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July 17, 2018

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

We have reviewed the report prepared by River Ridge Development Authority and opined upon by MCM CPAs & Advisors LLP, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of River Ridge Development Authority as of December 31, 2017 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, MCM CPAs & Advisors LLP prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA  
State Examiner

**River Ridge Development Authority**  
**Report on Audits of Financial Statements**  
**Years Ended December 31, 2017 and 2016**

**River Ridge Development Authority**

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Years Ended December 31, 2017 and 2016

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## **Independent Auditor's Report**

The Board of Directors  
**River Ridge Development Authority**

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

We have audited the accompanying financial statements of the business-type activities of River Ridge Development Authority (the Authority), as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinion.

**Kentucky**  
**Indiana**  
**Ohio**

**MCM CPAs & Advisors LLP**

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## **Independent Auditor's Report (Continued)**

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of December 31, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that 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.

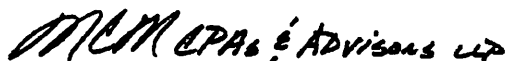
### **Other Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Bond Amortization Schedules on pages 21 through 24, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Bond Amortization Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Bond Amortization Schedules are fairly stated, in all material respects, in relation to the basic 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 February 21, 2018, 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  
February 21, 2018

**River Ridge Development Authority  
Management's Discussion and Analysis  
December 31, 2017 and 2016**

As management of the River Ridge Development Authority (the "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, 2017 and 2016.

**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 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 present the Authority's assets and liabilities and provides information about the nature and amounts of investment in resources (assets) and the obligations to creditors (liabilities). 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 Net Position*

The Statements of Revenues, Expenses and Changes in 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, 2017 and 2016**

**Required Financial Statements (Continued)**

**Table 1  
Condensed Statements of Net Position**

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease)</u>	<u>2015</u>	<u>Increase (Decrease)</u>
<b>Assets</b>					
Current Assets	\$ 4,487,598	\$ 20,082,239	\$(15,594,641)	\$ 16,177,341	\$ 3,904,898
Noncurrent Assets	11,524,800	5,531,788	5,993,012	8,457,882	(2,926,094)
Capital Assets, Net	65,921,700	53,553,722	12,367,978	27,332,242	26,221,480
Other Assets	<u>8,648,884</u>	<u>7,712,865</u>	<u>936,019</u>	<u>7,143,658</u>	<u>569,207</u>
Total Assets	90,582,982	86,880,614	3,702,368	59,111,123	27,769,491
<b>Liabilities</b>					
Current Liabilities	3,749,379	4,687,426	(938,047)	3,531,682	1,155,744
Other Liabilities	52,228	35,308	16,920	323,313	(288,005)
Long-Term Debt	<u>45,754,864</u>	<u>47,498,858</u>	<u>(1,743,994)</u>	<u>34,835,617</u>	<u>12,663,241</u>
Total Liabilities	49,556,471	52,221,592	(2,665,121)	38,690,612	13,530,980
Net Investment in Capital Assets	20,120,439	6,033,829	14,086,610	(6,729,124)	12,762,953
Restricted	1,960,818	14,400,331	(12,439,513)	13,625,660	774,671
Unrestricted	<u>18,945,254</u>	<u>14,224,862</u>	<u>4,720,392</u>	<u>13,523,975</u>	<u>700,887</u>
Total Net Position	<u>\$ 41,026,511</u>	<u>\$ 34,659,022</u>	<u>\$ 6,367,489</u>	<u>\$ 20,420,511</u>	<u>\$ 14,238,511</u>

The significant shift of current assets into capital assets during 2017 was impacted by ongoing infrastructure projects. The primary increase in net capital assets resulted from expending bond proceeds for infrastructure improvements. Total liabilities decreased by \$2,665,121 primarily due to debt service payments.

Total assets increased by \$27,769,491 in 2016 due to a net increase in capital assets of \$26,221,480. The primary increase in net capital assets resulted from infrastructure improvements. Total liabilities increased by \$13,530,980 due to the overall net long-term debt increase of \$12,663,241, which was the result of the \$15 million Tax Increment Bonds of 2016, Series A bond issuance.

See Note E, Capital Assets, and Note G, Bonds Payable, for details of transactional activity.

**River Ridge Development Authority  
Management's Discussion and Analysis (Continued)  
December 31, 2017 and 2016**

**Required Financial Statements (Continued)**

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

	2017	2016	Increase (Decrease)	2015	Increase (Decrease)
Total Revenues,					
Including Nonoperating Revenues	\$ 18,517,156	\$ 24,127,773	\$ (5,610,617)	\$ 13,621,725	\$ 10,506,048
Total Expenses					
Including Nonoperating Expenses	12,149,667	9,889,262	2,260,405	8,270,665	1,618,597
Changes in Net Position	<u>\$ 6,367,489</u>	<u>\$ 14,238,511</u>	<u>\$ (7,871,022)</u>	<u>\$ 5,351,060</u>	<u>\$ 8,887,451</u>

- One major contributing factor to total revenues decreasing in 2017 by \$5,610,617 was the exhaustion in 2016 of the previously awarded grants of \$4,515,674. Although the number of acres sold decreased, price per acre increased, creating only a slight decrease in net revenues from land sales.

In 2017, River Ridge Development Authority sold approximately 170 acres with proceeds of \$11.6 million. New investors for 2017 included D.A. Inc., Exeter Hilton Land, LLC, RR 5, LLC, Duke Gateway and Medline Industries, Inc. Exeter Hilton Land, LLC purchased 84.1 acres resulting in proceeds of \$5,517,500; Medline Industries, Inc. purchased 65.7 acres resulting in proceeds of \$4,927,200; RR 5, LLC purchased 6.8 acres resulting in proceeds of \$571,214; Duke Gateway purchased 8.8 acres resulting in proceeds of \$406,945 and D. A. Inc. purchased 5.3 acres resulting in proceeds of \$176,610.

- Total revenues increased in 2016 by \$10,506,048 primarily due to an increase of \$5,916,236 in net revenues from land sales and an increase of \$4,315,674 in revenues from grants.

