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January 17, 2025

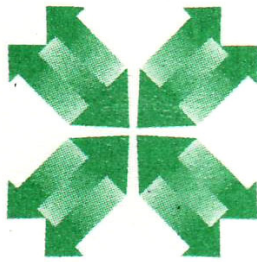
Board of Directors
Fort Harrison Reuse Authority
Marion County, Indiana

We have reviewed the audit report of Fort Harrison Reuse Authority which was opined upon by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period January 1, 2023 to December 31, 2023. Per the Independent Auditor's Report, the financial statements included in the report present fairly the financial condition of the Fort Harrison Reuse Authority as of December 31, 2023, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding included in the report on page 34. The Authority's response is also included on page 34.

The audit report is filed with this letter in our office as a matter of public record.

Tammy R. White, CPA
Deputy State Examiner



FORT HARRISON
Reuse Authority

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

December 31, 2023 and 2022

FORT HARRISON REUSE AUTHORITY

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Independent Auditor's Report

Board of Directors
Fort Harrison Reuse Authority

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activity of Fort Harrison Reuse Authority, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Fort Harrison Reuse Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fort Harrison Reuse Authority as of December 31, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fort Harrison Reuse Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Fort Harrison Reuse Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Fort Harrison Reuse Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Fort Harrison Reuse Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the schedules of the Authority's proportionate share of the net pension liability and the Authority's contributions and the related notes on pages 30 through 32 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 December 16, 2024 on our consideration of Fort Harrison Reuse Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Fort Harrison Reuse Authority's 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 Fort Harrison Reuse Authority's internal control over financial reporting and compliance.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
December 16, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FORT HARRISON REUSE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) December 31, 2023 and 2022

Introduction

The management of the Fort Harrison Reuse Authority (the Authority), which is a governmental entity located in the City of Lawrence, Indiana and Marion County-Indianapolis, Indiana, offers the readers of the Authority's financial statements this narrative overview and analysis of financial activities for the calendar years ended December 31, 2023 and 2022. The Management's Discussion and Analysis is being presented to provide additional information regarding the activities of the Authority in connection with its financial statements and to meet the requirements of the Governmental Accounting Standards Board (GASB).

The Authority was created to redevelop property that was formerly the Fort Benjamin Harrison United States Army Military Base (Fort Harrison). The goal in doing so is to replace jobs lost during base closure and to conduct activities that result in the generation of property tax through local investment. The activities of the Authority include the marketing of properties held for sale by the Authority, conducting planning and making physical improvements to property that add value to the Fort Harrison area, and promoting business development opportunities available at Fort Harrison.

Overview of Financial Statements

The financial statements consist of a special-purpose business-type activity which is reported on the accrual basis of accounting using the economic resources measurement focus, which is similar to the accounting method used by most private-sector companies. The Authority prepares its financial statements in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements include the *Statements of Net Position*, the *Statements of Revenue, Expenses and Changes in Net Position*, and the *Statements of Cash Flows*. These statements provide current and long-term information about the Authority and its activities.

The *Statement of Net Position* answers the question, "How was our financial health at the end of the year?" This statement provides information about the financial position of the Authority at a specific date. The organization of the statement separates assets and liabilities into current and non-current balances. The statement shows the totals of assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. The Authority's net position represents one way to measure the Authority's financial health. In assessing the financial position of the Authority, one may additionally consider the ability of the Authority to implement its mission and take into consideration its accomplishments relevant to significant projects that impact the long-term goals of the community, more specifically the City of Lawrence, Indiana, and the east side of Indianapolis.

The net position of the Authority is comprised of three categories:

- *Net investment in capital assets* represents the Authority's investments in capital assets (e.g. land, buildings, etc.) less any related debt used to acquire those assets that is still outstanding. The Authority uses these assets as its primary commodity to attract investment in the Fort Harrison jurisdiction. These investments add value to the overall Fort Harrison property and are recoverable through the liquidation of relevant assets.

FORT HARRISON REUSE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED) December 31, 2023 and 2022

- *Restricted for debt service and area development* represents annual obligations to outstanding debt issued for various improvements in the Authority's jurisdiction.
- *Unrestricted* represents resources that may be used to meet the Authority's ongoing obligations to the public and creditors.

All of the current year's revenues and expenses are accounted for in the *Statement of Revenue, Expenses and Changes in Net Position*. This statement measures the success of the Authority's operations over the past year and can be used to determine whether the Authority has successfully recovered all of its costs through mortgages and loans, externally funded programs and other revenue sources. This statement also helps answer the question "Is the Authority as a whole better off or worse off as a result of the year's activities?"

The primary purpose of the *Statement of Cash Flows* is to provide information about the Authority's cash receipts and cash payments during the accounting period. This statement reports cash transactions, including receipts, payments, and net changes resulting from operations, noncapital financing, capital financing, and investing activities. It provides answers to such questions as "Where did the cash come from?"; "What was the cash used for?" and "What was the change in cash balance during the reporting period?"

The *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the entity-wide financial statements.

Financial Highlights

In 2023, the Authority entered into an agreement to purchase a property from a third party for consideration of \$900,000 which will be held and leased to a tenant in the amount of \$5,165 monthly through January 2025. Additionally, the Authority donated a parcel of land with a carrying value of \$561,473 to a third party. Additionally, the Authority donated a property with a carrying value of \$1 for to a third party that had been leasing the property for \$1 annually. In 2022, per an agreement the Authority donated to the City of Lawrence the Civic Plaza Development with an approximate cost basis of \$1,733,612. In 2021, per an agreement the Authority sold 28 lots to a housing developer for approximately \$886,008 with an approximate cost basis of \$1,433,672. In 2020, the Authority sold 23 lots to the same housing developer for approximately \$829,000 with an approximate cost basis of \$1,200,000. In 2019, the Authority sold 9 lots to the same housing developer for approximately \$317,000 with an approximate cost basis of \$390,000.

Repayment of bonds and notes totaled \$1,050,000 in 2023 and \$2,690,000 in 2022. The Authority entered into an agreement for Bond Anticipation Notes of 2023 in the amount of \$20,105,000.

FORT HARRISON REUSE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED) December 31, 2023 and 2022

Comparative Statements of Net Position

The comparative analysis below is a summary of the statements of net position for the years ended December 31, 2023, 2022 and 2021.

	2023	2022	2021
Current assets - unrestricted			
Real estate held for sale	\$ 2,639,120	\$ 3,191,593	\$ 3,195,090
Other unrestricted current assets	<u>743,139</u>	<u>1,480,873</u>	<u>2,985,648</u>
Total current assets - unrestricted	3,382,259	4,672,466	6,180,738
Current assets - restricted	31,473,232	10,617,806	9,904,485
Noncurrent assets			
Depreciable and nondepreciable capital assets	<u>897,259</u>	<u>5,462</u>	<u>7,221</u>
Total Assets	<u>\$ 35,752,750</u>	<u>\$ 15,295,734</u>	<u>\$ 16,092,444</u>
Deferred Outflows of Resources	<u>\$ 68,665</u>	<u>\$ 123,853</u>	<u>\$ 178,115</u>
Current liabilities - payable from unrestricted assets	\$ 798,651	\$ 757,701	\$ 119,532
Current liabilities - payable from restricted assets	2,822,610	1,317,610	3,186,081
Noncurrent liabilities - payable from unrestricted assets	44,117	66,546	36,581
Noncurrent liabilities - payable from restricted assets	<u>34,895,929</u>	<u>17,392,243</u>	<u>17,003,691</u>
Total Liabilities	<u>\$ 38,561,307</u>	<u>\$ 19,534,100</u>	<u>\$ 20,345,885</u>
Deferred Inflows of Resources	<u>\$ 2,746,083</u>	<u>\$ 2,212,447</u>	<u>\$ 2,270,597</u>
Net position			
Net investment in capital assets	\$(14,414,550)	\$(15,245,188)	\$(16,491,380)
Restricted for debt service and area development	8,417,112	8,154,064	7,152,630
Unrestricted	<u>511,463</u>	<u>764,164</u>	<u>2,992,827</u>
Total Net Position	<u>\$ (5,485,975)</u>	<u>\$ (6,326,960)</u>	<u>\$ (6,345,923)</u>

2023 to 2022 Comparative Statements of Net Position

Current assets - unrestricted decreased approximately \$1,280,207 due primarily to a decrease in cash of approximately \$738,000 for costs to design a parking garage. Real estate held for sale had a net decrease of approximately \$552,000 primarily due to a parcel being donated to Lawrence Township during the year.

