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2015 ANNUAL REPORT

LORING DEVELOPMENT AUTHORITY OF MAINE



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Memorandum

To:

State Law Librarian

From:

Donna Sturzl, Loring Development Authority

Date:

October 30, 2015

Subject:

Loring Development Authority of Maine 2015 Annual Report

Pursuant to "Section 15080-L Annual Report" of the Loring Development Authority of Maine's (LDA) enabling legislation, please find enclosed a complete report of the activities of the LDA for the fiscal year ended June 30, 2015. The report includes a summary of the LDA's development activities and audited financial statements for FY15. Subsequent events through October 15, 2015 and proposed activities for FY16 are also reported.

If you have any questions, please call me at $328-7005 \times 3$.

Enclosure

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Paragraph 13080-L Fiscal Year 2015 Annual Report July 1, 2014 – June 30, 2015

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Loring Development Authority of Maine Fiscal Year 2015 Annual Report July 1, 2014 – June 30, 2015

PARAGRAPH 1A: DESCRIPTION OF THE AUTHORITY'S OPERATIONS

Loring Development Authority (LDA) is responsible for the redevelopment of the properties formerly comprising the Loring Air Force Base, for the purpose of creating new 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 to leasehold businesses and supply municipal-type services to 384 residents and to 22 businesses that collectively employ approximately 800 people and occupy 1.5 million square feet of space in numerous major buildings. LDA operates a water treatment plant, water distribution system, and a wastewater collection system; maintains and plows 26 miles of roadways; performs grounds maintenance on hundreds of acres of developed and developable property; and through arrangements with the Town of Limestone and others, secures fire, ambulance, and law enforcement services and contracts for wastewater treatment. The LDA works with prospective 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, energy, telecommunications, commercial, back-office, education, 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 2015 ACCOMPLISHMENTS

SEPTEMBER 30, 2014 MARKED THE 20TH ANNIVERSARY OF THE CLOSURE OF LORING AIR FORCE BASE. Loring's closure as an Air Force Base took place September 30, 1994, launching Loring as a commercial center. Looking back, twenty years later significant major milestones include:

- Establishment of LDA in its early role as "caretaker" under agreements with the Air Force
- Establishment of early businesses including the golf course, apartments, camping area, bowling center
- The arrival and growth of some of our larger employers, DFAS, Job Corps, Sitel, and Maine Military Authority
- The negotiation of the Economic Development Conveyance Agreement calling for extended "caretaker" funding
- Obtaining the Loring property initially through a Long Term Lease and later by Deed
- Three successful weekend-long Phish festivals

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- Developing two potentially large industrial projects a potato processing plant and a wood products manufacturing facility - neither of which ultimately went forward because of market considerations
- The successful campaign to avert the threatened BRAC closure of DFAS, and the subsequent growth of DFAS
- The innovative use of our aviation assets to support research and development and flight testing of unmanned aircraft, airborne wind turbines, automotive and ground vehicle systems, autocross and land speed racing

THE FOLLOWING SUMMARIZES THE LDA'S ACCOMPLISHMENTS FOR FISCAL YEAR 2015, WHICH SUPPORT ITS PRIMARY MISSION OF JOB CREATION AND FACILITY ABSORPTION ON LORING COMMERCE CENTRE.

In response to losses in the manufacturing sector, particularly with declining workloads for military equipment refurbishment at Maine Military Authority (MMA), LDA has targeted opportunities that will take advantage of the now-underutilized capabilities of the regional workforce. This has led us to pursue opportunities with Norinco, a Chinese state-owned enterprise which would establish a railcar manufacturing facility at Loring; and with a European bus manufacturer which would leverage the existing capabilities of MMA. Both of these manufacturing projects are still in the development stage. In the case of Norinco, we have developed a MOU that lays the groundwork for future cooperation and development of the project. In the case of the bus manufacturer, the company's top executives visited Maine and Loring in late August. The production envisioned can be accommodated within existing facilities and the fit with the MMA workforce is very good.

Maine Military Authority has identified various opportunities to repair and rebuild non-military transit equipment, particularly buses. For example, MMA recently landed a \$19 M contract with the Massachusetts Bay Transit Authority to rebuild 32 dual mode drive articulating transit buses (perhaps the world's most complex bus). In pursuing these contracting opportunities, MMA has encountered several difficulties stemming from the fact that it is a state entity. For example, establishing a line of credit to buy the parts in bulk, at a discount, that are needed for a large contract, is not possible given MMA's legal structure. Complying with the state's complex procurement guidelines may, in some circumstances, cause delay and added cost which adversely affect MMA's competitiveness. In bidding on certain federal contracts, MMA is handicapped because it cannot qualify for any of the numerous small business preferences, because as the State, it is deemed a large business.

As a means to deal with some of MMA's limitations, the LDA established a private sector corporation, Loring Industries, Inc. (LI). LI is able to pursue business opportunities with various partners, and can attract capital as any private enterprise might. LDA may participate in a project as an equity investor, exchanging a portion of the value of the property and equipment contributed by LDA for an equity stake in the business. It's anticipated that MMA will continue to play an integral role by helping to develop the opportunities and subcontracting with LI to perform at least a portion of the work. This concept is not typical for LDA, but it appears to be a good conduit to new business opportunities for Loring, in general, and MMA in particular.

In the broadest of terms, what is good for MMA is good for LDA and what is bad for MMA is bad for LDA. For many years, MMA occupied the greatest amount of building space of any

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tenant at Loring and was by far our largest source of lease revenue. The reduction of operations at MMA resulted in a series of layoffs with employment now in the vicinity of 70 persons, compared with a high of about 550 some years ago. Most of the facilities occupied by MMA have been turned back to LDA with MMA operations now consolidated in two adjacent buildings. Recent building and production line upgrades on former warehouse buildings provide a "linear" production process adding more streamlined production processes and efficiencies to the vehicle rebuilding process. These efficiencies helped MMA secure \$19 MM contract with the Massachusetts Bay Transit Authority to rebuild articulating buses and are part of what the bus manufacturer mentioned above found attractive about MMA's operations.

Other opportunities being pursued independently of MMA include the following existing and/or potential projects.

SMARTER RISK FSD CORPORATION. Smarter Risk FSD Corporation (SRC) is a joint venture between IBM and other companies in the enterprise risk management business. SRC has leased an office at Loring while working to establish operations here. Enterprise risk management services include data security, physical security and continuity of business (or government). The project would require computer and cyber security specialists and some precision manufacturing of high tech equipment. The University System has developed a cyber security program available through all campuses. This project would require an active collaboration with the University of Maine and the Community College System.

BANGOR GAS/PENOBSCOT NATURAL GAS. Bangor Gas acquired the leasehold interest to the LDA's Searsport to Loring jet fuel pipeline and has worked on its incremental reactivation. In the first phase, 62 miles of the pipeline was activated, from Bangor to Madawamkeag. Bangor Gas then built a lateral to bring natural gas to Lincoln Paper and Tissue, and to the Lincoln community; service began in November 2014. Phase two is now underway and includes reactivation from Bangor to Searsport. Phase three would be to place the pipeline into service from Madawamkeag to Houlton.