In 2016, River Ridge Development Authority sold approximately 293 acres with proceeds of \$12 million. New investors for 2016 included Opus, LLC, Van Trust, LLC & Louisville Warehouse Co. Louisville Warehouse Company purchased 84.56 acres resulting in net proceeds of \$5,372,689; Van Trust Real Estate, LLC purchased 40 acres resulting in net proceeds of \$2,449,431; and River Ridge Ventures LLC purchased 26.9 acres resulting in net proceeds of \$1,995,013.

- Total expenses increased in 2017 by \$2,260,405 primarily due to continuing development activities. Other expenses were generally within budgeted amounts.
- Total expenses increased in 2016 by \$1,618,597 primarily due to continuing development activities. Other expenses were generally within budgeted amounts.

**River Ridge Development Authority  
Management's Discussion and Analysis (Continued)  
December 31, 2017 and 2016**

*Future Operations*

The Authority anticipates reduced land sales for 2018 based upon activities carried over from 2017. Additional increases in Tax Increment Financing (TIF) and Urban Enterprise Zone (UEZ) revenue is expected in 2018 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 existing projects and future private investments. Significant infrastructure and road improvements were completed in 2017, with additional projects slated for 2018 and beyond. Major demolition projects totaling more than \$3.4M were started in 2017 with comparable expenditures planned for 2018. With the first full year of the new Lewis & Clark Bridge and the River Ridge segment of the transportation corridor project, River Ridge anticipates the continuation of our current growth trajectory. Completion of infrastructure improvements provide enhanced value to the 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, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash	\$ 2,381,229	\$ 1,066,018
Restricted cash - bond proceeds	1,960,818	14,400,331
Accounts receivable - tenants	-	11,341
Grants receivable	89,251	2,833,716
Prepaid expenses	<u>56,300</u>	<u>52,201</u>
Total Current Assets	4,487,598	18,363,607
<b>Noncurrent Assets</b>		
Investment in cash:		
Debt service	8,842,922	7,215,112
Security deposits	27,228	35,308
Escrow deposits	25,000	-
Rail repurchase reserve	667,925	-
Demolition reserve	<u>1,961,725</u>	<u>-</u>
Total Noncurrent Assets	11,524,800	7,250,420
<b>Capital Assets</b>		
Equipment	1,582,044	1,442,665
Vehicles	246,250	265,844
Infrastructure	63,179,129	50,992,534
Leasehold improvements	67,705	67,705
Construction in process	<u>8,631,622</u>	<u>5,069,179</u>
	73,706,750	57,837,927
Less accumulated depreciation	<u>(7,785,050)</u>	<u>(4,284,205)</u>
Capital Assets, Net	65,921,700	53,553,722
<b>Other Assets</b>		
Army credit	1,581,998	423,168
Real estate available for sale	<u>7,066,886</u>	<u>7,289,697</u>
Total Other Assets	<u>8,648,884</u>	<u>7,712,865</u>
Total Assets	<u><u>\$ 90,582,982</u></u>	<u><u>\$ 86,880,614</u></u>

See accompanying notes.

**River Ridge Development Authority**  
**Statements of Net Position (Continued)**  
**December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Liabilities</b>		
Current Liabilities		
Accounts payable and accruals	\$ 1,281,080	\$ 2,194,455
Current portion of bonds payable	1,628,395	1,718,632
Bond interest payable	698,478	647,801
Advanced rental payments	19,558	23,585
Accrued compensated absences	<u>121,868</u>	<u>102,953</u>
Total Current Liabilities	3,749,379	4,687,426
Other Liabilities		
Security deposits	27,228	35,308
Escrow deposits	<u>25,000</u>	<u>-</u>
Total Other Liabilities	52,228	35,308
Long - Term Debt		
Bonds payable	44,172,866	45,801,261
Payable to United States Army	<u>1,581,998</u>	<u>1,697,597</u>
Total Long-term Debt	<u>45,754,864</u>	<u>47,498,858</u>
Total Liabilities	49,556,471	52,221,592
<b>Net Position</b>		
Net investment in capital assets	20,120,439	6,033,829
Restricted	1,960,818	14,400,331
Unrestricted	<u>18,945,254</u>	<u>14,224,862</u>
Total Net Position	<u>\$ 41,026,511</u>	<u>\$ 34,659,022</u>

See accompanying notes.

**River Ridge Development Authority**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Operating Revenues</b>		
Rental income River Ridge property	\$ 785,725	\$ 347,624
Rental income - United States Army	-	504,740
Urban Enterprise Zone income	3,579,316	3,339,469
Tax Increment Financing income	1,257,211	1,204,869
Recycling and scrap sale income	251,744	190,461
Land proceeds, net	10,783,919	12,080,502
Water sales	334,274	292,093
Grant income	11,667	4,515,674
	<u>17,003,856</u>	<u>22,475,432</u>
<b>Operating Expenses</b>		
Payroll	1,191,911	1,086,555
Employee benefits	331,574	318,289
Payroll taxes	77,882	74,656
Redevelopment expenses	2,335,503	1,764,629
Road and ground maintenance	526,339	243,462
Depreciation expense	3,776,076	1,431,429
Legal fees	461,274	164,943
Insurance	163,174	163,285
Marketing	224,689	164,544
Office equipment and supplies	182,348	148,300
Professional fees	33,102	25,908
Rental expense	67,535	67,780
Security	89,352	193,969
Training expense	1,951	1,725
Travel	21,437	12,741
Utilities	14,342	12,388
Water supplies and contract	176,580	142,824
Environmental monitoring	19,035	30,568
Army operational expenses	-	4,048
Employee recruitment	14,532	23,936
TIF administration	25,480	-
Settlement expense	674,250	151,950
Interest expense	1,696,864	1,396,652
	<u>12,105,230</u>	<u>7,624,581</u>
<b>Operating Income</b>	4,898,626	14,850,851
<b>Nonoperating Revenues (Expenses)</b>		
Interest income	237,152	191,599
Other income	1,821	6,124
Loss on disposal/transfer of capital assets	(44,437)	(2,264,681)
Army Credits	1,274,327	1,454,618
	<u>1,468,863</u>	<u>(612,340)</u>
<b>Changes in Net Position</b>	6,367,489	14,238,511
<b>Net Position, Beginning of Year</b>	<u>34,659,022</u>	<u>20,420,511</u>
<b>Net Position, End of Year</b>	<u>\$ 41,026,511</u>	<u>\$ 34,659,022</u>

See accompanying notes.