Current assets - restricted increased approximately \$20,855,000 due to 2023 BAN investment proceeds as the Authority entered into an agreement for Bond Anticipation Notes during 2023 in the amount of \$20,105,000. Additional increase in the amount of \$527,000 relates to the TIF receivable increasing from the prior year.

FORT HARRISON REUSE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED) December 31, 2023 and 2022

2023 to 2022 Comparative Statements of Net Position (Continued)

Depreciable and nondepreciable capital assets increased approximately \$892,000 due to the Authority purchasing 9168 Otis Avenue building and land during 2023 for \$900,000. This increase was offset by current year depreciation expense of approximately \$11,000.

Deferred outflows of resources decreased approximately \$55,000 due to amortization of the deferred loss on the advance refunding of the outstanding 2009 bonds in the amount of approximately \$41,000 as well as a decrease of deferred pension costs of approximately \$14,000 relating to the current year actuarial valuation.

Current liabilities - unrestricted increased approximately \$41,000 due to a timing of accounts payable as compared to the prior year.

Current liabilities - restricted increased approximately \$1,505,000 due to an increase in payments due in 2024 versus 2023 based on bond payment schedules.

Noncurrent liabilities - restricted increased approximately \$17,504,000 due to the Authority obtaining a Bond Anticipation Note of \$20,105,000 during 2023 offset by current year payments of \$1,050,000 and reclassification of current portion to current liabilities.

2022 to 2021 Comparative Statements of Net Position

Current assets - unrestricted decreased approximately \$1,508,000 due primarily to a decrease in cash of approximately \$1,393,000 for contributions of property improvements offset by a decrease in real estate held for sale of approximately \$4,000. Real estate held for sale had a net decrease of approximately \$4,000 due to approximately \$1,740,500 in development cost of real estate held for sale offset by \$1,737,000 in donations of land during the year.

Current assets - restricted increased approximately \$713,000 due to the Tax Increment Financing (TIF) property tax receivables decreasing by approximately \$10,000 offset by an increase in restricted cash of approximately \$723,000. The increase in restricted cash resulted from TIF cash collections increasing by approximately \$923,000, offset by a decrease in restricted cash held for third parties by approximately \$200,000.

Deferred outflows of resources decreased approximately \$54,000 due to amortization of the deferred loss on the advance refunding of the outstanding 2009 bonds.

Current liabilities - unrestricted increased approximately \$638,000 due to the timing of the payment of the Authority's city service invoices primarily consisting of approximately \$566,000 due for the interlocal agreement with the City of Lawrence in addition to a decrease in the current portion of the infrastructure allowance payable of \$50,000.

Current liabilities - restricted decreased approximately \$1,868,000 due to a portion of the Authority's outstanding debt obligations becoming current in the prior year. The note was renewed for a longer term in the current year. Additionally, there was a \$200,000 decrease in the noncurrent infrastructure allowance payable during 2022.

Noncurrent liabilities - restricted increased approximately \$389,000 as a function of ongoing debt service payments of \$2,690,000 offset by the Authority obtaining a Bond Anticipation Note of \$1,470,000 during 2022.

FORT HARRISON REUSE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED) December 31, 2023 and 2022

Comparative Statements of Revenue, Expenses and Changes in Net Position

The comparative analysis below is a summary of the statements of revenue, expenses and changes in net position for the years ended December 31, 2023, 2022 and 2021.

	2023	2022	2021
Operating Revenue			
Rental income	\$ 21,686	\$ 21,391	\$ 27,219
Total Operating Revenue	<u>21,686</u>	<u>21,391</u>	<u>27,219</u>
Nonoperating Revenue			
TIF tax revenue	4,108,994	4,735,793	4,619,851
Investment return	178,322	45,304	671
Income from real estate held for sale	104,192		
Other income (expense)	<u>6,870</u>	<u>1,970</u>	<u>4,500</u>
Total Nonoperating Revenue	<u>4,397,378</u>	<u>4,783,067</u>	<u>4,625,022</u>
Total Revenue	<u>4,420,064</u>	<u>4,804,458</u>	<u>4,652,241</u>
Operating Expenses			
Personnel	107,588	112,491	181,688
Utilities	55,178	61,927	66,658
Office supplies and other expenses	44,556	81,030	33,353
Professional fees	601,201	368,534	329,001
Repairs and maintenance	197,062	166,433	164,991
Engineering services	234,567	6,850	4,190
Insurance	13,181	14,622	16,073
Depreciation	<u>11,086</u>	<u>1,759</u>	<u>1,032</u>
Total Operating Expenses	<u>1,264,419</u>	<u>813,646</u>	<u>796,986</u>
Nonoperating Expenses			
Loss on real estate held for sale			810,501
Contributed property	672,616	2,137,109	3,330,977
Interest expense, net of capitalized interest	655,961	702,208	724,264
Interlocal agreement	<u>986,083</u>	<u>1,132,532</u>	<u>1,031,462</u>
Total Nonoperating Expenses	<u>2,314,660</u>	<u>3,971,849</u>	<u>5,897,204</u>
Total Expenses	<u>3,579,079</u>	<u>4,785,495</u>	<u>6,694,190</u>
Increase (Decrease) in Net Position	840,985	18,963	(2,041,949)
Net Position, Beginning of Year	<u>(6,326,960)</u>	<u>(6,345,923)</u>	<u>(4,303,974)</u>
Net Position, End of Year	<u>\$(5,485,975)</u>	<u>\$(6,326,960)</u>	<u>\$(6,345,923)</u>

FORT HARRISON REUSE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED) December 31, 2023 and 2022

2023 to 2022 Comparative Statements of Revenue, Expenses and Changes in Net Position

Nonoperating Revenue decreased approximately \$385,000 related to a decrease in TIF tax revenues of approximately \$627,000 based on the allocation of revenues from the County. This decrease was offset by an increase in income from real estate held for sale related to the collection of approximately \$104,000 to reimburse costs incurred in the prior year related to the Civic Plaza Development. Additional increase in nonoperating revenues of approximately \$133,000 related to an increase in investment return due to the rising interest rates and additional deposits held relating to the 2023 BAN proceeds.

Operating Expenses increased by approximately \$451,000. Professional fees increased approximately \$233,000 due to closing of the 2023 BAN. Engineering services also increased approximately \$228,000 due to design costs for building a parking garage in 2023.

Nonoperating Expenses decreased by approximately \$1,657,000 due primarily to contributed property of approximately \$2,137,000 in the prior year versus approximately \$673,000 in the current year. Additional decrease in nonoperating expenses of approximately \$147,000 was related to a decrease in interlocal agreement expenses during 2023.

2022 to 2021 Comparative Statements of Revenue, Expenses and Changes in Net Position

Operating Expenses increased by approximately \$16,000. Other expenses increased by approximately \$48,000 due to increased advertising expenses during 2022. This increase was mostly offset by an overall reduction in personnel and professional fees.

Nonoperating Expenses decreased by approximately \$1,925,000 due primarily to contributed property of approximately \$3,331,000 during the prior year versus approximately \$2,137,000 in the current year. Loss on real estate held for sale decreased by \$811,000 due to significant sales of property in the prior year with no sales in the current year.

Capital Assets and Debt Administration

Capital Assets

As discussed, the Authority is organized to promote and develop the former Fort Harrison located in Lawrence, Indiana. The Authority initially acquired the land and buildings on the Fort Harrison property and has since developed and continued to construct infrastructure and buildings on the Lawrence Village at the Fort, which provides a park-like setting for a variety of uses. Readers are referred to Note 6 of the financial statements for more detailed information on capital asset activity.

