

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from scanned originals with text recognition applied
(searchable text may contain some errors and/or omissions)

2010 ANNUAL REPORT

LORING DEVELOPMENT AUTHORITY OF MAINE





LORING COMMERCE CENTRE

Citizens of Maine:

As the nation and the State of Maine are coping with the effects of a sluggish economy, transitioning slowly out of what have been the most challenging economic conditions since the Great Depression, I believe that Loring Commerce Centre represents an significant opportunity to help transform northern Maine's economic underpinnings.

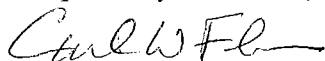
While agriculture and forestry remain traditional natural resource-based industries for the region, development of other economic sectors also holds considerable promise for job creation. With the unique commercial and industrial property and infrastructure at Loring, many new possibilities can be considered. We have already seen development in data and telecommunications-related business; manufacturing; financial and accounting support services; education; and research and development in aviation utilizing advanced technologies. In collaboration with the Governor, Legislature and key partners like the Department of Economic and Community Development (DECD), and the Department of Environmental Protection (DEP), we can take this further.

Among Loring's chief advantages are:

1. In many cases, Loring has existing facilities which are immediately available at very reasonable costs.
2. With the availability of over 3800 acres of existing, intensively-developed land at Loring, there are many unique sites upon which new developments may be located. Proximity to supporting infrastructure makes these development sites cost-effective.
3. The Loring Development Authority's board has job creation as its primary mission and it possesses the flexibility to structure transactions that make sense for new and growing businesses.
4. Loring has regulatory advantages: the LDA Board has responsibility for land use and zoning functions and as a former military base, Loring enjoys an exemption from the Site Location of Development law facilitating further development of already-developed sites.
5. Last but not least, the residents of Aroostook County have a long standing tradition for hard work, a high capacity to adapt and innovate, and they possess integrity, pride and a strong sense of community.

As the economy and the climate for business investment improve, I believe that Loring Commerce Centre can be one of Maine's focal points for new activity, new business growth, and more and higher-quality jobs.

Respectfully submitted,



Carl W. Flora
President/CEO

**Paragraph 13080-L
Fiscal Year 2010 Annual Report
July 1, 2009 – June 30, 2010**

	Page
Paragraph 1A: Description of the Authority's Operations	3
Paragraph 1B: Authority's Audited Financial Statements for the Year Ended June 30, 2010	10
Paragraph 1C: Property Transactions	11
Paragraph 1D: An accounting of all activities of any special utility district...12 formed under Section 13080-G (None)	
Paragraph 1E: A listing of any property acquired by eminent domain.....12 under Section 13080-G (None)	
Paragraph 1F: A listing of any bonds issued (None)	12
Paragraph 1G: Subsequent Events and Proposed Activities.....	13
Paragraph 1H: Further Actions Suitable for Achieving the Purposes16 of this Article	
Addendums:	
1) Loring Development Authority Board of Trustees	18
2) Loring Development Authority Development & Field Staff	19
3) Loring Commerce Centre Tenants	20
4) Monthly Employment/Tenant Status Report.....	23

**PARAGRAPH 1A: DESCRIPTION OF THE AUTHORITY'S OPERATIONS
AND STATUS REPORT**

Loring Development Authority (LDA) continues developing properties and supporting existing activity at Loring Commerce Centre. In addition to its business attraction and real estate development activity, LDA's daily operations include its responsibilities as general manager of a 3,700-acre business-commercial and industrial park including a 1,600-acre aviation complex. LDA is landlord for the leasehold tenants at Loring; the facilities manager for one million square feet of unoccupied building space and municipal service provider for 24 businesses, approximately 1,360 employees and 613 residents at the Loring Commerce Centre – it operates a dam, water treatment plant, water distribution system, and a wastewater collection system; maintains and plows 26 miles of roadways; performs grounds maintenance on hundreds of acres of developed and developable property; and contracts for emergency services, law enforcement services and wastewater treatment.

Employers at Loring represent industrial, manufacturing, agriculture, forestry, telecommunications, commercial, back-office, education, health care, recreation, conservation and aviation sectors. A profile of the employers at Loring, included in Addendum-4 at the end of this report, illustrates the significant level and diversity of economic activity generated by the reuse of facilities at Loring Commerce Centre.

FISCAL YEAR 2010 ACCOMPLISHMENTS

The following summarizes the LDA's accomplishments for fiscal year 2010, which support its primary mission of job creation and facility absorption on Loring Commerce Centre.

GREATER LIMESTONE WASTEWATER TREATMENT FACILITY (GLWTF) PROJECT. In March 2009 the LDA turned operational responsibility of its wastewater treatment plant to the Limestone Water and Sewer District (LWSD) and has since transferred ownership of the treatment plant to the LWSD. With a new transmission line constructed from Limestone to Loring, the plant serves all of Limestone. Plant operations are overseen by the GLWTF Board whose members include representatives for the LWSD, the Town of Limestone and the LDA. The transition was carried out efficiently; LDA is pleased with the outcome of this project. Upgrades to the plant were accomplished with assistance of a state environmental bond and the federal stimulus package.

Another component in the regional project is the extension of the outfall to the Aroostook River, which is a \$6.5 million project. The extension is scheduled to be completed by the fall of 2011. An environmentally sound measure, the extension will also place LDA in a position to support "wet industry". Limestone and the LDA will incur further financial obligations to complete this phase.

INFLOW AND INFILTRATION (I&I) REDUCTION AT LORING COMMERCE CENTRE. Reduction of the I&I of ground and surface water in the Limestone and Loring wastewater collection systems is an essential part of the GLWTF project. The estimated cost to reduce Loring's I & I by 80% is \$5 million. A portion of the I&I work at Loring was completed in-house. A second phase, which replaced the collection system serving Loring's residential area is now complete. The \$1,626,000 project was funded by a \$405,280 grant and a \$454,720 loan from the American Reinvestment & Recovery Act (\$860,00 total from the Recovery Act) through the Maine Department of Environmental Protection and the Maine Municipal Bond Bank; and a \$960,000 grant and a \$330,000 loan from Rural Development (\$1,290,000 total from Rural Development). The remaining grant funding, \$524,000, will allow additional I&I work to be completed in 2011. Reduction of I&I will result in additional capacity for new rate-paying wastewater customers including industrial users, removing constraints on economic growth.

WATER SYSTEM UPGRADES. LDA and the Air Force entered into a Memorandum of Agreement, which included an award of \$1.5 million for future upgrades to the water treatment plant and distribution system. The MOA fulfills the Air Force's responsibility to provide potable water to Loring, where groundwater contamination prevents the use of wells. Upgrades to the distribution system began this year; final upgrades including restoring the plant to its full design capacity output of 2.3 million gallons per day are scheduled to be completed in 2011.

EDA GRANT APPLICATION. LDA submitted an Economic Development Administration grant application, requesting \$1,132,000 of funding assistance for upgrades to Loring's drinking water plant and distribution system, the Madawaska dam and fishway repairs.

SCIENCE APPLICATIONS INTERNATIONAL CORPORATION (SAIC). SAIC developed and tested two SKYBUS lighter-than-air unmanned aerial vehicles (UAV) at Loring over the past several years. The airships included the SKYBUS 30K, with a 30,000 cubic foot volume, then the SKYBUS 80K, with an 80,000 cubic foot volume. The larger UAV has been given to the US Army for evaluation and new UAV projects will be developed. MainXPO now leases the Arch hangar and is partnering with SAIC on the unmanned aerial vehicle (UAV) program. SAIC has indicated that they would soon begin work on a larger 138K blimp. SAIC has also indicated that Loring is a key component in its future plans, which would include both unmanned and manned aircraft for design and testing as well as manufacture.

As reported last year, there is a significant potential role for the LDA in flight testing UAV's, which would be to issue COA's (certificates of authorization) following technical and safety reviews of experimental aircraft. This could open new opportunities for the aviation complex to be more widely used by multiple parties involved in UAV (and other aircraft) testing and design.

ISSI (Integrated Systems Solutions Incorporated). Representatives of defense contractor ISSI met with community, business and education leaders to introduce a concept plan for an aircraft R&D project at Loring. The project would support research and development to study, engineer and conduct scale demonstrations of a very large hybrid 'blimp' style aircraft that could be utilized as an air lifter during wartime. Also, the company has held discussions with the composites laboratory at the University of Maine at Orono. The proposal is preliminary; much depends on defense funding for the project.

PROPOSED LORING PROJECTS IN THE DEFENSE AUTHORIZATION BILL. The Senate Armed Services Committee approved the FY 2011 Defense Authorization Bill which included \$2.5 million for SAIC to support an unmanned lighter-than-air research platform for the Navy. The

bill also includes \$1.5 million for the ISSI project at Loring for engineering and design of a hybrid heavy lift transport for the Navy. Both of these large projects would be carried out at Loring. It is not yet clear whether either of these projects will ultimately receive the stated funding.

SMALL BUSINESS ADMINISTRATION GRANT (SBA). LDA was awarded \$1 million of earmark funding secured for improvement to facilities for small business uses. SBA will administer the funding. Facilities improvements include many energy efficiency upgrades and building envelope improvements as well as preparation of space for small business occupancy.

MAINE NATIONAL GUARD CONSTRUCTION PROJECT. The Maine National Guard has secured a 27-acre parcel of land at Loring, to construct a 10,000 square foot controlled humidity storage facility. This is the first phase of a potentially larger project which could eventually create ten to twenty full-time jobs. Future development may support a maintenance shop and potentially an armory/readiness center.

STANTEC CONSULTING SERVICES, INC. Stantec Consulting Services, a large and well known engineering services firm, now occupies office space in the LDA office building. Stantec's familiarity with Loring and aviation may provide new opportunities for the company's clients and LDA. Stantec has 130 offices and 10,000 employees throughout North America.

NORTHERN MAINE PAVING. Northern Maine Paving (NMP) has also moved into new office space in the LDA building. The company is interested in reopening the existing rock quarry and is working with the Maine Department of Environmental Protection. Northern Maine Paving intends to establish an operations and maintenance center at Loring and has applied for a CDBG grant through Limestone in order to assist in renovating the former Crash Fire Station and for setup of the quarry operations.

PINELAND FARMS NATURAL MEATS. Pineland Farms' composting operations now occupy buildings #8510 and #8514 and the paved outdoor sites at the north end of the nosedock area. Pineland's goal is to generate 10,000 cubic yards or more of compost material a year and it is considering a consumer packaging operation for the material as well, which would add value to product and may create the need for more facility space in the future.

