

# MAINE STATE LEGISLATURE

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January 12, 2016

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, 2015

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, 2015.

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

- ❑ There are now over 82 entities doing business at Brunswick Landing and the Topsham Commerce Park, who employ 822 individuals (exceeding the short-term economic goal established by the Maine Legislature).
- ❑ MRRA has awarded over \$50 million dollars in contracts for property improvements, building construction/reconstruction and airport and utility infrastructure since 2008.
- ❑ Brunswick Landing and Topsham Commerce Park have realized over \$200 million in new private sector investment.
- ❑ Over \$74,523,100 in new property valuation has been added to the property tax rolls in the town of Brunswick and \$2,465,000 in Topsham generating new property tax revenues for FY 2016 in Brunswick of \$2,113,475 and \$44,271 in Topsham.
- ❑ Since the approvals of the Public Benefit and Economic Development Conveyances in 2011, the Navy has transferred approximately 1,761.41 acres of the 2,114.6 acres we are slated to receive. MRRA has received 778.72 (70%) of the 1,112 acres of the non-airport property and 982.69 (98%) of the 1,002.6 acres of airport land. Of the 777.55 acres of EDC property received to date, MRRA has sold 375.41, nearly half, leaving 1,386 under management.

#### **A. Description of the Authority's Operations**

The year 2015 was another busy, challenging and successful year for MRRA. 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 growth. Our business development efforts continue to



focus on quality job creation in several targeted industries: aviation/aeronautics, renewable energy, composites, information technology, biotechnology, and education. This past year, MRRA significantly increased its international marketing effort to promote Maine and the available opportunities at Brunswick Landing and the Topsham Commerce Park to promote our targeted industry sectors.

The Midcoast Regional Redevelopment Authority reached a number of important milestones in 2015, just fifty-four months following the disestablishment ceremony by the United States Navy. This past year's more important accomplishments include:

- ❑ On January 28, 2015, the Board of Trustees adopted the 2015 Business Plan. 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. A new work plan for FY 2016 was developed as an outgrowth of the Business Plan and submitted to the Federal Office of Economic Adjustment (OEA) on April 27 with our FY 2016 budget and grant request.
- ❑ In March Sunray Animal Clinic opened on Admiral Fitch Avenue in a new building constructed by the Priority Group. They have fifteen employees.
- ❑ We were notified this spring by the Maine International Trade Center (MITC) that we were successful in our \$50,000 *Invest in Maine* grant application. This grant is designed to increase foreign direct investment in Maine to finance growing companies and to encourage new business ventures that will create jobs and support economic growth. Funds have been used to make direct contact with international business leaders.
- ❑ This summer Village Green Ventures began construction of a \$10 million 1.0 megawatt anaerobic digester power generation project at Brunswick Landing. It will be the second privately operated power plant of its kind in Maine. This power plant produce enough power needed to meet the energy needs of 1,000 homes. The expectation is that the new facility will produce enough energy to serve about half the needs of Brunswick Landing businesses during peak hours. We will begin receiving power generated from biogas created by anaerobic digestion of organic waste materials, to our grid in January 2016. This exciting project is consistent with the reuse plan's goals of renewable energy generation. It will allow MRRA to continue to provide stable electricity prices from 100 percent green energy sources that are lower than market price.
- ❑ This year Rousseau Enterprises transformed the former Navy Hotel (Building 750) into a senior apartment and assisted living facility for the elderly known as *Coastal Landing*. The 115,000 square foot building underwent extensive renovations, including a new portico, a family room, multi-media game room and cafeteria, and a new elevator. *Coastal Landing* opened its doors in September.



- ❑ In May, MRRA sold the former fire station in Topsham to Firehouse Realty conducting business as Firehouse Tumbling, which redeveloped the building into a cheerleading and gymnastics studio. They opened their doors this summer.
- ❑ In March, the State of Maine Joint Committee on Labor, Commerce, Research and Economic Development visited Brunswick Landing and toured *TechPlace*, Molnlycke Healthcare and Southern Maine Community College.
- ❑ In June, the Midcoast Economic Development District prioritized the expansion of *TechPlace* and building upgrades and tenant fit-ups as its two highest regional economic development projects in northern Cumberland, Sagadahoc, Lincoln and Hancock counties, making them available for EDA funding.
- ❑ On April 2, 2014, MRRA signed a lease with Brunswick Landing Realty Development Corporation (BLRDC) for building 250 to house *TechPlace*. Construction at *TechPlace* was completed in January. Tenants began moving into *TechPlace* in February. On May 28, 2015, MRRA held a *Grand Opening* for *TechPlace* which was attended by the Governor, Senator Stan Gersofsky and letters presented from the entire Maine Congressional Delegation



At the end of December 2015, *TechPlace* has signed User Agreements with the following businesses and organizations:

- |  |                                |
|--|--------------------------------|
| ❑ Aerotech Surgical                          | ❑ Kenway/Harbor Technologies   |
| ❑ Atayne                                     | ❑ Krolak Enterprises           |
| ❑ Bourgeois Guitars                          | ❑ Maine Composites Alliance    |
| ❑ Composites Engineering Research Laboratory | ❑ Maine MEP                    |
| ❑ Composites Technology Ctr.                 | ❑ Maritime Surveillance Assoc. |
| ❑ Drummond Woodsum                           | ❑ MVP Aero Inc.                |
| ❑ GHG Underground                            | ❑ STARC Systems                |
| ❑ Greisen Aerospace                          | ❑ University of Maine          |
| ❑ Griffin LLC                                | ❑ Village Green BL             |
| ❑ Harbor Digital                             | ❑ Wireless Sensors             |
| ❑ InSphero                                   |                                |
- ❑ MRRA entered a lease with Smarter Risk at a former sensitive compartmented information facility (building 554) for a cyber security consulting firm and data center in September. The University of Southern Maine also announced its intent to partner with Smarter Risk in concert with its new Bachelor's degree program in cyber security at this location.



- ❑ MRRA entered into a lease with Brilliant and Sons, Inc., an automotive repair service at the former NEX Service Station. They have three employees.
- ❑ In June, MRRA was notified of two successful grant applications; a \$299,040 grant from the Maine Technology Institute to purchase bio-tech laboratory and maker space equipment for *TechPlace* and a \$149,900 grant from Efficiency Maine to support investments in energy saving fixtures in hangars 4, 5 and 6.
- ❑ This fall, MRRA completed the upgrade and improvements to the Fire Suppression Water Reserve and Pump House building and began the construction on the Airport Snow Removal Equipment Maintenance building. Construction on that building is expected to be completed in February.
- ❑ Work has been completed on the Bowdoin College solar project adjacent to Brunswick Executive Airport. The college is using land it acquired from the Navy via a Public Benefit Conveyance to build a massive solar array with 4,500 solar panels and capability to generate 1.2 megawatts of power at full capacity. Bowdoin's solar array is largest solar project in the State of Maine.
- ❑ On September 25, MRRA sold the gymnasium and car wash buildings and 4.7 acres to TBW, LLC. TBW in turn leased the gymnasium to the Bath YMCA. The new YMCA will open its doors in January.
- ❑ In October, MRRA received its audited Financial Statements for the period ending June 30, 2015. The audit was conducted by Runyon Kersteen and Ouellette. MRRA, once again received an unmodified (clean audit) opinion letter for an eighth consecutive year.
- ❑ In October MRRA sold 13.64 acres to the Priority Group who is the general contractor for the \$10 million Avita Memory Care Facility. Avita is a partnership between the Portland based Sandy River Company and the Northbridge Companies of Burlington, Massachusetts. The 74 bed memory care facility which will open in the fall of 2016 will offer services tailored to residents with memory loss, Alzheimer's disease and other forms of dementia. Common features include 24-hour supervision, medication management and secure areas to prevent residents from wandering away.
- ❑ Southern Maine Community College (SMCC) and University College collectively now have more than 900 students enrolled in classes at the Brunswick Landing campus. Many of our companies are already taking advantage of the workforce training programs SMCC offers to train their workers in specialized fields. In December SMCC dedicated the new L.L. Bean Learning Commons and Health Science Center, a renovation of the former Navy Health Services building.



- ❑ At its annual dinner in November, MRRA recognized two Brunswick Landing companies for innovative business practices. The dinner was attended by more than 140, including Brunswick Landing businesses and MRRA strategic partners and friends. The Rollease Innovation Center, a division of Rollease Acmeda, was named the most innovative business in the larger company category (10 employees, or more), while STARC Systems, located at TechPlace, and was honored as most innovative micro business.