**River Ridge Development Authority**  
**Statements of Cash Flows**  
**Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
Cash received from tenant, land sales, and others	\$ 14,018,265	\$ 14,313,391
Cash paid to suppliers, employees, and others	(8,954,327)	(4,905,948)
Urban Enterprise Zone income received	3,579,316	3,339,469
Grants received	<u>2,756,132</u>	<u>1,951,209</u>
Net Cash Provided by Operating Activities	11,399,386	14,698,121
<b>Cash Flows from Investing Activities</b>		
Purchases of capital assets	(16,769,649)	(29,929,178)
Proceeds on sale of capital assets	-	11,588
Interest received	237,152	191,599
Other income	<u>1,821</u>	<u>6,124</u>
Net Cash Used by Investing Activities	(16,530,676)	(29,719,867)
<b>Cash Flows from Financing Activities</b>		
Principal payments made on bonds	(1,718,632)	(1,541,473)
Proceeds received from bond issuance	-	15,000,000
Payment to United States Army obligation	<u>-</u>	<u>(33,147)</u>
Net Cash (Used) Provided by Financing Activities	<u>(1,718,632)</u>	<u>13,425,380</u>
Net Decrease in Cash	(6,849,922)	(1,596,366)
Cash, Beginning of Year	<u>22,716,769</u>	<u>24,313,135</u>
Cash, End of year	<u>\$ 15,866,847</u>	<u>\$ 22,716,769</u>
<b>Reconciliation of Cash to the Statement of Net Position:</b>		
Cash	\$ 2,381,229	\$ 1,066,018
Restricted cash - bond proceeds	1,960,818	14,400,331
Investments in cash	<u>11,524,800</u>	<u>7,250,420</u>
Total Cash	<u>\$ 15,866,847</u>	<u>\$ 22,716,769</u>

See accompanying notes.

**River Ridge Development Authority**  
**Statements of Cash Flows (Continued)**  
**Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:		
Operating income	\$ 4,898,626	\$ 14,850,851
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	3,776,076	1,431,429
Infrastructure transferred and expensed as part of cost of land sold	581,158	-
(Increase) decrease in:		
Accounts receivable - tenants	11,341	(6,506)
Grants receivable	2,744,465	(2,564,465)
Prepaid expenses	(4,099)	(4,199)
Real estate available for sale	222,811	(241,011)
Army credits	115,497	1,126,422
Increase (decrease) in:		
Accounts payable	(913,375)	903,334
Bond interest payable	50,677	82,734
Advanced rental payments	(4,027)	(12,387)
Accrued compensated absences	18,915	4,905
Security deposit liability	(8,080)	771
Escrow deposit liability	25,000	(288,776)
Payable to United States Army	(115,599)	(584,981)
	<u>\$ 11,399,386</u>	<u>\$ 14,698,121</u>

See accompanying notes.

**River Ridge Development Authority**  
**Notes to Financial Statements**  
**Years Ended December 31, 2017 and 2016**

**Note A - Nature of Operations**

River Ridge Development Authority (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 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 ("GAAP") and have been consistently applied in the preparation of the financial statements. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

1. **Basis of Accounting:** 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 GAAP, the Authority has elected to apply all relevant GASB pronouncements in the preparation of the financial statements.
2. **Basis of Presentation:** These financial statements present the Authority (primary government). There are no other component units which require inclusion. 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.
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, 2017 and 2016.
5. **Accounts Receivable:** Accounts receivable consists of amounts due from tenants for monthly lease income. The Authority uses the allowance for bad debts method of valuing doubtful accounts receivable, which is based on historical experience, coupled with a review of the current status of existing receivables. Management has determined no allowance was required at December 31, 2017 and 2016.

**River Ridge Development Authority**  
**Notes to Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**Note B - Summary of Significant Accounting Policies (Continued)**

6. Capital Assets: Capital assets 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.

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.

The Authority distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues consist of land sale proceeds, grant income, Urban Enterprise Zone income and Tax Increment Financing income. Operating expenses include payroll, redevelopment expenses, depreciation, interest and other general operating expenses. All revenues and expenses not meeting this criteria are reported as nonoperating revenues and expenses, including interest income, capital asset transactions, and credits provided by the Army.

8. Use of Restricted and Unrestricted Resources: Restricted resources are primarily for specific infrastructure improvements and development activities. However, when both restricted and unrestricted resources are available for operational use, it is the Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.
9. Subsequent Events: The Authority has evaluated events and transactions for potential recognition or disclosure through the date of the Independent Auditor's Report, the date the financial statements were available to be issued.
10. Reclassifications: Certain amounts presented in the prior year financial statements have been reclassified to conform to the current year presentation.

**Note C - Grants Receivable**

During 2012, the Authority was granted approximately \$2.7 million to use for improvements along State Road 62. This grant required a 20% local match totaling approximately \$700,000 for a total project cost of approximately \$3.5 million. At December 31, 2017 and 2016, the Authority has a receivable from the grantor in the amount of \$89,251, for reimbursement of expenses. Management has determined no allowance was required at December 31, 2017 and 2016.

**River Ridge Development Authority  
Notes to Financial Statements (Continued)  
Years Ended December 31, 2017 and 2016**

**Note C - Grants Receivable (Continued)**

During 2013, the Authority was awarded a Federal EDA grant for the construction of a 3,700 acre industrial park. The grant required a 50% local match of the overall total project costs which were estimated to be approximately \$3.6 million. During the years ended December 31, 2017 and 2016, the Authority recognized \$11,667 and \$1,661,283, respectively, as grant revenue and had a receivable from the grantor in the amount of \$281,842 for reimbursement of expenses as of December 31, 2016. As of December 31, 2017, the Authority had recognized all revenue under the grant and all grant funds had been fully received.