Bangor Gas also owns the Diesel plant at Loring and 54 acres of industrially zoned property and a 50 acre parcel just south of Loring not part of the former base. [The property was acquired by Loring Bio Energy and then sold at public auction along with lease rights to the pipeline; the parent of Bangor Gas purchased that package of assets at the foreclosure sale.] Bangor Gas does not have a use for diesel plant nor for the acreage and would like to sell the property.

LDA is working with prospects interested in acquiring the diesel plant, which houses diesel generators with about 5.1 megawatts of electricity generation. While it is not economically feasible to run diesel units to continuously generate electricity, having them on stand-by would allow for the sale of the stand-by capacity.

LORING HOLDINGS, LLC. Loring Holdings is working on a project called Maine Power Express which involves the construction of a DC power converter plant with a transmission line in the Searsport pipeline right-of-way and underwater to southern New England. The Maine Power Express project would bring renewable energy from northern Maine and Canada to southern New England. If built, the LDA would be compensated for the additional uses of the pipeline corridor.

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SOLAR PV SYSTEM INSTALLATION. The Power Company completed the installation of 30 tracking solar panels, called Loring Solar II. The new project along with the existing smaller solar array, Loring Solar I, installed in 2012 have a combined output of 200 KV. Loring Solar II was the largest solar project in the state at the time of its installation. The output will be metered against various LDA accounts.

RANGER SOLAR. Ranger Solar, a grid-scale solar developer proposed the development of a 100 megawatt solar project at Loring to generate renewable energy for the local and/or regional electrical grid. Loring is an attractive site because of the abundance of open space and existing electrical infrastructure. One megawatt of electrical output requires about five acres of land; therefore, 100 megawatts would require 500 acres. Solar is becoming more affordable and practical, but solar output varies and must be accompanied by some form of balancing power such as natural gas generation which can be increased or decreased to maintain a steady output.

RESIDENTIAL AND GOLF OPERATIONS. Tin Cup Land Company, owners of the residential units at Loring and the Limestone Country Club, decided in 2014 to dissolve the company, divide its interests and obligations and create two separate businesses. Crossroads Land Company received the residential units and Phairways Enterprises leased the golf course and country club. Subsequently, the new companies, facing unexpected difficulties, decided that they would not be able to continue operations. Both worked with LDA to transition the businesses. LDA obtained the former Crossroads property and is operating the apartment rental business until another operator is in place. The country club was leased to a new party and was open for business again this summer.

Two current business prospects have indicated a need for on-premises housing for a portion of their workforce (employees with highly specialized skills who would move here from elsewhere). At the time that LDA acquired the residential units, 35 out of 66 units in 17 buildings were occupied; leaving several units available for in migrating employees.

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 airfield in the past three years. Altaeros' first innovation is a wind turbine in a helium-filled housing, marketed as a "BAT", a buoyant airborne turbine. 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. Other important advantage are that BATS produce two times more energy than standard wind turbines with no capital tied up in the construction of large towers as traditional turbines require. The company indicated its interest in returning for future research and testing operations.

NORTHERN GIRL, LLC. Northern Girl, an organic vegetable processing company, leased the kitchen area of Loring's NCO Club allowing it to start operations while its facility in Van Buren was constructed. The company relocated to its permanent facility this year, but continues to have an interest in a regional food hub and a shared kitchen, which could make use of the NCO facility.

LORING MILITARY HERITAGE CENTER (LMHC). The LMHC, a museum of Loring's military heritage, hosted a very successful open house in July 2014, bringing many people to Loring.

LAND SPEED RACING. Loring Timing Association (LTA) continues to host land speed racing events at Loring, with 40% of the racers coming from Maine. The event has brought Loring's

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facilities and airfield to the attention of companies interested in automotive product testing, research and development.

AUTOCROSS EVENT. Cumberland Motor Club Inc. continues to hold successful autocross precision driving events at Loring. The events consist 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 various manufacturing companies, a buildings products company, a company seeking to do rocket launches, a data center, and some MMA projects that require LDA collaboration.

SMALL BUSINESS FACILITIES UPGRADES. LDA's \$1 million Small Business Administration (SBA) grant funded improvements to facilities for small business uses; energy efficiency is a project priority. The work is now complete.

WATER SUPPLY SYSTEM UPGRADES PHASES 1 AND 2. 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 (EDA). The grant provides for 50% of the costs of a \$2,264,000 project to upgrade Loring's drinking water treatment infrastructure. Phase one upgrades the treatment system and is intended to improve water quality. This phase along with the rebuilding of the fishway on the water impoundment dam was completed last year. Phase two nears completion; it includes the repair of the concrete weir and intake structure, additional upgrades to the treatment system and facility improvements.

WATER SYSTEM IMPROVEMENT PROJECT PHASE 3. Despite the improvements made in Phases 1 and 2, LDA continues to experience compliance issues with respect to disinfection byproducts. Additional work will be completed in the fall of 2015 and spring of 2016 to address this issue. The \$1.1 million project will be completed with a \$507,780 loan from the Drinking Water State Revolving Loan Fund, of which 20% will be forgiven and part of a \$1 million a Community Development Block Grant (CDBG), secured with the help of the Town of Limestone. (The balance of the CDBG, approximately \$336,000, will fund additional sewer rehabilitation at Loring.)

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. Upgrades to the system to date total approximately \$2.6 million. 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. A small project, approximately \$75,000, was completed in the fall of 2014 to replace infrastructure responsible for significant I/I. As mentioned above, with the CDBG funding secured this year, a \$336,000 project is planned for next summer.

LORING INFRASTRUCTURE FUNDING. After legislation to authorize a \$50 million state bond for infrastructure and site improvements at two former military installations failed to move forward for the bond referendum, LDA arranged a meeting with the Bureau of General Services to discuss Loring's long-term capital for extensive infrastructure maintenance and repair.

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Unfortunately, BGS is not able to provide funding to LDA for infrastructure work. LDA continues to seek opportunities for funding its huge unmet capital needs.

ENERGY COSTS REDUCTION. 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. Propane burners were installed at two buildings and are being considered for other buildings as funding allows. Pellets were another option with a pay back of a few years. Pellet burners were installed at two buildings with limited success.

FIRE AND AMBULANCE. Changes were made to emergency services at Loring. LDA no longer employs firefighters to assist Crown Ambulance employees. Crown Ambulance now supplies a two-person crew for ambulance service at Loring and all of Limestone, and Caswell. The ambulance crew continues to be housed at the Loring Fire Station and will have access to the Fire Truck and associated equipment. Fire response will continue to fall under the authority of the Limestone Fire Department. The ambulance crew may be called upon occasionally to do long distance transports and when that happens, coverage will be by the crew based in Fort Fairfield.

AIR FORCE ENVIRONMENTAL BRIEFING ON PFCs or "PERFLUORINATED COMPOUNDS. In 2009, EPA issued a Preliminary Health Advisory for two compounds, PFOS and PFOA, recommending provisional drinking water standards for two specific PFCs (PFOS & PFOA). PFCs are a group of manmade chemicals that had been used for a wide variety of products including food grade uses such as Teflon and fast food wrappers. PFCs were found in firefighting foams used after 1970 and the Air Force has identified PFCs in groundwater at Loring's former fire training area. This has been the case with many closed bases. The Air Force has arranged to assess other potential PFC sites at Loring and this field investigation work will take place during the 2015 season.

MARKETING EFFORTS

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, The Yellow Pages online, www.aviationacres.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

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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.

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 have discussed 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 and other efforts – a proactive, assets based grassroots approach to economic development.