- ❑ Recently completed projects include:
  - ❖ Rehabilitation of Hangars 4 and 5 to make the facilities more energy efficient and comply with current building codes. Improvements included additional insulation of hangar doors, new roof on Hangar 4 and installation of energy efficient LED lighting in both hangars.
  - ❖ Concrete and joint repairs were completed on the primary runway and taxiways.
  - ❖ Storm water drainage improvements and repairs to several areas of failed drainage systems and replacement of a failing culvert on the perimeter road.
  - ❖ The fire protection systems for Hangars 4, 5 and 6 were upgraded and brought into compliance with current code requirements.
- ❑ Current projects include:
  - ❖ A new snow removal equipment (SRE) maintenance building is under construction at BXM.
  - ❖ Energy efficient radiant heat will be installed in Hangars 4 and 5.
  - ❖ The glycol capture system will be re-commissioned to capture and recycle all aircraft deicing fluids.
  - ❖ Hangar 6 doors will be refurbished to improve safety and reliability.
  - ❖ Runway 1R/19L centerline lights are being removed to decrease airport operating and maintenance costs.
- ❑ New private and public construction activity in 2015 totaling nearly \$50 million at Brunswick Landing and the Topsham Commerce Park include:
  - ❖ the construction of the new Sun Ray veterinarian clinic on Admiral Fitch Avenue by the Priority Group;
  - ❖ a major renovation to the former Navy Hotel to complete Coastal Landing, a senior housing complex, by Rousseau Enterprises;
  - ❖ the construction of the anaerobic digester facility by Village Green Ventures;
  - ❖ the commencement of construction of a 50,000 square foot memory care facility by Avita Brunswick;



- ❖ the sale and renovation of the former Topsham Fire Station by Firehouse Tumbling;
  - ❖ the renovation of the former Night Flight building by George Schott;
  - ❖ the renovation of the former Navy fitness center by Thomas Wright and lease to the Bath area YMCA;
  - ❖ the construction of a new snow removal equipment (SRE) maintenance building by MRRA;
  - ❖ TechPlace renovations by MRRA;
  - ❖ energy improvements and renovations to Hangars 4 and 5;
  - ❖ renovations to the airport fire pump house facility by MRRA; and
  - ❖ Airfield drainage improvements.
- ❑ In August, MRRA signed a new Grant Agreement with the Office of Economic Adjustment within the Department of Defense for FY 2016 to fund about half of the wages and benefits for ten of MRRA's twelve staff positions. The total budget is \$1,295,500 with an OEA grant of \$640,800.
  - ❑ This year, MRRA worked with a private company, Air Show Network, to host the 3<sup>rd</sup> Great State of Maine Air Show featuring the Blue Angels on September 5 and 6 since the closure of NAS Brunswick. This event brought over 100,000 people to Brunswick that weekend with an estimated economic impact of over \$5 million.
  - ❑ In March of 2013, the Town of Brunswick designed two Tax Increment Financing Districts; the Brunswick Executive Airport TIF District and the Brunswick Landing TIF District. One district serves the properties within the confines of the airport and a second district in the non-aviation area of the campus. In September of this year, MRRA and the Town of Brunswick negotiated a slightly modified TIF Agreement that would split revenues on a 50/50 basis up to \$15 million but recognize the aviation uses through a credit enhancement agreement.
  - ❑ BXM is also one of twelve Maine airports participating in the *Maine Flying Trail*, which was initiated by MRRA two years ago. The program offers pilots two free lobsters to those visiting five Maine airports.
  - ❑ Our fixed based operator, FlightLevel Aviation, initiated an extensive mail and social media marketing campaign to increase interest in BXM with some success. Last year there were more than 13,500 landings and take offs at BXM and FlightLevel Aviation sold 238,576 gallons of fuel. Those figures should be easily toppled this coming year as more pilots discover the convenience of BXM.
  - ❑ The Brunswick Executive Airport has 27 based aircraft, up from 19 in 2012.
  - ❑ On June 24, Executive Director, Steven Levesque was presented with the prestigious *Community Leadership Award* by the Association of Defense Communities at its annual conference in Washington, D.C. for his outstanding leadership and success on the

redevelopment of NAS Brunswick. This was the second time that Steve has received this award.

- ❑ On October 6<sup>th</sup>, the Brunswick Planning Board approved a subdivision plan that included properties added in recent conveyances adjacent to the former police station and Frosty's. This will permit the acquisition of the buildings currently leased by Frosty's and a second leased by New England Tent and Awning.
- ❑ In October, MRRA provided a payment of \$1,966,462 to the United States Treasurer which represents 25.0% of the lease and sale revenue generated by MRRA over the last fiscal year. To date, MRRA has paid the United States Government over \$6.5 million under the EDC Conveyance Agreement MRRA signed with the Navy.
- ❑ As of December 31, Affordable Mid Coast Housing has closed on 177 of the 231 housing units in the McKen Street neighborhood. By our agreement with AMH, after the first \$5,000,000 in property sales have been realized MRRA receives 5% of the purchase price of each unit sold. Property sales now total over \$23 million and MRRA has received \$902,283.50 to date for its agreed share.
- ❑ On December 17, the Federal Aviation Administration released 12.07 acres of airport property at Brunswick Executive Airport that encompassed the former fuel farm site and is now leased to L. L. Bean of Freeport, Maine as a secured location for material and supplies supporting its Brunswick manufacturing operation.
- ❑ In December MRRA closed on the transfer of the former Chapel to a local not for profit organization called the Brunswick Naval Museum and Memorial Gardens, which has operated a Naval Museum on site for just over a year.
- ❑ MRRA also sold lots 11 and 12 (total of 4.5 acres) on Admiral Fitch Avenue to the Priority Real Estate Group for commercial development.
- ❑ On December 29, we were notified that *TechPlace* had been chosen as the Best New Business by the Southern Midcoast Chamber of Commerce and will be presented the award at the Annual Dinner on January 15.
- ❑ As of December 31, 2015 there are 822 individuals employed by the 82 business entities located at Brunswick Landing or the Topsham Commerce Park. In 2009 our EDC business plan projected that by this time in 2015, Brunswick Landing would employ 375 individuals. Our current employment figures exceed the projections by 443 additional jobs. It should also be noted that there are 160 Maine Army National Guard members and 124 Marine Corps Reservists assigned to their units at Brunswick Landing. In addition, the new L.L. Bean project at Brunswick Landing will result in the creation of up to 75 new jobs at the off-site Brunswick manufacturing facility.



**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, 2015, including a balance sheet and budget report. Also please find attached a copy of the audited Financial Statements for the period ending June 30, 2015. 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, 2015. MRRA, once again received an unmodified (clean audit) opinion letter for an eighth consecutive year.

It should be noted that MRRA does not receive a state appropriation as part of the General Fund Budget. MRRA'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 MRRA 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, 2015, MRRA has received a total of 982.59 acres of airfield property and 32 buildings, 21 of which will be used by MRRA. Eleven of the buildings were demolished. As a condition of transfer from the Federal Aviation Administration and the Navy, land and buildings within the Airport property cannot be sold. The Navy did not transfer any PBC property in 2015.

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). The Navy did not transfer any EDC property in 2015.

As part of the EDC Agreement, MRRA agreed to 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 \$1,966,462. To date, MRRA has paid the United States Government over \$6.5 million.

As of December 31, 2015, MRRA has received a total of 63 reusable buildings and 777.55 acres (70.8%) of the 1,112 acres of the non-airport property through the EDC transfer. A number of buildings, largely former security buildings, sheds and functionally obsolete buildings have been demolished through a grant from the Economic Development Administration. To date MRRA has sold a total of

38 buildings (490,300 square feet) and 375.41 acres of land to seven private sector developers for the redevelopment activity described above.

	<b>Leasable Property</b>	<b>Utility Buildings</b>	<b>Sold</b>	<b>Total</b>
Public Benefit Conveyance	15	6	0	21
Economic Development Conveyance	21	4	38	63
	36	10	38	84

The covenants of the Economic Development and Public Benefit Conveyances 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 36 buildings with 756,818 square feet of commercial, industrial and professional office space for lease along with another 10 utility buildings and all of the associated utilities serving those buildings, including – streets and sidewalks, street lights, traffic signals, electricity, water, sewer and stormwater utilities.

