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B42148

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

May 1, 2013

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

We have reviewed the audit report prepared by Mountjoy, Chilton Medley, LLP, Independent Public Accountants, for the period January 1, 2012 to December 31, 2012. 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, 2012 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, 2012 and 2011

River Ridge Development Authority

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December 31, 2012 and 2011

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Independent Auditor's Report on Financial Statements

The Board of Directors
River Ridge Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of River Ridge Development Authority (the Authority), which comprise the statements of net position as of December 31, 2012 and 2011, and the statements of revenues, expenses, and changes in fund net position and cash flows and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 auditor considers internal control relevant to the Authority'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 Authority'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 opinions.

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, 2012 and 2011, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Independent Auditors' Report on Financial Statements (Continued)

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 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 Information

Our audit was conducted for the purpose of forming opinions 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 relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2013, on our consideration of the 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 the Authority's internal control over financial reporting and compliance.



Jeffersonville, Indiana
March 28, 2013

**River Ridge Development Authority
Management's Discussion And Analysis
December 31, 2012 and 2011**

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, 2012 and 2011.

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 POSITION

The Statements of Net Position 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). It also includes deferred outflows of resources which is a consumption of net assets by the entity that is applicable to a future reporting period and deferred inflows of resources which is an acquisition of net assets by the government that is applicable to a future reporting period. The Statements of Net Position 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 FUND NET POSITION

The Statements of Revenues, Expenses and Changes in Fund Net Position 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.

**River Ridge Development Authority
Management's Discussion And Analysis (Continued)
December 31, 2012 and 2011**

**Table 1
Condensed Statement of Net Position**

Assets	2012	2011	Increase (Decrease)
Current Assets	\$ 3,557,669	\$ 7,141,096	\$ (3,583,427)
Restricted Assets	3,521,020	1,227,673	2,293,347
Capital Assets, Net	10,783,699	8,277,358	2,506,341
Other Assets	4,487,067	4,179,924	307,143
Total Assets	\$ 22,349,455	\$ 20,826,051	\$ 1,523,404
Liabilities			
Current Liabilities	\$ 1,046,481	\$ 1,555,491	\$ (509,010)
Other Liabilities	150,465	427,673	(277,208)
Long-Term Debt	11,496,990	11,618,020	(121,030)
Total Liabilities	12,693,936	13,601,184	(907,248)
Net Position			
Investment in Capital Assets	\$ 4,004,855	\$ 3,999,975	\$ 4,880
Unrestricted	5,650,664	3,224,892	2,425,772
Total Net Position	9,655,519	7,224,867	2,430,652
Total Liabilities and Net Position	\$ 22,349,455	\$ 20,826,051	\$ 1,523,404

Total assets increased by \$1,523,404 in 2012; however, there was a decrease in current assets of \$3,583,427. The primary factor in the decrease in current assets is the continued use of bond funds for construction of infrastructure. During 2012, the Authority expended approximately \$4,200,000 of these bond proceeds. The primary increase in net capital assets resulted from infrastructure improvements. An additional factor in the overall total asset increase is a result of cash proceeds received from land sales. Other assets increase mainly due to the increase in real estate held for sale.

The land sales in 2012 were transactions between the Authority and three private entities. America Place purchased 37.94 acres for \$1,479,699; KTR Capital Partners purchased 16 acres for \$450,000; Mr. P Express purchased 5.9 acres for \$207,025.

**River Ridge Development Authority
Management's Discussion And Analysis (Continued)
December 31, 2012 and 2011**

**Table 2
Condensed Statement of Revenues, Expenses and Changes Fund Net Position**

	2012	2011	Increase (Decrease)
Total Revenues, including nonoperating revenues	\$ 7,176,869	\$ 4,650,830	\$ 2,526,039
Total Expenses	4,746,217	3,485,609	1,260,608
Changes in Fund Net Position	\$ 2,430,652	\$ 1,165,221	\$ 1,265,431

- Total revenues increased by \$2,526,039 in 2012 primarily due to the cash received from land sale proceeds and grant income.
- During 2012, economic activity has continued to increase; both in terms of capital investments and job growth, as evidenced by the major investment Amazon Fulfillment made at the park. Industrial prospects are continuing to consider River Ridge for investment and the amount of inquiries in 2012 far outpaced the preceding three years.
- The Authority's rent revenues remained steady with an increase of \$22,683.
- Operating expenses as compared to 2011 increased primarily due to increases in redevelopment expenses related to preparing sites for development. Personnel costs have increase due to the addition of maintenance and water operations employees. Other expenses were generally within budgeted amounts.

