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STATE OF INDIANA

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June 10, 2014

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

We have reviewed the audit report prepared by Mountjoy Chilton Medley, LLP, Independent Public Accountants, for the period January 1, 2013 to December 31, 2013. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the River Ridge Development Authority, as of December 31, 2013 and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

STATE BOARD OF ACCOUNTS

River Ridge Development Authority

Report on Audits of Financial Statements

Years Ended December 31, 2013 and 2012

River Ridge Development Authority

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December 31, 2013 and 2012

CPAs & Advisors

Independent Auditor's Report

The Board of Directors
River Ridge Development Authority

Report on the Financial Statements

We have audited the accompanying financial statements of River Ridge Development Authority (the Authority), which comprise the statements of net position as of December 31, 2013 and 2012, and the statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditor's Report (Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2013 and 2012, and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Authority's financial statements as a whole. The supplementary information section is presented for purposes of additional analysis and is not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2014, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Monroe Shine Chilton Medley LLP

Jeffersonville, Indiana
April 14, 2014

As management of the River Ridge Development Authority (the "Authority"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the fiscal years ended December 31, 2013 and 2012.

Nature of Organization and Reporting Entity

The Authority was established in 1998 under the laws of the State of Indiana and an interlocal agreement between Clark County, the City of Charlestown, the City of Jeffersonville, the Town of Utica, and the Indiana Port Commission. The Authority was established for the purpose of accepting conveyance of the Indiana Army Ammunition Plant from the United States Army, managing and leasing the real estate and improvements of the Ammunition Plant, removing conditions of blight, and developing the Ammunition Plant into a commerce and industrial park.

Overview of the Financial Statements

This annual report consists of both the Management Discussion and Analysis and audited Financial Statements. The Financial Statements include notes that provide additional information relating to the Authority's financial condition. Readers are encouraged to read the notes to better understand the financial statements.

Required Financial Statements

The Statements of Net Position

The Statements of Net Position include all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to creditors (liabilities). It also includes deferred outflows of resources that represent the consumption of net position by the entity that is applicable to a future reporting period and deferred inflows of resources, which is an acquisition of net position by the government that is applicable to a future reporting period. The Statements of Net Position also provide the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the organization.

The Statements of Revenues, Expenses and Changes in Net Position

The Statements of Revenues, Expenses and Changes in Net Position identify the revenues generated and the expenses incurred during the fiscal year.

The Statements of Cash Flows

The Statements of Cash Flows provide information relating to the Authority's cash receipts and cash expenditures during the fiscal year. The statements report cash receipts, cash payments and net changes in cash resulting from operations, and provide answers to such questions as where did cash come from, what was cash used for and what was the change in the cash balance during the reporting period.

Required Financial Statements (Continued)

Table 1
Condensed Statements of Net Position

	2013	2012	Increase (Decrease)
Assets			
Current Assets	$ 4,345,087	$ 3,557,669	$ 787,418
Restricted Assets	3,682,414	3,521,020	161,394
Capital Assets, Net	11,572,827	10,783,699	789,128
Other Assets	4,264,151	4,487,067	(222,916)
Total Assets	$ 23,864,479	$ 22,349,455	$ 1,515,024
Liabilities			
Current Liabilities	$ 1,073,559	$ 1,046,481	$ 27,078
Other Liabilities	284,898	150,465	134,433
Long-Term Debt	10,896,508	11,496,990	(600,482)
Total Liabilities	12,254,965	12,693,936	(438,971)
Investment in Capital Assets	4,406,346	4,004,855	401,491
Unrestricted	7,203,168	5,650,664	1,552,504
Total Net Position	$ 11,609,514	$ 9,655,519	$ 1,953,995

Total assets increased by $1,515,024 in 2013, in part due to an increase in current assets of $787,418. The primary factor in the increase in current assets is the continued receipt of bond funds. The primary increase in net capital assets resulted from infrastructure improvements. An additional factor in the overall total asset increase is a result of cash proceeds received from land sales. Other assets decreased mainly due to the decrease in real estate held for sale.

