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October 15, 2015

Board of Directors
Newport Chemical Depot Reuse Authority
259 Vine Street
Clinton, IN 47842

We have reviewed the audit report prepared by Alerding CPA Group, Independent Public Accountants, for the period January 1, 2014 to December 31, 2014. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts except for omission in the Independent Auditor's Report that the report did not contain Management's Discussion and Analysis (MD&A). The MD&A is required by the Governmental Accounting Standards Board and is considered an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. The Independent Auditor's Report is to report if the MD&A is omitted from the report by generally accepted auditing standards. Also the Statements of Cash Flows does not calculate cash flows from operating activities per the classes of activities nor includes a reconciliation of operating income to net cash flows for operating activities in accordance with generally accepted accounting standards.

Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Newport Chemical Depot Reuse Authority, as of December 31, 2014 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

**Newport Chemical Depot
Reuse Authority**

Vermillion County, Indiana

FINANCIAL STATEMENTS

DECEMBER 31, 2014 AND 2013



NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

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DECEMBER 31, 2014 AND 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Newport Chemical Depot Reuse Authority
Clinton, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Newport Chemical Depot Reuse Authority, which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 financial position of Newport Chemical Depot Reuse Authority as of December 31, 2014 and 2013, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2014 supplementary information on pages 16 through 21, including the accompanying schedule of expenditures of Federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated May 12, 2015, on our consideration of Newport Chemical Depot Reuse Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Newport Chemical Depot Reuse Authority's internal control over financial reporting and compliance.

May 12, 2015

NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

STATEMENTS OF FINANCIAL POSITION DECEMBER 31, 2014 AND 2013

	<u>ASSETS</u>	
	<u>2014</u>	<u>2013</u>
Current Assets:		
Cash	\$ 2,493,943	\$ 1,812,996
Accounts and contract receivables	385,677	394,003
Prepaid expenses	41,089	44,270
Total current assets	<u>2,920,709</u>	<u>2,251,269</u>
Property and Equipment:		
Land and improvements	35,688,783	35,688,784
Buildings	1,761,490	1,761,490
Equipment	1,642,688	1,497,556
Automobiles	-0-	57,449
Construction in progress	319,480	-0-
	<u>39,412,441</u>	<u>39,005,279</u>
Accumulated depreciation	(901,373)	(595,445)
Property and equipment, net	<u>38,511,068</u>	<u>38,409,834</u>
Total assets	<u>\$ 41,431,777</u>	<u>\$ 40,661,103</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable	\$ 288,082	\$ 117,287
Current portion of long-term debt	374,144	283,954
Accrued expenses	6,690	8,426
Deferred revenue	9,369	14,340
Total current liabilities	<u>678,285</u>	<u>424,007</u>
Long-Term Debt	<u>2,865,263</u>	<u>2,655,572</u>
Total liabilities	<u>3,543,548</u>	<u>3,079,579</u>
Net Assets:		
Unrestricted net assets	34,661,400	34,817,565
Temporarily restricted net assets	3,226,829	2,763,959
Total net assets	<u>37,888,229</u>	<u>37,581,524</u>
Total liabilities and net assets	<u>\$ 41,431,777</u>	<u>\$ 40,661,103</u>

See accompanying Notes to Financial Statements.

NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Other Support:			
Federal and matching grants	\$ 72,321	\$ 1,415,429	\$ 1,487,750
Lease contracts	1,365,079	-0-	1,365,079
Other income	174,351	-0-	174,351
	<u>1,611,751</u>	<u>1,415,429</u>	<u>3,027,180</u>
Net assets released from restrictions	952,559	(952,559)	-0-
Total revenue and other support	<u>2,564,310</u>	<u>462,870</u>	<u>3,027,180</u>
 Expenses:			
Personnel	648,255	-0-	648,255
Occupancy and office expenses	378,876	-0-	378,876
Travel	31,206	-0-	31,206
Contractual services	989,432	-0-	989,432
Other expenses	672,706	-0-	672,706
Total expenses	<u>2,720,475</u>	<u>-0-</u>	<u>2,720,475</u>
 Total change in net assets	(156,165)	462,870	306,705
 Net Assets, Beginning of Year	<u>34,817,565</u>	<u>2,763,959</u>	<u>37,581,524</u>
 Net Assets, End of Year	<u>\$ 34,661,400</u>	<u>\$ 3,226,829</u>	<u>\$ 37,888,229</u>

See accompanying Notes to Financial Statements.

NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and Other Support:			
Federal and matching grants	\$ 1,459,743	\$ 846,660	\$ 2,306,403
Lease contracts	1,452,823	-0-	1,452,823
Other income	333,913	-0-	333,913
	<u>3,246,479</u>	<u>846,660</u>	<u>4,093,139</u>
Net assets released from restrictions	857,727	(857,727)	-0-
Total revenue and other support	<u>4,104,206</u>	<u>(11,067)</u>	<u>4,093,139</u>
Expenses:			
Personnel	702,406	-0-	702,406
Office and supplies	432,758	-0-	432,758
Travel	35,112	-0-	35,112
Contractual services	2,176,586	-0-	2,176,586
Other expenses	617,753	-0-	617,753
Total expenses	<u>3,964,615</u>	<u>-0-</u>	<u>3,964,615</u>
Total change in net assets	139,591	(11,067)	128,524
Net Assets, Beginning of Year	<u>34,677,974</u>	<u>2,775,026</u>	<u>37,453,000</u>
Net Assets, End of Year	<u>\$ 34,817,565</u>	<u>\$ 2,763,959</u>	<u>\$ 37,581,524</u>

See accompanying Notes to Financial Statements.

NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 306,705	\$ 128,524
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	309,211	294,450
Gain on sale of assets	(14,671)	(278,352)
Changes in operating assets and liabilities:		
Accounts and contract receivables	8,326	826,902
Prepaid expenses	3,181	(16,089)
Accounts payable	170,795	(364,495)
Accrued expenses	(1,736)	(1,150)
Deferred revenue	(4,971)	(132,596)
Net cash provided by operating activities	<u>776,840</u>	<u>457,194</u>
Cash Flows From Investing Activities:		
Property and equipment purchased	(414,082)	(139,258)
Proceeds on sale of assets	18,308	336,420
Net cash provided by (used in) investing activities	<u>(395,774)</u>	<u>197,162</u>
Cash Flows From Financing Activities:		
Borrowings under long-term debt	600,000	-0-
Repayments on long-term debt	(300,119)	(270,156)
Net cash provided by (used in) financing activities	<u>299,881</u>	<u>(270,156)</u>
Net Increase in Cash	680,947	384,200
Cash, Beginning of Year	<u>1,812,996</u>	<u>1,428,796</u>
Cash, End of Year	<u>\$ 2,493,943</u>	<u>\$ 1,812,996</u>

See accompanying Notes to Financial Statements.

NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

1. SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

NEWPORT CHEMICAL DEPOT REUSE AUTHORITY ("NeCDRA") is a facility of 7,135 acres located in Vermillion County, Indiana (the "Depot"). In late 2005, Congress approved the Department of Defense Base Realignment and Closure recommendations, which included the closure of the U.S. Department of the Army's (the "Army") Newport Chemical Depot in Vermillion County, Indiana. NeCDRA was created to complete a reuse master plan for the depot. Its primary purpose is community financial assistance through economic development.

NeCDRA comprises a board of five citizens appointed by the Vermillion County Commissioners. NeCDRA worked in conjunction with the local community of Vermillion County, the Army and government officials and contractors to create a plan and implementation strategy for conversion of the depot to civilian use. In providing a framework for evaluating proposed new uses for the depot, NeCDRA strives to acquire property at no cost to NeCDRA or the community, develop a reuse plan primarily for agricultural and industrial uses, ensure preservation of natural resources and maximize local jobs and investment for Vermillion County and the region.

Effective October 1, 2011, an agreement between the Army and NeCDRA for conveyance of certain real property, improvements and personal property located at the Newport Chemical Depot went into effect. Real property was to be transferred in two parcels. The first parcel of approximately 6,650 acres was transferred in October 2011 and the second parcel of approximately 480 acres was transferred in September 2012. A third parcel of approximately 4 acres was pending environmental remediation and was approved for transfer in April 2015 (Note 9). In addition to the land easements, mineral rights and water rights were also transferred. Also, one building on the premises is subject to a no-cost lease back to the Army.