FUTURE OPERATIONS

The Authority anticipates an increase in land sales for 2013 based on activities occurring during the last quarter of 2012. Non-operating revenues are expected to increase as a result of a pending Economic Development Administration grant. Additional increases in Tax Increment Financing (TIF) and Urban Enterprise Zone (UEZ) revenues are expected in 2013 due to new assessments of recent 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 2013, with the targeting of foreign direct investments and a continued focus on logistics and advanced manufacturing projects. Significant on-site infrastructure and road improvements were completed in 2012 with additional projects slated for 2013. It is anticipated that the completed infrastructure improvements will greatly enhance the quality and overall marketability of the River Ridge Commerce Center.

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 Position
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,331,227	\$ 7,028,259
Accounts receivable - tenants	1,950	1,405
Accounts receivable - Urban Enterprise Zone	9,000	-
Grant receivable	112,763	-
Interest rebate receivable	84,256	89,402
Prepaid expenses	18,473	22,030
	<u>3,557,669</u>	<u>7,141,096</u>
Total Current Assets	<u>3,557,669</u>	<u>7,141,096</u>
Restricted Assets		
Cash and cash equivalents - security deposits	51,665	57,673
Cash and cash equivalents - escrow deposits	98,800	370,000
Cash and cash equivalents - bond reserve funds	800,000	800,000
Cash and cash equivalents - Army repayment reserve funds	2,570,555	-
	<u>3,521,020</u>	<u>1,227,673</u>
Total Restricted Assets	<u>3,521,020</u>	<u>1,227,673</u>
Capital Assets		
Equipment	432,013	226,182
Vehicles	173,248	126,781
Infrastructure	11,286,572	5,758,379
Construction in process	-	2,909,171
	<u>11,891,833</u>	<u>9,020,513</u>
Less accumulated depreciation	<u>(1,108,134)</u>	<u>(743,155)</u>
Capital Assets, Net	<u>10,783,699</u>	<u>8,277,358</u>
Other Assets		
Army credit	4,283	809,984
Real estate available for sale	4,482,784	3,369,940
	<u>4,487,067</u>	<u>4,179,924</u>
Total Other Assets	<u>4,487,067</u>	<u>4,179,924</u>
Total Assets	<u>\$ 22,349,455</u>	<u>\$ 20,826,051</u>

See accompanying notes.

River Ridge Development Authority
Statements of Net Position (Continued)
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Liabilities and Net Position		
Current Liabilities		
Current portion of bonds payable	\$ 390,000	\$ 490,000
Accounts payable and accruals	328,382	719,588
Bond interest payable	216,938	230,208
Advanced rental payments	58,931	69,605
Accrued compensated absences	<u>52,230</u>	<u>46,090</u>
Total Current Liabilities	<u>1,046,481</u>	<u>1,555,491</u>
Other Liabilities (Payable From Restricted Assets)		
Security deposits	51,665	57,673
Escrow deposits	<u>98,800</u>	<u>370,000</u>
Total Other Liabilities	<u>150,465</u>	<u>427,673</u>
Long - Term Debt		
Deferred rental revenue	240,755	378,335
Bonds payable	7,620,000	8,010,000
Payable to United States Army	<u>3,636,235</u>	<u>3,229,685</u>
Total Long - Term Debt	<u>11,496,990</u>	<u>11,618,020</u>
Total Liabilities	<u>12,693,936</u>	<u>13,601,184</u>
Net Position		
Net investment in capital assets	4,004,855	3,999,975
Unrestricted	<u>5,650,664</u>	<u>3,224,892</u>
Total Net Position	<u>9,655,519</u>	<u>7,224,867</u>
Total Liabilities and Net Position	<u>\$ 22,349,455</u>	<u>\$ 20,826,051</u>

See accompanying notes.

