

DOWNTOWN DEVELOPMENT AUTHORITY
OF THE CITY OF AUGUSTA
FINANCIAL STATEMENTS
DECEMBER 31, 2010

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INDEPENDENT AUDITORS' REPORT

To the Authority Members
Downtown Development Authority of the City of Augusta
Augusta, Georgia

We have audited the accompanying financial statements of the Downtown Development Authority of the City of Augusta, a component unit of the City of Augusta, Georgia, as of and for the year ended December 31, 2010, as listed in the table of contents. These financial statements are the responsibility of the Downtown Development Authority of the City of Augusta's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Downtown Development Authority of the City of Augusta has omitted the management discussion and analysis and the budgetary comparison statement that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

As more fully described in Note 3 to the financial statements, certain properties that are owned by the Downtown Development Authority of the City of Augusta are not reflected as assets in the accompanying financial statements due to the inability to determine the fair market value of the properties at the date they were received. In our opinion, all capital assets should be recorded at cost, if purchased, or at fair value, if donated or contributed, to conform with accounting principles generally accepted in the United States of America, and those amounts should be depreciated over the estimated useful lives of the assets. The effects on the financial statements of the preceding practices are not reasonably determinable.



In our opinion, except for the effects of the matters discussed in the preceding paragraphs, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the Downtown Development Authority of the City of Augusta as of December 31, 2010, and the respective change in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Serotta Maddocks Evans & Co.

SEROTTA MADDOCKS EVANS & CO.

Augusta, Georgia

May 6, 2011

DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF AUGUSTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

ASSETS	
Cash	\$ 170,170
Accounts receivable	3,533
Noncurrent assets:	
Capital assets, net	<u>3,157,500</u>
Total Assets	<u><u>\$ 3,331,203</u></u>
 LIABILITIES	
Accounts payable	\$ 27,356
Accrued expenses	33,313
Due to other city funds	<u>69,370</u>
Total Liabilities	<u>130,039</u>
 NET ASSETS	
Invested in capital assets net of related debt	3,157,500
Unrestricted	<u>43,664</u>
Total Liabilities and Net Assets	<u><u>\$ 3,331,203</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF AUGUSTA
 STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2010

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUES</u>				<u>NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS</u>
	<u>EXPENSES</u>	<u>FUNDRAISING</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
Governmental activities:					
Economic development	\$ 528,730	\$ 59,257	\$ 207,194	\$ 626,710	\$ 364,431
Interest on bond debt	7,872	-	-	-	(7,872)
Total governmental activities	<u>\$ 536,602</u>	<u>\$ 59,257</u>	<u>\$ 207,194</u>	<u>\$ 626,710</u>	356,559
			General Revenues:		
			Interest income		2,391
			Change in net assets		358,950
			Net assets - beginning of year		2,842,214
			Net assets - end of year		<u>\$ 3,201,164</u>

SEE NOTES TO FINANCIAL STATEMENTS

DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF AUGUSTA
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2010

ASSETS		
Cash	\$ 170,170	
Accounts receivable	3,533	
Total Assets	\$ 173,703	
 LIABILITIES		
Accounts payable	\$ 27,356	
Accrued expenses	33,313	
Due to other city funds	69,370	
Total Liabilities	130,039	
 FUND BALANCE		
Unreserved	43,664	
	43,664	
Total Liabilities and Fund Balance	\$ 173,703	
 GOVERNMENTAL FUND BALANCE		 \$ 43,664
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,157,500
NET ASSETS OF GOVERNMENTAL ACTIVITIES		\$ 3,201,164

SEE NOTES TO FINANCIAL STATEMENTS

DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF AUGUSTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED DECEMBER 31, 2010