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. LDA received a grant from the Maine Department of Economic and Community Development for \$175,000. The funding supports the reuse of the former military facilities including newly developing manufacturing projects.

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. Contributions to this fund for fiscal year 2015 totaled \$615,869. These funds are used to fund municipal service costs and maintenance of public infrastructure.

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PROPERTY SALE, LEASE, MUNICIPAL SERVICES AND MISCELLANEOUS REVENUES. During fiscal year 2015, the LDA received revenues from its tenants, from the sale of land and personal property and from miscellaneous revenues in the amount of \$1,780,277.

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 2015, funds advanced under the line of credit totaled \$1,189,807. This debt was retired in October 2015. The lines at Katahdin Trust Company will be closed and replaced with a \$1,250,000 line of credit at Machias Savings Bank.

KATAHDIN TRUST COMPANY. LDA secured a \$254,000 note from Katahdin Trust Company as part of the acquisition of the residential property; \$200,000 is the balance of the note used to purchase outdoor wood boilers for the residential complex and the remaining funds are for equipment needed to maintain the property. The note is secured by a portion of the property.

MACHIAS SAVINGS BANK. As mentioned above, LDA now has a \$1,250,000 line of credit from Machias Savings Bank. The line, needed to assist in the management of cash flow, was secured in September 2015 and replaces the lines of credit at Katahdin Trust Company.

MACHIAS SAVINGS BANK. LDA also secured a \$700,000 term loan from Machias Savings Bank to provide for short term cash needs and working capital needs beyond operating revenues. The three-year loan, secured in September 2015, is collateralized by the stream of payments from the pipeline lease.

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 was completed this year.

EDA GRANT. In FY11 LDA was awarded \$1,132,000 from the Economic Development Administration for the upgrade of Loring's water supply infrastructure; the project is about 97% complete.

CDBG GRANT. A \$1 million Department of Economic and Community Development Community Development Block Grant was awarded to the Town of Limestone on behalf of the LDA in July 2015. The grant will assist with water treatment system upgrades needed to achieve Disinfection By-Product (DBP) removal in the water supply system. It will also be used to upgrade a portion of the existing wastewater collection system to reduce the inflow and infiltration of ground and surface water in the system.

MAINE DRINKING WATER STATE REVOLVING FUND (DWSRF). LDA is working with the Maine Bond Bank to close on a \$507,780 DWSRF loan. A portion of the loan, 40%, will be forgiven; the remaining 60% or \$304,668 will be repaid over 30 years. The DWSRF funds will be used to match the CDBG grant and will fund the water treatment system improvement project.

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Loring Development Authority of Maine Fiscal Year 2015 Annual Report July 1, 2014 – June 30, 2015

PARAGRAPH 1B: AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2015

The attached Independent Auditor's Report was approved by the Loring Development Authority Board of Trustees on October 14, 2015.

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LORING DEVELOPMENT AUTHORITY OF MAINE FINANCIAL STATEMENTS

JUNE 30, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2015 and 2014

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, 2015. 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 decreased by \$1,094,715. The decrease was caused by a decrease in revenues which resulted from cutbacks at the Maine Military Authority, which caused a decrease in lease revenue, a decrease in grant revenues received for capital projects and an increase in expenditures due to bad debt write offs and an increase in utility costs.
- Total revenues of \$2,942,916 are comprised of 49% from lease revenue, 32% from state assistance, 7% from federal grants and 12% from other LDA operations.
- Net jobs have decreased over the past year due to cutbacks by the Maine Military Authority and the relocation of Sitel, indicating a 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 \$2.8 million in fiscal year 2015.
- 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, 2015 a total of \$4,700,890 has been spent on these projects. \$69,651 represents Construction in Progress, the remainder has been placed in service.
- In December 2014 the LDA obtained the housing units located on Manser Drive via a deed in lieu of foreclosure from Crossroads Land Company, LLC. The property was recorded at its fair market value of \$565,600. The LDA has continued to operate the housing units as residential rental properties.

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2015 and 2014

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 \$62,079,642 as compared to a capital asset balance of \$61,764,214 for the prior year ending June 30, 2014.

Table 1 provides condensed data of the Statements of Net Position for the fiscal years ended 2015 and 2014.

Table 1 Net Position

| | <u>2015</u> | <u>2014</u> |
|---|--|---|
| Current assets Net capital assets Construction in progress Notes receivable | \$ 1,893,098 62,079,642 69,651 2,159,445 | \$ 2,284,893 61,764,214 255,939 3,080,735 |
| Total Assets | 66,201,836 | 67,385,781 |
| Current Liabilities Long-term Liabilities | 1,575,771 1,135,729 | 1,211,508 1,004,008 |
| Total Liabilities | 2,711,500 | 2,215,516 |
| Deferred Inflows of Resources | 1,521,175 | 2,106,389 |
| Total Net Position | \$ 61,969,161 | \$ 63,063,876 |

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, 2015.

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2015 and 2014

UNAUDITED

Table 2 shows the changes in net position for the fiscal years 2015 and 2014.

Table 2 Changes in Net Position

| | | <u>2015</u> | <u>2014</u> |
|----------------------------------|----------|-------------|-------------------|
| Revenues: | | • | |
| Program Revenues | | | |
| State Assistance | \$ | 965,840 | \$ 777,444 |
| General Revenues | | | |
| Lease and Other | | 1,745,047 | 1,911,593 |
| | | 1,775,077 | 1,711,373 |
| Total Operating Revenues | | 2,710,887 | 2,689,037 |
| Owerst's E | | | |
| Operating Expenses: | | 1 04 6 00 7 | 4 4 4 4 4 4 4 4 4 |
| Salaries and Benefits | | 1,016,207 | 1,046,384 |
| Travel | | 8,069 | 11,753 |
| Contracted Services | | 538,271 | 509,272 |
| Depreciation | | 973,570 | 908,866 |
| Legal and Audit | | 20,830 | 23,504 |
| Marketing | | 7,391 | 5,816 |
| Supplies and Expenses | | 113,321 | 130,623 |
| Maintenance | | 171,465 | 156,722 |
| Utilities | | 955,654 | 713,179 |
| Uncollectable accounts | | 138,755 | ŕ |
| Other General and Administrative | | 94,098 | <u>87,836</u> |
| Total Operating Expenses | | 4,037,631 | 3,593,955 |
| 1 | | 1,007,001 | 2,070,700 |
| Loss from Operations | <u>)</u> | (1,326,744) | (904,918) |
| Other Revenues | | | |
| Other | | 232,029 | 651,384 |
| | | <u> </u> | <u>551,50T</u> |
| Change in Net Position | \$ (| 1,094,715) | \$ (253,534) |

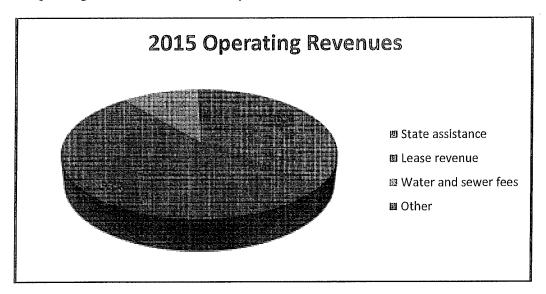
The Statements of Cash Flows are included, which discloses net cash provided by, or used in operating activities, noncapital financial activities, and from capital and related financing activities. From these statements, the reader can obtain comparative information on the sources and uses of cash for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

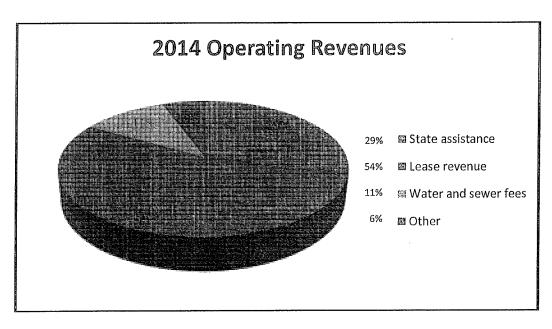
MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2015 and 2014

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 \$2,942,916 in 2015 and \$3,340,421 in 2014. Operating revenues for the two years as represented in the tables below totaled \$2,710,887 in 2015 and \$2,689,037 in 2014. State grants and assistance represents 36% and 29% of the LDA's operating revenues for the last two years.

