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# 2012 ANNUAL REPORT

## *LORING DEVELOPMENT AUTHORITY OF MAINE*





LORING COMMERCE CENTRE

EXECUTIVE DIRECTOR'S  
OFFICE

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October 29, 2012

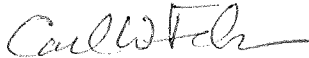
Mr. David E. Boulter  
Executive Director  
State of Maine Legislative Council  
115 State House Station  
Augusta, ME 04333

Dear Mr. Boulter:

Pursuant to "Section 13080-L Annual Report" of the Loring Development Authority of Maine's (LDA) enabling legislation, please find enclosed a complete report of the activities of the LDA for the fiscal year ended June 30, 2012. The report includes a summary of the LDA's development activities and audited financial statements for FY12. Subsequent events through October 15, 2012 and proposed activities for FY13 are also reported.

If you have any questions or need additional information, please don't hesitate to call.

Very truly yours,



Carl W. Flora  
President & CEO

Enclosure

cc: Senator Christopher W. Rector, Chair  
Representative Kerri L. Prescott, Chair  
Committee on Labor, Commerce, Research and Economic Development



**Paragraph 13080-L**  
**Fiscal Year 2012 Annual Report**  
**July 1, 2011 – June 30, 2012**

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

Loring Development Authority (LDA) is responsible for the redevelopment of the properties formerly comprising the Loring Air Force Base in order to create jobs and new economic activity following the base's closure. To do this, the LDA:

1. manages a 3,700-acre business-commercial and industrial park including a 1,600-acre aviation complex;
2. Serves as landlord and/or supplies municipal-type services to approximately 25 businesses, residents, and employers who collectively employ approximately 1,100 employees and occupy approximately 1.6 million square feet of space in nearly 80 major buildings;
3. Supports Loring's existing (and future) businesses and employers as well as Loring's 455 residents by operating a water treatment plant, water distribution system, and a wastewater collection system; maintaining and plowing 26 miles of roadways; performing grounds maintenance on hundreds of acres of developed and developable property; and providing for fire and ambulance services, law enforcement services and wastewater treatment; and
4. Works with prospective new Loring businesses to develop opportunities to reuse additional facilities and properties, to create additional employment and economic activity both at Loring and in the broader region.

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 2012 ACCOMPLISHMENTS**

The following summarizes the LDA's accomplishments for fiscal year 2012, which support its primary mission of job creation and facility absorption on Loring Commerce Centre.

**LORING BIOENERGY, LLC.** On September 24, 2010 the LDA and Loring Bioenergy (LBE) executed closing documents on a real estate transaction; the closing transferred 54 acres of land and seven facilities at Loring to LBE. One unserviceable building on the LBE property, the former central heat plant has been demolished. The LBE transaction also included the lease of the Searsport to Loring pipeline and the 50-foot pipeline right-of-way. Since the closing, the property at Loring and the lease of the pipeline was foreclosed upon by LBE's lender and was sold to Penobscot Natural Gas Company (PNG). According to PNG's parent, Gas Natural, Inc.,



PNG intends to activate the pipeline and expand its customer base for natural gas. The foreclosed property did not include the lease rights to the pipeline corridor which is retained by LBE's parent company, Loring Holdings (LH). LH is working with another natural gas company to establish further distribution of natural gas in Maine, including Aroostook County, using the pipeline corridor. Advancement of either or both of the natural gas distribution projects will depend on development costs and a sufficient number of committed natural gas customers to make the projects financially feasible.

**ALTAEROS ENERGIES.** Altaeros, a small development stage company with roots at MIT conducted tests of its airborne wind turbine using Loring's Arch Hangar and a portion of the airfield. Altaeros' innovation is a wind turbine in a helium-filled housing. The airborne turbine's main advantages are that it can ascend to altitudes where wind speeds are consistently high and the power derived from the wind is exponentially greater. The helium-filled device resembles the nacelle of a jet engine and is designed to turn into the wind thereby optimizing the energy that can be generated from the wind. The device can be deployed and retrieved quickly and moved from place to place making it ideal for military operations in forward areas or as a replacement for diesel generators in remote areas not served by transmission lines. Another important advantage is that there is no capital tied up in the construction of large towers as traditional turbines require. Altaeros was very pleased with the Loring Commerce Centre as a test site and indicated its interest in returning for future research and testing operations should the need arise. The project was coordinated by and through Science Applications International Corporation (SAIC).

**SCIENCE APPLICATIONS INTERNATIONAL CORPORATION (SAIC).** SAIC's unmanned aircraft development operations at Loring included the SKYBUS 30K, with a 30,000 cubic foot volume, then the SKYBUS 80K, with an 80,000 cubic foot volume. The 80K blimp was moved to Arizona for further testing by the U.S. Army at its proving ground in Yuma. SAIC is transitioning the airship program over to a newly-created affiliate named Unmanned Systems International Corporation (USIC). One of USIC's goals is to try to recover the unmanned airship from Yuma and return it to Loring to re-start and expand on that program. Budgetary constraints on defense agencies leave the future of airship development unclear. However, LDA and USIC met with US Customs and Border Patrol and presented the concept of using unmanned airships for surveillance purposes. USIC remains interested in exploring options for a project at Loring.

**Federal Aviation Administration (FAA) Test Ranges.** Congress is interested in the establishment of six FAA test ranges where the use of unmanned aerial vehicles (UAV) in the national airspace system will be evaluated. The test ranges will be designated on a competitive basis. Because Loring and other sites in Maine have much to offer as a test site, a team was formed to develop a proposal for FAA's consideration. Working on the FAA proposal are the Maine Department of Economic and Community Development (DECD), Maine Technology Institute, LDA, Northern Maine Regional Airport, Brunswick Executive Airport, USIC and MaineXPO. The concept includes a test center based at Loring and the Northern Maine Regional Airport with a flight corridor to a test range west of Ashland and a second test center based on the Brunswick Airport and a flight corridor to existing offshore military airspace. Meetings with an FAA consultant revealed advantages to establishing the test range here. However, many other states are pursuing the designations and have well-funded and highly- developed proposals. Although Maine may not be chosen for a test range site, the process will help position Maine to attract future development projects of a UAV-oriented aerospace industry.



**AIRSPACE WORKING GROUP.** In October 2011, prior to any public knowledge of FAA's plans to designate six test ranges, as a development project encouraged by the "Mobilize Maine" initiative, a working group was formed to explore the potential for UAV testing at Loring. To be successful, the group felt that a test center must take advantage of the FAA's Certificate of Authorization (COA) process and enjoy access to some special use airspace.

SAIC and Telford Aviation for several years conducted flight testing of unmanned blimps within a 5 mile radius of Loring. FAA has approved this activity under an "experimental certificate" issued for the specific aircraft to be tested and for the specific circumstances of the planned flights (i.e., flights originating and ending at Loring, within 5 miles, and similar imitations). The experimental certificate is a time-consuming and lengthy process and the FAA does not have the resources to expedite the issuance of experimental certificates for UAVs. An alternative is the "COA" or "certificate of authorization". This involves a public or governmental organization (like the University of Maine or the LDA) with the expertise to inspect and approve the flightworthiness of the aircraft sought to be tested. A developer of a UAV could get an aircraft approved for flight under the COA relatively quickly and then proceed with the flight testing necessary to perfect new UAV designs. Ultimately, Loring would become a UAV flight testing center and new jobs – for example, in aerospace engineering, piloting, and skilled fabrication – would be created.

**THE POWER COMPANY.** Maine Energy Performance Solutions together with The Power Company approached the LDA last year with a concept for establishing a utility scale solar farm at Loring. LDA entered into an exclusive negotiating agreement with the companies while they conducted a feasibility study to determine the technical and financial feasibility of the concept. A new proposal from The Power Company represents a smaller version of the initial solar power project. The new 53 KW capacity concept is a pilot style project that will demonstrate the viability of installing solar panels on individual buildings; it is suitable for powering the LDA office building. The proposal includes a net metering arrangement for the office building as well as the LDA's maintenance shop and it provides no financial exposure for the LDA. The price that the LDA pays for the electricity generated is pegged at 95% of what would otherwise be paid to Maine Public Service. A 20-year equipment lease with an option to buy at end of six years has been proposed. After a 12-month period there is a re-opener clause in the lease in the event that the PUC should change rules regarding credits.