LAND SPEED RACING (LSR). The LSR event held at Loring's aviation complex was a success, having attracted racers from all over the country, who were very impressed with Loring's two-mile long runway. The event was nearly incident-free. One motorcycle racer fell at 220 mph and was taken to the hospital then released uninjured – a testament to the safety gear and precautions that are required at officially-sanctioned LSR events. Event organizers planned to return next year.

HUTCHINSON SEALING SYSTEMS, INC. Hutchinson Sealing continues to use Loring's airfield to conduct testing on various motor vehicles involving high speed operation, monitoring, inspecting, repairing and performing ordinary maintenance and adjustments to the vehicles.

JOB CORPS MUNICIPAL SERVICE FEE. LDA, with assistance from our Congressional Delegation, continues to work with Job Corps to develop a means by which it can pay for specialized fire services. Last year, Job Corps indicated that the special services fee issue would be resolved and a contract was developed. However, Job Corps has since stated that it still does not have the legal authority to pay for the special fire protection services secured by LDA. Job

Corps expects LDA will continue to provide the services and has offered to meet with LDA to continue discussions.

AROOSTOOK BAND OF MICMACS. The Aroostook Band of Micmacs (ABM), having received the property at Loring reserved the Band, remains interested the potential for collaborating with LDA on economic development opportunities at Loring.

EMERGENCY SERVICES. LDA obtains police protection through the Town of Limestone's Police Department. Fire protection services for Loring are provided for through a three-way agreement between the LDA and the towns of Limestone and Fort Fairfield.

REAPPOINTMENT OF CODES ENFORCEMENT OFFICER (CEO). LDA worked with the City of Caribou to obtain Codes Enforcement services from the city's CEO. The arrangement has been working very well and a new twelve-month contract was approved. Having access to a knowledgeable and experienced CEO has proven to be a tremendous asset for LDA.

PUBLIC OUTREACH. LDA staff conducts tours of Loring for various community, state and federal visitors.

PROSPECTS. The LDA regularly fields numerous business inquiries, many of which have led to active prospects representing potential new activity in various sectors including aviation, homeland security, manufacturing, energy, telecommunications, additional residential developments and other sectors. Although the economy is still sluggish, there appears to be considerable interest from companies who are taking the initial steps to explore new business opportunities or expansions.

LORING IMPACT. Current Loring employment is approximately 1360; gross payroll for 12 months ended June 2010 is approximately \$47 million. Nearly all goods and services produced at Loring are sold to out-of-state buyers, maximizing the economic impact within the State of Maine. Total economic impact is estimated at over \$160,000,000.

Loring tenants occupy about 1.7 million square feet of facility space. Additional facility space and hundreds of acres of open land remain available for industrial, aviation, commercial and other types of development, making Loring a valuable asset for continuing economic development efforts in Maine.

New leases, lease renewals and license agreements with are outlined in "Paragraph 1C: Property Transactions During Fiscal year 2010" and all Loring tenants are outlined in Addendum-4 at the end of this report.

MARKETING EFFORTS

LOCAL RECOGNITION. The Aroostook Republican and Star Herald featured the Loring Commerce Centre in a special section for the September 30, 2009 edition, commemorating LDA'S 15 anniversary. The two page spread covered events of the September 9th board meeting, interviews with many current Loring tenants and with LDA President & CEO Carl Flora and staff.

ADVERTISING. The LDA has committed to a limited hard copy advertising program. Several ads were placed in MaineBiz magazine and purchased in Bangor Daily News special sections as well

as the Northern Maine Regional Tourism Guide. Ads are created in-house and provided electronically to advertisers.

WEBSITE. The LDA determined that the website maintenance, upgrading and updating would be performed in-house, shifting toward a more 'paperless' approach to providing stakeholders and persons of interest with news of activities, meetings and events. Several website pages have been modified to provide a more efficient delivery of board meeting agendas, as well as downloadable data for available facilities. Modifications to the LDA website and materials will continue as we strive to improve its use as a marketing tool and as a means to keep interested parties informed.

PROMOTING LORING

LDA listings or contact information is made available on numerous on-line business development and targeted websites, such as the World Aviation Directory. Press releases and announcements of new leases or business deals are periodically provided to local and state-wide media at the time that newsworthy and public events occur. In late August the LDA hosted several events on the airfield related to land speed racing, following upon the success of the previous year's Loring Timing Association's (LTA) trial run. The Cumberland Motor Club (CMC) which sponsors autocross competitions followed the LTA's event. These open-to-the-public venues received positive coverage from local and some specialized media, including TV, radio and newspapers.

PUBLIC OUTREACH

MMA RAIL. The LDA, as stakeholders in the rail line spur from Limestone, participated as in the MMA rail service meetings held during the summer in Aroostook County.

AIR SPACE WORKING GROUP. An air space working group has been formed with local stakeholders to determine the feasibility of creating an airspace designation that will be of benefit to all.

REGIONAL TOURISM GUIDE. The new ad for the updated Regional Tourism Guide was created in-house and provided electronically to NMDC as part of LDA's limited scope print/media advertising program.

PROMOTING LORING. The LDA is continuing a limited advertising program. We completed a series of advertisements in MaineBiz magazine and purchased advertising in the Bangor Daily News and the Regional Tourism Guide. Ads are created in-house and provided electronically to those advertisers.

ENERGY PROJECTS. LDA plans (with Loring Bioenergy) to incorporate a new section on the Loring web site that will be entitled *Loring Energy Projects*. The section will feature materials highlighting the attributes and advantages of Loring for companies looking to develop and/or manufacture alternative energy sources, such as wind power.

PUBLIC OUTREACH. In addition to taking advantage of speaking engagements and leading tours of Loring, LDA President & CEO regularly takes advantage of opportunities to meet with members of the business community throughout the region and state to discuss trends and opportunities.

OTHER ACTIVITIES & EFFORTS

MOBILIZE MAINE. LDA is collaborating with DECD and the Northern Maine Development Commission (NMDC) on the Mobilize Maine effort – a proactive, assets based, grassroots approach to economic development. The asset mapping component has been completed. DECD, Fairpoint Communications and the six economic development districts identified renewable energy and information technology as two areas of economic promise for Aroostook County. LDA President & CEO, Carl W. Flora, participates on the renewable energy committee, whose focus to date is mostly wind and wood biomass projects. An information technology cluster would take advantage of Aroostook's comparative advantage in the area of fiber optics for data farms and other IT related businesses.

LEAD-LEADERS ENCOURAGING AROOSTOOK DEVELOPMENT. LDA President Carl W. Flora serves on the Board of Directors of LEAD and currently also serves as the chair of LEAD's Energy Subcommittee.

RAIL SERVICE. LDA continues to advocate for rail service in Aroostook County. Industrial manufacturing prospects have consistently cited reliable and affordable sources of energy and rail service as necessities for their operations. The presence of adequate rail service in Aroostook leaves open the possibility of reactivating the spur that serves Loring.

SHORELAND ZONING ORDINANCE ADOPTION. LDA adopted new shoreland zoning ordinances consistent with new shoreland resource protection standards adopted by the state.

LEGISLATIVE OUTREACH. LDA President & CEO, Carl W. Flora took advantage of an opportunity to showcase some of Loring's successes and new projects to legislators. LDA also participated in the Aroostook Day reception at the Senator Inn in Augusta. The event is an opportunity to meet personally with members of the legislature to emphasize Loring's economic significance to the state and to discuss issues or pertinent legislation.

ANNIVERSARY MARKED. The LDA celebrated its 15th Anniversary (1994 – 2009) at the September 2009 Board of Trustees meeting. Past and present board members were invited to the event which featured a dedication of a bronze plaque placed at the entrance of the LDA offices at Loring. The plaque recognizes the efforts of the inaugural Board of Trustees and former President & CEO Brian Hamel. Following the meeting the current LDA Board, former trustees and staff attended a luncheon at the Loring Job Corps Community Center.

KEEPING INFORMED. When relevant to the LDA's activities, LDA staff members actively participate in community and state economic development efforts, serving on various boards, attending workshops, development forums and trainings, keeping abreast of programs and other opportunities available to businesses.

LDA FUNDING

STATE OF MAINE. In July 2009, the LDA received an appropriation from the State of Maine for \$200,000. This funding continues to be used for match funding for grants and for marketing and operating expenses. The State did not provide financial support for operating expenses at the Loring Applied Technology Center through fiscal year 2010.

TAX INCREMENT FINANCING FUND. The Loring Tax Increment Financing (TIF) Program allows the LDA to receive 50% of the Maine State Income Tax withheld from incremental jobs

created at the Loring Commerce Centre (hired subsequent to July 1, 1996) to fund municipal type services provided at Loring. Contributions to this fund for fiscal year 2009 totaled \$1,004,925. These funds are used to fund municipal service costs and maintenance of public infrastructure.

PROPERTY SALE, LEASE, MUNICIPAL SERVICES AND MISCELLANEOUS REVENUES. During fiscal year 2010, the LDA received revenues from its tenants, from the sale of personal property and from miscellaneous revenues in the amount of \$1,530,545.

KATAHDIN TRUST COMPANY. In recent years, the LDA has secured a \$1,000,000 line of credit from Katahdin Trust Company to support development efforts. At the end of FY 2010, funds advanced under the line of credit totaled \$625,000. This debt was retired in August 2010.

KATAHDIN TRUST COMPANY. The LDA secured a \$330,000 line of credit from Katahdin Trust Company to serve as a bridge loan for a wastewater system improvement project financed in part by a Rural Development grant. The loan was retired on August 27, 2010.

USDA / RURAL DEVELOPMENT LOAN/GRANT. LDA was awarded \$1,290,000 from USDA/Rural Development for a wastewater infrastructure upgrade project. The funding includes a \$960,000 grant and a \$330,000 loan. Loan terms: 3.75% / 40 years.

MAINE DEPARTMENT OF ENVIRONMENTAL PROTECTION (MDEP) LOAN. LDA was awarded an \$860,000 loan from MDEP through the Maine Municipal Bond Bank (MMBB) for a wastewater infrastructure upgrade project. Loan terms: \$405,280 – principal forgiveness; \$405,280 – 0% / 20 years. Service fees: MMBB Administrative Fee – \$6,820 MDEP Administrative Fee – \$15,915 MDEP Management Fee – 25,800. The MMBB and MDEP administrative fees will be repaid over the 20 year term; the MDEP management fee will be repaid in the first four years.

