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December 12, 2022

Board of Directors  
Fort Harrison Reuse Authority  
9120 Otis Avenue  
Indianapolis, IN 46216

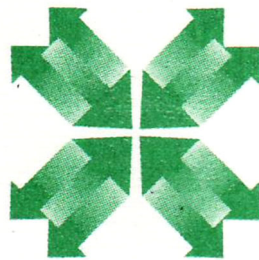
We have reviewed the audit report of the Fort Harrison Reuse Authority which was opined upon by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period January 1, 2020 to December 31, 2020. Per the Independent Auditors' Report, the financial statements included in the report present fairly the financial condition of the Fort Harrison Reuse Authority as of December 31, 2020, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding included in the report on page 32. The Authority's response is also included on page 32.

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



**FORT HARRISON**  
Reuse Authority

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

December 31, 2020 and 2019

# FORT HARRISON REUSE AUTHORITY

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## *Independent Auditors' Report*

Board of Directors  
Fort Harrison Reuse Authority

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Fort Harrison Reuse Authority, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Fort Harrison 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Fort Harrison Reuse Authority as of December 31, 2020 and 2019, and the changes in its net 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 9 and the schedules of the Authority's proportionate share of the net pension liability and the Authority's contributions and the related notes on pages 28 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2021, on our consideration of Fort Harrison Reuse Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Fort Harrison Reuse Authority's internal control over financial reporting and compliance.

*Katy, Sapper & Miller, LLP*

Indianapolis, Indiana  
December 3, 2021

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

# FORT HARRISON REUSE AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) December 31, 2020 and 2019

### Introduction

The management of the Fort Harrison Reuse Authority (the Authority), which is a governmental entity located in the City of Lawrence, Indiana and Marion County-Indianapolis, Indiana, offers the readers of the Authority's financial statements this narrative overview and analysis of financial activities for the calendar years ended December 31, 2020 and 2019. The Management's Discussion and Analysis is being presented to provide additional information regarding the activities of the Authority in connection with its financial statements and to meet the requirements of the Governmental Accounting Standards Board (GASB).

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

### Overview of Financial Statements

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

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

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

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

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

## FORT HARRISON REUSE AUTHORITY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED) December 31, 2020 and 2019

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

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

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

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

#### Financial Highlights

In 2015, the Authority entered into an agreement to sell 74 lots for an approximate total sales price of \$1,864,000. The agreement is with a housing developer to sell developed real estate held for sale. The Authority's approximate total cost basis in the real estate committed to this developer was \$4,951,000 including subsequent development by the Authority. In 2018, the Authority sold the last 15 lots for approximately \$400,000 with an approximate cost basis of \$1,026,000. In 2017, the Authority sold 24 lots for approximately \$595,000 with an approximate cost basis of \$1,640,000. In 2016, the Authority sold 25 lots for approximately \$597,000 with an approximate cost basis of \$1,600,000, and in 2015, the Authority sold 10 lots for approximately \$221,000 with an approximate cost basis of \$573,000.

In 2018 and 2017, the Authority entered into two agreements to sell an additional 69 total lots for a total sales price of approximately \$2,548,000. These agreements are with the same housing developer to sell additional developed real estate held for sale. The Authority's total cost basis in the real estate committed to this developer is approximately \$2,217,000 including subsequent development by the Authority. In 2020, The Authority sold 23 lots for approximately \$829,000 with an approximate cost basis of \$1,200,000. In 2019, the Authority sold 9 lots for approximately \$317,000 with an approximate cost basis of \$390,000.

During 2020, the Authority sold a lot with a cost basis of \$131,000 for approximately \$450,000.

In 2020 and 2019, the Authority developed real estate held for sale totaling approximately \$673,000 and \$571,000 in costs, respectively.

Repayment of bonds totaled \$1,775,000 in 2020 and \$1,710,000 in 2019.

**FORT HARRISON REUSE AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**  
**December 31, 2020 and 2019**

***Comparative Statements of Net Position***

The comparative analysis below is a summary of the statements of net position for the years ended December 31, 2020, 2019 and 2018.

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Current assets - unrestricted			
Real estate held for sale	\$ 8,138,746	\$ 8,795,900	\$ 8,614,792
Other unrestricted current assets	<u>3,164,573</u>	<u>3,291,820</u>	<u>3,250,346</u>
Total current assets - unrestricted	11,303,319	12,087,720	11,865,138
Current assets - restricted	8,611,348	7,585,124	7,222,746
Noncurrent assets			
Depreciable and nondepreciable capital assets	<u>4,289</u>	<u>2,267</u>	<u>598,766</u>
 Total Assets	 <u>\$ 19,918,956</u>	 <u>\$ 19,675,111</u>	 <u>\$ 19,686,650</u>
 Deferred Outflows of Resources	 <u>\$ 227,442</u>	 <u>\$ 292,079</u>	 <u>\$ 364,195</u>
 Current liabilities - payable from unrestricted assets	\$ 12,320	\$ 103,968	\$ 400,255
Current liabilities - payable from restricted assets	1,722,543	2,120,325	2,082,081
Noncurrent liabilities - payable from unrestricted assets	79,134	87,254	121,275
Noncurrent liabilities - payable from restricted assets	<u>20,345,655</u>	<u>21,871,345</u>	<u>23,748,582</u>
 Total Liabilities	 <u>\$ 22,159,652</u>	 <u>\$ 24,182,892</u>	 <u>\$ 26,352,193</u>
 Deferred Inflows of Resources	 <u>\$ 35,538</u>	 <u>\$ 40,812</u>	 <u>\$ 22,687</u>
 Net position			
Net investment in capital assets	\$(13,607,620)	\$(14,935,343)	\$(16,332,189)
Restricted for debt service and area development	8,293,805	7,239,799	6,850,665
Unrestricted	<u>3,265,023</u>	<u>3,439,030</u>	<u>3,157,489</u>
 Total Net Position	 <u>\$ (2,048,792)</u>	 <u>\$ (4,256,514)</u>	 <u>\$ (6,324,035)</u>

## FORT HARRISON REUSE AUTHORITY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED) December 31, 2020 and 2019

#### **2020 to 2019 Comparative Statements of Net Position**

*Current assets - unrestricted* decreased approximately \$484,000 due primarily to an increase in cash of approximately \$176,000 combined with a decrease in real estate held for sale of approximately \$657,000. Real estate held for sale decreased due to approximately \$673,000 in development cost of real estate held for sale, net of approximately \$1,330,000 in cost basis of sold real estate.