In 2015, MRRA sold the following land:

<b>Description</b>	<b>Acreage</b>	<b>Sale Date</b>
Lot 24 to the Priority Real Estate Group, LLC	2.00	March 20, 2015
Lot 32 to the Priority Real Estate Group, LLC	12.26	October 16, 2015
Lot 30 to the Priority Real Estate Group, LLC	1.38	October 16, 2015
Lot 11 to the Priority Real Estate Group, LLC	2.58	December 29, 2015
Lot 12 to the Priority Real Estate Group, LLC	1.96	December 29, 2015
<b>Total</b>	<b>20.18</b>	

and the following buildings:

<b>Description</b>	<b>Purchaser</b>	<b>Square Footage</b>	<b>Acreage</b>	<b>Sale Date</b>
Executive Officer's Home - 9 Captains Way	Affordable Midcoast Housing	2,585	2.54	February 17, 2015
Captain's Home - 10 Captains Way	Affordable Midcoast Housing	3,387	2.54	February 17, 2015
Topsham Annex Fire Station	Fire House Realty for a gymnastics school	2,651	0.75	June 3, 2015
Station Quarters - 93 Admiral Fitch Avenue	Priority Real Estate Group	2,721	1.24	August 26, 2015
Station Quarters - 97 Admiral Fitch Avenue	Priority Real Estate Group	2,721	1.24	August 26, 2015
Gymnasium	TBW, LLC (and now leased to the Bath Area YMCA)	22,885	2.47	September 25, 2015
Car wash - now post office	TBW, LLC	1,335	2.23	September 25, 2015
Chapel	Brunswick Navy Museum and Memorial Gardens	13,610	2.30	December 29, 2015
		51,895	15.29	



Sales totaled \$2,074,500.

***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 the major challenges associated with providing and maintaining services to the businesses, organizations and residential properties located on our properties and securing sufficient funding needed 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 and property owners at Brunswick Landing.

This year also marked MRRA's fifth year of operating a regional general aviation airport, which is becoming a great asset for the Midcoast region, with over 15,000 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:

FAA Military Airport Program - Grant 013 Rehabilitate Building 295 - Fire Protection Building	\$433,224
FAA Military Airport Program - Grant 014 Improve Airport drainage	\$748,818
FAA Military Airport Program - Grant 015 Crack sealing 01R/19L	\$150,000
FAA Military Airport Program - Grant 016 Rehabilitate Hangars 4 and 5	\$1,662,930
FAA Military Airport Program - Grant 017 Construct Snow Removal Equipment Building	\$1,521,270
FAA Military Airport Program - Grant 018 Air Field Pavement and Repair	\$150,000
FAA Military Airport Program - Grant 019 Hangar 6 Door Improvements	\$1,049,364
FAA Military Airport Program - Grant 020 Center Line Light Removal 1R-19L	\$1,600,000
FAA Military Airport Program - Grant 021 Glycol Recovery Tank Repair and Heating Hangars 4 and 5	\$1,700,000
	<hr/> \$9,015,606

These funds were matched by a contribution from the MaineDOT of \$500,867 and a local match from MRRA of \$500,867.

**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 2015.

The voters of Maine, however, approved a state transportation improvement bond back in 2009 that included \$500,000 for investment in aviation facilities at the airport facility in Brunswick. These funds were used as the local match for FAA Military Airport Program investments at Brunswick Executive Airport. Each dollar of state investment leverages \$18 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 and now employs 48.

**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 \$53,000 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; **Accomplished in 2015**
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 54 months from the official date of closing the base in May of 2011, there are over 822 individuals working at Brunswick Landing; up from 527 last year, with an expectation and commitment to grow that number to upwards of 1,500 by the end of 2016.

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, 2015*



**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**

**Annual Financial Report**

**For the Year Ended June 30, 2015**

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## 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, 2015, and the related notes to the financial statements, which collectively comprise Midcoast Regional Redevelopment Authority's basic 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 these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Midcoast Regional Redevelopment Authority, as of June 30, 2015, and the changes in financial position and its cash flows 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 basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

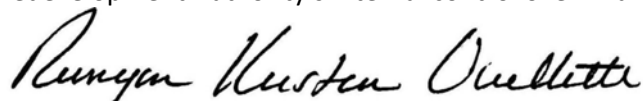
***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Midcoast Regional Redevelopment Authority's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic 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 September 28, 2015 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.



September 28, 2015  
South Portland, Maine



**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2015**

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***Introduction***

This section of the annual financial report is known as Management's Discussion and Analysis (MD&A). The MD&A is an analysis of the financial condition and operating results of the Midcoast Regional Redevelopment Authority (MRRA) for the period ending June 30, 2015 and is intended to introduce the basic financial statements and notes. It is designed to provide an objective and easily readable examination of MRRA's financial activities based on currently known facts, decisions or conditions. This MD&A should be read in conjunction with MRRA's financial statements and accompanying notes.

***Major Initiatives, Accomplishments and Financial Highlights – July 1, 2014 to June 30, 2015***

***Property Transfers***

Since the approval of the Public Benefit Conveyance (PBC) and the signing of the Economic Development Conveyance (EDC) Purchase and Sale Agreement in 2011, the Navy has transferred 1,760.24 acres of the 2,100 acres we are slated to receive. MRRA now owns 777.55 (70.82%) of the 1,098 acres of the non-airport property and 982.69 (99.04%) of the 992.2 acres of airport land.

On August 15, 2014, the Navy transferred two public benefit parcels (AIR 2C and AIR 18), a total of 10.5 acres, and the Air Traffic Control Building (building 231) to MRRA. This 15,660 square foot special purpose building was constructed in 2006 and opened in 2007. On September 25, the Navy transferred an additional 21 acres of EDC property in Brunswick and 13 acres of EDC land in Topsham to MRRA.

This year, the Navy also transferred 3.975 acres to Bowdoin College and 2.38 acres to Family Focus. This transfer created a payment by Bowdoin to the Homeless Assistance Fund of \$2,226 and a payment by Family Focus of \$1,332.

In August 2014, MRRA sold building 87, the former Wing Headquarters (52,513 square feet) and building 43 the former Telephone Exchange building (1,156 square feet) to Affordable Midcoast Housing (AMH) (owned by George Schott) for \$5.1 million. The buildings are currently being leased by Oxford Networks for its growing data center business. Also in August, MRRA received a supplemental payment from AMH of \$75,000 as a result of AMH's sale of the former Navy hotel (building 750) to Rousseau Enterprises for the development of an assisted living facility known as Coastal Landing. On September 26, MRRA sold the former Officers Club (building 516) and a storage shed (building 460) including .29 acres to AMH for \$200,000. On September 29, 2014, MRRA sold lot 31 of 1.42 acres to the Priority Group for \$70,500. On November 21, MRRA sold building 54, the Applied Instruction Building (also known as the SERES School) and building 639, the Operations Trainer Building, to the Cardente Group for \$1,387,579. Building 54 houses two tenants: the American Bureau of Shipping and Rollease. On February 17, 2015, MRRA sold the former base Captain's home and Executive Officer's home to AMH for \$430,000 without the land, which will be transferred at no additional charge when received from the Navy. On March 20, MRRA sold lot 24 to the Priority Group for \$80,000. Lot 24 is the land where the former building 20 (the Navy's credit union and post office) was located. In June, MRRA sold the former fire station in Topsham to Firehouse Realty, which will redevelop the building into a cheerleading and gymnastics studio on a .75 acre parcel. Total property sale revenue in FY 2015 was \$7,507,553.

To date, AMH has closed on 149 housing units in the McKeen Street neighborhood. Under our revenue sharing agreement with AMH, MRRA receives 5.0% of the purchase price of each unit sold after the first \$5.0 million of sales. MRRA has received a total of \$684,066 to date for its agreed share.

**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2015**

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***TIF Districts***

In July 2013, 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. As of June 30, 2015, the Town had not transferred TIF dollars to MRRA. The Town and MRRA recently began discussions to amend the TIF Agreement to address aeronautical uses and allow the implementation of the TIF program.

***Grants***

In August of 2014, the Federal Aviation Administration (FAA) announced grant awards for 2015 under the Military Airport Program. Approved projects included a total of \$182,088 for the replacement of the Terminal Building roof, \$433,224 for the upgrade to the Fire Protection building, \$748,818 to improve airport drainage, \$150,000 for runway and ramp pavement crack sealing, \$1,662,930 to rehabilitate hangars 4 and 5, and \$1,521,270 to construct a snow removal equipment building for a total of \$4,698,300 with an additional State of Maine match of \$261,018. Over the last three years, the MRRA has secured \$13.421 million in FAA grants.

We were notified by the Maine International Trade Center (MITC) that we were successful in our \$50,000 *Invest in Maine* grant application. This grant is designed to increase foreign direct investment in Maine to finance growing companies and to encourage new business ventures that will create jobs and support economic growth. Funds will be used to make direct contact with international business leaders.

MRRA received an \$841,300 grant from the Office of Economic Adjustment within the Department of Defense to support ten of the twelve staff employed by MRRA for FY 2015.

On June 8, the Maine Technology Institute approved MRRA's March 23<sup>rd</sup> grant application for a \$299,040 to fund the purchase of equipment to outfit a shared bio-tech laboratory and machine manufacturing center and related physical improvements at *TechPlace*.

***TechPlace***

On April 2, 2014, MRRA signed a lease with Brunswick Landing Realty Development Corporation for 94,609 square feet of space in building 250 (the former Aviation Intermediate Maintenance Department) for the creation of a new technology accelerator and business incubator known as *TechPlace* with funding from Make It in America Challenge Grant from the U.S. Department of Commerce. Matching grant dollars were provided by the Brunswick Development Corporation, the Town of Brunswick (with a CDBG grant from the State of Maine), and MRRA.

