



(A Component Unit of the State of Maine)

Financial Report

December 31, 2009

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Independent Auditors' Report

Board of Trustees
Midcoast Regional Redevelopment Authority
Brunswick, Maine

We have audited the accompanying financial statements of the Midcoast Regional Redevelopment Authority, a component unit of the State of Maine, as of and for the years ended December 31, 2009 and 2008, which collectively comprise the Authority's basic financial statements as listed in the contents page. These financial statements are the responsibility of the Midcoast Regional Redevelopment Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Midcoast Regional Redevelopment Authority as of December 31, 2009 and 2008, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 4 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Augusta, Maine
DATE 2010

**Midcoast Regional Redevelopment Authority
Management's Discussion and Analysis
December 31, 2009**

Introduction

This report identifies the financial position of the Midcoast Regional Redevelopment Authority (MRRRA) and describes MRRRA's financial activities over the past year. This section of MRRRA's annual financial report is known as Management's Discussion and Analysis and presents our discussion and analysis of MRRRA's financial performance during our second year of operation.

This Management Discussion and Analysis (MD&A) is an analysis of the financial condition and operating results of MRRRA and is intended to introduce the basic financial statements and notes to those statements. It is intended to provide an objective and easily readable analysis of MRRRA's financial activities based on currently known facts, decisions or conditions. This MD&A should be read in conjunction with MRRRA's financial statements and accompanying notes.

Financial Highlights

MRRRA's overall financial position is stable. Funding sources are somewhat diversified with the major resources being comprised of Federal and State grants and contracted services. This year's net asset position is a negative \$10,162. This is largely attributable to the accumulated, but unfunded, accrued compensated balances at yearend of \$15,490 and unfunded depreciation on MRRRA assets of \$13,760. State and Federal funding sources do not allow for the funding of these expenses. The Finance Committee and Board of Trustees are aware of this unfunded balance sheet deficit (see Finance Committee meeting notes of (January 12, 2010) and intend on using future unrestricted income sources to fund these balance sheet shortfalls. In 2008, accrued compensated balances at year end were expensed against salary and wage line items, thereby not reducing unrestricted net assets.

MRRRA also has minimal debt, only having purchased a single vehicle and entering into a capital lease for a photocopier.

Overview of the Financial Statements

Under Governmental Accounting Standards Board Statement No. 34, the Authority presents only its basic financial statements as all governmental activities are accounted for within a single proprietary (enterprise) fund.

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include the balance sheet; statement of revenues, expenses and changes in net assets; statement of cash flows; and notes to the financial statements.

The balance sheet presents the financial position of the Authority on a full accrual basis of accounting with the fixed assets recorded at historical cost. The balance sheet presents information on all of the Authority's assets and liabilities, with the difference reported as net assets. Over time, increases and decreases in net assets are one indicator of whether the financial position of the Authority is improving or deteriorating. While the attached financial statements report that the net assets at year end has moved from \$18,788 in

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2008 to (\$10,162) in 2009, it should be noted that accrued compensated balances were expensed in 2008 against salaries and wages and in 2009 were shown as a balance sheet unfunded accrual.

While the balance sheet provides information about the nature and amount of resources and obligations at year-end, the statement of revenues, expenses and changes in net assets presents the results of the business activities over the course of the fiscal year and information as to how the net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

The statement of cash flows presents changes in cash and cash equivalents, resulting from operational, investing, and capital and related financing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

The financial statements were prepared by the Deputy Director from the detailed books and records of the Authority, which were audited by independent auditors.

Summary of Organization and Business

The Midcoast Regional Redevelopment Authority, a component unit of the State of Maine, is a municipal corporation created by Maine law, 5 MRSA §13083-G, and charged with the responsibility to acquire and manage property at Naval Air Station Brunswick (NAS Brunswick) and the Topsham Annex and to facilitate the rapid redevelopment of properties in order to recover from economic and employment loss as result of base closure. The first meeting of the MRRRA Board of Trustees was held on September 27, 2007 in Augusta. The Board elected officers and adopted a set of bylaws for the organization at that time.

Through the bylaws, the Board of Trustees adopts an annual budget, provides for an annual audit, appoints committees and hires the Executive Director. The Executive Director is the chief executive office and is responsible for carrying out the policies of the Trustees and overseeing the daily operation of MRRRA and appointing staff.

Major Initiatives in 2009

- On April 9, 2009, MRRRA received official notice from the U.S. Department of Housing and Urban Development in Washington, D.C. that the Reuse Master Plans for the Brunswick Naval Air Station and the Topsham Annex and their respective Homeless Assistance Submissions comply with the requirements of the Base Closure Redevelopment and Homeless Assistance Act of 1994 and its implementing regulations at 24 CFR 586.
- MRRRA completed the development of the *BNAS Housing Disposition and Redevelopment Plan* funded by OEA and the Maine Housing Authority. The report addresses a broad cross section of highly technical marketing, design, financial and asset management matters that define the range of

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options available to MRRA to balance competing public and private objectives of how to manage the transition of the military family housing units into the private marketplace.