*Current assets - restricted* increased approximately \$726,000 due to the 2019 Tax Increment Financing (TIF) property tax receivable increasing approximately \$193,000 from an increase in City tax assessments, as well as an increase in restricted cash of approximately \$533,000 restricted to service the Authority's debt and future capital projects.

*Deferred outflows of resources* decreased approximately \$65,000 due to amortization of the deferred loss on the advance refunding of the outstanding 2009 bonds.

*Current liabilities - unrestricted* decreased approximately \$489,000 as a function of timing of the Authority's development projects and associated construction invoices and a decrease in the current portion of the Authority's outstanding debt.

*Noncurrent liabilities - restricted* decreased approximately \$1,534,000 as a function of ongoing debt service payments.

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

*Current assets - unrestricted* increased approximately \$223,000 due primarily to an increase in cash of approximately \$46,000 and an increase in real estate held for sale of approximately \$181,000. Real estate held for sale increased due to approximately \$571,000 in development cost of real estate held for sale, net of approximately \$390,000 in cost basis of sold real estate.

*Current assets - restricted* increased approximately \$362,000 due to the 2019 Tax Increment Financing (TIF) property tax receivable increasing approximately \$142,000 from an increase in City tax assessments, as well as an increase in restricted cash of approximately \$220,000 restricted to service the Authority's debt.

*Noncurrent assets* decreased approximately \$597,000 due to the sale of the building and associated land that headquartered Fort Harrison Reuse Authority.

*Deferred outflows of resources* decreased approximately \$72,000 due to amortization of the deferred loss on the advance refunding of the outstanding 2009 bonds and deferred pension costs.

*Current liabilities - unrestricted* decreased approximately \$258,000 as a function of timing of the Authority's development projects and associated construction invoices.

*Noncurrent liabilities - restricted* decreased approximately \$1,911,000 as a function of ongoing debt service payments.

**FORT HARRISON REUSE AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**  
**December 31, 2020 and 2019**

***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, 2020, 2019 and 2018.

	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Operating Revenue</b>			
Rental income	\$ 24,812	\$ 44,190	\$ 63,188
Total Operating Revenue	<u>24,812</u>	<u>44,190</u>	<u>63,188</u>
<b>Nonoperating Revenue</b>			
TIF tax revenue	4,534,203	4,444,386	4,204,821
Investment return	25,771	106,680	63,932
Total Nonoperating Revenue	<u>4,559,974</u>	<u>4,551,246</u>	<u>4,268,753</u>
Total Revenue	<u>4,584,786</u>	<u>4,595,436</u>	<u>4,331,941</u>
<b>Operating Expenses</b>			
Personnel	185,208	172,169	249,262
Utilities	53,413	68,124	71,131
Office supplies and other expenses	33,053	51,033	46,742
Professional fees	254,341	272,033	375,911
Repairs and maintenance	100,665	131,190	209,884
Engineering services	7,561	2,925	42,707
Insurance	13,878	24,540	24,403
Depreciation	1,017	15,653	28,126
Rent	9,005	1,807	
Total Operating Expenses	<u>658,141</u>	<u>739,474</u>	<u>1,048,166</u>
<b>Nonoperating Expenses</b>			
Loss on real estate held for sale	55,059	75,026	624,709
Interest expense, net of capitalized interest	763,828	849,110	877,830
Interlocal agreement	900,000	824,971	824,971
Loss on sale of capital assets	36	39,334	
Total Nonoperating Expenses	<u>1,718,923</u>	<u>1,788,441</u>	<u>2,327,510</u>
Total Expenses	<u>2,377,064</u>	<u>2,527,915</u>	<u>3,375,676</u>
Increase in Net Position	2,207,722	2,067,521	956,265
Net Position, Beginning of Year	<u>(4,256,514)</u>	<u>(6,324,035)</u>	<u>(7,280,300)</u>
Net Position, End of Year	<u>\$(2,048,792)</u>	<u>\$(4,256,514)</u>	<u>\$(6,324,035)</u>

## FORT HARRISON REUSE AUTHORITY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED) December 31, 2020 and 2019

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

*Operating Expenses* decreased by approximately \$81,000 primarily due to decreases in repairs and maintenance costs during 2020 compared to 2019.

*Nonoperating Expenses* decreased by approximately \$70,000 due primarily to a decrease in interest expense due to the ongoing debt service payments decreasing the amount of outstanding debt throughout the year.

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

*Operating Expenses* decreased by approximately \$309,000 primarily due to decreases in costs associated with development and sale projects that occurred in 2019 as well as personnel expenses.

*Nonoperating Revenue* increased by approximately \$291,000 due to increased TIF tax revenue and investment return in 2019.

*Nonoperating Expenses* decreased by approximately \$570,000 due primarily to decreases in loss on real estate held for sale of approximately \$550,000.

