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2013 ANNUAL REPORT

LORING DEVELOPMENT AUTHORITY OF MAINE



**Paragraph 13080-L
Fiscal Year 2013 Annual Report
July 1, 2012 – June 30, 2013**

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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. Accomplishing that mission requires LDA to manage the 3,700-acre business-commercial and industrial park including a 1,600-acre aviation complex; serve as landlord and supply municipal-type services to approximately 24 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; support Loring's businesses and employers as well as Loring's 395 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 working with prospective new Loring businesses to develop opportunities to reuse additional facilities and properties, 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 2013 ACCOMPLISHMENTS

The following summarizes the LDA's accomplishments for fiscal year 2013, which support its primary mission of job creation and facility absorption on Loring Commerce Centre.

BANGOR GAS/PENOBSCOT NATURAL GAS. Bangor Gas acquired the leasehold interest to the LDA's pipeline this year. LDA had previously leased rights to Loring BioEnergy, LLC and Bangor Gas acquired the former Loring BioEnergy rights and obligations. LDA and Bangor Gas worked out a formal Assumption Agreement effectively placing Bangor Gas in the position of Loring BioEnergy with respect to the rights to use the existing 6" pipe which will be converted to transmit natural gas. Bangor Gas also assumed Loring BioEnergy's payment and other obligations such as maintenance of the right of way and insurance. Bangor Gas is preparing to use the pipeline in multiple phases. In the first phase, 62 miles of the pipeline was activated, from Union Street in Bangor to Madawamkeag. Reactivation required the detailed inspection, conversions of the major facilities and replacing valves with natural gas valves, replacing damaged sections of pipe and clearing about 52 miles of the right-of way to a width of 25 feet. Bangor Gas plans to build a lateral to bring natural gas to Lincoln Paper and Tissue, and to the Lincoln community, by November 2014. Phase two includes reactivation from Bangor to

Searsport, with the rebuild of rectifier sites in Searsport, Hampden and Lincoln. Phase three would be to place the pipeline into service from Madawamkeag to Houlton in 2015.

LORING BIOENERGY, LLC. On September 24, 2010 the LDA and Loring Bioenergy (LBE) executed closing documents on a real estate transaction that included the lease of the Searsport to Loring pipeline and the 50-foot pipeline right-of-way. Since the closing, the lease of the pipeline was foreclosed upon by LBE's lender and was sold to Penobscot Natural Gas Company (PNG), the parent of Bangor Gas (see previous paragraph). Loring Holdings (LH) continues to work towards development of remaining rights in the pipeline corridor which it had previously obtained through a sublease. LH is working on two separate projects that would utilize the corridor. One is a transmission project known as the Maine Power Express that would deliver power from Loring to southern New England to help address increased demand for renewables. The other project would require natural gas, possibly in a new line, to be delivered to a gas-fired generation plant, to be located at Loring because of its potential to serve a thermal host such as a manufacturer or processor.

LORING SOLAR ONE. LDA entered into a Solar Power Lease Agreement with Loring Solar One, LLC, from Washington, Maine. The company completed the installation of a solar panel array on the south side of the LDA's office building and began providing electricity to LDA in February 2013. The demonstration project provides no financial exposure for the LDA; the price that the LDA pays for the generated electricity is set at 95% of what would otherwise be paid on an annual basis. A net metering arrangement includes the LDA office building and maintenance shop. The pilot project, designed to generate approximately 60,000 KW per year, will provide opportunities to develop and evaluate emerging energy solutions. The term of the agreement is 20 years with an option to purchase the solar array after seven years.

PELLETCO. LDA entered into a Heat Purchase Agreement with PelletCo, LLC for the purchase of heat supplied by the company's biomass pellet fired boilers at two buildings at Loring. Installation, operation and maintenance of the boilers and purchasing and delivery of pellets is provided by the company. LDA's costs include the metered cost of heat at \$29.00 per MMbtu with a 3% annual increase. LDA is also responsible for ash removal and disposal. The agreement is for 4 years, renewed annually for an additional 4 years, (a 4 year rolling renewal term). The existing oil-fired heating systems in the 2 buildings will remain in place to serve as a back-up for the pellet systems. LDA pays only for heat delivered to the buildings.

UNMANNED AERIAL VEHICLE (UAV) INITIATIVE. LDA worked with private and public local and state officials on a statewide initiative to secure one of six Federal Aviation Administration (FAA) UAV test site designations and establish a UAV test range in Maine. With the help of an industry consultant, the advantages and challenges of securing an FAA UAV designation in Maine were identified. Maine has strong advantages in its available infrastructure at Loring and Brunswick, uncluttered airspace, and access to northeastern and Canadian aviation technology companies and research facilities. Its main challenges, including its lack of experience in the UAV field and the brief amount of time available for developing the proposal, meant that approximately \$400,000 would be needed to secure the services of consultants to develop the extensive FAA proposal. A grant request from the Maine Technology Institute for the consultant fees was unsuccessful and the project did not move forward. There remains a possibility of teaming with another state for UAV testing in the future.

AIRSPACE WORKING GROUP. In October 2012, 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.

APPLIED THERMAL SCIENCES & UAV ACTIVITY. Applied Thermal Sciences (ATS), a company that collaborated with the UAV test center initiative, presented its designs and plans for propulsion systems, rockets and ramjets to the LDA Trustees. ATS is looking for a launch and test set for newly designed devices which are to be used to propel smaller commercial payloads, such as "cube" satellites into orbit. Some of the systems have been successfully tested in Washington County but Loring's airfield would be an ideal location for developing and testing this type of UAV. ATS is interested in bringing some of its work to Loring.

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 last year and the company returned again this year. Altaeros' innovation is a wind turbine in a helium-filled housing. 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.

THREE RING BINDER PROJECT. In July 2012, 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

TIN CUP LAND COMPANY. Tin Cup Land Company, owners of the residential units at Loring and the Limestone Country Club, decided last year to dissolve the company, divide its interests, and obligations and create two separate businesses. When the transaction is closed, Weatherhead Management will operate the residential units and Phairways Enterprises will operate the golf course and country club.

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.

SITEL LEASE. Sitel, a global leader in telephone-based customer service, expanded its call center operations to Loring in 1997 and continues to operate here. The company extended its lease for another five-year period beginning in May of 2013. Sitel officials have always indicated that the workforce they have at Loring performs very well and compares very favorably with their other locations.

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 proposed a scenario for the NCO kitchen, where it may be developed as an incubator-style shared kitchen for small food processors. Northern Girl also discussed developing a Regional Food Hub concept that involves small producers from throughout the broader region rebuilding the food system in Maine.

ROOSTOOK CAR CLUB. Roostook Car Club, a model car racing group, is leasing space in Building 8702 for their racing events. The dedicated group of volunteers and hobbyists hope to develop their hobby into a business as interest in model car racing grows.