During 2015, the Authority was granted \$3,500,000 for the development and construction of roads and railways from the Indiana Department of Transportation. The Authority was required to commit \$7 million to the project for a total project cost of \$10,500,000. During the year ended December 31, 2016, the Authority recognized \$2,854,391 in grant revenue and had a receivable from the grantor in the amount of \$2,462,623 for reimbursement of expenses. As of December 31, 2016, the Authority had recognized all revenue under the grant.

**Note D - Restricted Cash and Investments in Cash**

During the year ended December 31, 2016 and 2015, the Authority obtained financing for future infrastructure improvements planned at River Ridge Commerce Center through the issuance of bonds (see Note G for additional information on the bonds payable). At December 31, 2017 and 2016, \$1,960,818 and \$14,400,331, respectively, was available to fund anticipated future improvements and is classified as restricted cash and restricted net position on the Statements of Net Position.

The Authority has established a debt service for the repayment of bond debt (see Note G for additional information on the bonds payable). The funds are made up of proceeds from Tax Increment Financing income and Urban Enterprise Zone income. At December 31, 2017 and 2016, the balance of the debt service was \$8,842,922 and \$7,215,112, respectively. These amounts are classified as investments in cash and unrestricted net position on the Statements of Net Position at December 31, 2017 and 2016, respectively.

Security deposits total \$27,228 and \$35,308 at December 31, 2017 and 2016, respectively, and represent deposits made by tenants for property leased from the Authority. The liability for such deposits at December 31, 2017 and 2016 was \$27,228 and \$35,308, respectively. These funds are classified as investments in cash on the Statements of Net Position.

Escrow deposits reserves consist of earnest money received for possible real estate transactions. Escrow deposits totaled \$25,000 and \$-0- at December 31, 2017 and 2016, respectively. The liability for such deposits at December 31, 2017 and 2016 was \$25,000 and \$-0-, respectively. These funds are classified as investments in cash on the Statements of Net Position

Rail repurchase reserves consist of funds committed for the repurchase of portions of railroad track which need to be removed for development projects (see Note P for additional information on the commitment). At December 31, 2017 and 2016, the balance of this account was \$667,925 and \$-0-, respectively. These funds are classified as investments in cash on the Statements of Net Position.

The demolition reserve is cash that the Authority sets aside from available cash flows to fund future demolition costs related to preparing land for sale. The balance of the reserve at December 31, 2017 and 2016 was \$1,961,725 and \$-0-, respectively. These funds are classified as investments in cash on the Statements of Net Position.

**River Ridge Development Authority  
Notes to Financial Statements (Continued)  
Years Ended December 31, 2017 and 2016**

**Note E - Capital Assets**

The following is a summary of the capital assets activity during the years ended December 31, 2017 and 2016:

	Balance at 12/31/2016	Additions	Transfers	Dispositions	Balance at 12/31/2017
Office equipment	\$ 1,442,665	\$ 327,095	\$ -	\$ (187,716)	\$ 1,582,044
Vehicles	265,844	-	-	(19,594)	246,250
Infrastructure	50,992,534	9,027,041	3,853,070	(693,516)	63,179,129
Leasehold Improvements	67,705	-	-	-	67,705
CIP	5,069,179	7,415,513	(3,853,070)	-	8,631,622
	<u>57,837,927</u>	<u>16,769,649</u>	<u>-</u>	<u>(900,826)</u>	<u>73,706,750</u>
Accumulated depreciation	(4,284,205)	(3,776,076)	-	275,231	(7,785,050)
Total, net	<u>\$ 53,553,722</u>	<u>\$ 12,993,573</u>	<u>\$ -</u>	<u>\$ (625,595)</u>	<u>\$ 65,921,700</u>

	Balance at 12/31/2015	Additions	Transfers	Dispositions	Balance at 12/31/2016
Office equipment	\$ 1,103,115	\$ 425,550	\$ -	\$ (86,000)	\$ 1,442,665
Vehicles	233,734	32,110	-	-	265,844
Infrastructure	17,954,437	23,749,695	11,592,882	(2,304,480)	50,992,534
Leasehold Improvements	67,705	-	-	-	67,705
CIP	10,940,238	5,721,823	(11,592,882)	-	5,069,179
	<u>30,299,229</u>	<u>29,929,178</u>	<u>-</u>	<u>(2,390,480)</u>	<u>57,837,927</u>
Accumulated depreciation	(2,966,987)	(1,431,429)	-	114,211	(4,284,205)
Total, net	<u>\$ 27,332,242</u>	<u>\$ 28,497,749</u>	<u>\$ -</u>	<u>\$ (2,276,269)</u>	<u>\$ 53,553,722</u>

Depreciation expense was \$3,776,076 and \$1,431,429 for the years ended December 31, 2017 and 2016, respectively.

Included in the 2017 and 2016 activity was property/infrastructure that was transferred to various municipalities.

**Note F - Real Estate Available for Sale and Payable to United States Army**

At various dates starting in 2005, 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.

**River Ridge Development Authority  
Notes to Financial Statements (Continued)  
Years Ended December 31, 2017 and 2016**

**Note F - Real Estate Available for Sale and Payable to United States Army (Continued)**

A breakdown of real estate conveyed and available for sale is as follows:

