
The RiverSouth Authority

**Financial Report
December 31, 2017**



Dave Yost • Auditor of State

Board of Trustees
The RiverSouth Authority
150 South Front Street
Suite 210
Columbus, Ohio 43215

We have reviewed the *Independent Auditor's Report* of the The RiverSouth Authority, Franklin County, prepared by Plante & Moran, PLLC, for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The The RiverSouth Authority is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

April 19, 2018

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Independent Auditor's Report

To the Board of Trustees
The RiverSouth Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the of The RiverSouth Authority (the "Authority"), a component unit of the City of Columbus, Ohio, 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 opinions 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the net position of the The RiverSouth Authority as of December 31, 2017 and 2016 and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Trustees
The RiverSouth Authority

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, 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, which 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2018 on our consideration of The RiverSouth Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The RiverSouth Authority's internal control over financial reporting and compliance.

Plante & Moran, PLLC

March 14, 2018

The unaudited management's discussion and analysis of the RiverSouth Authority's (the "Authority") financial performance provides an overall review of the Authority's financial activities for the year ending December 31, 2017. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- The Authority paid \$25,053,619 of project development costs related to the land development and construction costs of a 638-space underground garage and recreational park for the City of Columbus.
- Total net position of the Authority was \$168,877 at December 31, 2017. This was an increase of \$98,497 from the balance at December 31, 2016.
- The Authority had operating revenues of \$1,993,312 and operating expenses of \$2,011,980 during 2017. The Authority also had \$117,164 in nonoperating revenues during 2017.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so that the reader can understand the Authority's financial activities. The *statement of net position* and *statement of revenues, expenses and changes in net position* provide information about the activities of the Authority, including all short-term and long-term financial resources and obligations. The *statement of cash flows* provides information about how the Authority finances and meets the cash flow needs of its operations.

Reporting the Authority Financial Activities

Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows

These documents look at all financial transactions and ask the question, "How did we do financially during 2017?" The statement of net position and the statement of revenues, expenses and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Authority’s *net position* and changes in that net position. This change in net position is important because it tells the reader that, for the Authority as a whole, the *financial position* of the Authority has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements and the cash flows can be found as listed in the table of contents.

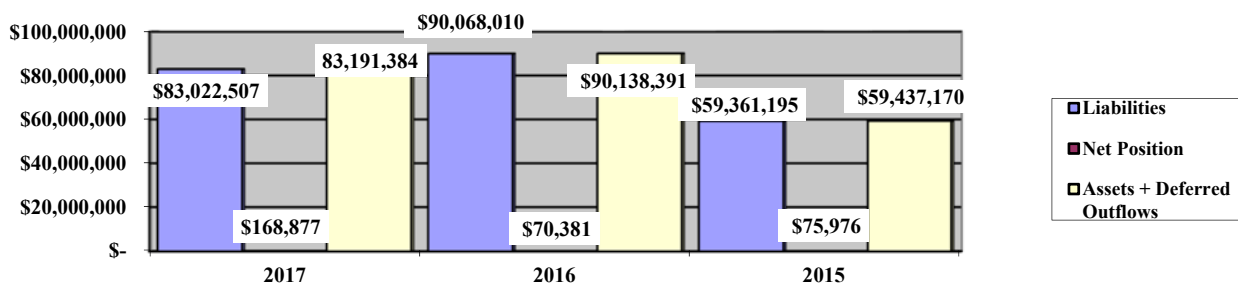
The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

The table below provides a summary of the Authority’s net position at December 31, 2017, December 31, 2016, and December 31, 2015.

	Net Position		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Assets</u>			
Current assets	\$ 6,651,804	\$ 5,819,258	\$ 5,505,985
Noncurrent assets	<u>73,841,801</u>	<u>81,242,413</u>	<u>50,475,528</u>
Total assets	<u>80,493,605</u>	<u>87,061,671</u>	<u>55,981,513</u>
<u>Deferred Outflows of Resources</u>	<u>2,697,779</u>	<u>3,076,720</u>	<u>3,455,661</u>
<u>Liabilities</u>			
Current liabilities	6,708,908	5,861,655	5,430,006
Noncurrent liabilities	<u>76,313,599</u>	<u>84,206,355</u>	<u>53,931,189</u>
Total liabilities	<u>83,022,507</u>	<u>90,068,010</u>	<u>59,361,195</u>
<u>Net Position</u>			
Unrestricted	<u>168,877</u>	<u>70,381</u>	<u>75,979</u>
Total net position	<u>\$ 168,877</u>	<u>\$ 70,381</u>	<u>\$ 75,979</u>

Over time, net position can serve as a useful indicator of a government’s financial position. At December 31, 2017, the Authority’s assets plus deferred outflows of resources exceeded liabilities by \$168,877. Assets and liabilities of the Authority consist primarily of restricted cash and cash equivalents, a lease receivable, project development costs and bonds payable. The decrease in assets is due to the receipt of lease payments and the payment of project development costs. The decrease in liabilities is due to bond principal payments. Deferred outflows of resources consist of deferred charges on refunding for the Series 2012 and Series 2014 bonds.

