

MAINE STATE LEGISLATURE

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2016 ANNUAL REPORT

LORING DEVELOPMENT AUTHORITY OF MAINE



Paragraph 13080-L
Fiscal Year 2016 Annual Report
July 1, 2015 – June 30, 2016

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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 342 residents and to 22 businesses that collectively employ approximately 800 people and occupy 1 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 an addendum 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 2016 ACCOMPLISHMENTS

THE FOLLOWING SUMMARIZES THE LDA'S ACCOMPLISHMENTS FOR FISCAL YEAR 2016, WHICH SUPPORT ITS PRIMARY MISSION OF JOB CREATION AND FACILITY ABSORPTION ON LORING COMMERCE CENTRE.

LORING INDUSTRIES, LLC. There has been much activity involving Loring Industries (LI), a new company formed to facilitate new business activity in collaboration with the Maine Military Authority (MMA) and LDA. LI is registered with the U.S. Department of State, Office of Defense Trade Controls and is close to an exclusive agreement with a major defense company. Other significant contracting opportunities exist for LI to attract work as a subcontractor and to secure refurbishment contracts on military and civilian vehicles and equipment. LI is also pursuing several opportunities related to manufacturing. As the projects move forward, LI will subcontract with MMA and may begin to hire on new employees itself.

MAINE MILITARY AUTHORITY. MMA is developing a national reputation for its ability to rebuild transit buses. Bidding on various large bus programs is being considered. Smaller contracts from local and regional entities have been increasing as more bus operators are seeing

the financial benefits that result from a mid-life overhaul. Projects being pursued involve both refurbishment and manufacturing.

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; 100 megawatts would require about 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.

Ranger has engaged an airport engineering consultant to determine what areas are capable of supporting solar panels, without violating FAA standards for setbacks along runways and taxiways. Ranger will commit to conducting a “glint and glare” analysis that will assure that the panels do not create a visual hazard for approaching aircraft.

Permitting, conducting an interconnection study showing the technical feasibility, developing an interconnection agreement, marketing the power and arranging the financing all need to be accomplished before the project can move forward.

MERLIN ONE. 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. A lease with Merlin One was approved in FY 2016 but has not yet been executed.

LORING HOLDINGS, LLC. Loring Holdings continues to work 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 under a New Facilities Payment Agreement which was finalized in FY 2016.

RESIDENTIAL OPERATIONS. Having acquired the residential properties at Loring last year, LDA operated the apartment rental business while seeking a new operator. In February 2016, the residential properties were leased to a private party operating under the name Inland Winds Property Management. Business prospects have indicated a need for on-premises housing for a portion of their workforce.

GOLF OPERATIONS. The Limestone Country Club is under new management and was open for business again during the summer of 2016. Having engaged the help of dedicated volunteers and experienced employees, the business has made good progress. It continues to represent a valuable amenity for Loring and the larger community.

LORING MILITARY HERITAGE CENTER (LMHC). The LMHC, a museum showcasing Loring’s military history, hosted a very successful open house in July 2014 and another is planned for the summer of 2016. The events bring many people from around the world to Loring.

LAND SPEED RACING. Loring Timing Association (LTA) continues to host land speed racing events at Loring, making use of the 12,100 foot runway. The events brings people from many

place to the community and has exposed Loring's facilities and airfield to companies interested in automotive product testing, research and development.

AUTOCROSS EVENT. Cumberland Motor Club Inc. continues to hold 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 types of businesses including manufacturing and technology companies. Prospects have cited the quality and of the labor force as a central reason for their interest in the area. The availability of unique or specialized facilities at Loring is another attraction for companies.

WATER SUPPLY SYSTEM UPGRADES PHASES 1, 2 AND 3. 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, which is now complete. The project included upgrading Loring's drinking water treatment infrastructure, rebuilding the fishway on the water impoundment dam, repairing the concrete weir and intake structure, and facility improvements.

Phase 3 of the water system improvement project nears completion. The work installed systems to address disinfection byproducts in the water supply system as required by current drinking water standards. The \$1.1 million Phase 3 project is funded by a \$507,780 loan from the Drinking Water State Revolving Loan Fund, of which about \$200,000 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 Air Force also supplied additional assistance. (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. Design work is currently underway for a \$336,000 project, which is expected to be completed in FY 2017.

FIRE AND AMBULANCE. Crown Ambulance now supplies a two-person crew for ambulance service at Loring and all of Limestone, and Caswell. The ambulance crew is housed at the Loring Fire Station and has access to the fire truck and associated equipment. Fire response falls 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 begun to assess other potential PFC sites at Loring during 2016. Because the drinking water supply does not come from wells, any PFC sites identified will have minimal or no impact on Loring's redevelopment.

MARKETING EFFORTS

WEBSITE. Loring.org 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. LDA regularly responds to inquiries submitted through the website.

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

STAKEHOLDER AND 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

AROOSTOOK PARTNERSHIP. The Aroostook Partnership for Progress (APP) and Leaders Encouraging Aroostook Development (LEAD) recently merged to form "Aroostook Partnership". LDA's President & CEO is on the Board of Directors of the new entity. Aroostook Partnership represents many economic development interests ranging from numerous private sector businesses and non-profits as well as public sector entities likes Northern Maine Development Commission, the University and Community College, and the LDA.

FOCUSMAINE. FocusMaine was formed to bring new business into Maine. Its membership is primarily based in the private sector. The organization is modeled after a similar group called JobsOhio, which has met with significant success. FocusMaine engaged a well-known business consultant, to develop recommendations on which industries were the best fit for Maine's economy; BioPharm, Agriculture and Aquaculture were all identified as key sectors poised for growth. LDA and Aroostook Partnership intend to bring awareness of the assets and potential

for business growth in Aroostook County to the leadership of FocusMaine and will offer assistance.

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 \$275,000. 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 2016 totaled \$618,135. These funds are used to fund municipal service costs and maintenance of public infrastructure.

LD 1670, An Act to Attract Investment to Loring Commerce Centre, was enacted this year. It provides additional funding through the Loring Job Increment Financing Fund for one year. Funding received for fiscal year 2017 will be increased from 50% to 100% of the Maine State Income Tax withheld from incremental jobs at Loring.

PROPERTY SALE, LEASE, MUNICIPAL SERVICES AND MISCELLANEOUS REVENUES. During fiscal year 2016, the LDA received revenues from its tenants, from the sale of land and personal property and from miscellaneous revenues in the amount of \$1,634,789.

MACHIAS SAVINGS BANK. LDA 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 2016 and replaces the lines of credit at Katahdin Trust Company. At the end of FY 2016, funds advanced under the line of credit totaled \$1,169,000.

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 five-year loan was secured in September 2015.