LORING TIMING ASSOCIATION. Loring Timing Association has organized annual land speed racing events at Loring for the past few years 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 another 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.

PROSPECTS. Active prospects include a wood products manufacturer, an agricultural product processor, a company seeking to do rocket launches, a recycler of wood waste, a device manufacturer, a data technology company that would use the dark fiber resource and a film studio in need of facilities for a new studio and for editing and post production activities.

EMERGENCY SERVICES RESTRUCTURED

The Town of Limestone decided that it would not renew the three-way fire services agreement with the Town of Fort Fairfield and the LDA. The contract ended on June 30, 2013. After negotiations with Limestone to keep the three-way agreement in place failed, a new arrangement for fire services was developed. Limestone appointed a volunteer Chief to oversee its volunteer fire department and the LDA hired three full-time and one part-time EMT certified firefighters to staff the department at Loring. [In the three-way arrangement, the fire chief and the paid firefighters were employed by Fort Fairfield.] The Limestone and Loring firefighters support each other in the event of an emergency. This arrangement continues to provide coverage on a 24/7 basis for the frequent alarms at Loring Job Corps Center and for the entire community without overburdening volunteer firefighters.

The arrangement also facilitates a new arrangement for ambulance services in Limestone, Caswell and at Loring. Crown Ambulance employees team up with Loring firefighters to provide full-time ambulance coverage in Limestone. The new contract with Crown Ambulance replaces the agreement Loring had with the City of Caribou's Fire and Ambulance Department. Although LDA appreciates the many years of professional and reliable services provided by Caribou, Loring is within the boundaries of Limestone and it is important that Loring and Limestone be more in alignment regarding municipal services going forward.

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 complete. Phase two, scheduled to be complete next summer, includes the repair the concrete weir and intake structure, rebuild one filter bed, place a portable emergency generator at the facility and complete building improvements.

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, Building 8410, a 22,000 square foot hangar, the Sitel building exterior and back suite, a small industrial building, and the former bowling center, which is now an open-space industrial facility. 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.

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 first three phases of the sewer line replacement project are complete. However, a large rain event maxed out the sewer line's capacity and clearly demonstrated that the LDA needs to continue to the next phase of I & I reduction work.

JOB CORPS. Due to a budget shortfall Job Corps suspended new student enrollments for part of the year. The student body at Loring Job Corps dropped to about 100 below its average number of students and some staff members were laid off. Job Corps student enrollment levels were curtailed nationally. The reduction in enrollments means that fewer students will benefit from the program and fewer people will be employed by Job Corps. The reduced employment level will negatively impact the funding LDA receives through the Loring Job Increment Financing Fund, which is based on the state income tax withholdings from employees at Loring.

FEDERAL "SEQUESTER". DFAS staff experienced furloughs due to the sequester. The federal furloughs will also reduce the funding LDA receives through the Loring Job Increment Financing Fund, which is based on the state income tax withholdings from employees at Loring.

LD 260, AN ACT TO EXTEND FUNDING FOR THE LORING JOB INCREMENT FINANCING FUND. LD 260 was passed, changing the termination date for the Loring Job Increment Financing Fund (the "Fund") to 2026. The fund provides a significant source of revenue to the LDA and was scheduled to be sunset in 2016. Senator Troy Jackson and Representative Bernard Ayotte proposed the legislation that extended the program.

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.

LORING INFRASTRUCTURE FUNDING. Two years ago LDA financed the paving of approximately 10% of Loring's roadways at a cost of \$350,000. LDA held discussions with state officials about the potential for the LDA to obtain funding from a future transportation bond issue for on-going roadway re-surfacing and maintenance. 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. This year legislation to authorize a \$50 million state bond for infrastructure and site improvements at two former military installations was discussed. The bond was developed but was not moved forward for the bond referendum this November.

ENERGY COSTS REDUCTION OPTIONS. An energy audit identified potential for energy savings for LDA buildings. A variety of energy alternatives were identified as potential means to reduce energy costs for the LDA. One option is Compressed Natural Gas (CNG), which costs about 70% of fuel oil, but requires the significant upfront cost of installing dual fuel burners, underground piping and a docking station. The pay back for the CNG conversion would be about four years. Propane was also considered, with lower installation costs than CNG, attractive current pricing for commercial customers and a very short payback period. Pellets offer a potential solution with a pay back of a few years and a cost of about 50% of fuel oil. Pellet burners have been installed at two LDA buildings and propane is being considered for others as funding allows for the conversions to be made.

MARKETING EFFORTS

ADVERTISING. The LDA launched a new hard copy and digital campaign through the Maine Economic Development Guide, an official publication of the Maine Department of Economic and Community Development. The ad appears in the hard copy magazine and in the online guide at businessclimate.com/maine. Advertisements were created in-house and provided electronically to publishers.

An advertisement/sponsorship for radio coverage was purchased for the annual Limestone 4th of July Festivities.

WEBSITE. A new Loring.org website has been completed and seamlessly launched, with a simplified layout and quick access for browsers. The site was designed to provide downloadable data for available facilities, up-to-date information, ease in making in-house changes and an efficient delivery of board meeting documents.

PROMOTING LORING

Loring's facilities, attributes and contact information are 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.

Following a request for proposals to provide real estate services, the LDA signed an Exclusive Right to Sell Listing Agreement with Re/Max Central to provide Sales Agent services and

exposure on the Multiple Listing Service for designated Loring properties. The goal is to promote Loring properties, for sale or lease, to the widest possible audience. For properties not specifically listed, LDA maintains an “Open Listing” and encourages all real estate brokers to bring prospective purchasers or commercial lessees to Loring.

PUBLIC OUTREACH

STAKEHOLDER & BUSINESS DEVELOPMENT MEETINGS. The LDA President & CEO regularly leads tours and presents Loring’s buildings and assets to potential tenants and visitors. He also promotes Loring and northern Maine when participating in speaking engagements and meetings regionally and state-wide.

WEEKLY MEETINGS. The LDA President & CEO regularly meets with area business leaders in the region to discuss trends and opportunities for business development in Aroostook County and to coordinate regional marketing efforts

PUBLIC BOARDS AND AFFILIATIONS. The LDA President & CEO serves in a voluntary capacity on regional and state-wide Boards, networking within various communities and acquainting people with Loring Commerce Centre, the State of Maine’s largest industrial, business and aviation complex.

OTHER ACTIVITIES & EFFORTS

REAL ESTATE BROKERS. LDA selected Re/Max to list some facilities in an Exclusive Listing contract for selected commercial properties. An exclusive listing opportunity provides an incentive for the selected broker to promote Loring properties, increasing potential sales. The exclusive listing contract is for specific properties. An Open Listing is maintained for properties not specifically listed.

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 assist with the 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 October 2012, the LDA received an appropriation from the State of Maine for \$200,000. This funding continued to be used for match funding for grants and for marketing and operating expenses. It is important to note that funding for an appropriation for LDA was not included in the state's current budget; state appropriation funding for LDA has ceased. The State did not provide financial support for operating expenses at the Loring Applied Technology Center through fiscal year 2013.