#### ***Capital Assets and Debt Administration***

##### ***Capital Assets***

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

##### ***Long-term Debt***

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

#### ***Currently Known Facts***

On January 30, 2020, the World Health Organization declared a global health emergency over the novel coronavirus known as COVID-19. The extent of the impact of COVID-19 on the Authority's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, all of which are uncertain and cannot be predicted. 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.

## **FORT HARRISON REUSE AUTHORITY**

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

**December 31, 2020 and 2019**

#### **Request for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to Fort Harrison Reuse Authority, 9130 Otis Avenue, Suite B, Indianapolis, IN 46216.

## **FINANCIAL STATEMENTS**

**FORT HARRISON REUSE AUTHORITY**

**STATEMENTS OF NET POSITION  
December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>CURRENT ASSETS</b>		
Unrestricted Current Assets:		
Cash and equivalents	\$ 3,151,428	\$ 3,275,701
Prepaid expenses and other assets	13,145	16,119
Real estate held for sale	8,138,746	8,795,900
Total Unrestricted Current Assets	<u>11,303,319</u>	<u>12,087,720</u>
Restricted Current Assets:		
Cash equivalents	6,356,166	5,522,811
TIF property tax receivable	2,255,182	2,062,313
Total Restricted Current Assets	<u>8,611,348</u>	<u>7,585,124</u>
Total Current Assets	<u>19,914,667</u>	<u>19,672,844</u>
<b>NONCURRENT ASSETS</b>		
Depreciable capital assets, net	4,289	2,267
Total Noncurrent Assets	<u>4,289</u>	<u>2,267</u>
<b>TOTAL ASSETS</b>	<u>19,918,956</u>	<u>19,675,111</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred loss on bond advanced refunding	208,577	278,898
Deferred pension costs	18,865	13,181
Total Deferred Outflows of Resources	<u>227,442</u>	<u>292,079</u>
<b>CURRENT LIABILITIES</b>		
Payable from Unrestricted Assets:		
Accounts payable	12,320	16,803
Retainage payable		87,165
Total Payable from Unrestricted Assets	<u>12,320</u>	<u>103,968</u>
Payable from Restricted Assets:		
Accrued interest on debt	317,543	345,325
Current portion of debt	1,405,000	1,775,000
Total Payable from Restricted Assets	<u>1,722,543</u>	<u>2,120,325</u>
Total Current Liabilities	<u>1,734,863</u>	<u>2,224,293</u>
<b>NONCURRENT LIABILITIES</b>		
Payable from Unrestricted Assets:		
Accrued pension obligation	79,134	87,254
Payable from Restricted Assets:		
Bonds payable, less current portion	<u>20,345,655</u>	<u>21,871,345</u>
Total Noncurrent Liabilities	<u>20,424,789</u>	<u>21,958,599</u>
<b>TOTAL LIABILITIES</b>	<u>22,159,652</u>	<u>24,182,892</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred pension revenue	35,538	40,812
Total Deferred Inflows of Resources	<u>35,538</u>	<u>40,812</u>
<b>NET POSITION</b>		
Net investment in capital assets	(13,607,620)	(14,935,343)
Restricted for debt service and area development	8,293,805	7,239,799
Unrestricted	<u>3,265,023</u>	<u>3,439,030</u>
<b>TOTAL NET POSITION</b>	<u>\$ (2,048,792)</u>	<u>\$ (4,256,514)</u>

See accompanying notes.

**FORT HARRISON REUSE AUTHORITY**  
**STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**  
**Years Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>OPERATING REVENUE</b>		
Rental income	\$ 24,812	\$ 44,190
Total Operating Revenue	<u>24,812</u>	<u>44,190</u>
<b>OPERATING EXPENSES</b>		
Personnel	185,208	172,169
Utilities	53,413	68,124
Office supplies and other expenses	33,053	51,033
Professional fees	254,341	272,033
Repairs and maintenance	100,665	131,190
Engineering services	7,561	2,925
Insurance	13,878	24,540
Depreciation	1,017	15,653
Rent	9,005	1,807
Total Operating Expenses	<u>658,141</u>	<u>739,474</u>
<b>LOSS FROM OPERATIONS</b>	<u>(633,329)</u>	<u>(695,284)</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>		
TIF tax revenue	4,534,203	4,444,386
Investment return	25,771	106,860
Loss on real estate held for sale	(55,059)	(75,026)
Interest expense, net of capitalized interest	(763,828)	(849,110)
Interlocal agreement	(900,000)	(824,971)
Loss on sale of capital assets	(36)	(39,334)
Total Nonoperating Revenue (Expenses)	<u>2,841,051</u>	<u>2,762,805</u>
<b>INCREASE IN NET POSITION</b>	2,207,722	2,067,521
<b>NET POSITION</b>		
Beginning of Year	<u>(4,256,514)</u>	<u>(6,324,035)</u>
End of Year	<u>\$ (2,048,792)</u>	<u>\$ (4,256,514)</u>

See accompanying notes.