KATAHDIN TRUST COMPANY. LDA had 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 have been closed and replaced with a \$1,250,000 line of credit at Machias Savings Bank.

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 100% 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 worked 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.

U.S. AIR FORCE FUNDING LDA received \$300,000 from the Air Force this year for work on the water supply system at Loring. The funding assures the LDA will be able to repay the loan portion of the DWSRF funding through the Maine Municipal Bond Bank. It supplements the \$1.5 million provided by the Air Force in 2009 to complete the work required to continue to supply water to the former Loring Air Force Base tenants.

Loring Development Authority of Maine
Fiscal Year 2016 Annual Report
July 1, 2015 – June 30, 2016

**PARAGRAPH 1B: AUDITED FINANCIAL STATEMENTS FOR
FISCAL YEAR 2016**

The attached Independent Auditor's Report was approved by the Loring Development Authority Board of Trustees on October 19, 2016.

LORING DEVELOPMENT AUTHORITY OF MAINE

FINANCIAL STATEMENTS

JUNE 30, 2016

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LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Fiscal Years Ended June 30, 2016 and 2015

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, 2016. 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 \$950,292. Lease revenue has declined due to cutbacks at Maine Military Authority and the departure of two long-term tenants. Expenditures have also decreased however the budget is not designed to fund the Authority's annual depreciation expense which results in the net decrease in net position.
- Total revenues of \$2,763,769 are comprised of 44% from lease revenue, 35% from state assistance, 6% from federal grants and 15% from other LDA operations.
- Despite a challenging economic environment net jobs have remained consistent over the past fiscal year.
- 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 \$2.3 million in fiscal year 2016.
- 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, 2016 a total of \$5,090,065 has been spent on these projects. \$441,801 represents Construction in Progress, the remainder has been placed in service.

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:

LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2016 and 2015

UNAUDITED

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 carrying value of total capital assets for the current year is \$61,066,366 as compared to a capital asset balance of \$62,079,642 for the prior year ending June 30, 2015.

Table 1 provides condensed data of the Statements of Net Position for the fiscal years ended 2016 and 2015.

Table 1

Net Position

	<u>2016</u>	<u>2015</u>
Current assets	\$ 2,817,671	\$ 1,893,098
Net capital assets	61,066,366	62,079,642
Construction in progress	441,801	69,651
Notes receivable, net of current portion	<u>1,562,405</u>	<u>2,159,445</u>
Total Assets	<u>65,888,243</u>	<u>66,201,836</u>
Deferred Outflows of Resources	<u>1,400</u>	
Current Liabilities	1,661,468	1,575,771
Long-term Liabilities	<u>1,787,968</u>	<u>1,135,729</u>
Total Liabilities	3,449,436	<u>2,711,500</u>
Deferred Inflows of Resources	<u>1,421,338</u>	<u>1,521,175</u>
Total Net Position	\$ <u>61,018,869</u>	\$ <u>61,969,161</u>

The Statements of Revenues, Expenditures and Changes in Net Position reports the federal and state assistance and operations revenue, less operating costs in order to reflect the change in net asset value for the current year in combination with the prior year's net asset value to reflect the net asset balance as of June 30, 2016.

LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2016 and 2015

UNAUDITED

Table 2 shows the changes in net position for the fiscal years 2016 and 2015.

Table 2

Changes in Net Position

	<u>2016</u>	<u>2015</u>
Revenues:		
Program Revenues		
State Assistance	\$ 956,135	\$ 965,840
General Revenues		
Lease and Other	<u>1,560,064</u>	<u>1,745,047</u>
Total Operating Revenues	<u>2,516,199</u>	<u>2,710,887</u>
Operating Expenses:		
Salaries and Benefits	847,747	1,016,207
Travel	4,828	8,069
Contracted Services	500,197	538,271
Depreciation	999,398	973,570
Legal and Audit	10,840	20,830
Marketing	37,169	7,391
Supplies and Expenses	135,648	113,321
Maintenance	157,373	171,465
Utilities	625,766	955,654
Uncollectable accounts	202,043	138,755
Other General and Administrative	<u>121,797</u>	<u>94,098</u>
Total Operating Expenses	<u>3,642,806</u>	<u>4,037,631</u>
Loss from Operations	<u>(1,126,607)</u>	<u>(1,326,744)</u>
Other Revenues		
Other	<u>176,315</u>	<u>232,029</u>
Change in Net Position	\$ <u>(950,292)</u>	\$ <u>(1,094,715)</u>

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

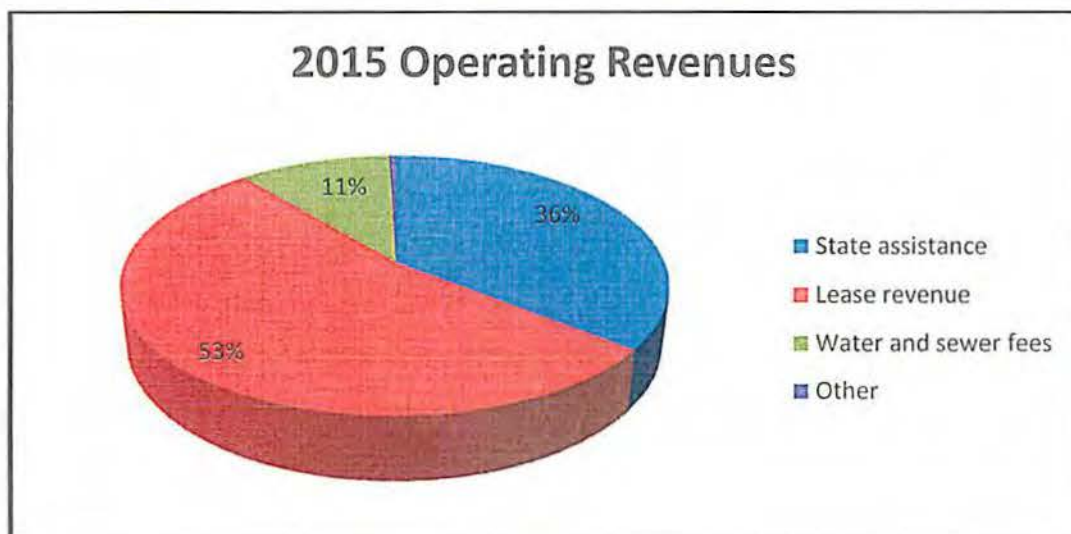
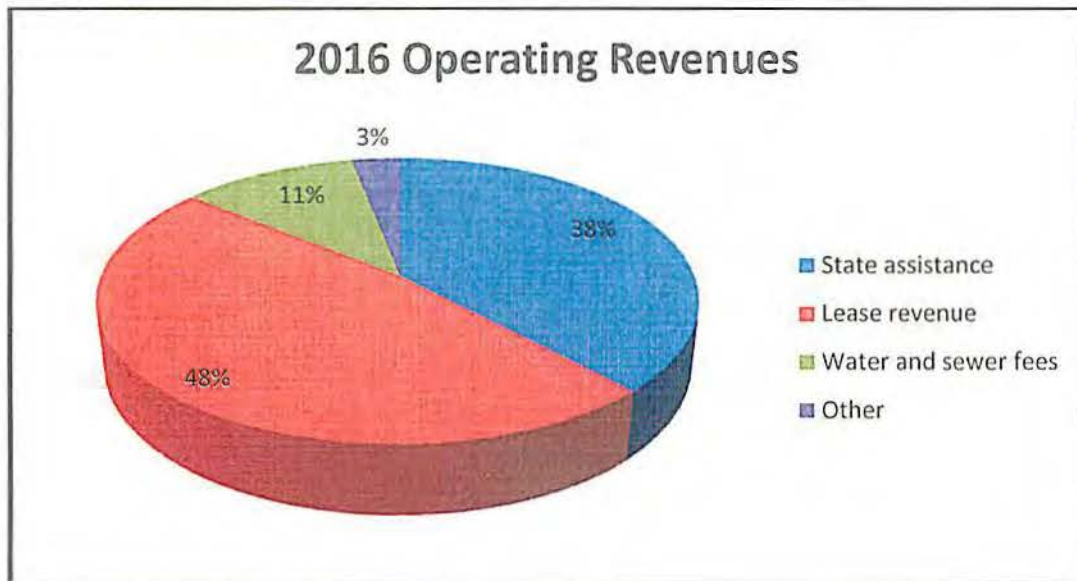
LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2016 and 2015