River Ridge Development Authority
Statements of Revenues, Expenses, and Changes in Fund Net Position
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating Revenues		
Rental income	\$ 1,303,317	\$ 1,280,634
Rental income River Ridge property	224,115	164,406
Equipment rental	10,667	10,458
Urban Enterprise Zone income	1,042,823	919,400
Tax Increment Financing income	293,688	395,802
Recycling and scrap sale income	423,279	1,314,860
Grant income	1,121,851	-
Intergovernmental match revenue	370,000	-
Land proceeds, net	1,908,060	254,157
Water sales	153,496	71,607
	<u>6,851,296</u>	<u>4,411,324</u>
Total Operating Revenues		
Operating Expenses		
Payroll	806,083	612,015
Employee benefits	185,467	163,166
Payroll taxes	61,187	47,965
Temporary labor	-	294
Redevelopment expenses	1,558,060	651,237
Road and ground maintenance	111,421	178,633
Sewage expenses	37,850	65,815
Depreciation expense	364,979	234,208
Legal fees	64,959	127,830
Insurance	89,462	87,774
Marketing	127,228	102,549
Office equipment and supplies	31,316	32,283
Professional fees	36,068	30,369
Rental expense	62,225	64,818
Security	244,937	257,194
Master planning services	-	39,026
Training expense	3,650	3,765
Travel	29,885	36,985
Utilities	33,322	34,411
Water supplies and contract	150,664	63,670
Environmental monitoring	60,518	42,658
Army operational expenses	94,473	24,044
Employee recruitment	4,078	12,977
TIF administration	9,068	5,500
Settlement expense	50,000	226,610
Interest expense	529,317	339,813
	<u>4,746,217</u>	<u>3,485,609</u>
Total Operating Expenses		
Operating Income	<u>2,105,079</u>	<u>925,715</u>
Nonoperating Revenues		
Interest income	322,317	231,725
Other income	3,256	7,781
	<u>325,573</u>	<u>239,506</u>
Total Nonoperating Revenues		
Changes in Fund Net Position	2,430,652	1,165,221
Net Position, Beginning of Year (as Restated)	<u>7,224,867</u>	<u>6,059,646</u>
Net Position, End of Year	<u>\$ 9,655,519</u>	<u>\$ 7,224,867</u>

See accompanying notes.

River Ridge Development Authority
Statements of Cash Flows
December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Cash received from tenant, land sales, and others	\$ 4,537,225	\$ 3,765,503
Cash paid to suppliers, employees, and others	(3,970,316)	(2,764,296)
Urban Enterprise Zone income received	1,042,823	919,400
Interest received	322,317	231,725
Grant received	1,009,088	-
Net Cash Provided by Operating Activities	<u>2,941,137</u>	<u>2,152,332</u>
Cash Flows from Investing Activities		
Transfer to Reserve fund for Army repayment	(2,570,555)	-
Purchase of real estate available for sale	(706,296)	(140,255)
Purchases of capital assets	(2,871,318)	(4,415,699)
Net Cash Used by Investing Activities	<u>(6,148,169)</u>	<u>(4,555,954)</u>
Cash Flows from Financing Activities		
Payment on bonds	(490,000)	-
Payment to United States Army	-	(6,277)
Net Cash Used by Financing Activities	<u>(490,000)</u>	<u>(6,277)</u>
Net Decrease in Cash	(3,697,032)	(2,409,899)
Cash and Cash Equivalents, Beginning of Year	<u>7,028,259</u>	<u>9,438,158</u>
Cash and Cash Equivalents, End of year	<u>\$ 3,331,227</u>	<u>\$ 7,028,259</u>
Reconciliation of Change in net Fund Position to Net Cash Provided by Operating Activities:		
Change in net assets	\$ 2,430,652	\$ 1,165,221
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	364,979	234,208
Army credit deferred income	(137,580)	(137,580)
(Increase) decrease in:		
Accounts receivable - tenants	(545)	(1,405)
Accounts receivable - Urban Enterprise Zone	(9,000)	440,113
Grant receivable	(112,763)	-
Interest rebate receivable	5,146	(89,402)
Prepaid expenses	3,557	(9,037)
Real estate available for sale	-	6,277
Army credits	805,701	4,016
Increase (decrease) in:		
Accounts payable	(391,206)	245,281
Bond interest payable	(13,270)	230,208
Advanced rental payments	(10,674)	47,795
Accrued compensated absences	6,140	16,637
Net Cash Provided by Operating Activities	<u>\$ 2,941,137</u>	<u>\$ 2,152,332</u>

See accompanying notes.

River Ridge Development Authority
Notes to Financial Statements
December 31, 2012 and 2011

Note A - 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.

Note B - 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:

1. Reporting Entity: These financial statements present River Ridge Development Authority (primary government), and there are no other component units which require inclusion.
2. 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.