Year Conveyed	Number of Acres	Acquisition Price Per Acre	Original Purchase Price	Year Sold	Acres Sold	RRDA Required Payment	Repaid with Credits and Other Changes	Acres Remaining	Inventory Cost Remaining	Payable to U.S. Army
2005	26.40	\$1,093	\$ 28,855	2006	24.35	\$ 27,144	\$ -	-	\$ -	\$ -
				2015	-	-	1,711	2.05	1,711	-
	36.40	\$1,122	40,841	2006	10.00	11,215	-	-	-	-
				2015	-	-	29,626	26.40	29,536	-
	2,082.58	\$1,122	2,336,655	2007	30.44	74,689	-	-	-	-
				2008	13.92	17,276	-	-	-	-
				2009	27.71	31,087	-	-	-	-
				2012	11.96	13,419	-	-	-	-
				2013	32.66	14,098	-	-	-	-
				2014	23.56	27,125	-	-	-	-
				2015	77.60	1,753,356	405,605	-	-	-
				2016	3.29	-	-	1,861.44	2,090,603	-
	182.22	\$1,122	204,451	2006	70.84	80,123	-	-	-	-
				2010	1.42	1,609	-	-	-	-
				2011	2.00	2,262	-	-	-	-
				2015	7.70	8,638	111,819	100.26	111,818	-
2006	577.63	\$1,153	666,007	2006	0.46	523	-	-	-	-
				2007	57.17	66,664	-	-	-	-
				2008	11.80	13,772	-	-	-	-
				2010	19.90	23,207	-	-	-	-
				2011	3.44	-	4,016	-	-	-
				2012	47.60	-	55,014	-	-	-
				2013	21.49	21,846	-	-	-	-
				2014	33.61	38,752	-	-	-	-
				2015	35.79	41,262	-	-	-	-
				2016	23.72	5,307	395,644	-	-	-
				2017	92.37	-	-	230.29	267,100	-
2009	143.77	\$1,248	179,425	2013	3.98	4,966	-	-	-	-
				2015	26.82	33,475	-	112.97	140,984	140,984
2010	80.45	\$1,197	103,137	2012	20.00	-	30,800	60.45	72,337	72,337
2011	240.30	\$1,316	324,669	2012	0.13	-	10,478	-	-	-
				2013	9.11	11,990	-	-	-	-
				2014	17.92	23,577	-	-	-	-
				2015	28.30	38,264	-	-	-	-
				2016	23.88	27,840	334	-	-	-
				2017	24.21	-	31,856	136.75	180,330	180,330
2012	417.26	\$1,668	704,426	2012	0.28	-	704,426	-	-	-
				2013	1.31	-	-	-	-	-
				2015	22.97	-	-	-	-	-
				2016	3.20	-	-	-	-	-
				2017	0.62	-	710	388.89	659,227	-
	86.97	\$1,352	117,583	2012	-	-	-	86.97	117,583	117,583
2014	699.89	\$1,759	1,220,044	2014	-	-	1,220,044	699.89	1,220,044	-
	239.28	\$1,425	340,974	2014	-	-	-	-	-	-
				2017	0.46	-	655	238.82	340,319	340,319
2015	146.15	\$1,806	263,947	2015	-	-	263,947	146.15	263,947	-
	685.26	\$1,463	1,002,535	2016	148.49	-	217,240	-	-	-
				2017	48.18	-	70,492	488.59	714,803	714,803
2016	18.80	\$1,502	28,238	2016	-	-	-	-	-	-
				2017	8.39	-	12,596	10.41	15,642	15,642
	274.61	\$1,855	509,402	2016	-	-	509,402	274.61	509,402	-
	<u>5,937.97</u>				<u>1,073.03</u>			<u>4,864.94</u>	<u>6,735,386</u>	<u>1,581,998</u>
Purchased from the United States Army			<u>8,071,189</u>			<u>\$ 2,413,486</u>	<u>\$ 4,076,415</u>			
2014	8.50	\$39,000	<u>331,500</u>					<u>8.50</u>	<u>331,500</u>	<u>-</u>
Purchased from other than United States Army			<u>331,500</u>							
									<u>\$ 7,066,886</u>	
Total Real Estate Purchased			<u>\$ 8,402,689</u>							<u>\$ 1,581,998</u>

**River Ridge Development Authority**  
**Notes to Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**Note G - Bonds Payable**

On December 29, 2010, 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 set to mature February 1, 2026 and bore interest at 6.5%. During 2015, the Authority refinanced the bonds through a bond issuance of \$6,815,000 (Tax Increment Revenue Refunding Bonds 2015 Series B (TIRR)). The refinanced bonds mature on February 1, 2026 and bear interest at 2.66%. Principal and interest is payable semiannually and payments began on February 1, 2016. The remaining principal balance on the bonds at December 31, 2017 and 2016 was \$5,658,378 and \$6,244,330, respectively.

During 2014, the Authority obtained financing for future infrastructure improvements planned at River Ridge Commerce Center through a bond issuance of \$20,000,000 (Tax Increment Revenue (TIR) Bonds). The bonds were issued May 23, 2014 and mature on February 1, 2034. The bond bears interest at 4.60%. Principal and interest is payable semiannually and payments began on August 1, 2014. The remaining principal balance on the bonds at December 31, 2017 and 2016 was \$17,380,937 and \$18,040,395, respectively

During 2015, the Authority obtained financing for future infrastructure improvements planned at River Ridge Commerce Center through a bond issuance of \$8,540,000 (Tax Increment Revenue Refunding Bonds (TIRR)). The bonds were issued August 3, 2015 and mature August 1, 2035. The bonds bear interest at 3.38%. Principal and interest is payable semiannually and payments began on February 1, 2016. The unspent bond proceeds at December 31, 2017 and 2016 was \$-0- and \$970,863, respectively. The remaining principal balance on the bonds at December 31, 2017 and 2016 was \$7,919,946 and \$8,235,168, respectively

During 2016, the Authority obtained financing for future infrastructure improvements planned at River Ridge Commerce Center through a bond issuance of \$15,000,000 (Tax Increment Revenue (TIR) Bonds). The bonds were issued September 30, 2016 and mature August 1, 2036. The bonds bear interest at 3.09%. Semiannual payments of both principal and interest began on February 1, 2017. The unspent bond proceeds at December 31, 2017 and 2016 was \$1,960,818 and \$13,429,468, respectively. The remaining principal balance on the bonds at December 31, 2017 and 2016 was \$14,842,000 and \$15,000,000, respectively

Accrued interest payable at December 31, 2017 and 2016 was \$698,478 and \$647,801, respectively.