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 2012 totaled \$838,882.50. 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 2013, the LDA received revenues from its tenants, from the sale of land and personal property and from miscellaneous revenues in the amount of \$3,089,688.

KATAHDIN TRUST COMPANY. LDA has two lines of credit from Katahdin Trust Company to assist in the management of cash flow; one line for \$1,000,000 and the second for \$250,000. At the end of FY 2013, funds advanced under the line of credit totaled \$1,163,000. This debt was retired in August 2013.

KATAHDIN TRUST COMPANY. The LDA secured a \$200,000 short-term loan from Katahdin Trust Company to supplement cash flows until grant reimbursement funds were received from the Economic Development Administration. The debt was retired in July 2013.

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 close to completion.

EDA GRANT. In FY11 LDA was awarded \$1,132,000 from the Economic Development Administration for the upgrade of Loring's water supply infrastructure; about 75% complete.

Loring Development Authority of Maine
Fiscal Year 2013 Annual Report
July 1, 2012 – June 30, 2013

**PARAGRAPH 1B: AUDITED FINANCIAL STATEMENTS FOR
FISCAL YEAR 2013**

The attached Independent Auditor's Report was approved by the Loring Development Authority Board of Trustees on October 23, 2013.

LORING DEVELOPMENT AUTHORITY OF MAINE

FINANCIAL STATEMENTS

JUNE 30, 2013

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LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2013 and 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, 2013. 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 position increased by \$668,624. 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 \$668,624.
- Total revenues of \$4,266,024 are comprised of 38% from lease revenue, 24% from state assistance, 26% from federal grants and 12% 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 \$2.52 million in fiscal year 2013.
- 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, 2013 a total of \$3,915,702 has been spent on these projects. \$1,703,503 represents Construction in Progress, the remainder has been placed in service.

LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2013 and 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 Position
Statements of Revenues, Expenses and Changes in Net Position
Statements of Cash Flows

The Statements of Net Position 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 \$60,191,033 as compared to a capital asset balance of \$60,191,714 for the prior year ending June 30, 2012.

Table 1 provides condensed data of the Statements of Net Position for the fiscal years ended 2013 and 2012.

Table 1

Net Position

	<u>2013</u>	<u>2012</u>
Current assets	\$ 2,831,618	\$ 2,674,153
Net capital assets	60,191,033	60,191,714
Construction in progress	1,703,503	1,568,903
Notes receivable	<u>3,626,084</u>	<u>3,926,084</u>
Total Assets	<u>68,352,238</u>	<u>68,360,854</u>
Current Liabilities	2,389,145	2,522,920
Long-term Liabilities	<u>2,645,683</u>	<u>3,189,148</u>
Total Liabilities	<u>5,034,828</u>	<u>5,712,068</u>
Total Net Position	\$ <u>63,317,410</u>	\$ <u>62,648,786</u>

The Statements of Revenues, Expenditures and Changes in Net Position 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, 2013.

LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2013 and 2012

UNAUDITED

Table 2 shows the changes in net position for the fiscal years 2013 and 2012.

Table 2

Changes in Net Position

	<u>2013</u>	<u>2012</u>
Revenues:		
Program Revenues		
State Assistance	\$ 1,038,883	\$ 1,164,601
General Revenues		
Lease and Other	<u>2,050,805</u>	<u>1,542,412</u>
Total Operating Revenues	<u>3,089,688</u>	<u>2,707,013</u>
Operating Expenses:		
Salaries and Benefits	891,903	871,052
Travel	10,483	14,596
Contracted Services	708,006	800,017
Depreciation	857,818	811,723
Legal and Audit	55,432	19,748
Marketing	4,297	4,508
Supplies and Expenses	138,494	107,174
Maintenance	166,954	229,378
Utilities	616,159	459,740
Other General and Administrative	<u>147,854</u>	<u>95,997</u>
Total Operating Expenses	<u>3,597,400</u>	<u>3,413,933</u>
Loss from Operations	<u>(507,712)</u>	<u>(706,920)</u>
Other Revenues		
Other	<u>1,176,336</u>	<u>1,690,192</u>
Change in Net Position	\$ <u>668,624</u>	\$ <u>983,272</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 reported years.

LORING DEVELOPMENT AUTHORITY OF MAINE

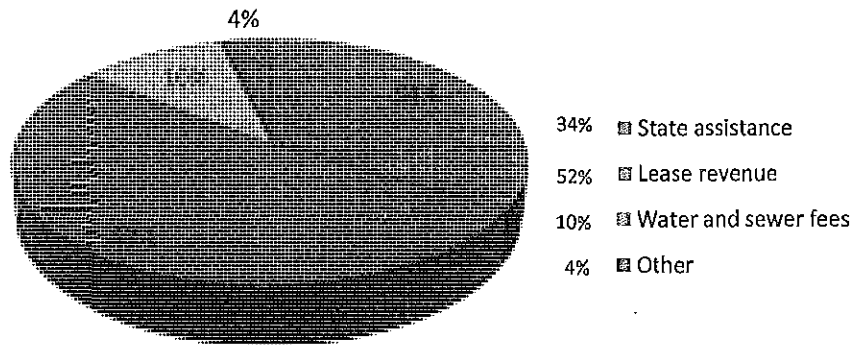
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2013 and 2012

UNAUDITED

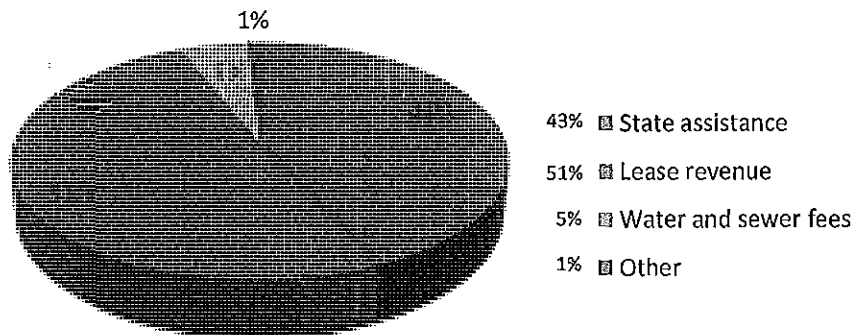
The Loring Development Authority's Funds

The Loring Development Authority's Funds are accounted for using the accrual basis of accounting. Total revenues and other sources amounted to \$4,266,024 in 2013 and \$4,397,205 in 2012. Operating revenues for the two years as represented in the tables below totaled \$3,089,688 in 2013 and \$2,707,013 in 2012. Grants and assistance represents 34% and 43% of the LDA's operating revenues for the last two years.