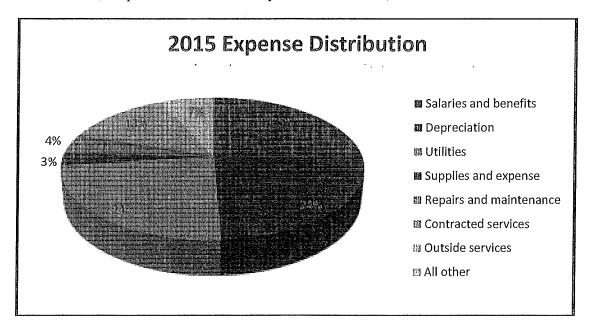


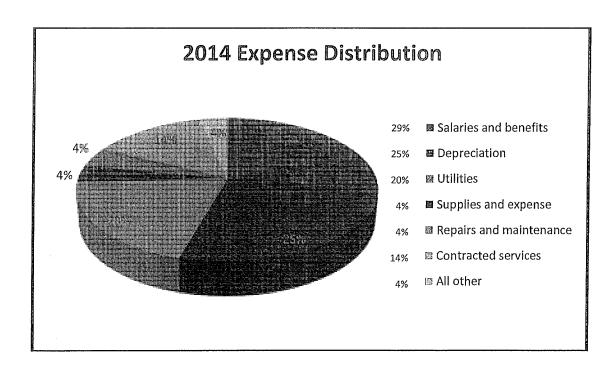


MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2015 and 2014

UNAUDITED

Operating expenses amounted to \$4,037,631 in 2015 and \$3,593,955 in 2014. The following charts reflect the expenditures for the fiscal years ended June 30, 2015 and 2014.





MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2015 and 2014

UNAUDITED

Capital Assets

At the end of fiscal year 2015, the Loring Development Authority had land, buildings, improvements, structures and facilities of \$74,940,554. All assets were donated to LDA by the U.S. Air Force or purchased. Net of depreciation, these assets were recorded at \$62,079,642. Table 3 shows capital assets, net of accumulated depreciation.

Table 3 Capital Assets at June 30 (Net of Depreciation)

| | <u>2015</u> | <u>2014</u> |
|--|-------------------------------|-----------------------------|
| Land | \$ 10,190,499 20,581,592 | \$ 10,004,722 20,709,449 |
| Buildings Equipment and Improvements | 5,177,921 | 5,216,250 |
| Special Use Structures Aviation Facilities | 5,056,363 15,578,087 | 4,760,526 15,578,087 |
| Roadways and Accessories Pipeline | 3,495,180 <u>2,000,000</u> | 3,495,180 2,000,000 |
| Total Net Capital Assets | \$ <u>62,079,642</u> | \$ <u>61,764,214</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 \$1,189,807 outstanding as of June 30, 2015.

The LDA also took on bonded debt of \$454,720 in 2010 for the purpose of upgrading sewer lines. As of June 30, 2015 the balance on this debt is \$329,672.

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, 2015 is \$312,636

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, 2015 is \$204,434.

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2015 and 2014

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, 2015 is \$35,755.

The LDA entered into a lending agreement with Northern Maine Development Commission, receiving funds in the amount of \$200,000 secured by assets. The balance at June 30, 2015 is \$121,974.

In December 2014 the LDA entered into a mortgage agreement with Katahdin Trust Company, receiving funds in the amount of \$254,000 secured by a real estate. The balance at June 30, 2015 is \$244,968.

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.



Barbara E. McGuire, CPA, CGMA Herman Belanger, CPA, CGMA Paul J. Callnan, CPA, CGMA Timothy P. Poitras, CPA, CGMA

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, 2015 and 2014, and the related statements of revenues, expenditures, and changes in net position 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2015 and 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters - Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 29, 2015 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

Presque Isle, Maine July 29, 2015

STATEMENTS OF NET POSITION

JUNE 30, 2015 AND 2014

ASSETS

| | <u>2015</u> | <u>2014</u> |
|--|---------------|---------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and temporary investments (Note 3) | \$ 435,780 | \$ 579,916 |
| Due from State of Maine (Note 9) | 615,840 | 952,444 |
| Accounts receivable, net | 754,492 | 712,722 |
| Grants receivable | 73,876 | 8,134 |
| Inventory | 13,110 | 31,677 |
| | 1,893,098_ | 2,284,893 |
| FIXED ASSETS (Note 13) | | |
| Capital assets | 74,940,554 | 73,651,556 |
| Less accumulated depreciation | (12,860,912) | _(11,887,342) |
| | 62,079,642 | 61,764,214 |
| OTHER ASSETS | | |
| Construction in progress | 69,651 | 255,939 |
| Notes receivable (Note 12) | 2,159,445 | 3,080,735 |
| | 2,229,096 | 3,336,674 |
| TOTAL ASSETS | \$ 66,201,836 | \$ 67,385,781 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 143,442 | \$ 85,285 |
| Accrued expenses | 108,322 | 75,300 |
| Deposits | 20,490 | |
| Line of credit (Note 8) | 1,189,807 | 957,000 |
| Current portion of long-term debt | 113,710 | 93,923 |
| and the first state of the first | 1,575,771 | 1,211,508 |
| LONG-TERM DEBT (Note 14) | | |
| Notes Payable | 1,249,439 | 1,097,931 |
| Less Current Portion | (113,710) | (93,923) |
| | 1,135,729 | 1,004,008 |
| TOTAL LIABILITIES | 2,711,500 | 2,215,516 |
| | | |
| DEFERRED INFLOWS OF RESOURCES | | |
| Grants authorized and unexpended (Note 9) | 315,301 | 611,718 |
| Unearned lease revenue (Note 7) | 1,190,000 | 1,490,000 |
| Prepaid rent | 15,874 | 4,671 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 1,521,175 | 2,106,389 |
| NET POSITION | • | |
| Invested in capital assets, net of related debt | 60,830,203 | 60,666,283 |
| Unrestricted | 1,138,958 | 2,397,593 |
| TOTAL NET POSITION | \$ 61,969,161 | \$ 63,063,876 |
| | | |