**FORT HARRISON REUSE AUTHORITY**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>OPERATING ACTIVITIES</b>		
Receipts from customers and users	\$ 24,812	\$ 44,190
Payments to vendors for goods and services	(473,425)	(843,292)
Payments for employees services	(204,286)	(185,959)
Net Cash Used By Operating Activities	<u>(652,899)</u>	<u>(985,061)</u>
<b>NONCAPITAL FINANCING ACTIVITIES</b>		
Payments to local government - Interlocal agreement	<u>(900,000)</u>	<u>(824,971)</u>
Net Cash Used by Noncapital Financing Activities	<u>(900,000)</u>	<u>(824,971)</u>
<b>CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal paid on bonds	(1,775,000)	(1,710,000)
Interest paid	(841,979)	(908,093)
Property taxes received	4,341,334	4,302,533
Payment for outstanding retainage payable	(87,165)	
Acquisition and construction of capital assets	(3,075)	
Acquisition and construction of real estate held for sale	(673,119)	(571,132)
Proceeds from sale of real estate held for sale, net of costs of sale	1,275,214	314,998
Proceeds from sale of office building		541,512
Net Cash Provided by Capital and Related Financing Activities	<u>2,236,210</u>	<u>1,969,818</u>
<b>INVESTING ACTIVITIES</b>		
Investment return received on cash equivalents	<u>25,771</u>	<u>106,860</u>
Net Cash Provided by Investing Activities	<u>25,771</u>	<u>106,860</u>
<b>NET INCREASE IN CASH AND EQUIVALENTS</b>	709,082	266,646
<b>CASH AND EQUIVALENTS</b>		
Beginning of Year	<u>8,798,512</u>	<u>8,531,866</u>
End of Year	<u>\$ 9,507,594</u>	<u>\$ 8,798,512</u>
<b>RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH USED BY OPERATING ACTIVITIES</b>		
Loss from operations	\$ (633,329)	\$ (695,284)
Depreciation expense	1,017	15,653
Changes in certain current assets, deferred outflows, liabilities, and deferred inflows		
Prepaid expenses and other assets	2,974	4,647
Deferred pension costs	(5,684)	2,106
Other current liabilities		
Accounts payable	(4,483)	(296,287)
Accrued pension obligation	(8,120)	(34,021)
Deferred pension revenue	(5,274)	18,125
Net Cash Used By Operating Activities	<u>\$ (652,899)</u>	<u>\$ (985,061)</u>
<b>Noncash Capital and Related Financing Activities:</b>		
Loss on sale of real estate held for sale, excluding funding provided to purchaser	\$ (55,059)	\$ (75,026)
Amortization of net premium on bonds payable	120,690	102,237
Amortization of deferred loss on advance refunded bonds	70,321	70,010

See accompanying notes.

# FORT HARRISON REUSE AUTHORITY

## NOTES TO FINANCIAL STATEMENTS December 31, 2020 and 2019

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

Valuation allowances are provided for real estate held for sale when the net realizable value of the property is less than its cost. Additions to the allowance are recorded as expense in the year the loss amounts are estimated. In 2020 and 2019, the Authority did not have a loss on real estate held for sale due to changes in the fair values of the assets.

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

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

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

	Years
Buildings and improvements	15 to 39
Equipment, furniture and fixtures and other	5 to 7

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

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

	2020	2019
Interest costs charged to expense	<u>\$763,828</u>	<u>\$849,110</u>
Total interest incurred	<u>\$763,828</u>	<u>\$849,110</u>

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

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

**Deferred Outflows of Resources:** The Authority reports net assets that relate to future periods as deferred outflows of resources in a separate section of its statement of net position. Deferred outflows of resources reported at December 31, 2020, related to the defined benefit pension plan. Deferred outflows of resources related to the defined benefit pension plan are amortized over the expected future working lifetime of all plan members.

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

**Rental Income:** 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.

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

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

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

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

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

**Subsequent Events:** The Authority has evaluated the financial statements for subsequent events occurring through December 3, 2021, the date the financial statements were available to be issued.

## NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENT SECURITIES

**Deposits:** Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of Indiana statutes.

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

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

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

At December 31, 2020 and 2019, respectively, the Authority had \$6,356,166 and \$5,522,811 of investment securities, all of which were money market mutual funds and classified as cash equivalents.

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

**Credit Risk** - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority's investment policy for credit risk requires compliance with the provisions of Indiana statutes, and Indiana Code Section 5-13-9-2.5 requires that the Authority only invest in securities that are rated AAA by Standard and Poor's or Aaa by Moody's Investor's Service. At December 31, 2020 and 2019, the Authority's money market mutual funds were rated AAA by Standard & Poor's.

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

*Custodial Credit Risk* - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority's investment in money market mutual funds was not subject to custodial credit risk at December 31, 2020 and 2019, as their existence is not evidenced by securities that exist in physical or book entry form.

*Concentration of Credit Risk* - The Authority places no limit on the amount that may be invested in any one issuer. The following shows investments in issuers that represent 5% or more of the total investments at December 31, 2020 and 2019:

Bank of New York Cash Reserve Money Market Fund 71%

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

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

	<b>2020</b>	<b>2019</b>
Cash and equivalents:		
Current - unrestricted	\$3,151,428	\$3,275,701
Current - restricted	<u>6,356,166</u>	<u>5,522,811</u>
	<u>\$9,507,594</u>	<u>\$8,798,512</u>

Cash and equivalents are restricted as follows:

	<b>2020</b>	<b>2019</b>
Revenue Account	\$1,795,315	\$1,176,467
2015 Capital Fund	1,705,004	2,080,376
2015 Debt Service Reserve Fund	1,806,453	1,814,382
2017 Bond Anticipation Note Fund	729,407	431,607
2017 Bond Issuance Expense Fund	2,222	2,214
TIF Fund	<u>17,765</u>	<u>17,765</u>
	<u>\$6,356,166</u>	<u>\$5,522,811</u>

**NOTE 3 - FAIR VALUE MEASUREMENT**

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

**NOTE 3 - FAIR VALUE MEASUREMENT (CONTINUED)**

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

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

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

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

Following is a description of the valuation methodologies used by the Authority for assets that are measured at fair value on a recurring basis. There have been no changes in the methodologies used at December 31, 2020 and 2019.

