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STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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September 22, 2011

Board of Directors
River Ridge Development Authority
6200 E. Highway 62, Suite 600
Jeffersonville, IN 47130

We have reviewed the audit report prepared by McCauley, Nicolas & Company, LLC, Independent Public Accountants, for the period January 1, 2010 to December 31, 2010. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the River Ridge Development Authority, as of December 31, 2010 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

RIVER RIDGE DEVELOPMENT AUTHORITY

REPORT ON AUDITS OF FINANCIAL STATEMENTS

for the years ended
December 31, 2010 and 2009

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McCauley Nicolas & Company, LLC The Solution Is One Good Move Away
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, 2010 and 2009, 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, 2010 and 2009, 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 April 18, 2011, 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.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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.

Our audit was conducted for the purpose of forming an opinion on River Ridge Development Authority's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as whole.

McCauley, Nicolas & Company, LLC

McCauley, Nicolas & Company, LLC
Certified Public Accountants

Jeffersonville, Indiana
April 18, 2011

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, 2010 and 2009.

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		2010		2009		Increase (Decrease)
Current assets	$	9,891,264	$	2,046,056	$	7,845,208
Restricted assets		1,221,511		451,117		770,394
Capital assets, net		4,095,867		3,225,750		870,117
Other assets		4,157,962		3,134,263		1,023,699
TOTAL ASSETS	$	19,366,604	$	8,857,186	$	10,509,418
LIABILITIES						
Current liabilities	$	525,570	$	239,323	$	286,247
Other liabilities		1,221,511		451,117		770,394
Long-term debt		11,451,877		3,134,263		8,317,614
TOTAL LIABILITIES		13,198,958		3,824,703		9,374,255
NET ASSETS						
Investment in capital assets		4,095,867		3,225,750		870,117
Unrestricted net assets		2,071,779		1,806,733		265,046
TOTAL NET ASSETS		6,167,646		5,032,483		1,135,163
TOTAL LIABILITIES AND NET ASSETS	$	19,366,604	$	8,857,186	$	10,509,418

Total assets increased by $10,509,418 in 2010, which included an increase in current assets of approximately $7,900,000. The primary factors in the increase in current assets are an increase in cash due to completion of a bond issuance and Tax Increment Financing funds received by the County but not yet forward to River Ridge. Restricted assets increase due to the $800,000 reserve required in conjunction with the bond issuance. The primary increase in net capital assets resulted from an approximate $1,000,000 in new infrastructure improvements. Other assets increased due to the Army credit approved as an offset to a loss in revenue from a tenant located on Army owned property. This credit may be used to cover land conveyance costs on future parcel transfers from the Army to River Ridge.

One 5.72 acre parcel including a 48,000 square foot building was sold to NuYale for $318,400. Additional land sales of $746,000 came from the sale of property to the City of Jeffersonville in conjunction with the termination of the Facilities Use Agreement.

See Table 2 for additional information.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

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

	2010	2009	Increase (Decrease)
TOTAL REVENUES, including nonoperating revenues	$ 3,610,752	$ 2,349,606	$ 1,261,146
TOTAL EXPENSES	2,475,589	2,926,650	(451,061)
INCREASE (DECREASE) IN NET ASSETS	$ 1,135,163	$ (577,044)	$ 1,712,207

- Total revenues increased by approximately $1,260,000 in 2010 primarily due to Urban Enterprise Zone (UEZ) and Tax Increment Financing (TIF) funds generated for the first time as a result of new private investments at River Ridge since 2006.

- During 2010 economic activity continued to be relatively flat in many regions of the United States, including southern Indiana. There was, however, a notable increase in industrial prospect inquiries and contacts in the last quarter of the year. Land sales, net of related costs, at River Ridge declined by approximately $250,000 compared to 2009.

- The Authority's rent revenues increased overall by approximately $200,000 due to accrual of the Army credit for Chryso.

- Operating expenses as compared to 2009 decreased primarily due to reductions in development expenses, legal fees, and security costs. Other expenses were generally within budgeted amounts.

FUTURE OPERATIONS

The Authority anticipates an increase in land sales for 2011 based on activities occurring during the last quarter of 2010. Rental income is expected to decrease due to a reduction in the number of rail cars stored at River Ridge. Non-operating revenues are expected to increase as a result of continued emphasis on salvage operations, especially in the northern area of the facility. Additional increases in TIF and UEZ revenues are also expected in 2011 due to past private investments by developers and new tenants.

