
The RiverSouth Authority

**Financial Report
with Required Supplemental Information
December 31, 2019**

OHIO AUDITOR OF STATE
KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

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

We have reviewed the *Independent Auditor's Report* of The RiverSouth Authority, Franklin County, prepared by Plante & Moran, PLLC, for the audit period January 1, 2019 through December 31, 2019. 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 RiverSouth Authority is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

April 8, 2020

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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 RiverSouth Authority (the "Authority"), a component unit of the City of Columbus, Ohio, as of and for the years ended December 31, 2019 and 2018 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 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 RiverSouth Authority as of December 31, 2019 and 2018 and the changes in its net position and its cash flows thereof 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 18, 2020 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 18, 2020

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, 2019. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the basic financial statements and notes to the financial statements to enhance their understanding of the Authority's financial performance.

Financial Highlights

Key financial highlights for 2019 are as follows:

- The Authority paid \$659,203 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 \$200,386 at December 31, 2019. This was an increase of \$8,809 from the balance at December 31, 2018.
- The Authority had operating revenues of \$2,533,186 and operating expenses of \$2,554,510 during 2019. The Authority also had \$30,133 in nonoperating revenues during 2019. This was a decrease of \$13,478 from nonoperating revenues during 2018.

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 2019?" 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.

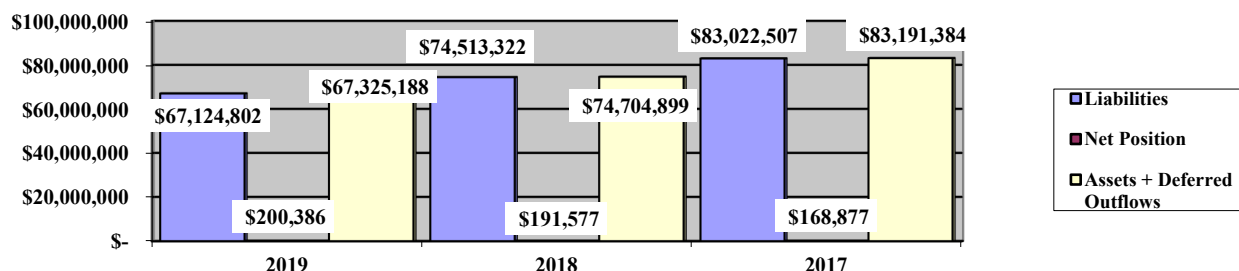
The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

The table below provides a summary of the Authority's net position at December 31, 2019, December 31, 2018, and December 31, 2017.

	Net Position		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Assets</u>			
Current assets	\$ 7,232,020	\$ 6,974,038	\$ 6,651,804
Noncurrent assets	<u>58,153,271</u>	<u>65,412,023</u>	<u>73,841,801</u>
Total assets	<u>65,385,291</u>	<u>72,386,061</u>	<u>80,493,605</u>
<u>Deferred Outflows of Resources</u>	<u>1,939,897</u>	<u>2,318,838</u>	<u>2,697,779</u>
<u>Liabilities</u>			
Current liabilities	7,226,113	6,955,842	6,708,908
Noncurrent liabilities	<u>59,898,689</u>	<u>67,557,480</u>	<u>76,313,599</u>
Total liabilities	<u>67,124,802</u>	<u>74,513,322</u>	<u>83,022,507</u>
<u>Net Position</u>			
Unrestricted	<u>200,386</u>	<u>191,577</u>	<u>168,877</u>
Total net position	<u>\$ 200,386</u>	<u>\$ 191,577</u>	<u>\$ 168,877</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2019, the Authority's assets plus deferred outflows of resources exceeded liabilities by \$200,386. Assets and liabilities of the Authority consist primarily of restricted cash and cash equivalents, a lease receivable 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, 2019, December 31, 2018, and December 31, 2017.



The table below shows the changes in net position for 2019, 2018, and 2017.

Change in Net Position

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Operating Revenues:</u>			
Lease payments	\$ 2,533,186	\$ 2,975,339	\$ 1,993,312
<u>Operating Expenses:</u>			
Interest expense	\$ 2,533,186	2,975,339	1,993,312
Accounting	17,350	15,028	14,630
Insurance	3,974	4,061	4,038
Legal	-	1,822	-
Total operating expenses	<u>2,554,510</u>	<u>2,996,250</u>	<u>2,011,980</u>
<u>Nonoperating Revenues (Expenses):</u>			
Investment income	20,978	43,611	117,164
Developer Contributions	9,155	-	-
Total nonoperating revenues (expenses)	<u>30,133</u>	<u>43,611</u>	<u>117,164</u>
Change in net position	8,809	22,700	98,496
Net position at the beginning of the year	<u>191,577</u>	<u>168,877</u>	<u>70,381</u>
Net position at the end of the year	<u>\$ 200,386</u>	<u>\$ 191,577</u>	<u>\$ 168,877</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 due to reduced interest expense resulting from principal payments on the 2012, 2014, and 2016 bonds. The decrease in investment income was the result of the Authority using bond proceeds for project development costs in 2018 and 2019.