The land sales in 2013 were transactions between the Authority and six private entities. River Ridge Four purchased 2.544 acres for $100,000; River Ridge Five purchased 24.99 acres for $949,620; American Fuji Seal purchased 23.002 acres for $1,035,090; Catamaran LLC purchased 14.03 acres for $586,350; Seven Development purchased 2.0 acres for $240,000; Duke Energy purchased 3.979 acres for $139,265.

Required Financial Statements (Continued)

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

	2013	2012	Increase (Decrease)
Total Revenues, including nonoperating revenues	$ 6,492,777	$ 7,176,869	$ (684,092)
Total Expenses	4,538,782	4,746,217	(207,435)
Changes in Net Position	$ 1,953,995	$ 2,430,652	$ (476,657)

- Total revenues decreased by $684,092 in 2013 primarily due to a reduction in grant income. The grant income from 2012 was primarily the result of a grant received from the Indiana Department of Transportation for road improvements to locate Amazon Fulfillment to the commerce center.

- During 2013, economic activity has continued to increase; both in terms of capital investments and job growth, as evidenced by the major investment Amazon Fulfillment, American Fuji Seal, Catamaran, and the Standard Register Company made at the park. Industrial prospects are continuing to consider River Ridge for investment and the amount of inquiries in 2013 far outpaced the preceding three years.

- The Authority's rent revenues decreased slightly by $22,679.

- Operating expenses as compared to 2012 decreased primarily due to a slight decrease in development activities. Other expenses were generally within budgeted amounts.

Future Operations

The Authority anticipates an increase in land sales for 2014 based on activities occurring during the last quarter of 2013. Non-operating revenues are expected to increase as the result of a pending Economic Development Administration grant. Additional increases in Tax Increment Financing (TIF) and Urban Enterprise Zone (UEZ) revenues are expected in 2014 due to new assessments of recent private investments by developers and new tenants.

Our emphasis will continue to be site development and infrastructure improvements required to support future projects and private investments. Significant on-site infrastructure and road improvements were completed in 2013, with additional projects slated for 2014. With the Ohio River Bridges Project under construction, and the recent announcement of a heavy haul-road transportation corridor linking the park to the Port of Indiana-Jeffersonville by late 2016, River Ridge is well positioned for future growth. It is anticipated that completed internal and external infrastructure improvements will greatly enhance the quality and overall marketability of the River Ridge Commerce Center.

Requests for Additional Information

This report is intended to provide readers with a general overview of the Authority's finances and to provide information regarding the receipts and uses of funds. If you need clarification regarding a statement(s) made in the report or need additional information, please contact the office of River Ridge Development Authority.

River Ridge Development Authority
Statements of Net Position
December 31, 2013 and 2012

	2013	2012
Assets		
Current Assets		
Cash	$ 4,119,865	$ 3,331,227
Accounts receivable - tenants	4,300	1,950
Accounts receivable - Urban Enterprise Zone	-	9,000
Grant receivable	89,251	112,763
Interest rebate receivable	80,140	84,256
Prepaid expenses	51,531	18,473
Total Current Assets	4,345,087	3,557,669
Restricted Assets		
Cash and cash equivalents - security deposits	49,898	51,665
Cash and cash equivalents - escrow deposits	235,000	98,800
Cash and cash equivalents - bond reserve funds	800,000	800,000
Cash and cash equivalents - Army repayment reserve funds	2,597,516	2,570,555
Total Restricted Assets	3,682,414	3,521,020
Capital Assets		
Equipment	577,597	432,013
Vehicles	190,498	173,248
Infrastructure	12,525,578	11,286,572
	13,293,673	11,891,833
Less accumulated depreciation	(1,720,846)	(1,108,134)
Capital Assets, Net	11,572,827	10,783,699
Other Assets		
Army credit	-	4,283
Real estate available for sale	4,264,151	4,482,784
Total Other Assets	4,264,151	4,487,067
Total Assets	$ 23,864,479	$ 22,349,455

River Ridge Development Authority
Statements of Net Position (Continued)
December 31, 2013 and 2012