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

Following is a summary, by major nature and risks class within each level of the fair value hierarchy, of the Authority's assets that are measured at fair value on a recurring basis as of December 31, 2020 and 2019:

<b>2020</b>	<b>Level 1</b>	<b>Total</b>
<b>Assets</b>		
Cash Equivalents:		
Money market fund shares	<u>\$6,783,095</u>	<u>\$6,783,095</u>
Total Assets at Fair Value	<u>\$6,783,095</u>	<u>\$6,783,095</u>
<b>2019</b>		
<b>Assets</b>		
Cash Equivalents:		
Money market fund shares	<u>\$6,258,432</u>	<u>\$6,258,432</u>
Total Assets at Fair Value	<u>\$6,258,432</u>	<u>\$6,258,432</u>

At December 31, 2020 and 2019, the Authority had no other assets and no liabilities that are measured at fair value on a recurring basis.

#### **NOTE 4 - NOTES RECEIVABLE**

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

A parcel of real estate held for sale was sold on September 17, 2015, for \$300,000 financed with a note receivable, and another note receivable for \$137,000 was issued to finance the purchaser's development of the parcel. Both notes receivable had the same terms. The loans were forgiven in 2020.

#### **NOTE 5 - REAL ESTATE HELD FOR SALE**

Real estate held for sale was purchased from the Department of the U.S. Army on June 26, 1996. The Authority purchased both personal and real property of the military base known as Fort Harrison for \$6,135,971. Management of the Authority allocated the lump-sum purchase price between personal and real property based upon the relative sales value of the property at the date of acquisition. This allocation resulted in cost assignments of \$150,000 for personal property and \$5,985,971 for real estate as of June 30, 1996. As of December 31, 2020 and 2019, the balance of real estate held for sale including subsequent development costs net of sold real estate was \$8,138,746 and \$8,795,900, respectively.

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

In 2018, the Authority entered into two agreements to sell an additional 69 total lots for a total sales price of \$2,548,020. These agreements are with the same housing developer to sell additional developed real estate held for sale. The lots were sold on a sliding scale ranging from \$35,167 to \$37,167. The Authority's total cost basis in the real estate committed to this developer is \$2,216,894 including subsequent development by the Authority. During 2020, the Authority entered into an agreement to terminate the commitment of the sale of 9 of these lots. The total sales price of the agreements is now \$2,170,020 with a total cost basis in real estate committed to this developer of \$2,216,894. During 2019, the Authority sold 9 of these lots for \$316,503 with a cost basis of \$390,024. The Authority incurred \$1,505 in costs related to the sale, resulting in a net loss on the sale of \$75,026 in 2019. In 2020, the Authority sold 23 of these lots for \$828,841 with a cost basis of \$1,199,772. The Authority incurred \$3,627 in costs related to the sale, resulting in a net loss of \$374,558.

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

The Authority has entered into a purchase agreement with the Indianapolis-Marion County Public Library (the Library) regarding the future donation of a parcel of land to accommodate a library branch facility up to 25,000 square feet. As of August 31, 2021, the project has an estimated cost of \$14,300,000, which is expected to be completed in 2023. Upon completion, the parcel of land will be donated to the Library.

**NOTE 5 - REAL ESTATE HELD FOR SALE (CONTINUED)**

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

**NOTE 6 - CAPITAL ASSETS**

A summary of changes in capital assets for the years ended December 31, 2020 and 2019 is as follows:

	<b>Beginning Balance, January 1, 2020</b>	<b>Transfers and Additions</b>	<b>Transfers and Disposals</b>	<b>Ending Balance, December 31, 2020</b>
Capital assets, being depreciated:				
Equipment, furniture and fixtures and other	<u>\$ 17,022</u>	<u>\$ 3,075</u>	<u>\$ (2,995)</u>	<u>\$ 17,102</u>
Total capital assets, being depreciated	<u>17,022</u>	<u>3,075</u>	<u>(2,995)</u>	<u>17,102</u>
Less accumulated depreciation for:				
Equipment, furniture and fixtures and other	<u>(14,755)</u>	<u>(1,017)</u>	<u>2,959</u>	<u>(12,813)</u>
Total accumulated depreciation	<u>(14,755)</u>	<u>(1,017)</u>	<u>2,959</u>	<u>(12,813)</u>
Capital assets, net	<u>\$ 2,267</u>	<u>\$ (2,058)</u>	<u>\$ (36)</u>	<u>\$ 4,289</u>
	<b>Beginning Balance, January 1, 2019</b>	<b>Transfers and Additions</b>	<b>Transfers and Disposals</b>	<b>Ending Balance, December 31, 2019</b>
Capital assets, not being depreciated:				
Land	<u>\$ 125,000</u>	<u>\$</u>	<u>\$(125,000)</u>	<u>\$ 0</u>
Total capital assets, not being depreciated	<u>125,000</u>	<u></u>	<u>(125,000)</u>	<u>0</u>
Capital assets, being depreciated:				
Buildings and improvements	981,380	<u></u>	<u>(981,380)</u>	0
Equipment, furniture and fixtures and other	<u>17,022</u>	<u></u>	<u></u>	<u>17,022</u>
Total capital assets, being depreciated	<u>998,402</u>	<u></u>	<u>(981,380)</u>	<u>17,022</u>
Less accumulated depreciation for:				
Buildings and improvements	(510,925)	<u>(14,609)</u>	<u>525,534</u>	
Equipment, furniture and fixtures and other	<u>(13,711)</u>	<u>(1,044)</u>	<u></u>	<u>(14,755)</u>
Total accumulated depreciation	<u>(524,636)</u>	<u>(15,653)</u>	<u>525,534</u>	<u>(14,755)</u>
Total capital assets, being depreciated, net	<u>473,766</u>	<u>(15,653)</u>	<u>(455,846)</u>	<u>2,267</u>
Capital assets, net	<u>\$ 598,766</u>	<u>\$(15,653)</u>	<u>\$ 580,846</u>	<u>\$ 2,267</u>