2013 Operating Revenues



2012 Operating Revenues

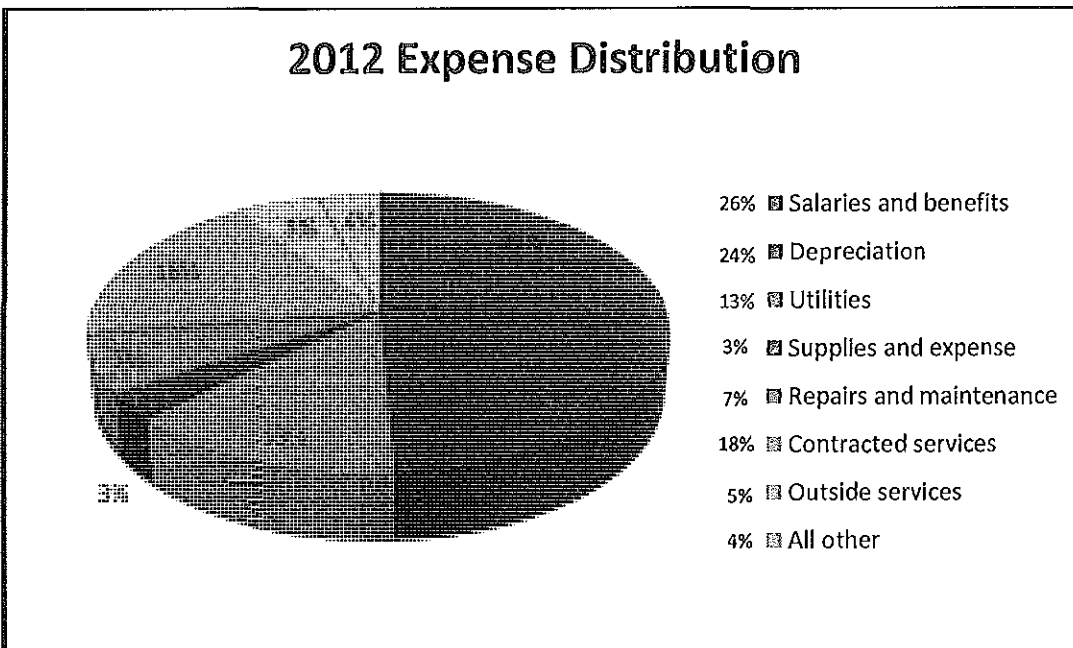
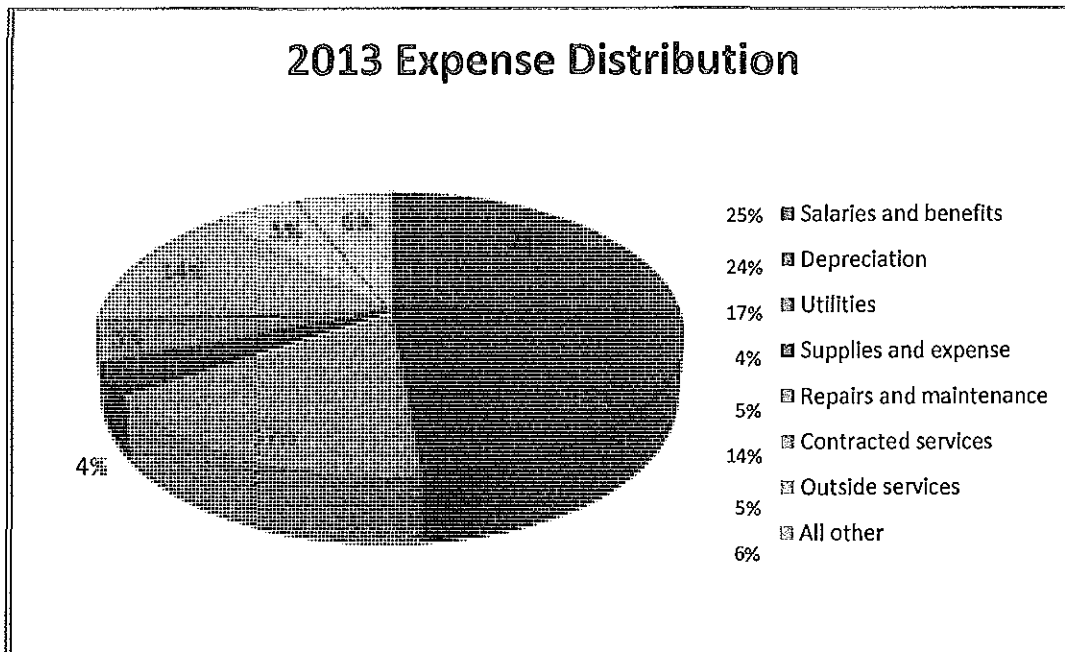


LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2013 and 2012

UNAUDITED

Operating expenses amounted to \$3,597,400 in 2013 and \$3,413,933 in 2012. The following charts reflect the expenditures for the fiscal years ended June 30, 2013 and 2012.



LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2013 and 2012

UNAUDITED

Capital Assets

At the end of fiscal year 2013, the Loring Development Authority had land, buildings, improvements, structures and facilities of \$71,169,509. All assets were donated to LDA by the U.S. Air Force or purchased. Net of depreciation, these assets were recorded at \$60,191,033. Table 3 shows capital assets, net of accumulated depreciation.

Table 3

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

	<u>2013</u>	<u>2012</u>
Land	\$ 10,004,722	\$ 10,004,722
Buildings	20,550,872	21,051,375
Equipment and Improvements	5,136,238	4,534,815
Special Use Structures	3,403,618	3,505,219
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>60,191,033</u>	\$ <u>60,191,714</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 \$1,163,000 outstanding as of June 30, 2013.

The LDA also took on bonded debt of \$454,720 in 2010 for the purpose of upgrading sewer lines. As of June 30, 2013 the balance on this debt is \$375,144.

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, 2013 is \$321,596

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, 2013 is \$270,060.

LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Years Ended June 30, 2013 and 2012

UNAUDITED

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, 2013 is \$75,434.

The LDA entered into a lending agreement with Katahdin Trust Company, receiving funds in the amount of \$200,305 secured by all assets. The balance at June 30, 2013 is \$200,305.

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.



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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, which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenditures, and changes in net positions and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Loring Development Authority of Maine, as of June 30, 2013 and 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages I through VII be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. *office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 27, 2013 on our consideration of Loring Development Authority of Maine's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Loring Development Authority of Maine's internal control over financial reporting and compliance.