Loring Development Authority of Maine
Fiscal Year 2010 Annual Report
July 1, 2009 – June 30, 2010

**PARAGRAPH 1B: AUDITED FINANCIAL STATEMENTS FOR FISCAL
YEAR 2010**

The attached Independent Auditor's Report was approved by the Loring Development Authority Board of Trustees on October 13, 2010.

LORING DEVELOPMENT AUTHORITY OF MAINE

FINANCIAL STATEMENTS

JUNE 30, 2010

TABLE OF CONTENTS

	PAGE
GENERAL-PURPOSE FINANCIAL STATEMENTS	
MANAGEMENT DISCUSSION AND ANALYSIS	I-VII
INDEPENDENT AUDITORS' REPORT	1-2
STATEMENTS OF NET ASSETS	3
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS	4
STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6-15
STATEMENT OF ACTIVITIES	16
ADDITIONAL REPORTS	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	17-18
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	19-20
SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	21
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	22
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	23

LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2010

UNAUDITED

The management of the Loring Development Authority of Maine (LDA) is providing the following discussion and analysis of the financial activities for the year ended June 30, 2010. The LDA is a component unit of the State of Maine with a mission to create jobs and positive economic growth by redevelopment of approximately 3,700 acres of the former Loring Air Force Base located in Limestone, Maine.

Report Layout

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

Financial Highlights

- Total net assets increased by \$169,558. The increase was due in part to improvements to capital assets accomplished with grant funding and debt financing.
- Total revenues of \$3,335,678 are comprised of 39% from lease revenue, 36% from state assistance, 19% from federal grants and 6% from other LDA operations.
- Net jobs have neither increased nor decreased significantly over the past year, indicating a stable employment base within an overall challenging economic environment.
- The annual Caretaker grant revenue for the maintenance and operation of essential services and facility maintenance ceased in September 2004. The LDA now relies on lease income, state assistance and other operations to support these operations. The LDA's cost for facility maintenance, operations of water and sewer plants distribution and collection systems, maintenance of a network of roads, parking lots, airfield pavements, together with services for fire, police and ambulance protection was approximately \$2 million in fiscal year 2010.
- LDA received \$1.5 million together with plant improvements worth \$600,000 as part of a negotiated arrangement with the USAF to fulfill its obligations to provide potable water at Loring. The in-kind work of the United States Air Force and additional investment of \$1.5 million will enhance the value of the water infrastructure by an amount to be estimated upon completion of the improvements.
- The LDA also received various federal grants, low interest loans and 0% interest loans for the purpose of upgrading sewer lines and treatment facilities. As of June 30, 2010 a total of \$1,273,812 has been spent on these projects which are currently recorded as Construction in Progress.

LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010

UNAUDITED

Basic Financial Statements

The LDA's financial reports are prepared using proprietary fund (enterprise fund) accounting which is the same basis as private-sector business enterprises and utilizes the accrual basis of accounting. The accrual basis of accounting records income as it is earned and costs as incurred. The basic financial statements include the following:

Statement of Net Assets
Statements of Revenues, Expenses and Changes in Net Assets
Statements of Cash Flows

The Statement of Net Assets exhibits the balance of current and capital assets less current liabilities and a net asset balance. As required by GASB 34, the LDA has included the estimated fair market value of net assets (structures, vehicles and equipment, aviation facilities, roads and accessory facilities, special use structures and land) which were given to the LDA at no cost by the United States Air Force. The estimated net fair market value of total capital assets for the current year is \$60,949,265 as compared to a capital asset balance of \$61,399,442 for the prior year ending June 30, 2009.

Table 1 provides condensed data of the Statement of Net Assets for the fiscal years ended 2010 and 2009.

Table 1

Net Assets

	<u>2010</u>	<u>2009</u>
Current assets	\$ 2,884,069	\$ 2,752,450
Net capital assets	60,949,265	61,399,442
Construction in progress	1,273,812	97,087
Notes receivable	<u>1,036,634</u>	<u>1,053,813</u>
Total Assets	<u>66,143,780</u>	<u>65,302,792</u>
Current Liabilities	2,884,072	2,621,989
Long-term Liabilities	<u>591,299</u>	<u>181,952</u>
Total Liabilities	<u>3,475,371</u>	<u>2,803,941</u>
Total Net Assets	\$ <u>62,668,409</u>	\$ <u>62,498,851</u>

The Statements of Revenues, Expenditures and Changes in Net Assets reports the federal and state assistance and operations revenue, less operating costs in order to reflect the change in net asset value for the current year in combination with the prior year's net asset value to reflect the net asset balance as of June 30, 2010.

LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010

UNAUDITED

Table 2 shows the changes in net assets for the fiscal years 2010 and 2009.

Table 2

Changes in Net Assets

	<u>2010</u>	<u>2009</u>
Revenues:		
Program Revenues		
Federal and State Assistance	\$ 1,204,925	\$ 1,245,667
General Revenues		
Lease and Other	<u>1,481,265</u>	<u>1,458,618</u>
Total Operating Revenues	<u>2,686,190</u>	<u>2,704,285</u>
Operating Expenses:		
Salaries and Benefits	1,049,400	1,248,194
Travel	14,031	30,607
Contracted Services	506,481	391,915
Depreciation	708,899	724,624
Legal and Audit	69,169	69,355
Marketing	2,545	10,802
Supplies and Expenses	144,404	212,359
Maintenance	177,857	208,210
Utilities	410,228	578,554
Other General and Administrative	<u>83,106</u>	<u>138,679</u>
Total Operating Expenses	<u>3,166,120</u>	<u>3,613,299</u>
(Decrease) in Net Assets from Operations	<u>(479,930)</u>	<u>(909,014)</u>
Other Revenues		
Other	<u>649,488</u>	<u>66,960</u>
Gain/(Loss) before transfer of sewer plant	169,558	(842,054)
(Loss) from transfer of sewer plant	_____	<u>(5,851,046)</u>
Increase/(Decrease) in Net Assets	\$ <u>169,558</u>	\$ <u>(6,693,100)</u>

The Statements of Cash Flows is included, which discloses net cash provided by, or used in operating activities, noncapital financial activities, and from capital and related financing activities. From this statement, the reader can obtain comparative information on the sources and uses of cash for the year.

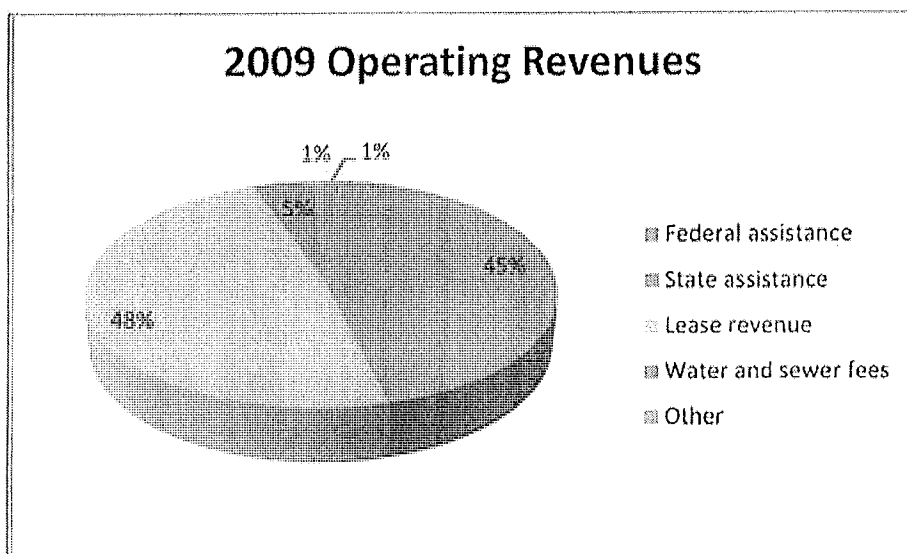
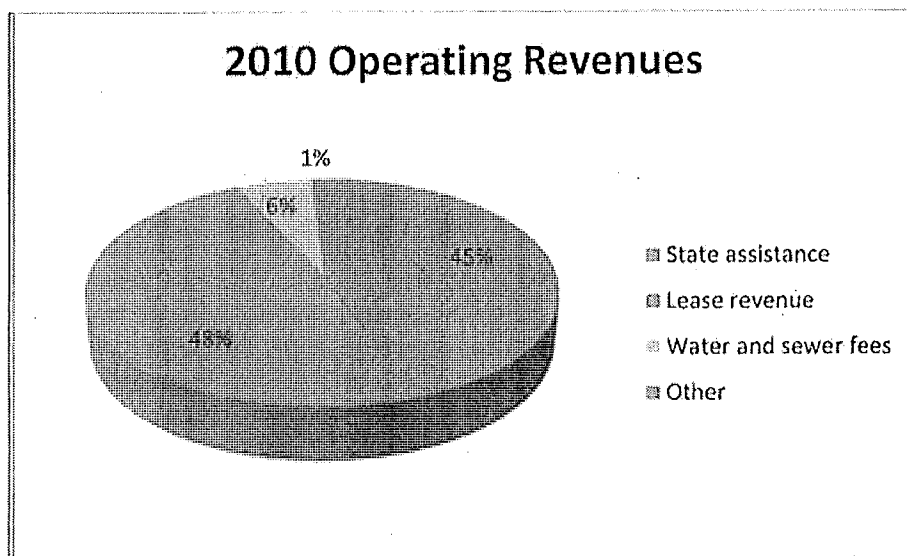
LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010

UNAUDITED

The Loring Development Authority's Funds

The Loring Development Authority's Funds are accounted for using the accrual basis of accounting. Total revenues and other sources amounted to \$3,335,678 in 2010 and \$2,771,245 in 2009. Operating revenues for the two years as represented in the tables below totaled \$2,686,190 in 2010 and \$2,704,285 in 2009. Grants and assistance represents 45% and 46% of the LDA's operating revenues for the last two years.



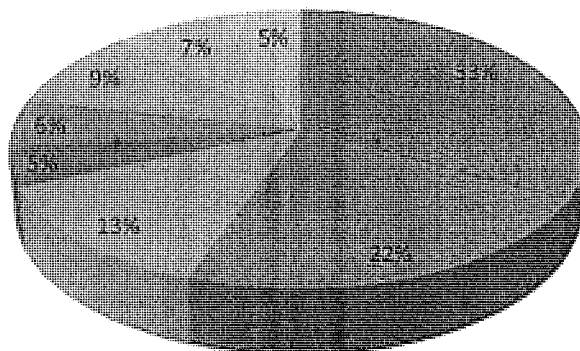
LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2010

UNAUDITED

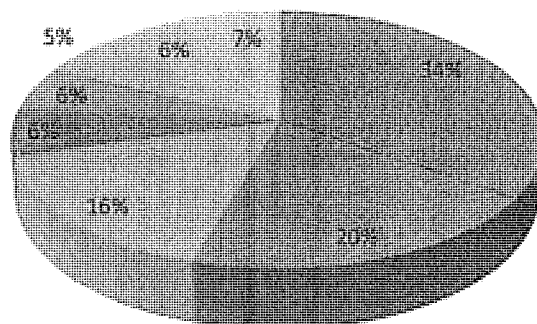
Operating expenses amounted to \$3,166,120 in 2010 and \$3,613,299 in 2009. The following charts reflect the expenditures for the fiscal years ended June 30, 2010 and 2009.