**PELLETCO.** LDA received a proposal for the installation of pellet fueled heating systems from Pelletco and the University of Maine. The partners have been working on emerging agricultural technologies regarding a high energy yield grass for the production of grass pellets and the development of a pellet fueled heating system to burn the pellets. Pelletco proposes to provide and install a grass pellet-fueled heating system for two buildings and connect pellet system to the existing heat distribution systems; if needed, the oil boiler would supplement or back up the pellet system. Part of the proposal is to permit Pelletco to mow and collect grass on the airfield and former housing areas to use as a supply source. The projected annual savings in heat costs to the LDA is estimated to be about \$9,100 and additional costs would be realized in not having to mow the airfield and housing areas.

**IBERDROLA RENEWABLES.** Last year, Iberdrola Renewables proposed the potential benefits of a large wind farm at Loring, with 100 or more two-megawatt wind turbines to be located at various Loring sites that were not in conflict with existing land uses. The LDA would have to make a strategic decision to abandon potential aviation uses as the numerous tall structures would make safe aircraft operations impossible in Loring's vicinity.



**RE-GEN.** Re-Gen provides heating and combined heat/power solutions fueled by wood biomass. The company proposed a small central heating system for Loring including benefits to Loring business tenants. Discussions with Re-Gen continue on a financial scenario to build a district heating system and central biomass gasification boiler plant which would connect four large buildings and potentially numerous smaller buildings.

**THREE RING BINDER PROJECT.** In July 2011, LDA hosted the Maine Fiber Company and Tilson Technologies ribbon cutting ceremony for the 3 Ring Binder (3RB) kick off in Aroostook County. Federal funding dedicated to upgrading the communication infrastructure in rural areas made the 3RB project a reality in Maine. Maine Fiber Co. installed dark fiber (144 and 288 strand fiber optic cable) in selected areas in the state including the Loring campus, making dark fiber available at competitive rates, which is good for businesses using high volumes of data. Most of Loring's business locations will be within a few hundred feet of this new resource. As a direct result of the 3RB announcement, the LDA has been in discussions with a cloud computing center to locate a facility at Loring. More information can be found at the Maine Fiber Company web site: [www.maineiberco.com](http://www.maineiberco.com)

**WATER SUPPLY SYSTEM UPGRADES.** LDA and the Air Force entered into a Memorandum of Agreement, which included a payment to LDA of \$1.5 million for upgrades to the water treatment plant and distribution system. The MOA and payment addresses the Air Force's responsibility to provide potable water to Loring, where groundwater contamination prevents the use of wells. The funding matched a \$1,132,000 grant from the Economic Development Administration. The grant provides for 50% of the costs of a \$2,264,000 project to upgrade Loring's drinking water treatment infrastructure. Upgrades will allow the plant to perform at its rated capacity of 2.3 million gallons per day, making it possible to support large water users. The work is being completed in two phases. Phase one upgrades treatment systems and is intended to improve water quality. This phase, along with the rebuilding of the fishway on the water impoundment dam is nearing completion.

**INFLOW AND INFILTRATION (I&I) REDUCTION AT LORING COMMERCE CENTRE.** Reduction of the I&I of ground and surface water in Loring's wastewater collection systems is an ongoing 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, was completed last year; this year a third phase was completed. Phase III Replacement Sewer and Separation Project was performed by T Buck Construction, Inc. of Lewiston, Maine. This phase consisted of the replacement of approximately 3,400 linear feet of existing vitrified clay gravity sewers and approximately 150 feet of existing brick sewer manholes with new PVC and HDPE gravity sewer pipe and precast concrete manholes along the East Branch of the Greenlaw Brook. The work also included plugging abandoned sewers and disconnection of existing catch basins, sump pumps and roof drains from the wastewater collection system and directing the sources to existing storm drainage facilities. The final construction cost was \$453,900, funded by a grant from USDA/Rural Development and US Environmental Protection Agency. The impact of the project will reduce the volume of infiltration and inflow to the collection system by approximately 10 percent.

LDA worked with U.S. Fish and Wildlife to secure new easements for two separate segments of its sewer line along Greenlaw Brook. The two segments were replaced in Phase III. The new easements allowed the segments of the sewer collection line to be moved from the original



locations along Greenlaw Brook to drier ground along a private roadway. LDA released the original easements in exchange for the new easements on USFW property at Loring.

This summer LDA responded to a sewer line overflow resulting from a boulder being deliberately dropped into a manhole. At the time of the overflow the Maine Department of Environmental Protection (DEP) issued a warning relating to high levels of E-coli in Greenlaw Brook which parallels the sewer line. After the line was repaired and the area cleaned up, testing indicated that the bacteria levels had returned to normal and the DEP warning was rescinded.

**EPA REGIONAL ADMINISTRATOR VISIT.** The EPA Regional Administrator visited to review progress on the Limestone/Loring regional wastewater project. The USDA/Rural Development State Director, Maine DEP Commissioner and members of their staffs also visited. The regional project created a single wastewater treatment system for the Limestone/Loring community. It also extended the wastewater discharge from the Little Madawaska River to the Aroostook River. The visit was opportunity to present the issues of unrealized potential for further industrial development at Loring and for the continuation of the I & I reduction at Loring.

**SMALL BUSINESS FACILITIES UPGRADES.** LDA's \$1 million Small Business Administration (SBA) earmark grant is funding improvements to facilities for small business uses. The former library was the first building improved with SBA funds, a new roofing system including insulation was installed, protecting the building from water damage and saving on heating costs. Other buildings improved to date include the LDA office building, the former NCO Club, three smaller (2,000 sq.ft) buildings and Building 8410, a 22,000 square foot hangar. Additional work to be completed with SBA assistance is similar in design – facilities suitable for small business operations will be improved; energy efficiency is a priority.

**MAINE MILITARY AUTHORITY (MMA).** Recent building and production line upgrades performed by MMA on former warehouse buildings provided a “linear” production process adding more streamlined efficiencies to the vehicle rebuilding process. MMA's lead customer, the Federal National Guard Bureau, provided substantial funding to renovate the facilities and obtain equipment. Alternative contracts outside of the military arena are of great interest to MMA; the organization is working to diversify and potentially achieve profit center status.

**HB SPECIALTY FOODS, INC.** HB Specialty Foods, known locally as Hydroblend, extended their current lease for an additional two years, with an option for a third year. The company manufactures a variety of dry batter products for the food industry and offers a line of dry mix products for resale. Hydroblend has been at Loring since 1999 and currently employs 15 people.

**NORTHERN GIRL, LLC.** Northern Girl is a Van Buren company that had approached the LDA through the Northern Maine Development Commission looking for an interim solution for facility space that would accommodate organic vegetable processing. The company determined that the kitchen area of Loring's NCO Club would allow it to start operations until a facility is ready in Van Buren. Northern Girl suggested that a future scenario for the NCO kitchen may be to develop it as an incubator style shared kitchen for small food processors. Advertisements were placed locally requesting letters of interest from small companies doing small-scale food production, packaging, baking and early-stage product trials to identify potential candidates for this concept; there has been some local interest for this type of activity. Northern Girl also discussed developing a Regional Food Hub concept that involves small producers from throughout the broader region.



**RUSSETTO'S.** Russetto's Pizza and Deli now occupies the restaurant area in Building #5055. Prior restaurant operations at Loring focused on serving the workforce only, opening for breakfast and lunch, Monday through Friday. Russetto's, however, serves breakfast, lunch and dinner seven days a week, working to serve the working population at Loring as well as local residents and visitors.

**SHAW ENVIRONMENTAL.** Building #8214 is now leased by Shaw Environmental, a contractor secured by the Air Force to manage certain aspects of the long term environmental remediation project. The leased building, formerly occupied by another environmental engineering firm, fills Shaw's need for office space and a shop area.

**PIONEER WIRELESS.** Pioneer Wireless, doing business as Pioneer Broadband, is a broadband telecommunications company that now leases office space in LDA's office building. The new location will help Pioneer capitalize on the new Three Ring binder telecommunications infrastructure, enabling it to offer dark fiber, fiber optic and other advanced services to Loring customers.

**TIN CUP LAND COMPANY.** Various economic factors, including the high cost of heating fuel led Tin Cup Land Company to the decision to close its Tennessee Circle apartments. Tin Cup still owns and operates residential units on Manser Drive and Development Drive as well as the golf course at Loring. After closing the Tennessee Circle units, the property was returned to LDA and the company's partners decided to dissolve their business affiliation. The partners are working to divide the interests between the housing enterprise and the golf course, and to create two separate businesses.

**LAND SPEED RACING.** For the second successive year, a land speed racing event held at Loring in August 2011 and was again a success. The highlight was a new speed record for a sit-on motorcycle at 311.945 mph. Loring Timing Association organized the annual events and is very pleased with venue as well as with the turn out of the events. This event attracts participants from across the U.S.

