

**DOWNTOWN DEVELOPMENT AUTHORITY**  
(A Component Unit of the Atlanta Development Authority)

Basic Financial Statements

June 30, 2011

(With Independent Auditor's Report Thereon)

**DOWNTOWN DEVELOPMENT AUTHORITY**  
(A Component Unit of the Atlanta Development Authority)

June 30, 2011

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## INDEPENDENT AUDITOR'S REPORT

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**The Board of Directors of the  
Downtown Development Authority  
Atlanta, Georgia**

We have audited the accompanying basic financial statements of the business-type activities and each major fund of the **Downtown Development Authority** (the "Authority"), a component unit of the Atlanta Development Authority, as of and for the fiscal year ended June 30, 2011. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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 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 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 the 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 opinions.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and each major fund of the Downtown Development Authority as of June 30, 2011, and the changes in its financial position and its cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 2011 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* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 3 through 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 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.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
December 27, 2011

**DOWNTOWN DEVELOPMENT AUTHORITY**  
**(A Component Unit of the Atlanta Development Authority)**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2011**

This section of the Downtown Development Authority ("DDA" or "the Authority") annual financial report presents our discussion and analysis of DDA's financial performance during the fiscal year ended June 30, 2011. Please read it in conjunction with the financial statements and accompanying notes.

**Fiscal Year 2011 Selected Financial Highlights**

- The assets of the Authority increased approximately \$16.6 million for the fiscal year ended June 30, 2011. The increase is primarily associated with the inclusion of the Atlanta Urban Redevelopment Agency (AURA) as a blended component unit of the DDA. The AURA was created during the current fiscal year and issued approximately \$22.8 million in economic recovery zone bonds with unspent bond proceeds of approximately \$22.3 million in restricted cash as of June 30, 2011.
- The liabilities of the Authority increased approximately \$16.3 million for the fiscal year ended June 30, 2011. The increase is primarily related to the AURA noted above and the inclusion of approximately \$22.8 million in taxable recovery zone economic development bonds.
- **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements consist of four components: management's discussion and analysis (this section), government-wide financial statements, fund financial statements, and notes to the financial statements.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, including information related to its component units.

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *statement of activities* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The government-wide financial statements can be found on pages 7 and 8 of this report.

**Fund Financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The accompanying statements include two funds, one for the administrative fund and another for all other accounts of the Authority. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements, but show the activity in greater detail, presenting the activity of each of the funds and also presenting cash flow information. The fund financial statements can be found on pages 9-11 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12-20 of this report.

**DOWNTOWN DEVELOPMENT AUTHORITY**  
**(A Component Unit of the Atlanta Development Authority)**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2011**

**Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the Authority, assets exceeded liabilities by approximately \$3.5 million at the close of the fiscal year ended June 30, 2011. A summary of the net assets is presented below.

**Summary of the Authority's Business-type Activities Net Assets**  
**June 30, 2011 and June 30, 2010**

	<b>2011</b>	<b>Restated 2010</b>
<b>Assets:</b>		
Current assets	\$ 31,185,266	\$ 7,845,311
Capital assets	2,290,887	2,515,042
Other non-current assets	61,545,294	68,109,262
Total assets	95,021,447	78,469,615
<b>Liabilities:</b>		
Long-term liabilities	81,751,678	67,326,273
Other liabilities	9,779,999	7,871,689
Total liabilities	91,531,677	75,197,962
<b>Net assets:</b>		
Invested in capital assets, net of related debt	(6,923,917)	(7,131,402)
Restricted for debt services	8,099,795	7,142,080
Restricted for redevelopment programs	22,333,807	-
Unrestricted	(20,019,915)	3,260,275
Total net assets	\$ 3,489,770	\$ 3,270,953

The Authority's total assets equal approximately \$95 million as of the fiscal year ended June 30, 2011. The assets primarily consist of the investments in direct financing leases with the City of Atlanta for the Government Center Parking Deck and Underground Atlanta project (60%), restricted cash related to the AURA Economic Recovery Zone bonds, Parking Deck and Underground Atlanta projects (32%), the Block Building Leasehold Improvements (2%), Investment in CV Underground (2%) and DDA prepaid rent (2%).