The financial statements are presented using the accrual basis of accounting with an economic resources measurement focus. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. As permitted by accounting principles generally accepted in the United States of America (GAAP), the Agency has elected to apply all relevant Government Accounting Standards Board (GASB) pronouncements and only applicable Financial Accounting Standards Board (FASB) Accounting Standards Certification (ASC) pronouncements that do not contradict GASB pronouncements in the preparation of the financial statements.

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

3. 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.
4. Cash Equivalents: The Authority considers all short-term investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2012 and 2011.

River Ridge Development Authority
Notes to Financial Statements (Continued)
December 31, 2012 and 2011

Note B - Summary Of Significant Accounting Policies (Continued)

5. Accounts Receivable: Accounts receivable consists of amounts due from tenants for monthly lease income as well as an amount due from the Urban Enterprise Zone. 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, 2012 and 2011.
6. 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 years for infrastructure. See Note E 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 L). Documented costs are used to offset the rental income received by the Authority and due to the United States Army.

7. 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 C - Grant Receivable

During 2012, the Authority was granted approximately \$2.7 million to use for improvements along State Road 62 of which approximately \$190,000 was recognized as revenue during the year ended December 31, 2012. This grant requires a 20% local match totaling approximately \$700,000 for a total project cost of approximately \$3.5 million. At December 31, 2012, the Authority has a receivable from the grant in the amount of \$112,763 for reimbursement of expenses. Management has determined no allowance was required at December 31, 2012.

Note D - Restricted Assets

Security deposits totaling approximately \$51,665 and \$57,673 for the years ended December 31, 2012 and 2011, respectively, represent deposits made by tenants for the property leased from the Authority.

Restricted escrow deposits consist of earnest money totaling \$98,800 at December 31, 2012 and local match funds of \$370,000 at December 31, 2011. 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 pending Indiana Department of Transportation (INDOT) final approval. These funds were expended during the current year. During 2012, the Authority received earnest money of \$98,800 for a possible real estate transaction.

During 2012, the Board passed a resolution to establish a designated reserve fund for the United States Army repayment. Currently, the Authority is scheduled to pay the United States Army approximately \$2.3 million in 2015. Additional payments will be required in following years. At December 31, 2012 the balance of this reserve account was \$2,570,555.

River Ridge Development Authority
Notes to Financial Statements (Continued)
December 31, 2012 and 2011

Note D - Restricted Assets (Continued)

In a prior year, the Authority obtained financing for future infrastructure improvements planned at River Ridge Commerce Center through a bond issuance of \$8,500,000. See Note G for more information on the bonds payable. The Authority was required to establish a bond reserve fund totaling \$800,000 for future bond payments.

Note E - Capital Assets

The following is a summary of capital assets during the years ended December 31, 2012 and 2011:

	Balance at 12/30/11	Additions	Dispositions	Balance at 12/31/12
Equipment	\$ 226,182	\$ 205,831	\$ -	\$ 432,013
Vehicles	126,781	46,467	-	173,248
Infrastructure	5,758,379	5,528,193	-	11,286,572
Construction in Process	2,909,171	(2,909,171)	-	-
	<u>9,020,513</u>	<u>2,871,320</u>	<u>-</u>	<u>11,891,833</u>
Accumulated depreciation	(743,155)	(364,979)	-	(1,108,134)
	<u>\$ 8,277,358</u>	<u>\$ 2,506,341</u>	<u>\$ -</u>	<u>\$ 10,783,699</u>
Total, net				

	Balance at 12/30/10	Additions	Dispositions	Balance at 12/31/11
Equipment	\$ 159,271	\$ 66,911	\$ -	\$ 226,182
Vehicles	71,480	55,301	-	126,781
Infrastructure	4,374,063	1,384,316	-	5,758,379
Construction in Process	-	2,909,171	-	2,909,171
	<u>4,604,814</u>	<u>4,415,699</u>	<u>-</u>	<u>9,020,513</u>
Accumulated depreciation	(508,947)	(234,208)	-	(743,155)
	<u>\$ 4,095,867</u>	<u>\$ 4,181,491</u>	<u>\$ -</u>	<u>\$ 8,277,358</u>
Total, net				

Total depreciation expense was \$364,979 and \$234,208 for the years ended December 31, 2012 and 2011, respectively.