- ❑ On July 20, the Brunswick Town Council adopted an amendment to its zoning ordinance incorporating zoning language consistent with the Reuse Master Plan.
- ❑ This year MRRA initiated the planning for the Brunswick Renewable Energy Center (BREC) with grants from the Economic Development Administration and Maine Technology Institute totaling \$400,000. BREC will serve as an epicenter of Maine's renewable energy technology future; a world-renowned business complex for integrated research and development, manufacturing, testing, company incubation and productive operation of green energy technology products and services.
- ❑ In November MRRA presented its draft Operations Plan and Economic Development Conveyance (EDC) request to the Navy. The comprehensive operating plan incorporated public infrastructure needs, infrastructure investments with cost modeling and phasing, project financing, development phasing, market absorption rates, real estate sales and lease management strategies, and general operating costs under the rubric of a general property disposition strategy for NASB, including the Topsham Annex.
- ❑ In December MRRA submitted an Airport Master Plan, Airport Layout Plan and Public Benefit Conveyance (PBC) request to the Navy and the Federal Aviation Administration. The PBC application incorporates key elements of the NAS Brunswick Airport Master Plan relative to operations, financial strategy, and economic development required to successfully convert the former Navy airfield into a successful general aviation airport.

Financial Analysis

The balance sheet presents information on all of MRRA's assets and liabilities, with the difference between the two reported as net assets. The table below is a condensed summary of assets, liabilities, and net assets for the years ended December 31, 2008 and 2009.

**Midcoast Regional Redevelopment Authority
Management's Discussion and Analysis
December 31, 2009**

**Midcoast Regional Redevelopment Authority
Condensed Balance Sheet 2008 and 2009**

	2009	2008
Current Assets	\$ 394,931	\$ 121,620
Fixed Assets	41,014	50,450
Total Assets	\$ 435,945	\$ 172,070
Current Liabilities	\$ 426,488	\$ 126,049
Long Term Liabilities	19,619	27,233
Total Liabilities	446,107	153,282
Capital Assets, Net of Debt	13,780	16,009
Unrestricted	(23,942)	2,779
Total Net Assets	\$ (10,162)	\$ 18,788

By far the largest portion of the capital assets, net of debt, is the computer equipment and printer equipment transferred to the MRRRA by the Brunswick Local Redevelopment Authority (BLRA) in 2008.

Nearly 99% of current assets for 2009 include grant receivables from OEA and CDBG of \$338,993 and cash holdings of \$50,851. Fixed assets net of depreciation include the 2008 Ford Escape MRRRA purchased in 2008 along with computer equipment and printers for a staff of six. During 2009, MRRRA purchased two additional laptop computers and Office Pro computer software.

Liabilities include \$125,000 due on a line of credit from Bath Savings Institution in anticipation of the grant receivables from OEA of \$301,078 and CDBG funds of \$33,738 from the State of Maine through the Town of Brunswick. MRRRA also had accounts payable totaling \$207,081 and a deferred revenue on the Alternative Energy Feasibility Study of \$42,840 from the Maine Technology Institute.

**Midcoast Regional Redevelopment Authority
Management's Discussion and Analysis
December 31, 2009**

The following table presents changes in operating income:

**Condensed Statement of Revenues,
Expenses and Changes in Net Assets
2008 and 2009**

	2009	2008
Operating Revenue	\$ 1,696,887	\$ 875,431
Operating Expenses	<u>1,724,541</u>	<u>855,748</u>
Operating Income	<u>(27,654)</u>	<u>19,684</u>
Non-operating expenses	<u>(1,296)</u>	<u>(895)</u>
Non-operating loss	<u>(1,296)</u>	<u>(895)</u>
Change in Net Assets	<u>(28,950)</u>	<u>18,788</u>
Net assets, beginning of year	18,788	-
Net assets, end of year	<u>\$ (10,161)</u>	<u>\$ 18,788</u>