## NOTE 7 - DEBT AND CREDIT ARRANGEMENTS

Bonds outstanding consisted of the following at December 31, 2020 and 2019:

	2020	2019
Fixed Rate Tax Increment Revenue Bonds, Series 2015A:		
Serial bonds, maturing February 1, 2020 to August 1, 2028, in payments ranging from \$335,000 to \$390,000. Interest computed at 3.00% to 4.00%, due semiannually on February 1 and August 1.	\$ 1,505,000	\$ 2,180,000
Term bonds, maturing February 1, 2029 to February 1, 2035, in payments ranging from \$395,000 to \$495,000. Interest computed at 3.625% to 4.00%, due semiannually on February 1 and August 1.	5,765,000	5,765,000
Fixed Rate Tax Increment Revenue Refunding Bonds, Series 2015B:		
Serial bonds, maturing February 1, 2020 to August 1, 2025, in payments ranging from \$225,000 to \$320,000. Interest computed at 3.00% to 4.00%, due semiannually on February 1 and August 1.	2,515,000	3,145,000
Term bonds, maturing February 1, 2026 to August 1, 2027, in payments ranging from \$220,000 to \$755,000. Interest computed at 4.00%, due semiannually on February 1 and August 1.	1,975,000	1,975,000
Fixed Rate Tax Increment Revenue Refunding Bonds, Series 2017:		
Term bonds, maturing February 1, 2020 to February 1, 2033, in payments ranging from \$175,000 to \$365,000. Interest computed at 3.08%, due semiannually on February 1 and August 1.	7,520,000	7,990,000
2017 Bond Anticipation Notes with interest only payments made February 1 and August 1 of each year computed at 3.50% with a final payment of all principal and interest upon maturity on August 1, 2022.	<u>2,250,000</u>	<u>2,250,000</u>
Total principal	21,530,000	23,305,000
Net premium on bonds payable	<u>220,655</u>	<u>341,345</u>
Total bonds payable	21,750,655	23,646,345
Less: Current portion	<u>(1,405,000)</u>	<u>(1,775,000)</u>
Bonds payable, less current portion	<u>\$20,345,655</u>	<u>\$21,871,345</u>

**NOTE 7 - DEBT AND CREDIT ARRANGEMENTS (CONTINUED)**

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

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

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

**Fixed Rate Tax Increment Bonds, Series 2017**

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

**2017 Bond Anticipation Notes**

Concurrent with the issuance of the Series 2017 bonds, the Authority issued a series of notes in the principal amount of \$2,250,000. The notes are limited obligations of the Authority with principal and interest solely payable from a subordinate pledge of TIF, real estate sale proceeds and the proceeds from the refunding of the Series 2009 bonds.

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

Debt service requirements to maturity for all debt of the Authority, excluding any unamortized premium, are as follows at December 31, 2020.

<b>Payable In</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 1,405,000	\$ 745,008	\$ 2,150,008
2022	3,260,000	701,838	3,961,838
2023	1,050,000	587,348	1,637,348
2024	1,085,000	550,192	1,635,192
2025	1,125,000	511,820	1,636,820
2026-2030	7,695,000	1,789,196	9,484,196
2031-2035	<u>5,910,000</u>	<u>501,158</u>	<u>6,411,158</u>
	<u>\$21,530,000</u>	<u>\$5,386,560</u>	<u>\$26,916,560</u>

**NOTE 7 - DEBT AND CREDIT ARRANGEMENTS (CONTINUED)**

Changes in long-term obligations for the years ended December 31, 2020 and 2019 were as follows:

	Beginning Balance	Additions	2020		Current Portion
			Reductions	Ending Balance	
Long-term Obligations:					
2015 Authority Bonds	\$13,065,000		\$(1,305,000)	\$11,760,000	\$ 895,000
2017 Authority Bonds	7,990,000		(470,000)	7,520,000	510,000
2017 Bond Anticipation Notes	2,250,000			2,250,000	
Premium and discount	<u>341,345</u>		<u>(120,690)</u>	<u>220,655</u>	
Total long-term obligations	<u>\$23,646,345</u>	<u>\$</u>	<u>\$(1,895,690)</u>	<u>\$21,750,655</u>	<u>\$1,405,000</u>
	Beginning Balance	Additions	2019		Current Portion
			Reductions	Ending Balance	
Long-term Obligations:					
2015 Authority Bonds	\$14,320,000		\$(1,255,000)	\$13,065,000	\$1,305,000
2017 Authority Bonds	8,445,000		(455,000)	7,990,000	470,000
2017 Bond Anticipation Notes	2,250,000			2,250,000	
Premium and discount	<u>443,582</u>		<u>(102,237)</u>	<u>341,345</u>	
Total long-term obligations	<u>\$25,458,582</u>	<u>\$</u>	<u>\$(1,812,237)</u>	<u>\$23,646,345</u>	<u>\$1,775,000</u>

The Authority's Series 2009 bonds were advance refunded in 2017 by the issuance of the Series 2017 bonds. Principal of \$330,000 was paid in 2018 and a final principal payment of \$8,030,000 was paid in 2019. In accordance with GASB, the advance refunding resulted in the Series 2009 bonds and related escrow being removed from the Authority's financial statements with the net recorded as a deferred outflow and recognized over the term of the new bond in interest expense at an amount of \$43,613 annually through 2026.

**NOTE 8 - BENEFIT PLAN**

**Plan Description**

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

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

**Public Employees' Defined Benefit Account**

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

## NOTE 8 - BENEFIT PLAN (CONTINUED)

### Eligibility for Pension Benefit Payment

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

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

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

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

### Contribution Rates

Contributions are determined by the INPRS Board and are based on a percentage of covered payroll. If determined to be necessary by the actuaries of INPRS, the INPRS Board updates the percentage of covered payroll annually effective July 1. Employers currently contribute 11.2% of covered payroll. No member contributions are required. The Authority's contributions to PERF DB were \$15,857 and \$15,409 for the years ended June 30, 2021 and 2020, respectively.

