

MAINE STATE LEGISLATURE

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January 15, 2015

The Honorable Paul LePage
Governor of the State of Maine
State House Station #1
Augusta, Maine 04330

Subject: Annual Report of MRRA for the year ending December 31, 2014

Dear Governor LePage:

Pursuant to 5 MRSA §13083-S, I am writing to advise you of the activities of the Midcoast Regional Redevelopment Authority (MRRA) for the year ending December 31, 2014 at the completion of our seventh year of operation.

Since the closure of the base in 2011, the net positive economic impacts from the redevelopment include, but are not limited to the following:

- ❑ There are now over 56 entities doing business at Brunswick Landing and the Topsham Commerce Park, who employ 527 individuals (exceeding the short-term economic goal).
- ❑ MRRA has awarded over \$32.5 million dollars in contracts for property improvements, building construction/reconstruction and airport and utility infrastructure.
- ❑ Brunswick Landing and Topsham Commerce Park have realized over \$150 million in new private sector investment.
- ❑ Over \$66,209,800 in new tax base has been added to the tax rolls in the town of Brunswick and \$2,465,000 Topsham generating new property tax revenues for FY 2015 in Brunswick of \$1,814,148 and \$42,718 in Topsham.
- ❑ Since the approval of the Public Benefit Conveyance and the signing of the Economic Development Conveyance Purchase and Sale Agreement in 2011, the Navy has transferred approximately 1,760.24 acres of the 2,090.2 acres we are slated to receive. MRRA now owns 777.55 (70.8%) of the 1,098 acres of the non-airport property and 982.69 (99%) of the 992.2 acres of airport land.

A. Description of the Authority's Operations

The year 2014 was another busy, challenging and successful year for MRRA. As a state, we continued to wrestle with slow job recovery and the closure of NAS Brunswick only compounds the challenges facing Maine and the Midcoast region. Despite these challenges, MRRA continues to work hard to enhance the redevelopment of Brunswick Landing and Topsham Commerce Park and to be a catalyst for the State's economic recovery. Our business development efforts continue to focus on quality

job creation in several targeted industries: aviation/aeronautics, renewable energy, composites, information technology, biotechnology, and higher education.

The Midcoast Regional Redevelopment Authority reached a number of important milestones in 2014, just forty-two months following the disestablishment ceremony by the United States Navy. This past year's more important accomplishments include:

- ❑ On January 22, the Board of Trustees amended the Bylaws of MRRA to consolidate the number of committees from five to three. The three committees are the Executive Committee, Finance Committee and Redevelopment Committee. The Redevelopment Committee will handle the work of the former Airport Committee, Environment and Energy Committee and the Property Committee.
- ❑ On March 17, MRRA signed a lease agreement and power purchase agreement with Village Green Ventures for the Anaerobic Digester project, which will provide up to 1 MW of power to Brunswick Landing. All State and local permits have been secured and financing is in place. Construction will begin this spring.
- ❑ This past year, the Board adopted a Business Plan for MRRA. The purpose of this business plan is to articulate the business operational aspects of the base redevelopment process and MRRA business activities into one concise document. Since 2008, MRRA has operated successfully in the implementation of multiple planning and business documents to support the redevelopment effort. Accordingly, this plan consolidates and summarizes a number of specific operational plans associated with the base redevelopment process, such as:
 - ❖ Master Reuse Plans for NAS Brunswick and the Topsham Annex
 - ❖ Airport Master Plan – Brunswick Executive Airport
 - ❖ Infrastructure Master Plan – Brunswick Landing
 - ❖ Five-year Financial Forecast and Capital Improvement Program
 - ❖ Business Attraction Plan
 - ❖ Natural Resource Management Plan
 - ❖ Renewable Energy Center Plan
 - ❖ Strategic Communications Plan
- ❑ On February 26, the Board of Trustees amended the Reuse Master Plan for NAS Brunswick. The major elements of the proposed changes include:
 - ❖ Re-designating approximately sixteen acres of land adjacent to the former See Bee Complex to Natural Resource Protection (formally designated for professional office development). This change was recommended to recognize and reflect the existence of significant wildlife habitat and appropriate land use buffers occurring in that area. MRRA worked with the Maine Department of Inland Fisheries and Wildlife on a Natural Resources Protection Plan for the former base. The land in question is sand plain grassland, which is considered "critical imperiled" by the state. It supports rare wildlife and has a unique mix of grasses, wildflowers and other plant life that only occurs under specific conditions, according to the Nature Conservancy.
 - ❖ Consolidating the Professional Office District into the Community Mixed-Use district. This change was recommended due to the aforementioned re-designation of the

sixteen acres; the existence of other environmental constraints (wetlands and vernal pools) existing in that area, both of which reduce the effective critical mass of the Professional Office District; the overall desire of the Town to reduce the amount of zoning districts within the community; and our desire to provide more flexibility in the land use types at Brunswick Landing.

- ❖ Re-aligning the primary entrances to existing major roadways. This change was recommended to reflect new thinking and discussions with the Town of Brunswick and property developers about appropriate traffic entrances.
 - ❖ Realigning the Natural Resource and Airport Districts on the west side. This change is recommended to reflect the new conveyance of property in the tower complex and a land swap with the Town.
- In January, MRRRA received a positive editorial in the *Times Record* about our success in the redevelopment effort. The editorial noted that the absorption rate of available space at Brunswick Landing shows redevelopment at the former naval base is going well, especially in comparison to other closed military bases. The editorial reported that the Navy has conveyed about 1.41 million square feet of building space to MRRRA and 406,000 square feet has been conveyed by MRRRA to the private sector since the beginning of 2011. Based on these figures, the historic absorption rate through conveyance within Brunswick Landing is approximately 17,000 square feet per month (i.e., 406,000 square feet divided by 24 months).



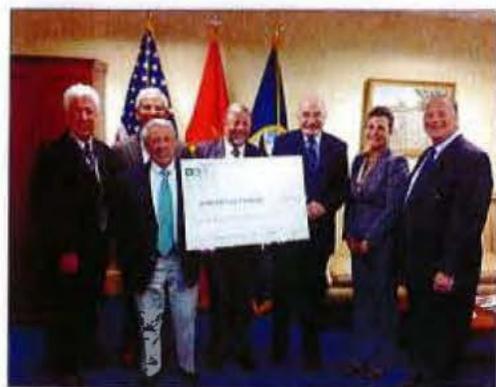
Of space still under MRRRA's control, approximately 439,000 square feet is leased. This indicates an approximate absorption rate of leased space of 18,000 square feet per month. Adding the absorption rate of properties sold to the absorption of the leased space indicates an overall combined absorption rate of about 35,000 square feet per month — or just less than 423,000 square feet annually. Based on previous experience with absorption analyses of redeveloped properties, the rate of absorption at Brunswick Landing is very good. In fact, it's staggering, really. And as compared to other bases on the 2005 BRAC closure list, the redevelopment of Brunswick Landing is extremely successful when compared to other closed bases.

- In May, MRRRA signed a new Grant Agreement with the Office of Economic Adjustment within the Department of Defense for FY 2015. The total budget is \$1,163,000 with an OEA grant of \$841,300 and a local match of \$321,700. The budget funds salaries and wages and benefits for ten MRRRA employees.
- Building 250 is the location of our new technology accelerator/incubator, *Tech Place*, which is planned to open in January. On June 5, MRRRA received proposals from three construction firms for renovations. Construction by Hardypond is now complete. We currently have commitments from ten businesses to move into Tech Place this month.

- ❑ With a grant from the Office of Economic Adjustment (OEA) MRRA conducted a Property Condition Assessment to identify facility deficiencies and deferred maintenance that would impact existing occupancy or would prevent occupancy for reuse of a vacant building and to complete an economic analysis of the findings of the property conditions assessment to determine the potential return on the investment to repair buildings. MRRA will use the findings, recommendations, and data to develop short, intermediate, and long term capital improvement strategies for facilities under its control (repair, replacement and upgrade projects) and to determine future space needs. The report was completed in December.
- ❑ Since the transfer of utility systems from the Navy to MRRA in September 2011, MRRA has been operating the electrical transmission and distribution system at Brunswick Landing. With a grant from OEA, MRRA commissioned a comprehensive analysis of the electrical transmission and distribution system at Brunswick Landing. This report will guide MRRA's investment in our electrical distribution system and the operation of the Brunswick Renewable Energy Center.
- ❑ On June 10, MRRA submitted a grant amendment request to OEA that would fund consulting services for to conduct a Potable Water Distribution System Evaluation to determine how and why we are experiencing loss of water estimated at nearly 20 million gallons per year from our water distribution system. The proposed scope of work includes the following:
 - ❖ Evaluate and report on existing conditions of the water distribution and fire protection system at *Brunswick Landing* and *Topsham Commerce Park* to include an investigation/analysis of "lost water."
 - ❖ Evaluate and calibrate existing water system meters.
 - ❖ Establish a prioritized capital investment schedule to upgrade the water distribution system with estimated costs of repairs and/or replacements.
 - ❖ Evaluate new and potential water quality regulations to determine what system improvements may be necessary for compliance purposes.

It is estimated that the budget for such a study would not exceed \$80,000. With the 75/25 sharing formula, OEA's share would be \$60,000 and the local match would be \$20,000.

- ❑ In June, MRRA Board Chairman John Peters, Trustee John Moncure, Executive Director Steve Levesque and Deputy Director Jeffrey Jordan attended the Association of Defense Communities (ADC) Annual meeting in Crystal City, Virginia. While attending the conference, MRRA officials met with Assistant Secretary of the Navy, Admiral Dennis McGinn and BRAC PMO staff and presented a check for \$3,000,000 to pay off the entire principal of a ten year note that MRRA had with the Navy. MRRA's first payment on this note was to begin in October. Retiring this note ten years early has saved MRRA just over \$975,000 in interest payments to the Navy and letter of credit fees with a local bank. The ability for MRRA to accomplish this



loan payoff is due to the speedy transfer of the property from the Navy and the subsequent rapid redevelopment activity to date at Brunswick Landing and Topsham Commerce Park.

