



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B60333

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

December 6, 2022

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, 2021 to December 31, 2021. 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, 2021 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

A handwritten signature in cursive script that reads "Tammy R. White".

Tammy R. White, CPA
Deputy State Examiner

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

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

December 31, 2021 and 2020



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

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	4-9
FINANCIAL STATEMENTS	
Statements of Net Position	10
Statements of Revenue, Expenses and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Financial Statements	13-21
SUPPLEMENTARY INFORMATION	
Schedule of Allowable Reinvestment of Additional Proceeds (Unaudited)	22
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 <i>Government Auditing Standards</i>	23-24



Independent Auditors' Report

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

Report on the Audit of Financial Statements

Opinion

We have audited the 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, 2021 and 2020, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of single-purpose business-type activity of Newport Chemical Depot Reuse Authority d/b/a Vermillion Rise Mega Park, as of December 31, 2021 and 2020, and the changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Newport Chemical Depot Reuse Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Newport Chemical Depot Reuse Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise 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. Such information 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 July 21, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Newport Chemical Depot Reuse Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Newport Chemical Depot Reuse Authority's internal control over financial reporting and compliance.

Katy, Sapper & Miller, LLP

Indianapolis, Indiana
July 21, 2022

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, 2021 and 2020**

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, 2021 and 2020. 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 2021 and 2020:

- 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, 2021 and 2020**

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

- *Net investment in property held for sale, restricted property and capital assets* - represents the Authority's investments in property held for sale, restricted property and capital assets (e.g. land, 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 as of December 31, 2021, 2020 and 2019.

	2021	2020	2019
Current assets			
Property held for sale	\$27,697,661	\$27,700,725	\$27,755,641
Other current assets	<u>2,613,733</u>	<u>1,980,577</u>	<u>1,572,954</u>
Total current assets	<u>30,311,394</u>	<u>29,681,302</u>	<u>29,328,595</u>
Noncurrent assets			
Capital assets, net	\$ 4,517,254	\$ 4,763,228	\$ 4,816,882
Restricted property	7,660,064	7,660,064	7,660,064
Other noncurrent assets	<u>1,531,646</u>	<u>1,531,646</u>	<u>1,523,920</u>
Total noncurrent assets	<u>13,708,934</u>	<u>13,954,938</u>	<u>14,000,866</u>
 Total Assets	 <u>\$44,020,358</u>	 <u>\$43,636,240</u>	 <u>\$43,329,461</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
December 31, 2021 and 2020**

Comparative Statements of Net Position (Continued)

	2021	2020	2019
Current liabilities	\$ 518,727	\$ 573,400	\$ 580,675
Noncurrent liabilities	<u>4,250,685</u>	<u>4,486,669</u>	<u>4,710,815</u>
Total Liabilities	<u>4,769,412</u>	<u>5,060,069</u>	<u>5,291,490</u>
Net position			
Net investment in property held for sale, restricted property and capital assets	35,384,367	35,372,284	35,261,309
Unrestricted	3,613,904	3,033,525	2,678,807
Restricted	<u>252,675</u>	<u>170,362</u>	<u>97,855</u>
Total Net Position	<u>39,250,946</u>	<u>38,576,171</u>	<u>38,037,971</u>
Total Liabilities and Net Position	<u>\$44,020,358</u>	<u>\$43,636,240</u>	<u>\$43,329,461</u>

2021 to 2020 Comparative Statements of Net Position

Current Assets increased approximately \$630,000 primarily due to an increase of approximately \$428,000 in the Authority's cash balance. The surplus of cash was due to the receipt of insurance proceeds and grant revenue.

Noncurrent Assets decreased approximately \$246,000 due to annual depreciation.

Current Liabilities decreased approximately \$55,000 primarily due reductions in the balance of accrued interest and timing of accounts payable, which was partially offset by an increase in unearned revenue.

Noncurrent Liabilities decreased approximately \$236,000 due to regular principal payments made on the Authority's debt balances and an increase in the current portion of long-term debt.

2020 to 2019 Comparative Statements of Net Position

Current Assets increased approximately \$360,000 primarily due to an increase of approximately \$424,000 in the Authority's cash balance. The surplus of cash was caused by fewer projects completed during the fiscal year than expected, resulting in lower capital expenditures.