Long-term Debt

The Authority's long-term debt is comprised of bond indebtedness, which over time has afforded the Authority the ability to acquire, construct and develop certain land, improvements and buildings on the Fort Harrison property. The bonds are payable from incremental ad valorem real property taxes levied and collected on property within the designated tax increment Allocation Area. Readers are referred to Note 7 for more detailed information on long-term debt activity.

FORT HARRISON REUSE AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED) December 31, 2023 and 2022

Currently Known Facts

On May 23, 2024, the Authority issued the Tax Increment Revenue Bonds, Series 2024A in the amount of \$1,765,000. The Authority will begin making payments on the bond on February 1, 2025.

On August 1, 2024, the Authority issued the Tax Increment Revenue Bonds, Series 2024B in the amount of \$7,030,000. The Authority will begin making payments on the bond on February 1, 2025.

On August 1, 2024, the Authority issued the Tax Increment Revenue Bonds, Series 2024C in the amount of \$16,265,000. The Authority will begin making payments on the bond on February 1, 2025.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to Fort Harrison Reuse Authority, 9001 E. 59th Street, Suite 202, Indianapolis, IN 46216.

FINANCIAL STATEMENTS

FORT HARRISON REUSE AUTHORITY

STATEMENTS OF NET POSITION
December 31, 2023 and 2022

	2023	2022
CURRENT ASSETS		
Unrestricted Current Assets:		
Cash and equivalents	\$ 722,123	\$ 1,460,039
Prepaid expenses and other assets	21,016	20,834
Real estate held for sale	2,639,120	3,191,593
Total Unrestricted Current Assets	<u>3,382,259</u>	<u>4,672,466</u>
Restricted Current Assets:		
Cash equivalents	28,750,488	8,421,674
TIF property tax receivable	2,722,744	2,196,132
Total Restricted Current Assets	<u>31,473,232</u>	<u>10,617,806</u>
Total Current Assets	<u>34,855,491</u>	<u>15,290,272</u>
NONCURRENT ASSETS		
Nondepreciable capital assets	180,000	
Depreciable capital assets, net	717,259	5,462
Total Noncurrent Assets	<u>897,259</u>	<u>5,462</u>
TOTAL ASSETS	<u>35,752,750</u>	<u>15,295,734</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond advanced refunding	48,243	89,527
Deferred pension costs	20,422	34,326
Total Deferred Outflows of Resources	<u>68,665</u>	<u>123,853</u>
CURRENT LIABILITIES		
Payable from Unrestricted Assets:		
Accounts payable	232,885	191,435
Interlocal agreement payable	565,766	566,266
Total Payable from Unrestricted Assets	<u>798,651</u>	<u>757,701</u>
Payable from Restricted Assets:		
Accrued interest on debt	267,610	267,610
Current portion of debt	2,555,000	1,050,000
Total Payable from Restricted Assets	<u>2,822,610</u>	<u>1,317,610</u>
Total Current Liabilities	<u>3,621,261</u>	<u>2,075,311</u>
NONCURRENT LIABILITIES		
Payable from Unrestricted Assets:		
Accrued pension obligation	44,117	66,546
Payable from Restricted Assets:		
Bonds payable, less current portion	34,895,929	17,392,243
Total Noncurrent Liabilities	<u>34,940,046</u>	<u>17,458,789</u>
TOTAL LIABILITIES	<u>38,561,307</u>	<u>19,534,100</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension revenue	23,339	16,315
Deferred TIF property tax revenue	2,722,744	2,196,132
Total Deferred Inflows of Resources	<u>2,746,083</u>	<u>2,212,447</u>
NET POSITION		
Net investment in capital assets	(14,414,550)	(15,245,188)
Restricted for debt service and area development	8,417,112	8,154,064
Unrestricted	511,463	764,164
TOTAL NET POSITION	<u>\$ (5,485,975)</u>	<u>\$ (6,326,960)</u>

See accompanying notes.

FORT HARRISON REUSE AUTHORITY
STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING REVENUE		
Rental income	\$ 21,686	\$ 21,391
Total Operating Revenue	<u>21,686</u>	<u>21,391</u>
OPERATING EXPENSES		
Personnel	107,588	112,491
Utilities	55,178	61,927
Office supplies and other expenses	44,556	81,030
Professional fees	601,201	368,534
Repairs and maintenance	197,062	166,433
Engineering services	234,567	6,850
Insurance	13,181	14,622
Depreciation	11,086	1,759
Total Operating Expenses	<u>1,264,419</u>	<u>813,646</u>
LOSS FROM OPERATIONS	<u>(1,242,733)</u>	<u>(792,255)</u>
NONOPERATING REVENUE AND (EXPENSE)		
TIF tax revenue	4,108,994	4,735,793
Investment return	178,322	45,304
Income from real estate held for sale	104,192	
Contributed property	(672,616)	(2,137,109)
Interest expense, net of capitalized interest	(655,961)	(702,208)
Interlocal agreement	(986,083)	(1,132,532)
Other income	6,870	1,970
Total Nonoperating Revenue and (Expense)	<u>2,083,718</u>	<u>811,218</u>
INCREASE IN NET POSITION	840,985	18,963
NET POSITION		
Beginning of Year	<u>(6,326,960)</u>	<u>(6,345,923)</u>
End of Year	<u>\$ (5,485,975)</u>	<u>\$ (6,326,960)</u>

See accompanying notes.

FORT HARRISON REUSE AUTHORITY
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2023 and 2022

	2023	2022
OPERATING ACTIVITIES		
Receipts from customers and users	\$ 21,686	\$ 21,391
Payments to vendors for goods and services	(1,104,477)	(465,874)
Payments for employees services	(109,089)	(131,126)
Net Cash Used By Operating Activities	<u>(1,191,880)</u>	<u>(575,609)</u>
NONCAPITAL FINANCING ACTIVITIES		
Payments to local government - Interlocal agreement	(986,583)	(566,266)
Proceeds from sale of liquor license		2,500
Payment of infrastructure allowance		(450,000)
Net Cash Used by Noncapital Financing Activities	<u>(986,583)</u>	<u>(1,013,766)</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long-term debt	(1,050,000)	(2,690,000)
Borrowings on long-term debt	20,105,000	1,470,000
Interest paid	(660,991)	(707,773)
Property taxes received	4,108,994	4,735,793
Acquisition and construction of capital assets	(902,883)	
Acquisition and construction of real estate held for sale	(113,273)	(1,934,142)
Proceeds from sale of real estate held for sale	104,192	
Net Cash Provided by Capital and Related Financing Activities	<u>21,591,039</u>	<u>873,878</u>
INVESTING ACTIVITIES		
Investment return received on cash equivalents	<u>178,322</u>	<u>45,304</u>
Net Cash Provided by Investing Activities	<u>178,322</u>	<u>45,304</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	19,590,898	(670,193)
CASH AND EQUIVALENTS		
Beginning of Year	<u>9,881,713</u>	<u>10,551,906</u>
End of Year	<u>\$ 29,472,611</u>	<u>\$ 9,881,713</u>
RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED BY OPERATING ACTIVITIES		
Loss from operations	\$ (1,242,733)	\$ (792,255)
Depreciation expense	11,086	1,759
Changes in certain current assets, deferred outflows, liabilities, and deferred inflows		
Prepaid expenses and other assets	(182)	111,619
Deferred pension costs	13,904	(92)
Accounts payable	41,450	121,903
Accrued pension obligation	(22,429)	29,965
Deferred pension revenue	7,024	(48,508)
Net Cash Used By Operating Activities	<u>\$ (1,191,880)</u>	<u>\$ (575,609)</u>
Noncash Capital and Related Financing Activities:		
Contributed property	\$ 672,616	\$ 2,137,109
Amortization of net premium on bonds payable	46,314	31,448
Amortization of deferred loss on advance refunded bonds	41,284	54,354

See accompanying notes.

