

The RiverSouth Authority

**Financial Report
with Independent Auditor's Report
December 31, 2013**



Dave Yost • Auditor of State

Board of Trustees
The RiverSouth Authority
4140 Stargrass Court
Hilliard, Ohio 43026

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, 2013 through December 31, 2013. 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 black ink that reads "Dave Yost".

Dave Yost
Auditor of State

May 15, 2014

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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 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, 2013 and 2012 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.

To the Board of Trustees
The RiverSouth Authority

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the The RiverSouth Authority as of December 31, 2013 and 2012 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.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as identified on pages 3-6, 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 25, 2014 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.

Alante & Morse, PLLC

March 25, 2014

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") represents a discussion and analysis of the Authority's financial performance during the fiscal years ended December 31, 2013, 2012, and 2011 and should be read in conjunction with the Authority's financial statements, which follow this section.

Highlights

- The Authority was created as a new community authority pursuant to Section 349 of the Ohio Revised Code after the City of Columbus (the "City") accepted the petition submitted by the Columbus Downtown Development Corporation (the "Developer"), acting as developer.
- The Authority refunded a portion of the 2004 Series A, RiverSouth Area Redevelopment Bonds in May 2012 which resulted in net present value savings of \$1.8 million. The percentage savings of refunded bonds was 7.39 percent.
- The City of Columbus makes lease payments to the Authority, as identified in the various lease agreements between the Authority and the City, in an amount sufficient to pay debt service on all bonds.
- In 2012 the Authority adopted provisions of Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

Overview of the Financial Statements

The Authority accounts for all transactions under a single enterprise fund and the financial statements are prepared using proprietary fund accounting. Under this method of accounting, an economic resources measurement focus and an accrual basis of accounting are used. Revenue is recorded when earned and expenses are recorded when incurred. The financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and a Statement of Cash Flows. These are followed by notes to the financial statements.

The Statement of Net Position presents information on the assets, deferred outflows and liabilities with the difference between the sum of the assets and deferred outflows and the total liabilities reported as net position.

The Statement of Revenues, Expenses and Changes in Net Position reports the operating revenues and expenses and non-operating revenue and expenses of the Authority for the fiscal year to determine the change in net position for the fiscal year.

The Statement of Cash Flows reports cash and cash equivalent activities for the fiscal year resulting from operating activities, capital and related financing activities and investing activities. The net result of these activities added to the beginning of the year's cash and cash equivalents balance reconciles to the cash and cash equivalents balance at the end of the current fiscal year.

The Notes to the Financial Statements are an integral part of the financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Financial Position

The following summarizes the Authority's financial position as of December 31, 2013, 2012, and 2011:

	<u>2013</u>	<u>2012</u>	<u>2011</u> (Restated)
Assets:			
Current assets	\$ 4,801,470	4,564,067	4,210,358
Other noncurrent assets	<u>61,177,213</u>	<u>65,700,297</u>	<u>70,334,438</u>
Total assets	<u>65,978,683</u>	<u>70,264,364</u>	<u>74,544,796</u>
Deferred Outflows:			
Deferred Charge on Refunding	\$ <u>2,460,448</u>	<u>2,685,833</u>	<u>-</u>
Total deferred outflows	<u>2,460,448</u>	<u>2,685,833</u>	<u>-</u>
Liabilities:			
Current liabilities	4,931,381	4,752,497	4,333,702
Noncurrent liabilities	<u>63,420,719</u>	<u>68,206,940</u>	<u>70,446,647</u>
Total liabilities	<u>68,352,100</u>	<u>72,959,437</u>	<u>74,780,349</u>
Net Position:			
Unrestricted	<u>87,031</u>	<u>(9,240)</u>	<u>(235,553)</u>
Total net position	\$ <u>87,031</u>	<u>(9,240)</u>	<u>(235,553)</u>

Assets

Accumulated interest earnings from bond proceeds from the 2005 issue and the 2004 issue held by the Authority's trustee and the current portion of the lease payment receivable from the City of Columbus used to pay the current year's bond principal are shown as current assets. The noncurrent assets reflect the lease payment receivable from the City of Columbus used to pay future bond principal and unamortized bond premium. Year 2011 was restated to reflect the lease receivable with the implementation of GASB 62.

Deferred Outflows

The \$2.5 million of deferred outflows is the difference between the amount needed to defease a portion of the 2004 bonds that were refunded in 2012 and the net carrying amount of the refunded portion of the 2004 bonds.