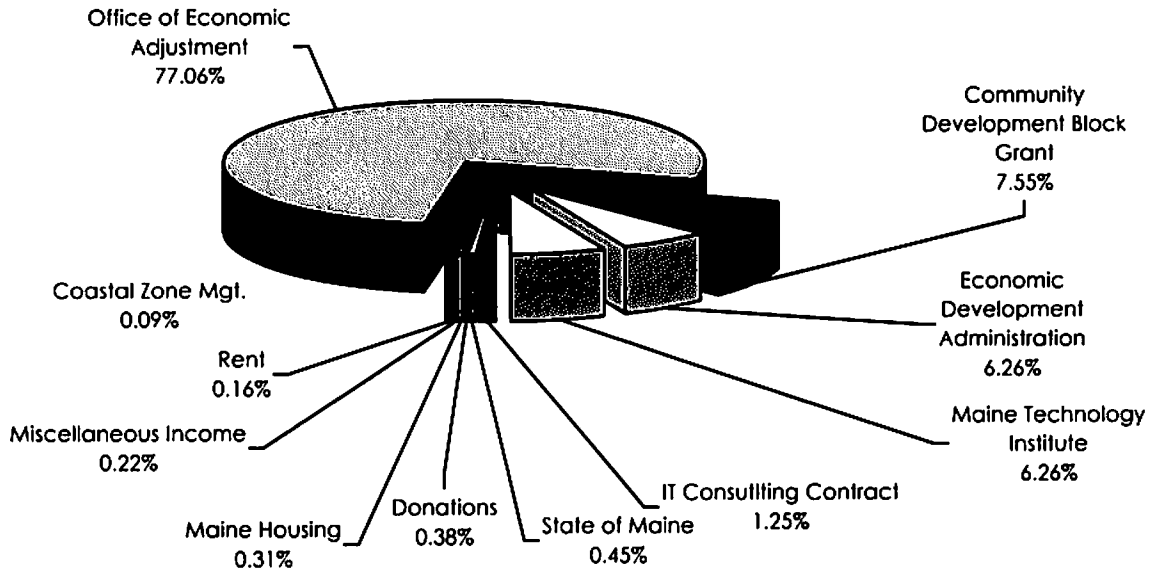
During 2009, MRRA received \$1,696,887 in grant revenue, donations and fees to attend our Annual Meeting and dinner and dispersed \$1,724,541 resulting in an operating income deficit of \$27,654 for the year. This operating deficit does not mean that MRRA over spent its budget. In December of 2008, the Office of Economic Adjustment within the Department of Defense extended the grant award for an additional year and provided an additional grant of \$702,553 and an additional CDBG Grant Award from the State of Maine to provide the ten percent local match of \$78,061. Over the two year period MRRA has total budgeted resources of \$3,193,277. Sources include:

**Sources of Revenue/Income
2008 and 2009**

OEA	\$ 2,460,667
CDBG	241,185
EDA Grant	200,000
MTI Grant	200,000
Maine DECD Contract	40,000
Governor's Contingency	14,500
Donations	12,000
Maine State Housing	10,000
Rent	5,000
Coastal Zone Management	<u>3,000</u>
Total	<u>\$ 3,193,277</u>

**Midcoast Regional Redevelopment Authority
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**Distribution of Budgeted Revenue Sources
2008 and 2009**



Across all revenue sources, MRRA had a budget surplus as of December 31, 2009 of \$612,988 including depreciation, which was not budgeted.

**Condensed Schedule of Operating Expenses – Budget to Actual
2008 and 2009**

	Budget	2009	2009	Total	Variance
Salaries, Wages and Benefits	\$ 1,437,720	\$ 613,012	\$ 582,055	\$ 1,195,067	\$ 242,653
Supplies	41,277	17,200	16,969	34,169	7,108
Professional Services	1,434,660	1,018,793	146,583	1,165,376	269,284
Property Services	36,272	10,363	20,701	31,064	5,208
Other Purchased Services	151,323	48,731	44,874	93,605	57,718
Capital Outlay	77,813	2,682	33,707	36,389	41,424
Debt Service	<u>14,212</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,212</u>
Subtotal	3,193,277	1,710,781	-	2,555,670	637,607
Depreciation	<u>-</u>	<u>13,760</u>	<u>10,859</u>	<u>24,619</u>	<u>(24,619)</u>
Total	\$ <u>3,193,277</u>	\$ <u>1,724,541</u>	\$ <u>10,859</u>	\$ <u>2,580,289</u>	\$ <u>612,988</u>

**Midcoast Regional Redevelopment Authority
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To match the budget report of December 31, 2009 presented to the Board of Trustees the following balance sheet adjustments and closed out accounts must be recognized:

Total Expenditures - Actual	\$ 2,580,289
Less Depreciation	(24,619)
Plus Capital Outlay Expenditures	14,370
Plus Principal Payment Reduction on Vehicle	9,061
Plus Principal Payment Reduction on Photocopier	2,592
2007 Expenses	1,755
Closed out Business Attraction Expenses	(11,500)
Closed Contract with Southern Midcoast Chamber	(6,000)
Closed out Rent	(5,000)
Interest Payments	<u>2,191</u>
Subtotal	(17,150)
Total Expenditures - Budgeted	<u>\$ 2,563,139</u>

Other Financial Information

There are no outstanding judgments or litigation against the Midcoast Regional Redevelopment Authority. This financial report is designed to provide a general overview of MRRA's finance and to demonstrate MRRA's accountability for the grants it receives. If you have questions about this report or need additional financial information, contact Jeffrey K. Jordan, Deputy Director, 5450 Fitch Avenue, Brunswick, Maine 04011.