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 \$2,763,769 in 2016 and \$2,942,916 in 2015. Operating revenues for the two years as represented in the tables below totaled \$2,516,199 in 2016 and \$2,710,887 in 2015. State grants and assistance represents 38% and 36% of the LDA's operating revenues for the last two years.



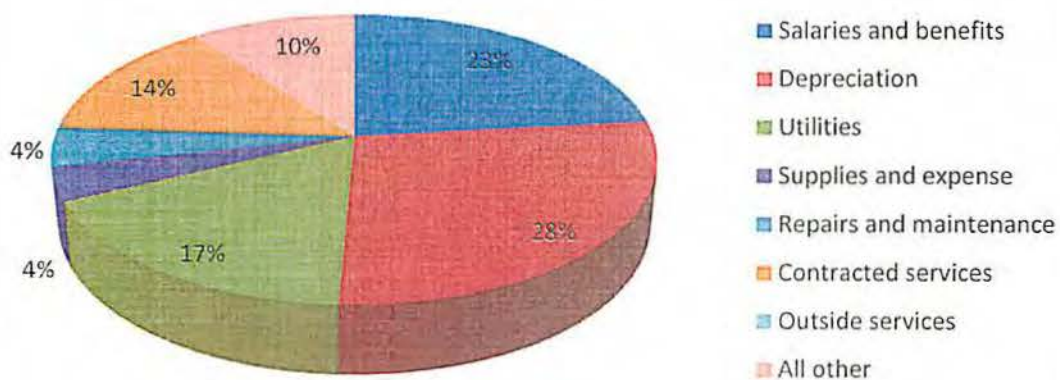
LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2016 and 2015

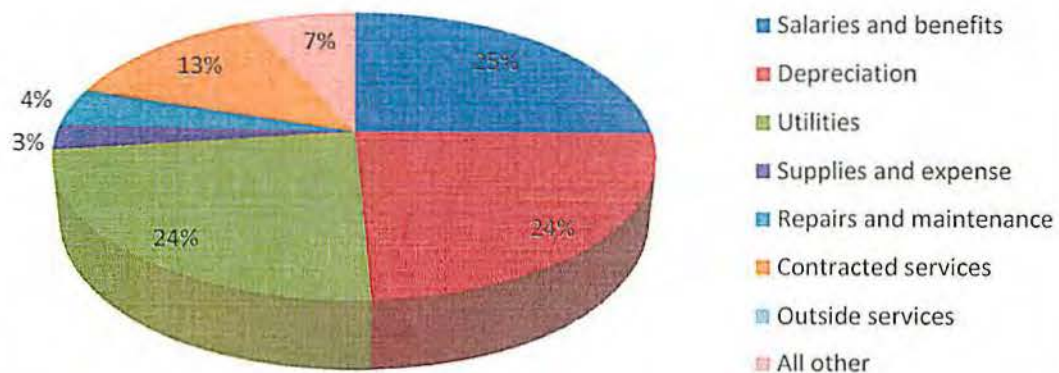
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Operating expenses amounted to \$3,642,806 in 2016 and \$4,037,631 in 2015. The following charts reflect the expenditures for the fiscal years ended June 30, 2016 and 2015.

2016 Expense Distribution



2015 Expense Distribution



LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Years Ended June 30, 2016 and 2015

UNAUDITED

Capital Assets

At the end of fiscal year 2016, the Loring Development Authority had land, buildings, improvements, structures and facilities of \$74,849,219. All assets were donated to LDA by the U.S. Air Force or purchased. Net of depreciation, these assets were recorded at \$61,066,366. Table 3 shows capital assets, net of accumulated depreciation.

Table 3

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

	<u>2016</u>	<u>2015</u>
Land	\$ 10,190,499	\$ 10,190,499
Buildings	19,724,615	20,581,592
Equipment and Improvements	5,247,917	5,177,921
Special Use Structures	4,835,730	5,056,363
Aviation Facilities	15,578,087	15,578,087
Roadways and Accessories	3,489,518	3,495,180
Pipeline	<u>2,000,000</u>	<u>2,000,000</u>
Total Net Capital Assets	\$ <u>61,066,366</u>	\$ <u>62,079,642</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 \$1,169,000 outstanding as of June 30, 2016.

The LDA took on bonded debt of \$454,720 in 2010 for the purpose of upgrading sewer lines. As of June 30, 2016 the balance on this debt is \$306,936.

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, 2016 is \$307,937.

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, 2016 is \$169,023.

LORING DEVELOPMENT AUTHORITY OF MAINE

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Years Ended June 30, 2016 and 2015

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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, 2016 is \$14,552.

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, 2016 is \$108,874.

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, 2016 is \$228,818.

The LDA entered into a loan agreement with Machias Savings Bank, receiving funds in the amount of \$700,000 secured by the Authority's assets. The balance at June 30, 2016 is \$601,857.

The LDA took on bonded debt from the Maine Municipal Bond Bank State Drinking Water State Revolving Loan Fund of \$507,780 in 2016 for the purpose of completing the drinking water project. Of the amount borrowed, \$203,112 was forgiven at closing. As of June 30, 2016 the balance on this debt is \$306,936.