Liabilities

The Authority issued \$42.85 million in bonds in 2005 and \$37.87 million in bonds in 2004. In 2012 the Authority advance refunded a portion of the outstanding 2004 bonds. The par amount of the 2012 Refunding Bonds is \$24.63 million which defeased \$25.01 million of the 2004 bonds. Bonds payable are reported net of unamortized bond premium. The Authority estimated and recorded a rebate liability in 2007. The Authority paid \$162,792 in arbitrage rebate February 23, 2011 on the 2005 bonds. Arbitrage rebate analysis determined the Authority would not owe any further rebate on the 2005 bonds and removed the remaining \$112,209 liability and reflected the change in interest earnings.

Net Position

The Authority was established to provide funds for redevelopment projects in the downtown area and does not report these assets on its financial statements. The net position in 2011 was restated to comply with the change in the lease receivable and the change in presentation for assets, deferred outflows, liabilities and deferred inflows. The \$96,271 increase in net position from 2012 to 2013 is primarily the result of eliminating the arbitrage rebate liability.

The following summarizes the Authority's operating revenues and expenses as of December 31, 2013, 2012 and 2011:

	<u>2013</u>	<u>2012</u>	<u>2011</u> (Restated)
Operating revenues	\$ 3,221,725	3,247,560	3,622,262
Operating expenses	<u>(31,792)</u>	<u>(27,177)</u>	<u>(33,357)</u>
Operating income/(loss)	3,189,933	3,220,383	3,588,905
Nonoperating expenses	<u>(3,093,662)</u>	<u>(2,994,070)</u>	<u>(3,609,747)</u>
Change in net position	<u>\$ 96,271</u>	<u>226,313</u>	<u>(20,842)</u>

Operating Revenues

The Authority received the first lease payment due from the City as identified in the Master Lease Agreement, the First Supplemental Lease and the Second Supplemental Lease in December 2007 and each year thereafter.

Operating Expenses

The Authority's operating expenses consist of legal fees, accounting fees, trustee fees and insurance for board members.

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 refunded a portion of the 2004 Series A, RiverSouth Area Redevelopment Bonds in 2012.

At December 31, 2013, 2012 and 2011, the Authority had \$63.86, \$67.95, and \$72.21, million respectively in par amounts of outstanding special revenue bonds issued to finance redevelopment projects in downtown Columbus and in refunding bonds. 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 reflect the Authority's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to the RiverSouth Authority, 4140 Stargrass Court, Hilliard, Ohio.

THE RIVERSOUTH AUTHORITY

STATEMENTS OF NET POSITION DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 125,037	\$ 151,768
Lease receivable	4,674,012	4,409,555
Prepaid assets and other	<u>2,421</u>	<u>2,744</u>
Total current assets	<u>4,801,470</u>	<u>4,564,067</u>
Noncurrent assets:		
Lease receivable	<u>61,177,213</u>	<u>65,700,297</u>
Total assets	<u>65,978,683</u>	<u>70,264,364</u>
 DEFERRED OUTFLOWS		
Deferred charge on refunding	<u>2,460,448</u>	<u>2,685,833</u>
 LIABILITIES		
Current liabilities:		
Accounts payable	4,803	-
Accrued interest payable	252,566	268,485
Bonds payable, current portion	<u>4,674,012</u>	<u>4,484,012</u>
Total current liabilities	<u>4,931,381</u>	<u>4,752,497</u>
Noncurrent liabilities:		
Bonds payable	63,420,719	68,094,731
Other liabilities	<u>-</u>	<u>112,209</u>
Total noncurrent liabilities	<u>63,420,719</u>	<u>68,206,940</u>
Total liabilities	<u>68,352,100</u>	<u>72,959,437</u>
 NET POSITION		
Unrestricted	<u>87,031</u>	<u>(9,240)</u>
Total net position	<u>\$ 87,031</u>	<u>\$ (9,240)</u>

See accompanying notes to the basic financial statements.

THE RIVERSOUTH AUTHORITY

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
OPERATING REVENUES:		
Lease payment	\$ <u>3,221,725</u>	\$ <u>3,247,560</u>
OPERATING EXPENSES:		
Legal	5,064	2,081
Accounting	19,567	18,359
Insurance	5,661	5,237
Trustee	<u>1,500</u>	<u>1,500</u>
Total operating expenses	<u>31,792</u>	<u>27,177</u>
Operating income	3,189,933	3,220,383
NONOPERATING REVENUES (EXPENSES):		
Investment income	112,244	47
Interest expense	(3,205,906)	(2,754,318)
Bond issuance costs for 2012 issue	<u>-</u>	<u>(239,799)</u>
Total nonoperating revenues (expenses)	<u>(3,093,662)</u>	<u>(2,994,070)</u>
Change in net position	96,271	226,313
Net position, beginning of year	<u>(9,240)</u>	<u>(235,553)</u>
Net position, end of year	\$ <u><u>87,031</u></u>	\$ <u><u>(9,240)</u></u>

See accompanying notes to the basic financial statements.