Balance Sheets

December 31,

	2009	2008
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 50,815	\$ 18,462
Grants receivable	338,992	85,459
Accounts receivable		40
Prepaid expenses	5,124	17,659
	<u>394,931</u>	<u>121,620</u>
Capital Assets		
Office equipment	40,173	35,849
Vehicles	31,299	31,299
	<u>71,472</u>	<u>67,148</u>
Less: accumulated depreciation	30,458	16,698
	<u>41,014</u>	<u>50,450</u>
Total Assets	<u>\$ 435,945</u>	<u>\$ 172,070</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Line of credit	\$ 125,000	
Accounts payable	207,081	\$ 22,695
Accrued expenses	8,500	7,500
Accrued payroll and related liabilities	19,962	15,979
Accrued compensated absences	15,490	12,271
Deferred revenue	42,840	60,396
Current portion of long-term debt	6,114	5,811
Current portion of capital lease payable	1,501	1,397
	<u>426,488</u>	<u>126,049</u>
Non-current Liabilities		
Long-term debt, net of current portion	16,124	22,237
Capital lease, net of current portion	3,495	4,996
	<u>19,619</u>	<u>27,233</u>
Total Liabilities	<u>446,107</u>	<u>153,282</u>
Net Assets		
Invested in capital assets, net of related debt	13,780	16,009
Unrestricted	(23,942)	2,779
	<u>(10,162)</u>	<u>18,788</u>
Total Liabilities and Net Assets	<u>\$ 435,945</u>	<u>\$ 172,070</u>

Statements of Revenues, Expenses and Changes in Net Assets

Years Ended December 31,

	2009	2008
Operating Revenue		
Federal grants	\$ 1,657,376	\$ 822,214
State grants	23,066	33,360
In-kind revenue		12,377
Rental income		5,000
Donations	12,000	
Other income	4,445	2,480
	<u>1,696,887</u>	<u>875,431</u>
Operating Expenses		
Salaries, taxes, and benefits	613,012	582,055
Supplies	17,200	16,969
Professional services	1,018,793	146,583
Property services	10,363	20,701
Other purchased services	48,731	44,874
Capital outlay	2,682	33,707
Depreciation expense	13,760	10,859
	<u>1,724,541</u>	<u>855,748</u>
Operating Income (Loss)	<u>(27,654)</u>	<u>19,683</u>
Non-operating Expense		
Interest	<u>(1,296)</u>	<u>(895)</u>
Non-operating Loss	<u>(1,296)</u>	<u>(895)</u>
Change in Net Assets	(28,950)	18,788
Net Assets, Beginning of Year	<u>18,788</u>	<u> </u>
Net Assets, End of Year	<u>\$ (10,162)</u>	<u>\$ 18,788</u>

Statements of Cash Flows

Years Ended December 31,

	2009	2008
Cash flows from operating activities		
Proceeds from operating federal grants	\$ 1,386,287	\$ 586,889
Proceeds from operating state grants	23,066	29,770
Other operating cash receipts	16,485	7,440
Cash payments to employees for services	(605,810)	(553,805)
Payments to vendors	<u>(899,848)</u>	<u>(250,298)</u>
Net change in cash from operating activities	<u>(79,820)</u>	<u>(180,004)</u>
Cash flows from capital and related financing activities		
Purchase of capital assets	(4,324)	(10,046)
Proceeds from line of credit	125,000	
Interest paid on capital debt	(1,296)	(895)
Principal payments on capital lease	(1,397)	(1,194)
Principal payments on long term debt	<u>(5,810)</u>	<u>(3,251)</u>
Net change in cash from capital and related financing activities	<u>112,173</u>	<u>(15,386)</u>
Net change in cash and cash equivalents	32,353	(195,390)
Cash and cash equivalents at beginning of year	<u>18,462</u>	<u>213,852</u>
Cash and cash equivalents at end of year	<u><u>\$ 50,815</u></u>	<u><u>\$ 18,462</u></u>
Reconciliation of operating income to net cash provided by operating activities		
Operating income (loss)	<u>\$ (27,654)</u>	<u>\$ 19,683</u>
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:		
Depreciation	13,760	10,859
In-kind revenue		(12,377)
(Increase) decrease in operating assets:		
Increase in accounts receivable	40	(40)
Increase in federal grants receivable	(253,533)	(81,869)
Increase in state grants receivable		(3,590)
Increase in prepaid expenses	12,535	(17,659)
Increase (decrease) in operating liabilities:		
Increase in accounts payable	184,386	22,695
Increase in accrued vacation	3,219	12,271
Increase in accrued payroll and related liabilities	3,983	15,979
Increase in deferred revenue	(17,556)	(153,456)
Increase in accrued expenses	1,000	7,500
Total adjustments	<u>(52,166)</u>	<u>(199,687)</u>
Net change in cash from operating activities	<u><u>\$ (79,820)</u></u>	<u><u>\$ (180,004)</u></u>