MRRA completed the repairs and renovations to building 250 and opened the doors to *TechPlace*, the State's first technology accelerator, on January 7, 2015. *TechPlace* will support innovative manufacturing businesses in the sectors of advanced materials, composites technology, aerospace/aviation, biotech/biomed, IT, and renewable energy.

On May 28, MRRA held a Grand Opening for *TechPlace*, which was attended by the Governor and letters presented from the entire Maine Congressional Delegation. After just five months, *TechPlace* has fourteen tenants: Aerotech Surgical, Atanye, Bourgeois Guitars, Brunswick Landing Realty Development Corporation, Drummond Woodsum, Greisen Aerospace, Griffin LLC, Harbor Digital, Insphero, Maine Manufacturing Extension Partnership, Maritime Surveillance, STARC Systems, Tempus Jets and the University of Maine.



**REGIONAL REDEVELOPMENT AUTHORITY**  
**Meeting's Discussion and Analysis, Continued**  
**June 30, 2015**

**Private Investment at Brunswick Landing**

As a part of the progress on transforming the old building (750) into a retirement apartment complex, the old living facility called *Coastal Landing* is being renovated. The 115,000 square foot building is undergoing extensive renovations. A new portico is being built on the top floor for independent and assisted living apartments. Renovations also include a new elevator, and multi-media. The opening is slated for early fall 2015.

In March, Sunray Animal Clinic opened its doors on Atlantic Avenue. They employ fifteen people.

The new solar thermal renewable energy plant took place on May 27 at the south end of the Brunswick Executive Airport. Here the new anaerobic digester construction is underway and should be complete before winter. The new Renewable Energy Center will produce nearly a million kilowatts of power. MRRA currently has a power load. With the new plant, power needs could be generated on site.

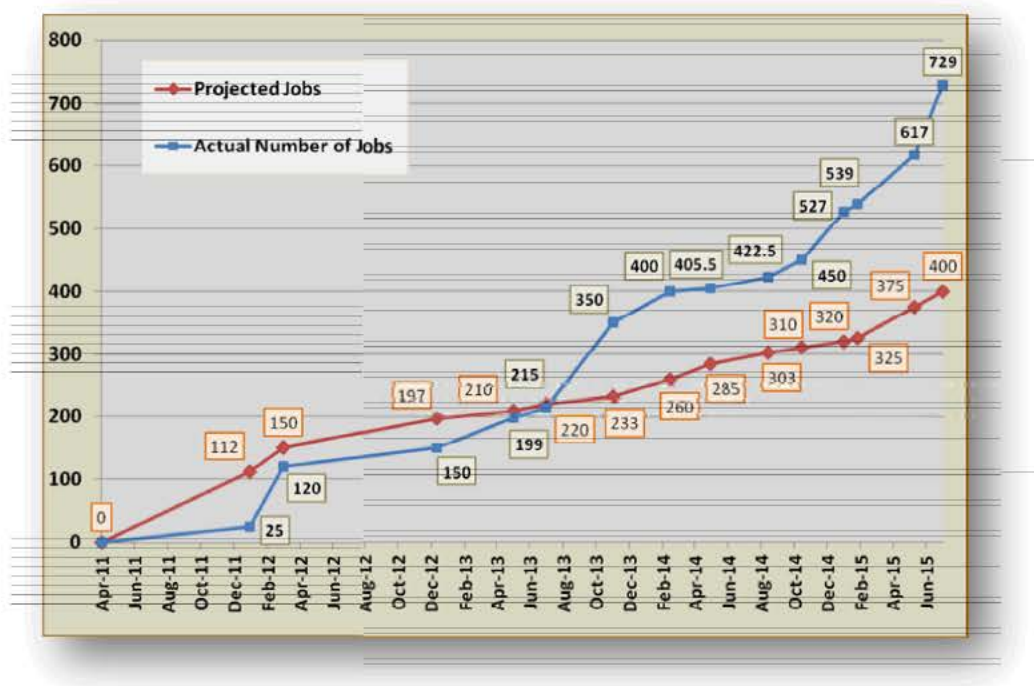
**Loans from MRRA**

MRRA provides local capital loans -- the first two years: Family Focus, Frosty's Donuts and Firehouse Realty.

**Positive Economic Impacts**

Since the closure of the base in 2011, the net economic impact has included, but are not limited to, the following:

- There are now over 75 entities doing business in the area (Tampa Commerce Park, and have created 729 jobs (the short-term economic goal).



**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2015**

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- ☐ MRRA has awarded over \$45.0 million dollars in contracts for property improvements, building construction/reconstruction and airport and utility infrastructure.
- ☐ Brunswick Landing and Topsham Commerce Park have realized over \$150.0 million in new private sector investment.
- ☐ Over \$65 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 \$1.8 million from the former base properties.
- ☐ MRRA has sold a total of 32 buildings and 333 acres to the private sector.

**Leases**

In FY 2015, MRRA signed the following leases:

- ☐ Blue Dog Day Care (building 636)
- ☐ Hoyle Tanner & Associates (Hangar 6)
- ☐ Japort (building 639)
- ☐ Maine Aviation Corporation (Hangar 5)
- ☐ New England Tent and Awning (Building 252)
- ☐ Town of Brunswick (Building 554)
- ☐ L.L. Bean (building 56 and 2.2 acres of land)

Brunswick Landing Realty Development Corporation signed the following User Agreements for space in *TechPlace*:

- ☐ Aerotech Surgical
- ☐ Atayne
- ☐ Bourgeois Guitars
- ☐ Drummond Woodsum
- ☐ Greisen Aerospace
- ☐ Griffin LLC
- ☐ Harbor Digital
- ☐ InSphero
- ☐ Maritime Surveillance
- ☐ Maine Manufacturing Extension Partnership
- ☐ Sonic Blue Aerospace
- ☐ Starc Systems
- ☐ Tempus Jets
- ☐ University of Maine

**Awards**

On June 24, Executive Director, Steven Levesque was presented with the prestigious *Community Base Redevelopment Award* by the Association of Defense Communities at its annual conference in Washington, D.C. for his outstanding leadership and success on the redevelopment of NAS Brunswick.



**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2015**

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***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 statement of net position; statement of revenues, expenses and changes in net position; statement of cash flows; and notes to the financial statements.

The 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 as actual cost records were not available from the Navy. The balance sheet 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 statement of net position provides information about the nature and amount of resources and obligations at year-end, the 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.

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

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

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

***Summary of Organization and Business***

The Midcoast Regional Redevelopment Authority, a component unit of the State of Maine, is a municipal corporation created by Maine law, 5 MRSA §13083-G, and charged with the responsibility to acquire and manage property at 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. 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.

**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2015**

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 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, 2015.

**Midcoast Regional Redevelopment Authority**  
**Condensed Statement of Net Position**  
**June 30, 2015 and 2014**

	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>
Current and other assets	\$ 10,190,829	7,523,752	2,667,077	35.4%
Capital assets	129,272,639	132,140,897	(2,868,258)	-2.2%
<b>Total assets</b>	<b>139,463,468</b>	<b>139,664,649</b>	<b>(201,181)</b>	<b>-0.1%</b>
Long-term liabilities	14,479,983	14,354,364	125,619	0.9%
Current liabilities	4,897,174	4,430,939	466,235	10.5%
<b>Total liabilities</b>	<b>19,377,157</b>	<b>18,785,303</b>	<b>591,854</b>	<b>3.2%</b>
Net investment in capital assets	114,786,066	117,770,487	(2,984,421)	-2.5%
Unrestricted	5,300,245	3,108,859	2,191,386	70.5%
<b>Total net position</b>	<b>\$ 120,086,311</b>	<b>120,879,346</b>	<b>(793,035)</b>	<b>-0.7%</b>

Original cost information for the former Navy facilities was not available. MRRA had to develop a methodology for determining the 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 based on the estimated cost to replace on a per square foot basis in 2006 dollars.

As properties were offered to the marketplace and sold, MRRA learned more and more about their value in the civilian marketplace. MRRA also had the benefit of eight independent market appraisals on buildings subsequently sold. From these appraisals, MRRA learned more about the current market value of industrial, commercial and professional office facilities in the region. We learned that MRRA's current capital asset values of land and buildings was overstated, because we had relied so much on the Navy's estimated cost to replace schedule and the single purpose nature of many Navy buildings.