2010 Expense Distribution



- Salaries and benefits
- Depreciation
- Utilities
- Supplies and expense
- Repairs and maintenance
- Contracted services
- Outside services
- All other

2009 Expense Distribution



- Salaries and benefits
- Depreciation
- Utilities
- Supplies and expense
- Repairs and maintenance
- Contracted services
- Outside services
- All other

LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2010

UNAUDITED

Capital Assets

At the end of fiscal year 2010, the Loring Development Authority had invested or received land, buildings, improvements, structures and facilities of \$69,569,366. Net of depreciation, these assets were recorded at \$60,949,265. Table 3 shows capital assets, net of accumulated depreciation.

Table 3

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

	<u>2010</u>	<u>2009</u>
Land	\$ 10,167,000	\$ 10,167,000
Buildings	24,056,974	24,561,486
Equipment and Improvements	1,921,297	1,765,350
Special Use Structures	3,708,411	3,810,023
Aviation Facilities	15,578,087	15,578,087
Roadways and Accessories	3,517,496	3,517,496
Pipeline	<u>2,000,000</u>	<u>2,000,000</u>
Total Net Capital Assets	\$ <u>60,949,265</u>	\$ <u>61,399,442</u>

Budgeting

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

Debt

The Loring Development Authority had an operating Line of Credit debt of \$625,000 and construction Line of Credit debt of \$330,000 outstanding as of June 30, 2010.

The LDA also took on bonded debt of \$454,720 in 2010 for the purpose of upgrading sewer lines. As of June 30, 2010 the balance on this debt was \$433,353.

LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2010

UNAUDITED

Future Developments

The LDA has taken steps during the last few fiscal years to compensate for the loss of the Caretaker grant revenue which represents a current annual reduction of approximately \$1.7 million per year to protect and maintain the Loring property and funds available for maintenance of vacant facilities, fire police, water and sewer, and roadways. The Caretaker grant expired in September 2004. In order to compensate for the loss of the Caretaker grant, the LDA has reduced staff, developed agreements with local communities to provide assistance with fire protection and other essential services, and has deferred maintenance and capital expenditures on some infrastructure. The LDA has developed collaborations with other economic development groups which have proven effective at identifying development prospects. Meanwhile, as development has continued and vacant buildings have been returned to productive uses, fewer facility-maintenance resources will be needed. As listed in the financial highlights, the LDA has also secured resources from the Air Force to upgrade the water treatment plant and water distribution infrastructure and has consolidated waste water systems with a local sewer treatment district. Over the longer term, LDA's continued development will create more revenue from real estate operations that will be available to invest in repairing, replacing and upgrading infrastructure as well as further development efforts.



Chester M. Kearney
Certified Public Accountants

12 Dyer Street, Presque Isle, Maine 04769-1550
207-764-3171

Steve E. Bird, CPA
Herman Belanger, CPA
Paul J. Callnan, CPA

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the proprietary activities of the Loring Development Authority of Maine, as of and for the year ended June 30, 2010, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. The financial statements of the Loring Development Authority of Maine, as of and for the year ended June 30, 2009, were audited by other auditors whose report dated September 11, 2009, expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary activities of the Loring Development Authority of Maine, as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2010 on our consideration of the Loring Development Authority of Maine's internal control over financial reporting and on 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Loring Development Authority's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The remaining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. All such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Chester M. Kearney

Presque Isle, Maine
September 8, 2010

LORING DEVELOPMENT AUTHORITY OF MAINE

STATEMENTS OF NET ASSETS

JUNE 30, 2010 AND 2009

ASSETS

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and temporary investments (Note 3)	\$ 1,545,436	\$ 1,607,555
Due from State of Maine (Note 9)	1,004,925	966,935
Accounts receivable, net	93,299	72,174
Grants receivable	121,976	-
Current portion of notes receivable	-	-
Inventory	118,433	105,786
	<u>2,884,069</u>	<u>2,752,450</u>
FIXED ASSETS (Note 13)		
Equipment	69,569,366	69,310,644
Less accumulated depreciation	(8,620,101)	(7,911,202)
	<u>60,949,265</u>	<u>61,399,442</u>
OTHER ASSETS		
Construction in progress	1,273,812	97,087
Notes receivable, net of current portion (Note 12)	1,036,634	1,053,813
	<u>2,310,446</u>	<u>1,150,900</u>
TOTAL ASSETS	<u>\$ 66,143,780</u>	<u>\$ 65,302,792</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 227,152	\$ 202,672
Accrued expenses (Notes 4 & 5)	142,528	139,899
Deferred revenues (Note 7)	20,332	39,075
Advances from Federal Government (Note 9)	1,387,796	1,491,208
Advances - other	1,240	1,600
Advances from State of Maine (Note 9)	116,019	106,598
Line of credit (Note 8)	955,000	630,000
Current portion of long-term debt	34,005	10,937
	<u>2,884,072</u>	<u>2,621,989</u>
LONG-TERM DEBT (Note 14)		
Notes Payable	625,304	192,889
Less Current Portion	(34,005)	(10,937)
	<u>591,299</u>	<u>181,952</u>
TOTAL LIABILITIES	<u>3,475,371</u>	<u>2,803,941</u>
NET ASSETS		
Invested in capital assets, net of related debt	60,323,961	61,206,553
Unrestricted	2,344,448	1,292,298
TOTAL NET ASSETS	<u>\$ 62,668,409</u>	<u>\$ 62,498,851</u>

See notes to financial statements

LORING DEVELOPMENT AUTHORITY OF MAINE

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS

YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
OPERATING REVENUES		
Federal assistance (Note 9)	\$ -	\$ 36,212
State assistance (Note 9)	1,204,925	1,209,455
Lease revenue	1,294,672	1,309,209
Water and sewer fees	158,507	128,193
Other	28,086	21,216
	<u>2,686,190</u>	<u>2,704,285</u>
OPERATING EXPENSES		
Salaries and benefits	1,049,400	1,248,194
Depreciation	708,899	724,624
Utilities	410,228	578,554
Supplies and expense	162,667	212,359
Repairs and maintenance	158,309	208,210
Contracted services	280,934	172,020
Outside services-Fire and Security	219,944	219,895
Legal and audit	69,169	69,355
Insurance	23,608	30,833
Communications	15,754	23,112
Travel	21,272	30,607
Interest expense & bond bank fees	15,350	12,990
Marketing	2,192	10,802
Projects	-	33,900
Uncollectable accounts	28,394	37,844
	<u>3,166,120</u>	<u>3,613,299</u>
LOSS FROM OPERATIONS	<u>(479,930)</u>	<u>(909,014)</u>
NON-OPERATING REVENUES		
Federal assistance for capital projects (Note 9)	529,128	-
Gain on sale of surplus property	49,280	20,519
Gain on sale of land	-	5,000
Interest income	71,080	41,441
	<u>649,488</u>	<u>66,960</u>
LOSS ON TRANSFER OF SEWER PLANT	-	(5,851,046)
CHANGE IN NET ASSETS	169,558	(6,693,100)
NET ASSETS - BEGINNING OF YEAR	<u>62,498,851</u>	<u>69,191,951</u>
NET ASSETS - END OF YEAR	<u>\$ 62,668,409</u>	<u>\$ 62,498,851</u>

See notes to financial statements

LORING DEVELOPMENT AUTHORITY OF MAINE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	1,394,064	1,422,570
Cash received from governmental assistance	969,855	1,027,106
Cash received from other income	28,086	21,216
Cash paid for salaries and benefits	(1,088,289)	(1,275,490)
Cash paid for contract services	(506,481)	(332,071)
Cash paid for goods and services	(874,157)	(1,152,647)
Interest paid	(22,368)	(12,990)
Net cash used in operating activities	<u>(99,290)</u>	<u>(302,306)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Advances on line of credit, net of payments	325,000	505,000
Advances from other governments	-	1,457,193
Payments received on notes receivable	17,179	46,357
Proceeds from long-term debt	454,720	200,000
Payments on long-term debt	(22,305)	(7,111)
Interest received	71,080	41,441
Net cash provided by investing activities	<u>845,674</u>	<u>2,242,880</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for capital acquisitions and construction	(1,386,911)	(525,141)
Federal grants received for capital projects	529,128	-
Sale of property	49,280	25,519
Net cash used in financing activities	<u>(808,503)</u>	<u>(499,622)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(62,119)</u>	<u>1,440,952</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,607,555</u>	<u>166,603</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>1,545,436</u></u>	<u><u>1,607,555</u></u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED IN OPERATING ACTIVITIES		
Loss from operations	<u>(479,930)</u>	<u>(909,014)</u>
Adjustments to reconcile loss from operations to net cash used in operating activities		
Depreciation	708,899	724,624
Interest capitalized	(7,018)	
Changes in assets and liabilities		
Accounts receivable	(59,115)	43,089
Due from other governments	(216,327)	(218,561)
Inventory	(12,647)	(28,983)
Accounts payable	24,480	75,185
Deferred revenue	(18,743)	(20,077)
Accrued expenses	(38,889)	31,431
	<u>380,640</u>	<u>606,708</u>
Net cash used in operating activities	<u><u>(99,290)</u></u>	<u><u>(302,306)</u></u>

See notes to financial statements

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS

TABLE OF CONTENTS

	PAGE
(1) HISTORY OF ORGANIZATION	6
(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	7
(3) CASH AND TEMPORARY INVESTMENTS	8
(4) COMPENSATED ABSENCES	8
(5) PENSION PLAN	8
(6) RENTAL OF FACILITIES	8-9
(7) DEFERRED REVENUES	9
(8) LINE OF CREDIT	9
(9) PUBLIC SECTOR FUNDING	10
(10) CONCENTRATION OF RISK – FEDERAL/STATE FUNDING	11
(11) ALLOWANCE FOR DOUBTFUL ACCOUNTS	11
(12) NOTES RECEIVABLE	11
(13) CAPITAL ASSETS	11-14
(14) LONG-TERM DEBT	14-15
(15) SUBSEQUENT EVENTS	15
(16) FAIR VALUE OF FINANCIAL INSTRUMENTS	15
(17) TAXES	15

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS

(1) HISTORY OF ORGANIZATION

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

On July 13, 1993, the Maine State Legislature enacted Public Law Chapter 474, establishing the Loring Development Authority of Maine (LDA), a public municipal corporation, as the successor to the Loring Readjustment Committee. The LDA is entrusted with investigating the acquisition, development and management of the properties within the geographical boundaries of Loring.