The Authority's total liabilities equal approximately \$91.5 million as of the fiscal year ended June 30, 2011. The liabilities consist primarily of bonds payable (97%) related to the 2006 Government Center Parking Deck revenue bonds, 2010 AURA economic recovery zone bonds, and the 2009 Underground Atlanta project refunding revenue bonds.

**DOWNTOWN DEVELOPMENT AUTHORITY**  
**(A Component Unit of the Atlanta Development Authority)**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2011**

**Summary of Changes in the Authority's Net Assets**  
**Fiscal years ended June 30, 2011 and June 30, 2010**

	<b>2011</b>	<b>Restated 2010</b>
Revenues:		
Subsidy income received from the City of Atlanta	\$ 2,867,907	\$ 2,231,492
Parking garage and rental income	1,034,948	1,065,532
Interest income	1,692	48
Other income	48,469	-
Total revenues	3,953,016	3,297,072
Expenses:		
Interest and amortization expenses	3,454,995	3,290,562
Depreciation expense	224,155	110,838
Rent expense	130,980	136,187
General and administrative	34,268	9,393
Total expenses	3,844,398	3,546,980
Net payment of bond proceeds from City of Atlanta	-	(22,364)
Payments from Atlanta Development Authority	110,199	222,299
Increase (decrease) in net assets	218,817	(49,973)
Net assets, beginning of fiscal year (restated)	3,270,953	3,320,926
Net assets, end of fiscal year	\$ 3,489,770	\$ 3,270,953

The Authority's revenues primarily consist of income received from the City of Atlanta for debt service payments related to certain bond issuances (71%). Compared to the prior fiscal year, this was an increase of approximately \$636,000 due to the inclusion of \$825,000 in interest expense related to the AURA 2010 recovery zone bonds, which is partially subsidized by the City of Atlanta. Parking garage and rental income represent 26% of total revenue. This was a decrease of approximately \$31,000 from the prior fiscal year. The Authority's expenses primarily consist of the following items: interest expense which increased approximately \$608,000 as a result of the AURA's issuance of the 2010 economic recovery zone bonds, depreciation and amortization related to leasehold improvements and deferred issuance costs which decreased approximately \$330,000 due to current amortization of the reoffering premium related to the 2009 Refunding Revenue Bonds (Underground project).

**Capital Asset and Debt Administration**

**Capital assets.** The Authority's investment in capital assets as of June 30, 2011 amounts to approximately \$2.3 million (net of accumulated depreciation). The investment in capital assets includes leasehold improvements, furniture, and equipment. See Note 6 to the financial statements for more information on capital assets.

**DOWNTOWN DEVELOPMENT AUTHORITY**  
**(A Component Unit of the Atlanta Development Authority)**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2011**

**Downtown Development Authority's Capital Assets**

Capital asset balances of the Authority at June 30, 2011 are as follows:

Leasehold improvements	\$ 3,491,247
Furniture and equipment	760,050
Total capital assets being depreciated	<u>4,251,297</u>
Less: accumulated depreciation	<u>(1,960,410)</u>
Net capital assets	<u><u>\$ 2,290,887</u></u>

**Long Term Debt.** At the end of the current fiscal year, the Authority had total bonded debt outstanding of approximately \$88.6 million. The Authority's debt reflects a net increase of approximately \$15.6 million during the current fiscal year primarily as a result of the issuance of the AURA's 2010 economic recovery zone bonds offset by debt reduction/principal payments in 2011. See Note 7 to the financial statements for more information.

