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October 13, 2020

Board of Directors  
Newport Chemical Depot Reuse Authority  
d/b/a Vermillion Rise Mega Park  
1051 West Indiana Avenue  
Hillsdale, IN 47864

We have reviewed the audit report of Newport Chemical Depot Reuse Authority d/b/a Vermillion Rise Mega Park which was opined upon by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period January 1, 2019 to December 31, 2019. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Newport Chemical Depot Reuse Authority d/b/a Vermillion Rise Mega Park as of December 31, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Katz, Sapper & Miller, LLP, Inc. prepared the audit report in accordance with guidelines established by the State Board of Accounts.

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

  
Paul D. Joyce, CPA  
State Examiner

**NEWPORT CHEMICAL DEPOT REUSE AUTHORITY  
d/b/a VERMILLION RISE MEGA PARK**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

December 31, 2019 and 2018

**NEWPORT CHEMICAL DEPOT REUSE AUTHORITY  
d/b/a VERMILLION RISE MEGA PARK**

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*Independent Auditors' Report*

Board of Directors  
Newport Chemical Depot Reuse Authority  
d/b/a Vermillion Rise Mega Park

**Report on the Financial Statements**

We have audited the accompanying financial statements of the single-purpose business-type activity of Newport Chemical Depot Reuse Authority d/b/a Vermillion Rise Mega Park, as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Newport Chemical Depot Reuse Authority's basic financial statements as listed in the table of contents.

***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.

***Auditors' 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Guidelines for Audit of State and Local Governments by Authorized Public Accountants*, issued by the Indiana State Board of Accounts. Those standards and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to this 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.

## **Report on Other Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on Newport Chemical Depot Reuse Authority's basic financial statements. The schedule of allowable reinvestment of additional proceeds, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of allowable reinvestment of additional proceeds has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2020, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Newport Chemical Depot Reuse Authority's internal control over financial reporting and compliance.

*Katy, Sapper & Miller, LLP*

Indianapolis, Indiana  
September 17, 2020

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

**NEWPORT CHEMICAL DEPOT REUSE AUTHORITY  
d/b/a VERMILLION RISE MEGA PARK**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
December 31, 2019 and 2018**

**Introduction**

The management of the Newport Chemical Depot Reuse Authority d/b/a Vermillion Rise Mega Park (the Authority), which is a governmental entity located in Vermillion County, 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, 2019 and 2018. 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 complete a reuse master plan for the property that was formerly the U.S. Department of the Army's (the Army) Newport Chemical Depot. The goal in creating the Authority is to bring businesses to occupy the 7,155 acres of land formerly used by the Army and create new jobs in the area. The activities of the Authority include the marketing of acreage held for sale by the Authority, conducting planning and making physical improvements to the acreage to add value to the area, and promoting business development opportunities. The Authority strives to develop a reuse plan for agricultural and industrial uses, ensure preservation of natural resources and maximize local jobs and investment for Vermillion County and the region.

About half of the 7,155 acres is dedicated to large-scale enterprise opportunities. The other half is set aside for natural areas and agricultural uses to retain the pastoral environment that currently graces the site and surrounding areas. There are also smaller parcels available for highway-oriented commercial activities and conference and support facilities.

**Financial Highlights**

**Overview of Financial Statements**

The financial statements of the Authority include the following for calendar years 2019 and 2018:

- Statements of Net Position
- Statements of Revenue, Expenses and Changes in Net Position
- Statements of Cash Flows
- Notes to Financial Statements

***Basis of Accounting and Financial Reporting***

The financial statements consist of a single-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. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**NEWPORT CHEMICAL DEPOT REUSE AUTHORITY  
d/b/a VERMILLION RISE MEGA PARK**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)  
December 31, 2019 and 2018**

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

- *Net investment in property held for sale and capital assets* - represents the Authority's investments in property held for sale and capital assets (e.g. land, buildings, etc.) less any related debt used to acquire or improve those assets that is still outstanding. The Authority uses these assets as its primary commodity to attract investment in the Authority's jurisdiction. These investments add value to the overall property and are recoverable through the liquidation of relevant assets.
- *Unrestricted* - represents resources that may be used to meet the Authority's ongoing obligations to the public and creditors.
- *Restricted* - represents resources restricted externally by creditors, grantors, contributors, or laws or regulations of other governments and constraints imposed by law through constitutional provisions or enabling legislation.

***Statements of Net Position***

The statements of net position reflect the assets and liabilities of the Authority using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The Authority's net position - the difference between total assets and total liabilities - 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.

***Comparative Statements of Net Position***

The comparative analysis below is a summary of the statements of net position for the years ended December 31, 2019, 2018 and 2017.