On April 4, 1997, the United States Air Force transferred approximately 3,600 acres of land, associated facilities, infrastructure and personal property to the LDA via the execution of Economic Development Conveyance (EDC) and Lease in Furtherance of Conveyance documents. This EDC document, which is a mechanism used by the Federal government to transfer former military installations to local reuse authorities for job creation and economic development purposes, transferred control of the Loring property to the LDA through a no-cost, 55-year lease, with commitments from the Air Force to transfer title to the property upon receiving environmental clearance from the Environmental Protection Agency. On April 19, 2001, title to 2,805 acres of the original 3,600 acres was transferred to LDA. The conveyance documents also include a provision that will provide the LDA with an average of \$2.7 million annually through September 30, 2004 to fund its municipal type functions including, but not limited to, fire and emergency services, police protection, water and waste water systems, as well as maintenance of buildings, grounds and roadways. This funding expired September 30, 2004. The lease given to the LDA in 1997 has been superseded in 2001 with a Quit Claim deed conveying a part of the property in fee title and in 2004 with the remainder of the property being conveyed by deed. The LDA also acquired a 185 mile pipeline in 2005.

Consistent with the LDA's enabling legislation, as amended, the Board of Trustees is comprised of thirteen (13) voting members, which are nominated by the Governor of the State of Maine and of which twelve (12) are confirmed by the Maine Senate. The Governor also designates a commissioner of a department of state government to be a voting, ex-officio member of the Board of Trustees. No less than seven of the Board of Trustees must be residents of Aroostook County and be nominated by one of the primary impacted communities, as defined in the enabling legislation. In addition, no less than four of the Board of Trustees must live outside of Aroostook County. The enabling legislation also imposes term limits on the Board of Trustees of two consecutive four-year terms. The Board of Trustees have elected a Chair, Vice-Chair, Secretary and Treasurer to serve terms of one year. The fiscal year for the LDA runs from July 1 through June 30. The financial information of the LDA is reported as a component unit as part of the financial statements of the State of Maine.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Measurement focus

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

Use of estimates

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

Budgetary information

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

Cash and cash equivalents

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

Defining operating revenues and expenses

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

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(3) CASH AND TEMPORARY INVESTMENTS

Deposits with financial institutions are subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's investment policy is to invest in regional banks and federal securities and to insure the funds to as great a degree as possible. The Authority's checking deposits at year-end were covered by Federal Depository Insurance Corporation (FDIC) or collateralized by U.S. Governmental Agency securities held in the Authority's name.

The Authority's cash balances in the financial statements are \$1,545,436 as of June 30, 2010.

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

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

As of June 30, 2010 the Authority's entire balances are classified as Category 1.

(4) COMPENSATED ABSENCES

Authority employees are granted vacation and sick leave in varying amounts. Upon termination, an employee is paid the full amount of accumulated vacation days not taken. Sick leave is not payable upon termination.

The Authority's financial liability for accrued vacations at June 30, 2010 is \$26,554.

(5) PENSION PLAN

The Authority has instituted a Model Simplified Employee Pension Plan for all eligible Authority employees in accordance with Section 408(K) of the Internal Revenue Code. All Authority contributions to the employee's individual retirement account are 100% vested to the employee on the date of the contribution. Employee contributions to the plan are discretionary, subject to Internal Revenue Code limitations. Employer contributions to the plan, at 5% of regular gross wages, totaled \$39,223 for the year ended June 30, 2010.

(6) RENTAL OF FACILITIES

The Authority has leased land and buildings at Loring to various third parties under non-cancellable operating leases requiring fixed payments through 2015. The leases provide for varying terms and conditions.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(6) RENTAL OF FACILITIES (cont'd.)

As of June 30 2010, the future minimum lease payments are as follows:

<u>Fiscal year ending June 30:</u>	<u>Amount</u>
2011	\$1,287,443
2012	1,256,465
2013	1,169,020
2014	1,007,762
2015	1,004,064
Thereafter	<u>990,257</u>
	<u>\$6,715,011</u>

Included in the future minimum lease payments above are rental payments from the Maine Military Authority (MMA), another authority established by the State of Maine.

The MMA has made a long-term commitment to lease the facilities. Because MMA and LDA are instrumentalities of the State, it is unclear whether the lease payment obligation is legally enforceable. The annual lease commitment of the MMA is \$749,593 until at least 2016.

(7) DEFERRED REVENUES

The Authority received advances of rent and other receipts, which have been characterized as deferred revenue in the accompanying Statement of Net Assets.

(8) LINE OF CREDIT

The Authority has a variable rate operating line of credit payable at "Wall Street Prime" with a maximum limit of \$1,000,000. As of June 30, 2010 the line of credit balance was \$625,000, leaving \$375,000 available for use. The line is secured by the Authority's accounts and notes receivable and other general intangibles.

The Authority has an unsecured, variable rate construction line of credit payable at "Wall Street Prime" with a maximum limit of \$330,000. As of June 30, 2010 the line of credit balance was \$330,000, leaving \$0 available for use. The credit line balance is due on or before August 31, 2010.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(9) PUBLIC SECTOR FUNDING

The LDA is currently funded through the following public sources:

- (A) State of Maine - The State approved appropriations of \$200,000 for fiscal year ended June 30, 2010. These funds are to be used to defray operating expenses, to support development of the reuse strategy and to use as match funds to obtain federal and other grants.

Tax Increment Financing - On July 5, 1996, the State Legislature enacted LD 1741 establishing the Loring Job Increment Financing Fund (Fund). The Fund, which has a term of twenty years, was created to establish a supplemental source of funding to subsidize future municipal service costs. This Fund will receive state income tax withholding revenues which can be attributed to incremental jobs created at Loring and will be based upon 50% of the State income tax withholding from these incremental jobs. State contributions to the Fund will be made on an annual basis and are payable by July 31 of each year. The LDA has realized revenues of \$1,004,925 for the year ending June 30, 2010.

Department of Transportation (DOT) - The state of Maine DOT awarded the Authority a grant of \$1,000,000 for airport facility renovations. No funds were spent in the year ended June 30, 2010. \$106,598 of the balance remained as of that date.

- (B) The United States Environmental Protection Agency (EPA) - The Authority was awarded a grant by the EPA in the amount of \$216,000 to improve the integrity of sewer lines and reduce inflow and infiltration. The grant requires matching funds from the authority of \$177,136. During the fiscal year ending June 30, 2010 the Authority received \$6,061.

In 2009 the Authority was awarded an additional \$860,000 through the Clean Water State Revolving Loan Fund Program for the purpose of replacing sewer lines. Upon completion of the project \$405,280 will be forgiven and the remaining \$454,720 will be repaid of a period of 20 years at 0% interest.

- (C) The United States Department of Agriculture (USDA) - The Authority was awarded a grant of \$960,000 and a loan of \$330,000 from USDA Rural Development from the Water and Waste Disposal Systems Program for the purpose of replacing sewer lines. As of June 30, 2010 the Authority had received and expended \$23,794 of the grant funds.

- (D) The United States Department of Defense - The United States Air Force Real Property Agency has made a one-time payment of \$1,500,000 to the Authority under an agreement relating to the Air Force's obligation to provide an alternative source of supply for Loring's drinking water. For the year ended June 30, 2010 the Authority expended \$93,992 of these funds on the water system while \$1,387,796 remains to be spent.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(10) CONCENTRATION OF RISK

Federal and State funding

The LDA received approximately 44% of its operating revenue from federal and state funding for the year ended June 30, 2010. The ability to continue its operations is dependent on continued funding.

Accounts receivable

For the year ended June 30, 2010 approximately 82% of the Authority's accounts receivable was due from 6 customers.

(11) ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are shown on the Statement of Net Assets net of the allowance for doubtful accounts. The allowance for doubtful accounts was estimated at \$123,656 for the year ended June 30, 2010.

(12) NOTES RECEIVABLE

On May 9, 2001, the LDA sold 5 parcels (271.5 acres) of land to Tin Cup Land Company, LLC for \$1,600,000, less \$1,912 in closing costs, resulting in a net sale price of \$1,598,088. The Authority received \$318,088 in cash and financed the remaining \$1,280,000 in the form of a note, payable in quarterly installments for a period of 15 years. Because of unforeseen losses of tenants due to the elimination of military workers at the Defense Finance and Accounting Service in 2002 the Company has had difficulties keeping current with the note payments. The authority continues to work with Tin Cup Land Company to develop a mutually agreeable repayment plan and restructure the note. Accordingly, no amount is included in the current portion of notes receivable. As of June 30, 2010 the outstanding balance on the note was \$1,036,634. For the year ended June 30, 2010 payments of \$17,179 of principal and \$19,305 of interest were received. In management's opinion the entire balance of the note will be collected in full.

(13) CAPITAL ASSETS

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

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(13) CAPITAL ASSETS (cont'd.)

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

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

Capital asset activity for the year ended June 30, 2010 was as follows:

CAPITAL ASSETS ACQUIRED BY LDA (HISTORICAL COST)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<u>Capital Assets</u>				
Land	10,000			10,000
Equipment and improvements	<u>2,103,900</u>	<u>258,722</u>		<u>2,362,622</u>
Total at historical cost	<u>2,113,900</u>	<u>258,722</u>		<u>2,372,622</u>
<u>Less Accumulated Depreciation</u>				
Equipment and improvements	<u>427,548</u>	<u>102,777</u>		<u>530,325</u>
Total Accumulated Depreciation	<u>427,548</u>	<u>102,777</u>		<u>530,325</u>
Capital assets at historical cost, net	<u>1,686,352</u>	<u>155,945</u>		<u>1,842,297</u>

CAPITAL ASSETS ACQUIRED FROM AIR FORCE

<u>Capital Assets</u>		
Land	10,157,000	10,157,000
 Buildings		
In use	5,925,889	5,925,889
Leased	19,300,146	19,300,146
Not in use	<u>5,412,593</u>	<u>5,412,593</u>
	<u>30,638,628</u>	<u>30,638,628</u>
 Equipment		
In use	136,500	136,500
Not in use	<u>89,000</u>	<u>89,000</u>
	<u>225,500</u>	<u>225,500</u>
 Special use structures		
Water plant and distribution	<u>5,080,033</u>	<u>5,080,033</u>

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(13) CAPITAL ASSETS (cont'd.)