Noncurrent Assets decreased approximately \$54,000 due to annual depreciation offset by approximately \$165,000 in additions.

Current Liabilities decreased approximately \$7,000 primarily due reductions in the balance of accrued interest, which was partially offset by an increase in the current portion of long-term debt.

Noncurrent Liabilities decreased approximately \$224,000 due to regular principal payments made on the Authority's debt balances and an increase in the current portion of long-term debt.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
December 31, 2021 and 2020**

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, 2021, 2020 and 2019.

	2021	2020	2019
Operating Revenue			
Federal and matching grants	\$ 537,542	\$ 469,467	\$ 395,004
Other grants	5,000	5,000	-
Lease contracts	1,161,867	1,151,859	1,117,710
Other income	<u>231,917</u>	<u>143,137</u>	<u>123,250</u>
Total Operating Revenue	<u>1,936,326</u>	<u>1,769,463</u>	<u>1,635,964</u>
Operating Expenses			
Personnel	477,572	439,122	441,647
Occupancy and office expenses	263,814	232,964	216,790
Travel	4,307	5,566	14,661
Contractual services	166,728	138,846	321,946
Repairs and maintenance	184,005	94,839	70,355
Insurance	81,318	81,772	67,813
Depreciation	249,038	232,487	170,708
Other expenses	<u>15,886</u>	<u>26,900</u>	<u>25,325</u>
Total Operating Expenses	<u>1,442,668</u>	<u>1,252,496</u>	<u>1,329,245</u>
Income from Operations	<u>493,658</u>	<u>516,967</u>	<u>306,719</u>
Nonoperating Revenue (Expenses)			
TIF property tax revenue	82,359	80,611	14,547
Gain (loss) on sale of property held for sale	-	(41,101)	419,563
Gain on insurance proceeds received for property damage	142,988	-	-
Forgiveness of Paycheck Protection Program loans	89,662	83,400	-
Interest expense, net of capitalized interest	<u>(133,892)</u>	<u>(101,677)</u>	<u>(248,881)</u>
Total Nonoperating Revenue (Expenses)	<u>181,117</u>	<u>21,233</u>	<u>185,229</u>
Increase in Net Position	674,775	538,200	491,948
Net Position, Beginning of Year	<u>38,576,171</u>	<u>38,037,971</u>	<u>37,546,023</u>
Net Position, End of Year	<u>\$39,250,946</u>	<u>\$38,576,171</u>	<u>\$38,037,971</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
December 31, 2021 and 2020**

2021 to 2020 Comparative Statements of Revenue, Expenses and Changes in Net Position

Operating Revenue increased approximately \$167,000 which is attributable to a grant funded project that was started in 2020 and completed in 2021. Most of the work was done and revenue was recognized during 2021 as well as an increase in utility revenue.

Operating Expenses increased by approximately \$190,000 which related to an increase in repairs and maintenance due to additional expenses incurred related to the fire, increase in utility costs in 2021, and the FFCRA credit not being available in 2021.

Nonoperating Revenue (Expenses) increased approximately \$160,000, which is mostly attributable to receiving \$143,000 of insurance claim proceeds related to a fire damage claim.

2020 to 2019 Comparative Statements of Revenue, Expenses and Changes in Net Position

Operating Revenue increased approximately \$133,000 which is mostly attributable to 2019 draws being deferred and recognized as revenue during 2020 on the Environmental Services Cooperative Agreement (ESCA) grant.

Operating Expenses decreased by approximately \$77,000, caused by a decrease of approximately \$183,000 in contract expenses as a result of reduced operations during the fiscal year, offset by an increase in depreciation and repairs and maintenance expenses during the year.

Nonoperating Revenue (Expenses) decreased approximately \$164,000 due to a gain recognized on sale of property in the amount of approximately \$420,000 in 2019 and the decrease in interest expense due to debt restructuring in 2019 as well as decreasing interest rates throughout 2020. This was offset by the forgiveness of the paycheck protection program loan during 2020.