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Current assets - unrestricted			
Property held for sale	\$32,792,505	\$33,735,435	\$33,773,435
Other unrestricted current assets	<u>1,596,874</u>	<u>1,156,027</u>	<u>1,266,395</u>
Total current assets - unrestricted	<u>34,389,379</u>	<u>34,891,462</u>	<u>35,039,830</u>
Current assets - restricted			
Restricted property held for sale	2,623,200	2,623,200	2,623,200
Other restricted current assets	<u>360,000</u>	<u>360,000</u>	<u>360,000</u>
Total current assets - restricted	<u>2,623,200</u>	<u>2,983,200</u>	<u>2,983,200</u>

**NEWPORT CHEMICAL DEPOT REUSE AUTHORITY  
d/b/a VERMILLION RISE MEGA PARK**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)  
December 31, 2019 and 2018**

***Comparative Statements of Net Position (Continued)***

	2019	2018	2017
Noncurrent assets			
Capital assets, net	\$ 4,816,882	\$ 4,972,130	\$ 5,263,752
Other noncurrent assets	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,500,000</u>
Total noncurrent assets	<u>6,316,882</u>	<u>6,472,130</u>	<u>6,763,752</u>
 Total Assets	 <u>\$43,329,461</u>	 <u>\$44,346,792</u>	 <u>\$44,786,782</u>
Current liabilities - payable from unrestricted assets	\$ 580,675	\$ 4,264,074	\$ 3,728,024
Noncurrent liabilities - payable from unrestricted and restricted assets	<u>4,710,815</u>	<u>2,536,695</u>	<u>3,184,417</u>
Total Liabilities	<u>5,291,490</u>	<u>6,800,769</u>	<u>6,912,441</u>
Net position			
Net investment in property held for sale and capital assets	35,261,309	35,163,993	35,342,912
Unrestricted	2,678,807	2,283,284	2,372,144
Restricted	<u>97,855</u>	<u>98,746</u>	<u>159,285</u>
Total Net Position	<u>38,037,971</u>	<u>37,546,023</u>	<u>37,874,341</u>
 Total Liabilities and Net Position	 <u>\$43,329,461</u>	 <u>\$44,346,792</u>	 <u>\$44,786,782</u>

***2019 to 2018 Comparative Statements of Net Position***

*Current Assets* decreased approximately \$862,000 primarily due to the sale of 184.43 acres of property with a value of approximately \$955,800 offset by the receipt of cash proceeds from the sale. Portions of the proceeds and \$360,000 of restricted cash were then used to pay down debt.

*Noncurrent Assets* decreased approximately \$155,000 due to annual depreciation offset by approximately \$15,500 in additions.

*Current Liabilities* decreased approximately \$3,683,000 primarily due to debt balances classified in the prior year as current being reclassified to long-term as new debt agreements were entered into. Additionally, portions of the proceeds from the land sales were used to pay down current obligations. That decrease was offset by an increase of approximately \$203,000 of unearned revenue.

*Noncurrent Liabilities* increased approximately \$2,174,000 due to debt being extended from current in the prior year to long-term. The Authority made required payments on its mortgage note with the Army for the land sales that occurred in 2019 and renegotiated the agreement to extend the term to June 30, 2025. Debt with CoBank was paid off through a refinancing with another lender, Farm Credit Mortgage.

**NEWPORT CHEMICAL DEPOT REUSE AUTHORITY  
d/b/a VERMILLION RISE MEGA PARK**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)  
December 31, 2019 and 2018**

**2018 to 2017 Comparative Statements of Net Position**

*Current Assets* decreased approximately \$148,000 primarily due to the sale of 4.46 acres of property valued at \$38,000 and the collection of approximately \$85,000 in grants receivable.

*Noncurrent Assets* decreased approximately \$292,000 due to development of capital assets of approximately \$58,000 offset by annual depreciation of approximately \$350,000.

*Current Liabilities* increased approximately \$536,000 primarily due to debt balances due in 2019 classified as current.

*Noncurrent Liabilities* decreased approximately \$648,000 due to debt repayments and debt balances due in 2019 classified as current.

**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, 2019, 2018 and 2017.

	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Operating Revenue</b>			
Federal and matching grants	\$ 395,004	\$ 266,223	\$ 689,151
Other grants	-	15,000	-
Lease contracts	1,117,710	1,143,314	1,102,995
Other income	<u>123,250</u>	<u>104,159</u>	<u>141,017</u>
Total Operating Revenue	<u>1,635,964</u>	<u>1,528,696</u>	<u>1,933,163</u>
<b>Operating Expenses</b>			
Personnel	441,647	511,221	604,398
Occupancy and office expenses	216,790	250,417	277,467
Travel	14,661	9,530	23,005
Contractual services	321,946	326,012	637,781
Repairs and maintenance	70,355	79,801	107,355
Insurance	67,813	79,579	73,403
Depreciation	170,708	349,425	285,190
Other expenses	<u>25,325</u>	<u>35,918</u>	<u>45,536</u>
Total Operating Expenses	<u>1,329,245</u>	<u>1,641,903</u>	<u>2,054,135</u>
Income (Loss) from Operations	<u>306,719</u>	<u>(113,207)</u>	<u>(120,972)</u>

**NEWPORT CHEMICAL DEPOT REUSE AUTHORITY  
d/b/a VERMILLION RISE MEGA PARK**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)  
December 31, 2019 and 2018**