Note F - Real Estate Available For Sale And Payable To United States Army

On June 6, 2005, August 24, 2006, July 2, 2009, September 10, 2010, November 17, 2011 and August 10, 2012 through quitclaim deeds, the United States of America, acting by and through the Deputy Assistant Secretary of the Army, entered into agreements with the Authority to deed land to the Authority. The agreements state 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 on the following page.

River Ridge Development Authority
Notes to Financial Statements (Continued)
December 31, 2012 and 2011

Note F - 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	RRDA Payment	Repaid with Credits	Acres Remaining	Inventory Remaining	Cost Remaining
2005	24.00	\$1,093	\$ 26,232	2006	24.00	\$ 26,232	\$ -	-	\$ -	\$ -
2005	36.40	\$1,131	41,168	2006	12.46	15,002				
				2007	1.51	1,708		22.43	24,456	24,458
2005	2,083.00	\$1,122	2,337,126	2007	30.44	34,154				
				2008	26.15	30,383				
				2009	27.71	31,087				
				2012	11.96	-	13,419	1,986.74	2,228,083	2,228,083
2005	182.22	\$1,131	206,091	2006	68.84	77,858				
				2010	1.42	1,609				
				2011	2.00	2,262		109.96	124,362	124,362
2006	577.63	\$1,167	674,094	2007	91.96	107,312				
				2010	19.90	23,206				
				2011	3.44	-	4,016			
				2012	47.60	-	55,014	414.74	484,546	484,546
2009	143.77	\$1,219	175,256					143.77	175,256	175,256
2010	82.85	\$1,317	126,516	2012	20.00	-	30,800	62.85	95,716	95,716
2011	246.71	\$1,608	396,709	2012	0.41		10,478	246.30	396,537	386,231
2012	86.97	\$1,352	117,583		-	-		86.97	117,583	117,583
	417.26	\$1,668	695,990		-	-	695,990	417.26	695,990	-
	<u>3,880.81</u>				<u>389.79</u>			<u>3,491.02</u>	<u>4,342,529</u>	
Purchased from the United States Army			<u>4,796,765</u>			350,813	809,717			
						Payable to United States Army at 12/31/2012				<u>\$ 3,636,235</u>
2011	2.00	\$70,128	140,255		-	-	-		140,255	
Purchased from other than United States Army			<u>140,255</u>							
Total Real Estate Purchased			<u>\$ 4,937,020</u>		Real estate available for sale at 12/31/2012				<u>\$ 4,482,784</u>	

River Ridge Development Authority
Notes to Financial Statements (Continued)
December 31, 2012 and 2011

Note G - Bonds Payable

The Authority obtained financing for future infrastructure improvements planned at River Ridge Commerce Center through a bond issuance of \$8,500,000 (Build America Bonds (BAB) \$5,240,000 and Recovery Zone Economic Development Bonds (RZB) \$3,260,000). 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 and payments began on August 1, 2011. Semiannual bond principal payments began February 1, 2012. Accrued interest payable at December 31, 2012 and 2011 was \$216,938 and \$230,208, respectively.

River Ridge Development Authority's balance at December 31, 2012 is as follows:

Balance at December 31, 2012	\$ 8,010,000
Less current portion	<u>(390,000)</u>
Long-term portion	<u>\$ 7,620,000</u>

As of December 31, 2012, bonds mature as follows:

2013	\$ 390,000
2014	410,000
2015	430,000
2016	475,000
2017	495,000
Thereafter	<u>5,810,000</u>
Total	<u>\$ 8,010,000</u>

These bonds entitle the Authority to a semi-annual rebate on their interest costs. The total amount of interest rebate received for the years ended December 31, 2012 and 2011 was \$218,334 and \$215,757, respectively. At December 31, 2012 and 2011, the interest rebate receivable was \$84,256 and \$89,402, respectively.

Note H - Short-Term Bank Borrowings

The Authority has a line of credit with Your Community Bank, which expires in June 2013. At December 31, 2012 and 2011, no amount was outstanding on this line of credit. The line of credit bears interest at prime with a floor of 4.0% per annum. The interest rate at December 31, 2012 was 4.0%. Under this line of credit agreement, the Authority can borrow up to a maximum of \$1,500,000. During 2012, the Authority established an additional \$120,000 line of credit at Your Community Bank, which expires in May 2013. The line of credit bears interest at 4.0%. There was no outstanding balance at December 31, 2012.