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

Although the race events do not attract huge crowds they do bring visitors to the area who provide increased traffic to restaurants, hotels and other businesses.

**NATIONAL GUARD PROJECT.** The Maine Army National Guard worked with LDA to design and carry out an engineering project to help keep Loring's runway and aviation areas clear for safety measures. The project has not yet been commenced, but when underway, Guard members will remove existing vegetation in the aviation areas and level out the terrain so that the majority of it can be mowed periodically.

**SENATOR OLYMPIA SNOWE.** Senator Snowe visited the Loring Job Corps Center in April along with LDA's President & CEO; they met with the Center Director, staff and students in the carpentry and electrical trades programs. The Senator has been a key advocate, a strong voice and valuable supporter of Loring throughout her career.



**LORING ROADS.** LDA financed the paving of approximately 10% of Loring's roadways last year, at a cost of \$350,000. A significant amount of paving work needs to be completed before the remaining roadways suffer deterioration of their road base in addition to surface damage, which would substantially increase the cost of rehabilitating the commerce center roads. LDA's President & CEO held discussions with DECD Commissioner, and Board Member, George Gervais, Representative Richard Cebra of the Transportation Committee and John Nass of the Governor's staff about the potential for the LDA to obtain funding for on-going roadway resurfacing and maintenance from a future transportation bond issue. The transportation bond issue is the most likely vehicle to provide such funding as Loring's roads are considered "private" and therefore on the same legal footing as the street through a Maine University campus.

### **MARKETING EFFORTS**

**ADVERTISING.** The LDA continued with a limited hard copy advertising program. Several ads were placed in MaineBiz magazine as well as the in the annual Book of Lists also published by Maine Biz. A color ad was purchased in the Bangor Daily News special business section that is published in April. The Loring Commerce Centre was featured in a color ad in the annual Aroostook Visitors Guide and Maine Ahead Magazine. Advertisements are created in-house and provided electronically to advertisers.

Sponsorships for radio coverage were purchased for annual events at the Maine Potato Blossom Festival and Limestone's 4<sup>th</sup> of July Festivities.

**WEBSITE.** Loring website maintenance is performed in-house. A revamped website nears completion; it will provide more current information, efficient delivery of board meeting packages and agendas, and downloadable data for available facilities.

### **PUBLIC OUTREACH**

**LORING/LIMESTONE AD HOC COMMITTEE.** This committee, consisting of the LDA President & CEO, LDA Board members, Selectmen from the Town of Limestone and other local persons of interest, was established to develop and clarify ongoing issues regarding the provision and payment for municipal services at Loring.

**STAKEHOLDER & BUSINESS DEVELOPMENT MEETINGS.** The LDA President & CEO regularly leads tours and presents Loring's buildings and assets to potential tenants and visitors, and frequently attends speaking engagements and regional community meetings.

**AROOSTOOK PARTNERS FOR PROGRESS (APP) WEEKLY MEETINGS.** The LDA President & CEO attends a weekly steering committee meeting with area business leaders in the region to discuss trends and opportunities for business development in Aroostook County.

**PUBLIC BOARDS AND AFFILIATIONS.** The LDA President & CEO serves in a voluntary capacity on several regional Boards who oversee entities that provide a beneficial impact to the people living in communities surrounding the Loring Commerce Centre.



## **PROMOTING LORING**

Loring facilities, attributes and contact information is available on numerous business development websites such as The Maine Chamber, Maine Better Transportation Association, The Yellow Pages online, Hangars.com and other aviation interests.

Upcoming Board of Trustee meetings, press releases and announcements of new leases or business deals are promoted to local and state-wide media at the time the events occur.

In late July and early August the LDA hosted annual events on the airfield related to land speed racing. The Loring Timing Association and The Cumberland Motor Club sponsored autocross competitions once again. These open-to-the-public venues attract a larger audience each year and provide positive coverage through the local media, including TV, radio and newspapers.

The LDA provided assistance to the Loring Military Heritage Museum for their September 2-day Open House. The museum of Loring's military history hosted the open house as part of its reunion for military and civilian personnel who served at Loring before its closure. Hundreds of people attended and expressed interest in another Loring reunion in the near future.

## **OTHER ACTIVITIES & EFFORTS**

**REAL ESTATE BROKERS.** LDA requested expressions of interest for the exclusive listings of Loring's commercial properties from all area real estate brokers. An exclusive listing opportunity would provide an incentive for the selected broker to promote Loring properties, increasing potential sales. Several excellent responses were received; Re/Max provided the most effective and in-depth sales and marketing campaign proposal for property listings. Any exclusive listing contracts will be for specific properties. Properties not specifically listed will still be available under the "open listing" arrangement that has existed for years.

**LIMESTONE REAL ESTATE TAXES.** The town of Limestone bore a large share of the impact of the closure of Loring Air Force Base and could not absorb the cost of providing municipal services at the 8,700 acre commerce center. LDA provides those services at Loring but does not have the ability to levy taxes. When a property at Loring is sold it becomes a part of the Limestone tax base. LDA Trustees and members of the Limestone Select Board began discussing a gain-sharing arrangement to cover costs of municipal services at Loring.

**MOBILIZE MAINE.** LDA continues to collaborate 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's President & CEO is a member of the Mobilize Northern Maine group and serves on its committee for the Renewable Energy cluster. An information technology cluster is examining ways to utilize 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.



**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 2011, 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 2012.

**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 to fund municipal type services provided at Loring. Contributions to this fund for fiscal year 2011 totaled \$964,600.50. 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 2012, the LDA received revenues from its tenants, from the sale of land and personal property and from miscellaneous revenues in the amount of \$1,614,819.

**KATAHDIN TRUST COMPANY.** In recent years, the LDA has secured a \$1,000,000 line of credit from Katahdin Trust Company to assist in the management of cash flow. At the end of FY 2011, funds advanced under the line of credit totaled \$780,000. This debt was retired in August 2012.

**KATAHDIN TRUST COMPANY.** The LDA secured a \$100,000 loan from Katahdin Trust Company to finance the purchase of a snow plow truck. Loan terms: 5 years with a variable interest rate equal to the Wall Street Journal prime rate plus zero percent with a floor of 4%.

**SBA GRANT.** In FY11 LDA secured a \$1 million federal appropriation which is administered through a grant from the Small Business Administration. The funding is for the upgrading of facilities in support of small businesses; the project is underway.

**EDA GRANT.** In FY11 LDA was awarded \$1,132,000 from the Economic Development Administration for the upgrade of Loring's water supply infrastructure; the project is underway.



Loring Development Authority of Maine  
Fiscal Year 2012 Annual Report  
July 1, 2011 – June 30, 2012

**PARAGRAPH 1B:      AUDITED FINANCIAL STATEMENTS FOR  
FISCAL YEAR 2012**

The attached Independent Auditor's Report was approved by the Loring Development Authority Board of Trustees on October 24, 2012.



LORING DEVELOPMENT AUTHORITY OF MAINE

FINANCIAL STATEMENTS

JUNE 30, 2012



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LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2012

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, 2012. 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 \$983,272. The increase was due in part to improvements to capital assets accomplished with grant funding and debt financing which resulted in a gain from ordinary operations of \$983,272.
- Total revenues of \$4,397,205 are comprised of 31% from lease revenue, 26% from state assistance, 37% from federal grants and 5% 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 \$2.47 million in fiscal year 2012.
- The LDA received various federal grants, low interest loans and 0% interest loans for the purpose of upgrading sewer lines, the water treatment facilities and various other facilities. As of June 30, 2012 a total of \$2,934,795 has been spent on these projects. \$1,568,903 represents Construction in Progress, the remainder was placed in service during previous years.



LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2012

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:

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

The Statements 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 \$60,191,714 as compared to a capital asset balance of \$60,427,369 for the prior year ending June 30, 2011.

Table 1 provides condensed data of the Statements of Net Assets for the fiscal years ended 2012 and 2011.

Table 1

**Net Assets**

	<u>2012</u>	<u>2011</u>
Current assets	\$ 2,674,153	\$ 2,919,871
Net capital assets	60,191,714	60,427,369
Construction in progress	1,568,903	49,927
Notes receivable	<u>3,926,084</u>	<u>4,036,634</u>
Total Assets	<u>68,360,854</u>	<u>67,433,801</u>
Current Liabilities	2,522,920	2,585,178
Long-term Liabilities	<u>3,189,148</u>	<u>3,183,109</u>
Total Liabilities	<u>5,712,068</u>	<u>5,768,287</u>
Total Net Assets	\$ <u>62,648,786</u>	\$ <u>61,665,514</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, 2012.



LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2012

UNAUDITED

Table 2 shows the changes in net assets for the fiscal years 2012 and 2011.

Table 2

Changes in Net Assets

	<u>2012</u>	<u>2011</u>
Revenues:		
Program Revenues		
State Assistance	\$ 1,164,601	\$ 1,163,274
General Revenues		
Lease and Other	<u>1,542,412</u>	<u>1,629,830</u>
Total Operating Revenues	<u>2,707,013</u>	<u>2,793,104</u>
Operating Expenses:		
Salaries and Benefits	871,052	895,949
Travel	14,596	13,515
Contracted Services	800,017	777,534
Depreciation	811,723	743,063
Legal and Audit	19,748	66,852
Marketing	4,508	6,120
Supplies and Expenses	107,174	108,111
Maintenance	229,378	169,055
Utilities	459,740	421,107
Other General and Administrative	<u>95,997</u>	<u>125,261</u>
Total Operating Expenses	<u>3,413,933</u>	<u>3,326,567</u>
(Decrease) in Net Assets from Operations	<u>(706,920)</u>	<u>(533,463)</u>
Other Revenues		
Other	<u>1,690,192</u>	<u>806,852</u>
Gain/(Loss) before sale to Loring Bio Energy	983,272	273,389
(Loss) from sale to Loring Bio Energy	<u>          </u>	<u>(1,276,284)</u>
Increase/(Decrease) in Net Assets	\$ <u>983,272</u>	\$ <u>(1,002,895)</u>

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



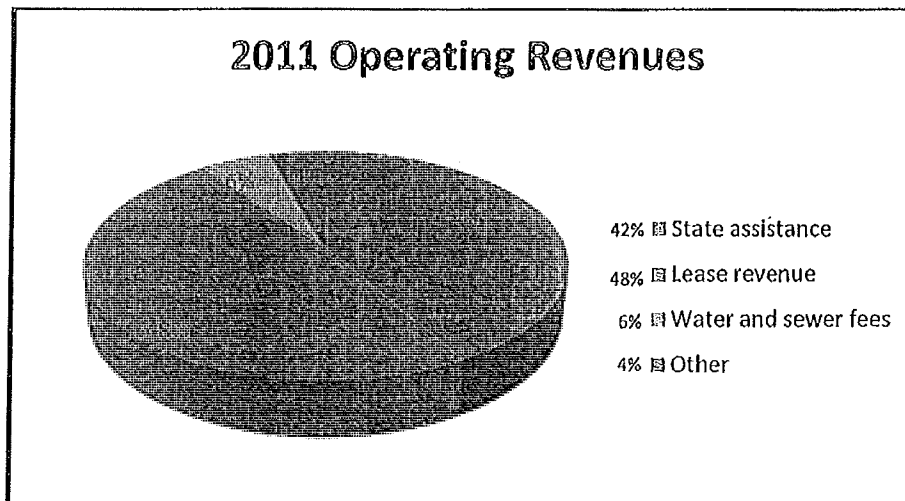
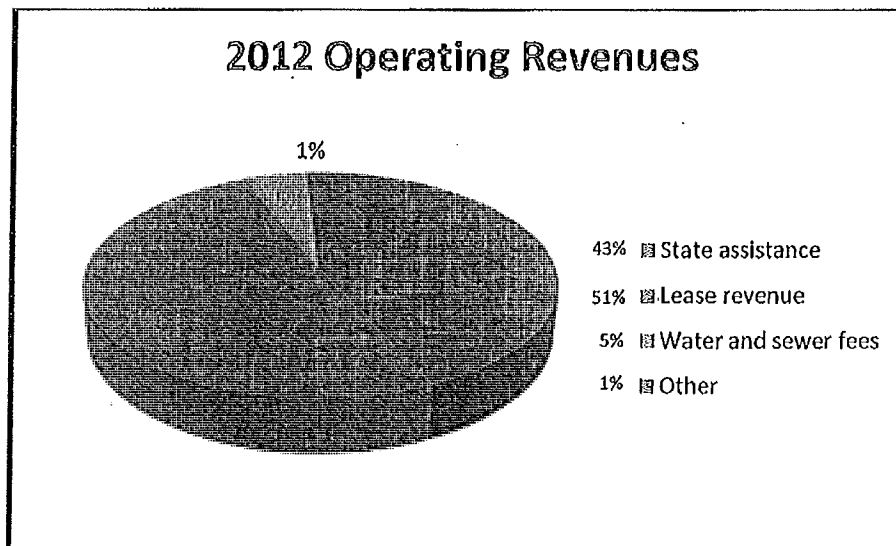
LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2012

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 \$4,397,205 in 2012 and \$3,599,956 in 2011. Operating revenues for the two years as represented in the tables below totaled \$2,707,013 in 2012 and \$2,793,104 in 2011. Grants and assistance represents 43% and 42% of the LDA's operating revenues for the last two years.





LORING DEVELOPMENT AUTHORITY OF MAINE

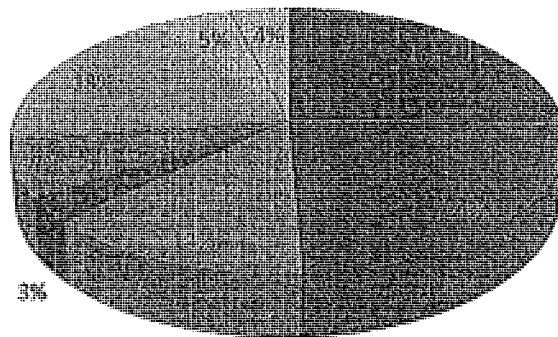
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2012

UNAUDITED

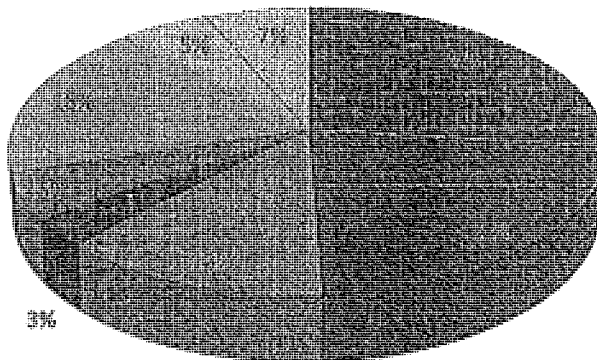
Operating expenses amounted to \$3,413,933 in 2012 and \$3,326,567 in 2011. The following charts reflect the expenditures for the fiscal years ended June 30, 2012 and 2011.

**2012 Expense Distribution**



- 26% Salaries and benefits
- 24% Depreciation
- 13% Utilities
- 3% Supplies and expense
- 7% Repairs and maintenance
- 18% Contracted services
- 5% Outside services
- 4% All other

**2011 Expense Distribtuion**



- 27% Salaries and benefits
- 22% Depreciation
- 13% Utilities
- 3% Supplies and expense
- 5% Repairs and maintenance
- 18% Contracted services
- 5% Outside services
- 7% All other



LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2012

UNAUDITED

Capital Assets

At the end of fiscal year 2012, the Loring Development Authority had land, buildings, improvements, structures and facilities of \$70,312,372. All assets were donated to LDA by the U.S. Air Force or purchased. Net of depreciation, these assets were recorded at \$60,191,714. Table 3 shows capital assets, net of accumulated depreciation.

Table 3

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

	<u>2012</u>	<u>2011</u>
Land	\$ 10,004,722	\$ 9,895,300
Buildings	21,051,375	21,551,877
Equipment and Improvements	4,534,815	4,277,788
Special Use Structures	3,505,219	3,606,821
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>60,191,714</u>	\$ <u>60,427,369</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 \$780,000 outstanding as of June 30, 2012.

The LDA also took on bonded debt of \$454,720 in 2010 for the purpose of upgrading sewer lines. As of June 30, 2012 the balance on this debt was \$397,880.

The LDA entered into a loan agreement with USDA Rural Development in the year ended June 30, 2010. The \$330,000 proceeds from the note were used to pay off the construction line of credit which provided funds for the sewer upgrade project. The balance as of June 30, 2012 was \$325,865.

The LDA entered into a mortgage agreement with Katahdin Trust Company, receiving funds in the amount of \$350,000 secured by a commercial building and lot. The balance at June 30, 2012 was \$301,061.

The LDA entered into a lending agreement with Katahdin Trust Company, receiving funds in the amount of \$100,180 secured by a vehicle. The balance at June 30, 2012 was \$97,138.



LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2012

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 previous years' funding 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  
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Herman Belanger, CPA  
Steve B. Bird, CPA  
Paul J. Callinan, 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 years ended June 30, 2012 and 2011, 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 audits.

We conducted our audits 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 audits provide 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, 2012 and 2011, 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 13, 2012 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 13, 2012



LORING DEVELOPMENT AUTHORITY OF MAINE

STATEMENTS OF NET ASSETS

JUNE 30, 2012 AND 2011

ASSETS

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and temporary investments (Note 3)	\$ 784,004	\$ 1,559,240
Due from State of Maine (Note 9)	964,601	963,274
Accounts receivable, net	337,201	268,300
Grants receivable	564,729	5,730
Inventory	23,618	123,327
	<u>2,674,153</u>	<u>2,919,871</u>
FIXED ASSETS (Note 13)		
Capital assets	70,312,372	69,736,304
Less accumulated depreciation	<u>(10,120,658)</u>	<u>(9,308,935)</u>
	<u>60,191,714</u>	<u>60,427,369</u>
OTHER ASSETS		
Construction in progress	1,568,903	49,927
Notes receivable, net of current portion (Note 12)	<u>3,926,084</u>	<u>4,036,634</u>
	<u>5,494,987</u>	<u>4,086,561</u>
TOTAL ASSETS	<u>\$ 68,360,854</u>	<u>\$ 67,433,801</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 419,470	\$ 301,636
Accrued expenses	86,918	127,611
Deferred revenues, current (Note 7)	201,405	248,958
Advances from Federal Government (Note 9)	829,904	1,271,874
Advances - other	480	860
Advances from State of Maine (Note 9)	116,019	116,019
Line of credit (Note 8)	780,000	450,000
Current portion of long-term debt	<u>88,724</u>	<u>68,220</u>
	<u>2,522,920</u>	<u>2,585,178</u>
LONG-TERM DEBT (Note 14)		
Notes Payable	1,277,872	1,251,329
Less Current Portion	<u>(88,724)</u>	<u>(68,220)</u>
	<u>1,189,148</u>	<u>1,183,109</u>
DEFERRED REVENUES, LONG-TERM (Note 7)	<u>2,000,000</u>	<u>2,000,000</u>
TOTAL LIABILITIES	<u>5,712,068</u>	<u>5,768,287</u>
NET ASSETS		
Invested in capital assets, net of related debt	58,913,842	59,176,040
Unrestricted	<u>3,734,944</u>	<u>2,489,474</u>
TOTAL NET ASSETS	<u>\$ 62,648,786</u>	<u>\$ 61,665,514</u>

See notes to financial statements



LORING DEVELOPMENT AUTHORITY OF MAINE  
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
OPERATING REVENUES		
State assistance (Note 9)	\$ 1,164,601	\$ 1,163,274
Lease revenue	1,376,275	1,345,654
Water and sewer fees	138,590	159,339
Other	27,547	124,837
	<u>2,707,013</u>	<u>2,793,104</u>
OPERATING EXPENSES		
Salaries and benefits	871,052	895,949
Depreciation	811,723	743,063
Utilities	459,740	421,107
Supplies and expense	107,174	108,111
Repairs and maintenance	229,378	169,055
Contracted services	614,796	600,383
Outside services-Fire and Ambulance	185,221	177,151
Legal and audit	19,748	66,852
Insurance	23,518	21,615
Communications	12,561	11,196
Travel	14,596	13,515
Interest expense and bond bank fees	43,271	21,337
Marketing	4,508	6,120
Uncollectable accounts	16,647	71,113
	<u>3,413,933</u>	<u>3,326,567</u>
LOSS FROM OPERATIONS	<u>(706,920)</u>	<u>(533,463)</u>
NON-OPERATING REVENUES		
Federal assistance for capital projects (Note 9)	1,636,731	718,973
Gain on sale of surplus property	6,212	14,870
Interest income	47,249	73,009
	<u>1,690,192</u>	<u>806,852</u>
LOSS ON SALE OFF ASSETS TO LORING BIO ENERGY		(1,276,284)
CHANGE IN NET ASSETS	<u>983,272</u>	<u>(1,002,895)</u>
NET ASSETS - BEGINNING OF YEAR	<u>61,665,514</u>	<u>62,668,409</u>
NET ASSETS - END OF YEAR	<u>\$ 62,648,786</u>	<u>\$ 61,665,514</u>

See notes to financial statements



LORING DEVELOPMENT AUTHORITY OF MAINE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 1,396,703	\$1,600,269
Cash received from governmental assistance	1,164,601	1,163,218
Cash received from other income	27,547	124,837
Cash paid for salaries and benefits	(911,745)	(910,866)
Cash paid for contract services	(800,017)	(777,534)
Cash paid for goods and services	(670,327)	(817,435)
Interest paid	(43,271)	(21,337)
Net cash provided by/(used in) operating activities	<u>163,491</u>	<u>361,152</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Net advances/(payments) on line of credit	330,000	(505,000)
Proceeds from long-term debt	100,180	680,000
Payments on long-term debt	(73,637)	(53,975)
Interest received	47,249	73,009
Net cash provided by investing activities	<u>403,792</u>	<u>194,034</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Payments for capital acquisitions and construction	(1,984,494)	(1,275,225)
Federal grants received for capital projects	635,763	718,973
Sale of property	6,212	14,870
Net cash used in financing activities	<u>(1,342,519)</u>	<u>(541,382)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(775,236)</u>	<u>13,804</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>1,559,240</u>	<u>1,545,436</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>784,004</u></u>	<u><u>1,559,240</u></u>
<b>RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES</b>		
Loss from operations	<u>(706,920)</u>	<u>(533,463)</u>
Adjustments to reconcile loss from operations to net cash provided by/(used in) operating activities		
Depreciation	811,723	743,063
Work in progress abandoned		1,659
Changes in assets and liabilities		
Accounts receivable	(70,228)	(133,350)
Operating funds due from other governments	(381)	(56)
Inventory	99,709	(4,894)
Accounts payable	117,834	74,484
Deferred revenue	(47,553)	228,626
Accrued expenses	(40,693)	(14,917)
	<u>870,411</u>	<u>894,615</u>
Net cash provided by/(used in) operating activities	<u><u>\$ 163,491</u></u>	<u><u>\$ 361,152</u></u>

See notes to financial statements



LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS

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## 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. The LDA is entrusted with investigating the acquisition of the properties within the geographical boundaries of Loring, and the subsequent redevelopment and management of property so acquired.

On April 4, 1997, the United States Air Force transferred approximately 3,700 acres of land, associated facilities, infrastructure and personal property to the LDA via the execution of Economic Development Conveyance (EDC) and Lease in Furtherance of Conveyance documents. This EDC document, which is a mechanism used by the Federal government to transfer former military installations to local reuse authorities for job creation and economic development purposes, transferred control of the Loring property to the LDA through a no-cost, 55-year lease, with commitments from the Air Force to transfer title to the property upon receiving environmental clearance from the Environmental Protection Agency. 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 provided the LDA with an average of \$2.7 million annually through September 30, 2004 to fund its municipal type functions including, but not limited to, fire and emergency services, police protection, water and waste water systems, as well as protection and maintenance of buildings, grounds and roadways. This funding expired September 30, 2004. The lease given to the LDA in 1997 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 confirmed by the Maine Senate. Of the thirteen (13), one is a commissioner of a department of state government, designated by the Governor to serve on the LDA Board. No less than seven of the Board of Trustees must be residents of Aroostook County and be nominated by one of the primary impacted communities, as defined in the enabling legislation. In addition, no less than four of the Board of Trustees must live outside of Aroostook County. The enabling legislation also imposes term limits on the 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 Statements of Net Assets. The Statements of Revenues, Expenditures, and Changes in Net Assets presents the increases (i.e. revenues) and decreases (i.e. expenses) in net total assets. The Statements of Cash Flows provides information about how the Authority finances and meets the cash flow needs of its proprietary activities.

Use of estimates

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

Budgetary information

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

Cash and cash equivalents

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

Defining operating revenues and expenses

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



LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(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 \$784,004 and \$1,559,240 as of June 30, 2012 and 2011, respectively.

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

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

As of June 30, 2012 and 2011 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, 2012 and 2011 is \$27,585 and \$26,360, respectively.