Future Developments

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



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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the proprietary activities of the Loring Development Authority of Maine, which comprise the statements of net position as of June 30, 2016 and 2015, 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, 2016 and 2015, 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 August 4, 2016 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
August 4, 2016

LORING DEVELOPMENT AUTHORITY OF MAINE

STATEMENTS OF NET POSITION

JUNE 30, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT ASSETS		
Cash and temporary investments (Note 3)	\$ 1,071,663	\$ 435,780
Due from State of Maine (Note 9)	681,135	615,840
Accounts receivable, net	753,124	754,492
Grants receivable	-	73,876
Current portion of notes receivable	302,130	-
Inventory	9,619	13,110
	<u>2,817,671</u>	<u>1,893,098</u>
FIXED ASSETS (Note 13)		
Capital assets	74,849,219	74,940,554
Less accumulated depreciation	<u>(13,782,853)</u>	<u>(12,860,912)</u>
	<u>61,066,366</u>	<u>62,079,642</u>
OTHER ASSETS		
Construction in progress	441,801	69,651
Notes receivable (Note 12)	<u>1,562,405</u>	<u>2,159,445</u>
	<u>2,004,206</u>	<u>2,229,096</u>
TOTAL ASSETS	<u>\$ 65,888,243</u>	<u>\$ 66,201,836</u>
DEFERRED OUTFLOWS OF RESOURCES		
Prepaid expense	<u>\$ 1,400</u>	
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 139,859	\$ 143,442
Accrued expenses	97,912	108,322
Security deposits	-	20,490
Line of credit (Note 8)	1,169,000	1,189,807
Current portion of long-term debt	<u>254,697</u>	<u>113,710</u>
	<u>1,661,468</u>	<u>1,575,771</u>
LONG-TERM DEBT (Note 14)		
Notes Payable	2,042,665	1,249,439
Less Current Portion	<u>(254,697)</u>	<u>(113,710)</u>
	<u>1,787,968</u>	<u>1,135,729</u>
TOTAL LIABILITIES	<u>\$ 3,449,436</u>	<u>\$ 2,711,500</u>
DEFERRED INFLOWS OF RESOURCES		
Grants authorized and unexpended (Note 9)	588,838	315,301
Unearned lease revenue (Note 7)	830,000	1,190,000
Prepaid rent	<u>2,500</u>	<u>15,874</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>\$ 1,421,338</u>	<u>\$ 1,521,175</u>
NET POSITION		
Invested in capital assets, net of related debt	59,023,701	60,830,203
Unrestricted	<u>1,995,168</u>	<u>1,138,958</u>
TOTAL NET POSITION	<u><u>\$ 61,018,869</u></u>	<u><u>\$ 61,969,161</u></u>

See notes to financial statements

LORING DEVELOPMENT AUTHORITY OF MAINE

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
State assistance (Note 9)	\$ 956,135	\$ 965,840
Lease revenue	1,204,858	1,445,657
Water and sewer fees	277,421	286,040
Other	77,785	13,350
	<u>2,516,199</u>	<u>2,710,887</u>
OPERATING EXPENSES		
Salaries and benefits	847,747	1,016,207
Depreciation	999,398	973,570
Utilities	625,766	955,654
Supplies and expense	135,648	113,321
Repairs and maintenance	157,373	171,465
Contracted services	500,197	537,805
Outside services-Fire and Ambulance	-	466
Legal and audit	10,840	20,830
Insurance	33,509	25,899
Communications	19,512	16,592
Travel	4,828	8,069
Interest expense and bond bank fees	68,776	51,607
Marketing	37,169	7,391
Uncollectable accounts	202,043	138,755
	<u>3,642,806</u>	<u>4,037,631</u>
LOSS FROM OPERATIONS	<u>(1,126,607)</u>	<u>(1,326,744)</u>
NON-OPERATING REVENUES/(EXPENSES)		
Federal and State assistance for capital projects (Note 9)	172,847	197,159
Gain on sale of surplus property	70,271	20,590
Loss on sale of assets	(71,255)	-
Interest income	4,452	14,280
	<u>176,315</u>	<u>232,029</u>
CHANGE IN NET POSITION	(950,292)	(1,094,715)
NET POSITION - BEGINNING OF YEAR	<u>61,969,161</u>	<u>63,063,876</u>
NET POSITION - END OF YEAR	<u>\$ 61,018,869</u>	<u>\$ 61,969,161</u>

See notes to financial statements

LORING DEVELOPMENT AUTHORITY OF MAINE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 1,318,515	\$ 1,441,317
Cash received from governmental assistance	956,135	965,840
Cash received from other income	77,785	13,350
Cash paid for salaries and benefits	(858,157)	(983,185)
Cash paid for contract services	(500,197)	(538,271)
Cash paid for goods and services	(1,248,670)	(1,381,252)
Interest paid	(68,776)	(51,607)
Net cash used in operating activities	<u>(323,365)</u>	<u>(533,808)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Net advances/(payments) on line of credit	(20,807)	232,807
Proceeds from long-term debt	700,000	-
Payments on long-term debt	(211,442)	(93,492)
Interest received	4,452	14,280
Net cash provided by investing activities	<u>472,203</u>	<u>153,595</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments for capital acquisitions and construction	(131,814)	(236,420)
Federal grants received for capital projects	246,723	151,907
Payments on note receivable	301,865	300,000
Sale of property	70,271	20,590
Net cash provided by financing activities	<u>487,045</u>	<u>236,077</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	635,883	(144,136)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>435,780</u>	<u>579,916</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>1,071,663</u></u>	<u><u>435,780</u></u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED IN OPERATING ACTIVITIES		
Loss from operations	<u>(1,126,607)</u>	<u>(1,326,744)</u>
Adjustments to reconcile loss from operations to net cash used in operating activities		
Depreciation	999,398	973,570
Changes in assets and liabilities		
Operating accounts receivable, net	(55,346)	169,116
Operating funds due from other governments	(8,581)	125,718
Inventory	3,491	18,567
Accounts payable	(3,583)	58,157
Deferred outflows	(1,400)	-
Deferred inflows	(99,837)	(585,214)
Security deposits	(20,490)	-
Accrued expenses	<u>(10,410)</u>	<u>33,022</u>
	<u>803,242</u>	<u>792,936</u>
Net cash used in operating activities	<u><u>\$ (323,365)</u></u>	<u><u>\$ (533,808)</u></u>

See notes to financial statements

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS

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LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS

(1) HISTORY OF THE ORGANIZATION

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

On July 13, 1993, the Maine State Legislature enacted Public Law Chapter 474, establishing the Loring Development Authority of Maine (LDA), a public municipal corporation. The LDA is entrusted with investigating the acquisition of the properties within the geographical boundaries of Loring, and the subsequent redevelopment and management of property so acquired.