FORT HARRISON REUSE AUTHORITY

NOTES TO FINANCIAL STATEMENTS December 31, 2023 and 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Fort Harrison Reuse Authority (the Authority) was established on May 1, 1995, by Indiana Code, Section 36-7-30. Based in Indianapolis, the Authority's primary purpose is to promote and develop the former Fort Benjamin Harrison United States Army Military Base (Fort Harrison) located in Lawrence, Indiana. The Authority will remain in operation until it has completed the Reuse Plan for Fort Harrison. The principal goals of the Reuse Plan are the preservation of the natural and historical resources, job creation and economic development.

The Authority also serves as the governing body of the Fort Harrison Military Base Reuse District, a special taxing district, which provides for the planning, replanning, development, redevelopment and preparation for reuse of Fort Harrison.

Basis of Accounting and Financial Reporting: The financial statements consist of a special-purpose business-type activity, which is reported on the accrual basis of accounting using the economic resources measurement focus.

The Authority prepares its financial statements in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

New Accounting Pronouncement: During 2023, the Authority adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. The standard establishes a single model for SBITA accounting based on the foundational principle that SBITAs are financings of the right-to-use an underlying intangible subscription asset. Under the Statement, a government is required to recognize a subscription liability and an intangible right-to-use subscription asset, which enhances the relevance and consistency of information about the Authority's subscription activities. As of December 31, 2023, the Authority has no subscription-based information technology arrangements.

Estimates: Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could vary from those estimates.

Cash and Equivalents include cash, money market mutual funds, and other highly liquid instruments with original maturities of three months or less. The Authority maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Authority has not experienced any losses in such accounts.

Real Estate Held for Sale consists of real estate originally purchased from the Department of the U.S. Army and subsequent purchases and development costs. The real estate held for sale is stated at the lower of historical cost or market less costs to sell (net realizable value) using the specific-identification method. Due to the nature of the Authority's purpose, real estate held for sale is often sold at a loss as an incentive for economic development. These income and losses are reflected in the year of the sale.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Valuation allowances are provided for real estate held for sale when the net realizable value of the property is less than its cost. Additions to the allowance are recorded as expense in the year the loss amounts are estimated. In 2023 and 2022, the Authority did not have a loss on real estate held for sale due to changes in the fair values of the assets.

Property Taxes Receivable: A special property tax assessment is made on properties in the Fort Harrison Reuse Area for the purpose of retiring the Authority's TIF revenue bonds. Property taxes are collected and remitted to the Authority by Marion County and the City of Lawrence, Indiana. Taxes are levied annually on March 1 and are due on May 10 and November 10 one year later. Major tax payments are received in July and January and are accrued as revenue in the year they are levied. No allowance has been made for uncollectible taxes.

Capital Assets: Capital assets purchased by the Authority are stated at historical cost. Land is not depreciated. Depreciation for other property, plant and equipment is computed using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Buildings	39
Equipment, furniture and fixtures and other	5 to 7

Maintenance and repairs are expensed as incurred. Gains and losses on disposition of capital assets are included in nonoperating revenue and expenses.

Interest Costs incurred on real estate held for sale and capital assets are expensed in the period incurred. Interest incurred during construction, renovation and/or remediation periods is also expensed in the period incurred. Total interest incurred each year was:

	2023	2022
Interest costs charged to expense	<u>\$655,961</u>	<u>\$702,208</u>
Total interest incurred	<u>\$655,961</u>	<u>\$702,208</u>

Environmental Remediation: The United States Department of Defense is responsible for environmental remediation of designated areas within Fort Harrison. Remediation is completed before property is deeded to the Authority. Therefore, no significant accruals are considered necessary for any environmental remediation issues.

Pension Plan: The employees of the Authority participate in the Indiana Public Retirement System (INPRS). The Authority recognizes its proportionate share of the collective net pension liability, deferred outflows of resources and deferred inflows of resources related to the pension and pension expense. Deferred outflows and inflows represent changes in the Authority's allocated proportion from the previous year; differences between the Authority's contributions to the Plan and its proportionate share, actual Plan investment earnings and expected amounts, and expected and actual experience on the Plan included in determining pension expense; and the impact of changes in assumptions on the net pension liability, all of which are being amortized into pension expense over the average expected remaining services life, except for the difference between expected and actual investment earnings, which is amortized over five years. Deferred outflows of resources also includes contributions made to the Plan between the Plan's measurement date for the net pension liability and the end of the Authority's fiscal year.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources: The Authority reports net assets that relate to future periods as deferred outflows of resources in a separate section of its statement of net position. Deferred outflows of resources reported at December 31, 2023, related to the defined benefit pension plan and loss on bond advanced refunding. Deferred outflows of resources related to the defined benefit pension plan are amortized over the expected future working lifetime of all plan members. Deferred outflows of resources related to the loss on bond advanced refunding are being amortized over the shorter of the life of the prior bond advance or new bond advance.

Deferred Inflows of Resources: The Authority reports increases in net assets that relate to future periods as deferred inflows of resources in a separate section of its statement of net position. Deferred inflows of resources related to the defined benefit pension plan are amortized over the expected future working lifetime of all plan members, except the net difference between projected and actual earnings on pension plan investments, which is amortized over five years.

Revenue and Expense and Net Position Recognition: Revenue from tenants is reported as operating revenue. Operating expenses include the cost of administering the Authority, including depreciation. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expense.

When both restricted and unrestricted net position are available for use, it is the Authority's policy to use restricted net position first, then unrestricted net position as it is needed.

Annual Budget: The Authority is not legally required to prepare and adopt an annual budget.

Income Tax Status: Income received or generated by the Authority is not subject to federal income tax, pursuant to Internal Revenue Code Section 115. Interest paid on obligations issued by the Authority is excludable from the gross income of the recipients, pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended. Contributions to the Authority are tax deductible contributions, pursuant to Sections 170(b)(1)(A)(v) and 170(c)(1) of the Internal Revenue Code of 1986, as amended.

Subsequent Events: The Authority has evaluated the financial statements for subsequent events occurring through December 16, 2024, the date the financial statements were available to be issued. See Note 11.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENT SECURITIES

Deposits: 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 deposit policy for custodial credit risk requires compliance with the provisions of Indiana statutes.

The financial institution holding the Authority's cash accounts is participating in the FDIC's Transaction Account Guarantee Program. Pursuant to further legislation enacted in 2014, the FDIC will continue to fully insure \$250,000 for all transaction accounts at all FDIC-insured institutions.

Any cash deposits in excess of the FDIC limits described above are insured by the Indiana Public Deposits Insurance Fund (Fund). The Fund is a multiple financial institution collateral pool as provided under Indiana Code, Section 5-13-12-1.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENT SECURITIES (CONTINUED)

Investments: Indiana statutes authorize the Authority to invest in United States obligations and issues of federal agencies, Indiana municipal securities, secured repurchase agreements fully collateralized by U.S. Government or U.S. Government Agency securities, certificates of deposit and open-end money market mutual funds.

At December 31, 2023 and 2022, respectively, the Authority had \$28,750,488 and \$8,421,674 of investment securities, all of which were money market mutual funds and classified as cash equivalents.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority is limited to investing in securities with a stated maturity of not more than two years after the date of purchase or entry into a repurchase agreement, as defined by Indiana Code, Section 5-13-9-5.6. The Authority's investment policy for interest rate risk requires compliance with the provisions of Indiana statutes. The money market mutual funds are presented as cash equivalents because they are redeemable in full immediately.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy for credit risk requires compliance with the provisions of Indiana statutes, and Indiana Code Section 5-13-9-2.5 requires that the Authority only invest in securities that are rated AAA by Standard and Poor's or Aaa by Moody's Investor's Service. At December 31, 2023 and 2022, the Authority's money market mutual funds were rated AAA by Standard & Poor's.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority's investment in money market mutual funds was not subject to custodial credit risk at December 31, 2023 and 2022, as their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk - The Authority places no limit on the amount that may be invested in any one issuer. The following shows investments in issuers that represent 5% or more of the total investments at December 31, 2023 and 2022:

	2023	2022
Bank of New York Cash Reserve Money Market Fund	97%	83%

Foreign Currency Risk - This risk relates to adverse effects on the fair value of an investment from changes in exchange rates. The Authority's investment policy prohibits investments in foreign investments.