### Benefit Formula and Postretirement Benefit Adjustment

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

### Public Employees' Defined Contribution Account

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

### Contribution Rates

Member contributions under PERF DC are set by statute and the INPRS Board at 3% of covered payroll. The employer may choose to make these contributions on behalf of the member. The Authority made no contributions to PERF DC for the year ended June 30, 2021. Under certain limitations, voluntary post-tax member contributions up to 10% of compensation can be made solely by the member.

## NOTE 8 - BENEFIT PLAN (CONTINUED)

### Benefit Terms

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

### Significant Actuarial Assumptions

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

INPRS completed an actuarial experience study in February 2020. Assumption changes were recommended to the INPRS Board and adopted in June 2020 for the June 30, 2020 actuarial valuations. Assumptions related to mortality rates were increased, retirement rates were decreased, and future salary increases were increased from the prior measurement date. No changes in methods were recommended or adopted.

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

Asset valuation date:	June 30, 2020
Liability valuation date and method:	June 30, 2019 - Member census data as of June 30, 2019, was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2019 and June 30, 2020. Standard actuarial roll forward techniques were then used to project the total pension liability computed as of June 30, 2019 to the June 30, 2020 measurement date.
Actuarial cost method:	Entry age normal - level percent of payroll
Experience study date:	Computed February 2020 and reflects the experience period from July 1, 2014 to June 30, 2019
Investment rate of return:	6.75%
COLA:	2020 – 2021 - 13 <sup>th</sup> check Beginning January 1, 2022 - 0.40% Beginning January 1, 2034 - 0.50% Beginning January 1, 2039 - 0.60%
Future salary increases, including inflation:	2.75% - 8.75%
Inflation:	2.25%
Mortality – Healthy Employees and Retirees:	Base Table                      PubG-2020 M/F Set Forward              +3/+1

**NOTE 8 - BENEFIT PLAN (CONTINUED)**

Mortality – Disabled:	Base Table Load	PubG-2010 140%
Mortality – Beneficiaries:	Base Table M/F Set Forward	PubCS-2020 +0/+2
Mortality – Improvement – All Tables:	Generational Improvement Scale – MP-2019	

The long-term return expectation has been determined by using a building-block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. In order to determine the expected long-term nominal rate of return, the asset class geometric real returns are projected for a 30-year time horizon. These returns are combined with a projected covariance matrix and the target asset allocations to create a range of expected long-term real rates of return for the portfolio. A range of possible expected long-term rates of return is created by adding the forecasted inflation to the expected long-term real rates of return and adding an expected contribution to the return due to manager selection. This range ultimately supports the long-term expected rate of return assumption of 6.75% selected by the INPRS Board as the discount rate. The assumption is a long-term assumption and is not expected to change with small fluctuations in the underlying inputs, but may change with a fundamental shift in the underlying market factors or significant asset allocation change. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

		<u>2021</u>	<u>2020</u>
	Target Asset Allocation	Geometric Basis Long- Term Expected Real Rate of Return	Geometric Basis Long- Term Expected Real Rate of Return
Public Equity	22.0%	4.4%	4.9%
Private Markets	14.0%	7.6%	7.0%
Fixed Income – Ex Inflation-Linked	20.0%	1.9%	2.5%
Fixed Income – Inflation-Linked	7.0%	0.5%	1.3%
Commodities	8.0%	1.6%	2.0%
Real Estate	7.0%	5.8%	6.7%
Absolute Return	10.0%	2.9%	2.9%
Risk Parity	12.0%	5.5%	5.3%

The net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the current discount rate of 6.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.75%), or one percentage point higher (7.75%) than the current rate as of December 30, 2020 and 2019:

	<b>1% Decrease (5.75%)</b>	<b>Current Discount Rate (6.75%)</b>	<b>1% Increase (7.75%)</b>
<b>2020</b>	<u>\$129,016</u>	<u>\$79,134</u>	<u>\$37,354</u>
<b>2019</b>	<u>\$140,131</u>	<u>\$87,254</u>	<u>\$43,150</u>

**NOTE 8 - BENEFIT PLAN (CONTINUED)**

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

At December 31, 2020 and 2019, the Authority reported a liability of \$79,134 and \$87,254, respectively, for its proportionate share of the net pension liability, respectively. The Authority' proportionate share of the net pension liability was based on the Authority' wages as a proportion of total wages for the PERF Hybrid Plan. The proportionate share used at the June 30, 2020 and June 30, 2019 measurement date was 0.00264%.

For the year ended December 31, 2020 and 2019, the Authority recognized pension (income) expense of \$(3,490) and \$2,736, respectively, which includes expenses from the net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions of \$(9,863) and \$(11,074), respectively. At December 31, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to the PERF Hybrid Plan from the following sources:

	<b>2020</b>		<b>2019</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,402	\$ 1,062	\$ 2,310	\$
Net differences between project and actual earnings on pension plan investments	6,773			4,124
Changes of assumptions		16,488	19	9,485
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	<u>216</u>	<u>17,988</u>	<u>109</u>	<u>27,203</u>
Total that will be recognized in pension expense (income) based on table below	8,391	35,538	2,438	40,812
Pension contribution subsequent to measurement date	<u>10,474</u>		<u>10,743</u>	
Total	<u>\$18,865</u>	<u>\$35,538</u>	<u>\$13,181</u>	<u>\$40,812</u>

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

<b>Year Ending December 31,</b>	<b>Amount</b>
2021	\$(17,632)
2022	(10,984)
2023	(1,408)
2024	<u>2,877</u>
	<u>\$(27,147)</u>

**NOTE 9 - RENTAL INCOME FROM OPERATING LEASES**

The Authority leases space in its buildings on a fixed fee as well as a contingent rental basis. Many of the leases provide for a periodic review and adjustment of the rental amounts. Substantially all capital assets are held by the Authority for the purpose of rental or related use.