See notes to financial statements

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2015 AND 2014

| ODED 1 MOVE DIVIDING | 2015 | <u>2014</u> |
|--|---------------|-------------------|
| OPERATING REVENUES | ው <u></u> | ф. 555 444 |
| State assistance (Note 9) | \$ 965,840 | \$ 777,444 |
| Lease revenue Water and sewer fees | 1,445,657 | 1,465,990 |
| Other | 286,040 | 293,909 |
| Other | 13,350 | 151,694 |
| - | 2,710,887 | 2,689,037 |
| OPERATING EXPENSES | | |
| Salaries and benefits | 1,016,207 | 1,046,384 |
| Depreciation | 973,570 | 908,866 |
| Utilities | 955,654 | 713,179 |
| Supplies and expense | 113,321 | 130,623 |
| Repairs and maintenance | 171,465 | 156,722 |
| Contracted services | 537,805 | 507,728 |
| Outside services-Fire and Ambulance | 466 | 1,544 |
| Legal and audit | 20,830 | 23,504 |
| Insurance | 25,899 | 29,351 |
| Communications | 16,592 | 14,189 |
| Travel | 8,069 | 11,753 |
| Interest expense and bond bank fees | 51,607 | 44,296 |
| Marketing | 7,391 | 5,816 |
| Uncollectable accounts | 138,755 | • |
| | 4,037,631 | 3,593,955 |
| LOSS FROM OPERATIONS | (1,326,744) | (904,918) |
| NON-OPERATING REVENUES | | |
| Federal & State assistance for capital projects (Note 9) | 197,159 | 616,564 |
| Gain on sale of surplus property | 20,590 | 7,439 |
| Interest income | 14,280 | 27,381 |
| | 232,029 | 651,384 |
| CHANGE IN NET POSITION | (1,094,715) | (253,534) |
| NET POSITION - BEGINNING OF YEAR | 63,063,876 | 63,317,410 |
| NET POSITION - END OF YEAR | \$ 61,969,161 | \$ 63,063,876 |

See notes to financial statements

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

| | <u>2015</u> | <u>2014</u> |
|--|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash received from customers | \$1,441,317 | \$1,200,328 |
| Cash received from governmental assistance | 965,840 | 838,883 |
| Cash received from other income | 13,350 | 151,694 |
| Cash paid for salaires and benefits | (983,185) | (1,049,278) |
| Cash paid for contract services | (538,271) | (509,272) |
| Cash paid for goods and services | (1,381,252) | (1,059,226) |
| Interest paid | (51,607) | (44,296) |
| Net cash used in operating activities | (533,808) | (471,167) |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| Net advances/(payments) on line of credit | 232,807 | (206,000) |
| Payments on long-term debt | (93,492) | (291,588) |
| Interest received | 14,280 | 7,491 |
| Net cash provided by/(used in) investing activities | 153,595 | (490,097) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Payments for capital acquisitions and construction | (236,420) | (789,134) |
| Federal grants received for capital projects | 151,907 | 1,468,913 |
| Payments on note receivable | 300,000 | 300,000 |
| Sale of property | 20,590 | 7,439 |
| Net cash provided by financing activities | 236,077 | 987,218 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | (144,136) | 25,954 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 579,916 | 553,962 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 435,780 | 579,916 |
| RECONCILIATION OF LOSS FROM OPERATIONS TO NET | | |
| CASH USED IN OPERATING ACTIVITIES | | |
| Loss from operations | (1,326,744) | (904,918) |
| Adjustments to reconcile loss from operations | | |
| to net cash used in operating activities | | |
| Depreciation | 973,570 | 908,866 |
| Changes in assets and liabilities | | |
| Operating accounts receivable, net | 169,116 | (409,500) |
| Operating funds due from other governments | 125,718 | 125,718 |
| Inventory | 18,567 | 23,902 |
| Accounts payable | 58,157 | 2,009 |
| Deferred inflows | (585,214) | (214,350) |
| Accrued expenses | 33,022 | (2,894) |
| | 792,936 | 433,751 |
| Net cash used in operating activities | \$ (533,808) | \$ (471,167) |
| | | |

See notes to financial statements

NOTES TO FINANCIAL STATEMENTS

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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 nocost, 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 3,700 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.

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.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Deferred Outflows of Resources

The LDA reports decreases in net assets that relate to future periods as deferred outflows of resources in a separate section of its statement of net position. No deferred outflows of resources affect the governmental funds financial statements in the current year.

Deferred Inflows of Resources

The LDA reports a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net assets that applies to future periods. The LDA will not recognize the related revenues until a future event occurs. The LDA's deferred inflows of resources are detailed in Note #7.

(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 \$435,780 and \$579,916 as of June 30, 2015 and 2014, 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, 2015 and 2014 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, 2015 and 2014 is \$31,090 and \$21,109, respectively.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(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 \$37,399 and \$38,846 for the years ended June 30, 2015 and 2014.

(6) RENTAL OF FACILITIES

The Authority has leased land and buildings at Loring to various third parties under noncancellable operating leases requiring fixed payments through 2020. The leases provide for varying terms and conditions.

As of June 30 2015, the future minimum lease payments for the next 5 years are as follows:

| Fiscal year ending June 30: | <u>Amount</u> |
|--------------------------------------|---|
| 2016 2017 2018 2019 2020 | \$744,732 578,073 536,670 534,550 526,871 |
| | \$2,920,896 |

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 \$355,271 until at least 2020.

(7) DEFERRED INFLOWS OF RESOURCES

The Authority received advances of rent and other receipts, which have been characterized as deferred inflows 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 began in 2013 and the Authority began to recognize revenue at that time at a rate of \$300,000 per year for a ten year period. As of June 30, 2015 and 2014 the amount included as deferred inflows was \$1,190,000 and \$1,490,000 respectively.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(8) LINE OF CREDIT

The Authority has a variable rate operating line of credit with Katahdin Trust Company payable at "Wall Street Prime" with a maximum limit of \$1,250,000. As of June 30, 2015, the line of credit balance was \$1,189,807, leaving \$60,193 available for use. The line is secured by the Authority's accounts and notes receivable and other general intangibles and matures on November 30, 2015.

In May 2015, the Authority signed letters of commitment for an \$800,000 line of credit, interest rate of "Wall Street Journal Prime" plus 1%, and a \$1,250,000 line of credit, interest rate of "Wall Street Journal Prime", with Machias Savings Bank. The balance on both lines was \$0 as of June 30, 2015. Once open, the lines will be secured by the Authority's accounts and notes receivable and will replace the line of credit with Katahdin Trust Company.

(9) PUBLIC SECTOR FUNDING

The LDA is currently funded through the following public sources:

(A) State of Maine:

Department of Economic and Community Development – On June 4, 2014 the Authority was awarded a \$175,000 grant to defray operating expenses and to support implementation of a reuse strategy for the period of July 1, 2013 to December 31, 2014. This amount was received and expended in July 2014. On May 1, 2015 the Authority was awarded an additional \$175,000 which was received and expended prior to June 30, 2015.

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 thirty 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 \$615,840 and \$777,444 for the years ending June 30, 2015 and 2014, 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, 2015. \$106,598 of the balance remained as of that date and is recorded as grants authorized and unexpended.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

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

- (B) 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, 2015 the Authority expended \$80,410 of these funds on the water system while \$208,703 remains to be spent.
- (C) 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, 2015, the entire amount had been received and expended of which \$40,986 was recognized as revenue in the current year.
- (D) 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, 2015, \$1,092,675 had been earned and expended leaving a balance of \$39,325

(10) CONCENTRATION OF RISK

Federal and State funding

The LDA received approximately 35% of its operating revenue from state funding for the year ended June 30, 2015. The ability to continue its operations is dependent on continued funding.