Summary of Carrying Values - Cash and equivalents included in the statements of net position are classified as follows:

	2023	2022
Cash and equivalents:		
Current - unrestricted	\$ 722,123	\$1,460,039
Current - restricted	<u>28,750,488</u>	<u>8,421,674</u>
	<u>\$29,472,611</u>	<u>\$9,881,713</u>

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENT SECURITIES (CONTINUED)

Cash and equivalents are restricted as follows:

	2023	2022
Revenue Account	\$ 6,967,879	\$6,104,201
2015 Capital Fund	423,090	464,654
2015 Debt Service Reserve Fund	1,815,510	1,809,893
2017 Bond Issuance Expense Fund	2,273	2,233
2022 Bond Anticipation Note Fund	16,465	22,928
2023 Bond Anticipation Note Fund	19,507,506	
TIF Fund	<u>17,765</u>	<u>17,765</u>
	<u>\$28,750,488</u>	<u>\$8,421,674</u>

NOTE 3 - FAIR VALUE MEASUREMENT

The Authority has categorized its assets and liabilities that are measured at fair value into a three-level fair value hierarchy. The hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 - Inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. In situations where there is little or no market activity for the asset or liability, the Authority makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Following is a description of the valuation methodology used by the Authority for assets that are measured at fair value on a recurring basis. There have been no changes in the methodology used at December 31, 2023 and 2022.

Money Market Fund Shares: Valued at the daily closing price as reported by the funds. These funds are required to publish their daily net asset value (NAV) and to transact at that price. These funds held by the Authority are deemed to be actively traded.

NOTE 3 - FAIR VALUE MEASUREMENT (CONTINUED)

Following is a summary, by major nature and risks class within each level of the fair value hierarchy, of the Authority's assets that are measured at fair value on a recurring basis as of December 31, 2023 and 2022:

	2023	Level 1	Total
Assets			
Cash Equivalents:			
Money market fund shares		<u>\$28,732,723</u>	<u>\$28,732,723</u>
Total Assets at Fair Value		<u>\$28,732,723</u>	<u>\$28,732,723</u>
	2022		
Assets			
Cash Equivalents:			
Money market fund shares		<u>\$ 8,405,467</u>	<u>\$ 8,405,467</u>
Total Assets at Fair Value		<u>\$ 8,405,467</u>	<u>\$ 8,405,467</u>

At December 31, 2023 and 2022, the Authority had no other assets and no liabilities that are measured at fair value on a recurring basis.

NOTE 4 - NOTES RECEIVABLE

A parcel of real estate held for sale was sold on April 17, 2015, for \$370,000 financed with a note receivable, and another note receivable for \$290,000 was issued to finance the purchaser's development of the parcel. Both notes receivable have the same terms. The notes accrue interest at 5% with a single payment of all principal and accrued interest due on December 31, 2022. However, provided the purchaser meets certain covenants during the term of the loans, the full amount of the loans including all accrued interest will be forgiven. These covenants require certain timeliness for construction and beginning operations as well as certain minimum workforce requirements upon the start of operations. During 2022, the covenants were met and the loans were forgiven in full.

NOTE 5 - REAL ESTATE HELD FOR SALE

Real estate held for sale was purchased from the Department of the U.S. Army on June 26, 1996. The Authority purchased both personal and real property of the military base known as Fort Harrison for \$6,135,971. Management of the Authority allocated the lump-sum purchase price between personal and real property based upon the relative sales value of the property at the date of acquisition. This allocation resulted in cost assignments of \$150,000 for personal property and \$5,985,971 for real estate as of June 30, 1996. As of December 31, 2023 and 2022, the balance of real estate held for sale including subsequent development costs net of sold real estate was \$2,639,120 and \$3,191,593, respectively.

During 2015, the Authority entered into an agreement with a housing developer to sell developed land from the Authority's real estate held for sale. In accordance with the agreement, the Authority committed to sell lots to the developer as the developer sold the lots to homeowners. The lots were sold on a sliding scale ranging from \$22,500 to \$28,143. The agreement called for 74 lots for a total sales price of \$1,864,002. The Authority's cost basis in the real estate committed to this developer was \$4,950,510 including subsequent development by the Authority. During 2018, the Authority sold the last 15 of these lots for \$420,502 with a cost basis of \$1,025,781. The Authority incurred \$19,430 in costs related to the sale resulting in a net loss on the sale of \$624,709 in 2018.

NOTE 5 - REAL ESTATE HELD FOR SALE (CONTINUED)

In 2018, the Authority entered into two agreements to sell an additional 69 total lots for a total sales price of \$2,548,020. These agreements are with the same housing developer to sell additional developed real estate held for sale. The lots were sold on a sliding scale ranging from \$35,167 to \$37,167. The Authority's total cost basis in the real estate committed to this developer is \$2,216,894 including subsequent development by the Authority. During 2020, the Authority entered into an agreement to terminate the commitment of the sale of 9 of these lots. The total sales price of the agreements is now \$2,170,020 with a total cost basis in real estate committed to this developer of \$2,216,894. During 2019, the Authority sold 9 of these lots for \$316,503 with a cost basis of \$390,024. The Authority incurred \$1,505 in costs related to the sale, resulting in a net loss on the sale of \$75,026 in 2019. In 2021, the Authority sold 28 of these lots for \$886,008 with a cost basis of \$1,433,672. The Authority incurred \$3,162 in costs related to the sale, resulting in a net loss of \$550,826.

In 2020, the Authority entered into an agreement to sell property for a total sales price of \$450,000 with a cost basis of \$130,501 to a third-party developer, resulting in a net gain on the sale of \$319,499. The Authority was required to restrict \$300,000 of these proceeds towards the development of a parking lot for the property. These funds were expended during 2022.

The Authority has entered into a purchase agreement with the Indianapolis-Marion County Public Library (the Library) regarding the future donation of a parcel of land to accommodate a library branch facility up to 25,000 square feet. The parcel of land was donated to the Library in December 2021 with a cost basis of \$2,158,921.

In 2021, the Authority entered into an agreement to sell property for a total sales price of \$200,000 plus \$5,000 option fee with a cost basis of \$201,675 to a third-party developer. As part of the purchase agreement, the Authority agreed to pay \$100,000 toward construction costs of the project. These funds were paid at closing and are held in escrow with the title company. In June 2022, the Authority signed an agreement to pay an additional \$150,000 toward construction costs, for a total of \$250,000. The additional allowance will be paid out upon request from the buyer as the project progresses. The result of the transaction was a net loss on the sale of \$251,675. The developer intends to redevelop the property as a mixed-use development with office space, a restaurant facility, and residential units.

In 2021, the Authority entered into an agreement to sell property to a third-party developer for a sales price of \$6,500 per approved platted residential lot, for a total sales price of \$117,000. The transaction was settled in May 2022.

In 2021, the Authority entered into two agreements to donate a building and the related parcel of land to third-party developers. The property had a cost basis of \$72,915.

In 2021, the Authority entered into an agreement to donate a road to the City of Lawrence. The property had a cost basis of \$1,099,141.

In 2022, the Authority entered into an agreement to donate the civic plaza development to the City of Lawrence. The property had a cost basis of \$1,733,612.

In 2023, the Authority entered into an agreement to transfer a parcel of land approximating 3.55 acres with a carrying value of \$561,473 to a third party for no consideration. The Authority additionally entered into an agreement to transfer a property with a carrying value of \$1 to a third party that had been leasing the property for \$1 annually. The transfer was for no consideration.

Legal title to approximately five percent of the Authority's real property remains with the Department of the U.S. Army. The Authority has operational rights to this property through a lease agreement with the Department of the U.S. Army. Title for this property will transfer to the Authority when certain environmental remediation has occurred and military operational needs have been met.

