

# **The RiverSouth Authority**

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**Financial Report  
December 31, 2016**





# 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, 2016 through December 31, 2016. 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

June 9, 2017

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# The RiverSouth Authority

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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 basic financial statements of The RiverSouth Authority (the "Authority"), a component unit of the City of Columbus, as of and for the years ended December 31, 2016 and 2015, and the related notes to the basic 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 financial position of The RiverSouth Authority as of December 31, 2016 and 2015, and the changes in its financial 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

**Other Matters**

*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 April 10, 2017 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.

*Plantz & Moran, PLLC*

April 10, 2017

# **The RiverSouth Authority**

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## **Management's Discussion and Analysis**

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 ended December 31, 2016. 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 2016 are as follows:

- On September 1, the Authority issued \$27,515,000 of bonds in order to provide funding for land development and construction costs of a 600-space underground garage and recreational park for the City of Columbus.
- Total net position of the Authority was \$70,381 at December 31, 2016. This was a decrease of \$5,598 from the balance at December 31, 2015.
- The Authority had operating revenue of \$2,136,573 and operating expenses of \$2,155,849 during 2016. The Authority also had \$13,678 in nonoperating revenue during 2016.

### **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 the reader can understand the Authority's financial activities. The statement of net position and statement of revenue, 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 Revenue, 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 2016?" The statement of net position and the statement of revenue, expenses, and changes in net position answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenue, 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 revenue and expenses, regardless of when cash is received or paid.



# The RiverSouth Authority

## Management's Discussion and Analysis (Continued)

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, 2016, 2015, and 2014.

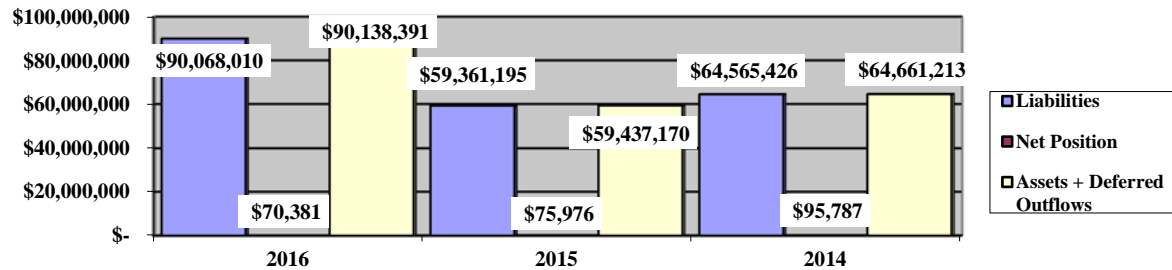
	<b>Net Position</b>		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>Assets</u></b>			
Current assets	\$ 5,819,258	\$ 5,505,985	\$ 5,506,049
Noncurrent assets	<u>81,242,413</u>	<u>50,475,528</u>	<u>55,320,562</u>
Total assets	87,061,671	55,981,513	60,826,611
<b><u>Deferred Outflows of Resources</u></b>	3,076,720	3,455,661	3,834,602
<b><u>Liabilities</u></b>			
Current liabilities	5,861,655	5,430,006	5,410,262
Noncurrent liabilities	<u>84,206,355</u>	<u>53,931,189</u>	<u>59,155,164</u>
Total liabilities	<u>90,068,010</u>	<u>59,361,195</u>	<u>64,565,426</u>
<b><u>Net Position</u></b>			
Unrestricted	<u>70,381</u>	<u>75,979</u>	<u>95,787</u>
Total net position	<u>\$ 70,381</u>	<u>\$ 75,979</u>	<u>\$ 95,787</u>

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2016, the Authority's assets plus deferred outflows of resources exceeded liabilities by \$70,381. Assets and liabilities of the Authority consist primarily of restricted cash and cash equivalents, a lease receivable, project development costs, and bonds payable. The increase in assets is due to the receipt of cash proceeds from bonds issued in 2016. The increase in liabilities is due to the issuance of bonds in 2016. Deferred outflows of resources consist of deferred charges on refunding for the Series 2012 and Series 2014 bonds.

# The RiverSouth Authority

## Management's Discussion and Analysis (Continued)

The chart below illustrates the Authority's assets, deferred outflows of resources, liabilities, and net position at December 31, 2016, 2015, and 2014.



The table below shows the changes in net position for 2016, 2015, and 2014.