- ❑ This announcement of the loan payment generated quite a bit of positive press for MRRRA. As example this headline and story appeared in the Bangor Daily News. (shown on the right)
- ❑ In May, Carl Flora, the Executive Director of the Loring Commerce Centre, was appointed to the MRRRA Board of Trustees. Treasurer Rita Armstrong was also reappointed to the Board. Steve Levesque was also appointed by the Governor to the Loring Board of Trustees.
- ❑ On May 29, MRRRA sold 10.097 acres of land within the Mixed Use Commercial Zone adjacent to Admiral Fitch Avenue (the main entrance road) to George Schott.
- ❑ In June, Suzanne Krauss resigned her position as Business Development Coordinator to return as a commissioned officer in the Navy. We advertised the position and ultimately hired Kristine Schuman. Kristine had previously served as the Governor's Account Executive within the Department of Economic and Community Development with the State of Maine promoting business growth and expansion in all of southern Maine. Kristine was hired to serve as the lead person in the development of *TechPlace* and the implementation of the *Make It In America Challenge*; one of eleven technology accelerator centers in the United States, as part of the President's program to promote manufacturing growth in America. We are very glad to have her on board.
- ❑ In May, two of MRRRA's Economic Development Administration eligible grant projects received the highest rating from the Midcoast Economic Development District and were identified as such in the recently updated Comprehensive Economic Development Strategy (CEDs) for Midcoast Maine. The projects were Phase II to Tech Place and Stormwater/Sanitary Sewer Separation project.
- ❑ On May 20, the Maine Real Estate Development Association presented MRRRA and the Brunswick Landing MHC USA, LLC its "2013 Most Notable Project Award" for the development and construction of the 79,600 square foot build to suit building for Molnlycke Healthcare Manufacturing, USA. There are currently forty-six employees at this site.
- ❑ On May 28, the Board of Trustees adopted MRRRA's *Natural Resource Management Plan*. This Plan sets a high standard for resource protection that requires a strong commitment to natural resource management by responsible entities. Resource preservation, as well as smart growth principles, documented in MRRRA's Reuse Master Plan and Community Design Guidelines are recognized in the NRMP. In its development, MRRRA consulted with the Town of Brunswick, Maine IF&W, and Bowdoin College. The NRMP includes the Wildlife Hazard Management Plan for the Brunswick Executive Airport.



- ❑ MRRRA relocated its offices from Hangar 6 to the newly renovated General Aviation Terminal Building at 15 Terminal Road.
- ❑ This summer, Flight Level Aviation, our fixed based operator for the airport recorded average daily air operations in August at 76 per day. Total count of 2014 were 13,500 flight operations.
- ❑ The Town of Topsham approved a three lot subdivision for approximately 11 acres at the former Topsham Annex. This action allows MRRRA to market and sell additional properties at that facility.
- ❑ In August, Affordable Midcoast Housing (AMH) sold the former Navy Gateway Inn to Rousseau Enterprises, which will be redeveloped into a senior apartment complex and assisted living facility, known as *Coastal Landing*. According to George Schott, the President of AMH, he then rolled the profit from that sale into the purchase of buildings 87 and 43, the former Navy Wing Headquarters and Telephone Exchange buildings, from MRRRA. Oxford Networks is the current tenant of building 87.
- ❑ In September, Oxford Networks held a ribbon cutting ceremony for the recently completed \$6.0 million upgrade to building 87. Governor Paul LePage spoke at the ribbon cutting ceremony.
- ❑ In September, the Town of Brunswick approved a joint Common Development Plan for the entrance to Brunswick Landing along Fitch Avenue for mixed use development.
- ❑ JHR Development, which had purchased the former Commissary building in Topsham, sold the building to Wicked Joes Coffee Roasters.
- ❑ Installed a new planked fence along Bath Road replacing a razor wire chain-linked fence.
- ❑ On September 4, MRRRA held a wall breaking ceremony at building 250, the future home of *TechPlace*. Congressman Mike Michaud spoke at this event.
- ❑ In 2014 we signed the following leases:
 - ❖ Blue Dog Day Care
 - ❖ Brunswick Naval Museum and Memorial Gardens (chapel)
 - ❖ Amendment to Flight Level Lease (fuel flowage fees)
 - ❖ Frosty's Donuts (building 51)
 - ❖ Hoyle Tanner & Associates
 - ❖ Inland Technologies International, Ltd. (glycol storage tanks)
 - ❖ Jamaport, LLC
 - ❖ Maine Technology Institute Lease Amendment (building 27)
 - ❖ Maine Aviation Group (Hangar 5)
 - ❖ Rollease, Inc. (building 54)
 - ❖ Tempus Jets Amendment (hangar 6)
 - ❖ Tempus Jets (Building 250)
 - ❖ T-Hangar lease Mike Denning
 - ❖ T-Hangar lease Steve Inkellis
 - ❖ T-Hangar lease Alan Mainero
 - ❖ T-Hangar lease Scott Royal
 - ❖ T-Hangar lease D. J. Merrill
 - ❖ T-Hangar lease Walter Smythe
 - ❖ T-Hangar lease Douglas Mayo
 - ❖ T-Hangar lease Erik Vroom
 - ❖ T-Hangar lease Stephen and Julia White
 - ❖ Town of Brunswick (parking lot adjacent to building 211)
 - ❖ Village Green Ventures Ground Lease

- ❑ As of the end of the year, Affordable Mid Coast Housing has closed on a total of 110 housing units in the McKeen Street neighborhood, and a number of others are under contract. By our agreement with AMH, after the first \$5,000,000 in sales have been realized MRRRA receives 5% of the purchase price of each unit sold. MRRRA has received \$477,231.50 to date for its agreed share.
- ❑ As of December 31, 2014, the following entities are doing business at Brunswick Landing and Topsham Commerce Park:

Open for Business

- ❖ ALL Electric Inc.
- ❖ Affordable Midcoast Housing
- ❖ American Bureau of Shipping
- ❖ Beltane Solar
- ❖ Blue Dog Day Care
- ❖ Bowdoin College
- ❖ Brunswick Executive Airport
- ❖ Brunswick Landing MHC, LLC
- ❖ Brunswick Landing Realty Development Corporation
- ❖ Brunswick Naval Aviation Museum and Memorial Gardens
- ❖ Brunswick Sewer District
- ❖ CE Express
- ❖ Day One
- ❖ Ellen Kornestsky, LCSW
- ❖ Family Focus
- ❖ Fessenden Geo-Environmental Services/ Construction Materials Testing
- ❖ Flight Level Aviation
- ❖ Frosty's Donuts
- ❖ Goodwill Industries
- ❖ Hoyle Tanner & Associates
- ❖ Inland Technologies International, Ltd.
- ❖ Jamaport, LLC
- ❖ Kestrel Aircraft Company
- ❖ Maine Army National Guard
- ❖ Maine Aviation Group
- ❖ Maine Coastal Flight
- ❖ Maine Department of Economic and Community Development
- ❖ Maine Technology Institute
- ❖ Maine Tool and Machine
- ❖ Mere Creek Golf Course (Harris Golf)
- ❖ Midcoast Charitable Foundation of Maine
- ❖ Midcoast Regional Redevelopment Authority
- ❖ Midcoast Veterans Center
- ❖ Mölnlycke Health Care
- ❖ New England Tent and Awning
- ❖ O'Neal Janitorial
- ❖ Oxford Networks
- ❖ Priority Real Estate Group
- ❖ Providence Service Corporation of Maine
- ❖ Roland Auto Body
- ❖ Rollease
- ❖ Rousseau Enterprises
- ❖ Savi Solutions
- ❖ SaviLinx
- ❖ Schott Management
- ❖ Seachange Group LLC
- ❖ Seeds of Independence
- ❖ Southern Maine Chamber of Commerce
- ❖ Southern Maine Community College
- ❖ Sunray Animal Clinic
- ❖ Tempus Jets

- ❖ Ten T-Hangar tenants
- ❖ Town of Brunswick
- ❖ United States Marine Reserve Center
- ❖ United States Navy Care Taker Office
- ❖ University of Maine at Augusta (Brunswick campus)
- ❖ University of Maine College of Engineering
- ❖ Village Green Ventures
- ❖ Wicked Joe Coffee
- ❖ Wild Oats Bakery and Café
- ❖ Women Work and Community Office

B. An accounting of the Authority's receipts and expenditures, assets and liabilities at the end of its fiscal year

Please find attached an Unaudited Financial Report for the period ending December 31, 2014, including a balance sheet and budget report. Also please find attached a copy of the audited Financial Statements for the period ending June 30, 2014. The audit was conducted by Runyon Kersteen and Ouellette. These documents were presented to office of the State Controller for inclusion in the State financial statements for the period ending June 30, 2014. MRRRA, once again received an unmodified (clean audit) opinion letter.

It should be noted that MRRRA does not receive a state appropriation as part of the General Fund Budget. MRRRA's funds come from a combination of funds from the Office of Economic Adjustment within the United States Department of Defense, and revenues from leases and property sales. Capital improvements projects are funded from a combination of aviation capital improvement funds from Maine DOT, the Federal Aviation Administration, the federal Economic Development Administration within the Department of Commerce and our own funds.

C. A listing of all property transactions pursuant to Section 13083-K

On February 7, 2011 the Navy and MRRRA signed the airport Public Benefit Conveyance (PBC) Agreement for 992.2 acres, including three large hangars, a number of aviation-related support buildings and revenue-producing facilities for the airport. The conveyance of title will come over time as properties that are determined to be "clean" through a Finding of Suitability to Transfer (FOST) and are then deed from the Navy. Accordingly, not all the properties can conveyed at the same time, but in phases as clean-up continues and FOSTs are issued. As of December 31, 2014, MRRRA has received a total of 982.59 acres of airfield property and 32 buildings, only 15 of which will be used by MRRRA. Seventeen of the buildings were demolished.

In 2014, 293,696 square feet of space in six buildings valued at over \$7.1 million along with 45.26 acres was transferred to MRRRA as part of a PBC transfer, described as follows:

Transfer Mechanism	Building Number	Building Description	Date Transferred	Year Built	Square Footage	Estimated Value
PBC	45	Hazardous Waste Transfer Facility	March 24, 2014	1992	3,000	\$87,000
PBC	292	Fire/Rescue Facility	March 24, 2014	1957	10,665	\$245,295
PBC	555	Sonobuoy/Vehicle Storage Building	March 24, 2014	1959	6,400	\$134,400
PBC	611	Engine Test Facility	March 24, 2014	1984	2,484	\$52,164
PBC	231	Air Traffic Control Tower	August 08, 2014	2007	15,661	\$454,169
PBC (UFOC)	4/250	Hangar 4, Building 250 Lease in Furtherance of Conveyance	December 05, 2013	1956	184,400	\$4,610,000
Total					293,696	\$7,174,468

As a condition of transfer from the Federal Aviation Administration and the Navy, land and buildings within the Airport property cannot be sold.