The chart below illustrates the Authority’s assets, deferred outflows of resources, liabilities and net position at December 31, 2017, December 31, 2016, and December 31, 2015.



The table below shows the changes in net position for 2017, 2016, and 2015.

	Change in Net Position		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Operating Revenues:</u>			
Lease payments	\$ 1,993,312	\$ 2,136,573	\$ 2,238,117
<u>Operating Expenses:</u>			
Interest expense	\$ 1,993,312	2,136,573	2,238,117
Accounting	14,630	14,777	14,097
Insurance	4,038	4,499	4,962
Trustee	-	-	757
Other	-	-	15
Total operating expenses	<u>2,011,980</u>	<u>2,155,849</u>	<u>2,257,948</u>
<u>Nonoperating Revenues (Expenses):</u>			
Investment income	<u>117,164</u>	<u>13,678</u>	<u>23</u>
Total non-operating revenues (expenses)	<u>117,164</u>	<u>13,678</u>	<u>23</u>
Change in net position	98,496	(5,598)	(19,808)
Net position at the beginning of the year	<u>70,381</u>	<u>75,979</u>	<u>95,787</u>
Net position at the end of the year	<u>\$ 168,877</u>	<u>\$ 70,381</u>	<u>\$ 75,979</u>

The primary operating revenue of the Authority is lease payments from the City of Columbus. Operating expenses consist mostly of interest expense related to the Authority’s bond issues. Operating expenses decreased slightly due to reduced interest expense related to the 2012 and 2014 bonds. The increase in investment income was the result of the Authority holding bond proceeds for an entire year in 2017 compared to only four months in 2016.

Capital Assets and Debt Administration

The Authority does not have any capital assets. Bond proceeds were used to fund projects of the Developer and the City and those assets are recorded with the respective entity. The Authority issued \$27,515,000 of bonds in 2016.

At December 31, 2017, the Authority had \$79,873,101 in bonds outstanding. Of this amount, \$6,434,589 is due in one year and \$73,438,511 is due in more than one year. The Authority had the following bonds outstanding at December 31, 2017, 2016, and 2015:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Redevelopment Bonds:</u>			
2012 Refunding	19,835,000	22,220,000	24,510,000
2014 Refunding	24,285,000	26,705,000	29,030,000
2016 Series A	27,515,000	27,515,000	-
Premiums	<u>8,238,100</u>	<u>9,007,689</u>	<u>5,615,164</u>
Total bonds payable	<u>\$ 79,873,100</u>	<u>\$ 85,447,689</u>	<u>\$ 59,155,164</u>

For further information regarding the Authority's debt, refer to Note 5 to the basic financial statements.

Contacting the Authority's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Joseph Schueler, Treasurer, The RiverSouth Authority, 150 S. Front St., Suite 210, Columbus, Ohio 43215.

Statement of Net Position

December 31, 2017 and 2016

	2017	2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 38,577	\$ 55,273
Accrued interest receivable	176,694	187,377
Prepaid assets	1,945	2,019
Lease receivable - Current portion (Note 4)	6,434,589	5,574,589
Total current assets	6,651,805	5,819,258
Noncurrent assets:		
Restricted assets - Cash and cash equivalents	4,774,904	30,914,840
Lease receivable (Note 4)	39,384,846	45,279,880
Project development costs	29,682,050	5,047,693
Total assets	80,493,605	87,061,671
Deferred Outflows of Resources - Deferred charges on refunding	2,697,779	3,076,720
Liabilities		
Current liabilities:		
Accrued interest payable	274,319	287,066
Bonds payable - Current portion (Note 5)	6,434,589	5,574,589
Total current liabilities	6,708,908	5,861,655
Noncurrent liabilities:		
Payable from restricted assets	2,875,088	4,333,255
Bonds payable (Note 5)	73,438,511	79,873,100
Total liabilities	83,022,507	90,068,010
Net Position - Unrestricted	\$ 168,877	\$ 70,381