***Comparative Statements of Revenue, Expenses and Changes in Net Position (Continued)***

	2019	2018	2017
<b>Nonoperating Revenue (Expenses)</b>			
TIF property tax revenue	\$ 14,547	\$ 19,581	\$ 19,012
Gain on sale of property held for sale	419,563	12,000	-
Interest expense, net of capitalized interest	<u>(248,881)</u>	<u>(246,692)</u>	<u>(209,373)</u>
Total Nonoperating Revenue (Expenses)	<u>185,229</u>	<u>(215,111)</u>	<u>(190,361)</u>
Increase (Decrease) in Net Position	491,948	(328,318)	(311,333)
Net Position, Beginning of Year	<u>37,546,023</u>	<u>37,874,341</u>	<u>38,185,674</u>
Net Position, End of Year	<u>\$38,037,971</u>	<u>\$37,546,023</u>	<u>\$37,874,341</u>

***2019 to 2018 Comparative Statements of Revenue, Expenses and Changes in Net Position***

*Operating Revenue* increased approximately \$107,000 which is mostly attributable to increased draws on the Environmental Services Cooperative Agreement (ESCA) grant.

*Operating Expenses* decreased by approximately \$313,000, caused by a decrease of approximately \$179,000 in depreciation expense as a significant amount of assets became fully depreciated in 2018. Other decreases occurred in contractual services and personnel costs.

*Non-operating Revenue (Expenses)* increased approximately \$400,000 from a net expense in 2018 to a net revenue in 2019. This is attributable to the gain on sale of property held for sale.

***2018 to 2017 Comparative Statements of Revenue, Expenses and Changes in Net Position***

*Operating Revenue* decreased approximately \$404,000 which is mostly attributable to Office of Economic Adjustment (OEA) grant ending during 2018.

*Operating Expenses* decreased by approximately \$412,000, led by decreases in contractual services and personnel costs.

*Non-operating Revenue (Expenses)* decreased approximately \$25,000 from increased interest expense on loans offsetting a \$12,000 gain from sale of property held for sale.

**NEWPORT CHEMICAL DEPOT REUSE AUTHORITY  
d/b/a VERMILLION RISE MEGA PARK**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)  
December 31, 2019 and 2018**

***Capital Assets and Debt Administration***

***Capital Assets***

As discussed, the Authority is organized to promote and develop the former Newport Chemical Depot located in Newport, Indiana. The Authority initially received contributions from the Army including land, buildings and personal property and has since conducted projects to develop the property to appeal to potential businesses as tenants or purchasers of the property. The fair market value, net of future required payments to the Army, was recorded as a contribution as of the date of the transfer. The Authority incurred approximately \$15,500 and \$58,000 in depreciable capital asset additions and \$13,000 and \$0 in property held for sale additions for the years ended December 31, 2019 and 2018, respectively. Two parcels were sold in 2019 totaling 184.43 acres for approximately \$1,375,000 for a gain of \$420,000. A parcel of 4.46 acres of land was sold during 2018 for \$50,000 for a gain of \$12,000. Readers are directed to Notes 3 and 4 of the financial statements for more detailed information on capital asset activity.

***Long-term Debt***

The Authority's long-term debt is comprised of notes payable, which over time has afforded the Authority the ability to acquire, construct and develop certain land, improvements and buildings on the property. The Authority made significant changes in its debt arrangements in 2019. An obligation with a lender was paid off utilizing proceeds from land sales and new debt incurred with a new lender under terms that extended the authority's debt obligations. The agreement with the Army was modified to only require payments to be made upon the sale of land in the amount of 10% of gross proceeds. Additionally, the term was extended to June 30, 2025 when the outstanding balance becomes due in full. Debt payments were approximately \$3,037,000 and \$112,000 for the years ended December 31, 2019 and 2018, respectively. Readers are directed to Note 6 of the financial statements for more detailed information on long-term debt activity.

**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 Newport Chemical Depot Reuse Authority, 1051 W Indiana Avenue, Hillsdale, IN 47854.