**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2015**

In 2014, MRRA used the recently obtained market appraisal information and the information in the comparable sales approach section of the appraisals to establish a more realistic estimate of square foot value for buildings and adjusted the balance sheet accordingly. MRRA used the average of the square foot sales price for all of the properties within the property sales comparable approach section of the appraisals and the value set by the appraiser for each 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, MRRA 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 34.14 acres of land and two buildings: building 81 (former CHRIMP facility) and building 223 (former NMCI Marine Computer Building). All of these assets were transferred net of additional debt. 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 MRRA 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 scheduled to amortize on October 1, 2015 with a balloon payment in 2023 of \$1,650,000; provided that all property is transferred by October 1, 2015. The \$3.0 million was retired by MRRA on June 5, 2014.

The Navy also transferred 10.5 acres and the former Air Traffic Control Tower (Building 231) through the Airport PBC. All of these assets were transferred net of additional debt.

This past fiscal year MRRA sold a total of 35.18 acres and four buildings totaling 112,195 square feet.

The Combined Statements of Revenues, Expenses and Changes in Net position presents information on MRRA'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, 2015.

**Condensed Statement of Revenues,  
Expenses and Changes in Net Position  
For the year ended June 30, 2015 and 2014**

	<b>2015</b>	<b>2014</b>	<b>Change</b>	<b>% Change</b>
Operating revenues	\$ 4,473,732	5,297,835	(824,103)	-15.6%
Operating expenses	10,741,014	10,846,041	(105,027)	-1.0%
<b>Operating loss</b>	<b>(6,267,282)</b>	<b>(5,548,206)</b>	<b>(719,076)</b>	<b>13.0%</b>
Nonoperating revenues	6,815,806	4,304,108	2,511,698	58.4%
Nonoperating expenses	2,993,852	2,111,849	882,003	41.8%
<b>Nonoperating income</b>	<b>3,821,954</b>	<b>2,192,259</b>	<b>1,629,695</b>	<b>74.3%</b>
Loss before contributions, transfers, and impairments	(2,445,328)	(3,355,947)	910,619	27.1%
Transfers to subsidiaries	-	(10,000)	10,000	100.0%
Contributed capital	1,636,703	7,734,763	(6,098,060)	-78.8%
Impairment of capital assets	-	(7,219,693)	7,219,693	100.0%
<b>Change in net position</b>	<b>\$ (808,625)</b>	<b>(2,850,877)</b>	<b>2,042,252</b>	<b>-71.6%</b>

**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Management's Discussion and Analysis, Continued**  
**June 30, 2015**

This statement records a non-cash expense of \$4,294,231 for depreciation as an Operating Expense (see page 13) for the assets that MRRA held this year. If the unfunded depreciation expense were removed, the income before contributed capital would be \$1,848,903.

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, 2015**

	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>% Variance</b>
Personnel services	\$ 1,036,300	1,067,156	(30,856)	-2.9%
Employee benefits	349,200	346,447	2,753	0.8%
Supplies	537,000	290,641	246,359	84.8%
Professional services	273,100	411,653	(138,553)	-33.7%
Property services	3,268,000	3,056,806	211,194	6.9%
Other purchased services	97,600	231,797	(134,197)	-57.9%
Bad debt expense	-	172,020	(172,020)	-100.0%
Capital outlay	6,800	15,221	(8,421)	-55.3%
Debt service	161,500	1,974,588	(1,813,088)	-91.8%
Transfers to subsidiaries	334,600	186,194	148,406	79.7%
Transfers to sinking fund	120,400	-	120,400	100.0%
<b>Total operating expenses</b>	<b>\$ 6,184,500</b>	<b>7,752,523</b>	<b>(1,568,023)</b>	<b>-20.2%</b>

**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, 2015**

	<b>2015</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 4,600,844
Receivables:	
Grant receivables	3,552,196
Tenant and other receivables (net of allowance of \$160,591)	952,360
Notes receivable (net of allowance of \$400,367)	341,614
Prepaid expenses	274,577
Total current assets	9,721,591
Noncurrent assets:	
Other assets:	
Security deposits	100,664
Restricted cash	368,574
Total other assets	469,238
Capital assets:	
Capital assets not being depreciated	39,186,469
Capital assets, net of accumulated depreciation	90,086,170
Net capital assets	129,272,639
Total noncurrent assets	129,741,877
<b>Total assets</b>	<b>139,463,468</b>
<b>LIABILITIES</b>	
Current liabilities:	
Line of credit	778,329
Accounts payable	3,479,228
Accrued expenses	173,657
Contract obligations payable	267,109
Unearned revenue	106,849
Security deposits	85,412
Current portion of notes payable	6,590
Total current liabilities	4,897,174
Noncurrent liabilities:	
Notes payable	14,479,983
Total noncurrent liabilities	14,479,983
<b>Total liabilities</b>	<b>19,377,157</b>
<b>NET POSITION</b>	
Net investment in capital assets	114,786,066
Unrestricted	5,247,299
Unrestricted - component units	52,946
<b>Total net position</b>	<b>\$ 120,086,311</b>

*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, 2015**

	2015
Operating revenues:	
Rental income and fees	\$ 2,159,334
Common area maintenance fees	46,118
Utilities assessment	1,321,624
Transient aircraft and fuel flowage fees	74,038
Federal grants	872,618
Total operating revenues	4,473,732
Operating expenses:	
Salaries, taxes, and benefits	1,413,603
Supplies	380,105
Professional services	436,917
Property services	3,172,785
Other purchased services	250,486
Bad debt expense	172,020
Taxes and fees	1,071
Capital outlay	619,796
Depreciation	4,294,231
Total operating expenses	10,741,014
Operating loss	(6,267,282)
Nonoperating revenues (expenses):	
Federal grants	4,389,063
State grants	437,304
Miscellaneous revenue	335,150
Miscellaneous expense	(10,355)
Navy covenant	(1,966,462)
Gain on sale of property	1,593,690
Bad debt expense - notes receivable	(400,367)
Interest income - notes receivable	34,348
Investment interest income	26,251
Interest expense	(616,668)
Total nonoperating revenues (expenses)	3,821,954
Loss before contributions	(2,445,328)
Capital contributions	1,636,703
Change in net position	(808,625)
Net position, beginning of year, as restated	120,894,936
<b>Net position, end of year</b>	<b>\$ 120,086,311</b>

*See accompanying notes to financial statements*

**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Combined Statement of Cash Flows**  
**For the Year Ended June 30, 2015**

	<b>2015</b>
Cash flows from operating activities:	
Receipts from customers and users	\$ 3,359,280
Payments to suppliers	(4,132,413)
Payments to employees	(1,399,396)
Receipt of federal and state grants	1,130,933
Net cash used in operating activities	(1,041,596)
Cash flows from noncapital financing activities:	
Issuance of notes receivable	(253,252)
Collections on notes receivable	198,290
Interest collected on notes receivable	34,348
Proceeds from line of credit	300,000
Net cash provided by noncapital financing activities	279,386
Cash flows from capital and related financing activities:	
Purchase of capital assets	(7,015,711)
Proceeds from sale of capital assets	7,841,374
Receipt of federal and state grants	3,448,334
Proceeds from long-term debt	128,252
Principal payments on long-term debt	(12,089)
Interest payments on long-term debt	(616,618)
Navy covenant payment	(1,497,194)
Net cash provided by capital and related financing activities	2,276,348
Cash flows from investing activities:	
Interest income	26,251
Net cash provided by investing activities	26,251
Net increase in cash	1,540,389
Cash at beginning of year	3,429,029
<b>Cash at end of year</b>	<b>\$ 4,969,418</b>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (6,267,282)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	4,294,231
Bad debt expense	172,020
Miscellaneous revenues	335,150
Miscellaneous expense	(10,355)
Change in operating assets and liabilities:	
(Increase) decrease in noncapital grant receivables	258,315
(Increase) decrease in tenant and other receivables	(405,305)
(Increase) decrease in prepaid expenses	(270,965)
(Decrease) increase in accounts payable - trade	1,069,005
(Decrease) increase in accrued expenses	6,857
(Decrease) increase in contract obligations payable	(51,588)
(Decrease) increase in unearned revenue	9,100
(Decrease) increase in security deposits	(180,779)
Net cash used in operating activities	(1,041,596)
<b>Noncash capital and related financing activities:</b>	
Capital contributions - capital assets	1,636,703

*See accompanying notes to financial statements*

**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Notes to Financial Statements**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**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.

*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 Maine region.

*Brunswick Landing Realty Development Corporation* was formed on June 16, 2011 to assist in the acquisition and development of land and buildings in the Midcoast Maine region.

*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.

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**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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 MRRRA 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. MRRRA is to act as fiduciary of this trust. In accordance with this agreement, MRRRA began contributing to this trust in 2011 upon the transfer of property from the U.S. Navy. At June 30, 2015, there was \$368,574 of restricted cash related to the trust fund.

**Accounts Receivable** - The Authority uses the allowance method to account for uncollectible accounts receivable and notes receivable. The allowance for doubtful accounts is based on prior years' experience and management's analysis of possible bad debts. At June 30, 2015, the allowance for uncollectible accounts receivable was \$160,591 and \$400,367 for notes receivable.