Accounts receivable

For the year ended June 30, 2015 approximately 80% of the Authority's accounts receivable was due from 3 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 \$99,441 and \$22,516 for the years ended June 30, 2015 and 2014.

(12) NOTES RECEIVABLE

Crossroads Land Company, LLC

On April 16, 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 had difficulties keeping current with the note payments.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(12) NOTES RECEIVABLE (cont'd.)

On March 14, 2014 the Authority released Tin Cup Land Company from their mortgage and reclaimed all of the original parcels of land via Quitclaim Deed. The Authority then sold 2 of the parcels to Crossroads Land Company, LLC (Crossroads), a party related to Tin Cup Land Company, for \$625,000.

The Authority received a promissory note from Crossroads, payable in 240 monthly installments of \$3,545 including interest at Wall Street Journal Prime Rate, but not less than 2.5% and not to exceed 5%, (currently 3.25%) through March, 2034. The note is secured by a mortgage on the parcels of land. In December 2014 the Authority accepted a deed in lieu of foreclosure on the property, the unpaid balance on the note was \$621,290 and the estimated fair market value of the property was \$565,600. As a result the Authority recognized a loss in the amount of \$55,690.

In conjunction with the sale the Authority also received a promissory note from Crossroads in the amount of \$61,865, for water bills unpaid to the Authority by Tin Cup Land Company, payable in 48 monthly installments of \$1,376 including interest at Wall Street Journal Prime Rate, but not less than 2.5% and not to exceed 5%, (currently 3.25%) through March, 2014. The note is secured by personal guarantees by the members of Crossroads. Balance of the note as of June 30, 2015 was \$59,445.

Penobscot Natural Gas

On September 24, 2010, pursuant to an amended a sale/lease agreement with Loring Bioenergy, 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.

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.

As of June 30, 2015 the outstanding balance due on the agreement is \$2,100,000.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(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.

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

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

Capital asset activity for the year ended June 30, 2015 was as follows:

CAPITAL ASSSETS ACQUIRED BY LDA (HISTORICAL COST)

| | Beginning Balance | Additions | Retirements | Ending Balance |
|---|------------------------|--------------------|-------------|------------------------|
| Capital Assets | | | | |
| Land | 10,000 | | | 10,000 |
| Equipment and improvements | 8,364,818 | <u>723,398</u> | | <u>9,088,216</u> |
| Total at historical cost | <u>8,374,818</u> | <u>723,398</u> | | 9,098,216 |
| Less Accumulated Depreciation Equipment and improvements Total Accumulated Depreciation | 1,442,801 1,442,801 | 364,289 364,289 | | 1,807,090 1,807,090 |
| Capital assets at historical cost, net | <u>6,932,017</u> | <u>359,109</u> | | <u>7,291,126</u> |

CAPITAL ASSETS ACQUIRED FROM U.S. AIR FORCE

| | Beginning Balance | Additions | Retirements | Ending Balance |
|---|--|---------------------------|-------------|--|
| <u>Capital Assets</u> Land | 9,994,722 | 185,777 | | 10,180,499 |
| Buildings In use Leased Not in use | 5,925,889 19,601,230 3,353,781 28,880,900 | 379,823 <u>379,823</u> | | 6,305,712 19,601,230 3,353,781 29,260,723 |

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(13) CAPITAL ASSETS (cont'd.)

| | Beginning | 4 1 1*** | TD 41 4 | Ending |
|------------------------------------|------------------------|------------------|-------------|------------------------|
| Equipment | Balance | Additions | Retirements | Balance |
| In use | 136,500 | | | 136,500 |
| Not in use | 89,000 | | | 89,000 |
| | <u>225,500</u> | | | <u>225,500</u> |
| Special use structures | | | | |
| Water plant and distribution | 5,080,033 | | | <u>5,080,033</u> |
| Other facilities and | | | | |
| improvements | | | | |
| Aviation facilities | 0.470.006 | | | 0.470.006 |
| Runways Structures | 9,472,226 6,105,861 | | | 9,472,226 6,105,861 |
| Fuel pipeline | 2,000,000 | | | 2,000,000 |
| r our behamme | 17,578,087 | | | 17,578,087 |
| | | | | |
| Roadways and accessories | <u>3,517,496</u> | | | 3,517,496 |
| Capital assets from U.S. Air Force | 65,276,738 | <u>565,600</u> | | 65,842,338 |
| T. A. 14.15 | | | | • |
| Less Accumulated Depreciation | | • | | |
| Buildings | | | | |
| In use | 2,014,812 | 117,341 | | 2,132,153 |
| Leased | 6,515,213 | <u>390,339</u> | | 6,905,552 |
| | 8,530,025 | <u>507,680</u> | | 9,037,705 |
| Equipment | | | | |
| In use | <u>136,500</u> | | | 136,500 |
| Special use structures | | | | |
| Water plant and distribution | 1,778,016 | <u>101,601</u> | | 1,879,617 |
| Total Accumulated Depreciation | 10,444,541 | 609,281 | | 11,053,822 |
| Total Accumulated Depreciation | 10,777,571 | 007,201 | | 11,033,022 |
| Capital assets acquired from U. S. | 7.4.000 10T | (10 (01) | | |
| Air Force, net | <u>54,832,197</u> | <u>(43,681)</u> | | <u>54,788,516</u> |
| TOTAL CAPITAL ASSETS | | | | |
| Capital assets | 73,651,556 | 1,288,998 | | 74,940,554 |
| Less Accumulated | (11,887,342) | <u>(973,570)</u> | | (12,860,912) |
| Depreciation | 61,764,214 | 315,428 | | 62,079,642 |
| | <u> </u> | | | ,0,0.12 |

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(13) CAPITAL ASSETS (cont'd.)

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.

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:

| Note payable to Northern Maine Development Commission, payable in monthly installments of \$1,381 | <u>2015</u> | <u>2014</u> |
|--|-------------|-------------|
| including interest at 3% per annum through May 2018. Secured by assets of the Authority | 121,974 | 134,656 |
| 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 | 312,636 | 317,187 |
| 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 | 35,755 | 55,958 |

NOTES TO FINANCIAL STATEMENTS (cont'd.)

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

| 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. | 204,434 | 237,722 |
| Note payable to Katahdin Trust Company, payable in monthly installments of \$2,263 including interest at 4.25% per annum through December 2026. Secured by real estate. | 244,968 | |
| 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%. | 329,672 | <u>352,408</u> |
| | 1,249,439 | 1,097,931 |
| Less current portion | <u>(113,710)</u> | (93,923) |
| | 1.135.729 | 1.004.008 |

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

| | PRINCIPAL | INTEREST | TOTAL |
|---------|-----------|----------|-----------|
| 2016 | 113,710 | 32,426 | 146,136 |
| 2017 | 109,921 | 28,868 | 138,789 |
| 2018 | 179,619 | 25,807 | 205,426 |
| 2019 | 86,779 | 20,606 | 107,385 |
| 2020 | 89,420 | 17,965 | 107,385 |
| 2021-25 | 272,289 | 65,883 | 338,172 |
| 2026-30 | 174,087 | 40,994 | 215,080 |
| 2031-35 | 40,512 | 33,757 | 74,269 |
| 2036-40 | 47,537 | 26,732 | 74,269 |
| 2041-45 | 55,780 | 18,489 | 74,269 |
| 2046-50 | 65,453 | 8,816 | 74,269 |
| 2051-55 | 14,332 | 527 | 14,859 |
| Total | 1,249,439 | 320,870 | 1,570,309 |

NOTES TO FINANCIAL STATEMENTS (cont'd.)