Our emphasis will continue to be site development and infrastructure improvements required to support future projects and private investments. Expanded marketing initiatives will also be implemented in 2011. Significant on-site infrastructure and road improvements are planned and made possible by the 2010 bond issue. Other improvements will occur due to water projects funded by the Indiana Department of Natural Resources and transportation projects funded by the Indiana Department of Transportation.

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, 2010 and 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 9,438,158	$ 2,027,610
Accounts receivable - tenants	-	532
Accounts receivable - Tax Increment Financing	440,113	-
Prepaid expenses	12,993	17,914
TOTAL CURRENT ASSETS	9,891,264	2,046,056
RESTRICTED ASSETS		
Cash and cash equivalents - security deposits	49,011	49,277
Cash and cash equivalents - escrow deposits	372,500	401,840
Cash and cash equivalents - reserve funds	800,000	-
TOTAL RESTRICTED ASSETS	1,221,511	451,117
CAPITAL ASSETS		
Office equipment	159,271	101,860
Vehicles	71,480	69,885
Infrastructure	4,374,063	3,389,116
	4,604,814	3,560,861
Less accumulated depreciation	(508,947)	(335,111)
CAPITAL ASSETS, NET	4,095,867	3,225,750
OTHER ASSETS		
Army Credit	814,000	-
Bond Issuance Costs	108,000	-
Real estate available for sale	3,235,962	3,134,263
TOTAL OTHER ASSETS	4,157,962	3,134,263
TOTAL ASSETS	$ 19,366,604	$ 8,857,186
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accruals	$ 474,307	$ 123,614
Advanced rental payments	21,810	100,794
Accrued compensated absences	29,453	14,915
TOTAL CURRENT LIABILITIES	525,570	239,323
OTHER LIABILITIES (PAYABLE FROM RESTRICTED ASSETS)		
Security deposits	49,011	49,277
Escrow deposits	372,500	401,840
Reserve funds	800,000	-
TOTAL OTHER LIABILITIES	1,221,511	451,117
LONG-TERM DEBT		
Deferred rental revenue	515,915	-
Bonds payable	7,700,000	-
Payable to United States Army	3,235,962	3,134,263
TOTAL LONG-TERM DEBT	11,451,877	3,134,263
TOTAL LIABILITIES	13,198,958	3,824,703
NET ASSETS		
Investment in capital assets	4,095,867	3,225,750
Unrestricted net assets	2,071,779	1,806,733
TOTAL NET ASSETS	6,167,646	5,032,483
TOTAL LIABILITIES AND NET ASSETS	$ 19,366,604	$ 8,857,186

See notes to financial statements.

RIVER RIDGE DEVELOPMENT AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

for the years ended December 31, 2010 and 2009

	2010	2009
OPERATING REVENUES		
Rental income	$ 1,444,052	$ 1,162,451
Rental income River Ridge property	172,194	251,913
Equipment rental	15,237	18,033
Urban Enterprize Zone income	850,000	-
Tax Increment Financing income	440,113	-
Grant income	25,000	-
Land proceeds, net	497,757	751,526
TOTAL OPERATING REVENUES	3,444,353	2,183,923
OPERATING EXPENSES		
Payroll	460,323	427,122
Employee benefits	114,530	109,227
Payroll taxes	31,776	32,682
Temporary labor	12,307	15,182
Development expenses	230,642	518,616
Road and ground maintenance	156,639	70,836
Sewage expenses	52,979	-
Depreciation expense	194,046	141,256
Legal fees	179,403	277,101
Insurance	89,031	99,547
Marketing	89,237	178,707
Office equipment and supplies	25,280	47,786
Professional fees	28,011	26,468
Rental expense	61,121	58,232
Security	261,643	483,401
Telephone repair and service	3,428	6,078
Master planning services	197,717	116,972
Lease management	12,392	60,971
Training expense	599	865
Travel	30,987	25,202
Utilities	27,251	28,370
Environmental monitoring	60,701	68,366
Army operational expenses	134,362	96,483
Employee recruitment	3,744	24,870
TIF Administration	17,440	11,110
Interest expense	-	1,200
TOTAL OPERATING EXPENSES	2,475,589	2,926,650
OPERATING INCOME (LOSS)	968,764	(742,727)
NONOPERATING REVENUES		
Interest income	33,141	55,672
Other income	133,258	110,011
TOTAL NONOPERATING REVENUES	166,399	165,683
CHANGES IN NET ASSETS	1,135,163	(577,044)
NET ASSETS, beginning of year	5,032,483	5,609,527
NET ASSETS, end of year	$ 6,167,646	$ 5,032,483

See notes to financial statements.