NOTE 6 - CAPITAL ASSETS

A summary of changes in capital assets for the years ended December 31, 2023 and 2022 was as follows:

	Beginning Balance, January 1, 2023	Transfers and Additions	Transfers and Disposals	Ending Balance, December 31, 2023
Capital assets, not being depreciated:				
Land	\$ -	\$180,000	\$ -	\$180,000
Total capital assets, not being depreciated	<u>-</u>	<u>180,000</u>	<u>-</u>	<u>180,000</u>
Capital assets, being depreciated:				
Buildings	-	722,883	-	722,883
Equipment, furniture and fixtures and other	<u>13,365</u>	<u>-</u>	<u>-</u>	<u>13,365</u>
Total capital assets, being depreciated	<u>13,365</u>	<u>722,883</u>	<u>-</u>	<u>736,248</u>
Less accumulated depreciation for:				
Buildings	-	(9,230)	-	(9,230)
Equipment, furniture and fixtures and other	<u>(7,903)</u>	<u>(1,856)</u>	<u>-</u>	<u>(9,759)</u>
Total accumulated depreciation	<u>(7,903)</u>	<u>(11,086)</u>	<u>-</u>	<u>(18,989)</u>
Total capital assets being depreciated, net	<u>5,462</u>	<u>711,797</u>	<u>-</u>	<u>717,259</u>
Capital assets, net	<u>\$ 5,462</u>	<u>\$891,797</u>	<u>\$ -</u>	<u>\$897,259</u>
	Beginning Balance, January 1, 2022	Transfers and Additions	Transfers and Disposals	Ending Balance, December 31, 2022
Capital assets, being depreciated:				
Equipment, furniture and fixtures and other	<u>\$13,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,365</u>
Total capital assets, being depreciated	<u>13,365</u>	<u>-</u>	<u>-</u>	<u>13,365</u>
Less accumulated depreciation for:				
Equipment, furniture and fixtures and other	<u>(6,144)</u>	<u>(1,759)</u>	<u>-</u>	<u>(7,903)</u>
Total accumulated depreciation	<u>(6,144)</u>	<u>(1,759)</u>	<u>-</u>	<u>(7,903)</u>
Total capital assets being depreciated, net	<u>7,221</u>	<u>(1,759)</u>	<u>-</u>	<u>5,462</u>
Capital assets, net	<u>\$ 7,221</u>	<u>\$ (1,759)</u>	<u>\$ -</u>	<u>\$ 5,462</u>

NOTE 7 - DEBT AND CREDIT ARRANGEMENTS

Bonds outstanding consisted of the following at December 31, 2023 and 2022:

	2023	2022
Fixed Rate Tax Increment Revenue Bonds, Series 2015A:		
Serial bonds, maturing February 1, 2020 to August 1, 2028, in payments ranging from \$335,000 to \$390,000. Interest computed at 3.00% to 4.00%, due semiannually on February 1 and August 1.	\$ 1,155,000	\$ 1,155,000
Term bonds, maturing February 1, 2029 to February 1, 2035, in payments ranging from \$395,000 to \$495,000. Interest computed at 3.625% to 4.00%, due semiannually on February 1 and August 1.	5,765,000	5,765,000
Fixed Rate Tax Increment Revenue Refunding Bonds, Series 2015B:		
Serial bonds, maturing February 1, 2020 to August 1, 2025, in payments ranging from \$225,000 to \$320,000. Interest computed at 3.00% to 4.00%, due semiannually on February 1 and August 1.	1,020,000	1,505,000
Term bonds, maturing February 1, 2026 to August 1, 2027, in payments ranging from \$220,000 to \$755,000. Interest computed at 4.00%, due semiannually on February 1 and August 1.	1,975,000	1,975,000
Fixed Rate Tax Increment Revenue Refunding Bonds, Series 2017:		
Term bonds, maturing February 1, 2020 to February 1, 2033, in payments ranging from \$175,000 to \$365,000. Interest computed at 3.08%, due semiannually on February 1 and August 1.	5,900,000	6,465,000
2022 Bond Anticipation Notes with interest only payments made February 1 and August 1 of each year computed at 3.375% with a final payment of all principal and interest upon maturity on August 1, 2024.	1,470,000	1,470,000
2023 Bond Anticipation Notes with interest only payments made February 1 and August 1 of each year computed at 5.30% with a final payment of all principal and interest upon maturity on December 1, 2028.	<u>20,105,000</u>	<u>-</u>
Total principal	37,390,000	18,335,000
Net premium on bonds payable	<u>60,929</u>	<u>107,243</u>
Total bonds payable	37,450,929	18,442,243
Less: Current portion	<u>(2,555,000)</u>	<u>(1,050,000)</u>
Bonds payable, less current portion	<u>\$34,895,929</u>	<u>\$17,392,243</u>

NOTE 7 - DEBT AND CREDIT ARRANGEMENTS (CONTINUED)

Fixed Rate Tax Increment Revenue Bonds, Series 2015A and Series 2015B

On June 23, 2015, the Authority issued \$18,595,000 of Fixed Rate Tax Increment Revenue and Revenue Refunding Bonds, Series 2015A and Series 2015B (together, Series 2015 bonds). The purpose of the Series 2015 bonds was to refund the outstanding Series 2000 and Series 2006 bonds, fund certain local public improvements including the construction of a road, fund a debt service reserve fund to secure the bonds and pay the cost of issuance of the Series 2015 bonds.

The Series 2015 bonds, maturing February 1 and August 1, in the years 2029 to 2034, and February 1, 2035, are subject to a mandatory sinking fund redemption at a redemption price of 100% of the principal amount redeemed, plus interest accrued to the redemption date.

Fixed Rate Tax Increment Bonds, Series 2017

On December 27, 2017, the Authority issued \$9,000,000 of Fixed Rate Tax Increment Revenue and Revenue Refunding Bonds, Series 2017 (Series 2017 bonds). The purpose of the Series 2017 bonds was to refund the outstanding Series 2009 bonds and fund continued local public improvements. The Series 2017 bonds are payable solely from and secured exclusively by incremental ad valorem real property tax revenues levied and collected on property within the designated tax increment Allocation Area.

2022 Bond Anticipation Notes

On July 20, 2022, the Authority issued a series of notes in the principal amount of \$1,470,000. The notes are limited obligations of the Authority with principal and interest solely payable from a subordinate pledge of TIF and real estate sale proceeds for the sole purpose of refunding the entire 2017 Bond Anticipation Note.

2023 Bond Anticipation Notes

On December 18, 2023, the Authority a series of notes in the principal amount of \$20,105,000. The notes are limited obligations of the Authority with principal and interest solely payable from a subordinate pledge of TIF and real estate sale proceeds. The BAN was issued to pay for the costs of the acquisition of real property and the design, engineering, construction, repair and renovation of improvements to certain real estate in the Authority.

All of the Authority’s bond agreements include certain restrictive covenants.

Debt service requirements to maturity for all debt of the Authority, excluding any unamortized premium, are as follows at December 31, 2023.

Payable In	Principal	Interest	Total
2024	\$ 2,555,000	\$1,256,903	\$ 3,811,903
2025	1,125,000	1,577,385	2,702,385
2026	1,480,000	1,537,774	3,017,774
2027	1,845,000	1,475,115	3,320,115
2028	21,515,000	1,770,626	23,285,626
2029-2033	7,415,000	1,000,122	8,415,122
2034-2035	<u>1,455,000</u>	<u>58,600</u>	<u>1,513,600</u>
	<u>\$37,390,000</u>	<u>\$8,676,525</u>	<u>\$46,066,525</u>

NOTE 7 - DEBT AND CREDIT ARRANGEMENTS (CONTINUED)

Changes in long-term obligations for the years ended December 31, 2023 and 2022 were as follows:

	2023				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term Obligations:					
2015 Authority Bonds	\$10,400,000	\$ -	\$ (485,000)	\$ 9,915,000	\$ 500,000
2017 Authority Bonds	6,465,000	-	(565,000)	5,900,000	585,000
2022 Bond Anticipation Notes	1,470,000	-	-	1,470,000	1,470,000
2023 Bond Anticipation Notes	-	20,105,000	-	20,105,000	-
Premium and discount	<u>107,243</u>	<u>-</u>	<u>(46,314)</u>	<u>60,929</u>	<u>-</u>
Total long-term obligations	<u>\$18,442,243</u>	<u>\$20,105,000</u>	<u>\$(1,096,314)</u>	<u>\$37,450,929</u>	<u>\$2,555,000</u>