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

Long-term debt activity for the year ended June 30, 2015 is as follows:

| Note payable –NMDC | Beginning <u>Balance</u> 134,656 | Advances | Payments 12,682 | Ending <u>Balance</u> 121,974 |
|--|--|----------------|--------------------|-------------------------------------|
| Note payable-USDA | 317,187 | | 4,551 | 312,636 |
| Note payable-Katahdin Trust Company | 55,958 | | 20,203 | 35,755 |
| Note payable-Katahdin Trust Company | 237,722 | | 33,288 | 204,434 |
| Note payable-Katahdin Trust Company | | 254,000 | 9,032 | 244,968 |
| Bond payable - MMBB | 352,408 | | 22,736 | 329,672 |
| | <u>1,097,931</u> | <u>254,000</u> | 102,492 | 1,249,439 |

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events occurring through July 29, 2015, the date the financial statements were available to be issued.

(16) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Authority has a number of financial instruments, none of which are held for trading purposes. The Authority estimates that the fair value of all financial instruments at June 30, 2015, 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, 2015. 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 2015, 2014 and 2013 as they relate to payroll tax returns.

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(18) SUMMARY OF ACTIVITIES

| Function | Ex | xpenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Total |
|--------------------|---|--|----------------------|------------------------------------|----------------------------------|--|
| General operations | (4, | 037,631) | 1,731,697 | - | 197,159 | (2,108,775) |
| | General revenues State approp Loring Job In Interest incor Sale of surph Other income | riations ncremental me us property e | Financing | , | | 350,000 615,840 14,280 20,590 13,350 |
| | Total general rev Change in net po | | | | | (1,094,715) |
| | Net position - Jul | ly 1, 2014 | | | | 63,063,876 |
| | Net position - Jur | ne 30, 2015 | | | | 61,969,161 |

(19) SUMMARY OF NON-CASH INVESTING AND FINANCING ACTIVITIES

Non-cash investing and financing activities for the year ended June 30, 2015 are as follows:

| Real estate obtained via deed in lieu of foreclosure | 565,600 |
|--|-----------|
| Equipment obtained via deed in lieu of foreclosure | 200,000 |
| Equipment purchased with long-term debt | 54,000 |
| Long-term note released with deed in lieu of foreclosure | (621,920) |
| Long-term debt assumed with deed in lieu of foreclosure | (200,000) |

ADDITIONAL REPORT



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

Barbara E. McGuire, CPA, CGMA Herman Belanger, CPA, CGMA Paul J. Callnan, CPA, CGMA Timothy P. Poitras, CPA, CGMA

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, 2015, and the related notes to the financial statements, and have issued our report thereon dated July 29, 2015.

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 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 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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 or on 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.

Presque Isle, Maine

Chester M. Kearney

July 29, 2015

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Loring Development Authority of Maine Fiscal Year 2015 Annual Report July 1, 2014 – June 30, 2015

PARAGRAPH 1C: PROPERTY TRANSACTIONS DURING FISCAL YEAR 2015

PROPERTY TRANACTIONS

LEASES and SALES

SALE OF BUILDING #8716 TO BRITISH CYCLE SUPPLY COMPANY. The owner of British Supply Company from Nova Scotia, purchased a 7,700 square foot building to house its commercial operations, which include shipping, receiving, and warehousing classic British motorcycle parts that are acquired and sold worldwide. The building sold for \$83,000 and LDA holds a mortgage on the property.

SALE OF BUILDING #3360. Building #3360 was a youth center, day care, and fitness center but has been inactive for approximately ten years and was significantly vandalized a few years ago. The buyer, Equine Management, LLC from Kentucky, purchased the 6,800 square foot building for \$15,000 with the intent of refurbishing it and then leasing to a related company that provides medical license training online and eventually on site. The company has agreed to restore the exterior of the building and also re-pave the parking lot. The building is structurally sound and has a fairly new roof but may need a new heating system. Substantial interior renovations will be made and servers would be installed to deliver the online content to customers over the next year.

PATRIOT GROUP. Patriot Group and LDA entered into a month-to-month lease agreement for an office in LDA's office building, building 5100. Patriot Group leased the office as it explored options for new activity at Loring.

LORING TOWNHOMES. Crossroads Land Company received a deed to the residential property at Loring and a note for \$625,000. The property includes 66 townhouse apartments and an individual house. Subsequently, the owners transferred the property back to LDA. LDA is keeping the operation viable while working with a prospect interested in acquiring the residential operation.

LIMESTONE COUNTRY CLUB. The Limestone Country Club property is leased to a private party who operated the golf course this season with the support of golf enthusiasts.

LICENSES

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

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Loring Development Authority of Maine Fiscal Year 2015 Annual Report July 1, 2014 – June 30, 2015

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

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PARAGRAPH 1G: SUBSEQUENT EVENTS – JULY 1, 2015 TO OCTOBER 15, 2015 AND PROPOSED ACTIVITIES FOR FISCAL YEAR 2015

SUBSEQUENT EVENTS

A summary of the activities on the Loring Commerce Centre between July 1, 2015 and October 15, 2015 are provided below.

SMARTER RISK FSD. Smarter Risk entered into a month-to-month lease agreement for an office in LDA's office building while it explores opportunities for new activity at Loring.

PROPOSED AND PROJECTED ACTIVITIES FOR FISCAL YEAR 2015

In addition to ensuring that our existing tenants remain viable business entities, the LDA intends to carry out the following activities in fiscal year 2016:

Pursue additional upgrades to Loring's already robust telecommunications infrastructure to attract other potential telecommunications and data-based businesses.

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, data and manufacturing projects, and others.

Continue to pursue rail service at Loring, which is important to large manufacturers.

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 position Loring for various aviation and aerospace operations at the Loring International Airport. Possibilities continue to include aircraft testing, research and development, maintenance, repair, and overhaul, manufacturing, aircraft storage, cargo operations and activities that would support homeland security efforts as well as unmanned aircraft testing and operations and space launch operations.

Continue the upgrade of the water treatment and supply system and the wastewater collection system.

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.

| | | (|
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| | | |

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

Continue working with Leaders Encouraging Aroostook Development, Aroostook Partnership for Progress and the Northern Maine Development Commission in marketing the County including Loring.

Focus on manufacturing as a means to re-employ former workers from the Maine Military Authority (MMA) and reoccupy facilities also once used by MMA.

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.

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Loring Development Authority of Maine Fiscal Year 2015 Annual Report July 1, 2014 – June 30, 2015

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. Financial resources must come from a combination of lease revenue and real estate sales as well as targeted assistance provided by the State of Maine.

In the past few years LDA has made considerable investments in the drinking water treatment and distribution and wastewater collection systems as well as upgrades to buildings suitable for small businesses. Conversion of heating oil burners to less costly alternatives was also completed in three buildings. However, insufficient investments are being made in:

- 1. wastewater collection infrastructure;
- 2. continued energy efficiency and upgrades;
- 3. transportation infrastructure improvements;
- 4. maintenance of prime facilities; and
- 5. demolition and removal of substandard buildings.