Agricultural, natural areas and open space uses account for approximately one half of the site's 7,135 acres, and business, highway-oriented commercial and conference and support facilities account for the other half. Revenue sources include grants from the Office of Economic Adjustment ("OEA"), "matching revenue" from the Vermillion County Economic Development Council, a Caretaker contract with the Army (through February 2014), agricultural and building leases, an Environmental Services Cooperative Agreement ("ESCA") grant, and tax increment financing revenue. NeCDRA also receives revenue from utility services provided to its tenants and to the Vermillion County Jail.

Future Plans

NeCDRA is eligible for tax increment financing for future development and operational expenditures, including the providing of water services. These funds are based on property taxes paid by NeCDRA's tenants.

NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

NeCDRA has signed two option agreements with third parties for the sale of property in order to build plants on the Depot.

It is anticipated that approximately 1,700 forested acres will be transferred to the Indiana Department of Natural Resources, though there is no time frame for this transfer.

Plans are also being considered to develop a park area on the site.

NeCDRA is in the process of planning the development of a water delivery and sewer system for service to the surrounding communities. It is anticipated that this project will be financed.

NeCDRA is eligible to receive a grant of approximately \$250,000 from the state of Indiana to improve the water system at one of the buildings currently being leased to a third party. These funds will be recorded as revenue as the related support is submitted to the Indiana Economic Developmental Council.

The significant accounting policies followed by NeCDRA in the preparation of its financial statements are summarized below:

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Unrestricted net assets are net assets not subject to donor-imposed restrictions and are, therefore, available to support the general operations of NeCDRA. Temporarily restricted net assets are net assets subject to donor-imposed restrictions related to specific programs or the passage of time.

Basis of Accounting

The accompanying basic financial statements and underlying supplemental schedules have been prepared on the accrual basis of accounting.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts in the financial statements and notes to the financial statements. Actual results could differ from those estimates.

Receivables and Credit Policies

Accounts and contract receivables represent amounts due under the OEA grant, ESCA grant, NeCDRA's Caretaker contract with the United States Army, and agricultural and other lease contracts.

NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

Under the OEA grant, NeCDRA is allowed to receive funds in advance for operational expenses, but it generally operates on a cost reimbursement basis. The annual grant totals are based on a budget submitted by NeCDRA. The grant agreement stipulates that a defined amount of project funds must come from nonfederal sources, which currently are the Vermillion County Economic Development Council (VCEDC) and other sources. Receivables for VCEDC are not recorded, as they are paid directly to NeCDRA vendors and are treated as both revenue and expenses in the period in which they are incurred.

There is no provision to charge interest on any amounts considered past due. Management believes all receivables at December 31, 2014 are collectible and, accordingly, there have been no write-offs for uncollectible amounts and no allowance for uncollectible accounts is required as of December 31, 2014 and 2013.

Property and Equipment

Property and equipment purchased and expenditures which substantially increase the useful lives of existing assets are recorded at cost. Cost of repairs and maintenance are expensed as incurred. Assets conveyed by the Army are stated at the estimated fair market value at the date of the transfer and proceeds from the sale of property are subject to certain terms contained in the conveyance agreement with the Army. Additionally, the Army conveyance agreement contains limitations regarding the use of certain acreage.

Property and equipment are depreciated using the straight-line method of depreciation. The estimated ranges of useful lives are as follows:

<u>Description</u>	<u>Ranges of Useful Lives</u>
Buildings	39 years
Land Improvements	15 - 25 years
Equipment	3 - 7 years
Automobiles	5 years

Deferred Revenue

Deferred revenue relates to rental income received in advance as well as funds received in advance under reimbursement-based grants. Upon expenditure of the funds, or specific timing in the case of the rental income, the deferred revenue is reclassified to revenue.

Revenue Recognition

NeCDRA records grant revenue for reimbursement-based grants in the period in which the expenses are incurred. Revenue relating to agricultural and building lease contracts is recorded in the period in which the revenue is earned. Cash received in advance of the rental period is recorded as deferred revenue.

NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

Government Grants

NeCDRA earns a portion of its revenues under grants from the Department of Defense, acting through the OEA. As such, it must comply with certain terms contained in the Grant Agreements. Grant activities are subject to audit and acceptance by the granting agency and, as a result, adjustments could be required.

Contributions

NeCDRA does not receive contributions from the general public and it is not a charitable organization within the meaning of Section 501 of the Internal Revenue Code. In October 2011 and September 2012, NeCDRA received contributions from the Army including land, buildings and personal property. The fair market value, net of future required payments to the Army, was recorded as a contribution as of the date of transfer.