Chester M. Kearney

LORING DEVELOPMENT AUTHORITY OF MAINE

STATEMENTS OF NET POSITION

JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and temporary investments (Note 3)	\$ 553,962	\$ 784,004
Due from State of Maine (Note 9)	838,883	964,601
Accounts receivable, net	522,611	337,201
Grants receivable	860,583	564,729
Inventory	55,579	23,618
	<u>2,831,618</u>	<u>2,674,153</u>
FIXED ASSETS (Note 13)		
Capital assets	71,169,509	70,312,372
Less accumulated depreciation	<u>(10,978,476)</u>	<u>(10,120,658)</u>
	<u>60,191,033</u>	<u>60,191,714</u>
OTHER ASSETS		
Construction in progress	1,703,503	1,568,903
Notes receivable, net of current portion (Note 12)	<u>3,626,084</u>	<u>3,926,084</u>
	<u>5,329,587</u>	<u>5,494,987</u>
TOTAL ASSETS	<u>\$ 68,352,238</u>	<u>\$ 68,360,854</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 83,276	\$ 419,470
Accrued expenses	78,194	86,918
Deferred revenues, current (Note 7)	207,475	201,405
Advances from Federal Government (Note 9)	458,916	829,904
Advances - other	100	480
Advances from State of Maine (Note 9)	106,598	116,019
Line of credit (Note 8)	1,163,000	780,000
Current portion of long-term debt	<u>291,586</u>	<u>88,724</u>
	<u>2,389,145</u>	<u>2,522,920</u>
LONG-TERM DEBT (Note 14)		
Notes Payable	1,389,519	1,277,872
Less Current Portion	<u>(291,586)</u>	<u>(88,724)</u>
	<u>1,097,933</u>	<u>1,189,148</u>
DEFERRED REVENUES, LONG-TERM (Note 7)	<u>1,547,750</u>	<u>2,000,000</u>
TOTAL LIABILITIES	<u>5,034,828</u>	<u>5,712,068</u>
NET POSITION		
Invested in capital assets, net of related debt	58,801,514	58,913,842
Unrestricted	<u>4,515,896</u>	<u>3,734,944</u>
TOTAL NET POSITION	<u>\$ 63,317,410</u>	<u>\$ 62,648,786</u>

See notes to financial statements

LORING DEVELOPMENT AUTHORITY OF MAINE

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES		
State assistance (Note 9)	\$ 1,038,883	\$ 1,164,601
Lease revenue	1,613,218	1,376,275
Water and sewer fees	321,624	138,590
Other	115,963	27,547
	<u>3,089,688</u>	<u>2,707,013</u>
OPERATING EXPENSES		
Salaries and benefits	891,903	871,052
Depreciation	857,818	811,723
Utilities	616,159	459,740
Supplies and expense	138,494	107,174
Repairs and maintenance	166,954	229,378
Contracted services	520,164	614,796
Outside services-Fire and Ambulance	187,842	185,221
Legal and audit	55,432	19,748
Insurance	29,353	23,518
Communications	13,740	12,561
Travel	10,483	14,596
Interest expense and bond bank fees	50,371	43,271
Marketing	4,297	4,508
Uncollectable accounts	54,390	16,647
	<u>3,597,400</u>	<u>3,413,933</u>
LOSS FROM OPERATIONS	<u>(507,712)</u>	<u>(706,920)</u>
NON-OPERATING REVENUES		
Federal & State assistance for capital projects (Note 9)	1,115,056	1,636,731
Gain on sale of surplus property	38,306	6,212
Interest income	22,974	47,249
	<u>1,176,336</u>	<u>1,690,192</u>
CHANGE IN NET POSITION	668,624	983,272
NET POSITION - BEGINNING OF YEAR	<u>62,648,786</u>	<u>61,665,514</u>
NET POSITION - END OF YEAR	<u>\$ 63,317,410</u>	<u>\$ 62,648,786</u>

See notes to financial statements

LORING DEVELOPMENT AUTHORITY OF MAINE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,652,709	\$1,396,703
Cash received from governmental assistance	1,164,601	1,164,601
Cash received from other income	115,963	27,547
Cash paid for salaries and benefits	(900,627)	(911,745)
Cash paid for contract services	(708,006)	(800,017)
Cash paid for goods and services	(1,457,457)	(670,327)
Interest paid	<u>(50,371)</u>	<u>(43,271)</u>
Net cash provided by/(used in) operating activities	<u>(183,188)</u>	<u>163,491</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Net advances/(payments) on line of credit	383,000	330,000
Proceeds from long-term debt	200,305	100,180
Payments on long-term debt	(88,658)	(73,637)
Interest received	<u>3,796</u>	<u>47,249</u>
Net cash provided by investing activities	<u>498,443</u>	<u>403,792</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for capital acquisitions and construction	(991,737)	(1,984,494)
Federal grants received for capital projects	438,413	635,763
Sale of property	<u>8,027</u>	<u>6,212</u>
Net cash used in financing activities	<u>(545,297)</u>	<u>(1,342,519)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(230,042)	(775,236)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>784,004</u>	<u>1,559,240</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>553,962</u></u>	<u><u>784,004</u></u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET		
CASH PROVIDED BY/(USED IN) OPERATING ACTIVITIES		
Loss from operations	<u>(507,712)</u>	<u>(706,920)</u>
Adjustments to reconcile loss from operations		
to net cash provided by/(used in) operating activities		
Depreciation	857,818	811,723
Changes in assets and liabilities		
Operating accounts receivable, net	(135,953)	(70,228)
Operating funds due from other governments	125,718	(381)
Inventory	(31,961)	99,709
Accounts payable	(336,194)	117,834
Operating deferred revenue	(146,180)	(47,553)
Accrued expenses	<u>(8,724)</u>	<u>(40,693)</u>
	<u>324,524</u>	<u>870,411</u>
Net cash provided by/(used in) operating activities	<u><u>\$ (183,188)</u></u>	<u><u>\$ 163,491</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. 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 was superseded in 2001 with a Quit Claim deed conveying 2,805 of the original 3,600 acres in fee title and in 2004 when the remainder of the property was conveyed by deed. The LDA also acquired a 185 mile pipeline in 2005 and a 142,000 square-foot building used by the Defense Finance and Accounting Service, subject to a leaseback arrangement.

Consistent with the LDA's enabling legislation, as amended, the Board of Trustees is comprised of thirteen (13) voting members, each of whom 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 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 Position. The Statements of Revenues, Expenditures, and Changes in Net Position 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 \$553,962 and \$784,004 as of June 30, 2013 and 2012, 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, 2013 and 2012 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, 2013 and 2012 is \$26,907 and \$27,585, 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 \$34,046 and \$32,726 for the years ended June 30, 2013 and 2012.

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 2013, the future minimum lease payments for the next 5 years are as follows:

<u>Fiscal year ending June 30:</u>	<u>Amount</u>
2014	\$1,323,333
2015	1,071,086
2016	1,066,742
2017	970,461
2018	<u>312,289</u>
	<u>\$4,743,911</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.

(7) DEFERRED REVENUES

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

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, 2013 and 2012 the amount included as deferred revenue was \$ 1,730,000 and \$2,000,000 respectively.

(8) LINE OF CREDIT

The Authority has a variable rate operating line of credit payable at "Wall Street Prime" with a maximum limit of \$1,250,000. As of June 30, 2013, the line of credit balance was \$1,163,000, leaving \$87,000 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.)