A proposed bond for former military base infrastructure could provide much of the financial support for infrastructure improvements.

Revenue losses in recent years have resulted in a funding shortfall for LDA's ongoing operations. The economic downturn was followed by significant revenue losses in 2014. In 2015, the loss of two long-term tenants, Sitel and the Job Corps Data Center, compounded the losses, which continue to significantly challenge LDA.

LDA's best strategy in dealing with the revenue shortfall is to continue to work to place idle facilities back into service. LDA is currently working with promising prospects whose businesses would reuse facilities and create new jobs. It will take time to realize the financial benefits of new businesses. State support is still essential at this time, in particular for critical infrastructure maintenance and improvement work.

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Loring Development Authority of Maine Fiscal Year 2015 Annual Report July 1, 2014 – June 30, 2015

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

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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 October 2015 are:

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.

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

Treasurer, Dana Saucier, resident of Wallagrass, is a retired business Partner and Management Consultant. Mr. Saucier has served on the LDA Board since 2014.

Secretary, 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.

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.

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

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.

Janet McGillan, resident of Fort Fairfield, is the Owner/Manager of McGillan, Inc. in Fort Fairfield. Ms. McGillan has served on the LDA Board since 2011.

Mike Edgecomb, resident of Spruce Head, is the Director, of Government Relations for Time Warner Cable-North. Mr. Edgecomb has served on the LDA Board since 2011.

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 a Real Estate Broker for Realty of Maine. Mr. Damon has served on the LDA Board since June 2013.

Steven Levesque, resident of Farmingdale, is the Executive Director of the Midcoast Regional Redevelopment Authority. Mr. Levesque has served on the LDA Board since 2014.

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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, business attraction, 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.

Administrative Assistant, Vicki A. Page, is the Administrative Assistant. She is responsible for data tracking for licensing purposes, environmental reporting and reporting for Loring Utilities as well as clerical support for office staff. Ms. Page has been employed at the LDA since November 24, 2014.

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

Alan L. Lightbown, Fuels Distribution System Mechanic

Mark J. Madore, Utilities Maintenance Worker

James F. Michaud, Roads and Grounds Maintenance Worker

Wayne W. Pryor, Electrician

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

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

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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 550 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 occupies two buildings, and employs 55 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 127 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 one person at Loring.

Limestone Country Club. The Limestone Country Club, Loring's nine-hole golf course, is a favorite among many golfers in the area. Operators of the country club also host community and private events.

Loring Townhomes. Residential units at Loring include three and four bedroom town homes available for rent and individual homes available for purchase or lease. House lots are also available for purchase.

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.

Graphic Utilities. Graphic Utilities (GU) occupies space in the Loring Applied Technology Center building. The company leases approximately 10,665 square feet of production space and office space. GU develops, manufactures and sells new innovative ink products. It currently employs eight people.

Loring Holdings. Loring Holdings (LH), a multi-faceted energy company, is working to advance energy production and transmission in Maine using facilities at Loring and the Loring to Searsport 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 has reactivated a portion of the pipeline to supply natural gas to customers along the corridor.

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British Cycle Supply Company. British Supply Company's operations include shipping, receiving, and warehousing classic British motorcycle parts that are acquired and sold worldwide. The company has another location in Nova Scotia, Canada.

Equine Management, LLC. Equine Management, LLC from Kentucky purchased a building 6,800 square foot building with the intent of refurbishing it and then leasing to a related company that provides medical license training online and eventually on site.

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LORING DEVELOPMENT AUTHORITY

MONTHLY EMPLOYMENT / TENANT ACTIVITY REPORT

30-Sep-15

DEVELOPMENT ACTIVITIES

| | JOBS/RESIDENTS | | | | PROPERTY ABSORBED | | |
|----------------------------------|----------------------------|---------------|--------------|-----------|-------------------|----------------|--|
| REUSE ACTIVITY | TYPE | Prior Quarter | Current | Projected | Bidg SF | Acres Utilized | |
| PRIVATE SECTOR | | June 30, 2015 | Sep 30, 2015 | | | | |
| Bangor Gas/Penobscot Natural Gas | Energy Production | - | - | - | 57,101 | 54 | |
| Bigelow Aerospace | Aviation | . | - | - | - | 7 | |
| British Cycle Company | Commercial | - | - | - | 7,700 | 2.8 | |
| CB&I | Commercial | | - | - | 3,950 | 1 | |
| Equine Management | Education | | | | 6,800 | 5 | |
| Hydroblend, Inc. | Manufacturing | 10 | 9 | 30 | 40,888 | 2 | |
| Frontier Transport | Agricultural Storage | - | - | - | 28,006 | 5 | |
| Limestone Country Club | Recreation | 1 | 2 | 20 | 326,685 | 270 | |
| Loring Town Homes | Residential Provider | 2 | 2 | 2 | • | - | |
| Loring Applied Technology Ctr | Commercial | - | - | 3 | 42,075 | 3 | |
| Graphic Utilities | Ink Manufacture | 9 | 9 | - | • | - | |
| S.W. Collins | Manufacturing | 7 | 5 | 7 | - | - | |
| Loring Holdings | Office | - | - | - | 1,152 | - | |
| Loring Military Heritage Center | Museum | - | - | 1 | 1,900 | 1 | |
| Maine National Guard | Storage | - | - | • | • | 27 | |
| MacDonald Enterprises | Manufacturing | - | - | - | 19,762 | 2 | |
| Pineland Farms Natural Meats | Agricultural Composting | - | • | 2 | 56,000 | 35 | |
| TOTAL PRIVATE SECTOR: | | 29 | 27 | 66 | 592,019 | 414.8 | |
| PUBLIC SECTOR | | | | | | | |
| DFAS | Office | 550 | 553 | 662 | 142,400 | 15 | |
| Limestone Water & Sewer District | Sewer Plant Operation | 4 | 4 | 2 | • | = | |
| Maine Military Authority | Vehicle Refurbishment | 50 | 55 | 525 | 438,906 | 23 | |
| CSD (Loring Job Corps Center) | Educational/Office | 110 | 127 | 147 | 270,022 | 42 | |
| US Fish & Wildlife | Wildlife Refuge | 1 | 1 | 5 | 8,600 | 4,700 | |
| TOTAL PUBLIC SECTOR: | | 715 | 740 | 1,341 | 869,928 | 4,780.0 | |
| LDA | Development | 19 | 13 | 21 | 94,996 | 100 | |
| TOTAL EMPLOYMENT: | | 763 | 780 | 1,427 | 1,646,943 | 5,294.8 | |
| RESIDENTIAL | | | | | | | |
| Individual Residences | Residents | 13 | 13 | 58 | * | - | |
| Loring Town Homes | Residents | 115 | 104 | 250 | k | - | |
| Loring Job Corps | Student Residents | 279 | 267 | 400 | - | - | |
| TOTAL RESIDENTIAL: | | 407 | 384 | 708 | | | |
| GRAND TOTAL | | 1,170 | 1,164 | 2,135 | 1,546,943 | 5,294.8 | |

Total Available Space:

2,725,198

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.

^{*} acreage included in sale to Limestone Country Club

⁺ square feet and acreage included in Private Sector, above