RIVER RIDGE DEVELOPMENT AUTHORITY

STATEMENTS OF CASH FLOWS

for the years ended December 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and others	$ 1,146,587	$ 2,332,398
Cash paid to suppliers, employees, and others	(1,962,891)	(3,447,844)
Urban Enterprize Zone income received	850,000	-
Interest received	33,141	55,672
Grant received	25,000	-
Net cash provided (used) by operating activities	91,837	(1,059,774)
CASH FLOWS FROM INVESTING ACTIVITIES		
Bond issuance costs	(108,000)	-
Purchases of capital assets	(266,663)	(75,766)
Cash used by investing activities	(374,663)	(75,766)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bond issuance	7,700,000	-
Payment to United States Army	(6,626)	(31,087)
Net cash provided (used) by financing activities	7,693,374	(31,087)
NET (DECREASE) IN CASH	7,410,548	(1,166,627)
CASH AND CASH EQUIVALENTS, beginning of year	2,027,610	3,194,237
CASH AND CASH EQUIVALENTS, end of year	$ 9,438,158	$ 2,027,610
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net assets	$ 1,135,163	$ (577,044)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation expense	194,046	141,256
Army credit deferred income	(298,085)	-
Non cash proceeds from sale of capital assets	(746,000)	-
(Increase) decrease in:		
Accounts receivable - tenants	532	3,168
Accounts receivable - Tax Increment Financing	(440,113)	-
Prepaid expenses	4,921	30,207
Real estate available for sale	6,626	31,087
Increase (decrease) in:		
Accounts payable	299,193	(680,809)
Advanced rental payments	(78,984)	4,209
Compensated absences	14,538	(11,848)
Net cash provided (used) by operating activities	$ 91,837	$ (1,059,774)
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Acquistion of capital assets		
Cost of capital assets	$ (1,064,162)	$ (75,766)
Non cash acquisitions	797,499	-
Purchase of capital assets	$ (266,663)	$ (75,766)

See 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 $1,785,516 and $2,060,538 at December 31, 2010 and 2009, respectively.

Accounts Receivable - Tenants

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, 2010 and 2009.

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 5 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 12). Documented costs are used to offset the rental income received by the Authority and due to the United States Army.

Bond Issuance Costs

In December 2010, the Authority obtained financing for future infrastructure improvements planned at River Ridge Commerce Center through a bond issuance of $8,500,000. The costs of issuing the bonds, totaling $108,000, are being amortized ratably over the term of the bonds through February 1, 2026. Because the bonds were issued December 29, 2010, no amortization expense was recorded during the year ended December 31, 2010.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

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—ACCOUNTS RECEIVABLE-TAX INCREMENT FINANCING

Accounts receivable – Tax Increment Financing consists of amounts for property taxes levied by local governments relating to years ended December 31, 2010 and 2009. Management has determined no allowance for this receivable was required at December 31, 2010 and 2009.

NOTE 3—RESTRICTED ASSETS

Security deposits totaling approximately $49,000 for each of the years ending December 31, 2010 and 2009 represent deposits made by tenants for the property leased from the Authority.

Restricted escrow deposits consists of earnest money and local match funds totaling $372,500 and $401,840 as of December 31, 2010 and 2009, respectively. 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.

In December 2010, the Authority obtained financing for future infrastructure improvements planned at River Ridge Commerce Center through a bond issuance of $8,500,000. See Note 6 for more information on the bonds payable. The Authority has established a bond reserve fund totaling $800,000 as of December 31, 2010.

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 4—CAPITAL ASSETS

The following is a summary of capital assets during the years ended December 31, 2010 and 2009:

	Balance at 12/31/09	Additions	Dispositions	Balance at 12/31/10
Office equipment	$ 101,860	$ 77,621	$ (20,210)	$ 159,271
Vehicles	69,885	1,595	-	71,480
Infrastructure	3,389,116	984,947	-	4,374,063
	3,560,861	1,064,163	(20,210)	4,604,814
Accumulated depreciation	(335,111)	(194,046)	20,210	(508,947)
Total, net	$ 3,225,750	$ 870,117	$ -	$ 4,095,867

	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

Total depreciation expense was $194,046 and $141,256 for the years ended December 31, 2010 and 2009, respectively.

NOTE 5—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:

NOTE 5—REAL ESTATE AVAILABLE FOR SALE AND PAYABLE TO UNITED STATES ARMY—Continued

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	
				2010	1.42	1,609	2,133.09	$ 2,390,615
2006	577.63	$1,167	674,094	2007	91.96	107,311	485.67	
				2010	19.90	23,208	465.78	$ 543,575
2009	143.77	$1,219	175,256			-	143.77	175,256
2010	82.85	$1,317	126,516			-	82.85	126,516
			$ 3,584,516			$ 348,554		$ 3,235,962

NOTE 6—BONDS PAYABLE

The Authority obtained financing for future infrastructure improvements planned at River Ridge Commerce Center through a bond issuance of $8,500,000. The bonds were issued December 29, 2010 and mature February 1, 2026. The bonds have an interest rate of 6.5%. Interest is payable semiannually beginning August 1, 2011. Semiannual bond payments begin February 1, 2012.