## **FINANCIAL STATEMENTS**

**NEWPORT CHEMICAL DEPOT REUSE AUTHORITY  
d/b/a VERMILLION RISE MEGA PARK**

**STATEMENTS OF NET POSITION  
December 31, 2019 and 2018**

	<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
<b>CURRENT ASSETS</b>			
Unrestricted Current Assets:			
Cash		\$ 1,442,375	\$ 1,074,587
Lease receivable		19,323	27,849
Grants receivable		83,820	-
TIF property tax receivable		16,644	18,740
Prepaid expenses and other assets		34,712	34,851
Property held for sale		<u>32,792,505</u>	<u>33,735,435</u>
Total Unrestricted Current Assets		<u>34,389,379</u>	<u>34,891,462</u>
Restricted Current Assets:			
Restricted cash		-	360,000
Restricted property held for sale		<u>2,623,200</u>	<u>2,623,200</u>
Total Restricted Current Assets		<u>2,623,200</u>	<u>2,983,200</u>
Total Current Assets		<u>37,012,579</u>	<u>37,874,662</u>
<b>NONCURRENT ASSETS</b>			
Note receivable		1,500,000	1,500,000
Capital assets, net		<u>4,816,882</u>	<u>4,972,130</u>
Total Noncurrent Assets		<u>6,316,882</u>	<u>6,472,130</u>
<b>TOTAL ASSETS</b>		<u><u>\$ 43,329,461</u></u>	<u><u>\$ 44,346,792</u></u>
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Payable from Unrestricted Assets:			
Accounts payable		\$ 102,986	\$ 257,700
Unearned revenue		216,553	13,074
Accrued expenses		673	3,223
Accrued interest on debt		54,420	12,893
Current portion of long-term debt		<u>206,043</u>	<u>3,977,184</u>
Total Current Liabilities		580,675	4,264,074
<b>NONCURRENT LIABILITIES</b>			
Payable from Unrestricted and Restricted Assets:			
Long-term debt, less current portion		<u>4,710,815</u>	<u>2,536,695</u>
Total Liabilities		<u>5,291,490</u>	<u>6,800,769</u>
<b>NET POSITION</b>			
Net investment in property held for sale and capital assets		35,261,309	35,163,993
Unrestricted		2,678,807	2,283,284
Restricted		<u>97,855</u>	<u>98,746</u>
Total Net Position		<u>38,037,971</u>	<u>37,546,023</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>		<u><u>\$ 43,329,461</u></u>	<u><u>\$ 44,346,792</u></u>

See accompanying notes.

**NEWPORT CHEMICAL DEPOT REUSE AUTHORITY  
d/b/a VERMILLION RISE MEGA PARK**

**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
Years Ended December 31, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>OPERATING REVENUE</b>		
Federal and matching grants	\$ 395,004	\$ 266,223
Other grants	-	15,000
Lease contracts	1,117,710	1,143,314
Other income	123,250	104,159
Total Operating Revenue	<u>1,635,964</u>	<u>1,528,696</u>
<b>OPERATING EXPENSES</b>		
Personnel	441,647	511,221
Occupancy and office expenses	216,790	250,417
Travel	14,661	9,530
Contractual services	321,946	326,012
Repairs and maintenance	70,355	79,801
Insurance	67,813	79,579
Depreciation	170,708	349,425
Other expenses	25,325	35,918
Total Operating Expenses	<u>1,329,245</u>	<u>1,641,903</u>
<b>INCOME (LOSS) FROM OPERATIONS</b>	<u>306,719</u>	<u>(113,207)</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>		
TIF property tax revenue	14,547	19,581
Gain on sale of property held for sale	419,563	12,000
Interest expense	(248,881)	(246,692)
Total Nonoperating Revenue (Expenses)	<u>185,229</u>	<u>(215,111)</u>
<b>INCREASE (DECREASE) IN NET POSITION</b>	491,948	(328,318)
<b>NET POSITION</b>		
Beginning of Year	<u>37,546,023</u>	<u>37,874,341</u>
End of Year	<u><u>\$ 38,037,971</u></u>	<u><u>\$ 37,546,023</u></u>

See accompanying notes.

**NEWPORT CHEMICAL DEPOT REUSE AUTHORITY  
d/b/a VERMILLION RISE MEGA PARK**

**STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2019 and 2018**

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Grant receipts	\$ 311,184	\$ 366,101
Receipts from customers and users	1,452,965	1,240,081
Payments to vendors for goods and services	(874,015)	(740,566)
Payments for employees services	(441,647)	(511,221)
Net Cash Provided by Operating Activities	<u>448,487</u>	<u>354,395</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal paid on long-term debt	(3,037,021)	(111,872)
Proceeds from issuance of long-term debt	1,440,000	
Interest paid	(207,354)	(285,523)
TIF property taxes received	16,643	18,741
Acquisition and construction of capital assets	(15,460)	(57,803)
Acquisition and construction of property held for sale	(12,882)	-
Proceeds from sale of property held for sale	1,375,375	50,000
Net Cash Used by Capital and Related Financing Activities	<u>(440,699)</u>	<u>(386,457)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	7,788	(32,062)
<b>CASH</b>		
Beginning of Year	<u>1,434,587</u>	<u>1,466,649</u>
End of Year	<u>\$ 1,442,375</u>	<u>\$ 1,434,587</u>
<b>CASH</b>		
Cash	\$ 1,442,375	\$ 1,074,587
Restricted cash	<u>-</u>	<u>360,000</u>
<b>TOTAL CASH</b>	<u>\$ 1,442,375</u>	<u>\$ 1,434,587</u>
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Income (loss) from operations	\$ 306,719	\$ (113,207)
Depreciation expense	170,708	349,425
(Increase) decrease in lease receivable	8,526	(14,336)
(Increase) decrease in grants receivable	(83,820)	84,878
Decrease in prepaid expenses and other assets	139	8,604
Increase in unearned revenue	203,479	6,944
Increase (decrease) in accounts payable	(154,714)	29,451
Increase (decrease) in accrued expenses	(2,550)	2,636
Net Cash Provided by Operating Activities	<u>\$ 448,487</u>	<u>\$ 354,395</u>

See accompanying notes.

**NEWPORT CHEMICAL DEPOT REUSE AUTHORITY  
d/b/a VERMILLION RISE MEGA PARK**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2019 and 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General:** Newport Chemical Depot Reuse Authority d/b/a Vermillion Rise Mega Park (the Authority) was established in April 2006, by Indiana Code, Section 36-7-30. The Authority is a facility of 7,155 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. The Authority was created to complete the reuse master plan for the Depot. Its primary purpose is community financial assistance through economic development.