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.

At December 31, 2019, the Authority had \$66,733,924 in bonds outstanding. Of this amount, \$6,999,588 is due in one year and \$59,734,336 is due in more than one year. The Authority had the following bonds outstanding at December 31, 2019, 2018, and 2017:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>Redevelopment Bonds:</u>			
2012 Refunding	14,755,000	17,355,000	19,835,000
2014 Refunding	19,090,000	21,750,000	24,285,000
2016 Series A	26,190,000	26,865,000	27,515,000
Premiums	<u>6,698,924</u>	<u>7,468,512</u>	<u>8,238,100</u>
Total bonds payable	<u>\$ 66,733,924</u>	<u>\$ 73,438,512</u>	<u>\$ 79,873,100</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, investors, 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, 2019 and 2018	
	<u>2019</u>	<u>2018</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,959	\$ 17,039
Accrued interest receivable	226,525	251,254
Prepaid assets	948	1,157
Lease receivable - Current portion (Note 4)	<u>6,999,588</u>	<u>6,704,588</u>
Total current assets	7,232,020	6,974,038
Noncurrent assets:		
Restricted assets - Cash and cash equivalents	358,832	996,937
Lease receivable (Note 4)	<u>57,794,439</u>	<u>64,415,086</u>
Total noncurrent assets	<u>58,153,271</u>	<u>65,412,023</u>
Total assets	65,385,291	72,386,061
Deferred Outflows of Resources - Deferred charges on refunding	1,939,897	2,318,838
Liabilities		
Current liabilities:		
Accrued interest payable	226,525	251,254
Bonds payable - Current portion (Note 5)	<u>6,999,588</u>	<u>6,704,588</u>
Total current liabilities	7,226,113	6,955,842
Noncurrent liabilities:		
Payable from restricted assets	164,353	823,556
Bonds payable (Note 5)	<u>59,734,336</u>	<u>66,733,924</u>
Total noncurrent liabilities	<u>59,898,689</u>	<u>67,557,480</u>
Total liabilities	<u>67,124,802</u>	<u>74,513,322</u>
Net Position - Unrestricted	<u><u>\$ 200,386</u></u>	<u><u>\$ 191,577</u></u>

The RiverSouth Authority

Statement of Revenue, Expenses, and Changes in Net Position

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Revenue - Lease revenue	\$ 2,533,186	\$ 2,975,339
Operating Expenses		
Interest expense	2,533,186	2,975,339
Accounting	17,350	15,028
Insurance	3,974	4,061
Legal	-	1,822
Total operating expenses	<u>2,554,510</u>	<u>2,996,250</u>
Operating Loss	(21,324)	(20,911)
Nonoperating Revenue		
Investment income	20,978	43,611
Developer contributions	9,155	-
Total nonoperating revenue	<u>30,133</u>	<u>43,611</u>
Change in Net Position	8,809	22,700
Net Position - Beginning of year	<u>191,577</u>	<u>168,877</u>
Net Position - End of year	<u><u>\$ 200,386</u></u>	<u><u>\$ 191,577</u></u>

Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows Used in Operating Activities - Cash payments for operating expenses	\$ (11,960)	\$ (20,123)
Cash Flows from Noncapital and Related Financing Activities		
Principal paid on debt	(5,935,000)	(5,665,000)
Interest paid on debt	(2,948,563)	(3,228,438)
Cash received from City of Columbus, Ohio for lease payments	<u>8,883,563</u>	<u>8,893,438</u>
Net cash and cash equivalents from noncapital and related financing activities	-	-
Cash Flows from Investing Activities		
Interest received on investments	20,978	43,611
Project development costs	<u>(659,203)</u>	<u>(3,822,993)</u>
Net cash and cash equivalents used in investing activities	<u>(638,225)</u>	<u>(3,779,382)</u>
Net Decrease in Cash and Cash Equivalents	(650,185)	(3,799,505)
Cash and Cash Equivalents - Beginning of year	<u>1,013,976</u>	<u>4,813,481</u>
Cash and Cash Equivalents - End of year	<u>\$ 363,791</u>	<u>\$ 1,013,976</u>
Classification of Cash and Cash Equivalents		
Cash	\$ 4,959	\$ 17,039
Restricted cash	<u>358,832</u>	<u>996,937</u>
Total cash and cash equivalents	<u>\$ 363,791</u>	<u>\$ 1,013,976</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (21,324)	\$ (20,911)
Adjustments to reconcile operating loss to net cash from operating activities:		
Developer contributions	9,155	-
Changes in assets and liabilities - Prepaid assets	<u>209</u>	<u>788</u>
Total adjustments	<u>9,364</u>	<u>788</u>
Net cash and cash equivalents used in operating activities	<u>\$ (11,960)</u>	<u>\$ (20,123)</u>

Note 1 - Organization

The RiverSouth Authority (the "Authority") is 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 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) standards. 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 standards.