(5) PENSION PLAN

The Authority has instituted a Model Simplified Employee Pension Plan for all eligible Authority employees in accordance with Section 408(K) of the Internal Revenue Code. All Authority contributions to the employee's individual retirement account are 100% vested to the employee on the date of the contribution. Employee contributions to the plan are discretionary, subject to Internal Revenue Code limitations. Employer contributions to the plan, at 5% of regular gross wages, totaled \$32,726 and \$34,153 for the years ended June 30, 2012 and 2011.



# LORING DEVELOPMENT AUTHORITY OF MAINE

## NOTES TO FINANCIAL STATEMENTS (cont'd.)

### (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 2018. The leases provide for varying terms and conditions.

As of June 30 2012, the future minimum lease payments for the next 5 years are as follows:

<u>Fiscal year ending June 30:</u>	<u>Amount</u>
2013	\$1,273,558
2014	1,251,571
2015	1,087,007
2016	1,067,383
2017	<u>971,101</u>
	<u>\$5,650,620</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 \$658,359 until at least 2017.

### (6) 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.

As described in Note 12, the Authority entered into an agreement with Loring Bio-Energy, LLC (LBE) whereby LBE would acquire real estate and lease a pipeline and right-of-way. In 2012 these lease rights were sold at auction to Penobscot Natural Gas. Under the terms of the lease agreement, payments will begin in 2013 and the Authority will begin to recognize revenue at that time at a rate of \$300,000 per year for a ten year period. As of June 30, 2012 the amount included as deferred revenue was \$2,000,000.

### (7) 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, 2012, the line of credit balance was \$780,000, leaving \$220,000 available for use. The line is secured by the Authority's accounts and notes receivable and other general intangibles.



LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(8) 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, 2012. 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 \$964,601 and \$963,274 for the years ending June 30, 2012 and 2011, respectively.

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, 2012. \$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 \$216,500 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, 2012 the Authority received \$15,301.

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 over 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, 2012 the Authority had received and expended \$799,968 of the grant funds, of which \$303,751 was recognized as revenue in the year ended June 30, 2012.

- (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, 2012 the Authority expended \$454,929 of these funds on the water system while \$816,944 remains to be spent.



LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

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

(E) United States Small Business Administration -- The SBA has provided a \$1,000,000 earmark designated for repairs and upgrades at the Loring Commerce Center which will facilitate the establishment of new small businesses in the area. As of June 30, 2012, \$369,616 had been received and expended.

(F) United States Economic Development Administration - The EDA has provided a \$1,132,000 grant to support repairs and improvements to The Loring Commerce Center's impounding dam and water treatment and distribution systems. The grant requires each dollar to be matched by the recipient. As of June 30, 2012, \$493,134 had been received and expended leaving a balance of \$638,866.

(10) CONCENTRATION OF RISK

Federal and State funding

The LDA received approximately 43% of its operating revenue from federal and state funding for the year ended June 30, 2012. The ability to continue its operations is dependent on continued funding.

Accounts receivable

For the year ended June 30, 2012 approximately 96% of the Authority's accounts receivable was due from 2 customers.

(11) ALLOWANCE FOR DOUBTFUL ACCOUNTS

Accounts receivable are shown on the Statements of Net Assets net of the allowance for doubtful accounts. The allowance for doubtful accounts was estimated at \$31,602 and \$177,101 for the years ended June 30, 2012 and 2011 respectively.

(12) NOTES RECEIVABLE

**Tin Cup Land Company**

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, 2012 the outstanding balance on the note was \$1,036,634. For the year ended June 30, 2012 no payments were received. For the year ended June 30, 2011 interest only payments in the amount of \$12,768 were received.



## LORING DEVELOPMENT AUTHORITY OF MAINE

### NOTES TO FINANCIAL STATEMENTS (cont'd.)

#### (12) NOTES RECEIVABLE (cont'd.)

In March 2012, via quitclaim deed, the authority received 22.11 acres of land included in the original purchase by Tin Cup Land Company. The Authority estimates the land to be valued at \$5,000 per acre and has reduced the principal of the note by \$110,550 in consideration for the land.

It is the intent of the members of Tin Cup Land Company to divide their holdings and separate the real estate securing the note into two separate parcels consisting of a golf course and residential rental units. The members also intend to request that the note held by the Authority be divided into two separate notes for each parcel. The Authority believes that once this process is completed the two separate business units will be more viable than the existing single unit and the two individual notes will approximate the value of the original note as of June 30, 2012.

#### **Loring Bio-Energy**

On September 24, 2010 the LDA entered into a sale/lease agreement with Loring Bio-energy, LLC which transferred assets, including the former heat plant building and real estate, to the buyer and where the parties entered into a lease agreement for a pipeline extending from Loring to Searsport, Maine in exchange for a 0% interest note in the amount of \$3,000,000. The note is payable in 10 annual installments of \$300,000 with the first installment due and payable within 30 days after the buyer commences "substantial commercial activity" or June 30, 2013, whichever comes first.

The buyer is also responsible for paying closing costs of \$282,461 to the LDA, of which \$100,000 was paid at the time of closing and the remaining is due with the first note installment. The LDA has recorded the balance of \$182,461 as accounts receivable and recognized the amount as deferred revenue until the time of collection.

In June 2012 the lease rights for the pipeline were put up for bid at auction with Penobscot Natural Gas (PNG) being the successful bidder. The Authority believes that PNG will complete the acquisition of the foreclosed rights and will honor the terms of the original agreement with a few minor modifications.

#### (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, 2012 was as follows:

CAPITAL ASSETS ACQUIRED BY LDA (HISTORICAL COST)

	Beginning Balance	Additions	Retirements	Ending Balance
<u>Capital Assets</u>				
Land	10,000			10,000
Equipment and improvements	<u>4,860,072</u>	<u>516,646</u>	<u>50,000</u>	<u>5,326,718</u>
Total at historical cost	<u>4,870,072</u>	<u>516,646</u>	<u>50,000</u>	<u>5,336,718</u>
<u>Less Accumulated Depreciation</u>				
Equipment and improvements	<u>671,284</u>	<u>209,619</u>		<u>880,903</u>
Total Accumulated Depreciation	<u>671,284</u>	<u>209,619</u>		<u>880,903</u>
Capital assets at historical cost, net	<u>4,198,788</u>	<u>307,027</u>		<u>4,455,817</u>

CAPITAL ASSETS ACQUIRED FROM U. S. AIR FORCE

	Beginning Balance	Additions	Retirements	Ending Balance
<u>Capital Assets</u>				
Land	<u>9,885,300</u>	<u>110,550</u>	<u>1,128</u>	<u>9,994,722</u>
Buildings				
In use	5,925,889			5,925,889
Leased	19,300,146			19,300,146
Not in use	<u>3,353,781</u>			<u>3,353,781</u>
	<u>28,579,816</u>			<u>28,579,816</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	Additions	Retirements	Ending Balance
Other facilities and improvements				
Aviation facilities				
Runways	9,472,226			9,472,226
Structures	6,105,861			6,105,861
Fuel pipeline	<u>2,000,000</u>			<u>2,000,000</u>
	<u>17,578,087</u>			<u>17,578,087</u>
 Roadways and accessories	 3,517,496			 3,517,496
Capital assets from U.S. Air Force	<u>64,866,232</u>	<u>110,550</u>	<u>1,128</u>	<u>64,975,654</u>
<u>Less Accumulated Depreciation</u>				
Buildings				
In use	1,662,789	117,341		1,780,130
Leased	<u>5,365,149</u>	<u>383,162</u>		<u>5,748,311</u>
	<u>7,027,938</u>	<u>500,503</u>		<u>7,528,441</u>
Equipment				
In use	<u>136,500</u>			<u>136,500</u>
Special use structures				
Water plant and distribution	<u>1,473,213</u>	<u>101,601</u>		<u>1,574,814</u>
Total Accumulated Depreciation	<u>8,637,651</u>	<u>602,104</u>		<u>9,239,755</u>
Capital assets acquired from U. S. Air Force, net	<u>56,228,581</u>	<u>(491,554)</u>	<u>1,128</u>	<u>55,735,899</u>
 TOTAL CAPITAL ASSETS				
Capital assets	69,736,304	627,196	51,128	70,312,372
Less Accumulated Depreciation	<u>(9,308,935)</u>	<u>(811,723)</u>		<u>(10,120,658)</u>
	<u>60,427,369</u>	<u>(184,527)</u>	<u>51,128</u>	<u>60,191,714</u>

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

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



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 long-term debt consisted of:

