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STATE OF INDIANA

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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

August 4, 2010

Board of Commissioners
River Ridge Development Authority
6200 E. Highway 62, Suite 600
Jeffersonville, IN 47130
Email: billieann@riverridgecc.com

We have reviewed the audit report prepared by McCauley, Nicolas & Company, LLC, Independent Public Accountants, for the period January 1, 2009 to December 31, 2009. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountant's opinion, the financial statements included in the report present fairly the financial condition of River Ridge Development Authority, as of December 31, 2009, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

RIVER RIDGE DEVELOPMENT AUTHORITY

REPORT ON AUDITS OF FINANCIAL STATEMENTS

for the years ended
December 31, 2009 and 2008

CONTENTS

Independent Auditors' Report	1 and 2
Management Discussion and Analysis	3 - 5
Financial Statements:	
Statements of Net Assets	6
Statements of Revenues, Expenses, and Changes in Net Assets	7
Statements of Cash Flows	8
Notes to Financial Statements	9 - 15
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*	16 and 17

McCauley Nicolas & Company, LLC
Certified Public Accountants & Advisors

INDEPENDENT AUDITORS' REPORT

The Board of Directors
River Ridge Development Authority
Jeffersonville, Indiana

We have audited the accompanying financial statements of River Ridge Development Authority (the Authority) as of and for the years ended December 31, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2009 and 2008, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2010, on our consideration of the Authority's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

McCauley, Nicolas & Company, LLC

McCauley, Nicolas & Company, LLC
Certified Public Accountants

Jeffersonville, Indiana
March 15, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the River Ridge Development Authority (Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the fiscal years ended December 31, 2009 and 2008.

NATURE OF ORGANIZATION AND REPORTING ENTITY

The Authority was established in 1998 under the laws of the State of Indiana and an interlocal agreement between Clark County, the City of Charlestown, the City of Jeffersonville, the Town of Utica, and the Indiana Port Commission. The Authority was established for the purpose of accepting conveyance of the Indiana Army Ammunition Plant from the United States Army, managing and leasing the real estate and improvements of the Ammunition Plant, removing conditions of blight, and developing the Ammunition Plant into a commerce and industrial park.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of both the Management's Discussion and Analysis and audited Financial Statements. The Financial Statements include notes that provide additional information relating to the Authority's financial condition. Readers are encouraged to read the notes to better understand the financial statements.

REQUIRED FINANCIAL STATEMENTS

THE STATEMENTS OF NET ASSETS

The Statements of Net Assets include all of the Authority's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). The Statements of Net Assets also provide the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the organization.

THE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Statements of Revenues, Expenses and Changes in Net Assets identify the revenues generated and the expenses incurred during the fiscal year.

THE STATEMENTS OF CASH FLOWS

The Statements of Cash Flows provide information relating to the Authority's cash receipts and cash expenditures during the fiscal year. The statements report cash receipts, cash payments and net changes in cash resulting from operations, and provide answers to such questions as where did cash come from, what was cash used for and what was the change in the cash balance during the reporting period.

Table 1
Condensed Statement of Net Assets

ASSETS	2009	2008	Increase (Decrease)
Current assets	$ 2,046,056	$ 3,246,058	$ (1,200,002)
Restricted assets	451,117	149,911	301,206
Capital assets, net	3,225,750	3,291,240	(65,490)
Real estate available for sale	3,134,263	2,990,094	144,169
TOTAL ASSETS	$ 8,857,186	$ 9,677,303	$ (820,117)
LIABILITIES			
Current liabilities	$ 239,323	$ 927,771	$ (688,448)
Other liabilities	451,117	149,911	301,206
Payable to United States Army	3,134,263	2,990,094	144,169
TOTAL LIABILITIES	3,824,703	4,067,776	(243,073)
NET ASSETS			
Investment in capital assets	3,225,750	3,291,240	(65,490)
Unrestricted net assets	1,806,733	2,318,287	(511,554)
TOTAL NET ASSETS	5,032,483	5,609,527	(577,044)
TOTAL LIABILITIES AND NET ASSETS	$ 8,857,186	$ 9,677,303	$ (820,117)

Total assets decreased by $820,117 in 2009, which included a decrease in current assets of approximately $1,200,000. The primary factors in the decline in current assets are a decrease in cash for improvements to property held for sale by the Authority and the one time operational expenses associated with the security system, legal fees and office equipment upgrades. The primary increase in restricted assets relates to local match funds ($370,000) received from the City of Jeffersonville Urban Enterprise Zone (UEZ) and Clark County for planned traffic improvements on State Road 62. The increase in real estate available for sales is the result of the acquisition of Parcel D 3 from the Army.