The Authority comprises a board of five citizens appointed by the Vermillion County Commissioners. The Authority worked in conjunction with the local community 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, the Authority strives to 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, a less than fair market value economic development conveyance agreement between the Army and the Authority for conveyance of certain real property, improvements and personal property located at the Depot went into effect. A total of 7,155 acres have been transferred. In addition, the land easements, mineral rights and water rights were also transferred. See Note 3.

In accordance with the Army agreement, as amended, the Authority has agreed all additional proceeds earned from the Depot received during the 10-year period must be reinvested to support the economic development of Depot. Any proceeds not reinvested shall be remitted to the Army at the end of the 10-year period.

Agricultural, natural areas and open space uses account for approximately one half of the Depot's 7,155 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 (VCEDC), agricultural, hunting and building leases, an Environmental Services Cooperative Agreement (ESCA) grant, and tax increment financing revenue. The Authority also receives revenue from utility services provided to its tenants and to the Vermillion County Jail.

The Authority 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 organizations within the Authority's special taxing district. The Authority also serves as the governing body of the special taxing district, which provides for the planning, replanning, development, redevelopment and preparation for reuse of the Depot.

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

**New Accounting Pronouncement:** On January 1, 2019, the Authority adopted GASB Statement No. 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Payments*. The adoption of GASB Statement No. 88 required that additional essential information related to debt be disclosed in the notes to the financial statements. The debt disclosures were updated accordingly for all years presented. See Note 6.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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:** 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.

**Receivables and Credit Policies:** Grants and lease receivables represent amounts due under the OEA grant, ESCA grant and commercial lease contracts.

Under the OEA grant, the Authority 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 the Authority. The grant agreement stipulates that a defined amount of project funds must come from nonfederal sources, which currently are the VCEDC and other sources. Receivables from VCEDC are not recorded, as they are paid directly to the Authority's vendors and are treated as both revenue and expense in the period in which they are incurred.

There is no provision to charge interest on any amounts considered past due. Management routinely reviews receivables for collectability. Uncollectable accounts are written off as deemed necessary. Management determined no allowance for doubtful accounts was necessary at December 31, 2019 and 2018.

**TIF Property Tax Receivable:** A special property tax assessment is made on properties in the Depot area for the purpose of providing funding to the Authority to carry out its purpose. Property taxes are collected in excess of the tax base at the time of conveyance and remitted to the Authority by Vermillion County, 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 June and December and are accrued as revenue in the year they are levied. No allowance has been made for uncollectible taxes.

**Property Held for Sale** consists of real estate originally conveyed by the Army 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 losses are reflected in the year of the sale.

**Capital Assets:** Capital assets purchased by the Authority are stated at historical cost. Contributed capital assets are stated at the fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	39 years
Improvements	15 to 25 years
Utility infrastructure	25 years
Equipment, furniture and fixtures and other	3 to 7 years

Maintenance and repairs are expensed as incurred. Gains and losses on disposition of capital assets are included in nonoperating revenue and expenses. Interest incurred during construction, renovation and/or remediation periods is capitalized and included in the cost of property and equipment. The Authority capitalizes interest costs of borrowings specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowings. For the years ended December 31, 2019 and 2018, no interest costs were capitalized.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Allowance for Losses on Property:** Valuation allowances are provided for real estate held for sale and capital assets 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 2019 and 2018, the Authority did not have a loss on real estate held for sale or capital assets due to changes in the fair values of the assets.

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

**Unearned 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 rental income, the unearned revenue is reclassified to revenue.

**Lease Contract Revenue:** All leases wherein the Authority is the lessor are accounted for as operating leases. Rental income is recognized as it becomes receivable over the respective lease terms. Cash received in advance of the rental period is recorded as unearned revenue.

**Government Grants:** Grant revenues for reimbursement-based grants are recognized in the period in which eligible expenses are incurred. Grant revenues received in advance of being earned are recognized as restricted net position. Grant activities are subject to audit and acceptance by the granting agency and, as a result, adjustments could be required.

**Revenue and Expense Recognition:** Revenue from tenants and grant revenue are 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 expenses.

**Net Position:** The Authority classifies net position for accounting and financial reporting purposes in the following net position categories:

- Net investment in property held for sale and capital assets - This component of net position consists of property held for sale and capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in property held for sale and capital assets".

**Use of Restricted and Unrestricted Resources:** When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are 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.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Reclassifications:** Certain amounts in the 2018 financial statements have been reclassified to conform to the presentation of the 2019 financial statements.

**Subsequent Events:** The Authority has evaluated the financial statements for subsequent events occurring through September 17, 2020, the date financial statements were available to be issued. See Note 12.