### Change in Net Position

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>Operating Revenue</u></b>			
Lease payments	\$ 2,136,573	\$ 2,238,117	\$ 2,161,794
<b><u>Operating Expenses</u></b>			
Interest expense	\$ 2,136,573	2,238,117	1,838,101
Legal	-	-	5,664
Accounting	14,777	14,097	17,299
Insurance	4,499	4,962	4,901
Trustee	-	757	206
Other	-	15	-
Total operating expenses	<u>2,155,849</u>	<u>2,257,948</u>	<u>1,866,171</u>
<b><u>Nonoperating Revenue (Expenses)</u></b>			
Investment income	13,678	23	14
Bond issuance costs	-	-	(286,881)
Total nonoperating revenue (expenses)	<u>13,678</u>	<u>23</u>	<u>(286,867)</u>
Change in net position	(5,598)	(19,808)	8,756
Net position at the beginning of the year	<u>75,979</u>	<u>95,787</u>	<u>87,031</u>
Net position at the end of the year	<u>\$ 70,381</u>	<u>\$ 75,979</u>	<u>\$ 95,787</u>

# The RiverSouth Authority

## Management's Discussion and Analysis (Continued)

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 lag between the receipt of 2016 bond proceeds and payments related to the construction of a garage and park for the city.

### 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. The Authority refunded the remaining 2004 Series A and a portion of the 2005 Series A RiverSouth Area Redevelopment Bonds in 2014.

At December 31, 2016, the Authority had \$85,447,689 in bonds outstanding. Of this amount, \$5,574,588 is due in one year and \$79,873,101 is due in more than one year. The Authority had the following bonds outstanding at December 31, 2016, 2015, and 2014:

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>Redevelopment Bonds</u></b>			
2005 Series A	\$ -	\$ -	\$ 2,310,000
2012 Refunding	22,220,000	24,510,000	24,555,000
2014 Refunding	26,705,000	29,030,000	31,100,000
2016 Series A	27,515,000	-	
Premiums	9,007,689	5,615,164	6,357,596
Total bonds payable	<u>\$ 85,447,689</u>	<u>\$ 59,155,164</u>	<u>\$ 64,322,596</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, 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. Joe Schueler, Treasurer, The RiverSouth Authority, 150 S. Front St., Suite 210, Columbus, Ohio 43215.

# The RiverSouth Authority

## Statement of Net Position

	December 31, 2016	December 31, 2015
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 55,273	\$ 73,499
Accrued interest receivable	187,377	206,031
Prepaid assets	2,019	2,480
Lease receivable - Current portion	<u>5,574,589</u>	<u>5,223,975</u>
Total current assets	5,819,258	5,505,985
Noncurrent assets:		
Lease receivable	45,279,880	50,475,528
Project development costs	5,047,693	-
Restricted assets	<u>30,914,840</u>	<u>-</u>
Total assets	87,061,671	55,981,513
<b>Deferred Outflows of Resources - Deferred charge on refunding</b>	3,076,720	3,455,661
<b>Liabilities</b>		
Current liabilities:		
Accrued interest payable	287,066	206,031
Bonds payable - Current portion	<u>5,574,589</u>	<u>5,223,975</u>
Total current liabilities	5,861,655	5,430,006
Noncurrent liabilities:		
Payable from restricted assets	4,333,255	-
Bonds payable	<u>79,873,100</u>	<u>53,931,189</u>
Total liabilities	<u>90,068,010</u>	<u>59,361,195</u>
<b>Net Position - Unrestricted</b>	<u><u>\$ 70,381</u></u>	<u><u>\$ 75,979</u></u>

# The RiverSouth Authority

## Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended	
	December 31, 2016	December 31, 2015
<b>Operating Revenue</b> - Lease revenue	\$ 2,136,573	\$ 2,238,117
<b>Operating Expenses</b>		
Interest expense	2,136,573	2,238,117
Accounting	14,777	14,097
Insurance	4,499	4,962
Trustee	-	772
Total operating expenses	<u>2,155,849</u>	<u>2,257,948</u>
<b>Operating Loss</b>	(19,276)	(19,831)
<b>Nonoperating Revenue</b> - Investment income	<u>13,678</u>	<u>23</u>
<b>Change in Net Position</b>	(5,598)	(19,808)
<b>Net Position</b> - Beginning of year	<u>75,979</u>	<u>95,787</u>
<b>Net Position</b> - End of year	<u>\$ 70,381</u>	<u>\$ 75,979</u>