Three parcels totaling 26.15 acres were sold in 2008 for a total of $887,461 after the conveyance payments.

A 27.71 acre parcel under contract from 2008 was sold in 2009 for a total of $855,537 after the conveyance payments. Certain infrastructure improvements required under the conditions of sales on parcels closed in 2007 and 2008 were completed in 2009. The cost of these improvements (roads, water lines, sewer lines and storm water control facilities) was the main factor in the $1,200,002 decrease in cash at the end of 2009.

See Table 2 for additional discussion.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Table 2
Condensed Statement of Revenues, Expenses and Changes in Net Assets

	2009	2008	Increase (Decrease)
TOTAL REVENUES, including nonoperating revenues	$ 2,349,606	$ 2,088,079	$ 261,527
TOTAL EXPENSES	2,926,650	1,890,349	1,036,301
INCREASE (DECREASE) IN NET ASSETS	$ (577,044)	$ 197,730	$ (774,774)

- During 2009, the severe economic downturn continued throughout the United States, including the southern Indiana region. As a result of this, industrial prospect activity remained light. The Authority recognized a decrease in sales activities from $3,980,000 in 2007 to $918,000 in 2008 and $887,000 in 2009.
- The Authority's rent revenues also declined by approximately $156,000 from 2008 to 2009 due to the expiration and changes in terms of certain leases.
- Interest income in 2009 decreased significantly from 2008 due to the Authority's utilization of cash to invest in new infrastructure and capital related costs as well as declining interest rates
- Expenses associated with development, legal, marketing, master planning and Army security increased in 2009.
- All other revenues and expense amounts were comparable with 2008 except for an additional source of revenue from salvage operations. Approximately $100,000 in revenue was received from the sale of salvaged materials from buildings and utility lines.

FUTURE OPERATIONS

The Authority expects a decrease in rental income during 2010, primarily due to adjustments in terms associated with certain lease extensions and the sale of leased facilities. Although management continues to work toward developing property for sale, land sales are expected to be soft in 2010 as a result of the sluggish economic recovery. Our primary focus will be to continue site development and expand our marketing plan. Additional funding for infrastructure improvements is expected from Tax Increment Financing (TIF) & UEZ generated revenues. Salvage operations will provide increased funds over 2009 levels.

SUBSEQUENT EVENT

On March 15, 2010, the Authority purchased the rights to operate a wastewater treatment plant on property that was part of the former Indiana Army Ammunition Plant. The total cost was $454,000. The Cities of Jeffersonville and Charlestown will take over the operations of the wastewater treatment plant. The City of Jeffersonville plans to build a new, greater capacity plant sometime in the future.

REQUESTS FOR ADDITIONAL INFORMATION

This report is intended to provide readers with a general overview of the Authority's finances and to provide information regarding the receipts and uses of funds. If you need clarification regarding a statement(s) made in the report or need additional information, please contact the office of River Ridge Development Authority.

RIVER RIDGE DEVELOPMENT AUTHORITY

STATEMENTS OF NET ASSETS

December 31, 2009 and 2008

	2009	2008
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,027,610	$ 3,194,237
Accounts receivable	532	3,700
Prepaid expenses	17,914	48,121
TOTAL CURRENT ASSETS	2,046,056	3,246,058
RESTRICTED ASSETS		
Cash and cash equivalents - security deposits	49,277	59,911
Cash and cash equivalents - escrow deposit	401,840	90,000
TOTAL RESTRICTED ASSETS	451,117	149,911
CAPITAL ASSETS		
Office equipment	101,860	79,993
Vehicles	69,885	69,885
Infrastructure	3,389,116	3,335,217
	3,560,861	3,485,095
Less accumulated depreciation	(335,111)	(193,855)
CAPITAL ASSETS, NET	3,225,750	3,291,240
OTHER ASSETS		
Real estate available for sale	3,134,263	2,990,094
TOTAL ASSETS	$ 8,857,186	$ 9,677,303
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accruals	$ 123,614	$ 804,423
Advanced rental payments	100,794	96,585
Accrued compensated absences	14,915	26,763
TOTAL CURRENT LIABILITIES	239,323	927,771
OTHER LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)		
Security deposits	49,277	59,911
Escrow deposit	401,840	90,000
TOTAL OTHER LIABILITIES	451,117	149,911
LONG-TERM DEBT		
Payable to United States Army	3,134,263	2,990,094
TOTAL LIABILITIES	3,824,703	4,067,776
NET ASSETS		
Investment in capital assets	3,225,750	3,291,240
Unrestricted net assets	1,806,733	2,318,287
TOTAL NET ASSETS	5,032,483	5,609,527
TOTAL LIABILITIES AND NET ASSETS	$ 8,857,186	$ 9,677,303