On September 14, 2011 the Navy signed a *Non-Binding Summary of the Acquisition Terms and Conditions for the Naval Air Station Brunswick, Maine by and between the United States of America and the Midcoast Regional Redevelopment Authority* (i.e. term sheet) for a total of 1,098 acres which would be transferred through an Economic Development Conveyance (EDC). As part of this overall EDC, MRRA received the following building transfers along with 56.51 acres in 2014:

Transfer Mechanism	Building Number	Building Description	Date Transferred	Year Built	Square Footage	Estimated Value
EDC	55	Base Security Building	March 05, 2014	2003	10,014	\$290,406
EDC	102	Indoor Small Arms Range	March 05, 2014	2004	4,675	\$74,800
EDC	635	NMCMC-27 Vehicle Maintenance Building	March 05, 2014	1974	4,700	\$98,700
EDC	636	NMCMC-27 Supply Building	March 05, 2014	1988	3,900	\$81,900
EDC	659	NMCMC-27 Wood Shop Building	March 05, 2014	1984	970	\$20,370
EDC	81	CHRIMP facility	September 25, 2014	1980	7,000	\$161,000
EDC	223	NMCI - Marine Computer Building	September 25, 2014	1953	4,284	\$68,544
					35,543	\$795,720

This Agreement was set up with annual principal payments to the Navy beginning in 2015 of \$150,000, plus interest of 150 basis points over the U.S. Treasury Composite Rate secured by the property for ten years with a \$1.6 million balloon payment in 2025. In May, the MRRA Board of Trustees decided to retire the entire \$3.0 million note creating a savings of over \$975,000 in interest payments and bank fees.

In addition, MRRA must share annually with the Navy twenty-five percent of gross revenues from the sale or lease of EDC property after the receipt of the first \$7.0 million. The revenue share remains in place until gross revenues reach \$37.4 million. There is no revenue sharing in excess of \$37.4 million and less than \$42.4 million. The Authority is required to pay the United States Government 50.0% of gross real estate proceeds in excess of \$42.4 million until September 29, 2034. Property sales and lease revenues during the last fiscal year required a payment of \$1,497,193.75.

As of December 31, 2014, MRRA has received a total of 65 buildings and 777.55 acres (70.8%) of the 1,098 acres of the non-airport property through the EDC transfer. Sixteen of the 65 buildings, largely former security buildings, sheds and functionally obsolete buildings have been demolished through a

grant from the Economic Development Administration. MRRA has sold a total of 34 buildings (406,705 square feet) and 373 acres of land.

The covenants of the Economic Development Conveyance from the United States Government require all sales and leases of property must be at market rate.

In summary, MRRA currently manages a total of 34 buildings with 897,057 square feet of commercial, industrial and professional office space along with all of the associated utilities serving those buildings, including – streets and sidewalks, street lights, traffic signals, electricity, water, sewer and stormwater utilities.

The subdivision approval by the Town of Brunswick in March of 2013 paved the way for the sale of the property. This year, MRRA sold the following property:

<i>Land</i>	<i>Closing Date</i>	<i>Acreage</i>	<i>Sale Price</i>
Lots 28, lot adjacent to 28, 33 and 34 Sold to Affordable Midcoast Housing	May 29, 2014	10.10	\$264,500
Building 87 and 43 and land to Affordable Midcoast Housing	August 15, 2014	11.20	Included in building price
Land associated with Night Flight building sale to Affordable Midcoast Housing	September 26, 2014	2.36	Included in building price
Lot 7D to Affordable Midcoast Housing	September 26, 2014	0.29	\$14,474
Lot 31 to the Priority Realty Group	September 29, 2014	1.42	\$70,500
Total		25.37	\$349,474

And the following buildings:

<i>Building Number</i>	<i>Building Description</i>	<i>Closing Date</i>	<i>Square Footage</i>	<i>Sale Price</i>
87 & 43	Navy Wing Headquarters Building and the Telephone Exchange Building	August 15, 2014	52,513.00	\$5,100,000
516	Night Flight Building	September 26, 2014	14,983.00	\$200,000
Total			67,496.00	\$5,300,000

D. An accounting of all activities of any special utility district formed under Section 13083-L

In September of 2011, the Navy transferred all utilities on the base, including the potable water distribution system, the sewer collection and pump station assets, stormwater collection system and the electrical distribution system. We have inherited the Navy’s utility systems, but without the financial wherewithal of the federal government. We are faced with competing needs to (a) maintain service to the businesses, organizations and residential properties located on our properties and (b) provide for the sufficient funding to maintain and repair the utility system at Brunswick Landing. On October 1, 2011, MRRA began providing electrical distribution services, water and sewer/stormwater services to our tenants with those who own property on the base through a Tenancy in Common Agreement.

This year also marked MRRA’s fourth year of operating a regional general aviation airport, which is becoming a great asset for the Midcoast region, with over 13,500 takeoffs and landings, just this

year. With the inclusion of the Brunswick Executive Airport in the FAA's Military Airport Program (MAP), the federal government, in partnership with the State of Maine and MRRA, made substantial investments this year at the airport including repairs to Hangar 5 roof, renovation of the General Aviation Terminal Building, runway crack sealing, replacement of the airfield electrical vault building, runway lighting improvements and tree removal.

In August, the FAA and MaineDOT announced the following grant awards to support the infrastructure needs at Brunswick Executive Airport:

	<i>Total Project</i>	<i>FAA Entitlement</i>	<i>FAA Share</i>	<i>MaineDOT Share</i>	<i>MRRA Share</i>
Bid & Construct Stormwater Drainage Improvements	832,020		748,818	41,601	41,601
Bid & Construct Fire Protection Building Renovation	547,000		433,224 [✓]	24,068 [✓]	89,708
Pavement Maintenance	166,667	150,000	150,000	8,333	8,333
Bid & Construct SRE Building	1,690,300		1,521,270	84,515	84,515
Terminal Roof	202,320		182,088	10,116	10,116
Hangars 4, 5 Renovations	1,847,700		1,662,930	92,385	92,385
	5,286,007	150,000	4,698,330[✓]	261,018[✓]	326,658

E. A listing of any property acquired by eminent domain under Section 13083-N

No property was acquired by MRRA through its powers of eminent domain.

F. A listing of any bonds issued during the fiscal year under section 13083-I

MRRA did not issue any bonds during 2013.

The voters of Maine, however, approved a state transportation improvement bond that included \$500,000 for investment in aviation facilities at the airport facility in Brunswick. These funds are being used as the local match for FAA Military Airport Program investments at Brunswick Executive Airport. Each dollar of state investment leverages \$38 from the FAA and another \$1 from MRRA.

The State Legislature and the voters of Maine also approved a bond referendum for \$3.25 million to address Americans with Disabilities Act deficiencies for buildings, utility meter upgrades, building removals and other public improvements to support base redevelopment and job creation. As of June 30, 2013, all funds had been drawn down by MRRA from the State of Maine.

While not a bond, MRRA, through one its affiliates, the Brunswick Landing MHC USA LLC, borrowed \$10.3 million from Bangor Savings Bank and a new market tax credit investment of \$4.0 from Wells Fargo Bank two years ago (December 29, 2011) to finance the construction of an 79,600 square foot "build to suit" manufacturing facility for Mölnlycke Healthcare at Brunswick Landing. The building was completed in March of 2013.

G. A statement of the Authority's proposed and projected activities for the ensuing year

Please find attached a copy of MRRA's Business Plan.

H. Recommendations regarding further actions that may be suitable for achieving the purposes of this article

Finally, the actual realization of new jobs and the timing of such at NASB will be dependent on several factors, including, but not limited to: receipt of successful and timely conveyances from the Navy for the remaining buildings and land, the condition and stability of the national and local economic markets; and the availability of sufficient financial resources for property management, security and operations, infrastructure, property improvements and marketing.

Successful redevelopment of closed bases is a very long-term proposition, which requires substantial public and private resources and patience. A key element in successful base redevelopment efforts is the level of support provided by the local, state and federal governments.

With the leadership and broad support of the Maine Legislature, the voters of Maine approved an \$8.0 million bond issue back in 2009 to support the redevelopment effort. This bond included \$3.25 million to support investment in infrastructure replacement/upgrades and building upgrades to meet civilian reuse and \$4.75 million for Southern Maine Community College to rehab buildings. The bond has been an important key this past year to our ability to bring new businesses to Brunswick Landing.

In addition to the bond issue for capital projects, the State of Maine adopted two additional pieces of legislation that will be key to ensuring the rapid and successful redevelopment of NAS Brunswick. The first is the Brunswick Naval Air Station Job Increment Financing Fund that was established in 2009 to direct a portion of new state income taxes from jobs created at the former NAS Brunswick and Topsham Annex back to MRRA and Southern Maine Community College. This economic development tool is a performance based tool; meaning that the greater the number of job created and the higher the incomes of those jobs, the greater the revenue to support base redevelopment and expansion of the programming at the Brunswick campus of SMCC. This year, MRRA received just over \$37,920 from the J-TIF program.

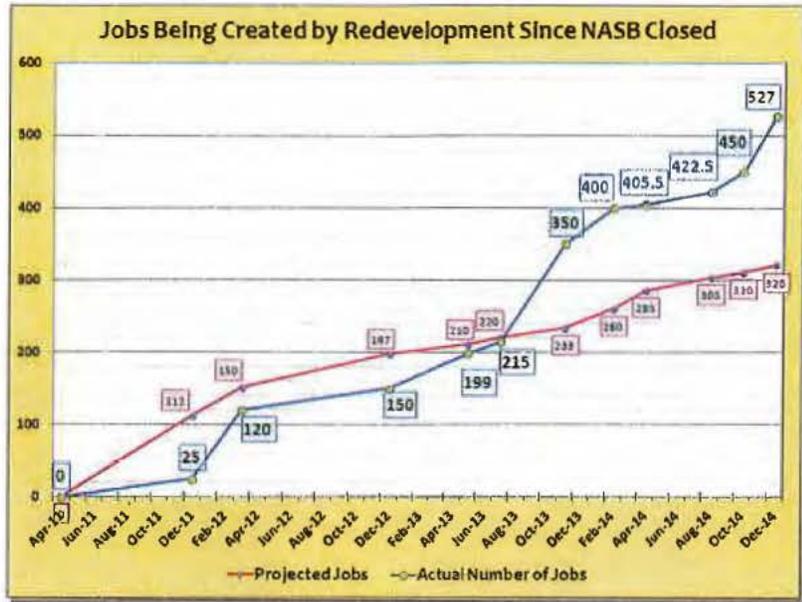
The second new tool, which already has had a significant statewide impact, is the Legislature's decision to exempt all aircraft and repair parts for aircraft for the period of July 1, 2011 through June 30, 2015. The State's previous policy created a "black mark" on the State of Maine by the aviation community as place to avoid as an aviation destination or to conduct business. This decision has had a statewide impact on growth in the aviation sector. This change in the law has also provided the impetus for the Brunswick Executive Airport to lead an initiative, with supportive funding from the Maine Office of Tourism, to develop the Maine Flying Trail to help promote Maine to the flying public as an aviation destination. Without this change in legislation, Tempus Jets would not have relocated its operation from Virginia to Maine.