Bond payable activity for the year ended December 31, 2017 was as follows:

	Balance 12/31/16	Additions	Reductions	Balance 12/31/17	Amounts Due within One Year
TIR Bond of 2014, Series A	\$ 18,040,395	\$ -	\$ (659,458)	\$ 17,380,937	\$ 688,787
TIR Bond of 2015, Series A	8,235,168	-	(315,222)	7,919,946	325,967
TIR Bond of 2015, Series B	6,244,330	-	(585,952)	5,658,378	601,641
TIR Bond of 2016, Series A	15,000,000	-	(158,000)	14,842,000	12,000
	<u>\$ 47,519,893</u>	<u>\$ -</u>	<u>\$ (1,718,632)</u>	<u>\$ 45,801,261</u>	<u>\$ 1,628,395</u>

**River Ridge Development Authority**  
**Notes to Financial Statements (Continued)**  
**Years Ended December 31, 2017 and 2016**

**Note G - Bonds Payable (Continued)**

Bond payable activity for the year ended December 31, 2016 was as follows:

	Balance 12/31/15	Additions	Reductions	Balance 12/31/16	Amounts Due within One Year
TIR Bond of 2014, Series A	\$ 18,706,366	\$ -	\$ (665,971)	\$ 18,040,395	\$ 659,458
TIR Bond of 2015, Series A	8,540,000	-	(304,832)	8,235,168	315,222
TIR Bond of 2015, Series B	6,815,000	-	(570,670)	6,244,330	585,952
TIR Bond of 2016, Series A	-	15,000,000	-	15,000,000	158,000
	<u>\$ 34,061,366</u>	<u>\$ 15,000,000</u>	<u>\$ (1,541,473)</u>	<u>\$ 47,519,893</u>	<u>\$ 1,718,632</u>

As of December 31, 2017, bonds mature as follows:

	Principal	Interest	Total
2018	\$ 1,628,395	\$ 1,699,146	\$ 3,327,541
2019	1,725,522	1,601,650	3,327,172
2020	1,789,855	1,537,944	3,327,799
2021	1,856,663	1,471,718	3,328,381
2022	1,925,052	1,402,898	3,327,950
Thereafter	<u>36,875,774</u>	<u>10,475,654</u>	<u>47,351,428</u>
Total	<u>\$ 45,801,261</u>	<u>\$ 18,189,010</u>	<u>\$ 63,990,271</u>

**Note H - Advanced Rental Payments**

The Authority recognizes rent paid by tenants for future periods as "Advanced rental payments" on the Statements of Net Position. The liability for "Advanced rental payments" at December 31, 2017 and 2016, was \$19,558 and \$23,585, respectively.

**Note I - 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. Except for the Executive Director, employees may carry unused time until the accumulated paid time off balance equals two times the annual paid time off. The Executive Director may accrue up to 32 days per year without expiration. At December 31, 2017 and 2016, accrued compensated absences were \$121,868 and \$102,953, respectively.

**River Ridge Development Authority  
Notes to Financial Statements (Continued)  
Years Ended December 31, 2017 and 2016**

**Note J - 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:

2018	\$	135,129
2019		24,750
2020		24,750
2021		24,750
2022		24,750

**Note K - 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 \$71,636 and \$63,177 for the years ended December 31, 2017 and 2016, respectively. These amounts are included in employee benefits in the Statements of Revenues, Expenses and Changes in Net Position.

**Note L - Operating Leases**

In May 2003, the Authority and the 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 original lease consisted of approximately 5,904 acres located in Clark County, Indiana. The Army has subsequently conveyed to the Authority various parcels of acreage at agreed upon prices. This property is part of the Real Estate available for sale and payable to the Army as discussed in Note F.

Consideration for the original lease was based on the fair market rental value. This value was based on Government appraisals and includes the value of those facilities occupied by existing tenants. 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 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, 2017, 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 term is on a month-to-month basis and is subject to monthly rental increases based on the month-to-month increase in value, if any. Lease expense under this lease was \$67,535 and \$67,780 for the years ended December 31, 2017 and 2016, respectively.

**Note M - 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.

**River Ridge Development Authority  
Notes to Financial Statements (Continued)  
Years Ended December 31, 2017 and 2016**

**Note M - Cash and Cash Held for Restricted Deposits (Continued)**

The carrying value of cash including restricted deposits at December 31, 2017 and 2016 was \$15,866,847 and \$22,716,769, respectively. The bank balance at December 31, 2017 and 2016 was \$16,205,493 and \$23,715,528, respectively.

**Note N - Major Customers**

In 2017, approximately \$660,000 (84%) of the Authority's rental income was generated from three customers. In 2016, approximately \$647,000 (76%) of the Authority's rental income was generated from the same customers.

**Note O - 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 for the past three years. There were no significant reductions in insurance coverage by major category of risk.

In September 2014, the Board voted to purchase an environmental liability insurance policy that provides coverage for five years beginning October 1, 2014, with a maximum of \$20 million in payouts, either individually, or in the aggregate. The policy premiums, totaling \$298,434 are payable over five years. This policy will protect the Authority from claims of pollution incidents and up to \$2 million in business interruption coverage at insured sites. The Authority has determined the insurance is necessary after a review of its master lease with the Department of Defense by environmental attorneys. There have been no payouts through December 31, 2017 under this policy.

**Note P - Commitments**

The Authority entered into a four-year contract, which was set to expire on June 30, 2015, with Louisville Water Company ("LWC"), whereby LWC would provide the Authority with various operational and maintenance related needs for water treatment, pumping and storage facilities. The Authority agreed to pay a total of \$212,351 during this initial four-year contract period (\$4,424 monthly) for the services. During July 2015, the Authority negotiated a four-year extension to the original contract, which was originally due to expire June 30, 2019. The Authority agreed to pay a total of \$393,600 during the four-year contract period (\$8,200 monthly) for the services. The total paid to LWC for the years ended December 31, 2017 and 2016 was \$139,751 and \$106,682, respectively.

During October 2015, the Authority took title of the 6,000-acre River Ridge Commerce Center ("RRCC") subject to a pre-existing lease held by an outside party which runs through October 31, 2027, and which allows that party the right to store rail cars on approximately 49 miles of rail road tracks spread throughout the property. Because the party's leasehold interest in the tracks can become incompatible with, and an impediment to, specific projects being developed within the RRCC, the Authority and the party reached an agreement which allows the Authority to repurchase portions of track and terminate the party's leasehold interest thereto on a piecemeal basis as portions of track need to be removed for development projects. Under this agreement, the Authority is obligated to pay up to \$1,541,875 to the outside party for 61,675 linear feet of track by October 30, 2018, as the tracks are removed. At December 31, 2017 and 2016, cumulative disbursements made under this agreement totaled \$1,015,200 and \$340,950, respectively.