See notes to financial statements.

RIVER RIDGE DEVELOPMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

for the years ended December 31, 2009 and 2008

	2009	2008
OPERATING REVENUES		
Rental income	$ 1,162,451	$ 1,273,678
Rental income River Ridge property	251,913	296,530
Equipment rental	18,033	16,343
Land proceeds, net	751,526	349,450
TOTAL OPERATING REVENUES	2,183,923	1,936,001
OPERATING EXPENSES		
Payroll	427,122	313,519
Employee benefits	109,227	103,128
Payroll taxes	32,682	30,232
Temporary labor	15,182	4,315
Development expenses	518,616	194,527
Road and ground maintenance	70,836	94,073
Depreciation expense	141,256	86,209
Legal fees	277,101	147,728
Insurance	99,547	90,695
Marketing	178,707	76,653
Office equipment and supplies	47,786	30,533
Professional fees	26,468	38,385
Rental expense	58,232	56,232
Security	483,401	249,236
Telephone repair and service	6,078	108,356
Master planning services	116,972	60,645
Lease management	60,971	60,257
Training expense	865	4,753
Travel	25,202	17,104
Utilities	28,370	29,291
Environmental monitoring	68,366	20,246
Army operational expenses	96,483	74,232
Employee recruitment	24,870	-
TIF Administration	11,110	-
Interest expense	1,200	-
TOTAL OPERATING EXPENSES	2,926,650	1,890,349
OPERATING INCOME (LOSS)	(742,727)	45,652
NONOPERATING REVENUES		
Interest income	55,672	149,200
Grant income	-	1,500
Other income	110,011	1,761
Loss on disposal of capital asset	-	(383)
TOTAL NONOPERATING REVENUES	165,683	152,078
CHANGES IN NET ASSETS	(577,044)	197,730
NET ASSETS, beginning of year	5,609,527	5,411,797
NET ASSETS, end of year	$ 5,032,483	$ 5,609,527

See notes to financial statements.

RIVER RIDGE DEVELOPMENT AUTHORITY

STATEMENTS OF CASH FLOWS

for the years ended December 31, 2009 and 2008

		2009		2008
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and others	$	2,332,398	$	2,019,028
Cash paid to suppliers, employees, and others		(3,447,844)		(1,809,960)
Interest received		55,672		149,200
Grant received		-		1,500
Net cash provided (used) by operating activities		(1,059,774)		359,768
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of capital assets		(75,766)		(1,498,136)
Cash used by investing activities		(75,766)		(1,498,136)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment to United States Army		(31,087)		(30,383)
Cash used by financing activities		(31,087)		(30,383)
NET (DECREASE) IN CASH		(1,166,627)		(1,168,751)
CASH AND CASH EQUIVALENTS, beginning of year		3,194,237		4,362,988
CASH AND CASH EQUIVALENTS, end of year	$	2,027,610	$	3,194,237
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Change in net assets	$	(577,044)	$	197,730
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:				
Depreciation expense		141,256		86,209
Loss on disposal of capital asset		-		383
(Increase) decrease in:				
Accounts receivable		3,168		(3,700)
Real estate available for sale		31,087		30,383
Increase (decrease) in:				
Accounts payable		(680,809)		15,625
Advanced rental payments		4,209		54,583
Compensated absences		(11,848)		(20,603)
Net cash provided (used) by operating activities	$	(1,089,981)	$	360,610

See notes to financial statements.