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 purchased land, buildings and personal property at a price below fair market value from the Army 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 \$0 and \$165,000 in depreciable capital asset additions and \$0 and \$0 in property held for sale additions for the years ended December 31, 2021 and 2020, respectively. Readers are directed to Notes 3 and 4 of the financial statements for more detailed information on capital asset activity.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)
December 31, 2021 and 2020**

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 \$226,000 and \$206,000 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020**

ASSETS		
	2021	2020
CURRENT ASSETS		
Cash	\$ 2,294,698	\$ 1,866,489
Lease receivable	25,940	32,977
Grants receivable	117,085	
TIF property tax receivable	95,829	71,377
Prepaid expenses and other assets	80,181	9,734
Property held for sale	<u>27,697,661</u>	<u>27,700,725</u>
Total Current Assets	<u>30,311,394</u>	<u>29,681,302</u>
NONCURRENT ASSETS		
Note receivable	1,500,000	1,500,000
Other noncurrent assets	31,646	31,646
Restricted property	7,660,064	7,660,064
Capital assets, net	<u>4,517,254</u>	<u>4,763,228</u>
Total Noncurrent Assets	<u>13,708,964</u>	<u>13,954,938</u>
TOTAL ASSETS	<u><u>\$ 44,020,358</u></u>	<u><u>\$ 43,636,240</u></u>
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts payable	\$ 60,126	\$ 98,975
Unearned revenue	218,496	209,273
Accrued expenses	178	88
Accrued interest on debt	5,587	41,171
Current portion of long-term debt	<u>234,340</u>	<u>223,893</u>
Total Current Liabilities	518,727	573,400
NONCURRENT LIABILITIES		
Long-term debt, less current portion	<u>4,250,685</u>	<u>4,486,669</u>
Total Liabilities	<u>4,769,412</u>	<u>5,060,069</u>
NET POSITION		
Net investment in property held for sale, restricted property and capital assets	35,384,367	35,372,284
Unrestricted	3,613,904	3,033,525
Restricted	<u>252,675</u>	<u>170,362</u>
Total Net Position	<u>39,250,946</u>	<u>38,576,171</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 44,020,358</u></u>	<u><u>\$ 43,636,240</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, 2021 and 2020**

	2021	2020
OPERATING REVENUE		
Federal and matching grants	\$ 537,542	\$ 469,467
Other grants	5,000	5,000
Lease contracts	1,161,867	1,151,859
Other income	231,917	143,137
Total Operating Revenue	<u>1,936,326</u>	<u>1,769,463</u>
OPERATING EXPENSES		
Personnel	477,572	439,122
Occupancy and office expenses	263,814	232,964
Travel	4,307	5,566
Contractual services	166,728	138,846
Repairs and maintenance	184,005	94,839
Insurance	81,318	81,772
Depreciation	249,038	232,487
Other expenses	15,886	26,900
Total Operating Expenses	<u>1,442,668</u>	<u>1,252,496</u>
INCOME FROM OPERATIONS	<u>493,658</u>	<u>516,967</u>
NONOPERATING REVENUE (EXPENSES)		
TIF property tax revenue	82,359	80,611
Loss on sale of property held for sale		(41,101)
Gain on insurance proceeds received for property damage	142,988	
Forgiveness of Paycheck Protection Program loans	89,662	83,400
Interest expense	(133,892)	(101,677)
Total Nonoperating Revenue (Expenses)	<u>181,117</u>	<u>21,233</u>
INCREASE IN NET POSITION	674,775	538,200
NET POSITION		
Beginning of Year	<u>38,576,171</u>	<u>38,037,971</u>
End of Year	<u>\$ 39,250,946</u>	<u>\$ 38,576,171</u>

See accompanying notes.