REVENUES	
Operating grants and contributions	\$ 177,045
Capital grants and contributions	626,710
Saturday Market income	30,149
Fundraising income, net	59,257
Interest income	2,391
Total Revenues	895,552
EXPENDITURES	
Current:	
General government	356,855
Bond payments:	
Principal	615,000
Interest	7,872
Total Expenditures	979,727
Excess of Expenditures Over Revenues	(84,175)
FUND BALANCE - BEGINNING OF YEAR	127,839
FUND BALANCE - END OF YEAR	\$ 43,664
Net Change in fund balance - governmental fund	\$ (84,175)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental fund reports capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation on governmental assets	(165,670)
Governmental fund reports bond issuance costs as expenditures. However, in the statement of activities these costs are amortized over the life of the bonds and reported as amortization expense.	
Amortization on bond issuance costs	(6,205)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	
Principal payments on general obligation bonds	615,000
Change in net assets of governmental activities	\$ 358,950

SEE NOTES TO FINANCIAL STATEMENTS

DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF AUGUSTA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Downtown Development Authority of the City of Augusta, Georgia (the Authority), a component unit of the City of Augusta, Georgia, conform to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for established governmental accounting and financial reporting principles. For the year ended December 31, 2003, the Authority adopted the provisions of GASB 33 and 34. These financial statements present only the Authority and are not intended to present fairly the financial position and results of operations of the City of Augusta in conformity with accounting principles generally accepted in the United States of America. The Authority serves to promote, pursue and implement economic development in downtown Augusta, Georgia. The following is a summary of significant policies:

A. Discretely Presented Component Unit

The Authority is a discretely presented component unit of the City of Augusta, Georgia. A discretely presented component unit is a legally separate organization for which the elected officials of the primary government are financially accountable.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide and Fund Financial Statements - The Authority's government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements present summaries of Governmental Activities for the Authority. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The government-wide financial statements are presented on an *economic resources measurement focus* and the *accrual basis of accounting*. Accordingly, all of the Authority's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Assets. The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF AUGUSTA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

C. Budgets and Budgetary Accounting

Budgets are adopted by the City of Augusta, Georgia for the Authority on a total revenues and total expenditures basis. All budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America.

D. Accounts Receivables

Accounts receivables are shown net of allowances for uncollectible amounts. Uncollectible amounts are estimated based upon past collection experience. At December 31, 2010, the allowance for doubtful accounts was zero.

E. Capital Assets

All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Contributions of property and equipment are recorded as contributions at fair value at the date the property is contributed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Assets are depreciated using the straight-line method. Depreciation expense is reflected as an operating expense in the government-wide statement of activities.

Estimated useful lives for asset types are as follows:

Buildings	40 years
Furniture and fixtures	5 - 7 years

DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF AUGUSTA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. 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 at the date of financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

G. New Accounting Pronouncements

In June 2007, the GASB has issued Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The application of this statement is effective for the Authority's fiscal year ending December 31, 2010. This statement did not affect the Authority's financial statements for the year ending December 31, 2010.

In June 2008, the GASB has issued Statement No. 53, "Accounting and Financial Reporting for Derivative Instruments." This statement establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. The application of this statement is effective for the Authority's fiscal year ending December 31, 2010. This statement did not affect the Authority's financial statements for the year ending December 31, 2010.

In March 2009, the GASB issued Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". This statement is intended to improve the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental type definitions. The application of this statement is effective for the Authority's fiscal year ending December 31, 2011. The impact of this pronouncement on the Authority's financial statements has not been determined.

In December 2009, the GASB issued Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans". This statement is intended to address the alternative measurement method and the timing of these measurements by employers that are part of agent multiple-employer other postemployment benefit plans. The application of this statement is effective for the Authority's fiscal year ending December 31, 2012. The impact of this pronouncement on the Authority's financial statements has not been determined.

DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF AUGUSTA
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In December 2009, the GASB issued Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”. This statement is intended to address and provide guidance for accounting and financial reporting to governments that have filed Chapter 9 bankruptcy. The application of this statement is effective for the Authority’s fiscal year ending December 31, 2010. This statement did not affect the Authority’s financial statements for the year ending December 31, 2010.