RIVER RIDGE DEVELOPMENT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of River Ridge Development Authority (the Authority) is presented to assist in understanding the Authority's financial statements. The financial statements and notes are representations of the Authority's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

The more significant accounting policies of the Authority are as follows:

Nature of Operations
The Authority was established in 1998 under the laws of the State of Indiana and an interlocal agreement between Clark County, the City of Charlestown, the City of Jeffersonville, the Town of Utica and the Indiana Port Commission. The Authority was established for the purpose of accepting conveyance of the Indiana Army Ammunition Plant from the United States Army, managing and leasing the real estate and improvements of the Ammunition Plant, removing conditions of blight, and developing the Ammunition Plant into a commerce and industrial park.

Reporting Entity
These financial statements present River Ridge Development Authority (primary government), and there are no other component units which require inclusion.

Basis of Presentation
All of the Authority's programs are accounted for as one business-type activity for financial reporting purposes. This financial statement presentation provides an indication of the financial performance of the Authority as a whole. Enterprise designations are used to account for activities if any of the following criteria applies: (a) The activity is financed with debt that is solely secured by pledge of the net revenues from fees and charges of the activity; (b) laws or regulations that require that the activity's costs of providing services be recovered with fees and charges rather than taxes or similar revenues; or (c) the pricing policies of the activity establish fees and charges designated to recover its costs.

In accordance with Governmental Accounting Standards Board (GASB), the Authority's proprietary funds follow all GASB pronouncements and those Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989, except those that conflict with or contradict a GASB pronouncement.

The accompanying financial statements are prepared on the basis of accounting principles generally accepted in the United States of America.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities, if any) at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Authority considers all short-term investments with an original maturity of three months or less to be cash equivalents. Cash equivalents were $2,060,538 and $2,574,258 at December 31, 2009 and 2008, respectively.

Accounts Receivable

Accounts receivable consists of amounts due from tenants for monthly lease income. The Authority uses the allowance for bad debts method of valuing doubtful accounts receivable, which is based on historical experience, coupled with a review of the current status of existing receivables. Management has determined no allowance was required at December 31, 2009 and 2008.

Capital Assets

Property and equipment are recorded at cost. Maintenance and repairs are charged to expense as incurred; major renewals or betterments are capitalized. Gain or loss on retirements or dispositions of assets is charged to operations, and respective costs and accumulated depreciation are eliminated from the accounts.

Depreciation is provided on the estimated useful lives of the assets using the straight-line method. The estimated useful lives are 5 to 7 years for office equipment, 7 to 10 years for furniture and fixtures, 5 years for vehicles, and 20 to 50 years for infrastructure. See Note 3 for additional information.

Public domain (infrastructure) capital assets consisting of the development of roads, bridges, curbs, gutters, streets, sidewalks, drainage systems, and lighting systems on land that has not been deeded to the Authority are not capitalized, as these assets are included as documented costs per the master lease agreement (See Note 8). Documented costs are used to offset the rental income received by the Authority and due to the United States Army.

Revenue Recognition

The Authority recognizes revenue when earned and not when received. Advanced and unearned rentals arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period.

NOTE 2—RESTRICTED ASSETS

Restricted Assets represent security deposits made by tenants for the property leased from the Authority, earnest money deposits (see Note 4) received from land sales contracts and local match dollar deposits.

During 2009, the Authority received $185,000 in local match funds ($370,000 total) from both the City of Jeffersonville Urban Enterprise Zone Association and Clark County for planned traffic improvements on State Road 62. Cash related to these deposits has been included on the Statements of Net Assets as "Restricted Assets". Additionally, the related liability has been included in the Statements of Net Assets as "Other Liabilities (Payable from Restricted Assets)."

NOTE 3—CAPITAL ASSETS

The following is a summary of capital assets during the years ended December 31, 2009 and 2008:

	Balance at 12/31/08	Additions	Dispositions	Balance at 12/31/09
Office equipment	$ 79,993	$ 21,867	$ -	$ 101,860
Vehicles	69,885	-	-	69,885
Infrastructure	3,335,217	53,899	-	3,389,116
	3,485,095	75,766	-	3,560,861
Accumulated depreciation	(193,855)	(141,256)	-	(335,111)
Total, net	$ 3,291,240	$ (65,490)	$ -	$ 3,225,750

	Balance at 12/31/07	Additions	Dispositions	Balance at 12/31/08
Office equipment	$ 82,208	$ 10,187	$ (12,402)	$ 79,993
Vehicles	37,972	31,913	-	69,885
Infrastructure	1,879,181	1,456,036	-	3,335,217
	1,999,361	1,498,136	(12,402)	3,485,095
Accumulated depreciation	(119,665)	(86,209)	12,019	(193,855)
Total, net	$ 1,879,696	$ 1,411,927	$ (383)	$ 3,291,240

Total depreciation expense was $141,256 and $86,209 for the years ended December 31, 2009 and 2008, respectively.