(9) PUBLIC SECTOR FUNDING

The LDA is currently funded through the following public sources:

- (A) State of Maine - The State approved appropriations of \$200,000 for fiscal year ended June 30, 2013. 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 \$838,883 and \$964,601 for the years ending June 30, 2013 and 2012, 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, 2013. \$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, 2013 the Authority received \$36,057.

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, 2013 the Authority had received and expended all of the grant funds, of which \$160,033 was recognized as revenue in the year ended June 30, 2013.

- (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, 2013 the Authority expended \$358,029 of these funds on the water system while \$458,916 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, 2013, \$553,684 had been received and expended of which \$184,068 was recognized as revenue in the current year.

(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, 2013, \$860,583 had been earned and expended leaving a balance of \$271,417.

(10) CONCENTRATION OF RISK

Federal and State funding

The LDA received approximately 33% of its operating revenue from federal and state funding for the year ended June 30, 2013. The ability to continue its operations is dependent on continued funding.

Accounts receivable

For the year ended June 30, 2013 approximately 82% 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 Position net of the allowance for doubtful accounts. The allowance for doubtful accounts was estimated at \$22,516 and \$31,602 for the years ended June 30, 2013 and 2012 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, 2013 the outstanding balance on the note was \$926,084. For the year ended June 30, 2013 no payments 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, plus the reduction for Tennessee Circle, will approximate the value of the original note as of June 30, 2013.

Loring Bio-Energy

On September 24, 2010, pursuant to an amended a sale/lease agreement with Loring Bio-energy, LLC (LBE), LDA transferred assets, including the former heat plant building and real estate, to and leased 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 with the remainder 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, LBE's secured creditor put the property, including the lease rights for the pipeline, up for bid at auction with Penobscot Natural Gas (PNG) being the successful bidder. PNG completed the acquisition of the foreclosed rights from LBE's lender, and negotiated an "Assumption Agreement" with the LDA. The Assumption Agreement, signed June 11, 2013, contains PNG's commitment to honor all future obligations under the LBE agreements, and also contains LDA's acknowledgement that PNG had cured existing LBE defaults and that PNG qualifies as a "permitted transferee" as defined in the LBE documents.

(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, 2013 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>5,326,718</u>	<u>857,137</u>		<u>6,183,855</u>
Total at historical cost	<u>5,336,718</u>	<u>857,137</u>		<u>6,193,855</u>
<u>Less Accumulated Depreciation</u>				
Equipment and improvements	<u>880,903</u>	<u>255,714</u>		<u>1,136,617</u>
Total Accumulated Depreciation	<u>880,903</u>	<u>255,714</u>		<u>1,136,617</u>
Capital assets at historical cost, net	<u>4,455,817</u>	<u>601,423</u>		<u>5,057,240</u>

CAPITAL ASSETS ACQUIRED FROM U. S. AIR FORCE

	Beginning Balance	Additions	Retirements	Ending Balance
<u>Capital Assets</u>				
Land	<u>9,994,722</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	<u>3,517,496</u>			<u>3,517,496</u>
Capital assets from U.S. Air Force	<u>64,975,654</u>			<u>64,975,654</u>
<u>Less Accumulated Depreciation</u>				
Buildings				
In use	1,780,130	117,341		1,897,471
Leased	<u>5,748,311</u>	<u>383,162</u>		<u>6,131,473</u>
	<u>7,528,441</u>	<u>500,503</u>		<u>8,028,944</u>
Equipment				
In use	<u>136,500</u>			<u>136,500</u>
Special use structures				
Water plant and distribution	<u>1,574,814</u>	<u>101,601</u>		<u>1,676,415</u>
Total Accumulated Depreciation	<u>9,239,755</u>	<u>602,104</u>		<u>9,841,859</u>
Capital assets acquired from U. S. Air Force, net	<u>55,735,899</u>	<u>(602,104)</u>		<u>55,133,795</u>
TOTAL CAPITAL ASSETS				
Capital assets	70,312,372	857,137		71,169,509
Less Accumulated Depreciation	<u>(10,120,658)</u>	<u>(857,818)</u>		<u>(10,978,476)</u>
	<u>60,191,714</u>	<u>(681)</u>		<u>60,191,033</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>2013</u>	<u>2012</u>
Note payable to Northern Maine Development Commission, payable in monthly installments of \$1,381 including interest at 3% per annum through May 2018. Secured by assets of the Authority	146,980	158,928
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	321,596	325,865
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	75,434	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	270,060	301,061
Note payable to Katahdin Trust Company, payable in one installment including interest at 3.5% per annum on or before July 31, 2013. Secured by assets of the Authority	200,305	
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>375,144</u>	<u>397,880</u>
	1,389,519	1,277,872
Less current portion	<u>(291,586)</u>	<u>(88,724)</u>
	<u>1,097,933</u>	<u>1,189,148</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>
2014	291,586	27,705	319,291
2015	93,928	25,058	118,986
2016	96,659	22,327	118,986
2017	92,002	19,488	111,490
2018	161,033	17,198	178,231
2019-23	236,052	51,387	287,439
2024-28	146,066	41,884	187,950
2029-33	72,106	36,268	108,374
2034-38	44,591	29,678	74,269
3039-43	52,324	21,945	74,269
2044-48	61,398	12,871	74,269
2049-53	<u>41,774</u>	<u>2,742</u>	<u>44,516</u>
Total	<u>1,389,519</u>	<u>308,551</u>	<u>1,698,070</u>

Long-term debt activity for the year ended June 30, 2013 is as follows:

	<u>Beginning Balance</u>	<u>Advances</u>	<u>Payments</u>	<u>Ending Balance</u>
Note payable –NMDC	158,928		11,948	146,980
Note payable-USDA	325,865		4,269	321,596
Note payable-Katahdin Trust Company	94,138		18,704	75,434
Note payable-Katahdin Trust Company		200,305		200,305
Note payable-Katahdin Trust Company	301,061		31,001	270,060
Bond payable – MMBB	<u>397,880</u>	<u> </u>	<u>22,736</u>	<u>375,144</u>
	<u>1,277,872</u>	<u>200,305</u>	<u>88,658</u>	<u>1,389,519</u>

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events occurring through August 27, 2013, 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, 2013, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying Statement of Net Position. 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, 2013. No examinations have been conducted by the Federal or State taxing authorities and no correspondence has been received from these authorities. The entity has open tax years of 2013, 2012 and 2011 as they relate to payroll tax returns.

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>(3,597,400)</u>	<u>1,934,842</u>	<u>-</u>	<u>1,115,056</u>	<u>(547,502)</u>
General revenues:					
State appropriations					200,000
Loring Job Incremental Financing					838,883
Interest income					22,974
Sale of surplus property					38,306
Other income					<u>115,963</u>
Total general revenues					<u>1,216,126</u>
Change in net position					668,624
Net position - July 1, 2012					<u>62,648,786</u>
Net position - June 30, 2013					<u>63,317,410</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. Callinan, CPA
Barbara D. McGuire, CPA
Timothy P. Poitras, 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, in accordance with the 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, the financial statements of Loring Development Authority of Maine as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated August 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Loring Development Authority of Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Loring Development Authority of Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of Loring Development Authority of Maine's internal control.