Finally, MRRA would encourage the Governor and Legislature to evaluate the state's business assistance program in an effort to keep pace with the economy and the changing needs of businesses, including, but not limited to, workforce development and capital assistance.

I. A description of the MRRA's progress toward achieving the goals set forth in Section 13083-G:

1. **Short-term goal.** Recover civilian job losses in the primary impact community resulting from the base closure;
2. **Intermediate goal.** Recover economic losses and total job losses in the primary impact community resulting from the base closure; and
3. **Long-term goal.** Facilitate the maximum redevelopment of base properties.

Naval Air Station Brunswick employed 714 civilians at its Brunswick and Topsham sites at the time of the base closure announcement. After just 43 months from the official date of closing the base in May of 2011, there are over 527 individuals working at Brunswick Landing; up from 177 last year, with an expectation and commitment to grow that number to upwards of 750 by the end of 2015.



Thank you for your interest and support of this important economic development project for the State of Maine.

Sincerely,


 Steven H. Levesque
 Executive Director

- cc. John Butera, Governor's Office
 George Gervais, Commissioner, MaineDECD
 Grant Pennoyer, Executive Director, Legislative Council
 Joint Standing Committee on Labor, Commerce, Research and Economic Development
 Brunswick Legislative Delegation
 Brunswick Town Council
 Topsham Board of Selectman
 John Eldridge, Brunswick Town Manager

Rich Roedner, Topsham Town Manager
MRRRA Board of Trustees
Jeffrey K. Jordan, Deputy Executive Director

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY

Annual Financial Report

*For the Year Ended
June 30, 2014*



MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY

Annual Financial Report
For the Year Ended June 30, 2014

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Financial Statements:	
Combined Statement of Net Position	11
Combined Statement of Revenues, Expenses and Changes in Net Position	12
Combined Statement of Cash Flows	13
Notes to Financial Statements	14-22
Exhibits:	
Combining Statements of Net Position	23
Combining Statements of Revenues, Expenses and Changes in Net Position	24
Combining Statements of Cash Flows	25
Schedule of Operating Revenues – Budget to Actual	26
Schedule of Operating Expenses – Budget to Actual	27-28
Schedule of Activities	29

Independent Auditor's Report

Board of Trustees
Midcoast Regional Redevelopment Authority

Report on Financial Statements

We have audited the accompanying financial statements of Midcoast Regional Redevelopment Authority, a component unit of the State of Maine, as of and for the year ended June 30, 2014, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Midcoast Regional Redevelopment Authority, as of June 30, 2014, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Midcoast Regional Redevelopment Authority. The combining financial statements, budget to actual schedules, and schedule of activities are presented for the purpose of additional analysis and are not a required part of the financial statements.

The combining financial statements, budget to actual schedules, and schedule of activities are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 14, 2014 on our consideration of Midcoast Regional Redevelopment Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Midcoast Regional Redevelopment Authority's internal control over financial reporting and compliance.



October 14, 2014
South Portland, Maine

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Management's Discussion and Analysis
June 30, 2014

Introduction

This section of the annual financial report is known as Management's Discussion and Analysis. This Management Discussion and Analysis (MD&A) is an analysis of the financial condition and operating results of the Midcoast Regional Redevelopment Authority (MRRRA) for the period ending June 30, 2014 and is intended to introduce the basic financial statements and notes to those statements. It is designed to provide an objective and easily readable examination 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.

Major Initiatives, Accomplishments and Financial Highlights – July 1, 2013 to June 30, 2014

Since the approval of the Public Benefit Conveyance and the signing of the Economic Development Conveyance Purchase and Sale Agreement in 2011, the Navy has transferred 1,716.77 acres of the 2,100 acres we are slated to receive. MRRRA now owns 744.58 (68%) of the 1,098 acres of the non-airport property and 972.19 (97%) of the 992.2 acres of airport land.

In July, MRRRA sold three acres and two buildings to the Priority Group; the former Navy Lodge (building 31) and Recreation Center (building 583) for \$1,100,000. The Priority Group in turn invested nearly \$1.0 million in renovations to the building to address code enforcement issues and to prepare the building for the Merrymeeting Center for Child Development, a private school serving children with autism spectrum disorders and other developmental disabilities.

To date, Affordable Mid Coast Housing (AMH) has closed on ninety-three housing units in the McKean Street neighborhood. Under our revenue sharing agreement with AMH, MRRRA receives 5.0% of the purchase price of each unit sold after the first \$5.0 million of sales. MRRRA has received a total of \$371,531 to date for its agreed share.

In July, the Town of Brunswick approved two tax increment financing (TIF) districts at Brunswick Landing. One district will serve properties within the confines of the airport and a second district in the non-aviation area of the campus. The thirty-year TIF development program calls for a revenue share of fifty percent of incremental tax revenue to invest up to \$12 million for various infrastructure upgrades.

In August, the Federal Aviation Administration announced grants awards for 2014 under the Military Airport Program. Approved projects included \$1.34 million for terminal building renovations, \$102,400 to repair the roof of Hangar 5, and \$181,000 for design costs related to the design of a snow removal equipment storage building. Over the last three years, the redevelopment authority has secured \$8.8 million in FAA grants.

In September, MRRRA announced that Tempus Jets of Newport News, Virginia will be relocating its FAA Part 145 repair station and interior completions businesses from Richmond, Virginia to Brunswick Executive Airport (BXM) in Maine. Initially, the company has leased half of Hangar 6.

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY

Management's Discussion and Analysis

June 30, 2014

U.S. Secretary of Commerce Penny Pritzker and U.S. Secretary of Labor Thomas E. Perez announced on October 22, 2013 that MRRRA was one of the eleven recipients of a Make it in America Challenge Grant, an Obama Administration initiative to accelerate job creation and encourage U.S. companies to keep, expand or re-shore their manufacturing operations -- and jobs -- in America, and to entice foreign companies to build facilities and make their products here. This grant will provide \$750,000 for the redevelopment and improvement of Building 250 to create a technology accelerator and business incubator that we are calling TechPlace. TechPlace will support innovative manufacturing businesses in the sectors of composite and advanced materials, biotechnology, renewable energy, and aviation/aerospace.

On December 27, MRRRA sold the former Navy Gateway Inn, a 250 room facility to Affordable Midcoast Housing for \$3.4 million.

Since the closure of the base in 2011, the net positive economic impacts from the redevelopment include, but are not limited to the following:

- ❑ There are now over 54 entities doing business at Brunswick Landing and the Topsham Commerce Park, in the process of creating over 750 jobs (exceeding the short-term economic goal).
- ❑ MRRRA has awarded over \$25 million in contracts for property improvements, building construction/reconstruction and airport and utility infrastructure.
- ❑ Brunswick Landing and Topsham Commerce Park have realized over \$100 million in new private sector investment with another \$30-50 million in the planning stages.
- ❑ Over \$51 million in new tax base has been added to the tax rolls in the Towns of Brunswick and Topsham, with new property tax revenues exceeding \$2 million from the former base properties.

In January, MRRRA received a positive editorial in the Times Record about our success in the redevelopment effort. The editorial noted that the absorption rate of available space at Brunswick Landing shows redevelopment at the former naval base is going well, especially in comparison to other closed military bases. The editorial reported that the Navy has conveyed about 1.41 million square feet of building space to MRRRA and 406,000 square feet has been conveyed by MRRRA to the private sector since the beginning of 2011. Based on these figures, the historic absorption rate through conveyance within Brunswick Landing is approximately 17,000 square feet per month — 406,000 square feet divided by 24 months.



On March 17, MRRRA signed a lease agreement and power purchase agreement with Village Green Ventures for the Anaerobic Digester project, which will provide up to 1 MW of power to Brunswick Landing.

On May 20, the Maine Real Estate Development Association presented MRRRA and the Brunswick Landing MHC USA, LLC its "2013 Most Notable Project Award" for the development and construction of the 79,600 square foot build to suit building for Molnlycke Healthcare Manufacturing, USA. There are currently forty-eight employees at this site.

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY

Management's Discussion and Analysis

June 30, 2014

In June, officials from MRRRA met with Assistant Secretary of the Navy, Admiral Dennis McGinn and BRAC PMO staff and presented a check for \$3,000,000 to pay off the entire principal of a ten year note that MRRRA has with the Navy. Retiring this note ten years early will save MRRRA just over \$975,000 in interest payments and letter of credit fees.

In FY 2014, we signed the following leases:

- Brunswick Naval Museum and Memorial Gardens (chapel)
- Brunswick Sewer District (building 153)
- D & D Automotive (building 538)
- Amendment to Flight Level Lease (fuel flowage fees)
- Frosty's Donuts (building 51)
- Inland Technologies International, Ltd. (glycol storage tanks)
- Amendment to Maine Technology Institute Lease (building 27)
- Rollease, Inc. (building 54)
- Tempus Jets (hangar 6)
- Village Green Ventures Ground Lease
- Leased all ten units of our new T-Hangar facility

Overview of the Financial Statements

Under Governmental Accounting Standards Board Statement No. 34, the Authority presents its basic financial statements as a government-wide financial statement and all 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 combined statement of net position; combined statement of revenues, expenses and changes in net position; combined statement of cash flows; and notes to the financial statements.

The combined statement of net position presents the financial position of the Authority on a full accrual basis of accounting with the capital assets recorded at an estimated historical cost (adjusted for impairment). The combined statement of net position presents information on all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position are one indicator of whether the financial position of the Authority is improving or deteriorating. A positive change in net position indicates the Authority's financial position is improving, while a negative change may indicate that the financial position is deteriorating.

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

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY

Management's Discussion and Analysis

June 30, 2014

The combined 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 the former 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 MRRA 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.

The bylaws direct the Board of Trustees to adopt an annual budget, provide for an annual audit, appoint various committees and hire an Executive Director. The Executive Director is the chief executive officer and is responsible for carrying out the policies of the Trustees and overseeing the daily operation of MRRA and appointing staff. In addition to the Executive Director, MRRA employs eleven individuals.