River Ridge Development Authority
Notes to Financial Statements (Continued)
December 31, 2012 and 2011

Note I - Advanced Rental Payments

The Authority recognizes rent received by tenants for future periods as “Advanced rental payments” on the Statements of Net Position. The liability for “Advanced rental payments” at December 31, 2012 and 2011, was \$58,931 and \$69,605, respectively.

Note J - 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, 2012 and 2011, accrued compensated absences were \$52,230 and \$46,090, respectively.

Note K - 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:

2013	\$ 856,804
2014	\$ 410,493
2015	\$ 341,916
2016	\$ 252,375
2017	\$ 212,375

Note L - 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, 2012, management believes the Authority had incurred cumulative documented costs greater than the rent obligation and therefore no payments for rent were required to be recognized in the financial statements at this time.

Additionally, the Authority leases office space from an unrelated party. The lease expires in December 2013. Lease expense under this lease was \$62,225 and \$64,818 for the years ended December 31, 2012 and 2011, respectively. Future minimum lease payments under this operating lease are expected to be approximately \$62,000 for the year ended December 31, 2013.

**River Ridge Development Authority
Notes to Financial Statements (Continued)
December 31, 2012 and 2011**

Note M - 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 \$44,740 and \$36,477 for the years ended December 31, 2012 and 2011, respectively. These amounts are included in employee benefits in the Statements of Revenues, Expenses and Changes in Fund Net Position.

Note N - 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, 2012 and 2011 was \$6,852,247 and \$8,255,932, respectively. The bank balance at December 31, 2012 and 2011 was \$6,885,763 and \$8,327,789, respectively.

Note O - Major Customer

Approximately \$850,000 (62%) and \$880,000 (62%) of the Authority's rental income for 2012 and 2011, respectively, was generated from two customers.

Note P - 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, 2012 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 cleanup 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.

River Ridge Development Authority
Notes to Financial Statements (Continued)
December 31, 2012 and 2011

Note Q - Environmental 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 R - Commitments

On July 28, 2010, the Authority entered into a four-year contract with Louisville Water Company (LWC), whereby LWC would provide the Authority with various operational and maintenance related needs of the water treatment, pumping and storage facilities. The Authority agreed to pay a total of \$212,351 during the four-year contract period (\$4,424 monthly) for the services. The total paid to LWC for the years ended December 31, 2012 and 2011, was \$53,088 and \$22,120, respectively.

Note S - 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 would defend itself vigorously against any claims.

Note T - 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 28, 2013, the date the financials were available to be issued.

Note U - Reclassification

Certain items have been reclassified for 2011 to conform to the classification in 2012. Such reclassification had no effect on the total change in fund net position or net position as previously report.

Note V - Restatement Of Fund Net Position

The Authority has adopted Governmental Accounting Standards Board Statement No 65, *Items Previously Reported As Assets and Liabilities* (GASB 65). This statement establishes accounting and financial reporting standards that recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. In a prior year, an asset, bond issuance costs, was established and with the adoption of GASB 65, the amount should be recognized as an expense in the period incurred. Fund Net Position has been restated by \$100,800, the amount of bond issuance costs incurred in 2010. In addition, the effect of the restatement was to increase the change in Fund Net Position by \$7,200 for the year ended December 31, 2011.



**Independent Auditor's 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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of River Ridge Development Authority (the Authority) which comprise the statements of net position as of December 31, 2012 and 2011, and the statement of revenues, expenses, and changes in fund net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2013.

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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free 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*.

**Independent Auditor's 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 (Continued)**

Purpose of this Report

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



Jeffersonville, Indiana
March 28, 2013

Supplementary Information

River Ridge Development Authority
Tax Increment Bonds of 2010, Series A Build America Bonds - Amortization Schedule
December 31, 2012

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Period Total</u>	<u>Fiscal Total</u>
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
	<u>\$ 4,935,000</u>		<u>\$ 2,552,874</u>	<u>\$ 7,487,874</u>	<u>\$ 7,487,874</u>

River Ridge Development Authority
Tax Increment Bonds of 2010, Series B
Recovery Zone Economic Development Bonds - Amortization Schedule
December 31, 2012

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Period Total</u>	<u>Fiscal Total</u>
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
	<u>\$ 3,075,000</u>		<u>\$ 1,589,899</u>	<u>\$ 4,664,899</u>	<u>\$ 4,664,899</u>