On April 4, 1997, the United States Air Force transferred approximately 3,700 acres of land, associated facilities, infrastructure and personal property to the LDA via the execution of Economic Development Conveyance (EDC) and Lease in Furtherance of Conveyance documents. This EDC document, which is a mechanism used by the Federal government to transfer former military installations to local reuse authorities for job creation and economic development purposes, transferred control of the Loring property to the LDA through a no-cost, 55-year lease, with commitments from the Air Force to transfer title to the property upon receiving environmental clearance from the Environmental Protection Agency. The conveyance documents also include a provision that provided the LDA with an average of \$2.7 million annually through September 30, 2004 to fund its municipal type functions including, but not limited to, fire and emergency services, police protection, water and waste water systems, as well as protection and maintenance of buildings, grounds and roadways. This funding expired September 30, 2004. The lease given to the LDA in 1997 was superseded in 2001 with a Quit Claim deed conveying 2,805 of the original 3,700 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.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Measurement focus

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

Use of estimates

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

Budgetary information

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

Cash and cash equivalents

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

Defining operating revenues and expenses

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

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(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. Deferred inflows of resources as of June 30, 2016 consist of prepaid utility expenses.

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 and Note #9.

(3) CASH AND TEMPORARY INVESTMENTS

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

The Authority's cash balances in the financial statements are \$1,071,663 and \$435,780 as of June 30, 2016 and 2015, 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, 2016 and 2015 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, 2016 and 2015 is \$26,325 and \$31,090, respectively.

LORING DEVELOPMENT AUTHORITY OF MAINE

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 \$31,715 and \$37,399 for the years ended June 30, 2016 and 2015.

(6) RENTAL OF FACILITIES

The Authority has leased land and buildings at Loring to various third parties under non-cancellable operating leases requiring fixed payments through 2021. The leases provide for varying terms and conditions.

As of June 30 2016, the future minimum lease payments for the next 5 years are as follows:

<u>Fiscal year ending June 30:</u>	<u>Amount</u>
2017	\$895,769
2018	786,880
2019	784,634
2020	786,228
2021	<u>737,566</u>
	<u>\$3,991,077</u>

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

The MMA has made a long-term commitment to lease the facilities. Because MMA and LDA are instrumentalities of the State, it is unclear whether the lease payment obligation is legally enforceable. The annual lease commitment of the MMA is \$355,271 until at least 2021.

(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, 2016 and 2015 the amount included as deferred inflows was \$830,000 and \$1,190,000 respectively.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(8) LINE OF CREDIT

The Authority has a variable rate operating line of credit with Machias Savings Bank with interest payable at 70% of "Wall Street Prime", currently 2.45%, with a maximum limit of \$1,250,000. As of June 30, 2016, the line of credit balance was \$1,169,000, leaving \$81,000 available for use. The line is secured by the Authority's accounts and notes receivable and other general intangibles.

(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. On May 16, 2016, the Authority was awarded a \$275,000 grant to defray operating expenses and to support implementation of a reuse strategy. \$175,000 was received in May and expended prior to June 30, 2016; the balance, \$100,000, was received in June and will be used to help complete repairs to a roof on a building identified for business expansion and job growth.

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 \$681,135 and \$615,840 for the years ending June 30, 2016 and 2015, respectively. Legislation was passed that will increase the TIF percentage to 100% for the year ended June 30, 2017.

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, 2016. \$106,598 of the balance remained as of that date and is recorded as grants authorized and unexpended.

(B) The United States Department of Defense – In 2009 the United States Air Force Real Property Agency made 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. In 2015, upon recognizing that the initial funding was insufficient to complete the project and comply with the Safe Drinking Water Act an additional \$300,000 was approved and advanced. For the year ended June 30, 2016 the Authority expended \$26,463 of these funds on the water system while \$482,240 remains to be spent and is recorded as grants authorized and unexpended.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

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

(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, 2016, \$1,119,139 had been earned and expended leaving a balance of \$12,861, which will not be used.

(10) CONCENTRATION OF RISK

Federal and State funding

The LDA received approximately 38% of its operating revenue from state funding for the year ended June 30, 2016. The ability to continue its operations is dependent on continued funding.

Accounts receivable

For the year ended June 30, 2016 approximately 91% 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 \$19,345 and \$99,441 for the years ended June 30, 2016 and 2015.

(12) NOTES RECEIVABLE

Crossroads Land Company, LLC

The Authority held 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. In 2016 the company and its members filed bankruptcy and the entire balance was written off against the allowance for doubtful accounts.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(12) NOTES RECEIVABLE (cont'd.)

British Cycle Supply Company

On July 22, 2015 the Authority sold a building to the British Cycle Supply Company and received a promissory note in the amount of \$66,400. The note is payable to the Authority in monthly installments of \$429 including interest at 4.75% through June 2020 with a final balloon payment in the amount of \$55,595 due July 2020. The note is secured by the building. Balance as of June 30, 2016 is \$64,535.

Penobscot Natural Gas

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

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, 2016 the outstanding balance due on the agreement is \$1,800,000.

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

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(13) CAPITAL ASSETS (cont'd.)

Capital asset activity for the year ended June 30, 2016 was as follows:

CAPITAL ASSETS ACQUIRED BY LDA (HISTORICAL COST)

	Beginning Balance	Additions	Retirements	Ending Balance
<u>Capital Assets</u>				
Land	10,000			10,000
Equipment and improvements	<u>9,088,216</u>	<u>155,379</u>	<u>5,305</u>	<u>9,238,290</u>
Total at historical cost	<u>9,098,216</u>	<u>155,379</u>	<u>5,305</u>	<u>9,248,290</u>
<u>Less Accumulated Depreciation</u>				
Equipment and improvements	<u>1,807,090</u>	<u>386,651</u>	<u>5,305</u>	<u>2,188,436</u>
Total Accumulated Depreciation	<u>1,807,090</u>	<u>386,651</u>	<u>5,305</u>	<u>2,188,436</u>
Capital assets at historical cost, net	<u>7,291,126</u>	<u>(231,272)</u>		<u>7,059,854</u>

CAPITAL ASSETS ACQUIRED FROM U. S. AIR FORCE

	Beginning Balance	Additions	Retirements	Ending Balance
<u>Capital Assets</u>				
Land	<u>10,180,499</u>			<u>10,180,499</u>
Buildings				
In use	6,305,712		241,409	6,064,303
Leased	19,601,230			19,601,230
Not in use	<u>3,353,781</u>			<u>3,353,781</u>
	<u>29,260,723</u>		<u>241,409</u>	<u>29,019,314</u>
Equipment				
In use	136,500			136,500
Not in use	<u>89,000</u>			<u>89,000</u>
	<u>225,500</u>			<u>225,500</u>
Special use structures				
Water plant and distribution	<u>5,080,033</u>			<u>5,080,033</u>
Other facilities and improvements				
Aviation facilities				
Runways	9,472,226			9,472,226
Structures	6,105,861			6,105,861
Fuel pipeline	<u>2,000,000</u>			<u>2,000,000</u>
	<u>17,578,087</u>			<u>17,578,087</u>
Roadways and accessories	<u>3,517,496</u>			<u>3,517,496</u>
Capital assets from U.S. Air Force	<u>65,842,338</u>		<u>241,409</u>	<u>65,600,929</u>

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(13) CAPITAL ASSETS (cont'd.)