Activity for long term obligations of the Authority for the fiscal year ended June 30, 2011, which are reported in the Statement of Net Assets, is summarized as follows:

**Downtown Development Authority's Outstanding Debt**

	<u>June 30,</u> <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30,</u> <u>2011</u>
<b>Primary government:</b>				
Bonds payable, 1999 DDA	\$ 764,350	\$ -	\$ 74,732	\$ 689,618
Bonds payable, 2006 DDA	22,135,084	-	612,277	21,522,807
Bonds payable, 2009 DDA	50,138,216	-	6,531,729	43,606,487
Bonds payable, 2010 AURA	<u>-</u>	<u>22,775,000</u>	<u>5,000</u>	<u>22,770,000</u>
Total primary government	<u><u>\$ 73,037,650</u></u>	<u><u>\$ 22,775,000</u></u>	<u><u>\$ 7,223,738</u></u>	<u><u>\$ 88,588,912</u></u>

The Authority issues a significant amount of conduit debt which is not included in the Authority's Statement of Net Assets but is disclosed in Note 8 to the financial statements. These liabilities are not included in the financial statements as they are limited obligations of the Authority issued on behalf of third parties who are primarily responsible for their repayment.

**Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Chief Financial Officer, 86 Pryor Street SW, Suite 300, Atlanta, GA 30303.



**DOWNTOWN DEVELOPMENT AUTHORITY**  
**(A Component Unit of the Atlanta Development Authority)**  
**Statement of Net Assets**  
**June 30, 2011**

<b>Assets</b>	<b>Business-type Activities</b>
<b>Current assets:</b>	
Cash and cash equivalents	\$ 2,569
Restricted cash and cash equivalents	30,433,602
Investment in direct financing lease with the City of Atlanta, current portion	615,973
Prepaid rent, current portion	108,722
Other prepaid items	24,000
Due from the Atlanta Development Authority	400
Total current assets	31,185,266
<b>Noncurrent assets:</b>	
Capital assets, net of depreciation	2,290,887
Investment in direct financial lease with the City of Atlanta	55,988,135
Prepaid rent	2,067,687
Investment in CV Underground	2,100,343
Bond issuance costs, net of amortization	1,389,129
Total noncurrent assets	63,836,181
Total assets	95,021,447
<b>Liabilities</b>	
<b>Current liabilities:</b>	
Accounts payable	4,983
Accrued interest payable	1,930,775
Bonds payable, current portion	7,844,241
Total current liabilities	9,779,999
<b>Noncurrent liabilities:</b>	
Advances from the Atlanta Development Authority	1,007,007
Bonds payable	80,744,671
Total noncurrent liabilities	81,751,678
Total liabilities	91,531,677
<b>Net Assets</b>	
Invested in capital assets, net of related debt	(6,923,917)
Restricted for debt services	8,099,795
Restricted for redevelopment programs	22,333,807
Unrestricted	(20,019,915)
Total net assets	\$ 3,489,770

**See the accompanying notes to the financial statements.**

**DOWNTOWN DEVELOPMENT AUTHORITY**  
**(A Component Unit of the Atlanta Development Authority)**  
**Statement of Activities**  
**Fiscal Year ended June 30, 2011**

	<b>Program revenues</b>			<b>Net (Expenses) Revenues and Changes in Net Assets</b>
<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Business-type Activities</b>	
Functions/ Programs:				
Primary government				
Business-type activities:				
Economic development	\$ 3,844,398	\$ 1,083,417	\$ 2,867,907	\$ 106,926
Total primary government activities	\$ 3,844,398	\$ 1,083,417	\$ 2,867,907	\$ 106,926

**General revenues:**

Payments from the Atlanta Development Authority	110,199
Interest income	1,692
Total general revenues	111,891
Changes in net assets	218,817
<b>Net assets, beginning of fiscal year (restated)</b>	3,270,953
<b>Net assets, ending of fiscal year</b>	\$ 3,489,770

See the accompanying notes to the financial statements.

**DOWNTOWN DEVELOPMENT AUTHORITY**  
(A Component Unit of the Atlanta Development Authority)  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2011**