The RiverSouth Authority

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Revenue - Lease revenue	\$ 1,993,312	\$ 2,136,573
Operating Expenses		
Interest expense	1,993,312	2,136,573
Accounting	14,630	14,777
Insurance	4,038	4,499
Total operating expenses	<u>2,011,980</u>	<u>2,155,849</u>
Operating Loss	(18,668)	(19,276)
Nonoperating Revenue - Investment income	<u>117,164</u>	<u>13,678</u>
Change in Net Position	98,496	(5,598)
Net Position - Beginning of year	<u>70,381</u>	<u>75,979</u>
Net Position - End of year	<u><u>\$ 168,877</u></u>	<u><u>\$ 70,381</u></u>

Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows Used in Operating Activities - Cash payments for operating expenses	\$ (18,594)	\$ (18,815)
Cash Flows from Noncapital and Related Financing Activities		
Cash received on issuance of bonds	-	31,557,102
Principal paid on debt	(4,805,000)	(4,615,000)
Interest paid on debt	(3,435,613)	(2,631,883)
Bond issuance costs	-	(449,331)
Cash received from City of Columbus, Ohio for lease payments	<u>7,039,030</u>	<u>7,040,863</u>
Net cash and cash equivalents (used in) provided by noncapital and related financing activities	(1,201,583)	30,901,751
Cash Flows from Investing Activities		
Interest received on investments	117,164	13,678
Project development costs	<u>(25,053,619)</u>	<u>-</u>
Net cash and cash equivalents (used in) provided by investing activities	<u>(24,936,455)</u>	<u>13,678</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(26,156,632)	30,896,614
Cash and Cash Equivalents - Beginning of year	<u>30,970,113</u>	<u>73,499</u>
Cash and Cash Equivalents - End of year	<u>\$ 4,813,481</u>	<u>\$ 30,970,113</u>
Classification of Cash and Cash Equivalents		
Cash	\$ 38,577	\$ 55,273
Restricted cash	<u>4,774,904</u>	<u>30,914,840</u>
Total cash and cash equivalents	<u>\$ 4,813,481</u>	<u>\$ 30,970,113</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (18,668)	\$ (19,276)
Adjustments to reconcile operating loss to net cash from operating activities:		
Changes in assets and liabilities - Prepaid assets	<u>74</u>	<u>461</u>
Net cash and cash equivalents used in operating activities	<u>\$ (18,594)</u>	<u>\$ (18,815)</u>

December 31, 2017 and 2016

Note 1 - Organization

The RiverSouth Authority (the "Authority") a new community authority created by the City of Columbus, Ohio (the "City") pursuant to Chapter 349 of the Ohio Revised Code as a body corporate and politic. The Authority was created to govern the redevelopment and revitalization of a new community referred to as the RiverSouth District. The Columbus Downtown Development Corporation, a nonprofit corporation, has been appointed the developer of the new community. The Authority's board of trustees consists of nine members. The City has initially appointed five of the nine authority board members, four citizen members, and one local government member. The developer appointed four of the board members. Over time, as development of the RiverSouth District occurs and population of the new community grows, the board appointment authority will shift from the initial appointment authority to elected citizen members of the new community in specified proportions of population growth as defined by Chapter 349.04 of the Ohio Revised Code.

Note 2 - Significant Accounting Policies

Reporting Entity

The Authority's financial reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and No. 34*. The financial statements include all divisions and operations for which the Authority is financially accountable. Financial accountability exists if a primary government/component unit appoints a majority of an organization's governing board and is able to impose its will on that organization. Financial accountability may also be deemed to exist if there is potential for the organization to provide financial benefits to, or impose financial burdens on, the primary government/component unit. On this basis, no governmental organizations other than the Authority itself are included in the financial reporting entity.

The City appoints a voting majority of the board of the Authority. Additionally, the Master Lease Agreement (see Note 4) between the City and the Authority restricts the Authority from issuing any new bonded debt without approval from the City. As such, the Authority is fiscally dependent on the City and is included as a blended component unit in the City's Comprehensive Annual Financial Report as required by GASB Statement Nos. 14, 39, and 61.

Report Presentation

The financial statements of the Authority have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as applicable to governmental units.

Lease payments from the City and all recurring-type expenses are reported as operating revenue and expenses. Transactions, which are capital, financing, or investing related, such as investment earnings, are reported as nonoperating revenue and expenses.

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

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

December 31, 2017 and 2016

Note 2 - Significant Accounting Policies (Continued)

Restricted Assets

The Authority received proceeds from the 2016 Scioto Peninsula Area redevelopment bond issuance for the use of construction and debt service. The unspent proceeds have been classified as restricted assets on the statement of net position.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Authority has only one item that qualifies for reporting in this category, which is the deferred charge on refunding reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or the refunding debt.

Revenue Recognition

The Authority's revenue is derived from lease payments from the City and interest income earned on cash held by a trustee. Revenue is recorded when earned.