	Beginning Balance	Additions	Retirements	Ending Balance
<u>Less Accumulated Depreciation</u>				
Buildings				
In use	2,132,153	117,339	72,152	2,177,340
Leased	<u>6,905,552</u>	<u>393,807</u>		<u>7,299,359</u>
	<u>9,037,705</u>	<u>511,146</u>	<u>72,152</u>	<u>9,476,699</u>
Equipment				
In use	<u>136,500</u>			<u>136,500</u>
Special use structures				
Water plant and distribution	<u>1,879,617</u>	<u>101,601</u>		<u>1,981,218</u>
Total Accumulated Depreciation	<u>11,053,822</u>	<u>612,747</u>	<u>72,152</u>	<u>11,594,417</u>
Capital assets acquired from U. S. Air Force, net	<u>54,788,516</u>	<u>(612,749)</u>	<u>(169,255)</u>	<u>54,006,512</u>
TOTAL CAPITAL ASSETS				
Capital assets	74,940,554	155,379	(246,714)	74,849,219
Less Accumulated Depreciation	<u>(12,860,912)</u>	<u>(999,398)</u>	<u>77,457</u>	<u>(13,782,853)</u>
	<u>62,079,642</u>	<u>(844,019)</u>	<u>(169,257)</u>	<u>61,066,366</u>

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

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

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.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(14) LONG-TERM DEBT

As of June 30 long-term debt consisted of:

	<u>2016</u>	<u>2015</u>
Note payable to Northern Maine Development Commission, payable in monthly installments of \$1,381 including interest at 3% per annum through May 2018; secured by assets of the Authority	108,874	121,974
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	307,937	312,636
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	14,552	35,755
Note payable to Machias Savings Bank, payable in monthly installments of \$12,587 including interest at 3.029% per annum through September 2020; secured by assets of the Authority	601,857	
Bond payable to the Maine Municipal Bond Bank, payable in semi-annual installments of \$10,156 plus interest at 1% per annum through February 2046.	304,668	
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.	169,023	204,434
Note payable to Katahdin Trust Company, payable in monthly installments of \$2,289 including interest at 4.5% per annum through December 2026; secured by real estate.	228,818	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%.	<u>306,936</u>	<u>329,672</u>
	2,042,665	1,249,439
Less current portion	<u>(254,697)</u>	<u>(113,710)</u>
	<u>1,787,968</u>	<u>1,135,729</u>

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

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

Future long-term debt obligations are as follows for the year ended June 30, 2016:

	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
6/30/2017	254,697	48,539	303,236
6/30/2018	328,592	40,978	369,570
6/30/2019	240,016	31,413	271,429
6/30/2020	247,051	24,276	271,327
6/30/2021	111,207	18,384	129,591
2022-26	314,647	71,510	386,157
2027-31	178,098	47,899	225,997
2032-36	92,606	39,042	131,648
2037-41	99,860	29,250	129,110
2042-46	108,371	18,199	126,570
2047-51	<u>67,520</u>	<u>6,750</u>	<u>74,270</u>
Total	<u>2,042,665</u>	<u>376,240</u>	<u>2,418,905</u>

Long-term debt activity for the year ended June 30, 2016 is as follows:

	<u>Beginning Balance</u>	<u>Advances</u>	<u>Payments</u>	<u>Ending Balance</u>
Note payable –NMDC	121,974		13,100	108,874
Note payable-USDA	312,636		4,699	307,937
Note payable-Katahdin Trust Company	35,755		21,203	14,552
Note payable –Machias Savings Bank		700,000	98,143	601,857
Bond payable - MMBB		304,668		304,668
Note payable-Katahdin Trust Company	204,434		35,411	169,023
Note payable-Katahdin Trust Company	244,968		16,150	228,818
Bond payable – MMBB	<u>329,672</u>	<u> </u>	<u>22,736</u>	<u>306,936</u>
	<u>1,249,439</u>	<u>1,004,668</u>	<u>211,442</u>	<u>2,042,665</u>

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(15) SUBSEQUENT EVENTS

Management has evaluated subsequent events occurring through August 4, 2016, 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, 2016, 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, 2016. 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 2016, 2015 and 2014 as they relate to payroll tax returns.

LORING DEVELOPMENT AUTHORITY OF MAINE

NOTES TO FINANCIAL STATEMENTS (cont'd.)

(18) SUMMARY OF ACTIVITIES

<u>Function</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total</u>
General operations	<u>(3,642,806)</u>	<u>1,482,279</u>	<u>-</u>	<u>172,847</u>	<u>(1,987,680)</u>
General revenues:					
State appropriations					275,000
Loring Job Incremental Financing					681,135
Interest income					4,452
Sale of surplus property					70,271
Loss on sale of assets					(71,255)
Other income					<u>77,785</u>
Total general revenues					<u>1,037,388</u>
Change in net position					(950,292)
Net position - July 1, 2015					<u>61,969,161</u>
Net position - June 30, 2016					<u>61,018,869</u>

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

Non-cash investing and financing activities for the year ended June 30, 2016 are as follows:

Capital assets purchased with long-term debt	304,668
Long-term debt assumed for capital assets	(304,668)

ADDITIONAL REPORT



Chester M. Kearney

Certified Public Accountants

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

Barbara E. McGuire, CPA, CGMA

Herman Belanger, 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, 2016, and the related notes to the financial statements, and have issued our report thereon dated August 4, 2016.

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.

Chester M. Kearney

Presque Isle, Maine
August 4, 2016

**PARAGRAPH 1C: PROPERTY TRANSACTIONS DURING
FISCAL YEAR 2016**

PROPERTY TRANSACTIONS

LEASES and SALES

RESIDENTIAL PROPERTY LEASE. The 58 townhouse apartments and two individual houses at Loring are under new management. LDA kept the housing operation viable while seeking a prospect interested in acquiring the residential operation. A lease agreement, signed in February, includes an option for the sale of the property to the operators.

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.

SMARTER RISK FSD. Smarter Risk and LDA entered into a month-to-month lease agreement for an office in LDA's office building, building 5100. The company leased the office as it explored options for new activity at Loring.