The Board is authorized by statute to create other organizations and entities necessary to implement the redevelopment plans for NAS Brunswick and the Topsham Annex. The Board has authorized the creation of Brunswick Landing Realty Development Corporation, the Brunswick Landing MHC USA LLC, the Brunswick Economic Development Corporation and the Midcoast Charitable Foundation of Maine. The activity and financial transactions of these entities are included and made a part of this report.

Financial Analysis

The combined statement of net position presents information on all of MRRA's assets and liabilities, with the difference between the two reported as net position. The table below is a condensed summary of assets, liabilities, and net position for the year ending June 30, 2014.

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Management's Discussion and Analysis
June 30, 2014

Midcoast Regional Redevelopment Authority
Condensed Combined Statement of Net Position
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>% Change</u>
Current and other assets	\$ 7,523,752	7,218,429	305,323	4.2%
Capital assets	132,140,897	137,366,865	(5,225,968)	-3.8%
Total assets	139,664,649	144,585,294	(4,920,645)	-3.4%
Long-term liabilities	14,354,364	17,371,379	(3,017,015)	-17.4%
Current liabilities	4,430,939	3,483,692	947,247	27.2%
Total liabilities	18,785,303	20,855,071	(2,069,768)	-9.9%
Net investment in capital assets	117,770,487	119,995,181	(2,224,694)	-1.9%
Unrestricted	3,108,859	3,735,042	(626,183)	-16.8%
Total net position	\$ 120,879,346	123,730,223	(2,850,877)	-2.3%

Since original cost information was not available from the Navy given the age of facilities and unavailability of information from the Federal Government, MRRA had to develop a methodology for determining value for capital assets. In 2006, the Navy provided a schedule of the estimated cost of replacement based on standard engineering estimates prepared by the Naval Facilities Engineering Command (NAVFAC) office. Most of the buildings were valued at the replacement cost in 2006 dollars. For other buildings, MRRA used its best professional judgment on the estimated cost to replace on a per square foot basis in 2006 dollars. A matrix was developed that continued to use the Navy estimates of the cost to replace, but a factor was added to depreciate values using the Implicit Price Deflator for Gross National Products for structures prepared by the US Bureau of Economic Analysis (August 2012) back to the year of construction. For the four larger properties not included in the Navy's estimate, MRRA purchased information from Marshall & Swift/Boeckh ("MSB"), the leading worldwide provider of building cost data and estimating technology and then applied the Implicit Price Deflator factor.

Land values for all transferred property were originally estimated at \$40,000 per acre for all land uses based on the twenty year Operations Plan prepared by Matrix Design Group of Denver, Colorado. Given the historic rate of commercial and industrial development in the greater Brunswick region at 70,000 to 100,000 square feet per year, the economy at the time of transfer and the significant volume of property being transferred to MRRA over a relatively short period of time, MRRA has applied a discount of thirty percent on the per acre value of property (now stated at \$28,000 per acre) for all commercial property. Residential property is valued at \$20,000 and non-developable property is valued at \$5,000 per acre.

As properties have begun to be offered to the marketplace and been sold, MRRA has learned more and more about the value of former military facilities in the civilian marketplace. MRRA has also had the benefit of having funded and received independent market appraisals on buildings that have been sold.

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY

Management's Discussion and Analysis

June 30, 2014

From these studies, MRRRA learned more about the current market value of industrial, commercial and professional office facilities in the region. We have come to learn that MRRRA's current capital asset values of land and buildings, which were in part a function of the Navy's estimated cost to replace, has overstated the value of our capital assets acquired from the Navy. Moreover, the lack of maintenance and repair of these buildings by the Navy has contributed to the impaired value of these assets and the single purpose nature of many Navy buildings.

Over the last two years, MRRRA has commissioned eight market appraisals on buildings at Brunswick Landing and the Topsham Commerce Park. MRRRA used this market appraisal information and the information on comparable sales approach within those appraisals to help set a square foot value for buildings. MRRRA used the average of the square foot sales price for all of the properties within the property sales comparable approach section of the respective appraisal reports and the value set by the appraiser for the subject building of the appraisal to help set a value for all buildings by building types. The information garnered from the appraisals did not cover all of the styles and types of buildings at Brunswick Landing. Therefore, MRRRA used information from CBRE Boulos Company and the Dunham Group. The properties used from the CBRE Boulos Company and Dunham Group websites were asking prices, not actual sales data.

This revaluation reduced building values at Brunswick Landing and the Topsham Commerce Park by \$7,219,693. The accumulated depreciation schedule was also adjusted as of July 1, 2013; a reduction of \$649,008.

This fiscal year, the Navy transferred 34.76 acres and four buildings through the Airport PBC. All of these assets were transferred net of debt.

This fiscal year the Navy transferred 22.37 acres through the EDC conveyance process along with five buildings, primarily in the SeaBee compound. These buildings were transferred under a September 30, 2011 Purchase and Sale Agreement for an Economic Development Conveyance (EDC) to ultimately transfer 1,098 acres and nearly 200 buildings and structures to MRRRA as properties are cleared environmentally and found to be suitable for transfer. The Purchase and Sale Agreement included a \$25,000 good faith deposit, a \$3.0 million ten year note that was to begin amortizing on October 1, 2014 with a balloon payment in 2023 of \$1,650,000; provided that all property is transferred by October 1, 2014. Otherwise, the note will be apportioned to the amount of land transferred. As mentioned earlier, the \$3.0 million was retired by MRRRA on June 5, 2014.

This past fiscal year MRRRA sold a total of 36.33 acres and four buildings totaling 184,900 square feet.

The Combined Statements of Revenues, Expenses and Changes in Net position presents information on MRRRA's operating activity. The table below is a condensed summary of the revenue, expenses and changes in net position for the period ending June 30, 2014.

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Management's Discussion and Analysis
June 30, 2014

**Condensed Statement of Revenues,
Expenses and Changes in Net position
For the Year Ended June 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>% Change</u>
Operating revenues	\$ 5,297,835	4,116,218	1,181,617	28.7%
Operating expenses	10,846,041	10,065,412	780,629	7.8%
Operating loss	(5,548,206)	(5,949,194)	400,988	-6.7%
Nonoperating revenues	4,304,108	5,277,387	(973,279)	-18.4%
Nonoperating expenses	2,111,849	8,507,813	(6,395,964)	-75.2%
Nonoperating income (loss)	2,192,259	(3,230,426)	5,422,685	-167.9%
Loss before contributions, transfers, and impairments	(3,355,947)	(9,179,620)	5,823,673	63.4%
Transfers to subsidiaries	(10,000)	-	(10,000)	100.0%
Contributed capital	7,734,763	12,925,006	(5,190,243)	-40.2%
Impairment of capital assets	(7,219,693)	-	(7,219,693)	100.0%
Change in Net Position	\$ (2,850,877)	3,745,386	(6,596,263)	-176.1%

This statement records a non-cash expense of \$4,240,699 for depreciation as an operating expense (see page 12) for the assets that MRRA held this year. If the unfunded depreciation expense were removed, the loss before contributions, transfers, and impairments would turn into a gain of \$884,752. At the end of the year, total net position exceeded \$120 million.

**Condensed Schedule of Operating Expenses – Budget to Actual
For the Year Ended June 30, 2014**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>% Variance</u>
Personnel services	\$ 985,722	992,877	(7,155)	-0.7%
Employee benefits	318,172	329,073	(10,901)	-3.3%
Supplies	515,260	430,676	84,584	19.6%
Professional services	651,300	344,639	306,661	89.0%
Property services	3,287,024	2,612,457	674,567	25.8%
Other purchased services	118,948	617,930	(498,982)	-80.8%
Bad debt expense	-	123,681	(123,681)	-100.0%
Debt service	165,521	1,501,640	(1,336,119)	-89.0%
Transfers to subsidiaries	10,782	12,000	(1,218)	-10.2%
Transfers to sinking fund	147,388	-	147,388	100.0%
Total operating expenses	\$ 6,200,117	6,964,973	(764,856)	-11.0%

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Management's Discussion and Analysis
June 30, 2014

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, Midcoast Regional Redevelopment Authority, 15 Terminal Road, Brunswick, Maine or call (207) 798-6512.

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Combined Statement of Net Position
June 30, 2014

	2014
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3,083,945
Receivables:	
Grant receivables	2,432,478
Tenant and other receivables (net of allowance of \$123,681)	884,115
Notes receivable	687,019
Prepaid expenses	2,612
Total current assets	7,090,169
Noncurrent assets:	
Other assets:	
Security deposits	100,664
Restricted cash	332,919
Total other assets	433,583
Capital assets:	
Capital assets not being depreciated	37,331,105
Capital assets, net of accumulated depreciation	94,809,792
Net capital assets	132,140,897
Total noncurrent assets	132,574,480
Total assets	139,664,649
LIABILITIES	
Current liabilities:	
Line of credit	478,329
Accounts payable	3,087,177
Accrued expenses	166,750
Contract obligations payable	318,697
Unearned revenue	97,749
Security deposits	266,191
Current portion of notes payable	16,046
Total current liabilities	4,430,939
Noncurrent liabilities:	
Notes payable	14,354,364
Total noncurrent liabilities	14,354,364
Total liabilities	18,785,303
NET POSITION	
Net investment in capital assets	117,770,487
Unrestricted	3,080,930
Unrestricted - component units	27,929
Total net position	\$ 120,879,346

See accompanying notes to financial statements

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Combined Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

	2014
Operating revenues:	
Rental income and fees	\$ 2,712,872
Utilities assessment	1,244,076
Transient aircraft and fuel flowage fees	82,511
Federal grants	1,258,376
Total operating revenues	5,297,835
Operating expenses:	
Salaries, taxes, and benefits	1,321,950
Supplies	430,676
Professional services	349,461
Property services	2,612,457
Other purchased services	622,001
Bad debt expense	123,681
Capital outlay	1,145,116
Depreciation	4,240,699
Total operating expenses	10,846,041
Operating loss	(5,548,206)
Nonoperating revenues (expenses):	
Federal grants	3,611,171
State grants	148,789
Donations	60,200
Miscellaneous revenue	114,516
Navy covenant	(1,497,194)
Gain on sale of property	359,271
Interest income	10,161
Interest expense	(614,655)
Total nonoperating revenues (expenses)	2,192,259
Loss before contributions, transfers, and impairments	(3,355,947)
Transfers to subsidiaries	(10,000)
Capital contributions	7,734,763
Impairment of capital assets	(7,219,693)
Change in net position	(2,850,877)
Net position, beginning of year, as restated	123,730,223
Net position, end of year	\$ 120,879,346