Upcoming Accounting Pronouncements

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. 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. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending June 30, 2021.

Note 3 - Cash and Cash Equivalents

At December 31, 2017 and 2016, the carrying amount of the Authority's cash and cash equivalents was \$4,813,481 and \$30,970,113, respectively. These funds, deposited with the trustee, consisted of a U.S. government money market fund. The U.S. government money market fund has been rated Aaa by Standard & Poor's and is considered a cash equivalent. While the funds are uncollateralized and uninsured, their disposition and availability are governed by bond resolution and the Master Trust Agreement and the First Supplemental Trust Agreement between the Authority and U.S. Bank.

Note 4 - Lease Receivable

In order to facilitate the redevelopment, the Authority and the City entered into a Master Lease Agreement and the First Supplemental Lease, both dated June 1, 2004 (collectively, the "2004 Lease") to provide for the financing of certain improvements in the RiverSouth District. A Second Supplemental Lease was executed on October 1, 2005. Under the terms of the lease, the Authority agrees to issue debt to finance redevelopment activities as authorized by Columbus City Council and to lease to the City certain parcels of land located in the RiverSouth area in downtown Columbus. The City's lease interest includes the underlying land only and does not include existing buildings or improvements made whether or not the improvements are financed by bonds issued by the Authority. Upon the expiration of the lease terms, all right, title, and interest in the land will be transferred to the City. The leases expire when all outstanding bonds (including any refunding bonds) are no longer outstanding. Rental payments commenced on November 21, 2007 in amounts equal as necessary to meet the bond debt service charges, establish and maintain any required reserves, and provide for the payment of any principal of or interest on notes not otherwise provided for. A receivable is recorded in an amount approximating the bonds payable, including unamortized bond premium and deferred outflows of resources.

In 2016, the Authority and the City entered into a second Master Lease Agreement and First Supplemental Lease, both dated September 1, 2016 (collectively, the "2016 Lease") to provide for the financing of certain improvements in the Scioto Peninsula of the RiverSouth District. Under the terms of the lease, the Authority agrees to issue debt to finance redevelopment activities as authorized by Columbus City Council and to lease to the City certain parcels of land located in the RiverSouth area in downtown Columbus. The City's lease interest includes the underlying land only and does not include existing buildings or improvements made whether or not the improvements are financed by bonds issued by the Authority. Upon the expiration of the lease terms, all right, title, and interest in the land and related buildings and improvements on the land will be transferred to the City. The leases expire when all outstanding bonds (including any refunding bonds) are no longer outstanding. Rental payments commence on June 1, 2018 in amounts equal as necessary to meet the bond debt service charges, establish and maintain any required reserves, and provide for the payment of any principal of or interest on notes not otherwise provided for. During the construction phase of the Scioto Peninsula Project, all costs incurred in relation to the project are capitalized as project development costs. Upon completion of the project, the project development costs will be converted to a lease receivable. If project costs do not deviate from the original planned contract costs, the lease receivable will approximate the bonds payable upon completion of the project.

Note 5 - Bonds Payable

The RiverSouth Area Redevelopment Bonds, 2005 Series A and 2004 Series A, were issued to provide funds to pay the costs of acquiring and developing land and acquiring and constructing community facilities. These bonds are payable from the revenue, receipts, and other monies assigned under a Master Trust Agreement dated June 1, 2004 between the Authority and U.S. Bank National Association as trustee (the "Trustee"), as supplemented by the First Supplemental Trust Agreement dated June 1, 2004 and the Second Supplemental Trust Agreement dated October 1, 2005 (together, the "Trust Agreement").

The 2005 Series A and 2004 Series A bonds have been refunded by the 2012 Series A and 2014 Series A bonds, at which time the Third Supplemental Trust Agreement dated April 1, 2012 and the Fourth Supplemental Trust Agreement dated April 1, 2014, respectively, were entered into in order to fund the debt service on the refunded bonds. The 2012 Series A bonds were issued in the amount of \$24,635,000 and the 2014 Series A bonds were issued in the amount of \$31,100,000.

December 31, 2017 and 2016

Note 5 - Bonds Payable (Continued)

The RiverSouth Authority Scioto Peninsula Area Redevelopment Bonds, Series 2016, were issued in the amount of \$27,515,000 to provide funds to pay the costs of developing land and constructing a 600-space underground public parking garage and related recreational park. The bonds were issued at a premium of \$4,042,102 on September 1, 2016. These bonds are payable from the revenue, receipts, and other monies assigned under a Master Trust Agreement dated September 1, 2016 between the Authority and U.S. Bank National Association as trustee, as supplemented by the First Supplemental Trust Agreement dated September 1, 2016.