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 in anticipation of commercial activity over the next year.

LICENSES

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

ACQUISITION

The diesel plant, Building #7240, was transferred from Bangor Gas to LDA along with some industrially-zoned acreage. LDA is working with a prospect for the use of the plant.

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

NONE

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

NONE

PARAGRAPH 1F: LISTING OF BONDS ISSUED

NONE

**PARAGRAPH 1G: SUBSEQUENT EVENTS – JULY 1, 2016 TO OCTOBER 15, 2016 AND
PROPOSED ACTIVITIES FOR FISCAL YEAR 2016**

SUBSEQUENT EVENTS

A summary of the activities on the Loring Commerce Centre between July 1, 2016 and October 15, 2016 are provided below.

LORING INDUSTRIES. In September 2016, Loring Industries, LLC (LI) and Maine Military Authority (MMA) extended their existing Teaming Agreement, dated December 19, 2014 for 5 years with an additional 5 year option.

Loring Industries was established by LDA as a means to access business opportunities that MMA cannot access due to its limitations as a State of Maine entity. LI is able to pursue business opportunities with various partners, and can attract capital as any private enterprise might. The Teaming Agreement defines the terms by which MMA and LI may work as partners on various projects. LDA may participate in a project as an equity investor, exchanging a portion of the value of the property and equipment it contributes for an equity stake in the business.

RANGER SOLAR. On October 3, 2016, LDA and Ranger Solar executed a lease agreement for approximately 996 acres of land at Loring for the development of a utility-scale solar energy project. The lease allows Ranger Solar to evaluate the best placement for solar equipment; over 600 of the initial 996 acres are expected ultimately to be utilized for solar energy production. Locating the project at Loring makes use of its large tracts of open, previously developed land and existing electrical infrastructure. The project is compatible with future development including aviation uses. The 100 megawatt solar energy facility will be the largest in the state of Maine and the New England region. Construction is expected to begin in 2019, creating about 300 one-year construction jobs. The project, once built and operational, will support several permanent jobs.

FAIRPOINT COMMUNICATIONS. The telecommunications system at Loring is owned by Fairpoint Communications. LDA is working with Fairpoint to relocate the part of the system that is housed in Building 5001, to a permanent facility. Options being considered include the construction of a 24'x10' communications building; renovation of a small existing building; or locating in a 250 sqft space in another building.

NEXION PROJECT. The Air Force Weather Agency (AFWA) is interested in a land lease near the Defense Finance and Accounting Services (DFAS) building at Loring where it would locate an approximately 100' antenna tower with equipment for monitoring the ionosphere. Conditions in the ionosphere have significant implications for military and civilian communications systems. The AFWA is considering three different sites; one leased by DFAS, one leased by the Maine National Guard (MNG), and one controlled by LDA. If the DFAS site or MNG site is selected the AFWA would work out a lease with DFAS or MNG. If the LDA site is selected, the lease would be with LDA for a one-half to four acre parcel.

PROPOSED AND PROJECTED ACTIVITIES FOR FISCAL YEAR 2016

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.

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

Continue working with Aroostook Partnership and the Northern Maine Development Commission on economic development projects in Aroostook 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.

Explore ways to leverage assets of Aroostook County and Loring to create economic opportunity. In particular, establish a partnership with the Maine School of Science and Math to provide students and alumni with access to facilities and infrastructure that support testing and development of new, innovative products and technologies; and support the establish a technology incubator.

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

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

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

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

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

The Loring Development Authority recommends that the following actions be considered by the Governor and Legislature:

Provide for Replacement of Infrastructure

Based on the cost of property and improvements LDA has placed into service since acquiring Loring from the Air Force, and based on estimates of value of property donated by the Air Force to LDA and placed into service, the LDA generates nearly \$1 M per year in depreciation expense. Revenues from operations are insufficient to permit LDA to fund any significant part of this depreciation.

In recent years, LDA has been successful in obtaining grants permitting considerable investments in the drinking water treatment and distribution and wastewater collection systems as well as upgrades to buildings suitable for small businesses. Three buildings have been converted so that they can be heated with multiple fuels. 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.

For the past two years, we have been requested to submit a prioritized list of capital needs projected over the next 10 years. A copy of our most recent submission (September, 2016) is attached. Specific high priority (1 to 2 years) capital needs would require approximately \$3,405,000 to accomplish. Additional longer-term (3 to 10 years) capital needs are estimated at about \$12,500,000.

The LDA's **specific recommendation** at this time is to submit, for legislative approval, one or more state-wide bond referendums reflecting a total commitment of at least \$3,400,000 to complete the most pressing capital needs for Loring, as identified in the attached submission. Appropriate vehicles for inclusion of this funding might include a Transportation Bond, or an Economic Development Infrastructure Bond. Alternatively, include an appropriation for annual grants of up to \$1.7 M for each of the next two fiscal years.

ADDENDUMS

- 1. Capital Needs - 10 Year Projection**
- 2. Loring Development Authority Board of Trustees**
- 3. Loring Development Authority Development and Field Staff**
- 4. Loring Commerce Centre Tenants**

FRIDAY, MAY 1, 2015
Updated September 2016

Capital Needs -- Revised and Prioritized -- 10 Year Projection	LDA Estimate	Notes	Spent or committed since last report	Revised Need
<u>HIGHEST PRIORITY - COMPLETE WITHIN 1-2 YEARS</u>				
1 Buildings - roof replacement. Replace the roof on Building 8702, which houses two manufacturing businesses.	\$ 283,000	The building was renovated in 2000 and is in very good condition, with the exception of the roof. The roof has started leaking, making this a top priority project. <i>Funding has been set aside to do half the roof in October 2016. Plan to spend \$105,000 est; remaining need = \$105,000</i>	\$ 105,000	\$ 105,000
2 Roads. Resurface a 2,000 foot section of Northcutt Road, which provides the primary access to the commercial areas. Remove 2 of 4 lanes and concrete gutters to improve drainage.	\$ 100,000	This road's poor condition threatens the integrity of the road bed. <i>No change, road continues to deteriorate. All business prospects visiting Loring must use this road creating a negative impression and making business attraction more difficult.</i>		\$ 100,000
3 Buildings - boilers. Replace two boilers in Building 2501, which are well beyond their useful life and no longer serviceable.	\$ 85,000	<i>No change.</i>		\$ 85,000
4 Buildings - roof replacement. Replace a portion of the roof on Building 8710 which is LDA's municipal and facilities equipment building and critical for continued operations.	\$ 65,000	<i>No change.</i>		\$ 65,000
5 Roads. Resurface and repair a 2.6 mile (10.7 lane mile) section of Development Drive, Pennsylvania Road and Loring Commerce Road; these roads provide access within the complex to all major commercial areas. Remove former heat line crossings and replace culverts as needed. Reduce Loring Commerce Road from 4 to 2 lanes.	\$ 1,450,000	These heavily-travelled roads have not been resurfaced for approximately 25 years and are in poor condition. <i>No change.</i>		\$ 1,450,000
6 Buildings - boilers. Install a boiler and heat distribution system in Building 6555. This steel frame building, a former bowling center, has been partially rehabilitated and can become a prime commercial/industrial facility.	\$ 100,000	<i>No change, however we are seeking prospective buyers to purchase of the building "as is".</i>		\$ 100,000
7 Buildings - demolition. Uninhabitable apartment buildings, approximately 20 buildings; also, former commercial buildings 5050, 5300, 5301, and 2510.	\$ 1,500,000	These buildings cannot be recovered. These particular buildings create a significant blight on the otherwise attractive commercial landscape thereby inhibiting future development. Seek EDA assistance which may reduce cost. One project in 2016 or 2017. <i>No change</i>		\$ 1,500,000
Total Top Priority Projects	<u>\$ 3,583,000</u>		<u>\$ 105,000</u>	<u>\$ 3,405,000</u>