## NOTE 2 - CASH

Deposits as of December 31, 2019 and 2018, consisted of the following:

	2019	2018
Unrestricted	\$1,442,375	\$1,074,587
Restricted for debt service	<u>                    </u>	<u>360,000</u>
Total Cash Deposits	<u>\$1,442,375</u>	<u>\$1,434,587</u>

**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. The FDIC fully insures \$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 3 - PROPERTY HELD FOR SALE

Property held for sale was conveyed to the Authority at less than fair market value by the Army. The conveyance agreement transferred land easements, mineral rights and water rights were also transferred. As of December 31, 2019 and 2018, the balance of property held for sale plus development costs was \$35,415,705 and \$36,358,635, respectively.

It is anticipated that approximately 1,700 acres will be transferred to the Indiana Department of Natural Resources, though there is no firm timeframe for this transfer. These acres are included as restricted property held for sale on the Authority's statements of net position.

During 2019, the Authority engaged in two sales of land totaling 184.43 acres with a carrying value of \$955,812 for \$1,375,375. As a result of the sale, payments totaling of \$137,857 were made to the Army in accordance with their debt terms.

The Authority developed and improved infrastructure to its parcels of land classified as property held for sale which resulted in \$12,882 of improvements capitalized in property held for sale in 2019.

During 2018, the Authority sold 4.46 acres of land with a carrying value of \$38,000 for \$50,000. As a result of the sale, a payment of \$12,000 was made to the Army in accordance with their debt terms.

**NOTE 3 - PROPERTY HELD FOR SALE (CONTINUED)**

During 2016, the Authority sold 32.6 acres of land to a developer to construct a 50,000 square foot industrial building. The land was sold for \$652,000 and had a carrying value of \$169,520. The land proceeds were received in early 2017. As a result of the sale, a payment of \$97,800 was made to the Army in accordance with their debt terms. As part of the agreement, the Authority provided a \$1,500,000 interest free loan to the developer which was funded with a \$1,500,000 loan from the Vermillion County Commissioners (VCC) (see Notes 5 and 6). Additionally, the Authority has agreed to reimburse the developer for its cost of capital calculated as the developer’s costs, as defined, at a rate of prime plus 1.5% (6.25% at December 31, 2019) for the earlier of the sale or lease of the developed real estate or 10 years.

The balance of the developer’s costs were \$1,471,341 and \$1,439,192 at December 31, 2019 and 2018, respectively. The Authority recognized \$90,325 and \$93,487 of interest expense for reimbursement to the developer in 2019 and 2018, respectively.

Effective January 8, 2019, a mitigation project option agreement was entered into to sell a conservation easement on 274.86 acres for a conservation project. The total price anticipated to be received by the Authority in 2021, subject to a final land survey, is \$769,608.

**NOTE 4 - CAPITAL ASSETS**

A summary of changes in capital assets for the years ended December 31, 2019 and 2018 is as follows:

	<b>Balance, January 1, 2019</b>	<b>Transfers and Additions</b>	<b>Disposals</b>	<b>Balance, December 31, 2019</b>
Capital assets:				
Buildings and improvements	\$ 1,824,970	\$ -	\$ -	\$ 1,824,970
Utility infrastructure	3,457,354	-	-	3,457,354
Equipment, furniture and fixtures and other	<u>1,752,065</u>	<u>15,460</u>	<u>-</u>	<u>1,767,525</u>
Total capital assets	<u>7,034,389</u>	<u>15,460</u>	<u>-</u>	<u>7,049,849</u>
Less accumulated depreciation for:				
Buildings and improvements	(315,433)	(46,649)	-	(362,082)
Utility infrastructure	(174,500)	(84,639)	-	(259,139)
Equipment, furniture and fixtures and other	<u>(1,572,326)</u>	<u>(39,420)</u>	<u>-</u>	<u>(1,611,746)</u>
Total accumulated depreciation	<u>(2,062,259)</u>	<u>(170,708)</u>	<u>-</u>	<u>(2,232,967)</u>
Capital assets, net	<u>\$ 4,972,130</u>	<u>\$(155,248)</u>	<u>\$ -</u>	<u>\$ 4,816,882</u>

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

	Balance, January 1, 2018	Transfers and Additions	Disposals	Balance, December 31, 2018
Capital assets:				
Buildings and improvements	\$ 1,824,970	\$ -	\$ -	\$ 1,824,970
Utility infrastructure	3,408,954	48,400	-	3,457,354
Equipment, furniture and fixtures and other	<u>1,742,662</u>	<u>9,403</u>	<u>-</u>	<u>1,752,065</u>
Total capital assets	<u>6,976,586</u>	<u>57,803</u>	<u>-</u>	<u>7,034,389</u>
Less accumulated depreciation for:				
Buildings and improvements	(268,784)	(46,649)	-	(315,433)
Utility infrastructure	(34,581)	(139,919)	-	(174,500)
Equipment, furniture and fixtures and other	<u>(1,409,469)</u>	<u>(162,857)</u>	<u>-</u>	<u>(1,572,326)</u>
Total accumulated depreciation	<u>(1,712,834)</u>	<u>(349,425)</u>	<u>-</u>	<u>(2,062,259)</u>
Capital assets, net	<u>\$ 5,263,752</u>	<u>\$ (291,622)</u>	<u>\$ -</u>	<u>\$ 4,972,130</u>

**NOTE 5 - NOTE RECEIVABLE**

During 2016, associated with the sale of real estate held for sale to a developer, the Authority provided \$1,500,000 to finance the parcel's development. The note is interest free and is payable upon the earlier of the sale or lease of the developed real estate or January 5, 2026. The note is secured by a mortgage on the developed real estate.