**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	4-5
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**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**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** - MRRA 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, Brunswick Landing Economic Development Corporation, LLC, Brunswick Landing Realty Development Corporation, and Midcoast Charitable Foundation of Maine file tax returns under the Internal Revenue Code.

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**DEPOSITS**

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*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, 2015, \$1,294,612 of the Authority's bank balance of \$5,469,795 was insured by the FDIC and \$4,175,183 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.

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**NOTES RECEIVABLE**

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As of June 30, 2015, 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	33,675
Savi Systems, LLC	2013	250,000	4.25%	2019	227,171
Kestrel Aircraft Company	2014	312,277	6.00%	2016	312,277
Kestrel Aircraft Company	2014	50,000	6.00%	2016	50,000
Family Focus	2015	40,000	5.00%	2020	35,226
Firehouse Realty, LLC	2015	35,000	6.75%	2035	35,000
Frosty's Donuts, LLC	2015	50,000	5.00%	2019	48,632
Allowance for doubtful accounts					(400,367)
<b>Total notes receivable (net of allowance for doubtful accounts)</b>					<b>\$ 341,614</b>

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.

**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Notes to Financial Statements, Continued**

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**CAPITAL ASSETS**

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The following is a summary of the changes in capital assets from June 30, 2015:

	<u>Balance</u> <u>6/30/14</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>6/30/15</u>
Capital assets not being depreciated:				
Land	\$ 34,055,323	986,136	985,617	34,055,842
Construction in progress	3,275,782	5,539,144	3,684,299	5,130,627
<b>Total capital assets not being depreciated</b>	<b>37,331,105</b>	<b>6,525,280</b>	<b>4,669,916</b>	<b>39,186,469</b>
Capital assets being depreciated:				
Land improvements	9,083,565	91,595	-	9,175,160
Buildings and building improvements	71,738,341	4,182,759	5,733,973	70,187,127
Machinery and equipment	1,415,770	-	-	1,415,770
Furniture and fixtures	47,640	-	11,749	35,891
Vehicles	90,411	-	-	90,411
Infrastructure	22,340,555	558,322	8,788	22,890,089
<b>Total capital assets being depreciated</b>	<b>104,716,282</b>	<b>4,832,676</b>	<b>5,754,510</b>	<b>103,794,448</b>
Less accumulated depreciation for:				
Land improvements	1,946,363	727,106	-	2,673,469
Buildings and building improvements	5,067,956	2,572,420	477,399	7,162,977
Machinery and equipment	315,534	111,458	-	426,992
Furniture and fixtures	43,551	2,285	11,749	34,087
Vehicles	51,195	11,822	-	63,017
Infrastructure	2,481,892	869,140	3,296	3,347,736
<b>Total accumulated depreciation</b>	<b>9,906,491</b>	<b>4,294,231</b>	<b>492,444</b>	<b>13,708,278</b>
<b>Total capital assets being depreciated, net</b>	<b>94,809,791</b>	<b>538,445</b>	<b>5,262,066</b>	<b>90,086,170</b>
<b>Capital assets, net</b>	<b>\$ 132,140,896</b>	<b>7,063,725</b>	<b>9,931,982</b>	<b>129,272,639</b>



**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, 2015:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Notes payable	\$ 14,370,410	128,252	12,089	14,486,573	6,590
Accrued compensated absences	61,277	15,860	-	77,137	-
<b>Total long-term liabilities</b>	<b>\$ 14,431,687</b>	<b>144,112</b>	<b>12,089</b>	<b>14,563,710</b>	<b>6,590</b>

The following is a summary of the long-term debt payable at June 30, 2015:

<u>Issue</u>	<u>Amount issued</u>	<u>Maturity date</u>	<u>Interest rate</u>	<u>Balance 6/30/15</u>
Midcoast Regional Redevelopment Authority:				
Note payable	\$ 250,000	2018	4.25%	221,573
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
				14,486,573
Less current portion				6,590
<b>Total long-term portion</b>				<b>\$ 14,479,983</b>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
2016	\$ 6,590	609,293	615,883
2017	9,886	609,133	619,019
2018	204,662	608,013	812,675
2019	2,263,223	555,219	2,818,442
2020	536,619	477,519	1,014,138
2021-2025	8,229,060	1,426,021	9,655,081
2026-2030	-	653,941	653,941
2031-2035	-	653,941	653,941
2036-2040	-	653,941	653,941
2041-2045	-	653,941	653,941
2046-2047	3,236,533	207,081	3,443,614
<b>Totals</b>	<b>\$ 14,486,573</b>	<b>7,108,043</b>	<b>21,594,616</b>

**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Notes to Financial Statements, Continued**

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**LINES OF CREDIT**

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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 and then was then extended to October 3, 2015. The variable interest rate is adjusted daily based on Wall Street Journal prime rate (3.25% at June 30, 2015) plus 1%. As of June 30, 2015, 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 2015, the Authority renewed the line of credit for a one-year term, which is set to expire on June 2, 2016. The variable interest rate is adjusted daily based on Wall Street Journal prime rate (3.25% at June 30, 2015). As of June 30, 2015, there was no outstanding balance under the line of credit.

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, 2015, there was \$778,329 outstanding under the line of credit.

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**NET POSITION**

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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 notes 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, 2015:

Capital assets	\$ 142,980,917
Accumulated depreciation	(13,708,278)
Notes payable	(14,486,573)
<b><u>Net investment in capital assets</u></b>	<b><u>\$ 114,786,066</u></b>

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**CONTINGENT RECEIVABLE**

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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 5% 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 2015, the Authority received \$409,285 under this arrangement.

**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Notes to Financial Statements, Continued**

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**OPERATING LEASES**

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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 \$318 - \$97,474 per month based on the amount of space rented. For the year ended June 30, 2015, rental income amounted to \$2,159,334.

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

2016	\$ 1,893,926
2017	1,909,284
2018	1,924,819
2019	1,891,170
2020	1,807,462
Thereafter	<u>14,555,313</u>
<b>Total</b>	<b><u>\$ 23,981,974</u></b>

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**PENSION PLAN**

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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 8% 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 \$81,504 to the plan for the year ended June 30, 2015. 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.

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**CAPITAL CONTRIBUTIONS FROM THE UNITED STATES NAVY**

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During 2015, the United States Navy transferred ownership of capital assets, which included land and buildings. The capital assets transferred had an estimated value of \$1,636,703 at the date of the transfer.



**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Notes to Financial Statements, Continued**

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**CONSTRUCTION COMMITMENTS**

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During 2015, in order to facilitate economic development in the area, MRRA entered into several construction agreements to improve and renovate infrastructure. The significant contracts remaining at June 30, 2015 are listed below:

	<u>Contract Total</u>	<u>Percentage Complete</u>	<u>Billed to Date</u>	<u>Retainage</u>	<u>Balance Remaining</u>
Improvements to hangars 4 & 5	\$ 1,717,620	64.21%	992,581	110,287	614,752
Clear trees in runway approach	84,550	39.00%	29,541	3,282	51,727
Water/electric meter upgrades	842,971	96.30%	783,216	25,990	33,765
Airfield drainage improvements	692,705	60.04%	374,297	41,589	276,819
Airfield electrical vault	1,845,537	98.00%	1,791,170	18,093	36,274
Fire protection building renovations	431,500	47.33%	183,797	20,422	227,281

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**COMMITMENTS AND CONTINGENCIES**

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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 2015 was \$1,966,462.

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**PRIOR PERIOD ADJUSTMENT**

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In prior years, the activity of certain subsidiary organizations was immaterial to the financial statements and was omitted from the reporting entity. During 2015, these organizations increased their activity and were deemed material to the financial statements. As such, management elected to include these additional entities in the financial statements. Prior year net position was restated to include the net position of Brunswick Landing Economic Development Corporation, LLC (BLEDC) and Brunswick Landing Realty Development Corporation (BLRDC). Adjustments to net position as of July 1, 2014 were as follows:

	<u>BLEDC</u>	<u>BLRDC</u>	<u>Combined</u>
Net position, July 1, 2014, as previously reported	\$ -	-	120,879,346
Adjustment to bring on subsidiary net position	105	15,485	15,590
<b>Net position, July 1, 2014, as restated</b>	<b>\$ 105</b>	<b>15,485</b>	<b>120,894,936</b>

**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Notes to Financial Statements, Continued**

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**SUBSEQUENT EVENTS**

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In June 2015, the Executive Committee accepted several grants from the Federal Aviation Administration (FAA) in the amount of \$1,199,364 to rehabilitate the Brunswick Executive Airport. There is a required match of \$133,262, with the State of Maine and the Authority each contributing \$66,631. Work on the related projects had not yet commenced as of June 30, 2015. The majority of the work is expected to be completed in the next fiscal year.