	2013	2012
Liabilities		
Current Liabilities		
Current portion of bonds payable	$ 410,000	$ 390,000
Accounts payable and accruals	365,305	328,382
Bond interest payable	206,375	216,938
Advanced rental payments	32,509	58,931
Accrued compensated absences	59,370	52,230
Total Current Liabilities	1,073,559	1,046,481
Other Liabilities (Payable From Restricted Assets)		
Security deposits	49,898	51,665
Escrow deposits	235,000	98,800
Total Other Liabilities	284,898	150,465
Long - Term Debt		
Unearned rental revenue	103,175	240,755
Bonds payable	7,210,000	7,620,000
Payable to United States Army	3,583,333	3,636,235
Total Long - term Debt	10,896,508	11,496,990
Total Liabilities	12,254,965	12,693,936
Net Position		
Net investment in capital assets	4,406,346	4,004,855
Unrestricted	7,203,168	5,650,664
Total Net Position	$ 11,609,514	$ 9,655,519

See accompanying notes.

River Ridge Development Authority
Statements of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2013 and 2012

	2013	2012
Operating Revenues		
Rental income	$ 1,280,638	$ 1,303,317
Rental income River Ridge property	168,211	224,115
Equipment rental	10,880	10,667
Urban Enterprise Zone income	1,043,427	1,042,823
Tax Increment Financing income	761,403	293,688
Recycling and scrap sale income	11,855	423,279
Grant income	67,733	1,121,851
Intergovernmental match revenue	-	370,000
Land proceeds, net	2,624,769	1,908,060
Water sales	149,255	153,496
Total Operating Revenues	6,118,171	6,851,296
Operating Expenses		
Payroll	902,153	806,083
Employee benefits	219,671	185,467
Payroll taxes	67,149	61,187
Redevelopment expenses	706,779	1,558,060
Road and ground maintenance	129,241	111,421
Sewage expenses	-	37,850
Depreciation expense	628,144	364,979
Legal fees	160,638	64,959
Insurance	95,299	89,462
Marketing	172,878	127,228
Office equipment and supplies	31,056	31,316
Professional fees	27,577	36,068
Rental expense	62,422	62,225
Security	242,291	244,937
Training expense	5,979	3,650
Travel	27,321	29,885
Utilities	40,248	33,322
Water supplies and contract	255,975	150,664
Environmental monitoring	219,919	60,518
Army operational expenses	33,784	94,473
Employee recruitment	5,055	4,078
TIF administration	-	9,068
Settlement expense	-	50,000
Interest expense	503,912	529,317
Total Operating Expenses	4,538,782	4,746,217
Operating Income	1,579,389	2,105,079
Nonoperating Revenues		
Interest income	305,928	322,317
Other income	72,933	3,256
Loss on disposal of capital asset	(4,255)	-
Total Nonoperating Revenues	374,606	325,573
Changes in Net Position	1,953,995	2,430,652
Net Position, Beginning of Year	9,655,519	7,224,867
Net Position, End of Year	$ 11,609,514	$ 9,655,519

See accompanying notes.

River Ridge Development Authority
Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities		
Cash received from tenant, land sales, and others	$ 5,003,200	$ 4,537,225
Cash paid to suppliers, employees, and others	(3,827,532)	(3,970,316)
Urban Enterprise Zone income received	1,043,427	1,042,823
Interest received	305,928	322,317
Grant received	(63,629)	1,009,088
Net Cash Provided by Operating Activities	2,461,394	2,941,137
Cash Flows from Investing Activates		
Transfer to Reserve fund for Army repayment	(26,962)	(2,570,555)
Sale (Purchase) of real estate available for sale	425,556	(706,296)
Purchases of capital assets	(1,653,450)	(2,871,318)
Proceeds from sale of capital assets	25,000	-
Net Cash Used by Investing Activities	(1,229,856)	(6,148,169)
Cash Flows from Financing Activities		
Payment on bonds	(390,000)	(490,000)
Payment to United States Army	(52,900)	-
Net Cash Used by Financing Activities	(442,900)	(490,000)
Net Decrease in Cash	788,638	(3,697,032)
Cash and Cash Equivalents, Beginning of Year	3,331,227	7,028,259
Cash and Cash Equivalents, End of year	$ 4,119,865	$ 3,331,227
Reconciliation of Change in Net Position to Net Cash Provided by Operating Activities:		
Change in net assets	$ 1,953,995	$ 2,430,652
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense	628,143	364,979
Army credit deferred income	(137,580)	(137,580)
Loss on sale of capital assets	4,255	-
(Increase) decrease in:		
Accounts receivable - tenants	(2,350)	(545)
Accounts receivable - Urban Enterprise Zone	9,000	(9,000)
Grant receivable	23,512	(112,763)
Interest rebate receivable	4,116	5,146
Prepaid expenses	(33,058)	3,557
Security deposit asset	1,767	6,008
Escrow deposit asset	(136,200)	271,200
Army credits	4,283	805,701
Increase (decrease) in:		
Accounts payable	36,923	(391,206)
Bond interest payable	(10,563)	(13,270)
Advanced rental payments	(26,422)	(10,674)
Accrued compensated absences	7,140	6,140
Security deposit liability	(1,767)	(6,008)
Escrow deposit liability	136,200	(271,200)
Net Cash Provided by Operating Activities	$ 2,461,394	$ 2,941,137
Supplemental Schedule of Noncash Investing and Financing Activities		
Purchase of real estate available for sale		
Cost of real estate purchased for sale	$ -	$ (1,210,282)
Army credits used to purchase real estate	-	695,990
Purchase of capital assets	-	(514,292)