River Ridge Development Authority's balance at December 31, 2010 is as follows:

Balance at December 31, 2010	$ 8,500,000
Less Portion in Escrow Reserve	(800,000)
Long-Term Portion	$ 7,700,000

As of December 31, 2010, bonds mature as follows:

2011	$ -
2012	490,000
2013	390,000
2014	410,000
2015	430,000
Thereafter	6,780,000
Total	$ 8,500,000

NOTE 7—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, 2010 and 2009 was $21,810 and $100,794, respectively.

NOTE 8—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, 2010 and 2009, accrued compensated absences were $29,453 and $14,915, respectively.

NOTE 9—RENTAL INCOME UNDER OPERATING LEASES

The Authority leases land, buildings, and equipment of the Ammunition Plant to various entities. 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:

2011	$ 959,220
2012	$ 922,095
2013	$ 773,923
2014	$ 413,491
2015	$ 373,575
Thereafter	$ 530,445

NOTE 10—SHORT-TERM BANK BORROWINGS

The Authority has a line of credit with Your Community Bank, which expires in May 2011. At December 31, 2010 and 2009, no amount was outstanding on the line of credit. The line of credit bears interest at prime, however under no circumstances will the interest rate on this note be less than 4.0% per annum or more than the lesser of 21.0% per annum or the maximum rate allowed by applicable law. The interest rate at December 31, 2010 was 4.0%. Under this line of credit agreement, the Corporation could borrow up to a maximum of $1,500,000.

NOTE 11—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.

NOTE 11—OPERATING LEASES—Continued

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, 2010, 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 December 2011. Lease expense under this lease was $61,121 and $58,232 for the years ended December 31, 2010 and 2009, respectively. Future minimum lease payments under this operating lease are expected to be approximately $62,000 for the year ended December 31, 2010.

NOTE 12—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 $26,413 and $26,362 for the years ended December 31, 2010 and 2009, respectively. These amounts are included in employee benefits in the Statements of Revenues, Expenses and Changes in Net Assets.

NOTE 13—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, 2010 and 2009 was $10,659,669 and $2,478,727, respectively. The bank balance at December 31, 2010 was $10,712,993 and $2,522,172, respectively.

NOTE 14—MAJOR CUSTOMER

Approximately $786,000 (59%) and $838,000 (58%) of the Authority's rental income for 2010 and 2009, respectively, was generated from two customers.

NOTE 15—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, 2010 under this policy.

Although the Department of Defense is required to clean up environmental contamination and hazardous substances at the site, 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 16—ENVIROMENTAL REMEDIATION

The Department of Defense is responsible for any environmental remediation of designated areas as defined in the master lease agreement with River Ridge Development Authority. Therefore, no accrual is necessary for environmental issues.

NOTE 17—COMMITMENTS

On March 11, 2010, the Authority entered into an indefinite agreement with the City of Charlestown, Inc., whereby the City of Charlestown agrees to operate the P&E Plant (a sewage treatment plant and collector system located within the City of Charlestown). As compensation for services, the Authority will pay the City of Charlestown $4,500 monthly. For the year ended December 31, 2010, the fee incurred by the Authority was $45,000, which is included in sewage expenses in the Statements of Revenues, Expenses, and Changes in Net Assets.

NOTE 18—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. The Authority is currently a defendant in a lawsuit arising in the ordinary course of operations. Since the litigation is still in the early stages of development, the outcome of this lawsuit is not presently determinable. Accordingly, no provision for loss, if any, related to these matters has been made in the financial statements.

NOTE 19—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 April 18, 2011, the date the financials were available to be issued.

NOTE 20—RECLASSIFICATION

Certain items have been reclassified for 2009 to conform to the classifications in 2010. Such reclassifications had no effect on the change in net assets or net assets as previously reported.