In July of 2015, the Authority accepted a grant from the Department of Defense Office of Economic Adjustment in the amount of \$640,800. Proceeds of this grant are expected to fund certain operating costs while the Authority redevelops the area formerly known as the Brunswick Naval Air Station.

In August 2015, the Executive Committee accepted another grant from the Federal Aviation Administration (FAA) in the amount of \$528,426 to rehabilitate the Brunswick Executive Airport. There is a required match of \$59,074, with the State of Maine and the Authority each contributing \$29,357.

In September 2015, the Executive Committee accepted another grant from the Federal Aviation Administration (FAA) in the amount of \$1,700,000 to rehabilitate the Brunswick Executive Airport. There is a required match of \$188,888, with the State of Maine and the Authority each contributing \$94,444.

**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Combining Statements of Net Position**  
**June 30, 2015**

	Midcoast Regional Redevelopment Authority	Brunswick Landing MHC USA LLC	Brunswick Landing Economic Development Corporation	Brunswick Landing Realty Development Corporation	Midcoast Charitable Foundation of Maine	Internal Eliminations	Totals
<b>ASSETS</b>							
Current assets:							
Cash and cash equivalents	\$ 4,326,030	181,934	2,500	89,797	583	-	4,600,844
Receivables:							
Grant receivables	3,552,196	-	-	-	-	-	3,552,196
Tenant and other receivables (net of allowance of \$160,591)	1,044,380	-	-	76,445	-	(168,465)	952,360
Notes receivable (net of allowance of \$400,367)	341,614	-	-	-	-	-	341,614
Prepaid expenses	270,685	2,784	-	1,108	-	-	274,577
Total current assets	9,534,905	184,718	2,500	167,350	583	(168,465)	9,721,591
Noncurrent assets:							
Other assets:							
Security deposits	100,664	-	-	-	-	-	100,664
Restricted cash	368,574	-	-	-	-	-	368,574
Total other assets	469,238	-	-	-	-	-	469,238
Capital assets:							
Capital assets not being depreciated	39,186,469	-	-	-	-	-	39,186,469
Capital assets, net of accumulated depreciation	75,324,790	14,761,380	-	-	-	-	90,086,170
Net capital assets	114,511,259	14,761,380	-	-	-	-	129,272,639
Total noncurrent assets	114,980,497	14,761,380	-	-	-	-	129,741,877
<b>Total assets</b>	<b>124,515,402</b>	<b>14,946,098</b>	<b>2,500</b>	<b>167,350</b>	<b>583</b>	<b>(168,465)</b>	<b>139,463,468</b>
<b>LIABILITIES</b>							
Current liabilities:							
Line of credit	778,329	-	-	-	-	-	778,329
Accounts payable - trade	3,281,330	185	-	145,216	-	(168,465)	3,258,266
Accounts payable - construction/retainage	220,962	-	-	-	-	-	220,962
Accrued expenses	14,800	-	-	-	-	-	14,800
Accrued payroll and related liabilities	31,653	-	-	-	-	-	31,653
Accrued compensated absences	77,137	-	-	-	-	-	77,137
Accrued interest	50	50,017	-	-	-	-	50,067
Security deposits	76,099	-	-	9,313	-	-	85,412
Contract obligations payable	267,109	-	-	-	-	-	267,109
Unearned revenue	9,375	97,474	-	-	-	-	106,849
Current portion of notes payable	6,590	-	-	-	-	-	6,590
Total current liabilities	4,763,434	147,676	-	154,529	-	(168,465)	4,897,174
Noncurrent liabilities:							
Notes payable	214,983	14,265,000	-	-	-	-	14,479,983
Total noncurrent liabilities	214,983	14,265,000	-	-	-	-	14,479,983
<b>Total liabilities</b>	<b>4,978,417</b>	<b>14,412,676</b>	<b>-</b>	<b>154,529</b>	<b>-</b>	<b>(168,465)</b>	<b>19,377,157</b>
<b>NET POSITION</b>							
Net investment in capital assets	114,289,686	496,380	-	-	-	-	114,786,066
Unrestricted	5,247,299	-	-	-	-	-	5,247,299
Unrestricted - component units	-	37,042	2,500	12,821	583	-	52,946
<b>Total net position</b>	<b>\$ 119,536,985</b>	<b>533,422</b>	<b>2,500</b>	<b>12,821</b>	<b>583</b>	<b>-</b>	<b>120,086,311</b>



**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Combining Statements of Revenues, Expenses and Changes in Net Position**  
**For the Year Ended June 30, 2015**

	Midcoast Regional Redevelopment Authority	Brunswick Landing MHC USA LLC	Brunswick Landing Economic Development Corporation	Brunswick Landing Realty Development Corporation	Midcoast Charitable Foundation of Maine	Totals
Operating revenues:						
Rental income and fees	\$ 925,583	1,169,690	-	64,061	-	2,159,334
Common area maintenance fees	46,118	-	-	-	-	46,118
Utilities assessment	1,321,624	-	-	-	-	1,321,624
Transient aircraft and fuel flowage fees	74,038	-	-	-	-	74,038
Federal grants	872,618	-	-	-	-	872,618
Total operating revenues	3,239,981	1,169,690	-	64,061	-	4,473,732
Operating expenses:						
Salaries, taxes, and benefits	1,413,603	-	-	-	-	1,413,603
Supplies	290,641	-	-	89,464	-	380,105
Professional services	411,653	1,090	185	23,939	50	436,917
Property services	3,056,806	-	-	115,979	-	3,172,785
Other purchased services	231,797	6,871	-	11,818	-	250,486
Bad debt expense	172,020	-	-	-	-	172,020
Taxes and fees	-	-	-	1,071	-	1,071
Capital outlay	611,519	-	-	8,277	-	619,796
Depreciation	3,767,039	527,192	-	-	-	4,294,231
Total operating expenses	9,955,078	535,153	185	250,548	50	10,741,014
Operating income (loss)	(6,715,097)	634,537	(185)	(186,487)	(50)	(6,267,282)
Nonoperating revenues (expenses):						
Federal grants	4,389,063	-	-	-	-	4,389,063
State grants	437,304	-	-	-	-	437,304
Miscellaneous revenue	334,941	-	-	209	-	335,150
Miscellaneous expense	(10,355)	-	-	-	-	(10,355)
Navy covenant	(1,966,462)	-	-	-	-	(1,966,462)
Gain on sale of property	1,593,690	-	-	-	-	1,593,690
Bad debt expense - notes receivable	(400,367)	-	-	-	-	(400,367)
Interest income - notes receivable	34,348	-	-	-	-	34,348
Investment interest income	26,251	-	-	-	-	26,251
Interest expense	(8,126)	(608,542)	-	-	-	(616,668)
Total nonoperating revenues (expenses)	4,430,287	(608,542)	-	209	-	3,821,954
Income (loss) before contributions and transfers	(2,284,810)	25,995	(185)	(186,278)	(50)	(2,445,328)
Transfers in (out)	357,247	(543,441)	2,580	183,614	-	-
Capital contributions	1,636,703	-	-	-	-	1,636,703
Change in net position	(290,860)	(517,446)	2,395	(2,664)	(50)	(808,625)
Net position, beginning of year, as restated	119,827,845	1,050,868	105	15,485	633	120,894,936
Net position, end of year	\$ 119,536,985	533,422	2,500	12,821	583	120,086,311

**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Combining Statements of Cash Flows**  
**For the Year Ended June 30, 2015**