See accompanying notes.

Note A - Nature of Operations

River Ridge Development Authority (the "Authority") was established in 1998 under the laws of the State of Indiana and an interlocal agreement between Clark County, the City of Charlestown, the City of Jeffersonville, the Town of Utica and the Indiana Port Commission. The Authority was established for the purpose of accepting conveyance of the Indiana Army Ammunition Plant from the United States Army, managing and leasing the real estate and improvements of the Ammunition Plant, removing conditions of blight, and developing the Ammunition Plant into a commerce and industrial park.

Note B - Summary of Significant Accounting Policies

This summary of significant accounting policies of the Authority is presented to assist in understanding the Authority's financial statements. The financial statements and notes are representations of the Authority's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America ("GAAP") and have been consistently applied in the preparation of the financial statements. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

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

2. Basis of Presentation: These financial statements present the Authority (primary government). There are no other component units which require inclusion. All of the Authority's programs are accounted for as one business-type activity for financial reporting purposes. This financial statement presentation provides an indication of the financial performance of the Authority as a whole. Enterprise designations are used to account for activities if any of the following criteria applies: (a) The activity is financed with debt that is solely secured by pledge of the net revenues from fees and charges of the activity; (b) laws or regulations that require that the activity's costs of providing services be recovered with fees and charges rather than taxes or similar revenues; or (c) the pricing policies of the activity establish fees and charges designated to recover its costs.

3. Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities, if any) at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. Cash Equivalents: The Authority considers all short-term investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents at December 31, 2013 and 2012.

5. Accounts Receivable: Accounts receivable consists of amounts due from tenants for monthly lease income. The Authority uses the allowance for bad debts method of valuing doubtful accounts receivable, which is based on historical experience, coupled with a review of the current status of existing receivables. Management has determined no allowance was required at December 31, 2013 and 2012.

Note B - Summary of Significant Accounting Policies (Continued)

6. Capital Assets: Capital assets are recorded at cost. Maintenance and repairs are charged to expense as incurred; major renewals or betterments are capitalized. Gain or loss on retirements or dispositions of assets is charged to operations, and respective costs and accumulated depreciation are eliminated from the accounts.

   Depreciation is provided on the estimated useful lives of the assets using the straight-line method. The estimated useful lives are 5 to 7 years for office equipment, 7 to 10 years for furniture and fixtures, 5 years for vehicles, and 20 years for infrastructure.

   Public domain (infrastructure) capital assets consisting of the development of roads, bridges, curbs, gutters, streets, sidewalks, drainage systems, and lighting systems on land that has not been deeded to the Authority are not capitalized, as these assets are included as documented costs per the master lease agreement (See Note L). Documented costs are used to offset the rental income received by the Authority and due to the United States Army.

7. Revenue Recognition: The Authority recognizes revenue when earned and not when received. Advanced and unearned rentals arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period.