See accompanying notes to financial statements

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Combined Statement of Cash Flows
For the Year Ended June 30, 2014

	2014
Cash flows from operating activities:	
Receipts from customers and users	\$ 3,981,574
Payments to suppliers	(5,220,491)
Payments to employees	(1,344,408)
Receipt of federal and state grants	1,210,333
Net cash used in operating activities	(1,372,992)
Cash flows from noncapital financing activities:	
Issuance of notes receivable	(538,029)
Collections on notes receivable	7,694
Proceeds from line of credit	300,000
Transfers (to) from related companies	(10,000)
Net cash used in noncapital financing activities	(240,335)
Cash flows from capital and related financing activities:	
Purchase of capital assets	(3,855,084)
Proceeds from sale of capital assets	4,937,674
Receipt of federal and state grants	3,770,782
Principal payments on long-term debt	(3,001,274)
Interest payments on long-term debt	(613,101)
Net cash provided by capital and related financing activities	1,238,997
Cash flows from investing activities:	
Interest income	10,161
Net cash provided by investing activities	10,161
Net decrease in cash	(364,169)
Cash at beginning of year	3,781,033
Cash at end of year	\$ 3,416,864
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (5,548,206)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	4,240,699
Bad debt expense	123,681
Miscellaneous revenues	174,716
Navy covenant	(1,497,194)
Change in operating assets and liabilities:	
(Increase) decrease in noncapital grant receivables	(48,043)
(Increase) decrease in tenant and other receivables	(236,049)
(Increase) decrease in prepaid expenses	7,259
(Increase) decrease in security deposits	3,173
(Decrease) increase in accounts payable - trade	1,488,507
(Decrease) increase in accrued expenses	(21,808)
(Decrease) increase in contract obligations payable	(76,915)
(Decrease) increase in unearned revenue	275
(Decrease) increase in security deposits	16,913
Net cash used in operating activities	(1,372,992)
Noncash capital and related financing activities:	
Capital contributions - capital assets/donated services	7,335,074

See accompanying notes to financial statements

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity - The Midcoast Regional Redevelopment Authority (MRRRA) was created by an Act of the State of Maine in 2005, by the State of Maine Legislature and is charged with the responsibility to acquire and manage Brunswick Naval Air Station (NASB) properties in both Brunswick and Topsham, Maine and implement the approved Reuse Master Plans for each. MRRRA is governed by an eleven member Board of Trustees. The accompanying financial statements present MRRRA and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. The following are considered blended component units and along with MRRRA are collectively referred to as the Authority:

Brunswick Landing MHC USA, LLC was formed on July 11, 2011 to build a manufacturing building.

Midcoast Charitable Foundation of Maine was organized on July 6, 2011 to receive and hold charitable funds and distribute the income for charitable purposes to organizations serving individuals and families in the Midcoast Maine region.

In addition, the following related organizations are legally separate entities for which the Authority is financially accountable, but their activity has been omitted from these financial statements as it has been deemed to be immaterial to the Authority as a whole:

Brunswick Landing Realty Development Corporation was formed June 16, 2011 to assist in the acquisition and development of land in the midcoast region.

Brunswick Landing Economic Development Company, LLC was formed June 7, 2011 to assist in the creation of business and to aid economic growth in the midcoast region.

The Authority is considered to be a component unit of the State of Maine.

Basis of Accounting - The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The financial statements of the Authority are reported using the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Authority distinguishes operating revenues and expenses from nonoperating 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 implementation of the Reuse Master Plans for Brunswick and Topsham properties and management of properties at Brunswick landing, the former NASB. The Authority also receives an operating grant from the United States Department of Defense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and Cash Equivalents - For purposes of cash flow, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less to be cash equivalents.

Restricted Cash - The predecessor entity to MRRA entered into an agreement with a local association to contribute \$560 per developable acre transferred from the U.S. Navy to a homeless assistance trust fund. MRRA is to act as fiduciary of this trust. In accordance with this agreement, MRRA began contributing to this trust in 2011 upon the transfer of property from the U.S. Navy. At June 30, 2014, there was \$332,919 of restricted cash related to the trust fund.

Accounts Receivable - The Authority uses the allowance method to account for uncollectible accounts receivable. The allowance for doubtful accounts is based on prior years' experience and management's analysis of possible bad debts. At June 30, 2014, the allowance for uncollectible accounts receivable was \$123,681.

Capital Assets - Capital assets purchased or constructed by the Authority are recorded at cost.

Capital assets previously acquired through contributions from the U.S. Navy were initially capitalized using the U.S. Navy's schedule of estimated cost of replacement based on standard engineering estimates prepared by the Naval Facilities Engineering Command Office. The estimated replacement costs were then deflated using the Implicit Price Deflator for Gross National Products for structures prepared by the U.S. Bureau of Economic Analysis back to the year of construction. After several sales of former U.S. Navy capital assets and market appraisals were performed, it was determined that this method was not representative of the true cost of these assets in a civilian marketplace. The Authority performed an analysis in 2014 and revalued these assets based on estimated market value. Any future capital assets transferred to the Authority by the U.S. Navy will be valued based on the estimated market value method.

The Authority maintains a capitalization threshold of \$5,000. Routine maintenance and repairs are charged to expense. Expenses, which materially increase values, change capacities, or extend useful lives are capitalized. The provision for depreciation has been computed by the use of the straight-line method at rates intended to amortize the cost of the related assets over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	7-11
Buildings and building improvements	3-45
Machinery and equipment	2-7
Furniture and fixtures	4-5
Vehicles	4
Infrastructure	5-50

Accrued Compensated Absences - Under terms of personnel policies, the Authority grants vacation and sick time benefits. These benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered.

Unearned Revenue - Unearned revenue consists of lease revenue for subsequent periods, which was billed and collected as of the balance sheet date.

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Contract Obligations Payable - Contract obligations payable reflect the difference between the value of the required contributions to the homeless assistance trust, which are a function of the value of capital contributions received from the United States Navy, and the value of payments made to eligible recipients. Contract obligations payable are recognized liabilities until the Authority fulfills its obligations to eligible recipients.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Income Taxes - MRRRA qualifies as a tax exempt organization under the provisions of the Internal Revenue Code and, accordingly, its income is not subject to any state or federal income taxes. Brunswick Landing MHC USA, LLC and Midcoast Charitable Foundation of Maine file tax returns under the Internal Revenue Code.

DEPOSITS

Custodial credit risk - This is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority currently does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$2,168,008 of the Authority's bank balance of \$3,653,146 was insured by the FDIC and \$1,485,138 was collateralized by securities held in the name of the Authority by the financial institution's trust department.

Interest rate risk - The Authority currently does not have a deposit policy for interest rate risk.

NOTES RECEIVABLE

As of June 30, 2014, the Authority had the following notes receivable:

	<u>Issue Date</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Outstanding</u>
SaviLinx, LLC	2013	\$ 50,000	5.00%	2019	42,306
Savi Systems, LLC	2013	250,000	4.25%	2019	154,936
Topsham Commerce Park, LLC	2014	127,500	3.50%	2024	127,500
Kestrel Aircraft Company	2014	312,277	6.00%	2016	312,277
Kestrel Aircraft Company	2014	50,000	6.00%	2016	50,000
Total notes receivable					\$ 687,019

The notes were provided to aid in job development and facilitate business growth in the region. The Savi Systems, LLC note is part of a conduit debt arrangement where the Authority has acted as an intermediary and obtained third party financing from the Maine Rural Development Authority with the same terms as the note issued to Savi Systems, LLC.

On May 29, 2014, the Authority executed a note with Frosty's Donuts LLC for \$50,000 to aid in building improvements for a production facility. As of June 30, 2014, Frosty's Donuts LLC had not drawn on this note.

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Notes to Financial Statements, Continued

CAPITAL ASSETS

The following is a summary of the changes in capital assets from June 30, 2014:

	Balance (Restated) <u>6/30/13</u>	<u>Additions</u>	<u>Dispositions</u>	Balance <u>6/30/14</u>
Capital assets not being depreciated:				
Land	\$ 34,326,176	1,068,303	1,339,156	34,055,323
Construction in progress	1,118,007	3,387,623	1,229,848	3,275,782
Total capital assets not being depreciated	35,444,183	4,455,926	2,569,004	37,331,105
Capital assets being depreciated:				
Land improvements	8,726,953	356,612	-	9,083,565
Buildings and building improvements	75,807,770	7,902,988	11,972,417	71,738,341
Machinery and equipment	1,457,103	76,645	117,978	1,415,770
Furniture and fixtures	47,640	-	-	47,640
Vehicles	90,411	-	-	90,411
Infrastructure	22,258,078	108,477	26,000	22,340,555
Total capital assets being depreciated	108,387,955	8,444,722	12,116,395	104,716,282
Less accumulated depreciation for:				
Land improvements	1,239,899	706,464	-	1,946,363
Buildings and building improvements	3,260,781	2,541,155	733,981	5,067,956
Machinery and equipment	261,137	119,544	65,147	315,534
Furniture and fixtures	40,349	3,202	-	43,551
Vehicles	39,373	11,822	-	51,195
Infrastructure	1,623,734	858,512	354	2,481,892
Total accumulated depreciation	6,465,273	4,240,699	799,482	9,906,490
Total capital assets being depreciated, net	101,922,682	4,204,023	11,316,913	94,809,792
Capital assets, net	\$ 137,366,865	8,659,949	13,885,917	132,140,896

In 2014, the Authority re-evaluated the presentation and valuation of capital assets acquired from the U.S. Navy. Many of the properties acquired from the U.S. Navy were for specialized military use and therefore their value in a civilian market was significantly different than the value recorded, which was based on the U.S. Navy's estimated cost to replace. The Authority evaluated and re-valued these assets using an analysis based on a comparable sales approach. The result of the revaluation was an impairment of assets totaling \$7,219,693.