In June 2010, the GASB issued Statement No. 59, “Financial Instruments Omnibus”. This statement is intended to update and provide additional guidance to existing standards regarding financial reporting and note disclosure requirements of certain external pools and financial instruments for which issues have been identified in practice. The application of this statement is effective for the Authority’s fiscal year ending December 31, 2011. The impact of this pronouncement on the Authority’s financial statements has not been determined.

In November 2010, the GASB issued Statement No. 60, “Accounting and Financial Reporting for Service Concession Agreements”. This statement is intended to provide guidance for financial reporting for service concession agreements. The application of this statement is effective for the Authority’s fiscal year ending December 31, 2012. The impact of this pronouncement on the Authority’s financial statements has not been determined.

In November 2010, the GASB issued Statement No. 61, “The Financial Reporting: Omnibus-an amendment of GASB Statement No. 14 and No. 34”. This statement is intended to improve guidance for financial reporting for a governmental financial reporting entity. The application of this statement is effective for the Authority’s fiscal year ending December 31, 2013. The impact of this pronouncement on the Authority’s financial statements has not been determined.

In December 2010, the GASB issued Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”. This statement is intended to incorporate in the GASB’s authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The application of this statement is effective for the Authority’s fiscal year ending December 31, 2012. The impact of this pronouncement on the Authority’s financial statements has not been determined.

NOTE 2 - DEPOSITS AND INVESTMENTS

Credit Risk

The Authority’s policy is in accordance with Section 36-83-04 of the State of Georgia Code of Laws which allows for deposits and investments as follows:

DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF AUGUSTA
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

- a) Obligations of Georgia or of other states;
- b) Obligations issued by the United States government;
- c) Obligations fully insured or guaranteed by the United States government or a United States government agency;
- d) Obligations of any corporation of the United States government;
- e) Prime bankers' acceptances;
- f) The local government investment pool established by Code Section 36-83-8;
- g) Repurchase agreements;
- h) Obligations of other political subdivisions of Georgia; and
- i) Deposit accounts with eligible depository institutions.

Concentration and Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Authority's deposits may not be returned to it. The cash held in commercial banks is insured up to \$250,000 on interest-bearing accounts and all accounts that are non-interest bearing are fully insured for the year ended December 31, 2010, by the Federal Deposit Insurance Corporation. At December 31, 2010, the total carrying amount of the Authority's deposits was approximately \$170,170, and the fully-insured bank balance was approximately \$170,500 held at two financial institutions.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

	BALANCE 12/31/09	ADDITIONS	DISPOSALS	BALANCE 12/31/10
Capital assets:				
Port Royal parking deck	\$ 2,600,000	\$ -	\$ -	\$ 2,600,000
Riverfront parking deck	3,816,000	-	-	3,816,000
Clock	41,393	-	-	41,393
Furniture and equipment	7,920	-	-	7,920
Total capital assets	6,465,313	-	-	6,465,313
Less accumulated depreciation for:				
Port Royal parking deck	(1,300,000)	(65,000)	-	(1,365,000)
Riverfront parking deck	(1,812,600)	(95,400)	-	(1,908,000)
Clock	(23,988)	(4,139)	-	(28,127)
Furniture and equipment	(5,555)	(1,131)	-	(6,686)
Total accumulated depreciation	(3,142,143)	(165,670)	-	(3,307,813)
Capital assets, net	3,323,170	(165,670)	-	3,157,500
Related debt	(615,000)	-	615,000	-
Capital assets, net of related debt	\$ 2,708,170	\$ (165,670)	\$ 615,000	\$ 3,157,500

DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF AUGUSTA
NOTES TO FINANCIAL STATEMENTS

NOTE 3 - CAPITAL ASSETS (continued)

Depreciation expense for the year ended December 31, 2010 was \$165,670.