8. Subsequent Events: The Authority has evaluated events and transactions for potential recognition or disclosure through the date of the Independent Auditor's Report, the date the financial statements were available to be issued.

Note C - Grant Receivable

During 2012, the Authority was granted approximately $2.7 million to use for improvements along State Road 62 of which approximately $30,000 was recognized as revenue in prior year. This grant required a 20% local match totaling approximately $700,000 for a total project cost of approximately $3.5 million. At December 31, 2013 and 2012, the Authority has a receivable from the grant in the amount of $89,251 and $112,763, respectively, for reimbursement of expenses. Management has determined no allowance was required at December 31, 2013 and 2012.

Note D - Restricted Assets

Security deposits total $49,898 and $51,665 at December 31, 2013 and 2012, respectively, and represent deposits made by tenants for the property leased from the Authority.

Restricted escrow deposits consist of earnest money totaling $235,000 and $98,800 at December 31, 2013 and 2012, respectively. The Authority received this money for a possible real estate transaction.

In prior year, the Board passed a resolution to establish a designated reserve fund for the United States Army repayment. The Authority is scheduled to begin repayment of approximately $3.6 million to the United States Army beginning in 2015. At December 31, 2013, the balance of this reserve account was $2,597,516.

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

Note E - Capital Assets

The following is a summary of the capital assets activity during the years ended December 31, 2013 and 2012:

	Balance at 12/31/2012	Additions	Dispositions	Balance at 12/31/2013
Office equipment	$ 432,013	$ 190,271	$ (44,687)	$ 577,597
Vehicles	173,248	17,250	-	190,498
Infrastructure	11,286,572	1,445,929	(206,923)	12,525,578
	11,891,833	1,653,450	(251,610)	13,293,673
Accumulated depreciation	(1,108,134)	(628,143)	15,431	(1,720,846)
Total, net	$ 10,783,699	$ 1,025,307	$ (236,179)	$ 11,572,827

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

Depreciation expense was $628,143 and $364,979 for the years ended December 31, 2013 and 2012, respectively.

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

On June 6, 2005, August 24, 2006, July 2, 2009, September 10, 2010, November 17, 2011 and August 10, 2012 through quitclaim deeds, the United States of America, acting by and through the Deputy Assistant Secretary of the Army, entered into agreements with the Authority to deed land to the Authority. The agreements state that in accordance with the Federal Act, the Authority shall pay to the Army a monetary consideration for conveyance of the property to the Authority (the "Conveyance Consideration") as agreed upon in the deed agreements.

According to the agreements, the Conveyance Consideration shall be paid to the United States of America no later than ten years after the date of conveyance of the property. The Authority is currently making improvements to the land and holding it available for sale to the extent the property is not subject to prior lease by the Authority. A breakdown of real estate conveyed and available for sale is on the following page.

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

Year Conveyed	Number of Acres	Acquisition Price Per Acre	Original Purchase Price	Year Sold	Acres Sold	RRDA Required Payment	Repaid with Credits	Acres Remaining	Inventory Cost Remaining	Payable to U.S. Army
2005	24.00	$1,093	$ 26,232	2006	24.00	$ 26,232	$ -	-	$ -	$ -
2005	36.40	$1,131	41,168	2006	12.46	15,002				
				2007	1.51	1,708		22.43	24,458	24,458
2005	2,083.00	$1,122	2,337,126	2007	30.44	34,154				
				2008	26.15	30,383				
				2009	27.71	31,087				
				2012	11.96	-	13,419			
				2013	32.70	28,124	4,283	1,954.04	2,195,679	2,195,676
2005	182.22	$1,131	206,091	2006	68.84	77,858				
				2010	1.42	1,609				
				2011	2.00	2,262		109.96	122,100	124,362
2006	577.63	$1,167	674,094	2007	91.96	107,312				
				2010	19.90	23,206				
				2011	3.44	-	4,016			
				2012	47.60	-	55,014			
				2013	21.49	24,776		393.26	459,770	459,770
2009	143.77	$1,219	175,256	2013	3.98	4,966		139.79	170,290	170,290
2010	82.85	$1,317	126,516	2012	20.00	-	30,800	62.85	95,716	95,716
2011	246.71	$1,608	396,709	2012	0.13		10,478			
				2013	10.38	16,232		236.20	382,565	369,999
2012	86.97	$1,352	117,583		-	-		86.97	117,583	117,583
	417.26	$1,668	695,990		-	-	695,990	417.26	695,990	-
	3,880.81				458.05			3,422.76	4,264,151	3,557,854
								Payable on Sold Property		25,479
Purchased from the United States Army			4,796,765			424,911	814,000			
					Payable to United States Army at 12/31/2013					$ 3,583,333
2011	2.00	$70,128	140,255	2013	2.00					
Purchased from other than United States Army			140,255							
Total Real Estate Purchased			$ 4,937,020		Real estate available for sale at 12/31/2013				$ 4,264,151	

