		150,000	-
Note payable-Katahdin Trust Company	122,513		122,513	-
Bond payable – MMBB	<u>170,520</u>	_____	<u>22,736</u>	<u>147,784</u>
	<u>877,679</u>	=====	<u>459,419</u>	<u>418,260</u>
Other Long-Term Obligations				
OPEB liabilities	<u>160,815</u>		<u>15,153</u>	<u>145,662</u>

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(15) DUE TO STATE OF MAINE

On January 2, 2019 the Authority entered into an agreement with the Maine Military Authority (MMA) by which the Authority received equipment valued at \$207,000. Under the terms of the agreement the Authority cannot sell or transfer ownership of the assets for a period of ten (10) years. During the ten (10) year period the Authority is obligated to pay 25% of any lease revenue received for the use of the equipment. On January 25, 2023 the equipment was transferred as part of the asset sale to Green 4 Maine, LLC with permission from the State of Maine. The LDA was released from the obligation to repay the MMA and the amount of \$207,000 was recognized as state assistance on the statement of revenues, expenditures and changes in net position.

(16) SUBSEQUENT EVENTS

Management has evaluated subsequent events occurring through September 25, 2023, 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, 2023, 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 payroll tax and is required to file the appropriate tax returns. Management believes that all required returns have been properly filed as of June 30, 2023. No examinations have been conducted by the Federal or State taxing authorities and no correspondence has been received from these authorities.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(19) 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 47,921	\$ 19,141
Payments subsequent to the measurement date	3,844	
Difference between projected and actual earnings on OPEB plan investments		
Changes of assumptions	<u>14,321</u>	<u>12,771</u>
	<u>\$ 66,086</u>	<u>\$ 31,912</u>

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

Year ended June 30:

2024	20,939
2025	17,095
2026	(3,860)
2027	0
2028	0
Thereafter	0

As of January 1, 2023, the plan membership data is comprised of 2 active members with only an implicit benefit.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(19) OPEB OBLIGATIONS (cont'd.)

Key Assumptions

Measurement Date:	January 1, 2023
Discount Rate:	3.72% per annum for year-end 2022/23 reporting 2.06% per annum for year-end 2021/22 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:	A husband is assumed to be 3 years older than his wife
Assumed rate of retirement:	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:	2.75% per year
Changes in assumptions:	Funding method was changed from Projected Unit Credit funding to Entry Age Normal funding method.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(19) OPEB OBLIGATIONS (cont'd.)

Discount Rate

The discount rate used to measure the OPEB liability was 3.72% based on a measurement date of January 1, 2023. 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 (NOL) as of June 30, 2022 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 2.06%.

1% Decrease	Current Discount Rate	1% Increase
2.72%	3.72%	4.72%
\$164,428	\$145,662	\$129,864

A 1% decrease in the healthcare trend rate increases the NOL by approximately 12.9% while a 1% increase in the healthcare trend rate decreases the TOL by approximately 10.8%.

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
\$128,778	\$145,662	\$165,512

A 1% decrease in the healthcare trend rate decreases the TOL by approximately 11.6% while a 1% increase in the healthcare trend rate increases the TOL by approximately 13.6%.

(20) LEASING

The Authority follows GASB #87 in regard to reporting leases. The policy is applied to contracts entered or changed, on or after July 1, 2021. The Authority assesses whether a contract is or contains a lease. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Authority assesses whether; the contract involves the use of an identified asset, if the Authority has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use and if the Authority has the right to direct the use of the asset. The Authority recognizes a right of use asset and a lease liability at the lease commencement date.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(20) LEASING (cont'd.)

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of the right of use assets are determined on the same basis as those for property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Authority's incremental borrowing rate. Generally, the Authority will use the incremental borrowing rate as the discount rate. The Authority has elected not to separate non-lease components of the contract and account for the lease and non-lease components as a single lease component.

When the Authority acts as a lessor, it determines at lease inception whether each lease is classified as a short-term lease, a contract that transfers ownership, or all other leases. Under GASB #87 a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. If the underlying asset transfers ownership to the lessee by the end of the contract, the transaction should be reported as a financed purchase of the underlying asset by the lessee, or sale of the asset by the lessor. GASB #87 requires the recognition of lease payments received under short-term financing leases as income on a straight-line basis over the lease term. For long-term leases whereby the lessee has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use and has the right to direct the use of the asset the Authority recognizes a lease receivable and deferred revenue for the remaining lease term discounted at 6.5% to net present value.