	Business-type Activities		
	Enterprise Funds		
	Administrative Fund	Atlanta Urban Redevelopment Agency	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 2,569	\$ -	\$ 2,569
Restricted cash and cash equivalents	7,274,439	23,159,163	30,433,602
Investment in direct financing lease with the City of Atlanta, current portion	615,973	-	615,973
Prepaid rent, current portion	108,722	-	108,722
Other prepaid items	-	24,000	24,000
Due from the Atlanta Development Authority	-	400	400
Total current assets	8,001,703	23,183,563	31,185,266
Noncurrent assets:			
Capital assets, net of accumulated depreciation	2,290,887	-	2,290,887
Investment in direct financing lease with the City of Atlanta	55,988,135	-	55,988,135
Prepaid rent	2,067,687	-	2,067,687
Investment in CV Underground	2,100,343	-	2,100,343
Bond issuance costs, net of amortization	951,265	437,864	1,389,129
Total noncurrent assets	63,398,317	437,864	63,836,181
Total assets	71,400,020	23,621,427	95,021,447
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	4,983	-	4,983
Accrued interest payable	1,105,419	825,356	1,930,775
Bonds payable, current portion	6,904,241	940,000	7,844,241
Total current liabilities	8,014,643	1,765,356	9,779,999
Noncurrent liabilities:			
Advances from the Atlanta Development Authority	1,007,007	-	1,007,007
Bonds payable, noncurrent portion	58,914,671	21,830,000	80,744,671
Total noncurrent liabilities	59,921,678	21,830,000	81,751,678
Total liabilities	67,936,321	23,595,356	91,531,677
<b>Net Assets</b>			
Invested in capital assets, net of related debt	(6,923,917)	-	(6,923,917)
Restricted for debt services	7,274,439	825,356	8,099,795
Restricted for redevelopment programs	-	22,333,807	22,333,807
Unrestricted	3,113,177	(23,133,092)	(20,019,915)
Total net assets	\$ 3,463,699	\$ 26,071	\$ 3,489,770

See the accompanying notes to the financial statements.

**DOWNTOWN DEVELOPMENT AUTHORITY**  
**(A Component Unit of the Atlanta Development Authority)**  
**Statement of Revenues, Expenses, and Changes in Fund Net Assets**  
**Proprietary Funds**  
**Fiscal Year Ended June 30, 2011**

	<b>Business-type Activities</b>		
	<b>Enterprise Funds</b>		
	<b>Administrative</b>	<b>Atlanta Urban</b>	
	<b>Fund</b>	<b>Redevelopment</b>	<b>Total</b>
		<b>Agency</b>	
<b>Operating revenues:</b>			
Parking garage income	\$ 1,034,948	\$ -	\$ 1,034,948
Subsidy income for debt service payments	2,042,551	825,356	2,867,907
Other	-	48,469	48,469
Total operating revenues	<u>3,077,499</u>	<u>873,825</u>	<u>3,951,324</u>
<b>Operating expenses:</b>			
Interest and amortization expense, net	2,629,639	825,356	3,454,995
Depreciation expense	224,155	-	224,155
Rent expense	130,980	-	130,980
General and administrative	10,196	24,072	34,268
Total operating expenses	<u>2,994,970</u>	<u>849,428</u>	<u>3,844,398</u>
Operating Income	82,529	24,397	106,926
<b>Non-operating revenues:</b>			
Interest income on bank accounts	18	1,674	1,692
Payment from the Atlanta Development Authority	110,199	-	110,199
Total non-operating revenues	<u>110,217</u>	<u>1,674</u>	<u>111,891</u>
Change in net assets	192,746	26,071	218,817
<b>Net assets at beginning of fiscal year (restated)</b>	<u>3,270,953</u>	<u>-</u>	<u>3,270,953</u>
<b>Net assets at end of fiscal year</b>	<u>\$ 3,463,699</u>	<u>\$ 26,071</u>	<u>\$ 3,489,770</u>

See the accompanying notes to the financial statements.

**DOWNTOWN DEVELOPMENT AUTHORITY**  
(A Component Unit of the Atlanta Development Authority)  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Fiscal Year Ended June 30, 2011**