Note G - Bonds Payable

The Authority obtained financing for future infrastructure improvements planned at River Ridge Commerce Center through a bond issuance of $8,500,000 (Build America Bonds (BAB) $5,240,000 and Recovery Zone Economic Development Bonds (RZB) $3,260,000). The bonds were issued December 29, 2010 and mature February 1, 2026. The bonds have an interest rate of 6.5%. Interest is payable semiannually and payments began on August 1, 2011. Semiannual bond principal payments began February 1, 2012. Accrued interest payable at December 31, 2013 and 2012 was $206,375 and $216,938, respectively.

Note G - Bonds Payable (Continued)

The bond payable balance at December 31, 2013 and 2012 is as follows:

	12/31/2013	12/31/2012
Total Bonds Payable	$ 7,620,000	$ 8,010,000
Less current portion	(410,000)	(390,000)
Long-term Portion	$ 7,210,000	$ 7,620,000

As of December 31, 2013, bonds mature as follows:

2014	$ 410,000
2015	430,000
2016	475,000
2017	495,000
2018	510,000
Thereafter	5,300,000
Total	$ 7,620,000

These bonds entitle the Authority to a semi-annual rebate on their interest costs. The total amount of interest rebate received for the years ended December 31, 2013 and 2012, was $193,695 and $218,334, respectively. At December 31, 2013 and 2012, the interest rebate receivable was $80,140 and $84,256, respectively.

Note H - Short-Term Bank Borrowings

The Authority has a line of credit with Your Community Bank, which expires in June 2014. At December 31, 2013 and 2012, no amount was outstanding on this line of credit. The line of credit bears interest at prime with a floor of 4.0% per annum. The interest rate at December 31, 2013 was 4.0%. Under this line of credit agreement, the Authority can borrow up to a maximum of $1,500,000. During 2012, the Authority established an additional $120,000 line of credit at Your Community Bank, which expires in May 2014. The line of credit bears interest at 4.0%. There was no outstanding balance at December 31, 2013 and 2012.

Note I - Advanced Rental Payments

The Authority recognizes rent received by tenants for future periods as "Advanced rental payments" on the Statements of Net Position. The liability for "Advanced rental payments" at December 31, 2013 and 2012, was $32,509 and $58,931, respectively.

Note J - Compensated Absences

The Authority employees earn paid time off (sick/vacation) at a rate of 18 to 22 days per year based upon the number of years of service. Employees may carry unused time until the accumulated paid time off balance equals two times the annual paid time off. At December 31, 2013 and 2012, accrued compensated absences were $59,370 and $52,230, respectively.

Note K - Rental Income Under Operating Leases

The Authority leases land, buildings, and equipment of the Ammunition Plant to various entities. The leases vary in amounts and maturity dates. Certain lease agreements are structured to include scheduled and specified rent increases over the lease term. Future minimum rental payments to be received are as follows:

2014	$	603,392
2015		346,625
2016		255,975
2017		215,975
2018		14,175

Note L - Operating Leases

In May 2003, the Authority and United States Department of the Army executed a master lease agreement for a term of twenty-five years ending in April 2028, with an option to renew for one additional twenty-five year period pending certain provisions. The original lease consisted of approximately 5,904 acres located in Clark County, Indiana. The Army has subsequently conveyed to the Authority various parcels of acreage at agreed upon prices. This property is part of the Real Estate available for sale and payable to the Army as discussed in Note F.