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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, 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. A *significant deficiency* is a deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and other matters

As part of obtaining reasonable assurance about whether 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 grants, 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 that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Chester M. Kearney

Presque Isle, Maine
August 27, 2013



Chester M. Kearney

Certified Public Accountants

12 Dyer Street, Presque Isle, Maine 04769-1550
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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

Report on Compliance for Each Major Federal Program

We have audited Loring Development Authority of Maine's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Loring Development Authority of Maine's major federal programs for the year ended June 30, 2013. Loring Development Authority of Maine's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Loring Development Authority of Maine's major federal programs based on our audit of the types of compliance requirements referred to above. 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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Loring Development Authority of Maine's compliance.

Opinion on Each Major Federal Program

In our opinion, Loring Development Authority of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Loring Development Authority of Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Loring Development Authority of Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on 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 of 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Chester M. Kearney

Presque Isle, Maine
August 27, 2013

SUPPLEMENTARY INFORMATION

LORINO DEVELOPMENT AUTHORITY OF MAINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

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	\$ -	\$ 321,596
ARRA-Water and Waste Disposal Systems-Grant	10.766	960,000	<u>160,032</u>	<u>160,032</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>160,032</u>	<u>481,628</u>
U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION				
Environmental Protection Agency				
Sewer replacement	66.202	216,500	<u>36,057</u>	<u>36,057</u>
U.S. DEPARTMENT OF COMMERCE				
Economic Development Administration				
Public works grant	11.300	1,132,000	<u>\$ 367,449</u>	<u>\$ 367,449</u>
U.S. SMALL BUSINESS ADMINISTRATION				
FY 2010 Congressional Earmark	59.059	1,000,000	<u>\$ 184,068</u>	<u>\$ 184,068</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u><u>\$ 1,069,202</u></u>

LORING DEVELOPMENT AUTHORITY OF MAINE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013

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, 2013

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
11.300	Economic Development Administration-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 2013**

PROPERTY TRANSACTIONS

LEASES

PENOBSCOT NATURAL GAS COMPANY. LDA entered into an Assumption Agreement with Penobscot Natural Gas (PNG) in June 2013. The agreement is the vehicle by which PNG's subsidiary, Bangor Gas, acquired the leasehold interest to the LDA's pipeline, effectively assuming previously arranged obligations of payments and royalties as well as pipeline insurance, maintenance and development requirements. The company is preparing to use the pipeline in multiple phases to deliver natural gas to customers from central to northern Maine.

LORING SOLAR ONE, LLC. A lease agreement between LDA and Loring Solar One was executed last fall. The company completed the installation of a solar panel array on the south side of the LDA's office building and began providing electricity to LDA in February 2013. The parties entered into the Agreement to develop and operate the Solar Project. The solar array, is owned by Loring Solar One and is leased to LDA for production of solar power electricity. The lease fee is the cost of the electricity, which is set at 95% of the annual cost of the generated electricity, estimated to be 60,000 KW per year. A net metering arrangement allows electricity to be applied to LDA's office building and maintenance shop. The term of the agreement is 20 years with an option to purchase the solar array after seven years

GRAPHIC UTILITIES, LLC. Graphic Utilities (GU) manufactures and sells new innovative ink products at the Loring Applied Technology Center building. The growing company added 2,500 square feet of production space to its lease this year. It now leases 7,693 square feet of production space and 385 square feet of office space.

LORING HOLDINGS, LLC. Loring Holdings entered into a two-year Lease Agreement with LDA for office space in Building 5100. The administrative office supports the company's operations related to the Searsport to Loring pipeline corridor.

PIONEER WIRELESS, INC. Pioneer Wireless renewed its 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.

LICENSES

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

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

NONE

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

NONE

PARAGRAPH 1F: LISTING OF BONDS ISSUED

NONE

**PARAGRAPH 1G: SUBSEQUENT EVENTS – JULY 1, 2013 TO OCTOBER 15, 2013 AND
PROPOSED ACTIVITIES FOR FISCAL YEAR 2013**

SUBSEQUENT EVENTS

A summary of the activities on the Loring Commerce Centre between July 1, 2013 and October 15, 2013 are provided below.

LAND SPEED RACING. Loring Timing Association (LTA) has been hosting land speed racing events at Loring for five years without incident, but this year a tragic accident claimed the life of William Warner. Mr. Warner was revered within the racing community for his accomplishments and dedication to the sport of land speed racing.

LDA Trustees examined the race events, the effect of the events on the local economy, the attention they bring to Loring and to northern Maine and the LTA's safety program. The Rules & Regulations for the LTA events parallel or exceed the rules of the older East Coast Timing Association race events. The accident which occurred was most likely a result of equipment failure. Loring events draw about 1,200 visitors to the area over the course of a weekend in July, providing a benefit to local businesses and the vendors that service the event. The event is primarily a New England event with 40% of the racers coming from Maine. The event has brought Loring's facilities and airfield to the attention of additional companies interested in automotive product testing, research and development.

MAINE MILITARY AUTHORITY (MMA). The reduction of operations at MMA resulted in the layoff of about two thirds of the existing workforce, or 140 people, in early October. 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. The organization is working to secure alternative contracts outside of the military arena. A new program of refurbishing transit buses provides some basis for optimism within the MMA to bring in some new contracts.

VISIT FROM THE FEDERAL AVIATION ADMINISTRATION (FAA). The Regional Administrator for the FAA visited Loring during a tour of the aviation facilities in the region. Loring International Airport is private and receives no funding from the FAA. The FAA administrator inquired about Loring's interest in the proposed six designated unmanned aircraft sites. Unmanned aircraft (UAV) testing is a good example of a perfect use for Loring's airfield but the LDA does not have the financial support to establish a test center that could compete with proposals being submitted by states that are the leaders in UAVs. The State of Maine has a potential interest in a statewide initiative but inadequate financial support has limited the effort to stand up an unmanned aircraft testing center.

PROPOSED AND PROJECTED ACTIVITIES FOR FISCAL YEAR 2014

In addition to ensuring that our existing tenants remain viable business entities, the LDA intends to carry out the following activities in fiscal year 2014:

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

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

Support the UAV and other airship projects and aggressively pursue additional aviation development at the Loring International Airport consistent with suitable niche markets. Potential development includes aircraft testing, research and development, maintenance, repair, and overhaul, manufacturing, aircraft storage, cargo operations and activities that would support homeland security efforts.

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, renewable energy generation projects, future aviation projects, manufacturing projects and others.

Follow up periodically with companies involved with emerging laser-thorium technology.

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 DFAS and 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 prospective large food processing companies and wood product 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.