NOTE 4—REAL ESTATE AVAILABLE FOR SALE AND PAYABLE TO UNITED STATES ARMY

On June 6, 2005, August 24, 2006, and July 2, 2009, through quitclaim deeds, the United States of America, acting by and through the Deputy Assistant Secretary of the Army, entered into an agreement with the Authority to deed land to the Authority. The agreement states that in accordance with the Federal Act, the Authority shall pay to the Army a monetary consideration for conveyance of the property to the Authority (the "Conveyance Consideration") as agreed upon in the deed agreements.

According to the agreements, the Conveyance Consideration shall be paid to the United States of America no later than ten years after the date of conveyance of the property. The Authority is currently making improvements to the land and holding it available for sale to the extent the property is not subject to prior lease by the Authority. A breakdown of real estate conveyed and available for sale is as follows:

Year Conveyed	Number of Acres	Acquisition Price Per Acre	Original Purchase Price	Year Sold	Acres Sold	Cost Repaid	Acres Remaining	Cost Remaining
2005	2,325 62	$1,122	$ 2,608,650	2006	105.30	$ 119,095	2,220 32	
				2007	31.95	35,861	2,188 37	
				2008	26.15	30,383	2,162.22	
				2009	27 71	31,087	2,134.51	$ 2,392,224
2006	577.63	$1,167	674,094	2007	91.96	107,311	485.67	566,783
2009	143.77	$1,219	175,256			-	143.77	175,256
			$ 3,458,000			$ 323,737		$ 3,134,263

During 2009, the Authority entered into agreements to sell approximately 5.7 acres of the property to a party. As part of this agreement, earnest money in the amount of $31,840 was paid by the purchaser. This money will be held in escrow pending closing or termination of the agreements.

NOTE 5—ADVANCED RENTAL PAYMENTS

The Authority recognizes rent received by tenants for future periods as "Advanced rental payments" on the Statements of Net Assets. The liability for "Advanced rental payments" at December 31, 2009 and 2008 was $100,794 and $96,585, respectively.

NOTE 6—COMPENSATED ABSENCES

The Authority employees earn paid time off (sick/vacation) at a rate of 18 to 22 days per year based upon the number of years of service. Employees may carry unused time until the accumulated paid time off balance equals two times the annual paid time off. At December 31, 2009 and 2008, accrued compensated absences were $14,915 and $26,763, respectively.

NOTE 7—RENTAL INCOME UNDER OPERATING LEASES

The Authority leases land, buildings, and equipment of the Ammunition Plant to various entities (See Note 8). The leases vary in amounts and maturity dates. Certain lease agreements are structured to include scheduled and specified rent increases over the lease term. Future minimum rental payments to be received are as follows:

2010	$ 867,203
2011	$ 690,624
2012	$ 639,469
2013	$ 263,370
2014	$ 263,700
Thereafter	$ 741,165

NOTE 8—OPERATING LEASES

In May 2003, the Authority and United States Department of the Army executed a master lease agreement for a term of twenty-five years ending in April 2028, with an option to renew for one additional twenty-five year period pending certain provisions. The lease consists of approximately 5,904 acres located in Clark County, Indiana.

Consideration for the lease is based on the fair market rental value. The parties originally agreed the total value of the property under lease was $1,723,998 at the date the master lease was signed. The consideration for the leased premises will be reappraised or evaluated every five years. The Army has agreed that all documented costs, which are directly related to improvement, operation, maintenance, protection, and repair of the Ammunition Plant will offset rents due the Army under the lease. In the event that documented costs exceed rent, the costs will be carried over to future years. In the event that rent exceeds documented costs, the Army may request excess rent to be paid to the Army based upon the terms of the master lease agreement. As of December 31, 2009, the Authority had incurred cumulative documented costs greater than the rent obligation and therefore no payments for rent were recognized in the financial statements at this time.