Consideration for the original lease was based on the fair market rental value. This value was based on Government appraisals and includes the value of those facilities occupied by existing tenants. The parties originally agreed the total value of the property under lease was $1,723,998 at the date the master lease was signed. The Army has agreed that all documented costs, which are directly related to improvement, operation, maintenance, protection, and repair of the Ammunition Plant, will offset rents due the Army under the lease. In the event that documented costs exceed rent, the costs will be carried over to future years. In the event that rent exceeds documented costs, the Army may request excess rent to be paid to the Army based upon the terms of the master lease agreement. As of December 31, 2013, management believes the Authority had incurred cumulative documented costs greater than the rent obligation and therefore no payments for rent were required to be recognized in the financial statements at this time.

Additionally, the Authority leases office space from an unrelated party. The lease expires in December 2014. Lease expense under this lease was $62,422 and $62,225 for the years ended December 31, 2013 and 2012, respectively. Future minimum lease payments under this operating lease are expected to be approximately $62,000 for the year ended December 31, 2014.

Note M - Defined Contribution Plan

The Authority has established a 401(a) retirement plan for all eligible employees. All employees are eligible upon the beginning of their employment. Employer contributions to the Plan are based upon 6% of each eligible employee's compensation. Contributions to the Plan totaled $53,965 and $44,740 for the years ended December 31, 2013 and 2012, respectively. These amounts are included in employee benefits in the Statements of Revenues, Expenses and Changes in Net Position.

Note N - Cash and Cash Held For Restricted Deposits

Cash deposits made in accordance with IC 5-13 with financial institutions in the State of Indiana were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution. Therefore, all cash values are considered secured.

The carrying value of cash including restricted deposits at December 31, 2013 and 2012 was $7,802,279 and $6,852,247, respectively. The bank balance at December 31, 2013 and 2012 was $7,866,973 and $6,885,763, respectively.

Note O - Major Customers

Approximately $431,000 (36%) and $850,000 (62%) of the Authority's rental income for 2013 and 2012, respectively, was generated from two customers.

Note P - Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters. These risks are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage. There were no significant reductions in insurance coverage by major category of risk.

In January 2005, the Board Members of the Authority voted to purchase an environmental liability insurance policy for approximately $1,000,000. This policy was purchased in May 2005 and provides coverage for the lesser of the earliest of ten years or $25,000,000 in payouts. The policy premiums are non-refundable. This policy will protect the Authority from claims of property damage or personal injury and provide funds for the Authority's defense in case of a lawsuit. The Authority determined the insurance was necessary after a review of its master lease with the Department of Defense by environmental attorneys. There have been no payouts through December 31, 2013 under this policy.

Although the Department of Defense is required to clean up environmental contamination and hazardous substances at the site, the timing of the cleanup is based upon available funds. In addition, the Department of Defense does not cover property damage or personal injury claims which could arise due to environmental contamination.

Note Q - Environmental Remediation

The Department of Defense is responsible for any environmental remediation of designated areas as defined in the master lease agreement with River Ridge Development Authority. Therefore, no accrual is necessary for environmental issues.

Note R - Commitments

On July 28, 2010, the Authority entered into a four-year contract with Louisville Water Company ("LWC"), whereby LWC would provide the Authority with various operational and maintenance related needs of the water treatment, pumping and storage facilities. The Authority agreed to pay a total of $212,351 during the four-year contract period ($4,424 monthly) for the services. The total paid to LWC was $53,088 for the years ended December 31, 2013 and 2012.

In the current year, the Authority entered into a Development Obligation with American Fuji Steel for improvements to International Drive consisting of sidewalk repair and sewer and water main extensions.

Note S - Litigation

The Authority is subject to various legal actions and general asserted and unasserted claims arising in the ordinary course of its business. Litigation is subject to many uncertainties; the outcome of individual litigated matters is not predictable with assurance. Should any legal action occur the Authority would defend itself vigorously against any claims.