Non-cash transactions:

During the year ended December 31, 2008, the Authority entered into a note payable to acquire a vehicle at a cost of \$31,299.

During the year ended December 31, 2008, the Authority entered into a capital lease obligation to acquire office equipment at a cost of \$7,588.

Notes to Financial Statements

December 31, 2009 and 2008

NOTE 1 – NATURE OF THE ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of the Entity

The Midcoast Regional Redevelopment Authority (MRRA) (the Authority) was created by an Act of the State of Maine in 2005, by the State of Maine Legislature and charged with the responsibility to acquire and manage Naval Air Station Brunswick (NASB) properties in both Brunswick and Topsham and implement the Reuse Master Plans for each.

These basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (standards and interpretations), constitute GAAP for governmental units. GAAP also includes guidance from the American Institute of Certified Public Accountants (AICPA) in the publication entitled, State and Local Governments, and the Financial Accounting Standards Board (FASB) (when applicable). The Authority has selected to consistently not follow FASB pronouncements issued subsequent to November 30, 1989 as permitted under GASB Statement No. 20. The more significant of the Authority's accounting policies are described below.

Reporting Entity

This report includes information about the Authority's proprietary fund. An analysis of certain criteria was made to determine if other governmental units should be included in this report. In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The criterion used defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either (a) the ability to impose will by the primary government, or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens.

It is the Authority's judgment, based on all pertinent facts derived from the analysis of these criteria, that there are no entities that should be included as part of these financial statements.

Under these Standards, the Authority is considered to be a component unit of the State of Maine.

Basis of Accounting

The proprietary fund type is used by the Authority.

The Authority's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Notes to Financial Statements

December 31, 2009 and 2008

NOTE 1 – NATURE OF THE ENTITY AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Basis of Accounting – Continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from charges to tenants for the lease or license of property, and providing goods and services in connection with the Authority's principal ongoing operations of the management of NASB. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Authority's primary operations are the implementation of the Reuse Master Plans for Brunswick and Topsham properties, the preparation of an Airport Master Plan, an Operation Plan and a Residential Property Disposition Plan. Where the implementation and preparation of these plans constitute the Authority's primary operations, grant revenue and associated expenses have been classified as operating revenue and operating expenses in the Statements of Revenue, Expenses, and Changes in Net Assets.

Cash and cash equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Grants Receivable and Trade Receivable

Management believes that all grants receivable and trade receivable as of December 31, 2009 and 2008 are fully collectible. Therefore, no allowance for doubtful accounts was recorded.

Capital Assets

Capital assets consist of office equipment and a vehicle. Purchased capital assets are reported at cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their estimated fair value at the date of donation. The Authority maintains a capitalization threshold of five hundred dollars. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. The capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Vehicles	4 years
Office equipment	4 years

Revenue Recognition

Federal grants, received on a reimbursement basis, are recorded as receivables and revenue when the related expenditures are incurred.

Concentration

As of December 31, 2009 and 2008 approximately 99% and 96%, respectively, of the Authority's funding is provided by federal and state capital and operating grants.

Notes to Financial Statements

December 31, 2009 and 2008

NOTE 1 – NATURE OF THE ENTITY AND SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Budget

The Authority maintains a budgetary control system, adopting its budget annually with approval from the Board of Trustees. However, although the Authority is not required to adopt a legal budget, the Schedules of Operating Expenses – Budget and Actual have been presented as additional information in the financial statements.

Recently Adopted Accounting Pronouncements

Hierarchy of Generally Accepted Accounting Principles

In April 2009, the GASB issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement incorporates the hierarchy of GAAP for state and local governments into the GASB's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The GASB is responsible for establishing GAAP for state and local governments, however, prior to GASB No. 55 the GAAP hierarchy was set forth in the AICPA's Statement on Auditing Standards (SAS) No. 69, *The Meaning of Present Fairly in Conformity with GAAP*, rather than in the authoritative literature of the GASB. The adoption of this statement did not have a material effect on the Authority's financial position or results of operations.