In 2017, the Authority adopted a resolution authorizing the purchase of a building and approximately 3 acres of land from the Clark County Solid Waste District d/b/a Clark County Recycling ("CCSWD"). In 2017 CCSWD likewise adopted a resolution authorizing and approving the sale. The parties have agreed to a purchase price of \$390,000. Because of title complications and survey delays, the closing of the land sale did not occur in 2017, however, it is on track to close in February 2018. The Authority has been allowed to occupy the building and land rent-free since October 2017.

**River Ridge Development Authority  
Notes to Financial Statements (Continued)  
Years Ended December 31, 2017 and 2016**

**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. Management believes no accrual is necessary for environmental issues.

**Note R - 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 S - Estimated Cost of Future Land Improvements**

The Authority must continue efforts in site development and infrastructure improvements to establish marketable land for purposes of land sales. Conservative estimates for site development and infrastructure improvements are at a minimum as follows:

2018	\$ 20,000,000
2019	20,000,000
2020	20,000,000
2021	20,000,000
2022	20,000,000
Thereafter	<u>300,000,000</u>
	<u><u>\$ 400,000,000</u></u>

**Note T - Future Accounting Pronouncements**

In June 2017, the GASB issued statement No. 87, *Leases*. The provisions of this statement are effective for fiscal years beginning after December 15, 2019.

This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.

Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The Organization is currently evaluating the impact that will result from adopting GASB No. 87 and is therefore unable to disclose the impact that adopting the Standard will have on the Authority's financial position and the results of its operations when the Statement is adopted.



**River Ridge Development Authority  
Tax Increment Bonds of 2014, Series A - Amortization Schedule  
December 31, 2017**

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Period Total</u>	<u>Fiscal Total</u>
2/1/2018	\$ 322,185	4.6%	\$ 436,768	\$ 758,953	
8/1/2018	366,602	4.6%	392,351	758,953	\$ 1,517,906
2/1/2019	375,034	4.6%	383,919	758,953	
8/1/2019	383,659	4.6%	375,294	758,953	1,517,906
2/1/2020	392,484	4.6%	366,469	758,953	
8/1/2020	401,511	4.6%	357,442	758,953	1,517,906
2/1/2021	410,745	4.6%	348,208	758,953	
8/1/2021	420,193	4.6%	338,760	758,953	1,517,906
2/1/2022	429,857	4.6%	329,096	758,953	
8/1/2022	439,744	4.6%	319,209	758,953	1,517,906
2/1/2023	449,858	4.6%	309,095	758,953	
8/1/2023	460,205	4.6%	298,748	758,953	1,517,906
2/1/2024	470,789	4.6%	288,164	758,953	
8/1/2024	481,617	4.6%	277,336	758,953	1,517,906
2/1/2025	492,695	4.6%	266,258	758,953	
8/1/2025	504,027	4.6%	254,926	758,953	1,517,906
2/1/2026	515,619	4.6%	243,334	758,953	
8/1/2026	527,479	4.6%	231,474	758,953	1,517,906
2/1/2027	539,611	4.6%	219,342	758,953	
8/1/2027	552,022	4.6%	206,931	758,953	1,517,906
2/1/2028	564,718	4.6%	194,235	758,953	
8/1/2028	577,707	4.6%	181,246	758,953	1,517,906
2/1/2029	590,994	4.6%	167,959	758,953	
8/1/2029	604,587	4.6%	154,366	758,953	1,517,906
2/1/2030	618,492	4.6%	140,461	758,953	
8/1/2030	632,718	4.6%	126,235	758,953	1,517,906
2/1/2031	647,270	4.6%	111,683	758,953	
8/1/2031	662,157	4.6%	96,796	758,953	1,517,906
2/1/2032	677,387	4.6%	81,566	758,953	
8/1/2032	692,967	4.6%	65,986	758,953	1,517,906
2/1/2033	708,905	4.6%	50,048	758,953	
8/1/2033	725,210	4.6%	33,743	758,953	1,517,906
2/1/2034	741,889	4.6%	17,064	758,953	758,953
	<u>\$ 17,380,937</u>		<u>\$ 7,664,512</u>	<u>\$ 25,045,449</u>	<u>\$ 25,045,449</u>

See independent auditor's report.

**River Ridge Development Authority**  
**Tax Increment Bonds of 2015, Series A - Amortization Schedule**  
**December 31, 2017**

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Period Total</u>	<u>Fiscal Total</u>
2/1/2018	\$ 161,618	3.38%	\$ 133,847	\$ 295,465	
8/1/2018	164,349	3.38%	131,116	295,465	\$ 590,930
2/1/2019	167,126	3.38%	128,339	295,465	
8/1/2019	169,951	3.38%	125,514	295,465	590,930
2/1/2020	172,823	3.38%	122,642	295,465	
8/1/2020	175,744	3.38%	119,721	295,465	590,930
2/1/2021	178,714	3.38%	116,751	295,465	
8/1/2021	181,734	3.38%	113,731	295,465	590,930
2/1/2022	184,805	3.38%	110,660	295,465	
8/1/2022	187,929	3.38%	107,536	295,465	590,930
2/1/2023	191,105	3.38%	104,360	295,465	
8/1/2023	194,334	3.38%	101,131	295,465	590,930
2/1/2024	197,619	3.38%	97,846	295,465	
8/1/2024	200,958	3.38%	94,507	295,465	590,930
2/1/2025	204,354	3.38%	91,111	295,465	
8/1/2025	207,808	3.38%	87,657	295,465	590,930
2/1/2026	211,320	3.38%	84,145	295,465	
8/1/2026	214,891	3.38%	80,574	295,465	590,930
2/1/2027	218,523	3.38%	76,942	295,465	
8/1/2027	222,216	3.38%	73,249	295,465	590,930
2/1/2028	225,972	3.38%	69,493	295,465	
8/1/2028	229,790	3.38%	65,675	295,465	590,930
2/1/2029	233,674	3.38%	61,791	295,465	
8/1/2029	237,623	3.38%	57,842	295,465	590,930
2/1/2030	241,639	3.38%	53,826	295,465	
8/1/2030	245,722	3.38%	49,743	295,465	590,930
2/1/2031	249,875	3.38%	45,590	295,465	
8/1/2031	254,098	3.38%	41,367	295,465	590,930
2/1/2032	258,392	3.38%	37,073	295,465	
8/1/2032	262,759	3.38%	32,706	295,465	590,930
2/1/2033	267,200	3.38%	28,265	295,465	
8/1/2033	271,715	3.38%	23,750	295,465	590,930
2/1/2034	276,307	3.38%	19,158	295,465	
8/1/2034	280,977	3.38%	14,488	295,465	590,930
2/1/2035	285,726	3.38%	9,739	295,465	
8/1/2035	290,556	3.38%	4,909	295,465	590,930
	<u>\$ 7,919,946</u>		<u>\$ 2,716,794</u>	<u>\$ 10,636,740</u>	<u>\$ 10,636,740</u>