Supplementary Information

River Ridge Development Authority
Tax Increment Bonds of 2010, Series A
Build America Bonds - Amortization Schedule
December 31, 2013

Date	Principal	Interest Rate	Interest	Period Total	Fiscal Total
2/1/2014	$ 125,000	6.5%	$ 152,750	$ 277,750	
8/1/2014	130,000	6.5%	148,687	278,687	$ 556,437
2/1/2015	130,000	6.5%	144,462	274,462	
8/1/2015	135,000	6.5%	140,238	275,238	549,700
2/1/2016	145,000	6.5%	135,850	280,850	
8/1/2016	150,000	6.5%	131,138	281,138	561,988
2/1/2017	150,000	6.5%	126,262	276,262	
8/1/2017	155,000	6.5%	121,387	276,387	552,649
2/1/2018	160,000	6.5%	116,350	276,350	
8/1/2018	170,000	6.5%	111,150	281,150	557,500
2/1/2019	170,000	6.5%	105,625	275,625	
8/1/2019	180,000	6.5%	100,100	280,100	555,725
2/1/2020	180,000	6.5%	94,250	274,250	
8/1/2020	195,000	6.5%	88,400	283,400	557,650
2/1/2021	190,000	6.5%	82,063	272,063	
8/1/2021	205,000	6.5%	75,887	280,887	552,950
2/1/2022	205,000	6.5%	69,225	274,225	
8/1/2022	215,000	6.5%	62,562	277,562	551,787
2/1/2023	220,000	6.5%	55,575	275,575	
8/1/2023	230,000	6.5%	48,425	278,425	554,000
2/1/2024	235,000	6.5%	40,950	275,950	
8/1/2024	245,000	6.5%	33,312	278,312	554,262
2/1/2025	250,000	6.5%	25,350	275,350	
8/1/2025	265,000	6.5%	17,225	282,225	557,575
2/1/2026	265,000	6.5%	8,613	273,613	273,613
	$ 4,700,000		$ 2,235,836	$ 6,935,836	$ 6,935,836

River Ridge Development Authority
Tax Increment Bonds of 2010, Series B
Recovery Zone Economic Development Bonds - Amortization Schedule
December 31, 2013

Date	Principal	Interest Rate	Interest	Period Total	Fiscal Total
2/1/2014	$ 75,000	6.5%	$ 94,900	$ 169,900	
8/1/2014	80,000	6.5%	92,463	172,463	$ 342,363
2/1/2015	80,000	6.5%	89,862	169,862	
8/1/2015	85,000	6.5%	87,262	172,262	342,124
2/1/2016	90,000	6.5%	84,500	174,500	
8/1/2016	90,000	6.5%	81,575	171,575	346,075
2/1/2017	95,000	6.5%	78,650	173,650	
8/1/2017	95,000	6.5%	75,563	170,563	344,213
2/1/2018	100,000	6.5%	72,475	172,475	
8/1/2018	105,000	6.5%	69,225	174,225	346,700
2/1/2019	105,000	6.5%	65,813	170,813	
8/1/2019	110,000	6.5%	62,400	172,400	343,213
2/1/2020	115,000	6.5%	58,825	173,825	
8/1/2020	115,000	6.5%	55,088	170,088	343,913
2/1/2021	125,000	6.5%	51,350	176,350	
8/1/2021	125,000	6.5%	47,287	172,287	348,637
2/1/2022	130,000	6.5%	43,225	173,225	
8/1/2022	135,000	6.5%	39,000	174,000	347,225
2/1/2023	135,000	6.5%	34,612	169,612	
8/1/2023	145,000	6.5%	30,225	175,225	344,837
2/1/2024	145,000	6.5%	25,512	170,512	
8/1/2024	155,000	6.5%	20,800	175,800	346,312
2/1/2025	155,000	6.5%	15,762	170,762	
8/1/2025	165,000	6.5%	10,725	175,725	346,487
2/1/2026	165,000	6.5%	5,362	170,362	170,362
	$ 2,920,000		$ 1,392,461	$ 4,312,461	$ 4,312,461

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
River Ridge Development Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of River Ridge Development Authority (the "Authority") which comprise the statements of net position as of December 31, 2013 and 2012, and the statement of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated April 14, 2014.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Mountjoy Chilton Medley LLP

Jeffersonville, Indiana
April 14, 2014