Income Taxes

NeCDRA is organized as a municipality of Vermillion County, Indiana, and, accordingly, is exempt from Federal and state income taxes. Further, as an affiliate of a governmental entity, NeCDRA is not required to file Federal Form 990 or the related state filings.

Management of NeCDRA evaluates all significant tax positions to ensure compliance with the exempt purposes of NeCDRA as required by U.S. GAAP, including consideration of any unrelated business income tax. As of December 31, 2014, Management does not believe NeCDRA has taken any tax positions that are not in compliance with its exempt purpose.

As detailed in an Indiana Department of Revenue advisory letter dated February 17, 2011, NeCDRA's purchases are also exempt from state sales and use tax.

Subsequent Events

Subsequent events are disclosed in Note 9 and have been evaluated through May 12, 2015, which is the date the financial statements were available for issuance.

NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

2. LONG-TERM DEBT

Note Payable to Army

In consideration for the transfer of property from the Army, NeCDRA signed a Promissory Note for an amount not to exceed \$3,000,000. There is no stated interest rate and payments are required over a 10-year period (through September 30, 2021) based on the following four criteria:

1. NeCDRA will pay \$3,000 per acre to the Army for all land sold or land sales under contract;
2. Annually, NeCDRA will pay the Army the following share of gross revenues received from agriculture leases: 20% in years 1-3, 25% in years 4-6 and 30% in years 7-10;
3. Annually, NeCDRA will pay the Army 10% of gross revenues received from land and building leases, and;
4. Annually, NeCDRA will pay the Army 33% of net revenue received from the wetlands bank.

The Promissory Note is secured by a mortgage agreement. In accordance with the Promissory Note, the total cash consideration to be paid is reduced to \$2,750,000, and the mortgage is released, if NeCDRA makes payments totaling \$2,750,000 to the Army by the end of year 7 and it accepts the transfer of any additional parcels of land required to transfer all of the property pursuant to the Army conveyance agreement.

If payments do not total \$2,750,000 by the end of year 7, then payments will continue for the remainder of the 10-year period (through September 30, 2021). Following the 10-year period, NeCDRA will have no obligation to continue making payments even if the full \$3,000,000 is not paid in full. The outstanding balances at December 31, 2014 and 2013 were \$2,332,740 and \$2,592,859, respectively.

Note Payable to Vermillion County Economic Development Council

During 2012, NeCDRA secured a \$400,000 interest free note payable in 120 monthly installments of \$3,333 through August 2022 to the Vermillion County Economic Development Council. Outstanding borrowings at December 31, 2014 and 2013 were \$306,667 and \$346,667, respectively.

Wastewater Project Loan

During 2014, NeCDRA secured a \$600,000 note payable due in 10 annual installments of \$77,326 including interest at 4.9% through November 2024. Outstanding borrowings at December 31, 2014 were \$600,000.

NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

Based on the above payment requirements and current revenue sources, and assuming no land sales over the next five years, estimated maturities of long-term debt as of December 31, 2014 are as follows:

<u>Year Ending December 31,</u>	
2015	\$ 374,144
2016	376,491
2017	378,956
2018	438,145
2019	440,856
Thereafter	<u>1,230,815</u>
	<u>\$ 3,239,407</u>

3. TEMPORARILY RESTRICTED NET ASSETS

During 2011, land, buildings and personal property with a fair market value of \$31,812,197 were conveyed by the Army to NeCDRA. The transfer included land use restrictions related to the preservation of an endangered species. The terms of the conveyance provide for the eventual disposition of the land, and some additional acreage, in the form of a contribution to the Indiana Department of Natural Resources in the amount of \$2,623,200. There were no transfers to the Indiana Department of Natural Resources during 2014 or 2013, and accordingly the balance of \$2,623,200 is included in temporarily restricted net assets as of December 31, 2014 and 2013.

Additional temporarily restricted net assets totaled \$603,629 and \$140,759 as of December 31, 2014 and 2013, respectively, and are related to grant funds restricted by the donor for specific purposes.

Following debt repayments to the Army as specified in Note 2, additional proceeds from the sale, lease or equivalent use of property must be reinvested as quickly as practicable to support the economic redevelopment of the property or economic redevelopment related to the property. The additional proceeds are restricted to twelve categories as defined in the Army conveyance agreement. As of December 31, 2014 and 2013, there have been no additional proceeds.

4. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from temporary donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by the donors. Net assets released from restrictions during the years ended December 31, 2014 and 2013 totaled \$952,559 and \$857,727, respectively.

NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

5. LEASES

NeCDRA as Lessor

NeCDRA leases land to farmer tenants under lease agreements that are billed annually at a per acre rate. The annual rental rates range from \$340 per acre to \$440 per acre, and include approximately 3,245 acres of land. Revenue from the leases totaled \$1,239,580 and \$1,201,373 for the years ending December 31, 2014 and 2013, respectively. The rental agreements expired in February 2015, at which time new agreements were entered for a one-year period (Note 9).

Effective March 1, 2012, an option agreement with Development Partners Funding, LLC for the purchase of 100 acres was signed. The agreement required quarterly payments of \$3,000 and the agreement was terminated in the first quarter of 2014.

Additionally, NeCDRA leases buildings and grounds to unrelated third parties requiring monthly payments aggregating \$2,435 as of December 31, 2014. Total lease income was \$39,981 and \$24,365 for the years ending December 31, 2014 and 2013, respectively. The future minimum lease payments due under the terms of the building lease, assuming no changes in the amount of space occupied, are as follows:

<u>Year Ending</u> <u>December 31,</u>		
2015	\$	31,349
2016		48,361
2017		52,977
2018		32,991
2019		51,186
Thereafter		<u>191,425</u>
	\$	<u>408,289</u>

NeCDRA as Lessee

NeCDRA leases administrative office space in Clinton, IN from the United States of America. The office space was provided rent free through June 2014.

NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

6. CONCENTRATION OF CREDIT RISK

Cash

NeCDRA's cash is deposited with one financial institution and at times, may exceed the Federally insured limit. NeCDRA has not experienced any losses in these accounts and does not believe it is exposed to any significant credit risk on cash.

Accounts and Contract Receivables and Revenues

At December 31, 2014, 81% of accounts and contract receivables are due from one entity.

At December 31, 2013, 35%, 32%, and 13% of accounts and contract receivables represent amounts due under two building leases, a caretaker contract with the Army and the OEA grant, respectively.

The percentages of revenue by source for the years ended December 31, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Agricultural leases and other	51%	40%
ESCA grant	31%	7%
OEA grant	15%	14%
U.S. Department of the Army (Caretaker contract)	2%	38%
Building leases	1%	1%

7. RISK MANAGEMENT

NeCDRA is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance from independent third parties.

NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2014 AND 2013

8. CONTINGENCIES

NeCDRA is located on the site of the former Newport Chemical Depot where hazardous substances and contaminants were located and stored. At the time of the conveyance of this land to NeCDRA, a Remediation Plan was completed. The deed transferring the property lists restrictions, such as prohibitions against residential or agricultural uses in some areas, prohibitions against soil excavations and prohibitions against groundwater use. These restrictions result from the potential environmental impact associated with the restricted areas. The Army and the ESCA grant have agreed to pay for any additional environmental remediation.

A contingency gain exists in relation to the \$3,000,000 Promissory Note (Note 2). Should NeCDRA remit \$2,750,000 to the Army according to the terms of the agreement within seven years, and comply with the other terms of the agreement, it will not be required to pay the remaining \$250,000. Additionally, if the revenue sources on which the payments are based are not sufficient to require total payments of \$3,000,000 over 10 years, any shortfall will be forgiven. If either of these events occurs, a gain equal to the amount of debt forgiven will be recorded at that date.

9. SUBSEQUENT EVENTS

In February 2015, revised lease contracts for the agricultural use property were signed (Note 5).

In April 2015, the Army approved the final transfer of approximately 4 acres of land which had previously been pending environmental remediation (Note 1).