McCauley Nicolas & Company, LLC
Certified Public Accountants & Advisors

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, 2010, and have issued our report thereon dated April 18, 2011. 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 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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 deficiencies, 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
April 18, 2011

SUPPLEMENTARY INFORMATION

RIVER RIDGE DEVELOPMENT AUTHORITY
Tax Increment Revenue Bonds of 2010, Series A
Build America Bonds
Amortization Schedule

December 31, 2010

Date	Principal	Interest Rate	Interest	Period Total	Fiscal Total
8/1/2011		6.5%	$ 201,522	$ 201,522	$ 201,522
2/1/2012	$ 190,000	6.5%	170,300	360,300	
8/1/2012	115,000	6.5%	164,125	279,125	639,425
2/1/2013	115,000	6.5%	160,388	275,388	
8/1/2013	120,000	6.5%	156,650	276,650	552,038
2/1/2014	125,000	6.5%	152,750	277,750	
8/1/2014	130,000	6.5%	148,687	278,687	556,437
2/1/2015	130,000	6.5%	144,462	274,462	
8/1/2015	135,000	6.5%	140,238	275,238	549,700
2/1/2016	145,000	6.5%	135,850	280,850	
8/1/2016	150,000	6.5%	131,138	281,138	561,988
2/1/2017	150,000	6.5%	126,262	276,262	
8/1/2017	155,000	6.5%	121,387	276,387	552,649
2/1/2018	160,000	6.5%	116,350	276,350	
8/1/2018	170,000	6.5%	111,150	281,150	557,500
2/1/2019	170,000	6.5%	105,625	275,625	
8/1/2019	180,000	6.5%	100,100	280,100	555,725
2/1/2020	180,000	6.5%	94,250	274,250	
8/1/2020	195,000	6.5%	88,400	283,400	557,650
2/1/2021	190,000	6.5%	82,063	272,063	
8/1/2021	205,000	6.5%	75,887	280,887	552,950
2/1/2022	205,000	6.5%	69,225	274,225	
8/1/2022	215,000	6.5%	62,562	277,562	551,787
2/1/2023	220,000	6.5%	55,575	275,575	
8/1/2023	230,000	6.5%	48,425	278,425	554,000
2/1/2024	235,000	6.5%	40,950	275,950	
8/1/2024	245,000	6.5%	33,312	278,312	554,262
2/1/2025	250,000	6.5%	25,350	275,350	
8/1/2025	265,000	6.5%	17,225	282,225	557,575
2/1/2026	265,000	6.5%	8,613	273,613	273,613
	$ 5,240,000		$ 3,088,821	$ 8,328,821	$ 8,328,821

RIVER RIDGE DEVELOPMENT AUTHORITY
Tax Increment Revenue Bonds of 2010, Series B
Recovery Zone Economic Development Bonds
Amortization Schedule

December 31, 2010

Date	Principal	Interest Rate	Interest	Period Total	Fiscal Total
8/1/2011		6.5%	$ 125,689	$ 125,689	$ 125,689
2/1/2012	$ 115,000	6.5%	105,950	220,950	
8/1/2012	70,000	6.5%	102,213	172,213	393,163
2/1/2013	75,000	6.5%	99,938	174,938	
8/1/2013	80,000	6.5%	97,500	177,500	352,438
2/1/2014	75,000	6.5%	94,900	169,900	
8/1/2014	80,000	6.5%	92,463	172,463	342,363
2/1/2015	80,000	6.5%	89,862	169,862	
8/1/2015	85,000	6.5%	87,262	172,262	342,124
2/1/2016	90,000	6.5%	84,500	174,500	
8/1/2016	90,000	6.5%	81,575	171,575	346,075
2/1/2017	95,000	6.5%	78,650	173,650	
8/1/2017	95,000	6.5%	75,563	170,563	344,213
2/1/2018	100,000	6.5%	72,475	172,475	
8/1/2018	105,000	6.5%	69,225	174,225	346,700
2/1/2019	105,000	6.5%	65,813	170,813	
8/1/2019	110,000	6.5%	62,400	172,400	343,213
2/1/2020	115,000	6.5%	58,825	173,825	
8/1/2020	115,000	6.5%	55,088	170,088	343,913
2/1/2021	125,000	6.5%	51,350	176,350	
8/1/2021	125,000	6.5%	47,287	172,287	348,637
2/1/2022	130,000	6.5%	43,225	173,225	
8/1/2022	135,000	6.5%	39,000	174,000	347,225
2/1/2023	135,000	6.5%	34,612	169,612	
8/1/2023	145,000	6.5%	30,225	175,225	344,837
2/1/2024	145,000	6.5%	25,512	170,512	
8/1/2024	155,000	6.5%	20,800	175,800	346,312
2/1/2025	155,000	6.5%	15,762	170,762	
8/1/2025	165,000	6.5%	10,725	175,725	346,487
2/1/2026	165,000	6.5%	5,362	170,362	170,362
	$ 3,260,000		$ 1,923,751	$ 5,183,751	$ 5,183,751