	2022				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-term Obligations:					
2015 Authority Bonds	\$10,865,000	\$ -	\$ (465,000)	\$10,400,000	\$ 485,000
2017 Authority Bonds	7,010,000	-	(545,000)	6,465,000	565,000
2017 Bond Anticipation Notes	1,680,000	-	(1,680,000)	-	-
2022 Bond Anticipation Notes	-	1,470,000	-	1,470,000	-
Premium and discount	<u>138,691</u>	<u>-</u>	<u>(31,448)</u>	<u>107,243</u>	<u>-</u>
Total long-term obligations	<u>\$19,693,691</u>	<u>\$1,470,000</u>	<u>\$(2,721,448)</u>	<u>\$18,442,243</u>	<u>\$1,050,000</u>

NOTE 8 - BENEFIT PLAN

Plan Description

The Authority is a participating employer of the Public Employees' Hybrid plan (PERF Hybrid), and its employees are participating members. PERF Hybrid is part of the Public Employees' Retirement Fund (PERF) and consists of two components: the Public Employees' Defined Benefit Account (PERF DB), the monthly employer-funded defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account (PERF DC), a member-funded account.

PERF Hybrid is administered by the Indiana Public Retirement System (INPRS). INPRS issues a publicly available financial report, including PERF Hybrid, that may be obtained at <http://www.inprs.in.gov/>.

Public Employees' Defined Benefit Account

PERF DB is a cost-sharing, multiple employer defined benefit fund providing retirement, disability, and survivor benefits to full-time employees of the State not covered by another plan and those political subdivisions (counties, cities, townships, and other governmental units) that elect to participate in the retirement fund. Administration of the fund is generally in accordance with IC 5-10.2, IC 5-10.3, IC 5-10.5, 35 IAC 1.2, and other Indiana pension law.

NOTE 8 - BENEFIT PLAN (CONTINUED)

Eligibility for Pension Benefit Payment

Full Retirement Benefit: A member is entitled to a full retirement benefit at 1) at age 65 with at least 10 years of creditable service (eight years for certain elected officials), 2) at age 60 with at least 15 years of creditable service, 3) at age 55 if age and creditable service total at least 85, 4) at age 55 with 20 years of creditable service and active as an elected official in the PERF-covered position, or 5) at age 70 with 20 years of creditable service and still active in the PERF-covered position.

Early Retirement Benefit: A member is entitled to an early retirement benefit at age 50 and a minimum of 15 years of creditable service. The benefit is 44% of full benefits at age 50, increasing 5% per year up to 89% at age 59.

Disability Benefit: An active member qualifying for Social Security disability with five years of creditable service may receive an unreduced retirement benefit for the duration of disability.

Survivor Benefit: If a member dies after June 30, 2018, a spouse or dependent beneficiary of a member with a minimum of 10 years of creditable service receives a benefit as if the member retired the later of age 50 or the age the day before the member's death. If a member dies while receiving a benefit, a beneficiary receives the benefit associated with the member's selected form of payment.

Contribution Rates

Contributions are determined by the INPRS Board and are based on a percentage of covered payroll. If determined to be necessary by the actuaries of INPRS, the INPRS Board updates the percentage of covered payroll annually effective July 1. Employers currently contribute 11.2% of covered payroll. No member contributions are required. The Authority's contributions to PERF DB were \$11,404 and \$31,579 for the years ended December 31, 2023 and 2022, respectively.

Benefit Formula and Postretirement Benefit Adjustment

The lifetime annual benefit equals years of creditable service multiplied by the average highest five-year annual salary multiplied by 1.1% (minimum of \$180 per month). Postretirement benefit increases are granted on an ad hoc basis pursuant to IC 5-10.2-12.4 and administered by the INPRS Board.

Public Employees' Defined Contribution Account

PERF DC is a multiple-employer defined contribution fund providing retirement benefits to full-time employees of the State not covered by another plan and those political subdivisions (counties, cities, townships, and other governmental units) that elect to participate in the retirement fund. Administration of the account is generally in accordance with IC 5-10.2, IC 5-10.3, 35 IAC 1.2, and other Indiana pension law.

Contribution Rates

Member contributions under PERF DC are set by statute and the INPRS Board at 3% of covered payroll. The employer may choose to make these contributions on behalf of the member. The Authority made no contributions to PERF DC for the year ended June 30, 2023. Under certain limitations, voluntary post-tax member contributions up to 10% of compensation can be made solely by the member.

NOTE 8 - BENEFIT PLAN (CONTINUED)

Benefit Terms

Members (or their beneficiaries) are entitled to the sum total of contributions plus earnings 30 days after separation from employment (retirement, termination, disability, or death) or upon providing proof of the member’s qualification for Social Security disability benefits. The amount may be paid in a lump sum, partial lump sum, direct rollover to another eligible retirement plan, or a monthly annuity. PERF DC members are 100% vested in their account balance.

Significant Actuarial Assumptions

The total pension liability is determined using an actuarial valuation performed by the actuaries of INPRS, which involves estimates of the value of reported amounts (e.g., salaries, credited service, etc.) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations, etc.). Actuarially determined amounts are subject to review and modifications, as actual results are compared with past expectations and new estimates are developed.

Actuarially determined amounts are subject to review and modifications, as actual results are compared with past expectations and new estimates are developed. INPRS completed an asset-liability study in February 2021. Assumption changes were recommended to the board and adopted in May 2021 for the June 30, 2021, actuarial valuations. No changes in methods were recommended or adopted.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuations are presented below:

Asset valuation date:	June 30, 2023
Liability valuation date and method:	June 30, 2022- Member census data as of June 30, 2022, was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2022 and June 30, 2023. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2022 to the June 30, 2023 measurement date.
Actuarial cost method:	Entry age normal - level percent of payroll
Experience study date:	Computed February 2020 and reflects the experience period from July 1, 2014 to June 30, 2019
Investment rate of return:	6.25%
COLA:	Beginning January 1, 2026 - 0.40% Beginning January 1, 2034 - 0.50% Beginning January 1, 2039 - 0.60%
Future salary increases, including inflation:	2.65% - 8.65%
Inflation:	2.00%
Mortality – Healthy Employees and Retirees:	Base Table PubG-2010 M/F Set Forward +3/+1

NOTE 8 - BENEFIT PLAN (CONTINUED)

Mortality – Disabled:	Base Table Load	PubG-2010 140%
Mortality – Beneficiaries:	Base Table M/F Set Forward	PubCS-2010 +0/+2
Mortality – Improvement – All Tables:	Generational Improvement Scale – MP-2019	

The long-term return expectation has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. To determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return. This range, along with a reasonable alpha assumption from manager selection, ultimately supports the long-term expected rate of return assumption of 6.25% selected by the Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs but may change with a fundamental shift in the underlying market factors or significant asset allocation change.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

	2023	2022
	Geometric Basis Long-Term Expected Real Rate of Return	Geometric Basis Long-Term Expected Real Rate of Return
	<u>Target Asset Allocation</u>	<u>Real Rate of Return</u>
Public Equity	20.0%	3.7%
Private Markets	15.0%	6.4%
Fixed Income - Ex Inflation-Linked	20.0%	2.2%
Fixed Income - Inflation-Linked	15.0%	0.5%
Commodities	10.0%	1.1%
Real Estate	10.0%	3.4%
Absolute Return	5.0%	1.6%
Risk Parity	20.0%	5.9%
Cash and Cash Overlay	N/A	—
		(1.7)%

The net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the current discount rate of 6.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.25%), or one percentage point higher (7.25%) than the current rate as of December 30, 2023 and 2022:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
2023	<u>\$ 71,896</u>	<u>\$44,117</u>	<u>\$20,954</u>
2022	<u>\$112,420</u>	<u>\$66,546</u>	<u>\$28,283</u>

NOTE 8 - BENEFIT PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2022 and 2021, the Authority reported a liability of \$44,117 and \$66,546, respectively, for its proportionate share of the net pension liability, respectively. The Authority' proportionate share of the net pension liability was based on the Authority' wages as a proportion of total wages for the PERF Hybrid Plan. The proportionate share used at the June 30, 2023 and 2022 measurement dates were 0.00125% and 0.00211%, respectively.