**NOTE 6 - LONG-TERM DEBT**

Long-term debt outstanding consisted of the following at December 31, 2019 and 2018:

	2019	2018
Note payable to Army	\$1,540,253	\$ 1,678,110
Note payable to VCEDC	106,667	146,667
Note payable to CoBank		2,800,000
Note payable to Farm Credit Services of Mid-America	1,440,000	
Note payable to VCC	1,500,000	1,500,000
Wastewater project note payable to Old National Bank	<u>329,938</u>	<u>389,102</u>
Total long-term debt	4,916,858	6,513,879
Less: Current portion	<u>(206,043)</u>	<u>(3,977,184)</u>
Long-term debt, less current portion	<u>\$4,710,815</u>	<u>\$ 2,536,695</u>

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

**Note Payable to Army:** In consideration for the transfer of property from the Army, the Authority signed a Promissory Note for an amount not to exceed \$3,000,000. The note was amended in 2019. There is no stated interest rate and payments in the amount of 10% of the gross sale price of any real property sold are required until the note is repaid in full, or until June 30, 2025, whichever comes first. Any remaining unpaid balance of the note is due in full on June 30, 2025. The Promissory Note is secured by a mortgage agreement.

In 2019, two parcels were sold for gross amounts of \$750,000 and \$625,375. In accordance with the terms of the note, payments of \$75,000 and \$62,857 were made.

**Note Payable to VCEDC:** During 2012, the Authority secured a \$400,000 interest-free note payable in 120 monthly installments of \$3,333 through August 2022.

**Note Payable to CoBank:** During 2015, the Authority signed a Promissory Note with a financial institution for an amount not to exceed \$3,000,000. The note was paid in full in 2019.

**Note Payable to Farm Credit Services of Mid-America (FCS):** During 2019, the Authority signed a Promissory Note with a financial institution for \$1,440,000 to be paid beginning on February 1, 2020 in 119 monthly payments of \$15,372, including interest at 5.0% through December 1, 2029. The note is secured by a mortgage agreement.

**Note Payable to Vermillion County Commissioners (VCC):** During 2016, the Authority signed a promissory note with the VCC for \$1,500,000 to aid a developer in financing the construction of a building. Outstanding principal is due in total the earlier of January 5, 2026 or when the developed real estate is sold or leased. The note is interest free. The note is secured by a mortgage on the related real estate. The Authority in turn has provided a note receivable to the developer with the same terms (see Note 5).

**Wastewater Project Note Payable to Old National Bank:** During 2014, the Authority secured a \$600,000 note payable due in 10 annual installments of \$77,326, including interest at 4.0% through November 2024. The note is secured by a mortgage on a building of the Authority. The note contains an event of default clause that changes the timing of repayment of outstanding amounts to become immediately due if the Authority is unable to make payment.

As of December 31, 2019, 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 are as follows:

Payable In	Principal	Interest	Total
2020	\$ 206,043	\$ 82,818	\$ 288,861
2021	223,893	74,941	298,834
2022	219,296	66,206	285,501
2023	201,783	57,051	258,834
2024	210,808	47,463	258,271
2025-2029	<u>3,855,035</u>	<u>107,803</u>	<u>3,962,838</u>
	<u>\$4,916,858</u>	<u>\$436,281</u>	<u>\$5,353,139</u>

**NOTE 6 - LONG-TERM DEBT (CONTINUED)**

Changes in long-term debt for the years ended December 31, 2019 and 2018 were as follows:

	<b>2019</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Long-term Debt:					
Note payable to Army	\$1,678,110	\$ -	\$ (137,857)	\$1,540,253	\$ -
Note payable to VCEDC	146,667	-	(40,000)	106,667	40,000
Note payable to CoBank	2,800,000	-	(2,800,000)	-	-
Note payable to FCS	-	1,440,000	-	1,440,000	105,119
Note payable to VCC	1,500,000	-	-	1,500,000	-
Wastewater project note payable to Old National Bank	<u>389,102</u>	<u>-</u>	<u>(59,164)</u>	<u>329,938</u>	<u>60,924</u>
Total Long-term Debt	<u>\$6,513,879</u>	<u>\$1,440,000</u>	<u>\$(3,037,021)</u>	<u>\$4,916,858</u>	<u>\$206,043</u>

	<b>2018</b>				
	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Current Portion</b>
Long-term Debt:					
Note payable to Army	\$1,690,110	\$ -	\$ (12,000)	\$1,678,110	\$1,078,599
Note payable to VCEDC	190,000	-	(43,333)	146,667	40,000
Note payable to CoBank	2,800,000	-	-	2,800,000	2,800,000
Note payable to VCC	1,500,000	-	-	1,500,000	-
Wastewater project note payable to Old National Bank	<u>445,641</u>	<u>-</u>	<u>(56,539)</u>	<u>389,102</u>	<u>58,585</u>
Total Long-term Debt	<u>\$6,625,751</u>	<u>\$ -</u>	<u>\$(111,872)</u>	<u>\$6,513,879</u>	<u>\$3,977,184</u>

**NOTE 7 - EMPLOYEE BENEFITS**

Effective in January 2015, the Authority sponsors a defined contribution retirement savings plan which covers all eligible employees. Participants in the Plan may elect to contribute a portion of their compensation to the Plan, limited to the maximum annual amount allowed under the Internal Revenue Code. The Plan also provides for a discretionary match by the Authority (3% in 2019 and 2018). Employer contributions to the plan were \$8,381 in 2019 and \$10,065 in 2018.