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Notes to Financial Statements, Continued

LONG-TERM DEBT

The following is a summary of long-term liability transactions of the Authority for the year ended June 30, 2014:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Notes payable	\$ 17,371,684	-	3,001,274	14,370,410	16,046
Accrued compensated absences	71,045	-	9,768	61,277	-
Total long-term liabilities	\$ 17,442,729	-	3,011,042	14,431,687	16,046

The following is a summary of the long-term debt payable at June 30, 2014:

<u>Issue</u>	<u>Amount issued</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>Balance 6/30/14</u>
Midcoast Regional Redevelopment Authority:				
Note payable	\$ 250,000	2018	4.25%	105,410
Brunswick Landing MHC USA, LLC:				
Note payable	10,319,583	2023	5.00%	10,319,583
Note payable	3,945,417	2047	2.13-4.04%	3,945,417
				14,370,410
<u>Less current portion</u>				<u>16,046</u>
Total long-term portion				\$ 14,354,364

Requirements for the repayment of the outstanding debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
2015	\$ 16,046	604,376	620,422
2016	16,741	603,680	620,421
2017	17,466	602,955	620,421
2018	55,157	602,198	657,355
2019	2,263,223	555,219	2,818,442
2020-2024	8,765,679	1,772,752	10,538,431
2025-2029	-	653,941	653,941
2030-2034	-	653,941	653,941
2035-2039	-	653,941	653,941
2040-2044	-	653,941	653,941
2045-2047	3,236,098	337,870	3,573,968
Totals	\$ 14,370,410	7,694,814	22,065,224

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Notes to Financial Statements, Continued

LINES OF CREDIT

The Authority maintains a line of credit with Mechanics Savings Bank for \$500,000. In June 2013, the Authority entered the line of credit agreement for a two year term, which is set to expire in June 2015. The variable interest rate is adjusted daily based on Wall Street Journal prime rate (3.25% at June 30, 2014) plus 1%. As of June 30, 2014, there was no outstanding balance under the line of credit.

The Authority maintains a line of credit with Bath Savings Institute for \$500,000. During 2014, the Authority renewed the line of credit for a one-year term, which is set to expire in June 2015. The variable interest rate is adjusted daily based on Wall Street Journal prime rate (3.25% at June 30, 2014). As of June 30, 2014, there was no outstanding balance under the line of credit. The line of credit is subject to a covenant. The covenant states that annually, the line of credit must have a zero balance for a period of no less than thirty consecutive days. The Authority was in compliance with the covenant as of June 30, 2014.

The Authority maintains a non-interest bearing line of credit with the Maine Department of Transportation for \$1,300,000 to fund operating deficits of the Brunswick Executive Airport for the first five years of operation (2011-2015). Funding for any one individual year cannot exceed \$300,000. Repayment of funds disbursed under the line of credit begins in 2016 at a rate of 15% of each annual surplus for the Brunswick Executive Airport for 2016-2018 and 20% of each annual surplus for the Brunswick Executive Airport beginning in 2019 and continuing until all funds have been repaid. As of June 30, 2014, there was \$478,329 outstanding under the line of credit.

NET POSITION

Net position represents assets less liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. Net position is reported as restricted when there are limitations imposed on the use of funds either through the enabling legislations adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Authority's net investment in capital assets was calculated as follows at June 30, 2014:

Capital assets	\$ 142,047,387
Accumulated depreciation	(9,906,490)
Bonds payable	(14,370,410)
<u>Net investment in capital assets</u>	<u>\$ 117,770,487</u>

CONTINGENT RECEIVABLE

In May of 2012, the Authority entered into an agreement with a local developer for the sale of Authority owned land. The agreement calls for the ownership of the land to transfer to the developer and the Authority will receive 25% of the gross sales price for any sale of the land by the developer to a third party. The agreement is in effect for ten years, maturing on May 3, 2022, and proceeds from the agreement are limited to a maximum of \$6,645,000. During the year ended 2014, the Authority received \$287,758 under this arrangement.

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Notes to Financial Statements, Continued

OPERATING LEASES

The Authority has entered into several lease agreements to rent buildings, parcels of land, a golf course, and utility poles. Several leases are month to month arrangements while others do not terminate until February 2033. Rental payments from tenants range from \$435 - \$91,962 per month based on the amount of space rented. For the year ended June 30, 2014, rental income amounted to \$2,712,872.

Future minimum rental income under the rental leases are as follows:

2015	\$ 2,865,844
2016	2,585,288
2017	2,196,941
2018	1,456,812
2019	1,429,153
Thereafter	<u>17,148,675</u>
Total	<u>\$ 27,682,713</u>

PENSION PLAN

Full-time and part-time employees working twenty hours or more per week are eligible to participate in the Authority's Section 401(a) deferred compensation program. The plan covers all of the Authority's 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 terminate employment with the Authority. The Authority contributed \$65,536 to the plan for the year ended June 30, 2014. 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.

CAPITAL CONTRIBUTIONS FROM THE UNITED STATES NAVY

During 2014, the United States Navy transferred ownership of capital assets, which included land and buildings. The capital assets transferred had an estimated value of \$7,335,074 at the date of the transfer.

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Notes to Financial Statements, Continued

COMMITMENTS AND CONTINGENCIES

During 2014, MRRA entered into an agreement with a construction company to construct a new airfield electrical vault. Construction commenced in January 2014 and the facility is expected to be completed by the winter of 2014. The total amount of the agreement is \$1,752,227. As of June 30, 2014, \$658,628 has been paid to the construction company for services performed.

During 2014, MRRA entered into an agreement with a construction company to renovate the second floor of the terminal building adjacent to the airfield. Construction commenced in January 2014 and the facility is expected to be completed by the winter of 2014. The total amount of the agreement is \$422,461. As of June 30, 2014, \$353,256 has been paid to the construction company for services performed.

As part of the terms of the purchase and sale agreement between the Authority and the United States of America (the Government) for the transfer of the former NASB, the Authority was required to enter into a \$3,000,000 loan agreement (paid off in 2014). The Authority will also be required to pay the Government 25% of real estate proceeds received for the sale, transfer, conveyance, assignment or lease of any portion of the property transferred by the Government in excess of \$7,000,000 and up to \$37,400,000. If the real estate proceeds are in excess of \$37,400,000 and less than \$42,400,000, the Authority is not required to pay the government any portion of the proceeds. If the real estate proceeds exceed \$42,400,000, the Authority is required to pay the government 50% of all gross real estate proceeds. These requirements will be in effect for 23 years, starting after the initial closing. The amount due under these terms for 2014 was \$1,497,194.

The Authority has numerous agreements in place whereby vendors have been contracted to provide services to the Authority on an as needed basis. These services are to be charged to the Authority based on a specific project that the vendor is engaged to perform. Because of these factors, the total amount of expenditures to be paid to vendors as of June 30, 2014 cannot be reasonably estimated.

PRIOR PERIOD ADJUSTMENT

Midcoast Regional Redevelopment Authority

During 2014, it was noted that certain construction and engineering costs were excluded from the calculation of construction in progress. Net position as of July 1, 2013 has been restated as follows:

	<u>MRRA</u>	<u>Combined</u>
Net position, July 1, 2013, as previously reported	\$ 121,369,816	122,939,362
Prior period adjustment – additional construction in progress costs	790,861	790,861
Net position, July 1, 2013, as restated	\$ 122,160,677	123,730,223

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Notes to Financial Statements, Continued

SUBSEQUENT EVENTS

In August 2014, the Authority executed a purchase and sale agreement with Affordable Midcoast Housing in the amount of \$5.1 million for the sale of building 43, building 87, and 11.2 acres of property. Prior to the sale, these buildings were actively leased by tenants.

In August 2014, the Executive Committee accepted several grants from the Federal Aviation Administration (FAA) in the amount of \$4,698,330 to rehabilitate the Brunswick Executive Airport. There is a required match of \$597,610, of which \$265,985 will be funded partially by the State of Maine and the Authority will fund the remaining portion of \$331,625.

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Combining Statements of Net Position
June 30, 2014

	Midcoast Regional Redevelopment Authority	Brunswick Landing MHC USA LLC	Midcoast Charitable Foundation of Maine	Internal Eliminations	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 2,860,210	223,537	198	-	3,083,945
Receivables:					
Grant receivables	2,432,478	-	-	-	2,432,478
Tenant and other receivables (net of allowance of \$123,681)	932,865	-	1,000	(49,750)	884,115
Notes receivable	687,019	-	-	-	687,019
Prepaid expenses	2,612	-	-	-	2,612
Total current assets	6,915,184	223,537	1,198	(49,750)	7,090,169
Noncurrent assets:					
Other assets:					
Security deposits	100,664	-	-	-	100,664
Restricted cash	332,919	-	-	-	332,919
Total other assets	433,583	-	-	-	433,583
Capital assets:					
Capital assets not being depreciated	37,331,105	-	-	-	37,331,105
Capital assets, net of accumulated depreciation	79,521,220	15,288,572	-	-	94,809,792
Net capital assets	116,852,325	15,288,572	-	-	132,140,897
Total noncurrent assets	117,285,908	15,288,572	-	-	132,574,480
Total assets	124,201,092	15,512,109	1,198	(49,750)	139,664,649
LIABILITIES					
Current liabilities:					
Line of credit	478,329	-	-	-	478,329
Accounts payable - trade	1,887,893	48,750	565	(49,750)	1,887,458
Accounts payable - construction/retainage	1,199,719	-	-	-	1,199,719
Accrued expenses	22,150	-	-	-	22,150
Accrued payroll and related liabilities	33,306	-	-	-	33,306
Accrued compensated absences	61,277	-	-	-	61,277
Accrued interest	-	50,017	-	-	50,017
Security deposits	266,191	-	-	-	266,191
Contract obligations payable	318,697	-	-	-	318,697
Unearned revenue	275	97,474	-	-	97,749
Current portion of notes payable	16,046	-	-	-	16,046
Total current liabilities	4,283,883	196,241	565	(49,750)	4,430,939
Noncurrent liabilities:					
Notes payable	89,364	14,265,000	-	-	14,354,364
Total noncurrent liabilities	89,364	14,265,000	-	-	14,354,364
Total liabilities	4,373,247	14,461,241	565	(49,750)	18,785,303
NET POSITION					
Net investment in capital assets	116,746,915	1,023,572	-	-	117,770,487
Unrestricted	3,080,930	-	-	-	3,080,930
Unrestricted - component units	-	27,296	633	-	27,929
Total net position	\$ 119,827,845	1,050,868	633	-	120,879,346

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Combining Statements of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