	<u>2012</u>	<u>2011</u>
Note payable to Northern Maine Development Commission, payable in monthly installments of \$1,381 including interest at 3% per annum through October 2023. Secured by assets of the Authority	158,928	169,915
Note payable to USDA Rural Development, payable in annual installments of \$14,860 including interest at 3.25% per annum through August 2050. Secured by assets of the Authority	325,865	330,000
Note payable to Katahdin Trust Company, payable in monthly installments of \$1,848 including interest at 4% per annum through February 2017. Secured by assets of the Authority	94,138	
Note payable to Katahdin Trust Company, payable in monthly installments of \$3,553 including interest at 4% per annum through October 2020. Secured by assets of the Authority	301,061	330,798
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%.	<u>397,880</u>	<u>420,616</u>
	1,280,872	1,251,329
Less current portion	<u>(88,724)</u>	<u>(68,220)</u>
	<u>1,189,148</u>	<u>1,183,109</u>



LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

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

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

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2013	88,724	30,269	118,993
2014	91,272	27,720	118,992
2015	93,919	25,074	118,993
2016	96,651	22,342	118,993
2017	91,942	19,498	111,440
2018-22	346,992	66,000	412,992
2023-27	166,545	43,397	209,942
2028-32	93,645	37,500	131,145
2033-37	43,188	31,117	74,305
3038-42	50,677	23,628	74,305
2043-47	59,466	14,839	74,305
2048-52	<u>54,851</u>	<u>4,593</u>	<u>59,444</u>
Total	<u>1,277,872</u>	<u>345,977</u>	<u>1,623,849</u>

Long-term debt activity for the year ended June 30, 2012 is as follows:

	<u>Beginning Balance</u>	<u>Advances</u>	<u>Payments</u>	<u>Ending Balance</u>
Note payable -NMDC	169,915		10,987	158,928
Note payable-USDA	330,000		4,135	325,865
Note payable-Katahdin Trust Company		100,180	6,042	94,138
Note payable-Katahdin Trust Company	330,798		29,737	301,061
Bond payable -- MMBB	<u>420,616</u>	<u>      </u>	<u>22,736</u>	<u>397,880</u>
	<u>1,251,329</u>	<u>100,180</u>	<u>73,637</u>	<u>1,277,872</u>

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events occurring through September 13, 2012, the date the financial statements were available to be issued.



LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(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, 2012, 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, 2012. No examinations have been conducted by the Federal or State taxing authorities and no correspondence has been received from these authorities.



LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(18) SUMMARY OF ACTIVITIES

<u>Function</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total</u>
General operations	<u>(3,413,933)</u>	<u>1,514,865</u>	<u>-</u>	<u>1,636,731</u>	<u>(262,337)</u>
General revenues:					
State appropriations					200,000
Loring Job Incremental Financing					964,601
Interest income					47,249
Sale of surplus property					6,212
Other income					<u>27,547</u>
Total general revenues					<u>1,245,609</u>
Change in net assets					983,272
Net assets - July 1, 2011					<u>61,665,514</u>
Net assets - June 30, 2012					<u>62,648,786</u>



## ADDITIONAL REPORTS





Chester M. Kearney  
Certified Public Accountants

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

Herman Belanger, CPA  
Steve E. Bird, CPA  
Paul J. Callnan, 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, 2012, which collectively comprise the Loring Development Authority of Maine's basic financial statements and have issued our report thereon dated September 13, 2012. 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 13, 2012





Chester M. Kearney  
Certified Public Accountants

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

Herman Belanger, CPA  
Steve E. Bird, 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, 2012. 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, 2012.



### 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 13, 2012



## SUPPLEMENTARY INFORMATION



LORING DEVELOPMENT AUTHORITY OF MAINE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012

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 Balance)	10.766	\$ 330,000	\$ -	\$ 325,865
ARRA-Water and Waste Disposal Systems-Grant	10.766	960,000	<u>303,751</u>	<u>303,751</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>303,751</u>	<u>629,616</u>
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION				
Environmental Protection Agency				
Sewer replacement	66.202	216,500	<u>15,301</u>	<u>15,301</u>
U.S. DEPARTMENT OF COMMERCE				
Economic Development Administration				
Public works grant	11.300	1,132,000	<u>\$ 493,134</u>	<u>\$ 493,134</u>
U.S. SMALL BUSINESS ADMINISTRATION	59.059	1,000,000	<u>\$ 369,616</u>	<u>\$ 369,616</u>
FY 2010 Congressional Earmark				
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 1,507,667</u>

See notes to financial statements



LORING DEVELOPMENT AUTHORITY OF MAINE  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012

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, 2012

SECTION 1 - 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
10.766	ARRA-Water and Waste Disposal Systems-Loans & Grants USDA Rural Development
59.059	Small Business Administration -- FY 2010 Congressional Earmark
11.300	Economic Development Administration-ARRA Public Works Grant

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

Audit qualified as low-risk audit? Yes

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 2012**

**PROPERTY TRANACTIONS**

**LEASES**

**HB SPECIALTY FOODS, INC.** Known locally as Hydroblend, HB Specialty Foods renewed its lease for Building #7210 for an additional two years, with an option for a third year. Building #7210 is a 40,888 square foot steel-frame building. The company has been an important part of Loring's development, having opened its blending operation for dry food ingredients in 1999. It typically employs about 15 persons and generates considerable local activity.

**TENNESSEE CIRCLE.** Property deeds for the Tennessee Circle property have been recorded; giving LDA title to the Tennessee Circle townhouse style apartments and 22 acres of land. The property was sold to Tin Cup Land Company in 2001 along with the residential properties on Manser Drive and Development Drive and the Limestone Country Club. The company continues to own and operate the remaining residential properties and is working to dissolve the current business unit and create two separate businesses – a residential rental business and country club/golf course business.

**PIONEER WIRELESS, INC.** Pioneer Wireless entered into a lease agreement with LDA for office space in LDA's office building. Locating at Loring will help Pioneer utilize the telecommunications infrastructure installed by the Three Ring Binder project to provide fiber optic and other advanced services to Loring customers.

**NORTHERN GIRL, LLC.** A lease agreement between LDA and Northern Girl for use of the NCO Club kitchen provided the company with the facility it needed to accommodate its organic vegetable processing operation. It's a temporary arrangement that will allow the company to get started while a permanent facility is constructed in Van Buren, Maine.

**LICENSES**

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

**SALES**

**LORING BIOENERGY (LBE).** On September 24, 2010, LDA closed a real estate transaction with Loring Bioenergy resulting in the transfer of 54 acres of industrially zoned property at Loring to LBE along with the buildings on the property. Included in the sale are the power plant, the



former laundry building, a 15,000 barrel diesel storage tank and pump station and four small substandard storage facilities that will likely be demolished. LBE has already demolished the former heat plant, which was on its property. LDA retained the right to use the diesel storage facilities until LBE supplies it with a replacement diesel storage facility elsewhere on Loring. The LDA/LBE Purchase and Sale Agreement also includes a long-term lease of the Loring to Searsport pipeline and associated rights-of-way. As mentioned above, Penobscot Natural Gas has acquired LBE's interest in these properties.

**WILLIAMS TRUCKING.** A five acre parcel of land along Nebraska Road was sold to Williams Trucking. The company owns a gravel pit on property adjacent to the sold parcel and will now expand its gravel pit operations. The land was undeveloped and did not serve any real purpose for the LDA.



**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, 2012 TO OCTOBER 15, 2012 AND  
PROPOSED ACTIVITIES FOR FISCAL YEAR 2012**

**SUBSEQUENT EVENTS**

Highlights of the activities on the Loring Commerce Centre between July 1, 2012 and October 15, 2012 are provided below.

**PELLETCO.** Pelletco and the University of Maine are working on emerging agricultural technologies regarding a high energy yield grass for the production of grass pellets and the development of a pellet fueled heating system to burn the pellets. LDA accepted the Pelletco proposal to provide heat to two LDA buildings as part of a pilot project for grass pellet heating systems. The company will provide the equipment and installation on the LDA building and LDA will purchase the heat provided by the systems. Projected annual savings to the LDA is estimated to be about \$9,100. Pelletco will also mow the airfield and former housing areas at Loring, supplementing their supply of grass and providing LDA with additional costs savings to be realized in not having to mow the airfield and housing areas.

**FRONTIER TRANSPORT.** LDA Trustees approved the renewal of Frontier Transport's lease for nosedock #22. The new 5-year lease will allow the company to continue to use Dock-22 in support of its agricultural business operations.

**LD 1843: OVERSIGHT OF QUASI-INDEPENDENT STATE ENTITIES.** LDA Trustees adopted a policy for organizational oversight as required by the new legislation. The policy incorporates LDA's existing policy on purchasing and travel and adds new requirements for tracking and reporting contributions.