FRIDAY, MAY 1, 2015
Updated September 2016

Capital Needs -- Revised and Prioritized -- 10 Year Projection	LDA Estimate	Notes	Spent or committed since last report	Revised Need
LONGER TERM PRIORITY ITEMS - COMPLETE WITHIN 3 - 10 YEARS				
1 Sewer collection system. Complete a substantial portion the sewer replacement project to reduce inflow and infiltration (I & I) estimated at \$8.4 M in 2006. To date \$2.6 M has been spent and another \$500,000 has been secured for 2015-16. A large reduction of I & I can be achieved with the next \$2.5 M of expenditures.	\$ 2,500,000	Future projects would be completed in two phases costing \$1,250,000 each in 2017/2018 and 2019/2020. <i>We plan to spend approximately \$336,000 in FY 17 on sewer upgrades (CDBG funding)</i>	\$ 336,000	\$ 2,174,000
2 Roads. Resurface secondary roads. Replace (as needed) cross culverts and catch basins. Remove former heat line crossings and most curbing. Weinman Road bridge maintenance and pavement for approximately 30 lane miles.	\$ 4,064,000	30 lane miles at \$22.50 / linear foot; bridge and cross culverts require additional evaluation but estimated at \$500,000. Complete approximately \$500,000 per year beginning in 2018. <i>No change</i>		\$ 4,064,000
3 Buildings - boilers. Many buildings have boilers that were new in the 1990's, these will reach the end of their useful life in 5 to 10 years.	\$ 600,000	New high-efficiency boilers paired with improved doors, windows, insulation and lighting will reduce operating costs. Approximately \$200,000 in 2022, 2024 and 2026. <i>no change.</i>		\$ 600,000
4 Buildings - general. New roofs, siding, windows, doors, paint, brickwork, lighting and electrical, parking lot pavements.	\$ 2,500,000	LDA is responsible for a total of 1,556,000 SF of space in approximately 45 developed or developable commercial/industrial buildings currently in good to excellent condition. \$300,000 per year each year beginning 2018. <i>We replaced a badly-leaking roof on Building #5007 in FY 16, approximately 7,800 SF - preserving this excellent facility for future use. Self-funded. Also a roof at the water plant.</i>	\$ 119,600	\$ 2,381,400
5 Water distribution system. Paint one or two elevated water towers, or replace towers with a pump system to maintain pressure in the distribution system. Upgrade backup generator system. Repair or replace as needed water mains and laterals, underground valves, storage tank; booster station control system and other water system buildings and infrastructure.	\$ 1,700,000	Repair or replace aging infrastructure associated with water system. \$700,000 for painting tower (or pump system) in 2022; Miscellaneous replacements at \$125,000/yr beginning 2018. <i>We have completed an upgrade to the treatment system, adding aerification and modified flocculation systems to improve compliance with certain water quality standards. Funding from the State Revolving loan fund, CDBG and the Air Force.</i>	\$ 1,171,780	\$ 1,300,000
6 Buildings - demolition. Additional demolition of unusable commercial buildings 6000, 6250, 5001, 8800, 8810, 8840, 7300, 8440, 8420; misc small structures. Approximately 325,000 s.f.	\$ 2,000,000	Demolish unusable buildings. Seek EDA grant assistance which may reduce cost. One project in 2019. <i>No change.</i>		\$ 2,000,000
Total Longer Term Priority Projects	\$ 13,364,000		\$ 1,627,380	\$ 12,519,400
GRAND TOTAL HIGHEST AND LONGER TERM PRIORITY	\$ 16,947,000		\$ 1,732,380	\$ 15,924,400

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 2016 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 and is now employed by Smith's Farm. 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 former 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.

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 Business Development Manager for James W. Sewall Company. Mr. Edgecomb has served on the LDA Board since 2011.

James Clair, resident of Augusta, is the CEO of Clair Group. 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.

James Cote, resident of Limestone, is the Owner/Manager of Cote Auto in Limestone. Mr. Cote has served on the LDA Board since 2016.

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., emergency response, 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, position vacant.

LDA FIELD STAFF

Charles L. Cyr, Roads and Grounds Maintenance Worker

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

Devon M. Espling, Roads and Grounds Maintenance Worker

Steven C. Gagnon, Water Plant Operator

Robert J. Johnston, Roads and Grounds Maintenance Worker Leader

Alan L. Lightbown, Fuels Distribution System Mechanic

Mark J. Madore, Utilities Maintenance Worker

Wayne W. Pryor, Electrician

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

LORING COMMERCE CENTRE TENANTS

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.

Bangor Gas. Bangor Gas, a natural gas company and a subsidiary of Penobscot Natural Gas, leases the Loring to Searsport pipeline. The company has reactivated a portion of the pipeline to supply natural gas to customers along the corridor.

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.

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.

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.

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 586 people.

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.

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.

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 about 10 people.

Inland Winds Property Management. Residential units at Loring include three and four bedroom town homes available for rent and individual homes available for purchase or lease.

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.

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

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.

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.

Loring Industries, LLC. Loring Industries (LI) was established by LDA to work with Maine Military Authority (MMA). As a private enterprise, LI is making use of MMA's well established reputation in the vehicle refurbishment industry, pursuing business opportunities and capital investments with various partners.

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 125 people.

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.

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.

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 62 people. MMA continues to seek out customers such as the various military branches, and state and local governments.

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.

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.

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.

The Power Company. Based in Washington, Maine, the Power Company constructed two solar - voltaic systems at Loring; both have been in operation for several years. LDA purchases the electrical power generated by the solar systems at an overall cost advantage compared with the cost of electricity available through the traditional utility and energy providers.