Fund Balance

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The new statement is effective for financial statement periods beginning after June 15, 2010. However, because the Authority is reported as a component unit of the State of Maine who will adopt GASB Statement No. 54 in their June 30, 2010 financial statements, the Authority was required to adopt the statement in its December 31, 2009 financial statements. The adoption of this statement did not have a material effect on the Authority's financial position or results of operations.

Recent Accounting Pronouncements

Codification of Accounting and Financial Reporting Guidance

In April 2009, the GASB issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. This statement incorporates into the GASB authoritative literature accounting and financial reporting guidance on related party transactions, going concern considerations and subsequent events previously only contained in AICPA SASs. The statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards. The adoption of this statement did not have a material effect on the Authority's financial position or results of operations.

Notes to Financial Statements

December 31, 2009 and 2008

NOTE 2 – CASH AND CASH EQUIVALENTS

The Authority's deposits consist of a checking account and account collateral agreement at Bath Savings Institution.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to them. On October 21, 2008, the Authority entered into an Account Collateral Agreement with Bath Savings Institution. Under the terms of the Agreement, all of the securities being used to secure the Authority's deposits remain in the Bank's investment portfolio, which is held with a qualified institution, for the purpose of collateralizing deposits up to \$500,000 of the MRRA and name the MRRA as the pledgee and assignee thereto. As of December 31, 2009 and 2008 none of the Authority's bank balance of \$49,235 and \$40,257, respectively, was exposed to custodial credit risk.

NOTE 3 – CAPITAL ASSETS

Capital asset activity is as follows:

December 31, 2009	Beginning Balance	Additions (Reductions)	Ending Balance
Capital assets:			
Office Equipment	\$ 35,849	\$ 4,324	\$ 40,173
Vehicles	<u>31,299</u>	-	<u>31,299</u>
Total capital assets	67,148	4,324	71,472
Less accumulated depreciation	<u>(16,698)</u>	<u>(13,760)</u>	<u>(30,458)</u>
Total capital assets, net	<u>\$ 50,450</u>	<u>\$ (9,436)</u>	<u>\$ 41,014</u>
December 31, 2008	Beginning Balance	Additions (Reductions)	Ending Balance
Capital assets:			
Office Equipment	\$ -	\$ 35,849	\$ 35,849
Vehicles	<u>-</u>	<u>31,299</u>	<u>31,299</u>
Total capital assets	-	67,148	67,148
Less accumulated depreciation	<u>-</u>	<u>(16,698)</u>	<u>(16,698)</u>
Total capital assets, net	<u>\$ -</u>	<u>\$ 50,450</u>	<u>\$ 50,450</u>

NOTE 4 – LINE OF CREDIT

During 2008, the Authority established a \$100,000 line of credit with Bath Savings Institution. During 2009, the Authority renewed the line of credit for a one year term and the amount was increased to \$150,000. The variable interest rate is adjusted daily based on Prime (Wall Street Journal, Money Rate Section) calculated on 365 days per year basis (3.25% and 4% at December 31, 2009 and 2008, respectively). As of December 31, 2009 and 2008 there was \$125,000 and \$0 outstanding under the line of credit, respectively.

The line of credit is subject to a covenant. The covenant states that annually the note must have a zero balance for a period of no less than thirty consecutive days. The Authority passed the covenant as of December 31, 2009.

Notes to Financial Statements

December 31, 2009 and 2008

NOTE 5 – NOTES PAYABLE

The Authority has a note payable with Bath Savings Institution, which is secured by a vehicle. The note has monthly payments of \$592 and bears interest at 5.1%. The outstanding balance on the loan as of December 31, 2009 and 2008 was \$22,238 and \$28,048, respectively.

Expected maturities of long-term debt as of December 31, 2009 are as follows:

2010	\$ 6,114
2011	6,433
2012	6,769
2013	<u>2,922</u>
	<u>\$22,238</u>

NOTE 6 – CAPITAL LEASES

The Authority leases a photocopier under a five-year capital lease with monthly payments amounting to \$151. The Authority makes quarterly payments of \$475 equal to three monthly payments plus an additional fee for personal property tax of approximately \$22. The asset and liability under the capital lease is recorded at the present value of the minimum lease payments. The interest rate on the capital lease is 7.21%. The asset is being depreciated over its useful life. Total amortization expense is included in depreciation expense.