For the year ended December 31, 2023 and 2022, the Authority recognized pension income of \$38 and \$2,747, respectively, which includes income from the net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$8,994 and \$11,256, respectively. At December 31, 2023 and 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to the PERF Hybrid Plan from the following sources:

	2023		2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 903		\$ 1,435	\$ 253
Net differences between project and actual earnings on pension plan investments	10,112		8,212	
Changes of assumptions	2,406		9,013	2,847
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	<u>1,599</u>	<u>\$23,339</u>	<u>2,907</u>	<u>13,215</u>
Total that will be recognized in pension expense based on table below	15,020	23,339	21,567	16,315
Pension contribution subsequent to measurement date	<u>5,402</u>		<u>12,759</u>	
Total	<u>\$20,422</u>	<u>\$23,339</u>	<u>\$34,326</u>	<u>\$16,315</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Amount
2024	\$(4,446)
2025	(8,232)
2026	2,981
2027	<u>1,378</u>
	<u>\$(8,319)</u>

NOTE 9 - RISK MANAGEMENT

The Authority maintains commercial insurance policies for all risks of loss. Certain of these policies allow for deductibles, which range up to \$5,000 per occurrence. Settled claims have not exceeded this commercial coverage in any of the past three years.

NOTE 10 - INTERLOCAL AGREEMENT

The Authority and the City of Lawrence (the City) have agreed that there is a strain which the promotion, development and redevelopment of Fort Harrison has put on the capacity and maintenance of local municipal public improvements of the City that are in, directly serving, or benefiting the Redevelopment Area. As a result, the Authority enters into City Services and Payment Agreements with the City through the Department of Public Works for police, fire protection, and utility services provided to the Redevelopment Area provided by the City. In accordance with the current agreement, which is through December 2026, the Authority expensed \$986,083 and \$1,132,532 in 2023 and 2022, respectively.

NOTE 11 - SUBSEQUENT EVENTS

On May 23, 2024, the Authority issued the Tax Increment Revenue Bonds, Series 2024A in the amount of \$1,765,000. The Authority will begin making payments on the bond on February 1, 2025.

On August 1, 2024, the Authority issued the Tax Increment Revenue Bonds, Series 2024B in the amount of \$7,030,000. The Authority will begin making payments on the bond on February 1, 2025.

On August 1, 2024, the Authority issued the Tax Increment Revenue Bonds, Series 2024C in the amount of \$16,265,000. The Authority will begin making payments on the bond on February 1, 2025.

REQUIRED SUPPLEMENTARY INFORMATION

FORT HARRISON REUSE AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (UNAUDITED)
PUBLIC EMPLOYEES' RETIREMENT FUND
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability	0.00125%	0.00211%	0.00278%	0.00262%	0.00264%	0.00357%	0.00362%	0.00375%	0.00367%	0.00353%
Authority's proportionate share of the net pension liability	\$ 44,117	\$ 66,546	\$ 36,581	\$ 79,134	\$ 87,254	\$ 121,275	\$ 161,508	\$ 170,192	\$ 149,476	\$ 92,766
Authority's covered-employee payroll	\$ 78,750	\$ 121,457	\$ 153,199	\$ 141,581	\$ 137,577	\$ 182,399	\$ 179,520	\$ 179,750	\$ 175,850	\$ 172,373
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	56.0%	54.8%	23.9%	55.9%	63.4%	66.5%	89.9%	94.7%	85.0%	53.8%
Plan fiduciary net position as a percentage of the total pension liability	80.8%	82.5%	92.5%	81.5%	80.1%	78.9%	72.7%	71.2%	73.3%	81.1%

See accompanying notes to required supplementary information.

FORT HARRISON REUSE AUTHORITY
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS (UNAUDITED)
PUBLIC EMPLOYEES' RETIREMENT FUND
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 8,820	\$ 13,603	\$ 17,158	\$ 15,857	\$ 15,409	\$ 20,429	\$ 20,106	\$ 20,132	\$ 19,521	\$ 17,677
Contributions in relation to the contractually required contribution	<u>8,820</u>	<u>13,603</u>	<u>17,158</u>	<u>15,857</u>	<u>15,409</u>	<u>20,429</u>	<u>20,106</u>	<u>20,132</u>	<u>19,521</u>	<u>17,677</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 78,750	\$ 121,457	\$ 153,199	\$ 141,581	\$ 137,577	\$ 182,399	\$ 179,520	\$ 179,520	\$ 175,850	\$ 172,373
Contributions as a percentage of covered-employee payroll	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.2%	11.1%	10.3%

See accompanying notes to required supplementary information.

FORT HARRISON REUSE AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) December 31, 2023 and 2022

SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (UNAUDITED)

Plan Amendments: In 2023, for PERF DB, TRF Pre-'96 DB, and TRF '96 DB the full retirement benefit eligibility condition of age 70 and 20 years of credible service while still active in covered position was changed to age 65 and 20 years of creditable service while still active in a covered position. This change was deemed immaterial and has no impact on the actuarial liability.

Assumption Changes: In 2023, there were no changes to the actuarial assumptions during the fiscal year.

SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS (UNAUDITED)

Methods and Assumptions Used in Calculating Actuarially Determined Contributions: The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution Rates:

Asset valuation date and method:	June 30, 2021 - Five year smoothing of gains and losses on the Fair Value of assets subject to a 20% corridor
Liability valuation date and method:	June 30, 2020 - Member census data as of June 30, 2020 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2020 and June 30, 2021. Standard actuarial roll forward techniques were then used to project the liability computed as of June 30, 2020 to the June 30, 2021 measurement date.
Actuarial cost method:	Entry age normal - level percent of payroll
Actuarial amortization method and period:	Level dollar - 20 years, closed
Investment rate of return:	6.25%
COLA:	Beginning Jan. 1, 2024 – 0.40% Beginning Jan. 1, 2034 – 0.50% Beginning Jan. 1, 2039 – 0.60%
Future salary increases, including inflation:	2.65% - 8.65%
Inflation:	2.00%

(a) Differs from Note 8 schedule as this table is for funding purposes and Note 8 is for financial reporting purposes. The Actuarially Determined Contributions in a given year are determined based on the actuarial valuation dated two fiscal years prior.

Trends: In 2021, HEA 1001-2021 granted a 1% COLA for PERF DB, TRF Pre-'96 DB, TRF '96 DB, EG&C and LE DB beginning January 1, 2022, and no additional postretirement benefit increases for those funds through June 30, 2024. Additionally in 2021, an asset-liability study was completed resulting in updates to several economic assumptions. These assumption changes included changes in the inflation rate, discount rate, salary increase rates, and COLA assumptions for the '77 Fund and JRS. For further details, refer to the Actuarial Section.

OTHER REPORT

*Independent Auditor's 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*

Year Ended December 31, 2023

Board of Directors
Fort Harrison Reuse Authority

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 Fort Harrison Reuse Authority (the Authority), as of and for the year ended December 31, 2023 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 16, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority'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 the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 a 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control that we consider to be a material weakness, which is included below.

- **Material Audit Adjustment**

We identified a material adjustment during the audit. We recommend implementing internal controls to ensure the timely and accurate recording of significant transactions throughout the year which would ensure quality internal reporting for governance oversight and review as well as prevent material audit adjustments at year end. Management has approved and posted the material adjustment proposed by us during the audit.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 financial statements. 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*.

Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the finding identified in our audit and described below. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

- **Authority's Response**

The Authority has reviewed and accepts the adjustments recorded as part of the audit. The Authority believes key controls are in place to adequately protect the Authority from misappropriation of assets and recording of its cash transactions. However, the Authority recognizes it needs to record the noncash activity of the Authority timely to provide the ability to effectively review the true activities of the Authority to help governance guide the Authority and review its performance. The Authority will work to record noncash activity more timely.

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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Katz, Sapper & Miller, LLP

Indianapolis, Indiana
December 16, 2024