A short-term lease is defined as a lease that, at the commencement date, has a lease term of 12 months or less and does not include an option to extend that the lessee is reasonably certain to exercise. Under GASB #87 lease transactions of buildings and equipment that have a lease term of 12 months or less are recognized in the statement of activities as an expense on a straight-line basis over the lease term in the period in which the obligation for those payments has occurred.

(21) COMPONENT UNIT

In February 2021 the Authority acquired a 100% membership interest in Loring Industries, LLC upon the death of the LLC's sole member. The member's heirs did not wish to obtain the LLC and disclaimed this portion of the estate. The LLC was terminated in March 2023.

Management has not presented any financial information related to Loring Industries, LLC in its financial statements for the years ended June 30, 2023 and 2022.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(22) SUMMARY OF ACTIVITIES

<u>Function</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total</u>
General operations	<u>(2,836,359)</u>	<u>766,064</u>	<u>-</u>	<u>20,465</u>	<u>(2,049,830)</u>
General revenues:					
State appropriations					207,000
Loring Job Incremental Financing					611,728
Interest income					25,789
Sale of surplus property					(6,010,095)
Other income					45
Total general revenues					<u>(5,165,533)</u>
Change in net position					(7,215,363)
Net position - July 1, 2022					<u>50,903,192</u>
Net position - June 30, 2023					<u>43,687,829</u>

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

Non-cash investing and financing activities are as follows:	<u>2023</u>	<u>2022</u>
None	-	-

REQUIRED SUPPLEMENTARY INFORMATION

LORING DEVELOPMENT AUTHORITY OF MAINE

SCHEDULE OF CHANGES IN NET OPEB LIABILITY

FOR THE YEAR ENDED JUNE 30, 2023

Total OPEB Liability	2023	2022	2021	2020	2019	2018
Service cost (BOY)	\$ 1,742	\$ 2,825	\$ 2,452	\$ 1,365	\$ 1,574	\$ 2,175
Interest (includes interest on service cost)	3,316	915	1,022	3,404	3,011	3,819
Changes of benefit terms	-	-	-	(680)	-	-
Differences between expected and actual experience	-	95,843	-	(57,421)	-	(29,471)
Changes of assumptions	(17,028)	21,056	2,382	7,802	(6,685)	12,105
Benefit payments, including refunds of member contributions	(3,183)	(345)	(332)	(2,243)	(2,157)	(907)
Net Change in total OPEB Liability	\$ (15,153)	\$ 120,294	\$ 5,524	\$ (47,773)	\$ (4,257)	\$ (12,279)
Total OPEB Liability - Beginning	\$ 160,815	\$ 40,521	\$ 34,997	\$ 82,770	\$ 87,027	\$ 99,306
Total OPEB Liability - Ending	\$ 145,662	\$ 160,815	\$ 40,521	\$ 34,997	\$ 82,770	\$ 87,027

LORING DEVELOPMENT AUTHORITY OF MAINE

SCHEDULE OF EMPLOYER'S SHARE OF OPEB CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 2023

Plan Fiduciary Net Position	2023	2022	2021	2020	2019	2018
Contributions - Employer	3,183	345	332	2,243	2,157	907
Contributions - Member	-	-	-	-	-	-
Net investment income	-	-	-	-	-	-
Benefit payments, including refunds of member contributions	(3,183)	(345)	(332)	(2,243)	(2,157)	(907)
Administrative expense	-	-	-	-	-	-
Net change in plan fiduciary net positions	-	-	-	-	-	-
Total Fiduciary Net Position - Beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Fiduciary Net Position - Ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position as a percentage of the total OPEB liability	0%	0%	0%	0%	0%	0%
Covered employee payroll	124,762	124,762	251,783	251,783	402,382	402,382
Net OPEB liability as a percentage of covered employee payroll	116.8%	128.9%	16.1%	13.9%	20.6%	21.6%

Supplementary schedule starts with one year of information as of the implementation of GASB No. 75, but eventually will build up to 10 years of information. The schedule above shows changes in TOL and related ratios required by GASB No. 75.

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

ADDITIONAL REPORT



Chester M. Kearney

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Barbara E. McGuire, CPA, CGMA
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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 the business-type activities of the Loring Development Authority of Maine as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Loring Development Authority of Maine's basic financial statements, and have issued our report thereon dated September 25, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

Report on 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 financial statements. 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 25, 2023