Changes in bonds payable during the years ended December 31, 2017 and 2016 were as follows:

	2017				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Redevelopment Bonds:					
2012 Refunding	\$ 22,220,000	\$ -	\$ (2,385,000)	\$ 19,835,000	\$ 2,480,000
2014 Refunding	26,705,000	-	(2,420,000)	24,285,000	2,535,000
2016 Series	27,515,000	-	-	27,515,000	650,000
Unamortized bond premiums	9,007,689	-	(769,589)	8,238,100	769,589
Total bonds payable	\$ 85,447,689	\$ -	\$ (5,574,589)	\$ 79,873,100	\$ 6,434,589
	2016				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Redevelopment Bonds:					
2012 Refunding	\$ 24,510,000	\$ -	\$ (2,290,000)	\$ 22,220,000	\$ 2,385,000
2014 Refunding	29,030,000	-	(2,325,000)	26,705,000	2,420,000
2016 Series	-	27,515,000	-	27,515,000	-
Unamortized bond premiums	5,615,164	4,042,102	(649,577)	9,007,689	769,589
Total bonds payable	\$ 59,155,164	\$ 31,557,102	\$ (5,264,577)	\$ 85,447,689	\$ 5,574,589

The revenue and receipts assigned by the Trust Agreement are primarily composed of certain rental payments to be paid to the Authority under the lease with the City. The rental payments paid by the City to the Authority are from monies specifically appropriated for such purpose and are to be the primary source of money to pay debt service. The obligation of the City to make rental payments pursuant to the 2004 Lease and 2016 Lease is expressly made subject to the availability of the annual appropriations for such purpose. Notwithstanding the requirement for annual appropriations of rental payments for the payment of debt service, the City has agreed that all such rental payments required to pay debt service will be included in the estimated budgets of the City. The Authority and the City contemplate that the supplemental agreements to the lease will make provision for rental payments to be paid to the Authority in amounts at least adequate to meet the debt service on the Series 2012, Series 2014, and Series 2016 bonds. Neither the leased land nor the capital facilities to be financed with the bond proceeds are pledged to secure payment on the bonds. The first rental payment on the 2004 Lease from the City was made on December 1, 2007 and the first rental payment on the 2016 Lease from the City is scheduled to be made on June 1, 2018.

Note 5 - Bonds Payable (Continued)

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending December 31	Principal	Interest	Total
2018	\$ 5,665,000	\$ 3,228,438	\$ 8,893,438
2019	5,935,000	2,948,563	8,883,563
2020	6,230,000	2,648,438	8,878,438
2021	6,525,000	2,360,613	8,885,613
2022	6,810,000	2,066,950	8,876,950
2023-2027	21,030,000	5,954,125	26,984,125
2028-2032	5,735,000	3,481,750	9,216,750
2033-2037	7,010,000	2,202,200	9,212,200
2038-2041	6,695,000	682,800	7,377,800
Total	<u>\$ 71,635,000</u>	<u>\$ 25,573,877</u>	<u>\$ 97,208,877</u>

Principal payments are made on December 1 for the 2012 Refunding Bonds, June 1 for the 2014 Refunding Bonds, and December 1 for the 2016 Bonds. Interest payments for all bonds are made on June 1 and December 1 of each year.

Note 6 - Conduit Financing Program

Conduit financing represent bonds and notes for project financings, which are collateralized by the related amounts to be received under leases. In accordance with GASB Interpretation No. 2, *Disclosure of Conduit Debt Obligations*, the bonds issued by the Authority under a conduit financing program do not create a liability to the The RiverSouth Authority and, therefore, are not presented on the Authority's financial statements. The Authority has no responsibility for the payment of the debt issued as the repayment is supported solely by the credit of the borrowing entity (frequently enhanced with a letter of credit). Under the conduit financing program, there is no credit exposure to the Authority. The total amount of conduit debt issued by the Authority and outstanding at December 31, 2017 and 2016 was \$15,495,000 and \$16,500,000, respectively.

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*

Independent Auditor's Report

To Management and the Board of Trustees
The RiverSouth Authority

We have audited, 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, the financial statements of The RiverSouth Authority (the "Authority"), which comprise the basic statement of net position as of December 31, 2017 and the related basic statements of revenue, expenses, and changes in 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 14, 2018.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 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 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*.

To Management and the Board of Trustees
The RiverSouth Authority

Purpose of this Report

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

Plante & Moran, PLLC

March 14, 2018



Dave Yost • Auditor of State

THE RIVER SOUTH AUTHORITY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 10, 2018