	Business-type Activities		
	Enterprise Funds		
	Administrative Fund	Atlanta Urban Redevelopment	
		Agency	Total
<b>Cash flows from operating activities:</b>			
Receipts from third parties (parking garage income)	\$ 1,034,948	\$ -	\$ 1,034,948
Receipts from other activities	82,328	-	82,328
Receipt of funds from the others to subsidize debt service payments	2,042,551	825,356	2,867,907
Advances received from the Atlanta Development Authority	48,662	-	48,662
Payments for interest	(3,167,320)	-	(3,167,320)
Payments to suppliers	(138,293)	(3)	(138,296)
	<u>(97,124)</u>	<u>825,353</u>	<u>728,229</u>
Net cash provided by (used in) operating activities			
	<u>(97,124)</u>	<u>825,353</u>	<u>728,229</u>
<b>Cash flows from noncapital financing activities:</b>			
Payment of bonds issuance cost on Recovery Zone bonds	-	(437,864)	(437,864)
Proceeds from issuance of Recovery Zone bonds	-	22,775,000	22,775,000
Principal reduction of Recovery Zone bonds	-	(5,000)	(5,000)
Payment from the Atlanta Development Authority	110,199	-	110,199
Repayment of bond principal on debt issued on behalf of the Downtown Development Authority	(74,732)	-	(74,732)
Repayment on bond principal related to revenue bonds issued on behalf of the City of Atlanta	(6,595,000)	-	(6,595,000)
Funds received on direct financing lease with the City of Atlanta	6,787,088	-	6,787,088
	<u>227,555</u>	<u>22,332,136</u>	<u>22,559,691</u>
Net cash provided by noncapital financing activities			
	<u>227,555</u>	<u>22,332,136</u>	<u>22,559,691</u>
<b>Cash flows investing activities:</b>			
Receipts of interest on bank accounts	18	1,674	1,692
	<u>18</u>	<u>1,674</u>	<u>1,692</u>
Net cash provided by investing activities			
	<u>18</u>	<u>1,674</u>	<u>1,692</u>
Net increase in cash and cash equivalents	130,449	23,159,163	23,289,612
Cash and cash equivalents at beginning of fiscal year	7,146,559	-	7,146,559
Cash and cash equivalents at end of fiscal year	<u>\$ 7,277,008</u>	<u>\$ 23,159,163</u>	<u>\$ 30,436,171</u>
Reconciliation to Statement of Net Assets:			
Unrestricted cash and cash equivalents	\$ 2,569	\$ -	2,569
Restricted cash and cash equivalents	7,274,439	23,159,163	30,433,602
	<u>\$ 7,277,008</u>	<u>\$ 23,159,163</u>	<u>\$ 30,436,171</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating Income	\$ 82,529	\$ 24,397	106,926
Adjustment to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	224,155	-	224,155
Amortization expense, net	(443,243)	-	(443,243)
Change in assets and liabilities:			
(Increase) decrease in:			
Prepaid rent	82,328	-	82,328
Other prepaid items	-	(24,000)	(24,000)
Due from the Atlanta Development Authority	-	(400)	(400)
Increase (decrease) in:			
Accounts payable	2,883	-	2,883
Accrued interest payable	(94,438)	825,356	730,918
Advances from the Atlanta Development Authority	48,662	-	48,662
Net cash provided by (used in) operating activities	<u>\$ (97,124)</u>	<u>\$ 825,353</u>	<u>\$ 728,229</u>

See the accompanying notes to the financial statements.

**DOWNTOWN DEVELOPMENT AUTHORITY**  
**(A Component Unit of the Atlanta Development Authority)**  
**Notes to Financial Statements**  
**June 30, 2011**

**(1) Summary of Significant Accounting Policies**

**(a) *The Financial Reporting Entity***

The Downtown Development Authority (“DDA” or “the Authority”) was created to promote the revitalization and redevelopment of the City of Atlanta’s central business district.

In 1997, the City created a new umbrella economic development agency, the Atlanta Development Authority (“ADA”), which combined several existing economic development entities including DDA. Accordingly, DDA is considered to be a blended component unit of ADA and its financial statements are included in the ADA financial statements.

The Atlanta Urban Redevelopment Agency (“Agency”) was created to issue Recovery Zone Economic Development Bonds and with those bond proceeds, provide financing for certain economic development projects within the Atlanta Urban Redevelopment Area as determined by the City of Atlanta. The Agency is considered to be a blended component unit of DDA as the governing body for both DDA and the Agency are identical. Separate financial information for this component unit may be obtained from the Chief Financial Officer, Atlanta Development Authority at 86 Pryor Street, SW, Suite 300, Atlanta, Georgia 30303.