## **PROPOSED AND PROJECTED ACTIVITIES FOR FISCAL YEAR 2012**

In addition to ensuring that our existing tenants remain viable business entities, the LDA intends to carry out the following activities in fiscal year 2012:

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 pipeline and corridor energy projects, renewal energy generation projects, future aviation-related manufacturing projects and others.

Follow up periodically with Laser Power Systems & Red Hawk Metals, LLC on the potential for the establishment of a project at Loring involving emerging laser-thorium technology.

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 LDA dam on the Little Madawaska River.

Continue to pursue rail service throughout Aroostook County and at Loring, which could be important to present and future large manufacturers.

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

Attempt to secure payments from Job Corps for the extraordinary demand on services they create.

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, Irving Forest Products, Inc., and other potential food and forestry-related manufacturers 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 LDA in the past.

LDA has made considerable investments in the wastewater treatment infrastructure and 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, Francis Bemis**, resident of Presque Isle, is an attorney at Bemis and Rossignol, LLC. Mr. Bemis has served on the LDA Board since 2009.

**Vice Chair, Patrick Paradis**, resident of Augusta, is a former Legislator and current Augusta City Councilor. Mr. Paradis has served on the LDA Board since 2011.

**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 2011.

**Secretary, Thomas Clowes**, resident of Stockholm, is employed with FA Peabody Insurance in Presque Isle. Mr. Clowes has served on the LDA Board since 2011.

**Patrick 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.

**Miles Williams**, resident of Caribou, is employed with Maine Public Service Company. Mr. Williams has served on the LDA Board since 2012.

**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 2011.

**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 2011.

**George Gervais**, resident of Augusta, is the Commissioner of the State Department of Economic and Community Development. Commissioner Gervais has served on the LDA Board since 2012.

**Daniel LaPointe**, resident of Van Buren, is the Director of Economic & Community Development in Van Buren. Mr. LaPointe has served on the LDA Board since 2012.

**Carol Bell**, resident of Presque Isle, is the Project Director for ACAP in Presque Isle. Ms. Bell has served on the LDA Board since 2012.

**Janet McGillan**, resident of Fort Fairfield, is the Office Manager for McGillan, Inc. in Fort Fairfield. Ms. McGillan has served on the LDA Board since 2012.

**Mike Edgecomb**, resident of Spruce Head, is the Director, Government Relations for Time Warner Cable-North. Mr. Edgecomb has served on the LDA Board since 2012.



## **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 Accounting, Donna M. Sturzl**, is responsible for the administration of the LDA's operations and accounting controls and financial reporting systems. She is also responsible for grant research, writing and reporting and carrying out a variety of projects. Ms. Sturzl has been employed at the LDA since September 21, 2000.

**Facilities Manager, Neal R. Haines**, coordinates and oversees the day-to-day municipal services and 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 the 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.

### **LDA FIELD STAFF**

**Charles R. Bernard**, Roads and Grounds Maintenance Worker

**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

**Brian D. Leighton**, Roads and Grounds Maintenance Worker

**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 573 people.

**Maine Military Authority.** The Maine Military Authority (MMA) operates the Army National Guard's Maine RS Maintenance Center where arrays 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 seven buildings, employs 194 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 aide (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 131 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 12 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 100 people.

**HB Specialty Foods, Inc.** Formerly 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 15 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 and 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.

**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 two people 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 over 100 housing units and are selling houses and house lots in a newly created subdivision. The company currently employs eight people; additional staff is 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.

**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.

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

**Frontier Transport, LLC.** Frontier Transport 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.

**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. Pineland employs two people at Loring.



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

**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 five employees at Loring.

**Northern Girl, LLC.** Northern Girl has set up temporary operations in the NCO Club's commercial kitchen as an interim step to begin developing its brand and supplying its core customers with fresh and frozen peeled and cut organic potatoes and other root vegetables. The new processing facility will provide a different market for locally-grown organic produce. Northern Girl's operations will move to a new facility in Van Buren next year.

**Graphic Utilities.** Graphic Utilities (GU) occupies space in the Loring Applied Technology Center building. The company leases approximately 5,800 square feet of production space and office space. GU develops, manufactures and sells new innovative ink products. It currently employs four people.

**Patriot Towers.** Patriot Towers, Inc., a Scottsdale, Arizona-based company, leases 11,000 square feet of heated storage space in building 8700. The company has a contract to install large equipment in northern Maine for the U.S. Government; it will use the Loring facility to store the equipment until the project is completed. Patriot Towers has two employees at Loring.

**Loring Holdings.** Loring Bioenergy (LH), a multi-faceted energy company is working to advance energy transmission in Maine using facilities at Loring and the Loring to Searsport corridor. Projected activity includes the construction of infrastructure to transport excess electricity produced in Maine to larger markets in New England. Natural gas delivery is another component of the LH project, the company is working to bring natural gas to industrial customers along the pipeline corridor.

**PIONEER WIRELESS.** Pioneer Wireless, a broadband telecommunications company, now leases office space in LDA's office building. The new location will help Pioneer capitalize on the new Three Ring binder telecommunications infrastructure, enabling it to offer dark fiber, fiber optic and other advanced services to Loring customers.



**LORING DEVELOPMENT AUTHORITY**  
**MONTHLY EMPLOYMENT / TENANT ACTIVITY REPORT**  
**30-Jun-12**  
**DEVELOPMENT ACTIVITIES**

<u>REUSE ACTIVITY</u>	<u>TYPE</u>	<u>JOBS/RESIDENTS</u>			<u>PROPERTY ABSORBED</u>	
		<u>Prior</u>	<u>Current</u>	<u>Projected</u>	<u>Bldg SF</u>	<u>Acres</u>
<u>PRIVATE SECTOR</u>						
Bigelow Aerospace	Aviation	0	0	0		7
Hydroblend, Inc.	Manufacturing	14	15	30	40,888	2
Frontier Transport	Agricultural Storage	0	0	0	28,006	5
Limestone Country Club	Recreation/Residential	6	9	20	184,213	248
Loring Applied Technology Ctr	Commercial	0	0	3	42,075	3
Graphic Utilities	Ink Manufacture	4	4	4		
Pneu-Hydro Energy	R&D	1	0	1		
S.W. Collins	Wood Prod.Manufacture	5	5	7		
Loring BioEnergy	Energy Production	0	0	10	57,101	54
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
Quality Home Care	Residential Provider	3	0	0	38,058	5
Northern Girl	Agricultural Manufacture	4	4	0	2,710	
Patriot Towers	Site Development	2	1	0	11,000	
Pineland Farms Natural Meats	Agricultural Composting	2	2	2	56,000	35
Pioneer Wireless	Communications	0	0	0		
MainXPO	Aviation Technology	0	0	30	126,303	12
Sitel Insurance Services	Call Center	156	100	352	25,000	12
Stantec Consulting	Engineering/Consulting	5	5	10		
Trowbridge & Trowbridge	Data Management	13	12	40	7,835	4.5
Shaw Environmental	Commercial	0	0	0	3,950	1
<b>TOTAL PRIVATE SECTOR:</b>		<b>221</b>	<b>163</b>	<b>529</b>	<b>648,801</b>	<b>392.5</b>
<u>PUBLIC SECTOR</u>						
DFAS	Office	583	573	662	142,400	15
Limestone Water & Sewer District	Sewer Plant Operation	4	4	2		
Maine Military Authority	Vehicle Refurbishment	198	194	525	498,061	23
CSD (Loring Job Corps Center)	Educational/Office	113	131	147	270,022	42
US Fish & Wildlife	Wildlife Refuge	2	2	5	8,600	4,700
<b>TOTAL PUBLIC SECTOR:</b>		<b>900</b>	<b>904</b>	<b>1,341</b>	<b>919,083</b>	<b>4,780.0</b>
LDA	Development	13	15	21	94,996	100
<b>TOTAL EMPLOYMENT:</b>		<b>1,244</b>	<b>1,082</b>	<b>1,891</b>	<b>1,660,880</b>	<b>5,272.5</b>
<u>RESIDENTIAL</u>						
Individual Residences	Residents	11	11	58	*	
Limestone Estates	Residents	131	147	250	*	
R L W Management	Residents	29	0	40	+	
Loring Job Corps	Student Residents	383	297	400		
<b>TOTAL RESIDENTIAL:</b>		<b>554</b>	<b>455</b>	<b>748</b>		
<b>TOTAL ALL</b>		<b>1,798</b>	<b>1,537</b>	<b>2,639</b>	<b>1,660,880</b>	<b>5,272.5</b>

Total Available Space: 2,725,198

\* 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.