SUPPLEMENTAL INFORMATION

NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

STATEMENT OF FINANCIAL POSITION BY FUND DECEMBER 31, 2014

	<u>ASSETS</u>						
	<u>OEA Grant and Matching</u>	<u>Building Lease</u>	<u>Economic Development Conveyance</u>	<u>ESCA Grant</u>	<u>Tax Increment Financing</u>	<u>Eliminations</u>	<u>Total</u>
Current Assets:							
Cash	\$ -0-	\$ 100,096	\$ 1,950,029	\$ 442,713	\$ 1,105	\$ -0-	\$ 2,493,943
Accounts and contract receivables	38,453	-0-	325,730	21,494	-0-	-0-	385,677
Interfund receivables	-0-	-0-	62,056	317	-0-	(62,373)	-0-
Prepaid expenses	12,147	-0-	28,942	-0-	-0-	-0-	41,089
Total current assets	<u>50,600</u>	<u>100,096</u>	<u>2,366,757</u>	<u>464,524</u>	<u>1,105</u>	<u>(62,373)</u>	<u>2,920,709</u>
Property and Equipment:							
Land and improvements	-0-	-0-	35,627,403	61,380	-0-	-0-	35,688,783
Buildings	-0-	-0-	1,761,490	-0-	-0-	-0-	1,761,490
Equipment	106,379	-0-	1,520,409	15,900	-0-	-0-	1,642,688
Construction in progress	-0-	-0-	319,480	-0-	-0-	-0-	319,480
	<u>106,379</u>	<u>-0-</u>	<u>39,228,782</u>	<u>77,280</u>	<u>-0-</u>	<u>-0-</u>	<u>39,412,441</u>
Accumulated depreciation	(20,854)	-0-	(874,369)	(6,150)	-0-	-0-	(901,373)
Property and equipment, net	<u>85,525</u>	<u>-0-</u>	<u>38,354,413</u>	<u>71,130</u>	<u>-0-</u>	<u>-0-</u>	<u>38,511,068</u>
Total assets	<u>\$ 136,125</u>	<u>\$ 100,096</u>	<u>\$ 40,721,170</u>	<u>\$ 535,654</u>	<u>\$ 1,105</u>	<u>\$ (62,373)</u>	<u>\$ 41,431,777</u>
<u>LIABILITIES AND NET ASSETS</u>							
Current Liabilities:							
Accounts payable	\$ -0-	\$ -0-	\$ 280,883	\$ 7,199	\$ -0-	\$ -0-	\$ 288,082
Interfund payables	62,056	-0-	317	-0-	-0-	(62,373)	-0-
Current portion of long-term debt	-0-	-0-	374,144	-0-	-0-	-0-	374,144
Accrued expenses	-0-	-0-	6,690	-0-	-0-	-0-	6,690
Deferred revenue	-0-	-0-	9,369	-0-	-0-	-0-	9,369
Total current liabilities	<u>62,056</u>	<u>-0-</u>	<u>671,403</u>	<u>7,199</u>	<u>-0-</u>	<u>(62,373)</u>	<u>678,285</u>
Long-Term Debt	<u>-0-</u>	<u>-0-</u>	<u>2,865,263</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,865,263</u>
Total liabilities	<u>62,056</u>	<u>-0-</u>	<u>3,536,666</u>	<u>7,199</u>	<u>-0-</u>	<u>(62,373)</u>	<u>3,543,548</u>
Net Assets:							
Unrestricted net assets	-0-	100,096	34,561,304	-0-	-0-	-0-	34,661,400
Temporarily restricted net assets	74,069	-0-	2,623,200	528,455	1,105	-0-	3,226,829
Total net assets	<u>74,069</u>	<u>100,096</u>	<u>37,184,504</u>	<u>528,455</u>	<u>1,105</u>	<u>-0-</u>	<u>37,888,229</u>
Total liabilities and net assets	<u>\$ 136,125</u>	<u>\$ 100,096</u>	<u>\$ 40,721,170</u>	<u>\$ 535,654</u>	<u>\$ 1,105</u>	<u>\$ (62,373)</u>	<u>\$ 41,431,777</u>

See Independent Auditor's Report on pages 1 and 2.

NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS BY FUND YEAR ENDED DECEMBER 31, 2014