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 three areas where insufficient investments are being made:

1. conversion of heating oil burners to less costly alternate fuels
2. transportation infrastructure; and
3. demolition and removal of substandard buildings.

A proposed bond for former military base infrastructure could have provided some of the financial support for infrastructure improvements, but the Legislature did not select that bond to go to voter referendum for funding this session.

In addition to the challenges of completing necessary infrastructure work at Loring, LDA is facing significant challenges in funding its ongoing operations. Although LDA has weathered the economic downturn fairly well, with secure tenants and funding in place, and careful management of operational costs, revenue losses this year are significant. Losses of over \$600,000 include:

1. An annual \$200,000 item in the DECD budget that had been extremely important to LDA was discontinued this year;
2. The reduction of operations at MMA resulted in the layoff of about two thirds of the existing workforce in early October and the consolidation of operations from nine leased buildings into two buildings. LDA's annual loss includes of about \$341,000 in lease revenue and revenue from the Loring Job Increment Financing Fund; and
3. The DFAS Common Area Maintenance fee that DFAS decided it would no longer pay. The \$71,000 annual fee had been negotiated, supported and agreed to in prior years. LDA intends to work with DFAS to have it reinstated, but there is much uncertainty as to when that will be accomplished.

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. Trustees as of June 2013 are:

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

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

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

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

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 2011.

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 2011.

Carol Bell, resident of Presque Isle, is the Project Director for ACAP in Presque Isle. Ms. Bell has served on the LDA Board since 2011.

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 2011.

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 2011.

Miles Williams, resident of Caribou, retired from Maine Public Service Company. Mr. Williams has served on the LDA Board since 2012.

James Clair, resident of Augusta, is the CEO of Goold Health Systems. Mr. Clair has served on the LDA board since April 2013.

Mark Wilcox, resident of Mapleton, is Area Manager for Dead River Co. Mr. Wilcox has served on the LDA Board since June 2013.

Douglas Damon, resident of Bangor, is Real Estate Broker for Realty of Maine. Mr. Damon has served on the LDA Board since June 2013.

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, communications 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 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

Neddie E. Labelle, Jr, Fire Fighter / EMT

Jonathan P. Cote, Fire Fighter / EMT

Kenneth G. O'Bar, Fire Fighter / EMT

Paul C. Durepo II, Fire Fighter / EMT

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 540 people.

Maine Military Authority. The Maine Military Authority (MMA) operates the Army National Guard's Maine RS Maintenance Center where military and municipal vehicles are refurbished. The operation began in 1997 with 20 employees; it expanded to serve the needs of the military during war time, occupying nine buildings and employing hundreds of people. Today, MMA has reduced its operations; it plans to occupy two buildings, and employs 70 people. MMA continues to seek out customers 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 118 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 155 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 10 people.

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 operation currently employs six people; additional staff is hired through the summer months. The company is working on reorganizing as two separate companies; a residential provider and a country club operator.

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.

CB&I. CB&I, an environmental engineering firm working for the Air Force Base Real Property Agency, occupies a building adjacent to 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. Bigelow has a radar installation at Loring.

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 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.

Graphic Utilities. Graphic Utilities (GU) occupies space in the Loring Applied Technology Center building. The company leases approximately 7,600 square feet of production space and office space. GU develops, manufactures and sells new innovative ink products. It currently employs five people.

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.

Maine Army National Guard. The Maine Army National Guard leases a 27-acre parcel of land at Loring where it has constructed a facility to warehouse its equipment.

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.

Bangor Gas. Bangor Gas, a natural gas company and a subsidiary of Penobscot Natural Gas, leases the Loring to Searsport pipeline and property at Loring. The company is preparing to reactivate the pipeline to supply natural gas to customers along the corridor.

LORING DEVELOPMENT AUTHORITY
MONTHLY EMPLOYMENT / TENANT ACTIVITY REPORT
30-Sep-13

DEVELOPMENT ACTIVITIES

<u>REUSE ACTIVITY</u> <u>PRIVATE SECTOR</u>	<u>TYPE</u>	<u>JOBS/RESIDENTS</u>			<u>PROPERTY ABSORBED</u>	
		<u>Prior Quarter</u> 30-Jun-13	<u>Current</u> 30-Sep-13	<u>Projected</u>	<u>Bldg SF</u>	<u>Acres Utilized</u>
Alateros Energies, Inc.	R&D	0	5	-	126,303	12
Bangor Gas/PNG	Energy Production	0	0	-	57,101	54
Bigelow Aerospace	Aviation	-	-	-	-	7
C B & I	Commercial	-	-	-	3,950	1
Hydroblend, Inc.	Manufacturing	15	10	30	40,888	2
Frontier Transport	Agricultural Storage	-	-	-	28,006	5
Limestone Country Club	Recreation	3	4	20	326,685	270
Loring Town Homes	Residential Provider	3	2	6	-	-
Loring Applied Technology Ctr	Commercial	-	-	3	42,075	3
Graphic Utilities	Ink Manufacture	4	5	-	-	-
S.W. Collins	Manufacturing	5	5	7	-	-
Loring BioEnergy	Office	-	-	-	1,152	-
Loring Military Heritage Center	Museum	-	-	1	1,900	1
Maine National Guard	Storage	-	-	-	-	27
MacDonald Enterprises	Manufacturing	-	-	-	19,762	2
Northern Girl, LLC	Agricultural/Manufacturing	4	6	-	-	-
Pineland Farms Natural Meats	Agricultural Composting	2	2	2	56,000	35
Russetto's Pizza & Deli	Café	3	2	3	1,500	-
Sitel Insurance Services	Call Center	169	155	352	25,000	12
Stantec Consulting	Engineering/Consulting	5	5	10	1,930	-
Trowbridge & Trowbridge	Data Management	12	12	40	7,835	4.5
TOTAL PRIVATE SECTOR:		225	213	474	740,087	435.5
<u>PUBLIC SECTOR</u>						
DFAS	Office	548	540	662	142,400	15
Limestone Water & Sewer District	Sewer Plant Operation	4	4	2	-	-
Maine Military Authority	Vehicle Refurbishment	212	204	525	438,906	23
CSD (Loring Job Corps Center)	Educational/Office	114	118	147	270,022	42
US Fish & Wildlife	Wildlife Refuge	2	2	5	8,600	4,700
TOTAL PUBLIC SECTOR:		880	868	1,341	859,928	4,780.0
LDA	Development	15	15	21	94,996	100
TOTAL EMPLOYMENT:		1,120	1,096	1,836	1,695,011	5,315.5
<u>RESIDENTIAL</u>						
Individual Residences	Residents	11	13	58	*	-
Loring Town Homes	Residents	47	137	250	*	-
Loring Job Corps	Student Residents	262	245	400	-	-
TOTAL RESIDENTIAL:		320	395	708		
GRAND TOTAL		1,440	1,491	2,544	1,695,011	5,315.5

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.