Following is a summary of the property held under the capital lease at December 31, 2009:

Office equipment	\$ 7,588
Less: Accumulated depreciation	<u>(2,909)</u>
	<u>\$ 4,679</u>

Minimum future lease payments under the capital lease are as follows:

2010	\$ 1,812
2011	1,812
2012	1,812
2013	<u>151</u>
	<u>5,587</u>
Amount representing interest	<u>(591)</u>
Present value of net minimum lease payments	<u>\$ 4,996</u>

NOTE 7 – PENSION PLAN

Full-time and part-time employees working 20 hours or more per week are eligible to participate in the Authority's Section 401(a) deferred compensation program. The Plan covers all Authority employees and requires that participating employees contribute 4% of earnable compensation to the plan. The Authority contributes 7% of earnable compensation of each employee to the Plan. Election to participate in the Plan is irrevocable and may only cease should the employee cease employment with the Authority. The Authority contributed \$32,299 and \$29,765, respectively, to the plan for the years ended December 31, 2009 and 2008. This program is administered by the ICMA Retirement Corporation.

Employees may also voluntarily participate in the Authority's Section 457(b) deferred compensation plan. The plan allows qualified employees to authorize the Authority to withhold portions of their wages on a pre-tax and/or post-tax basis. The earnings on these investments are not subject to current state or federal taxes. However, any pre-tax investments and all earnings are subject to state and federal taxes upon withdrawal. This program is also administered by the ICMA Retirement Corporation.

Notes to Financial Statements

December 31, 2009 and 2008

NOTE 8 – OPERATING LEASES

During January 2008, the Authority entered into a one-month lease with Waterfront, Maine for office space located at 14 Maine Street in Brunswick, Maine for \$3,332 which expired on January 31, 2008 and was not renewed. The Authority also incurred a one-time rental fee of \$5,000 for rental of a parking lot from NASB during 2008. Other rent expense incurred is related to room rentals done throughout the year for various meetings. Rent expense for the years ended December 31, 2009 and 2008 was \$258 and \$8,804, respectively.

During 2008, the MRRA entered into a License for Nonfederal use of Real Property with the United States Navy for a one-year agreement for Building #37, which is renewed annually. In January 2009, the MRRA renewed the agreement with the United States Navy for a term of one year. Subsequent to year-end, the Authority renewed the agreement with the Navy and added Building #38 to the terms of the agreement.

NOTE 9 – COMMITMENTS

During 2009, the Authority entered into a contract for architectural design services for approximately \$50,000. These services will provide architectural plans for various buildings and parcels of land located on the NASB. The estimated completion of this contract is December 31, 2010. Funds for this contract were approved as part of the Office of Economic Adjustment Budget for 2009.

Independent Auditors' Report on Additional Information

Board of Trustees
Midcoast Regional Redevelopment Authority
Brunswick, Maine

Our report on our audit of the basic financial statements of Midcoast Regional Redevelopment Authority as of and for the years ended December 31, 2009 and 2008, appears on page 1. Those audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Midcoast Regional Redevelopment Authority's basic financial statements. The accompanying schedules on pages 19 through 21 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Augusta, Maine
DATE 2010

Schedules of Operating Expenses - Budget and Actual

Years Ended December 31, 2009 and 2008

	Budget	Actual		Total	Variance Favorable (Unfavorable)
		2009	2008		
Salaries, taxes, and benefits					
Personnel services					
Salaries	\$ 856,753	\$ 373,358	\$ 356,558	\$ 729,916	\$ 126,837
Wages	214,810	98,207	93,881	192,098	22,712
Other pay	2,500		2,500	2,500	
Overtime wages	10,000		212	212	9,788
	<u>1,084,063</u>	<u>471,565</u>	<u>453,161</u>	<u>924,726</u>	<u>159,337</u>
Employee Benefits					
Unemployment compensation	2,465	1,166	1,138	2,304	161
Workers' compensation insurance	5,314	2,497	2,359	4,856	(458)
Deferred compensation	66,562	32,299	29,765	62,064	4,498
FICA taxes	73,586	35,714	30,644	66,358	7,228
Other employee benefits	205,730	69,771	64,988	134,759	70,971
	<u>353,657</u>	<u>141,447</u>	<u>128,894</u>	<u>270,341</u>	<u>83,316</u>
	<u>\$ 1,437,720</u>	<u>\$ 613,012</u>	<u>\$ 582,055</u>	<u>\$ 1,195,067</u>	<u>\$ 242,653</u>
Supplies					
Supplies	\$ 5,000	\$ 1,463		\$ 1,463	\$ 3,537
Office supplies	9,354	3,300	\$ 5,174	8,474	880
Books and periodicals	2,376	1,087	887	1,974	402
Postage	4,400	2,444	2,249	4,693	(293)
Photocopier	7,450	3,998	3,774	7,772	(322)
Heating fuel	8,000	2,792	3,321	6,113	1,887
Gasoline and oil	4,697	2,116	1,564	3,680	1,017
	<u>\$ 41,277</u>	<u>\$ 17,200</u>	<u>\$ 16,969</u>	<u>\$ 34,169</u>	<u>\$ 7,108</u>
Professional services					
Employee training	\$ 14,150	\$ 8,729	\$ 5,685	\$ 14,414	\$ (264)
Dues and memberships	3,780	2,762	1,815	4,577	(797)
Computer services	20,000	4,079	10,277	14,356	5,644
Legal services	50,000	68,429	23,713	92,142	(42,142)
Town of Brunswick MOA	4,809		4,809	4,809	
Town of Topsham MOA	44,100		44,100	44,100	
Banking services	2,800	1,501	759	2,260	540
Payroll and tax preparation services	3,010	2,242	1,559	3,801	(791)
Brunswick zoning ordinance	15,444	6,666	8,778	15,444	
Task I - EDA/MTI	37,000	6,110		6,110	30,890
Oak Ridge National Lab.	52,000				52,000
Environ. & Energy Coun. Of Me.	28,660				28,660
Airport master plan	400,000	381,894	19,456	401,350	(1,350)
Operations Plan Consultant	374,000	374,000		374,000	
Consulting Services (Envir.)	36,000	15,506		15,506	20,494
Consulting services (aviation)	39,000	24,127	225	24,352	14,648
Business attraction	23,407	11,500	11,907	23,407	
Residential Consultant	100,000	97,630		97,630	2,370
Architectual Design Guidelines	50,000	3,000		3,000	47,000
Engineering Services	50,000				50,000
Accounting Services	30,000	2,118		2,118	27,882
Operational Mgt. Needs	34,500				34,500
Audit services	16,000	8,500	7,500	16,000	
Southern MidCoast Chamber of Commerce closure impact study	6,000		6,000	6,000	
	<u>\$ 1,434,660</u>	<u>\$ 1,018,793</u>	<u>\$ 146,583</u>	<u>\$ 1,165,376</u>	<u>\$ 269,284</u>