	Unrestricted				Temporarily Restricted				Total			
	OEA Grant and Matching	Caretaker Contract	Building Lease	Economic Development Conveyance	ESCA Grant	Total Unrestricted	OEA Grant and Matching	Economic Development Conveyance		ESCA Grant	Tax Increment Financing	Total Temporarily Restricted
Revenue and Other Support:												
Federal and matching grants	\$ -0-	\$ 72,321	\$ -0-	\$ -0-	\$ -0-	\$ 72,321	\$ 468,635	\$ -0-	\$ 945,689	\$ 1,105	\$ 1,415,429	\$ 1,487,750
Lease contracts	-0-	-0-	42,486	1,322,593	-0-	1,365,079	-0-	-0-	-0-	-0-	-0-	1,365,079
Other income	1	1,368	-0-	172,982	-0-	174,351	-0-	-0-	-0-	-0-	-0-	174,351
Net assets released from restrictions	1	73,689	42,486	1,495,575	-0-	1,611,751	468,635	-0-	945,689	1,105	1,415,429	3,027,180
Total revenue and other support	476,973	-0-	-0-	475,586	-0-	952,559	(475,973)	-0-	(475,586)	-0-	(952,559)	-0-
	476,974	73,689	42,486	1,495,575	475,586	2,564,310	(8,338)	-0-	470,103	1,105	462,870	3,027,180
Expenses:												
Personnel	415,636	-0-	-0-	197,652	34,967	648,255	-0-	-0-	-0-	-0-	-0-	648,255
Occupancy and office expenses	-0-	377	-0-	378,499	-0-	378,876	-0-	-0-	-0-	-0-	-0-	378,876
Travel	-0-	-0-	-0-	31,206	-0-	31,206	-0-	-0-	-0-	-0-	-0-	31,206
Contractual services	52,999	9,055	-0-	490,422	436,956	989,432	-0-	-0-	-0-	-0-	-0-	989,432
Other expenses	8,339	33,992	-0-	626,712	3,663	672,706	-0-	-0-	-0-	-0-	-0-	672,706
Total expenses	476,974	43,424	-0-	1,724,491	475,586	2,720,475	-0-	-0-	-0-	-0-	-0-	2,720,475
Total change in net assets	-0-	30,265	42,486	(228,916)	-0-	(156,165)	(8,338)	-0-	470,103	1,105	462,870	306,705
Net Assets, Beginning of Year	-0-	1,435,480	57,610	33,324,475	-0-	34,817,565	82,407	2,623,200	58,352	-0-	2,763,959	37,581,524
Transfer of Net Assets	-0-	(1,465,745)	-0-	1,465,745	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Net Assets, End of Year	\$ -0-	\$ -0-	\$ 100,096	\$ 34,561,304	\$ -0-	\$ 34,661,400	\$ 74,069	\$ 2,623,200	\$ 528,455	\$ 1,105	\$ 3,226,829	\$ 37,888,229

See Independent Auditor's Report on pages 1 and 2.

NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

SCHEDULE OF EXPENSES BY FUND YEAR ENDED DECEMBER 31, 2014

	OEA Grant and Matching	Caretaker Contract	Building Lease	Economic Development Conveyance	ESCA Grant	Tax Increment Financing	Total
Personnel							
Office manager	\$ 28,835	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 28,835
Deputy Director	12,800	-0-	-0-	-0-	-0-	-0-	12,800
Salaries and wages	199,442	-0-	-0-	166,938	20,133	-0-	386,513
Fringe benefits	42,320	-0-	-0-	15,114	1,078	-0-	58,512
Payroll tax	16,372	-0-	-0-	15,600	2,289	-0-	34,261
Contract labor - Executive Director	115,867	-0-	-0-	-0-	11,467	-0-	127,334
Total personnel	415,636	-0-	-0-	197,652	34,967	-0-	648,255
Occupancy and supplies							
Equipment lease	-0-	-0-	-0-	1,394	-0-	-0-	1,394
Office supplies	-0-	377	-0-	13,260	-0-	-0-	13,637
Rent and utilities	-0-	-0-	-0-	309,146	-0-	-0-	309,146
Office cleaning	-0-	-0-	-0-	4,964	-0-	-0-	4,964
Telephone	-0-	-0-	-0-	21,746	-0-	-0-	21,746
Training, dues and subscriptions	-0-	-0-	-0-	2,298	-0-	-0-	2,298
Miscellaneous office expense	-0-	-0-	-0-	25,691	-0-	-0-	25,691
Total office and supplies	-0-	377	-0-	378,499	-0-	-0-	378,876
Travel							
	-0-	-0-	-0-	31,206	-0-	-0-	31,206
Contractual Services							
Community outreach	-0-	-0-	-0-	7,659	-0-	-0-	7,659
Surveying support	-0-	-0-	-0-	600	-0-	-0-	600
Legal services	23,000	-0-	-0-	186,041	-0-	-0-	209,041
Accounting services	-0-	-0-	-0-	18,330	-0-	-0-	18,330
Other professional services	-0-	-0-	-0-	96,545	-0-	-0-	96,545
Website services	-0-	-0-	-0-	200	-0-	-0-	200
Environmental	-0-	-0-	-0-	135,598	36,552	-0-	172,150
Infrastructure	29,999	-0-	-0-	8,828	98	-0-	38,925
PCB remediation	-0-	9,055	-0-	-0-	400,306	-0-	409,361
Contract labor - property administration	-0-	-0-	-0-	36,621	-0-	-0-	36,621
Total contractual services	52,999	9,055	-0-	490,422	436,956	-0-	989,432
Other Expenses							
Uniforms	-0-	-0-	-0-	328	-0-	-0-	328
Insurance	-0-	-0-	-0-	67,934	-0-	-0-	67,934
Fuel	-0-	-0-	-0-	15,363	-0-	-0-	15,363
Repair and maintenance	-0-	150	-0-	245,905	540	-0-	246,595
Hunting leases	-0-	-0-	-0-	18,375	-0-	-0-	18,375
Charitable contributions	-0-	-0-	-0-	10,000	-0-	-0-	10,000
Interest expense	-0-	-0-	-0-	4,900	-0-	-0-	4,900
Depreciation	8,339	33,842	-0-	263,907	3,123	-0-	309,211
Total other expenses	8,339	33,992	-0-	626,712	3,663	-0-	672,706
Total expenses	\$ 476,974	\$ 43,424	\$ -0-	\$ 1,724,491	\$ 475,586	\$ -0-	\$ 2,720,475