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 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, 2019 and 2018

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 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. 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 GASB issued 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 December 31, 2020.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which simplifies accounting for interest cost incurred before the end of construction and requires those costs to be expensed in the period incurred. As a result, interest cost incurred before the end of a construction period will not be capitalized and included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement also reiterates that, in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of the standard will be applied prospectively and result in increased interest expense during periods of construction. The provisions of this statement are effective for the Authority's financial statements for the December 31, 2020 fiscal year.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*, which clarifies the existing definition of conduit debt, provides a single method of reporting conduit debt obligations by issuers, and eliminates diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. As a result, issuers should not recognize a liability for items meeting the definition of conduit debt; however, a liability should be recorded for additional or voluntary commitments to support debt service if certain recognition criteria are met. The standard also addresses the treatment of arrangements where capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by a third-party obligor. The requirements of the standard will be applied retrospectively and are effective for the Authority's financial statements for the December 31, 2021 fiscal year.

Note 3 - Cash and Cash Equivalents

At December 31, 2019 and 2018, the carrying amount of the Authority's cash and cash equivalents was \$363,791 and \$1,013,976, 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 2017, 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 and improvements made on the land that were financed by the 2016 bonds. 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 commenced 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 were capitalized as project development costs. As of December 31, 2018, the Authority had substantially completed the construction of the project, and a lease receivable was recognized in an amount approximating the bonds payable, including unamortized bond premium. Approximately \$164,000 and \$824,000 at December 31, 2019 and 2018, respectively, in unspent bond proceeds are committed to be spent on remaining construction of the project and have been recognized as a liability in the statement of net position.

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").

December 31, 2019 and 2018

Note 5 - Bonds Payable (Continued)

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.

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, 2019 and 2018 were as follows:

	2019				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Redevelopment bonds:					
2012 Refunding	\$ 17,355,000	\$ -	\$ (2,600,000)	\$ 14,755,000	\$ 2,730,000
2014 Refunding	21,750,000	-	(2,660,000)	19,090,000	2,795,000
2016 Series	26,865,000	-	(675,000)	26,190,000	705,000
Total principal outstanding	65,970,000	-	(5,935,000)	60,035,000	6,230,000
Unamortized bond premiums	7,468,512	-	(769,588)	6,698,924	769,588
Total bonds payable	<u>\$ 73,438,512</u>	<u>\$ -</u>	<u>\$ (6,704,588)</u>	<u>\$ 66,733,924</u>	<u>\$ 6,999,588</u>
	2018				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Redevelopment bonds:					
2012 Refunding	\$ 19,835,000	\$ -	\$ (2,480,000)	\$ 17,355,000	\$ 2,600,000
2014 Refunding	24,285,000	-	(2,535,000)	21,750,000	2,660,000
2016 Series	27,515,000	-	(650,000)	26,865,000	675,000
Total principal outstanding	71,635,000	-	(5,665,000)	65,970,000	5,935,000
Unamortized bond premiums	8,238,100	-	(769,588)	7,468,512	769,588
Total bonds payable	<u>\$ 79,873,100</u>	<u>\$ -</u>	<u>\$ (6,434,588)</u>	<u>\$ 73,438,512</u>	<u>\$ 6,704,588</u>

Note 5 - Bonds Payable (Continued)

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 was made on June 1, 2018.

Annual debt service requirements to maturity for the above bond obligations are as follows:

Years Ending December 31	Principal	Interest	Total
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	7,115,000	1,769,250	8,884,250
2024	7,480,000	1,409,250	8,889,250
2025-2029	8,575,000	4,321,375	12,896,375
2030-2034	6,235,000	2,980,600	9,215,600
2035-2039	7,585,000	1,630,200	9,215,200
2040-2041	3,480,000	210,200	3,690,200
Total	\$ 60,035,000	\$ 19,396,876	\$ 79,431,876

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 Series Bonds. Interest payments for all bonds are made on June 1 and December 1 of each year.

The Authority does not have any direct borrowing or direct placement debt. The Authority's debt agreements contain acceleration clauses that stipulate that, in the event of default, the principal of all bonds then outstanding (if not then due and payable) and any interest on those bonds shall become and be immediately due and payable.

Note 6 - Conduit Financing Program

Conduit financing represents 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 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, 2019 and 2018 was \$13,305,000 and \$14,430,000, 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, 2019 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 18, 2020.

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 18, 2020

OHIO AUDITOR OF STATE KEITH FABER



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
APRIL 21, 2020**