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

**STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020**

	2021	2020
OPERATING ACTIVITIES		
Grant receipts	\$ 425,457	\$ 558,287
Receipts from customers and users	1,410,044	1,274,062
Payments to vendors for goods and services	(825,264)	(592,151)
Payments for employees services	(477,572)	(439,122)
Net Cash Provided by Operating Activities	<u>532,665</u>	<u>801,076</u>
CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal paid on long-term debt	(225,537)	(206,296)
Interest paid	(169,476)	(114,926)
TIF property taxes received	57,907	25,878
Acquisition and construction of capital assets		(165,018)
Proceeds from Paycheck Protection Program loans	89,662	83,400
Net Cash Used by Capital and Related Financing Activities	<u>(247,444)</u>	<u>(376,962)</u>
NON-CAPITAL FINANCING ACTIVITIES		
Insurance proceeds received for property damage	142,988	
Net Cash Provided by Non-Capital Financing Activities	<u>142,988</u>	
NET INCREASE IN CASH	428,209	424,114
CASH		
Beginning of Year	<u>1,866,489</u>	<u>1,442,375</u>
End of Year	<u><u>\$ 2,294,698</u></u>	<u><u>\$ 1,866,489</u></u>
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income from operations	\$ 493,658	\$ 516,967
Depreciation expense	249,038	232,487
(Increase) decrease in lease receivable	7,037	(13,654)
(Increase) decrease in grants receivable	(117,085)	83,820
(Increase) decrease in prepaid expenses and other assets	(70,447)	1,058
Increase in other noncurrent assets		(7,726)
Increase (decrease) in unearned revenue	9,223	(7,280)
Decrease in accounts payable	(38,849)	(4,011)
Increase (decrease) in accrued expenses	90	(585)
Net Cash Provided by Operating Activities	<u><u>\$ 532,665</u></u>	<u><u>\$ 801,076</u></u>

See accompanying notes.

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

**NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020**

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 Vermillion County 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 developed 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 were 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 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 ESCA grant and commercial lease contracts.

Past due water and waste water bills incur late charge of 10% of the first \$3 and 3% of the excess over \$3. 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, 2021 and 2020.

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 and Restricted Property 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. Restricted property consists of certain easements, wells, State commitments, and other grants not available for 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 transference. 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.

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 2021 and 2020, 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 recorded as unearned revenue until recognized as unrestricted revenue. 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, however the Bylaws of the Authority state that the Authority will adopt by resolution 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.

Reclassifications: Certain amounts in the 2020 financial statements have been reclassified to conform to the presentation of the 2021 financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Upcoming Accounting Pronouncement: The Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87 – *Leases*, which replaces previous guidance on accounting for leases. The new guidance requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financing of the right to use an underlying asset. Under Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about a government's leasing activities. This guidance is effective for the Authority as of January 1, 2022, with early adoption permitted. Leases should be recognized and measured based on the facts and circumstances that exist at the beginning of the period of implementation. The Authority is assessing the impact GASB Statement No. 87 will have on its financial statements, including the related disclosures.

Subsequent Events: The Authority has evaluated the financial statements for subsequent events occurring through July 21, 2022, the date financial statements were available to be issued.

NOTE 2 - CASH

Deposits as of December 31, 2021 and 2020, consisted of unrestricted cash of \$2,294,698 and \$1,866,489, respectively.

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 AND RESTRICTED PROPERTY

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. As of December 31, 2021 and 2020, the balance of property held for sale plus development costs was \$27,697,661 and \$27,700,725, respectively. Depreciation expense related to these balances were \$3,034 and \$3,064 at December 31, 2021 and 2020.

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 1.50% (4.75% at December 31, 2021) for the earlier of the sale or lease of the developed real estate or 10 years.

The balance of the developer's costs was \$1,388,011 and \$1,365,699 at December 31, 2021 and 2020, respectively. The Authority recognized \$64,405 and \$19,470 of interest expense for reimbursement to the developer in 2021 and 2020, respectively.

NOTE 3 - PROPERTY HELD FOR SALE (CONTINUED)

Restricted Property:

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 with a balance of \$5,939,200 December 31, 2021 and 2020 are included as restricted property on the Authority's statements of net position.

Effective January 8, 2019, a five-year 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 should the option be exercised, subject to a final land survey, is \$769,608 and included as restricted property on the Authority's statements of net position.

Certain easements, wells and other restricted land that is key to the Authority's utility operations with a balance of \$1,061,200 is also included as restricted property on the Authority's statements of net position.