See Independent Auditor's Report on pages 1 and 2.

NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

SCHEDULE OF OEA MATCHING GRANT REVENUE AND EXPENDITURES FROM VERMILLION COUNTY ECONOMIC DEVELOPMENT COUNCIL YEAR ENDED DECEMBER 31, 2014

Revenue	
Total matching grant revenue	<u>\$ 69,484</u>
Expenditures	
Office manager	28,835
Fringe benefits	15,049
Contract labor-Executive Director	12,800
Deputy director	12,800
	<u>\$ 69,484</u>

See Independent Auditor's Report on pages 1 and 2.

NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2014

<u>Federal Grantor/ Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
United States Department of Defense, acting through the Office of Economic Adjustment Direct Programs		
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment or Closure of a Military Installation	12.607	\$ 399,151
Environmental Services Cooperative Agreement	12.599	<u>472,463</u>
Total Expenditures of Federal Awards		<u>\$ 871,614</u>

See Notes to Schedule of Expenditures of Federal Awards.

NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED DECEMBER 31, 2014

Note 1: Basis of Presentation

This schedule includes the Federal awards activity of NeCDRA and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.



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NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

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

Board of Directors
Newport Chemical Depot Reuse Authority
Clinton, Indiana

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 Newport Chemical Depot Reuse Authority ("NeCDRA"), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NeCDRA'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 NeCDRA's internal control. Accordingly, we do not express an opinion on the effectiveness of NeCDRA'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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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 NeCDRA'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 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 NeCDRA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NeCDRA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Indianapolis, Indiana
May 12, 2015

See Independent Auditor's Report on pages 1 and 2.



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NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Newport Chemical Depot Reuse Authority
Clinton, Indiana

Report on Compliance for Each Major Federal Program

We have audited Newport Chemical Depot Reuse Authority's ("NeCDRA") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of NeCDRA's major Federal programs for the year ended December 31, 2014. NeCDRA's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of NeCDRA's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about NeCDRA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of NeCDRA's compliance.

Opinion on Each Major Federal Program

In our opinion, NeCDRA complied, in all material respects, with the types of requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance

Management of NeCDRA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered NeCDRA's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NeCDRA's internal control over compliance.

A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of control deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Indianapolis, IN
May 12, 2015

NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS DECEMBER 31, 2014

Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No

Significant deficiency(ies) identified? Yes None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §510(a) of OMB Circular A-133? Yes No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment or Closure of a Military Installation	12.607
Environmental Services Cooperative Agreement	12.599
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

NEWPORT CHEMICAL DEPOT REUSE AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
DECEMBER 31, 2014**

Findings Required to be Reported by Government Auditing Standards

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
	None	

Findings Required to be Reported by OMB Circular A-133

<u>Reference Number</u>	<u>Finding</u>	<u>Questioned Costs</u>
	None	