THE RIVERSOUTH AUTHORITY

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Lease payment from the City of Columbus	\$ 7,316,725	\$ 7,502,560
Cash payments for other operating expenses	<u>(26,666)</u>	<u>(28,413)</u>
Net cash provided in operating activities	<u>7,290,059</u>	<u>7,474,147</u>
FINANCING ACTIVITIES:		
Principal paid on debt	(4,095,000)	(3,875,000)
Interest paid on debt	(3,221,826)	(2,952,429)
Par amount of bonds	-	24,635,000
Premium on bonds	-	3,003,786
Contribution to Escrow	-	(28,071,429)
Costs of issuance	<u>-</u>	<u>(239,799)</u>
Net cash used in capital and related financing activities	<u>(7,316,826)</u>	<u>(7,499,871)</u>
Arbitrage paid	-	-
Interest received	<u>36</u>	<u>44</u>
Net cash provided by investing activities	<u>36</u>	<u>44</u>
Net decrease in cash and cash equivalents	(26,731)	(25,680)
Cash and cash equivalents at beginning of year	<u>151,768</u>	<u>177,448</u>
Cash and cash equivalents at end of year	\$ <u><u>125,037</u></u>	\$ <u><u>151,768</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	3,189,933	3,220,383
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in assets and liabilities:		
Lease receivable	4,095,000	4,255,000
Accounts payable	4,803	(990)
Prepays	<u>323</u>	<u>(246)</u>
Net cash provided by operating activities	\$ <u><u>7,290,059</u></u>	\$ <u><u>7,474,147</u></u>

See accompanying notes to the basic financial statements.

THE RIVERSOUTH AUTHORITY

NOTES TO FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

1. 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 population 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 Reporting Entity*, as amended. 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 No. 14, No. 39 and No. 61.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The financial statements of the RiverSouth 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 and interest expense, are reported as non-operating revenues 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 effect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition—The Authority’s revenues are derived from lease payments from the City and interest income earned on cash held by a trustee. Revenue is recorded when earned.

Cash and Cash Equivalents—For purposes of the statement of cash flows, the Authority considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Deferred Outflows/Inflows of Resources—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority only has one item that qualifies for reporting in this category. It 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 or refunding debt.

3. CASH AND CASH EQUIVALENTS

At December 31, 2013 and 2012, the carrying amounts of the Authority’s cash and cash equivalents were \$125,037 and \$151,768. These funds, deposited with the trustee, consisted of a U.S. Government Money Market fund in the amount of \$125,037 and \$151,768 respectively. The U.S. Government Money Market Fund has been rated Aaa by Standard and 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.

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 “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 leases, 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.

5. BONDS PAYABLE

The RiverSouth Area Redevelopment Bonds, 2005 Series A and 2004 Series A (the “bonds”) were issued in the amounts of \$42,850,000 and \$37,870,000 respectively to provide funds to pay the costs of acquiring and developing land and acquiring and constructing community facilities. These bonds are payable from the revenues, receipts, and other moneys 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”).

A portion of the 2004 bonds were refunded in May 2012.

Changes in bonds payable during the years ended December 31, 2013 and 2012 were as follows:

	Balance January 1, <u>2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2013</u>	<u>Due Within One Year</u>
Redevelopment Bonds:					
2004 Series A	\$ 6,175,000	-	(1,970,000)	4,205,000	2,050,000
2005 Series A	37,145,000	-	(2,085,000)	35,060,000	2,195,000
2012 Refunding of 2004	24,635,000	-	(40,000)	24,595,000	40,000
Plus deferred amounts:					
For issuance premiums	<u>4,623,743</u>	<u>-</u>	<u>(389,012)</u>	<u>4,234,731</u>	<u>389,012</u>
Total bonds payable	\$ 72,578,743	-	(4,484,012)	68,094,731	4,674,012

	Balance January 1, <u>2012</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>2012</u>	<u>Due Within One Year</u>
Redevelopment Bonds:					
2004 Series A	\$ 33,085,000	-	(26,910,000)	6,175,000	1,970,000
2005 Series A	39,125,000	-	(1,980,000)	37,145,000	2,085,000
2012 Refunding of 2004	-	24,635,000	-	24,635,000	40,000
Plus deferred amounts:					
For issuance premiums	<u>2,154,852</u>	<u>3,003,786</u>	<u>(534,895)</u>	<u>4,623,743</u>	<u>389,012</u>
Total bonds payable	\$ 74,364,852	27,638,786	(29,424,895)	72,578,743	4,484,012

The revenues 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 moneys 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 Lease is expressly made subject to the availability of 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 2004 Series A and 2005 Series A 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 from the City was made December 1, 2007.