**NOTE 8 - LEASES**

The Authority as Lessor:

The Authority leases land to farmer tenants under lease agreements that are billed annually at a per acre rate. The rental agreements are for one-year terms. The annual rental rates range from \$215 per acre to \$335 per acre, and include approximately 3,171 acres of land. Revenue from the leases totaled \$913,357 and \$940,026 for the years ended December 31, 2019 and 2018, respectively.

Additionally, the Authority leases buildings and grounds to unrelated third parties requiring monthly payments aggregating \$9,051 at December 31, 2019. Total income for these leases was \$109,038 and \$120,822 for the years ended December 31, 2019 and 2018, respectively.

## NOTE 8 - LEASES (CONTINUED)

The future minimum lease payments required by all long-term noncancellable operating leases at December 31, 2019, including the effects of renewals and new tenant leases signed in 2019 total approximately \$1,002,614, to be paid in 2020.

### The Authority as Lessee:

The Authority has an operating lease for a vehicle expiring February 29, 2020, with a purchase option of \$17,026 at the end of the lease. Rent expense was \$4,855 in 2019 and \$4,855 in 2018. Future minimum payments to be made are \$809 in 2020.

## NOTE 9 - CONCENTRATIONS OF FUNDING

The Authority is dependent on funding from federal awards. The percentage of revenue by source for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Federal Awards:		
ESCA grant	24%	4%
OEA grant	<u>0%</u>	<u>13%</u>
Total Federal Awards	24%	17%
Agriculture leases and other	69%	75%
Building leases	7%	8%

At December 31, 2019, 100% of grants receivable were due from federal agencies.

## NOTE 10 - RISK MANAGEMENT

The Authority is exposed to various risks related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority maintains commercial insurance policies to cover these risks. 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 11 - COMMITMENTS AND CONTINGENCIES

The Authority 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 the Authority, 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 has agreed to be held liable for any additional environmental remediation.

In September 2018, the Authority engaged an engineering consultant to perform services at a cost per the contract, as amended, of \$186,600. As of December 31, 2019, \$154,746 of those services had been performed.

## NOTE 12 - UNCERTAINTY RELATED TO CORONAVIRUS

On January 30, 2020, the World Health Organization declared a global health emergency over the novel coronavirus known as COVID-19. The outbreak may result in the delay of scheduled projects as contractors adjust to the changing environment. The ultimate impact of the outbreak to the Authority's financial results and operations cannot be determined at this time; however, management is taking actions to mitigate the impact of the outbreak to the Authority. On May 4, 2020, the Authority received a loan of \$83,400 under the Paycheck Protection Program of the CARES Act. The loan bears interest at 1.00% and matures May 4, 2022. The loan will be fully or partially forgiven if the Authority meets certain conditions, including use of the funds for qualifying purposes. Management anticipates meeting the conditions for full forgiveness.

## **SUPPLEMENTARY INFORMATION**

**NEWPORT CHEMICAL DEPOT REUSE AUTHORITY  
d/b/a VERMILLION RISE MEGA PARK**

**SCHEDULE OF ALLOWABLE REINVESTMENT OF ADDITIONAL PROCEEDS (UNAUDITED)  
Year Ended December 31, 2019**

	<b>Amounts Reinvested</b>
<b>ALLOWABLE REINVESTMENT CATEGORIES:</b>	
Road construction and public buildings	
Transportation management facilities	
Police and fire protection facilities and other public facilities	
Utility construction	
Building rehabilitation	
Historic property preservation	
Pollution prevention equipment or facilities	
Demolition	
Disposal of hazardous materials generated by demolition	
Landscaping, grading and other site or public improvements	
Planning for or marketing of the redevelopment and reuse of the installation	<u>\$ 1,117,710</u>
<b>INCOME DETAIL:</b>	
Property lease contracts	\$ 1,033,395
Hunting lease income	<u>84,315</u>
	<u><u>\$ 1,117,710</u></u>

## **OTHER REPORT**

*Independent Auditors' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed  
in Accordance with Government Auditing Standards*

*Year Ended December 31, 2019*

Board of Directors  
Newport Chemical Depot Reuse Authority  
d/b/a Vermillion Rise Mega Park

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 the single-purpose business-type activity of Newport Chemical Depot Reuse Authority d/b/a Vermillion Rise Mega Park (the Authority), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise of the Authority's basic financial statements, and have issued our report thereon dated September 17, 2020.

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

### **Purpose of this Report**

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

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
September 17, 2020