	Midcoast Regional Redevelopment Authority	Brunswick Landing MHC USA LLC	Midcoast Charitable Foundation of Maine	Totals
Operating revenues:				
Rental income and fees	\$ 1,543,182	1,169,690	-	2,712,872
Utilities assessment	1,244,076	-	-	1,244,076
Transient aircraft and fuel flowage fees	82,511	-	-	82,511
Federal grants	1,258,376	-	-	1,258,376
Total operating revenues	4,128,145	1,169,690	-	5,297,835
Operating expenses:				
Salaries, taxes, and benefits	1,321,950	-	-	1,321,950
Supplies	430,676	-	-	430,676
Professional services	344,639	3,372	1,450	349,461
Property services	2,612,457	-	-	2,612,457
Other purchased services	617,930	4,071	-	622,001
Bad debt expense	123,681	-	-	123,681
Capital outlay	1,145,116	-	-	1,145,116
Depreciation	3,713,507	527,192	-	4,240,699
Total operating expenses	10,309,956	534,635	1,450	10,846,041
Operating income (loss)	(6,181,811)	635,055	(1,450)	(5,548,206)
Nonoperating revenues (expenses):				
Federal grants	3,611,171	-	-	3,611,171
State grants	148,789	-	-	148,789
Donations	60,200	-	-	60,200
Miscellaneous revenue	114,516	-	-	114,516
Navy covenant	(1,497,194)	-	-	(1,497,194)
Gain on sale of property	359,271	-	-	359,271
Interest income	10,161	-	-	10,161
Interest expense	(4,446)	(610,209)	-	(614,655)
Total nonoperating revenues (expenses)	2,802,468	(610,209)	-	2,192,259
Income (loss) before contributions transfers, and impairments	(3,379,343)	24,846	(1,450)	(3,355,947)
Transfers in (out)	541,441	(543,441)	2,000	-
Transfers to subsidiaries	(10,000)	-	-	(10,000)
Capital contributions	7,734,763	-	-	7,734,763
Impairment of capital assets	(7,219,693)	-	-	(7,219,693)
Change in net position	(2,332,832)	(518,595)	550	(2,850,877)
Net position, beginning of year, as restated	122,160,677	1,569,463	83	123,730,223
Net position, end of year	\$ 119,827,845	1,050,868	633	120,879,346

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Combining Statements of Cash Flows
For the Year Ended June 30, 2014

	Midcoast Regional Redevelopmen Authority	Brunswick Landing MHC USA LLC	Midcoast Charitable Foundation of Maine	Totals
Cash flows from operating activities:				
Receipts from customers and users	\$ 2,549,883	1,431,691	-	3,981,574
Payments to suppliers	(5,211,613)	(7,993)	(885)	(5,220,491)
Payments to employees	(1,344,408)	-	-	(1,344,408)
Receipt of federal and state grants	1,210,333	-	-	1,210,333
Net cash provided by (used in) operating activities	(2,795,805)	1,423,698	(885)	(1,372,992)
Cash flows from noncapital financing activities:				
Issuance of notes receivable	(538,029)	-	-	(538,029)
Collections on notes receivable	7,694	-	-	7,694
Proceeds from line of credit	300,000	-	-	300,000
Transfers (to) from related companies	483,691	(494,691)	1,000	(10,000)
Net cash provided by (used in) noncapital financing activities	253,356	(494,691)	1,000	(240,335)
Cash flows from capital and related financing activities:				
Purchase of capital assets	(3,116,893)	(738,191)	-	(3,855,084)
Proceeds from sale of capital assets	4,937,674	-	-	4,937,674
Receipt of federal and state grants	3,770,782	-	-	3,770,782
Principal payments on long-term debt	(3,001,274)	-	-	(3,001,274)
Interest payments on long-term debt	(4,559)	(608,542)	-	(613,101)
Net cash provided by (used in) capital and related financing activities	2,585,730	(1,346,733)	-	1,238,997
Cash flows from investing activities:				
Interest income	10,161	-	-	10,161
Net cash provided by investing activities	10,161	-	-	10,161
Net Increase (decrease) in cash	53,442	(417,726)	115	(364,169)
Cash at beginning of year	3,139,687	641,263	83	3,781,033
Cash at end of year	\$ 3,193,129	223,537	198	3,416,864
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (6,181,811)	635,055	(1,450)	(5,548,206)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	3,713,507	527,192	-	4,240,699
Bad debt expense	123,681	-	-	123,681
Miscellaneous revenues	174,716	-	-	174,716
Navy covenant	(1,497,194)	-	-	(1,497,194)
Change in operating assets and liabilities:				
(Increase) decrease in noncapital grant receivables	(48,043)	-	-	(48,043)
(Increase) decrease in tenant and other receivables	(498,050)	262,001	-	(236,049)
(Increase) decrease in prepaid expenses	7,259	-	-	7,259
(Increase) decrease in security deposits	3,173	-	-	3,173
(Decrease) increase in accounts payable - trade	1,488,492	(550)	565	1,488,507
(Decrease) increase in accrued expenses	650	-	-	650
(Decrease) increase in accrued payroll and related liabilities	(12,690)	-	-	(12,690)
(Decrease) increase in accrued compensated absences	(9,768)	-	-	(9,768)
(Decrease) increase in contract obligations payable	(76,915)	-	-	(76,915)
(Decrease) increase in unearned revenue	275	-	-	275
(Decrease) increase in security deposits	16,913	-	-	16,913
Net cash provided by (used in) operating activities	(2,795,805)	1,423,698	(885)	(1,372,992)
Noncash capital and related financing activities:				
Capital contributions - capital assets/donated services	7,335,074	-	-	7,335,074

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Schedule of Operating Revenues - Budget to Actual
For the Year Ended June 30, 2014

	Budget	Actual	Variance positive (negative)
Income:			
Lease revenue	\$ 1,483,839	1,543,182	59,343
Special service assessments	1,409,393	1,244,076	(165,317)
Transient aircraft fees and fuel flowage	60,000	82,511	22,511
Office of Economic Development - D.O.D.	1,491,000	1,258,376	(232,624)
Local match	25,000	305,582	280,582
Donated services	-	60,200	60,200
Sale revenue	466,029	287,758	(178,271)
Miscellaneous	41,439	114,516	73,077
Total income	4,976,700	4,896,201	(80,499)
Transfers:			
From subsidiaries	195,000	543,441	348,441
From sale of property	728,417	-	(728,417)
Total transfers	923,417	543,441	(379,976)
Total operating revenues	\$ 5,900,117	5,439,642	(460,475)

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Schedule of Operating Expenses - Budget to Actual
For the Year Ended June 30, 2014

	Budget	Actual	Variance positive (negative)
Personnel services:			
Salaries	\$ 788,578	805,546	(16,968)
Wages	132,603	181,331	(48,728)
Other pay	61,541	6,000	55,541
Overtime wages	3,000	-	3,000
Total personnel services	985,722	992,877	(7,155)
Employee benefits:			
Unemployment compensation	5,221	6,188	(967)
Workers' compensation insurance	4,765	12,786	(8,021)
Deferred compensation	64,941	65,536	(595)
FICA taxes	75,245	74,754	491
Other employee benefits	168,000	169,809	(1,809)
Total employee benefits	318,172	329,073	(10,901)
Supplies:			
Office supplies	9,500	7,960	1,540
Books and periodicals	1,100	432	668
Postage	4,100	4,683	(583)
Photocopier	7,430	4,958	2,472
Sand and chemicals	6,800	-	6,800
Cleaning supplies	44,520	117	44,403
Street and construction supplies	6,600	-	6,600
Heating fuel	393,460	371,594	21,866
Gasoline and oil	40,000	39,006	994
Uniforms and personal safety equipment	1,750	1,926	(176)
Total supplies	515,260	430,676	84,584
Professional services:			
Employee training	8,930	8,290	640
Dues and memberships	17,625	19,205	(1,580)
Board expenses	2,000	6,218	(4,218)
Executive director meeting expenses	1,500	2,310	(810)
Annual dinner	7,200	8,033	(833)
Computer services	24,275	22,800	1,475
Permits and fees	2,800	2,016	784
Legal services	87,500	78,147	9,353
Other professional services	466,470	175,470	291,000
Audit services	33,000	22,150	10,850
Total professional services	651,300	344,639	306,661

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Schedule of Operating Expenses - Budget to Actual, continued
For the Year Ended June 30, 2014

	Budget	Actual	Variance positive (negative)
Property services:			
Vehicle maintenance	\$ 24,000	6,480	17,520
Electricity	1,697,200	1,070,600	626,600
Water and sewer	425,300	512,487	(87,187)
Telephone	17,169	17,445	(276)
Building maintenance	246,000	339,943	(93,943)
Rental expenses	38,000	51,661	(13,661)
Infrastructure - new service extension	-	2,129	(2,129)
Infrastructure maintenance	300,000	130,135	169,865
Equipment maintenance	78,720	28,073	50,647
Waste collection	4,320	5,312	(992)
Snow removal	66,000	160,634	(94,634)
Pavement and markings	28,500	9,395	19,105
Vegetation maintenance	11,400	3,957	7,443
Security maintenance	6,100	19,349	(13,249)
Navigation aid maintenance and service	17,000	53,374	(36,374)
Miscellaneous repairs and maintenance	245,000	179,411	65,589
Local match MAP projects	82,315	22,072	60,243
Total property services	3,287,024	2,612,457	674,567
Other purchased services:			
Liability insurance	19,988	6,500	13,488
Building insurance	48,939	49,740	(801)
Automobile insurance	9,981	15,736	(5,755)
Travel	13,150	15,327	(2,177)
Advertising	9,300	6,034	3,266
Printing	7,500	2,195	5,305
Donations	5,000	510,328	(505,328)
Contingency	5,090	12,070	(6,980)
Total other purchased services	118,948	617,930	(498,982)
Bad debt expense	-	123,681	(123,681)
Debt service:			
Interest	-	4,446	(4,446)
Navy covenant agreement payment	165,521	1,497,194	(1,331,673)
Total debt service	165,521	1,501,640	(1,336,119)
Transfers:			
To subsidiaries	10,782	12,000	(1,218)
To capital improvement sinking fund	147,388	-	147,388
Total transfers	158,170	12,000	146,170
Total operating expenses	\$ 6,200,117	6,964,973	(764,856)

MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY
Schedule of Activities
For the Year Ended June 30, 2014

Functions/programs	Expenses	Program Revenues			Net (expense) revenue and change in net position
		Charges for services	Operating grants and contributions	Capital grants and contributions	
Business-type activities:					
Redevelopment of Naval Air Station	\$ 12,957,890	4,039,459	1,258,376	11,494,723	3,834,668

General revenues:	
Miscellaneous revenues	184,877
Gain on sale of property	359,271
Transfers to subsidiaries	(10,000)
Total general revenues and transfers	534,148
Impairment of capital assets	(7,219,693)
Change in net position	(2,850,877)
Net position - beginning, as restated	123,730,223
Net position - ending	\$ 120,879,346