NOTE 4 - CAPITAL ASSETS

A summary of changes in capital assets for the years ended December 31, 2021 and 2020 is as follows:

	Balance, January 1, 2021	Transfers and Additions	Disposals	Balance, December 31, 2021
Capital assets:				
Buildings and improvements	\$ 1,824,970	\$ -	\$ -	\$ 1,824,970
Utility infrastructure	3,547,044	-	-	3,547,044
Equipment, furniture and fixtures and other	<u>1,822,591</u>	<u>-</u>	<u>(47,004)</u>	<u>1,775,587</u>
Total capital assets	<u>7,194,605</u>	<u>-</u>	<u>(47,004)</u>	<u>7,147,601</u>
Less accumulated depreciation for:				
Buildings and improvements	(408,731)	(46,647)	-	(455,378)
Utility infrastructure	(388,177)	(156,232)	-	(544,409)
Equipment, furniture and fixtures and other	<u>(1,634,469)</u>	<u>(43,125)</u>	<u>47,004</u>	<u>(1,630,590)</u>
Total accumulated depreciation	<u>(2,431,377)</u>	<u>(246,004)</u>	<u>47,004</u>	<u>(2,630,377)</u>
Capital assets, net	<u>\$ 4,763,228</u>	<u>\$(246,004)</u>	<u>\$ -</u>	<u>\$ 4,517,224</u>
	Balance, January 1, 2020	Transfers and Additions	Disposals	Balance, December 31, 2020
Capital assets:				
Buildings and improvements	\$ 1,824,970	\$ -	\$ -	\$ 1,824,970
Utility infrastructure	3,457,354	89,690	-	3,547,044
Equipment, furniture and fixtures and other	<u>1,767,525</u>	<u>75,328</u>	<u>(20,262)</u>	<u>1,822,591</u>
Total capital assets	<u>7,049,849</u>	<u>165,018</u>	<u>(20,262)</u>	<u>7,194,605</u>

NOTE 4 - CAPITAL ASSETS (CONTINUED)

	Balance, January 1, 2020	Transfers and Additions	Disposals	Balance, December 31, 2020
Less accumulated depreciation for:				
Buildings and improvements	(362,082)	(46,649)	-	(408,731)
Utility infrastructure	(259,139)	(129,038)	-	(388,177)
Equipment, furniture and fixtures and other	<u>(1,611,746)</u>	<u>(42,985)</u>	<u>20,262</u>	<u>(1,634,469)</u>
Total accumulated depreciation	<u>(2,232,967)</u>	<u>(218,672)</u>	<u>20,262</u>	<u>(2,431,377)</u>
Capital assets, net	<u>\$ 4,816,882</u>	<u>\$ (53,654)</u>	<u>\$ -</u>	<u>\$ 4,763,228</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, 2021 and 2020:

	2021	2020
Note payable to Army	\$1,540,253	\$1,540,253
Note payable to VCEDC	26,667	66,667
Note payable to FCS	1,212,759	1,334,728
Note payable to VCC	1,500,000	1,500,000
Wastewater project note payable to Old National Bank	<u>205,346</u>	<u>268,914</u>
Total long-term debt	4,485,025	4,710,562
Less: Current portion	<u>(234,340)</u>	<u>(223,893)</u>
Long-term debt, less current portion	<u>\$4,250,685</u>	<u>\$4,486,669</u>

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.

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 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. In August 2021, the Authority signed an interest rate conversion agreement to calculate interest at a fixed rate of 4.15% with monthly payments of \$14,867 through December 1, 2029. The note is secured by a mortgage agreement.

NOTE 6 - LONG-TERM DEBT (CONTINUED)

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 \$74,365, 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.

Paycheck Protection Program Loan: In April 2021 and May 2020, the Authority received loan proceeds of \$89,662 and \$83,400, respectively, under the Paycheck Protection Program (PPP) established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans, including accrued interest, are forgivable if the entity uses the proceeds for eligible purposes, including payroll, rent, and utilities. Under the PPP, the amount of forgiveness is reduced if the entity terminates employees or reduces salaries during the covered period. The Authority believes it used the proceeds for purposes consistent with the PPP and has received forgiveness from the bank. The Authority recognized a gain on loan forgiveness as other income upon legal release of the obligation by the bank on July 27, 2021 and November 5, 2020.