# The RiverSouth Authority

## Statement of Cash Flows

	Year Ended	
	December 31, 2016	December 31, 2015
<b>Cash Flows from Operating Activities</b> - Cash payments for operating expenses	\$ (18,815)	\$ (43,000)
<b>Cash Flows from Noncapital and Related Financing Activities</b>		
Cash received on issuance of bonds	31,557,102	-
Principal paid on debt	(4,615,000)	(4,425,000)
Interest paid on debt	(2,631,883)	(2,615,238)
Bond issuance costs	(449,331)	-
Cash received from City of Columbus for lease payments	7,040,863	7,040,238
Net cash provided by noncapital and related financing activities	30,901,751	-
<b>Cash Flows from Investing Activities</b> - Interest received	13,678	23
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	30,896,614	(42,977)
<b>Cash and Cash Equivalents</b> - Beginning of year	73,499	116,476
<b>Cash and Cash Equivalents</b> - End of year	<u>\$ 30,970,113</u>	<u>\$ 73,499</u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	\$ (19,276)	\$ (19,831)
Changes in assets and liabilities:		
Prepaid assets	461	-
Accounts payable	-	(23,169)
Net cash used in operating activities	<u>\$ (18,815)</u>	<u>\$ (43,000)</u>

# The RiverSouth Authority

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## Notes to Financial Statements December 31, 2016 and 2015

### Note I - Organization and Reporting Entity

#### Organization

The RiverSouth Authority (the "Authority") is a new community authority created by the City of Columbus (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 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.

#### 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.

# The RiverSouth Authority

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## Notes to Financial Statements December 31, 2016 and 2015

### Note 2 - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by The RiverSouth Authority:

#### **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.

##### **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.



### **Note 3 - Cash and Cash Equivalents**

At December 31, 2016 and 2015, the carrying amount of the Authority's cash and cash equivalents was \$30,970,113 and \$73,499, 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 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 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.

# The RiverSouth Authority

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## Notes to Financial Statements December 31, 2016 and 2015

### Note 4 - Lease Receivable (Continued)

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 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.

# The RiverSouth Authority

## Notes to Financial Statements December 31, 2016 and 2015

### 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, 2016 and 2015 were as follows:

	Beginning Balance January 1, 2016	Additions	Reductions	Ending Balance December 31, 2016	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 premium	5,615,164	4,042,102	(649,577)	9,007,689	769,589
Total bonds payable	<u>\$ 59,155,164</u>	<u>\$ 31,557,102</u>	<u>\$ (5,264,577)</u>	<u>\$ 85,447,689</u>	<u>\$ 5,574,589</u>
	Beginning Balance January 1, 2015	Additions	Reductions	Ending Balance December 31, 2015	Due Within One Year
Redevelopment Bonds:					
2005 Series A	\$ 2,310,000	\$ -	\$ (2,310,000)	\$ -	\$ -
2012 Refunding	24,555,000	-	(45,000)	24,510,000	2,290,000
2014 Refunding	31,100,000	-	(2,070,000)	29,030,000	2,325,000
Unamortized bond premium	6,357,596	-	(742,432)	5,615,164	608,975
Total bonds payable	<u>\$ 64,322,596</u>	<u>\$ -</u>	<u>\$ (5,167,432)</u>	<u>\$ 59,155,164</u>	<u>\$ 5,223,975</u>

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 December 1, 2007 and the first rental payment on the 2016 Lease from the City is scheduled to be made June 1, 2018.

# The RiverSouth Authority

## Notes to Financial Statements December 31, 2016 and 2015

### Note 5 - Bonds Payable (Continued)

Bond premiums for the outstanding bonds have been capitalized and will be amortized over the life of the bonds. Interest expense on the bonds accrues at rates as defined in the agreements ranging from 2.0 percent to 5.0 percent.

Principal and interest requirements to retire the Authority's outstanding debt at December 31, 2016 are as follows:

Year Ending December 31	Principal	Interest	Total
2017	\$ 4,805,000	\$ 3,435,613	\$ 8,240,613
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
2022-2026	26,845,000	7,172,325	34,017,325
2027-2031	5,485,000	3,732,500	9,217,500
2032-2036	6,740,000	2,471,800	9,211,800
2037-2041	8,210,000	1,011,200	9,221,200
Total	<u>\$ 76,440,000</u>	<u>\$ 29,009,490</u>	<u>\$ 105,449,490</u>

Principal payments are made 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 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 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, 2016 and 2015 is \$16,500,000.

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 basic financial statements of The RiverSouth Authority (the "Authority"), which comprise the basic statement of net position as of December 31, 2016, 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 April 10, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The RiverSouth 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.

To Management and the Board of Trustees  
The RiverSouth Authority

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The RiverSouth 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 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*

April 10, 2017



# 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  
JUNE 22, 2017