Bond premium for the Bonds has been capitalized and will be amortized over the life of the Bonds. Interest expense on the Bonds accrue at rates as defined in the Bonds agreement ranging from 2.0%–5.0%.

Principal and interest requirements to retire the Authority’s outstanding debt at December 31, 2013, are as follows:

<u>Year Ending December 31,</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$	4,285,000	3,030,794	7,315,794
2015		4,510,000	2,807,131	7,317,131
2016		4,720,000	2,596,062	7,316,062
2017		4,935,000	2,382,963	7,317,963
2018		5,160,000	2,160,063	7,320,063
2019-2023		29,690,000	6,873,938	36,563,938
2024-2025		<u>10,560,000</u>	<u>716,500</u>	<u>11,276,500</u>
Total	\$	<u><u>63,860,000</u></u>	<u><u>20,567,450</u></u>	<u><u>84,427,450</u></u>

Principal payments are made December 1 and interest payments are made June 1 and December 1 of each year.

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Advanced Refunding

In May 2012 the Authority sold \$24,635,000 in advance refunding bonds to defease a portion of the RiverSouth Area Redevelopment Bonds 2004 Series A. Results of the refunding are as follows:

Amount paid to escrow agent	\$ 28,071,429
Net carrying amount of old bonds:	
Old bonds outstanding	25,015,000
Unamortized bond premium	<u>220,340</u>
Net carrying amount of old bonds	<u>25,235,340</u>
Deferred amount on refunding	<u>\$ 2,836,089</u>
Refunded (old) bonds	
Principal	\$ 25,015,000
Interest	<u>12,058,125</u>
Total refunded	\$ 37,073,125
Refunding (new) bonds	
Principal	\$ 24,635,000
Interest	<u>9,545,479</u>
Total Refunding	<u>34,180,479</u>
Unadjusted reduction in aggregate debt service	<u>\$ 2,892,646</u>
Economic gain - present value of adjusted reduction in aggregate debt service	\$ 2,520,080
Plus: refunding bonds issued	24,635,000
Plus: premium received	3,003,786
Less: payment to Escrow Agent	(28,071,429)
Less: costs of issuance	<u>(239,799)</u>
Net present value savings	<u>\$ 1,847,638</u>

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 at December 31, 2013 is \$16,500,000.

7. CHANGE IN ACCOUNTING

In 2012 the Authority adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure. As a result of implementing GASB 62, the Authority recorded a Lease Receivable from the City of Columbus in an amount equal to the outstanding bond principal.

In 2012 the Authority adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net position. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position.

In 2012 the Authority adopted GASB Statement No. 65, *Items Previously Recognized as Assets and Liabilities*. The objective of this Statement is to establish standards that reclassify certain items that were previously reported as assets and liabilities and instead to classify them as Deferred inflows of resources, Deferred outflows of resources, or as outflows of resources. As a result, prior bond issuance costs, previously recorded as an asset, have been expensed.

In 2012 the Authority adopted GASB Statement No. 61, *The Financial Reporting Entity Omnibus*. This statement, which is an amendment to Statement No. 14 and Statement No. 34, modifies the way in which certain entities are defined and reported.

8. INVESTMENT INCOME

A balance of \$112,209 remained in Other Liabilities to make an arbitrage rebate payment on the 2005 bonds if needed. The Authority's bond counsel performed an arbitrage rebate analysis and determined payment for the 2005 bonds was not owed. The original entry to record the liability reduced Investment Income. The increase in Investment Income from 2012 to 2013 is a result of the Authority reversing that entry and adding \$112,209 to Investment Income.

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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 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 The RiverSouth Authority (the "Authority"), which comprise the statements of net position as of December 31, 2013 and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and related notes to the financial statements, and have issued our report thereon dated March 25, 2014.

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 opinions 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 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.

Plante & Moran, PLLC

March 25, 2014



Dave Yost • Auditor of State

THE RIVER SOUTH AUTHORITY

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 27, 2014**