	Midcoast Regional Redevelopment Authority	Brunswick Landing MHC USA LLC	Brunswick Landing Economic Development Corporation	Brunswick Landing Realty Development Corporation	Midcoast Charitable Foundation of Maine	Totals
Cash flows from operating activities:						
Receipts from customers and users	\$ 2,131,413	1,169,690	-	58,177	-	3,359,280
Payments to suppliers	(4,015,613)	(10,560)	(185)	(105,440)	(615)	(4,132,413)
Payments to employees	(1,399,396)	-	-	-	-	(1,399,396)
Receipt of federal and state grants	1,130,933	-	-	-	-	1,130,933
Net cash provided by (used in) operating activities	(2,152,663)	1,159,130	(185)	(47,263)	(615)	(1,041,596)
Cash flows from noncapital financing activities:						
Issuance of notes receivable	(253,252)	-	-	-	-	(253,252)
Collections on notes receivable	198,290	-	-	-	-	198,290
Interest collected on notes receivable	34,348	-	-	-	-	34,348
Proceeds from line of credit	300,000	-	-	-	-	300,000
Transfers (to) from related companies	463,611	(592,191)	2,580	125,000	1,000	-
Net cash provided by (used in) noncapital financing activities	742,997	(592,191)	2,580	125,000	1,000	279,386
Cash flows from capital and related financing activities:						
Purchase of capital assets	(7,015,711)	-	-	-	-	(7,015,711)
Proceeds from sale of capital assets	7,841,374	-	-	-	-	7,841,374
Receipt of federal and state grants	3,448,334	-	-	-	-	3,448,334
Proceeds from long-term debt	128,252	-	-	-	-	128,252
Principal payments on long-term debt	(12,089)	-	-	-	-	(12,089)
Interest payments on long-term debt	(8,076)	(608,542)	-	-	-	(616,618)
Navy covenant payment	(1,497,194)	-	-	-	-	(1,497,194)
Net cash provided by (used in) capital and related financing activities	2,884,890	(608,542)	-	-	-	2,276,348
Cash flows from investing activities:						
Interest income	26,251	-	-	-	-	26,251
Net cash provided by investing activities	26,251	-	-	-	-	26,251
Net increase (decrease) in cash	1,501,475	(41,603)	2,395	77,737	385	1,540,389
Cash at beginning of year	3,193,129	223,537	105	12,060	198	3,429,029
<b>Cash at end of year</b>	<b>\$ 4,694,604</b>	<b>181,934</b>	<b>2,500</b>	<b>89,797</b>	<b>583</b>	<b>4,969,418</b>
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ (6,715,097)	634,537	(185)	(186,487)	(50)	(6,267,282)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	3,767,039	527,192	-	-	-	4,294,231
Bad debt expense	172,020	-	-	-	-	172,020
Miscellaneous revenues	334,941	-	-	209	-	335,150
Miscellaneous expense	(10,355)	-	-	-	-	(10,355)
Change in operating assets and liabilities:						
(Increase) decrease in noncapital grant receivables	258,315	-	-	-	-	258,315
(Increase) decrease in tenant and other receivables	(389,899)	-	-	(15,406)	-	(405,305)
(Increase) decrease in prepaid expenses	(268,073)	(2,784)	-	(108)	-	(270,965)
(Decrease) increase in accounts payable - trade	924,169	185	-	145,216	(565)	1,069,005
(Decrease) increase in accrued expenses	(7,350)	-	-	-	-	(7,350)
(Decrease) increase in accrued payroll and related liabilities	(1,653)	-	-	-	-	(1,653)
(Decrease) increase in accrued compensated absences	15,860	-	-	-	-	15,860
(Decrease) increase in contract obligations payable	(51,588)	-	-	-	-	(51,588)
(Decrease) increase in unearned revenue	9,100	-	-	-	-	9,100
(Decrease) increase in security deposits	(190,092)	-	-	9,313	-	(180,779)
Net cash provided by (used in) operating activities	(2,152,663)	1,159,130	(185)	(47,263)	(615)	(1,041,596)
<b>Noncash capital and related financing activities:</b>						
Capital contributions - capital assets	1,636,703	-	-	-	-	1,636,703

**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Schedule of Operating Revenues - Budget to Actual**  
**For the Year Ended June 30, 2015**

		<b>Budget</b>	<b>Actual</b>	<b>Variance positive (negative)</b>
<b>Income:</b>				
Lease revenue	\$	946,300	925,583	(20,717)
Special service assessments		1,212,300	1,321,624	109,324
Common area maintenance fees		52,800	46,118	(6,682)
Transient aircraft fees and fuel flowage		89,800	74,038	(15,762)
Office of Economic Development - D.O.D.		841,300	872,618	31,318
Local match		191,100	40,250	(150,850)
Sale revenue		261,800	409,285	147,485
Miscellaneous		9,000	206,398	197,398
Interest on notes receivable		3,800	34,348	30,548
Interest on investments		4,300	26,251	21,951
<b>Total income</b>		<b>3,612,500</b>	<b>3,956,513</b>	<b>344,013</b>
<b>Transfers:</b>				
From subsidiaries		440,700	543,441	102,741
From sale of property		1,219,300	-	(1,219,300)
From capital improvement sinking fund		612,000	-	(612,000)
<b>Total transfers</b>		<b>2,272,000</b>	<b>543,441</b>	<b>(1,116,559)</b>
<b>Total operating revenues</b>	<b>\$</b>	<b>5,884,500</b>	<b>4,499,954</b>	<b>(772,546)</b>

**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Schedule of Operating Expenses - Budget to Actual**  
**For the Year Ended June 30, 2015**

	<b>Budget</b>	<b>Actual</b>	<b>Variance positive (negative)</b>
Personnel services:			
Salaries	\$ 813,200	856,262	(43,062)
Wages	190,900	210,894	(19,994)
Other pay	32,200	-	32,200
Total personnel services	1,036,300	1,067,156	(30,856)
Employee benefits:			
Unemployment compensation	6,700	8,165	(1,465)
Workers' compensation insurance	12,900	9,480	3,420
Deferred compensation	78,500	81,504	(3,004)
FICA taxes	77,100	79,918	(2,818)
Other employee benefits	174,000	167,380	6,620
Total employee benefits	349,200	346,447	2,753
Supplies:			
Office supplies	5,000	17,097	(12,097)
Books and periodicals	800	421	379
Postage	3,500	1,609	1,891
Photocopier	5,800	2,633	3,167
Sand and chemicals	6,000	-	6,000
Cleaning supplies	200	-	200
Heating fuel	469,000	233,312	235,688
Gasoline and oil	44,500	34,596	9,904
Uniforms and personal safety equipment	2,200	973	1,227
Total supplies	537,000	290,641	246,359
Professional services:			
Employee training	5,100	7,230	(2,130)
Dues and memberships	16,800	17,198	(398)
Board expenses	4,500	9,562	(5,062)
Executive director meeting expenses	3,000	1,827	1,173
Annual dinner	8,000	8,899	(899)
Computer services	24,700	30,800	(6,100)
Permits and fees	3,300	5,349	(2,049)
Legal services	75,000	66,564	8,436
Other professional services	109,800	241,424	(131,624)
Audit services	22,900	22,800	100
Total professional services	273,100	411,653	(138,553)



**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Schedule of Operating Expenses - Budget to Actual, continued**  
**For the Year Ended June 30, 2015**

	Budget	Actual	Variance positive (negative)
Property services:			
Vehicle maintenance	\$ 16,600	9,674	6,926
Electricity	1,260,000	1,375,869	(115,869)
Water and sewer	517,100	591,848	(74,748)
Telephone	17,500	20,646	(3,146)
Building maintenance	225,000	257,533	(32,533)
Rental expenses	36,900	52,045	(15,145)
Infrastructure maintenance	590,100	278,346	311,754
Equipment maintenance	64,500	25,799	38,701
Waste collection	3,900	13,829	(9,929)
Snow removal	137,500	212,520	(75,020)
Pavement and markings	38,000	43,556	(5,556)
Vegetation maintenance	5,700	8,135	(2,435)
Security maintenance	5,900	9,474	(3,574)
Navigation aid maintenance and service	32,800	27,184	5,616
Miscellaneous repairs and maintenance	140,000	106,823	33,177
Local match MAP projects	176,500	26,190	150,310
Reimbursement of expenses	-	(2,665)	2,665
Total property services	3,268,000	3,056,806	211,194
Other purchased services:			
Liability insurance	10,300	6,455	3,845
Building insurance	44,500	51,490	(6,990)
Automobile insurance	16,200	13,648	2,552
Travel	10,900	19,751	(8,851)
Advertising	2,700	5,436	(2,736)
Printing	3,000	2,921	79
Donations	-	88,293	(88,293)
Contingency	10,000	43,803	(33,803)
Total other purchased services	97,600	231,797	(134,197)
Capital outlay:			
Equipment and furniture	6,800	-	6,800
Tech hardware	-	15,221	(15,221)
Total capital outlay	6,800	15,221	(8,421)
Bad debt expense	-	172,020	(172,020)
Debt service:			
Interest	4,100	8,126	(4,026)
Navy covenant agreement payment	157,400	1,966,462	(1,809,062)
Total debt service	161,500	1,974,588	(1,813,088)
Transfers:			
To subsidiaries	334,600	186,194	148,406
To capital improvement sinking fund	120,400	-	120,400
Total transfers	455,000	186,194	268,806
Total operating expenses	\$ 6,184,500	7,752,523	(1,568,023)

**MIDCOAST REGIONAL REDEVELOPMENT AUTHORITY**  
**Schedule of Activities**  
**For the Year Ended June 30, 2015**

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	\$ 13,734,866	3,601,114	872,618	6,463,070	(2,798,064)
			General revenues:		
			Miscellaneous revenues		395,749
			Gain on sale of property		1,593,690
			Total general revenues and gain on sale		1,989,439
			Change in net position		(808,625)
			Net position - beginning, as restated		120,894,936
			<b>Net position - ending</b>	<b>\$</b>	<b>120,086,311</b>