Additionally, the Authority leases office space from an unrelated party. The lease expires in November 2010. Lease expense under this lease was $58,232 and $56,232 for the years ended December 31, 2009 and 2008, respectively. Future minimum lease payments under this operating lease are expected to be approximately $58,000 for the year ended December 31, 2010.

NOTE 9—DEFINED CONTRIBUTION PLAN

The Authority has established a 401(a) retirement plan for all eligible employees. All employees are eligible upon the beginning of their employment. Employer contributions to the Plan are based upon 6% of each eligible employee's compensation. Contributions to the Plan totaled $26,362 and $17,282 for the years ended December 31, 2009 and 2008, respectively.

NOTE 10—CASH AND CASH HELD FOR RESTRICTED DEPOSITS

Cash deposits made in accordance with IC 5-13 with financial institutions in the State of Indiana were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution. Therefore, all cash values are considered secured.

The carrying value of cash and cash equivalents including restricted deposits at December 31, 2009 and 2008 was $2,478,727 and $3,344,148, respectively. The bank balance at December 31, 2009 was $2,522,172 and $3,406,282, respectively.

NOTE 11—MAJOR CUSTOMER

Approximately $838,000 (58%) and $879,000 (54%) of the Authority's rental income for 2009 and 2008, respectively, was generated from two customers.

NOTE 12—RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters. These risks are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage. There were no significant reductions in insurance coverage by major category of risk.

In January 2005, the Board Members of the Authority voted to purchase an environmental liability insurance policy for approximately $1,000,000. This policy was purchased in May 2005 and provides coverage for the lesser of the earliest of ten years or $25,000,000 in payouts. The policy premiums are non-refundable. This policy will protect the Authority from claims of property damage or personal injury and provide funds for the Authority's defense in case of a lawsuit. The Authority determined the insurance was necessary after a review of its master lease with the Department of Defense by environmental attorneys. There have been no payouts through December 31, 2009 under this policy.

Although the Department of Defense is required to clean up environmental contamination and hazardous substances at the site (see Note 13), the timing of the clean up is based upon available funds. In addition, the Department of Defense does not cover property damage or personal injury claims which could arise due to environmental contamination.

NOTE 13—ENVIROMENTAL REMEDIATION

The Department of Defense is responsible for any environmental remediation of designated areas as defined in the master lease agreement (see Note 8) with River Ridge Development Authority. Therefore, no accrual is necessary for environmental issues. See Note 12 for additional information.

NOTE 14—LITIGATION

The Authority is subject to various legal actions and general asserted and unasserted claims arising in the ordinary course of its business. Litigation is subject to many uncertainties; the outcome of individual litigated matters is not predictable with assurance. Should any legal action occur, the Authority will defend itself vigorously against any claims.

NOTE 15—SUBSEQUENT EVENTS

In accordance with FASB Accounting Standards Codification Topic 885, *Subsequent Events,* the Authority has evaluated events and transactions for potential recognition or disclosure through March 15, 2010, the date the financials were available to be issued.

On March 15, 2010, the Authority purchased the rights to operate a wastewater treatment plant on property that was part of the former Indiana Army Ammunition Plant. The total cost was $454,000. The Cities of Jeffersonville and Charlestown will take over the operations of the wastewater treatment plant. The City of Jeffersonville plans to build a new, greater capacity plant sometime in the future.

NOTE 16—RECLASSIFICATION

Certain items have been reclassified for 2008 to conform to the classifications in 2009. Such reclassifications had no effect on the change in net assets or net assets as previously reported.

McCauley Nicolas & Company, LLC
Certified Public Accountants

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*

The Board of Directors
River Ridge Development Authority
Jeffersonville, Indiana

We have audited the financial statements of River Ridge Development Authority (the Authority) as of and for the years ended December 31, 2009, and have issued our report thereon dated March 15, 2010. We conducted our audit 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.

<u>Internal Control Over Financial Reporting</u>
In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, management, the Indiana State Board of Accounts, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

McCauley, Nicolas & Company, LLC

McCauley, Nicolas & Company, LLC
Certified Public Accountants

Jeffersonville, Indiana
March 15, 2010