See independent auditor's report.

**River Ridge Development Authority**  
**Tax Increment Bonds of 2015, Series B - Amortization Schedule**  
**December 31, 2017**

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Period Total</u>	<u>Fiscal Total</u>
2/1/2018	\$ 298,834	2.66%	\$ 75,256	\$ 374,090	
8/1/2018	302,807	2.66%	71,283	374,090	\$ 748,180
2/1/2019	306,835	2.66%	67,255	374,090	
8/1/2019	310,916	2.66%	63,174	374,090	748,180
2/1/2020	315,051	2.66%	59,039	374,090	
8/1/2020	319,242	2.66%	54,848	374,090	748,180
2/1/2021	323,488	2.66%	50,602	374,090	
8/1/2021	327,790	2.66%	46,300	374,090	748,180
2/1/2022	332,150	2.66%	41,940	374,090	
8/1/2022	336,567	2.66%	37,523	374,090	748,180
2/1/2023	341,043	2.66%	33,047	374,090	
8/1/2023	345,579	2.66%	28,511	374,090	748,180
2/1/2024	350,176	2.66%	23,914	374,090	
8/1/2024	354,833	2.66%	19,257	374,090	748,180
2/1/2025	359,552	2.66%	14,538	374,090	
8/1/2025	364,334	2.66%	9,756	374,090	748,180
2/1/2026	369,181	2.66%	4,909	374,090	374,090
	<u>\$ 5,658,378</u>		<u>\$ 701,152</u>	<u>\$ 6,359,530</u>	<u>\$ 6,359,530</u>

See independent auditor's report.

**River Ridge Development Authority**  
**Tax Increment Bonds of 2016, Series A - Amortization Schedule**  
**December 31, 2017**

<u>Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Period Total</u>	<u>Fiscal Total</u>
2/1/2018	\$ 6,000	3.09%	\$ 229,309	\$ 235,309	
8/1/2018	6,000	3.09%	229,216	235,216	\$ 470,525
2/1/2019	6,000	3.09%	229,124	235,124	
8/1/2019	6,000	3.09%	229,031	235,031	470,155
2/1/2020	6,000	3.09%	228,938	234,938	
8/1/2020	7,000	3.09%	228,845	235,845	470,783
2/1/2021	7,000	3.09%	228,737	235,737	
8/1/2021	7,000	3.09%	228,629	235,629	471,366
2/1/2022	7,000	3.09%	228,521	235,521	
8/1/2022	7,000	3.09%	228,413	235,413	470,934
2/1/2023	7,000	3.09%	228,305	235,305	
8/1/2023	7,000	3.09%	228,197	235,197	470,502
2/1/2024	7,000	3.09%	228,088	235,088	
8/1/2024	8,000	3.09%	227,980	235,980	471,068
2/1/2025	8,000	3.09%	227,857	235,857	
8/1/2025	8,000	3.09%	227,733	235,733	471,590
2/1/2026	177,000	3.09%	227,609	404,609	
8/1/2026	216,000	3.09%	224,875	440,875	845,484
2/1/2027	385,000	3.09%	221,538	606,538	
8/1/2027	397,000	3.09%	215,589	612,589	1,219,127
2/1/2028	397,000	3.09%	209,456	606,456	
8/1/2028	409,000	3.09%	203,322	612,322	1,218,778
2/1/2029	415,000	3.09%	197,003	612,003	
8/1/2029	417,000	3.09%	190,591	607,591	1,219,594
2/1/2030	426,000	3.09%	184,149	610,149	
8/1/2030	432,000	3.09%	177,567	609,567	1,219,716
2/1/2031	437,000	3.09%	170,892	607,892	
8/1/2031	447,000	3.09%	164,141	611,141	1,219,033
2/1/2032	455,000	3.09%	157,235	612,235	
8/1/2032	457,000	3.09%	150,205	607,205	1,219,440
2/1/2033	460,000	3.09%	143,144	603,144	
8/1/2033	480,000	3.09%	136,037	616,037	1,219,181
2/1/2034	1,222,000	3.09%	128,621	1,350,621	
8/1/2034	1,277,000	3.09%	109,741	1,386,741	2,737,362
2/1/2035	1,288,000	3.09%	90,012	1,378,012	
8/1/2035	1,289,000	3.09%	70,112	1,359,112	2,737,124
2/1/2036	1,463,000	3.09%	50,197	1,513,197	
8/1/2036	1,786,000	3.09%	27,593	1,813,593	3,326,790
	<u>\$ 14,842,000</u>		<u>\$ 7,106,552</u>	<u>\$ 21,948,552</u>	<u>\$ 21,948,552</u>

See independent auditor's report.



**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***

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 the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the River Ridge Development Authority (the "Authority") as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 21, 2018.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is reasonable possibility that a material misstatement of the Authority'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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.

**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)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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

*MCM CPA & ADVISORS LLP*

Jeffersonville, Indiana  
February 21, 2018