	Beginning Balance	Additional	Retirements	Ending Balance
Other facilities and improvements				
Aviation facilities				
Runways	9,472,226			9,742,226
Structures	6,105,861			6,105,861
Fuel pipeline	<u>2,000,000</u>			<u>2,000,000</u>
	<u>17,578,087</u>			<u>17,578,087</u>
Roadways and accessories	<u>3,517,496</u>			<u>3,517,496</u>
Capital assets from U.S. Air Force	<u>67,196,744</u>			<u>67,196,744</u>
<u>Less Accumulated Depreciation</u>				
Buildings				
In use	1,481,159	118,518		1,599,677
Leased	<u>4,595,985</u>	<u>386,002</u>		<u>4,981,987</u>
	<u>6,077,144</u>	<u>504,520</u>		<u>6,581,664</u>
Equipment				
In use	<u>136,500</u>			<u>136,500</u>
Special use structures				
Water plant and distribution	<u>1,270,010</u>	<u>101,602</u>		<u>1,371,612</u>
Total Accumulated Depreciation	<u>7,483,654</u>	<u>606,122</u>		<u>8,089,776</u>
Capital assets acquired from Air Force, net	<u>59,713,090</u>	<u>(606,122)</u>		<u>59,106,968</u>
TOTAL CAPITAL ASSETS				
Capital assets	69,310,644	258,722		69,569,366
Less Accumulated Depreciation	<u>(7,911,202)</u>	<u>(708,899)</u>		<u>(8,620,101)</u>
	<u>61,399,442</u>	<u>(450,177)</u>		<u>60,949,265</u>

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

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

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(13) CAPITAL ASSETS (cont'd.)

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

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

(14) LONG-TERM DEBT

As of June 30, 2010 long-term debt consisted of:

Note payable to Northern Maine Development Commission, payable in monthly installments of \$1,381 including interest at 3% per annum through April 2012. Final payment of \$153,133 due May 2012, secured by assets of the Authority	181,952
Bond payable to the Maine Municipal Bond Bank, payable in semi-annual installments of \$11,368 plus bond bank fees of \$569 per installment through October 2029. Interest rate is 0%.	443,352
	625,304
Less current portion	(34,005)
	<u>591,299</u>

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

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2011	34,005	5,304	39,309
2012	34,348	4,962	39,310
2013	181,807	4,388	186,195
2014	22,736		22,736
2015	22,736		22,736
Thereafter	<u>329,672</u>		<u>329,672</u>
Total	<u>625,304</u>	<u>14,654</u>	<u>639,958</u>

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

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

Long-term debt activity for the year ended June 30, 2010 is as follows:

	<u>Beginning Balance</u>	<u>Advances</u>	<u>Payments</u>	<u>Ending Balance</u>
Note payable –NMDC	192,889		10,937	181,952
Bond payable – MMBB	_____	<u>454,720</u>	<u>11,368</u>	<u>443,352</u>
	<u>192,889</u>	<u>454,720</u>	<u>22,305</u>	<u>625,304</u>

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events occurring through September 8, 2010, the date the financial statements were available to be issued.

(16) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Authority has a number of financial instruments, none of which are held for trading purposes. The Authority estimates that the fair value of all financial instruments at June 30, 2010, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying Statement of Net Assets. The estimated fair value amounts have been determined by the Authority using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Authority could realize in a current market exchange.

(17) TAXES

As a governmental entity, the Authority is not subject to Federal and State income taxes, accordingly it is not necessary to consider the effects of any uncertain tax positions.

The Authority is subject to Federal and State payrolls and is required to file the appropriate tax returns. Management believes that all required returns have been properly filed as of June 30, 2010. No examinations have been conducted by the Federal or State taxing authorities and no correspondence has been received from these authorities.

LORING DEVELOPMENT AUTHORITY OF MAINE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2010

<u>Function</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total</u>
General operations	<u>(3,166,120)</u>	<u>1,453,179</u>	<u>-</u>	<u>529,128</u>	<u>(1,183,813)</u>
General revenues:					
State appropriations					200,000
Loring Job Incremental Financing					1,004,925
Interest income					71,080
Sale of surplus property					49,280
Other income					<u>28,086</u>
Total general revenues					<u>1,353,371</u>
Change in net assets					169,558
Net assets - July 1, 2009					<u>62,498,851</u>
Net assets - June 30, 2010					<u>62,668,409</u>

See notes to financial statements

ADDITIONAL REPORTS



Chester M. Kearney

Certified Public Accountants

12 Dyer Street, Presque Isle, Maine 04769-1550
207-764-3171

Steve E. Bird, CPA
Herman Belanger, CPA
Paul J. Callhan, CPA

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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the proprietary activities of the Loring Development Authority of Maine, as of and for the year ended June 30, 2010, which collectively comprise the Loring Development Authority of Maine's basic financial statements and have issued our report thereon dated September 8, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Loring Development Authority of Maine's internal control over financial reporting as a basis for designing our procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Loring Development Authority of Maine's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Loring Development Authority of Maine's internal control over financial reporting.

A deficiency in internal control exists when the design of or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or combination of significant deficiencies, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

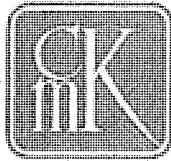
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Loring Development Authority of Maine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the audit committee, Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Chester M. Kearney

Presque Isle, Maine
September 8, 2010



Chester M. Kearney
Certified Public Accountants

12 Dyer Street, Presque Isle, Maine 04769-1550
207-764-3171

Steve E. Bird, CPA
Herman Belanger, CPA
Paul J. Callnan, CPA

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of the Loring Development Authority of Maine, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The Loring Development Authority of Maine's major federal programs are identified in the summary of auditor's results section accompanying the schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Loring Development Authority of Maine's management. Our responsibility is to express an opinion on the Loring Development Authority of Maine's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Loring Development Authority of Maine's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Loring Development Authority of Maine's compliance with those requirements.

In our opinion, the Loring Development Authority of Maine complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws and regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Loring Development Authority of Maine's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement or a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the audit committee, management, Board of Trustees and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Chester M. Kearney

Presque Isle, Maine
September 8, 2010

SUPPLEMENTARY INFORMATION

LORING DEVELOPMENT AUTHORITY OF MAINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

FEDERAL GRANTOR PROGRAM TITLE	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL AWARD AMOUNT</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>
U.S. DEPARTMENT OF AGRICULTURE				
USDA Rural Development				
ARRA-Water and Waste Disposal Systems-Loan	10.766	\$ 330,000	\$ -	\$ -
ARRA-Water and Waste Disposal Systems-Grant	10.766	960,000	<u>23,794</u>	<u>23,794</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>23,794</u>	<u>23,794</u>
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION				
Environmental Protection Agency				
Sewer replacement	66.202	216,500	6,061	6,061
ARRA-Clean Water State Revolving Loan Fund	66.458	860,000	<u>860,000</u>	<u>860,000</u>
TOTAL U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION			<u>\$ 866,061</u>	<u>\$ 866,061</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 889,855</u></u>

See notes to financial statements

LORING DEVELOPMENT AUTHORITY OF MAINE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2003

BASIS OF PRESENTATION

The schedule of expenditures of federal awards includes the federal grant activity of Loring Development Authority of Maine and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

LORING DEVELOPMENT AUTHORITY OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? None
- Reportable conditions identified that are not considered to be material weaknesses?
None
- Noncompliance material to financial statements noted? None

Federal Awards

Internal control over major programs:

- Material weaknesses identified? None
- Reportable conditions identified that are not considered to be material weaknesses?
None

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? None

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
66.458	ARRA-Clean Water State Revolving Loan Fund U.S. Department of Environmental Protection

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Audit qualified as low-risk audit? No

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings were made during the audit of the financial statements for the Loring Development Authority of Maine and no matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings or questioned costs relative to major federal award programs were found during the audit of the financial statements for the Loring Development Authority of Maine and no matters were reported.

**PARAGRAPH 1C: PROPERTY TRANSACTIONS DURING FISCAL
YEAR 2010**

PROPERTY TRANSFERS

LEASES

PINELAND FARMS NATURAL MEATS. LDA entered into a five-year lease agreement with Pineland Farms for buildings #8510 and #8514, both buildings are 25,000 sqft. former maintenance hangars, and paved outdoor sites at the north end of the nosedock area. Pineland may use the buildings in support of its composting operations including for storage and handling of finished compost; loading of trucks, and storage of other bulk products such as sawdust, straw, hay, or woodchips and equipment related to the composting operations.

JOB CORPS DATA CENTER LEASE RENEWAL. The U.S. Department of Labor renewed its lease for the 7,835 square-foot building 5007, which has housed the National Job Corps Data Center since 2002. Loring was selected as the location for a backup data center after a nationwide search for facilities. The LDA was able to provide a building perfectly suited for the task, co-located with an existing Job Corps center, with more-than-adequate telecommunications capacity and bandwidth availability. The Data Center is operated by Trowbridge and Trowbridge which employs about fifteen people in computer technology and customer service functions.

MAINE ARMY NATIONAL GUARD. The LDA entered into a 25-year lease with the Maine Army National Guard for a 27-acre parcel of property at Loring. The Guard plans to construct a controlled humidity storage facility at the site and may build other facilities in the future to support its operations.

STANTEC CONSULTING, INC. LDA entered into a five-year lease agreement with Stantec for office space in Building #5100. The international engineering firm employs six people at Loring.

NORTHERN PAVING, INC. LDA entered into a short term agreement with Northern Paving for office space in Building #5100. The company intends to establish its operations at Loring, where it would carry out quarry and maintenance operations.

URS. URS, an environmental engineering firm working under a contract with the U.S. Air Force, renewed its lease for building 8412 for one year.

LICENSES

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

**PARAGRAPH 1D: ACTIVITIES OF ANY SPECIAL UTILITY DISTRICT FORMED UNDER
SECTION 13080-G**

NONE

**PARAGRAPH 1E: LISTING OF PROPERTY ACQUIRED BY EMINENT DOMAIN UNDER SECTION
13080-G**

NONE

PARAGRAPH 1F: LISTING OF BONDS ISSUED

NONE

**PARAGRAPH 1G: SUBSEQUENT EVENTS – JULY 1, 2010 TO OCTOBER 15, 2010 AND
PROPOSED ACTIVITIES FOR FISCAL YEAR 2011**

SUBSEQUENT EVENTS

Highlights of the activities on the Loring Commerce Centre between July 1, 2010 and October 15, 2010 are provided below.