Minimum future rentals on noncancelable operating leases to be received as of December 31, 2020 are as follows:

<b>Receivable In</b>	<b>Rental</b>
2021	\$24,000
2022	24,000
2023	<u>18,000</u>
	<u>\$66,000</u>

**NOTE 10 - RISK MANAGEMENT**

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

**NOTE 11 - COMMITMENTS**

The Authority entered into a development services agreement with an organization to provide services related to the Authority's real estate held for sale. The agreement required monthly payments of \$6,250 through December 2020 and then \$7,500 through December 2021. Additionally, there is a fee for successful development projects equal to \$.55 per gross square foot of residential and \$1.10 per gross square foot of all other vertical development projects. The additional fee is payable at 100%. The agreement can be cancelled by either party with 60 days' notice.

**NOTE 12 - INTERLOCAL AGREEMENT**

The Authority and the City of Lawrence (the City) have agreed that there is a strain which the promotion, development and redevelopment of Fort Harrison has put on the capacity and maintenance of local municipal public improvements of the City that are in, directly serving, or benefiting the Redevelopment Area. As a result, the Authority enters into City Services and Payment Agreements with the City through the Department of Public Works for police, fire protection, and utility services provided to the Redevelopment Area provided by the City. In accordance with the current agreement, which is through December 2021, the Authority expensed \$900,000 and \$824,971 in 2020 and 2019, respectively. The current agreement, completed in July 2016, requires a payment of \$1,031,462 for 2021.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

	2020	2019	2018	2017	2016	2015	2014	2013
Authority's proportion of the net position liability	0.00262%	0.00264%	0.00357%	0.00362%	0.00375%	0.00367%	0.00353%	0.00349%
Authority's proportionate share of the net pension liability	\$79,134	\$87,254	\$121,275	\$161,508	\$170,192	\$149,476	\$92,766	\$119,535
Authority's covered-employee payroll	\$141,581	\$137,577	\$182,399	\$179,520	\$179,750	\$175,850	\$172,373	\$167,385
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	55.9%	63.4%	66.5%	89.9%	94.7%	85.0%	53.8%	71.3%
Plan fiduciary net position as a percentage of the total pension liability	81.5%	80.1%	78.9%	72.7%	71.2%	73.3%	81.1%	74.3%

\*The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2013 for GASB Statement No. 68 purposes.

*See accompanying notes to required supplementary information.*

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

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Contractually required contribution	\$ 15,857	\$ 15,409	\$ 20,429	\$ 20,106	\$ 20,132	\$ 19,521	\$ 17,677	\$ 15,902
Contributions in relation to the contractually required contribution	<u>15,857</u>	<u>15,409</u>	<u>20,429</u>	<u>20,106</u>	<u>20,132</u>	<u>19,521</u>	<u>17,677</u>	<u>15,902</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$141,581	\$137,577	\$182,399	\$179,520	\$179,520	\$175,850	\$172,373	\$167,385
Contributions as a percentage of covered-employee payroll	11.2%	11.2%	11.2%	11.2%	11.2%	11.1%	10.3%	9.5%

\*The effort and cost to re-create financial statement information for 10 years was not practical. Information was prepared prospectively from June 30, 2013 for GASB Statement No. 68 purposes.

*See accompanying notes to required supplementary information.*

## FORT HARRISON REUSE AUTHORITY

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED) December 31, 2020 and 2019

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

**Plan Amendments:** In 2020, there were no plan amendments.

**Assumption Changes:** In 2020, an experience study was performed resulting in an update to several assumptions. These assumption changes included a change in the mortality assumptions, retirement assumptions, withdrawal assumptions, disability assumptions, dependent spouse assumptions, and future salary increase assumptions.

#### SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS (UNAUDITED)

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

Asset valuation date and method:	June 30, 2018 - Five year smoothing of gains and losses on the Fair Value of assets subject to a 20% corridor
Liability valuation date and method:	June 30, 2017 - Member census data as of June 30, 2017 was used in the valuation and adjusted, where appropriate, to reflect changes between June 30, 2017 and June 30, 2018. Standard actuarial roll forward techniques were then used to project the liability computed as of June 30, 2017 to the June 30, 2018 measurement date.
Actuarial cost method:	Entry age normal - level percent of payroll
Actuarial amortization method and period:	Level dollar - 20 years, closed
Remaining amortization period (weighted):	24 years
Investment rate of return:	6.75%
COLA:	1.00%
Future salary increases, including inflation:	2.50% - 4.25%
Inflation:	2.25%

(a) Differs from Note 6 schedule as this table is for funding purposes and Note 6 is for financial reporting purposes. The Actuarially Determined Contributions in a given year are determined based on the actuarial valuation dated two fiscal years prior.

**Trends:** In 2020, there were no significant trends in contributions to the Plan.

## **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, 2020*

Board of Directors  
Fort Harrison Reuse Authority

We have audited, in accordance with the 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 *Uniform Compliance Guidelines for Audit of Hospitals and State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts, the financial statements of Fort Harrison Reuse Authority (the Authority), as of and for the year ended December 31, 2020, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated December 3, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

- **Material Audit Adjustments**

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

### **Compliance and Other Matters**

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

### **Authority's Response to Findings**

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

- **Authority's Response**

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

### **Purpose of this Report**

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

*Katz, Sapper & Miller, LLP*

Indianapolis, Indiana  
December 3, 2021