Schedules of Operating Expenses - Budget and Actual - Continued

Years Ended December 31, 2009 and 2008

	Budget	Actual		Total	Variance Favorable (Unfavorable)
		2009	2008		
Property services					
Property services	\$ 2,000				\$ 2,000
Electricity	790		\$ 219	\$ 219	571
Water and sewer	500				500
Telephone	12,932	\$ 6,669	6,513	13,182	(250)
Building maintenance	9,500	3,436	5,165	8,601	899
Rent	9,800	258	8,804	9,062	738
Waste collection	750				750
	<u>\$ 36,272</u>	<u>\$ 10,363</u>	<u>\$ 20,701</u>	<u>\$ 31,064</u>	<u>\$ 5,208</u>
Other purchased services					
Liability insurance	\$ 18,000	\$ 7,367	\$ 8,167	\$ 15,524	\$ 2,476
Automobile insurance	2,594	964	623	1,587	1,007
Travel	95,657	29,115	23,224	52,339	43,318
Advertising	6,000	1,713	417	2,130	3,870
Printing	19,862	5,017	7,798	12,815	7,047
Contingency	9,210	4,555	4,655	9,210	
	<u>\$ 151,323</u>	<u>\$ 48,731</u>	<u>\$ 44,874</u>	<u>\$ 93,605</u>	<u>\$ 57,718</u>
Capital Outlay					
Buildings	\$ 26,630		\$ 25,880	\$ 25,880	\$ 750
Equipment	12,400	\$ 162	7,613	7,775	4,625
Technology hardware	13,283		214	214	13,069
Technology software	25,500	2,520		2,520	22,980
	<u>\$ 77,813</u>	<u>\$ 2,682</u>	<u>\$ 33,707</u>	<u>\$ 36,389</u>	<u>\$ 41,424</u>
Depreciation					
Vehicle		\$ 5,035	\$ 3,357	\$ 8,392	\$ (8,392)
Equipment		7,207	6,111	13,318	(13,318)
Photocopier		1,518	1,391	2,909	(2,909)
		<u>\$ 13,760</u>	<u>\$ 10,859</u>	<u>\$ 24,619</u>	<u>\$ (24,619)</u>
Debt service					
Reduction of principal - vehicles	\$ 11,729				\$ 11,729
Interest expense - vehicles	2,483				2,483
	<u>\$ 14,212</u>				<u>\$ 14,212</u>
Total	<u>\$ 3,193,277</u>	<u>\$ 1,724,541</u>	<u>\$ 855,748</u>	<u>\$ 2,580,289</u>	<u>\$ 612,988</u>

Schedule of Activities

Year Ended December 31, 2009

Functions/Programs	Expenses	Operating Grants and Contributions	<u>Net Revenue and Change in Net Assets</u>
			Total
Business type activity:			
Redevelopment of naval air station	\$ 1,725,837	\$ 1,696,887	<u>\$ (28,950)</u>
			(28,950)
			<u>18,788</u>
			<u>\$ (10,162)</u>