LORING BIOENERGY, LLC (LBE). LDA and LBE clarified several key business points in the proposed transaction with Loring Bioenergy. The LDA Board of Trustees then gave their approval of the transaction which closed on September 24, 2010. LBE purchased a 50-acre parcel at Loring and entered into a lease agreement for use of the 180-mile pipeline and corridor that runs from Searsport to Loring. LBE intends to use the pipeline transport natural gas and is also considering electrical transmission.

LAND SPEED RACING. Another Land Speed Racing event, organized by the Loring Timing Association, was held at Loring this year, and was again very successful. There were more local participants and spectators, as well as an increase in numbers of people attending from out of the area. The top speed by a motor cycle clocked at the event was 279 mph. Land Speed events provide good exposure for Loring because the participants travel here from throughout the U.S.

AUTOCROSS EVENT. Cumberland Motor Club Inc, a held an autocross precision driving event at Loring. The event consisted of automobiles, including high performance cars, being operated within a defined course.

LEASE PROPOSAL FOR MAINE MILITARY AUTHORITY MMA. MMA is the LDA's largest single tenant and occupies almost 440,000 square feet of building space, supporting 370 full time jobs. The MMA expanded into the remaining space at building 7220, having previously occupied a portion of the building.

JOB CORPS PAYMENT. LDA's President & CEO met with the Assistant Secretary of Labor for Employment and Training and the National Job Corps Director in Washington, DC to discuss a solution to the service fee issue. Congressional delegation staff also participated in the meeting. The Department of Labor maintained that there is no budgetary authority to pay for the general services fees. However, a determination was made that a line item could be established during the 2012 Omnibus budget bill that would allow the service fee to be paid.

ROADWAY PAVING. Two sections of Loring's main roadways were recently paved at a cost of approximately \$350,000, financed with a bank loan. Additional paving will need to be accomplished; LDA will continue to seek financial support for roadway maintenance projects.

FACILITIES UPGRADES. Having received provisional approval of it grant submission from the Small Business Administration, LDA is working to begin facilities upgrades as weather permits this fall.

PROPOSED AND PROJECTED ACTIVITIES FOR FISCAL YEAR 2010

In addition to ensuring that our existing tenants remain viable business entities, the LDA intends to carry out the following activities in fiscal year 2010:

Continue to work with and support established tenants to further their operations at Loring and consider how cluster development may fit in with existing or new projects.

Continue to assist with emerging and newly proposed development projects such as the Loring BioEnergy project, potato processing facilities, the JAC Group manufacturing project, future aviation-related manufacturing projects and others.

Support the UAV and other airship projects and aggressively pursue additional aviation development at the Loring International Airport consistent with the niche markets identified by the community-based Aviation Task Force. Potential development includes aircraft maintenance, repair, manufacturing and overhaul, aircraft storage, cargo operations and activities that would support homeland security efforts.

Continue to work with the FAA to position Loring for various aviation operations at the Loring International Airport

Pursue additional upgrades to Loring's already robust telecommunications infrastructure to support Sitel, the National Job Corps Data Center, DFAS and other potential telecommunications and data-based businesses.

Complete the upgrade of the water treatment plant including repairs of the fish ladder at the LDA dam on the Little Madawaska River.

Continue to pursue rail service throughout Aroostook County and at Loring, which will be required by large manufacturers.

Continue to discuss the consolidation of municipal services with neighboring communities, and to secure support for the maintenance of roadways at Loring.

Continue working to resolve the municipal service fees issue with Job Corps.

Continue working with the Aroostook Band of Micmacs, collaborating on mutually beneficial development projects at Loring.

Continue working with Aroostook Partnership for Progress and the Northern Maine Development Commission in marketing the County including Loring and in the Mobilize Maine project.

Be prepared to move into a third phase of development, which includes building new facilities for large space users and other prospects. LDA has few large facilities available.

Continue demolishing substandard structures at Loring, increasing the Commerce Centre's marketability by creating open space for new construction and improving its aesthetic value.

Touch base periodically with Lamb Weston and Irving Forest Products, Inc., in support of the previously proposed food processing and value-added forest products manufacturing projects, when the market allows for expansion.

Continue to develop and enhance long-term funding strategies that will maximize LDA's ability to reach its development objectives.

Continue to network with business leaders in the region and statewide to identify further opportunities for development at Loring including the creation of new jobs.

Continue to garner local, regional and statewide support for development efforts, in part by hosting tours of Loring for legislators, local and statewide organizations and individuals; making presentations at meetings and events; and participating in interviews with media and private organizations.

**PARAGRAPH 1H: FURTHER ACTIONS SUITABLE FOR ACHIEVING PURPOSES OF THIS
ARTICLE**

Continued support by the State of Maine will be needed to make investments in infrastructure that will assure that Loring Commerce Centre continues to serve as a hub of commercial activity in northern Maine and is able to move forward in developing new opportunities. Loring is not unlike a city but it lacks a tax base so financial support must come from a combination of revenues generated from leases and real estate sales as well as targeted assistance provided by the State of Maine. A \$200,000 item in the DECD budget has been extremely important to us in the past.

We have made considerable investments in the wastewater treatment infrastructure, and are poised to make a substantial investment in the drinking water treatment and distribution systems as well as buildings and facilities suitable for use by small business. There are two areas where insufficient investments are being made:

1. transportation infrastructure; and
2. demolition and removal of substandard buildings.

Our attempts to secure assistance with roadways have to date not met with any success. We have self-funded some minor projects, but a more aggressive program of pavement replacement will need to be undertaken in the near future.

ADDENDUMS

- 1. Loring Development Authority Board of Trustees**
- 2. Loring Development Authority Development and Field Staff**
- 3. Loring Commerce Centre Tenants**
- 4. Employment/Tenant Status Report**

LORING DEVELOPMENT AUTHORITY OF MAINE BOARD OF TRUSTEES

The Loring Development Authority is represented by a thirteen member volunteer Board of Trustees, twelve of which are nominated by the Governor and confirmed by the State Senate and one is a Commissioner of State government designated by the Governor who serves as a voting, ex-officio member. Seven of the appointees confirmed are required to be from Aroostook County and must be nominated by the primary impacted communities surrounding Loring, while four of the appointees are required to live outside of Aroostook County and one member can reside anywhere in Maine.

Chair, Kathryn J. Rand, resident of Hallowell, is Managing Director at BSSN Resources, LLC, a subsidiary of the Bernstein, Shur, Sawyer & Nelson law firm. Ms. Rand has served on the LDA Board since 2003.

Vice Chair, Philip P. Parent, resident of Van Buren, is an Attorney in private practice, concentrating in real estate, commercial law, probate and estate planning. Mr. Parent has served on the LDA Board since 2002.

Treasurer, Richard Ezzy, a resident of Caribou, is Vice President and General Manager of the business operations of County Physical Therapy. Mr. Ezzy has served on the LDA Board since 2010.

Secretary, Francis E. Bemis, resident of Presque Isle, is an attorney at Bemis and Rossignol, LLC. Mr. Bemis has served on the LDA Board since 2009.

Edmund Therrien, resident of Presque Isle, is a Producer at Hayden Perry Insurance Agency. Mr. Therrien has served on the LDA Board since 2005.

Patrick Paradis, resident of Augusta, is a former Legislator and current Augusta City Councilor. Mr. Paradis has served on the LDA Board since 2010.

Thomas Clowes, resident of Stockholm, is employed with FA Peabody Insurance in Presque Isle. Mr. Clowes has served on the LDA Board since 2010.

Patrick C. St. Peter, resident of Limestone, is a former President & CEO of the County Federal Credit Union. Mr. St. Peter has served on the LDA Board since 2004.

Terence Harrigan, resident of Bangor, is an Attorney with the Vafiades, Brontas & Kominsky law firm. Mr. Harrigan has served on the LDA Board since 2005.

Maynard D. St. Peter, resident of Caribou, is retired and remains actively involved in community affairs. Mr. St. Peter has served on the LDA Board since 2007.

George Ezzy, resident of Augusta, is the founder and Director of New Horizons Academy, a job training and career planning program. Mr. Ezzy has served on the LDA Board since 2010.

David King, resident of Limestone, is retired from the Air Force and was formerly employed with the Aroostook County Action Program (ACAP). Mr. King has served on the LDA Board since 2010.

Thaxter Trafton, resident of Augusta, is the Commissioner of the State Department of Economic and Community Development. Commissioner Trafton has served on the LDA Board since 2009.

LORING DEVELOPMENT AUTHORITY OF MAINE EMPLOYEES

DEVELOPMENT STAFF

President & CEO, Carl W. Flora, provides executive oversight for the Authority's operations as well as management of day-to-day operations including, but not limited to, finance & administration, property management, municipal functions (i.e.: police, fire, water/sewer, electrical distribution, roads, grounds and building maintenance), and government, public, tenant, and community relations. He serves at the pleasure of the LDA Board of Trustees. Mr. Flora has been employed at the LDA since November 15, 1995.

Director of Finance and Administration, Frank F. Goade, is responsible for the development and administration of the LDA's operations and accounting controls and financial reporting systems, as well as all administrative functions, including administration of daily municipal and maintenance operations. Mr. Goade has been employed at the LDA since September 19, 1994.

Facilities Manager, Neal R. Haines, coordinates and oversees the day-to-day municipal maintenance type operations of the facility which include buildings, roads, grounds, water and wastewater plant operations and vehicle maintenance with section foreman. He also monitors all purchases and payment processing, oversees the computer network system, and general administrative duties including human resources. Mr. Haines has been employed at the LDA since September 26, 1994.

Marketing and Public Information Manager, Diane M. Martin, is responsible for assisting with tenant support, public relations and marketing. Ms. Martin has been employed at the LDA since September 12, 1994.

Administrative Assistant, Mary E. Saunders, is assistant to the Facilities Manager. She is responsible for environmental reporting as well as clerical support and reporting for Loring Utilities. Ms. Saunders has been employed at the LDA since January 17, 1994.

Executive Assistant, Donna M. Sturzl, is responsible for providing comprehensive support to the LDA's President & CEO, grant research, writing and reporting and carrying out a variety of projects. Ms. Sturzl has been employed at the LDA since September 21, 2000.