As of December 31, 2021, based on the above payment requirements and current revenue sources, and assuming no land sales over the next four years, estimated maturities of long-term debt are as follows:

Payable In	Principal	Interest	Total
2022	\$ 234,340	\$ 56,225	\$ 290,566
2023	205,217	48,027	253,244
2024	212,972	39,494	252,466
2025	1,688,584	30,589	1,719,179
2026	154,606	24,336	178,942
2027-2029	<u>1,989,306</u>	<u>32,793</u>	<u>2,022,099</u>
	<u>\$4,485,025</u>	<u>\$231,464</u>	<u>\$4,716,489</u>

Changes in long-term debt for the years ended December 31, 2021 and 2020 were as follows:

	Beginning Balance	2021		Ending Balance	Current Portion
		Additions	Reductions		
Long-term Debt:					
Note payable to Army	\$1,540,253	\$ -	\$ -	\$1,540,253	\$ -
Note payable to VCEDC	66,667	-	(40,000)	26,667	26,667
Note payable to FCS	1,334,728	-	(121,969)	1,212,759	141,669
Note payable to VCC	1,500,000	-	-	1,500,000	-
Wastewater project note payable to Old National Bank	<u>268,914</u>	<u>-</u>	<u>(63,568)</u>	<u>205,346</u>	<u>66,004</u>
Total Long-term Debt	<u>\$4,710,562</u>	<u>\$ -</u>	<u>\$(225,537)</u>	<u>\$4,485,025</u>	<u>\$234,340</u>

NOTE 6 - LONG-TERM DEBT (CONTINUED)

	Beginning Balance	2020		Ending Balance	Current Portion
		Additions	Reductions		
Long-term Debt:					
Note payable to Army	\$1,540,253	\$ -	\$ -	\$1,540,253	\$ -
Note payable to VCEDC	106,667	-	(40,000)	66,667	40,000
Note payable to FCS	1,440,000	-	(105,272)	1,334,728	120,461
Note payable to VCC	1,500,000	-	-	1,500,000	-
Wastewater project note payable to Old National Bank	<u>329,938</u>	<u>-</u>	<u>(61,024)</u>	<u>268,914</u>	<u>63,432</u>
Total Long-term Debt	<u>\$4,916,858</u>	<u>\$ -</u>	<u>\$(206,296)</u>	<u>\$4,710,562</u>	<u>\$223,893</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 2021 and 2020). Employer contributions to the Plan were \$9,766 in 2021 and \$8,997 in 2020.

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 \$340 per acre, and include approximately 3,171 acres of land. Revenue from the leases totaled \$933,502 in 2021 and \$939,998 in 2020.

The Authority leases land to hunting tenants under lease agreements that are billed annually at a per acre rate. The rental agreements are for one-year terms. The annual rates range from \$12 per acre to \$43 per acre, and include approximately 4,482 acres of land. Revenue from the leases totaled \$93,925 in 2021 and \$93,250 in 2020.

Additionally, the Authority leases buildings and grounds to unrelated third parties requiring monthly payments aggregating \$11,350 at December 31, 2021. Total income for these leases was \$134,440 in 2021 and \$108,611 in 2020.

The future minimum lease payments required by all long-term noncancellable operating leases at December 31, 2021, including the effects of renewals and new tenant leases signed in 2021 and 2022 total \$1,185,464 to be paid in 2022 and \$42,765 to be paid in 2023.

The Authority as Lessee:

The Authority had an operating lease for a vehicle that expired in February 2020. The Authority had a purchase option at the end of the lease and the Authority purchased the vehicle at a cost of \$11,500 during 2020. Lease expense was \$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, 2021 and 2020 are as follows:

	2021	2020
Federal Awards:		
ESCA grant	27%	27%
Agriculture leases and other	63%	65%
Building leases	7%	6%

At December 31, 2021, 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 2020, the Authority engaged a construction company to perform excavation and plumbing services on certain wells on the Authority's property. The cost per the contract was \$21,800. As of December 31, 2021, the services have been performed.

In July 2020, the Authority filed an insurance claim for property damage. The Authority incurred \$75,335 and \$0 of operating expenses as of December 31, 2021 and 2020, respectively, related to the damage. The Authority anticipates total repairs to cost \$151,243 plus a monthly generator rental fees. The repairs will take place in 2022. In 2021, the Authority recorded nonoperating revenue of \$142,988 related to insurance proceeds received related to the claim to date.

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, 2021**

	Amounts Reinvested
ALLOWABLE REINVESTMENT CATEGORIES:	
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>\$ 1,161,867</u>
INCOME DETAIL:	
Property lease contracts	\$ 1,067,942
Hunting lease income	<u>93,925</u>
	<u>\$ 1,161,867</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, 2021

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, 2021, 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 July 21, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Authority's internal control over financial reporting (internal control) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
July 21, 2022