The Authority owns additional properties which were contributed in prior years. The Authority did not obtain valuations of the properties at the date of contribution and records are not available to reflect the correct fair market value of the properties on the date contributed. Therefore, the Authority's financial statements do not reflect the value of these properties. If the property values were attainable, the net assets of the Authority would increase by the respective property values. The assets that are excluded from the financial statements are as follows:

<u>Date Property was Transferred</u>	<u>Property Description</u>
October 18, 1993	18 Eighth Street, Augusta, GA
April 27, 1994	1 Fifth Street, Augusta, GA
November 12, 1999	1 James Brown Blvd., Augusta, GA
December 20, 1999	925 Reynolds Street, Augusta, GA
April 11, 2000	3 Eighth Street, Augusta, GA

NOTE 4 - LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2010 was as follows:

	<u>General Long-term Debt</u>
	<u>Development Authority Bonds, Series 2003</u>
Debt Outstanding at December 31, 2009	\$ 615,000
Principal Payments	(615,000)
Debt Outstanding at December 31, 2010	<u>\$ -</u>

In May of 2003, the Downtown Development Authority of the City of Augusta issued \$4,035,000 Development Authority Revenue Bonds, Series 2003. The proceeds of these bonds were used to redeem two previous issuances of revenue bonds, Development Authority Parking Revenue Bonds, Series 1989 and 1991. The original bond issuances were used to fund the construction of two parking decks in downtown Augusta, Georgia. On January 1, 2010, the Authority paid the bonds in full.

NOTE 5 - RELATED PARTY TRANSACTIONS

During the year ended December 31, 2010, a member of the Board of Directors provided printing services to the Authority. Printing expenses in the amount of \$4,592 were paid for the year ended December 31, 2010.

DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF AUGUSTA
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - OPERATING LEASES

The Authority has various operating leases for renting space as well as office equipment. Total rent expense for 2010 was \$6,300.

Future minimum lease payments under leases, having initial non-cancelable lease terms in excess of one year are as follows:

2011	\$ 3,020
2012	2,520
2013	<u>2,310</u>
	<u>\$ 7,850</u>

NOTE 7 - CONTRACTUAL AGREEMENT

On January 31, 2008, the Authority entered into an agreement with Clean Augusta Downtown Initiative (CADI) to provide certain services, personnel and space to CADI in exchange for an administrative fee of \$25,000 per year. The terms of the agreement expire on January 31, 2011. For the year ending December 31, 2010, the Authority received \$29,583 for this service.

NOTE 8 – SUBSEQUENT EVENTS

On April 14, 2011, the Board of Directors approved a motion for the Saturday Market to become its own not-for-profit entity.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Authority Members
Downtown Development Authority of the City of Augusta
Augusta, Georgia

Our report on our audit of the basic financial statements of Downtown Development Authority of the City of Augusta for December 31, 2010 appears on pages 1-2. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplemental Schedule of Expenses by Activity is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Serotta Maddocks Evans & Co.
SEROTTA MADDOCKS EVANS & CO.

Augusta, Georgia
May 6, 2011

DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF AUGUSTA
 SUPPLEMENTAL SCHEDULE OF EXPENSES BY ACTIVITY
 YEAR ENDED DECEMBER 31, 2010

GOVERNMENTAL ACTIVITIES:

Economic Development:

Depreciation	\$ 165,670
Salaries	126,976
Special Purpose Local Option Tax expenses	81,192
Saturday Market expenses	43,194
Christmas decorations expense	42,798
Professional fees	20,900
Advertising and marketing	7,647
Rent	6,300
Amortization	6,205
Sponsorship	5,708
Telephone	4,869
Insurance	3,482
Utilities	3,150
Copier	2,520
Travel	1,886
Office supplies	1,648
Operating expenses	1,522
Memberships	955
Parking study	904
Partnership development	882
Training	215
Postage	100
Bank service charges	7

Total Economic Development	528,730
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Interest on bond debt	7,872
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Total Governmental Activities	<u><u>\$ 536,602</u></u>
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