LDA FIELD STAFF

Charles R. Bernard, Roads and Grounds Maintenance Worker

Ulyesse J. Bernier, Water Plant Operator

Charles L. Cyr, Roads and Grounds Maintenance Worker

Robert G. Doucette, Water and Wastewater Collection & Distribution Systems Worker

Steven C. Gagnon, Water Plant Operator

Robert J. Johnston, Roads & Grounds Maintenance Worker Leader

Alan L. Lightbown, Fuels Distribution System Mechanic

James E. Marquis, Water and Wastewater Collection & Distribution Systems Foreman

Wayne W. Pryor, Electrician

E. James Wilson Sr., Roads and Grounds Maintenance Worker

LDA Occasionally employs temporary employees as needed to accomplish projects or address workload issues.

LORING COMMERCE CENTRE TENANTS

Defense Finance and Accounting Service (DFAS) Center. The DFAS center operates out of a first-class, 145,000 square foot facility where its employees have consistently performed with excellence since 1995. The center is responsible for finance and accounting for several bases and Air National Guard units across the U.S. and in foreign countries. DFAS employs 607 people.

Maine Military Authority. The Maine Military Authority (MMA) operates the Army National Guard's Maine RS Maintenance Center where an array of military and municipal vehicles are refurbished. In November 1997 the operation began in two buildings with 20 employees and a \$4 million budget. Today, MMA occupies nine buildings, employs 355 people, has a budget of over \$40 million and is ISO certified. Being organized as MMA allowed the center to serve customers other than the National Guard Bureau such as the various military branches, and state and local governments.

Loring Job Corps Center (LJCC). The Loring Job Corps Center, part of the Job Corps New England Region and the National Job Corps system, offers unique advanced training for youth ages 16-24. The Center welcomed its first 380 students in January 1997 and provides training in culinary arts, certified nurse's aid (CNA) program, accounting, medical office training, business/clerical, computer service repair, Web page design, electrical, carpentry, cement masonry, painting, diesel and automotive mechanics and commercial driver's license (CDL). Operated by Career Systems Development Corp., the LJCC employs 130 people.

National Job Corps Data Center. The National Job Corps Data Center, operated by Trowbridge and Trowbridge, provides data backup services for the U.S. Department of Labor National Job Corps Centers. The remarkable success of the Loring Job Corps Center and Loring's advanced telecommunications infrastructure were principal factors in the decision to locate the data center on site, where 16 people are employed.

Sitel Corporation. Sitel, the global leader in outsourced telephone-based customer service, began operations at Loring in 1998. The operation includes both outbound and inbound call centers. Two shifts are operated daily, in order to serve its many clients and customers. Sitel employs 180 people.

Hydroblend, Inc. Hydroblend, Inc. of Nampa, Idaho occupies a 40,888 square foot former warehouse building at the Loring Commerce Centre. The privately owned company formulates and blends a variety of dry batter products in the food industry and also offers a line of dry mix products for resale. It employs 14 people.

MainXPO, Inc. MainXPO and its partner, SAIC (Science Applications International Company) are making use of one of Loring's greatest assets, its 1,200-acre aviation complex. MainXPO & SAIC are working to expand the UAV (unmanned aerial vehicle) project at Loring. The project includes the development and testing of unmanned aircraft such as blimps or airships. SAIC employs 9 people at Loring.

Aroostook National Wildlife Refuge. The 4,700-acre refuge belongs to the National Wildlife Refuge System, a network of lands set aside specifically for the protection of wildlife and its habitat. Wetland, grassland and northern forest habitats for migratory birds and endangered species are protected on the refuge at Loring. Friends of the Aroostook National Wildlife Refuge

support its programs through education, fundraising, recreational and volunteer projects. U.S. Fish & Wildlife Services employs one person at Loring.

Limestone Country Club. The owners of the country club, the Limestone Country Club Developers, successfully operate Loring's nine-hole golf course. They also own and manage the rental of 150 housing units and are selling houses and house lots in a newly created subdivision. The company currently employs 6 people, additional staff are hired through the summer months.

Loring Health Center. Operated by Pines Health Services, The Loring Health Center provides convenient outpatient health care and weight management program services for Loring's employees and area residents. Five people are employed by Pines at Loring.

S.W. Collins Company. S.W. Collins Company, a hardware and building materials supplier, located its commercial line operation in the Loring Applied Technology Center. The line features custom-built products for commercial customers, offering a wide range of highly refined wood products including custom-built cabinetry and cases. S.W. Collins has five employees at Loring.

Loring Military Heritage Center. The Loring Military Heritage Center (LMHC), a museum of Loring Air Force Base history, was created by a group of enthusiastic and dedicated volunteers. LMHC has an impressive collection of Loring memorabilia and artifacts housed in their 1,900 square foot facility.

Pioneer Wireless Network. Pioneer Wireless Network has created a wireless internet service network that spans Aroostook County from Sherman to Madawaska. The company leases space on one of Loring's facilities where it placed antennae needed to complete the network.

WPS Energy Services, Inc. WPS energy Services operates the power plant on Loring, generating electrical power to help meet reserve power requirements and to provide back up power for businesses on Loring.

MacDonald Enterprises. MacDonald Enterprises is a wood and metal products manufacturer operating in approximately 20,000 square feet of space in two buildings.

Robin's Chocolate Sauce. Robin's Chocolate Sauce owners have developed a variety of chocolate sauces and are successfully producing and marketing their products.

Pneu-Hydro Energy. Pneu-Hydro Energy is part of a New York corporation that will be conducting research and development of potential manufacture and commercialization of a hybrid energy source.

URS. URS, an environmental engineering firm working for the Air Force Base Real Property Agency, works out of a building by Loring's airfield.

Kevric Farms, LLC. is now operating a new business at Loring. The company stores and processes feed grain and hay for local customers. It supplies the demand for hay and straw for mulch, high-quality animal feeds, and wood and straw-based animal bedding.

Mojave Property Management, LLC. Mojave Properties offers one-bedroom and efficiency apartments at Loring in a building that it is purchasing. This project fills the need for small residential rental units in the area.

Bigelow Aerospace, LLC. Bigelow Aerospace is developing, constructing, launching and testing human-habitable space complexes, revolutionizing the space tourism industry.

Limestone Rotary Club. The Limestone Rotary Club now meets in Building #5055 at Loring. It is a very active club with dedicated members working together to improve their community.

Pineland Farms Natural Meats. Pineland Farms Natural Meats, Inc. operates a beef cattle feedlot in Fort Fairfield about eight miles from Loring. The company's composting operation is located at Loring. Pineland's goal is to generate 10,000 cubic yards or more of compost material a year and it is considering a consumer packaging operation for the material as well, which would add value to product and may create the need for more facility space in the future.

Limestone Water & Sewer District. The Limestone Water & Sewer District own and operate the wastewater treatment facility at Loring, providing service to all wastewater customers in Limestone, including Loring Commerce Centre. Four people work for the district at Loring.

Stantec Consulting Services, Inc. Stantec Consulting Services, a large and well known engineering services firm, now occupies office space in the LDA office building. The company has 130 offices and 10,000 employees throughout North America. Stantec has 8 employees at Loring.

Northern Maine Paving (NMP). NMP occupies office space in the LDA building. The company is pursuing its plan to operate a paving and quarry operation at Loring and currently employs 1 person.

LORING DEVELOPMENT AUTHORITY
MONTHLY EMPLOYMENT / TENANT ACTIVITY REPORT
30-Sep-10
DEVELOPMENT ACTIVITIES

<u>REUSE ACTIVITY</u>	<u>TYPE</u>	<u>JOBS/RESIDENTS</u>			<u>PROPERTY ABSORBED</u>	
		<u>Prior Month</u>	<u>Current</u>	<u>Projected</u>	<u>Bldg SF</u>	<u>Acres Utilized</u>
<u>PRIVATE SECTOR</u>						
Bigelow Aerospace	Aviation	0	0	0	3,223	7
Hydroblend, Inc.	Manufacturing	15	14	30	40,888	2
International Sourcing Inc.	Commercial	0	0	5	4,824	1
Kevric Farms	Agricultural Storage	0	0	0	28,006	5
Limestone Country Club	Recreation/Residential	10	6	20	326,685	270
Loring Applied Technology Ctr	Commercial	0	0	3	42,075	3
Robin's Chocolate Sauce	Manufacturing	1	1	2		
Pneu-Hydro Energy	R&D	1	1	1		
S.W. Collins	Manufacturing	5	5	7		
Loring Health Center (Cary)	Health Care	5	5	7	2,000	1
Loring Military Heritage Center	Museum	0	0	1	1,900	1
MacDonald Enterprises	Manufacturing	1	1	12	19,762	2
Mojave Property Management	Residential Provider	1	1	6	38,058	4.58
Northern Maine Paving	Paving Manufacture	0	1	8	457	N/A
Pineland Farms Natural Meats	Agricultural Composting	2	2	2	56,000	35
SAIC	Aircraft Technology	9	9	30	126,303	12
Sitel Insurance Services	Call Center	185	180	352	47,783	12
Stantec Consulting	Engineering/consulting	8	8	10		N/A
Trowbridge & Trowbridge	Data Management	16	16	40	7,835	4.5
URS	Commercial	0	0	1	3,950	1
WPS	Commercial	0	0	0	28,838	5
TOTAL PRIVATE SECTOR:		259	250	537	778,587	366.08
<u>PUBLIC SECTOR</u>						
DFAS	Office	606	607	662	142,400	15
Limestone Water & Sewer District	Sewer Plant Operation	4	4	2		
Maine Military Authority	Vehicle Refurbishment	358	355	525	438,906	23
CSD (Loring Job Corps Center)	Educational/Office	132	130	147	270,022	42
US Fish & Wildlife	Wildlife Refuge	1	1	5	8,600	4,700
TOTAL PUBLIC SECTOR:		1,619	1,597	2,415	2,413,879	5,505.2
LDA	Development	16	16	21	94,996	100
TOTAL EMPLOYMENT:		1,894	1,863	2,973	3,287,462	5,971.2
<u>RESIDENTIAL</u>						
Individual Residences	Residents	11	11	58	*	
Limestone Estates	Residents	205	208	250	*	
Mojave Property Mgmt	Residents	47	47	40	+	
Loring Job Corps	Student Residents	350	340	400		
TOTAL RESIDENTIAL:		613	606	748		
GRAND TOTAL		2,507	2,469	3,721	3,287,462	5,971.2
Total Available Space:					2,795,587	

* acreage included in sale to Limestone Country Club

+ square feet and acreage included in Private Sector, above

NOTE: Above figures do not include the people employed by various agencies involved in the Air Force's environmental cleanup and property transfer at Loring.

updated/amended 29Oct10