**(b) *Government-wide and Fund Financial Statements***

The Authority presents government-wide financial statements which are prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements (i.e. the statement of net assets and the statement of activities) do not provide information by fund. Net assets in the statement of net assets are distinguished between amounts that are invested in capital assets, restricted for use by third parties or outside requirements, and amounts that are unrestricted.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is 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 who purchase, use, or benefit from the services provided by a given function or segment and include interest income on loans provided for economic development and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted interest income on investments and other items not properly included among program revenues are reported as general revenues.

In addition to the government-wide financial statements, the Authority has prepared separate financial statements for proprietary funds. These fund financial statements use the accrual basis of accounting and the economic resources measurement focus.

**DOWNTOWN DEVELOPMENT AUTHORITY**  
**(A Component Unit of the Atlanta Development Authority)**  
**Notes to Financial Statements**  
**June 30, 2011**

**(1) Summary of Significant Accounting Policies (Continued)**

**(c) *Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Interest income and service, administration, and loan fees are recognized as revenue when earned regardless of when the cash is received. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenses are recorded when a liability is incurred.

The Authority reports the following major enterprise funds:

Administrative Fund – The Administrative Fund is used to record the receipt of income not directly pledged to the repayment of specific notes, bonds, or grant programs and the payment of expenses related to the Authority’s administrative functions.

Atlanta Urban Redevelopment Agency – This fund is used to account for the financing of certain economic development projects within the Atlanta Urban Redevelopment Area as determined by the City of Atlanta.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance subject to this same limitation. DDA and the Agency have elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund’s principal ongoing operations. The principal operating revenue of DDA and the Agency are parking garage and rental income, funds received from the City of Atlanta to cover debt service requirements, interest income, and other miscellaneous activity. Operating expenses for the enterprise funds include direct rent expense, interest expense, and general and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

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**(1) Summary of Significant Accounting Policies (Continued)**

**(d) *Cash and Cash Equivalents***

For the purposes of the statement of cash flows, the Authority considers all short-term investment securities with original maturities of three months or less, local government investment pools, repurchase agreements, money market accounts, and investment agreements under which funds can be withdrawn at any time without penalty to be cash equivalents. Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

**(e) *Investment in CV Underground***

The Authority's investment consists of its initial capital injection into the CV Underground, LLC. The Authority's interest in this entity is adjusted annually through its 1% right to distributable income.

**(f) *Capital Assets***

Capital assets are stated at cost. Depreciation on capital assets is calculated on the straight-line method over the estimated useful lives as follows:

Buildings	26 years
Leasehold improvements	29 years
Furniture and equipment	3-5 years

Interest is capitalized during construction periods on proprietary fund assets financed with bonded debt. The amount of interest to be capitalized for debt with tax-exempt interest is calculated by offsetting interest expense incurred from the date of the borrowing until completion of projects with interest earned on invested proceeds over the same period. The amount of interest to be capitalized for debt with taxable interest is calculated at the average borrowing rate applied to costs incurred during the construction period. As of June 30, 2011, there were no uncompleted projects and therefore, no interest to capitalize.

**(g) *Use of Estimates***

The Authority's management has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses to prepare the financial statements in conformity with accounting principles generally accepted in the United States. Actual results could differ from these estimates.



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**(2) Prepaid Rent**

In 1999, DDA signed a thirty-eight (38) year operating lease to rent the Block building for \$3,200,000. DDA paid the entire amount due under the lease at the time of signing. Also, in 2007, DDA signed a thirty (30) year operating lease for expansion of office space in the Block building under the terms of that lease, rent was prepaid through December 31, 2036. As of June 30, 2011, the remaining prepaid rent balance is \$2,176,409.

**(3) Deposits and Investments**

- (a) **Credit Risk.** DDA is authorized to invest in obligations or investments as determined by its Board of Directors, subject to any agreement with bondholders and with applicable law. As of June 30, 2011, the Authority did not have any investments other than deposits with financial institutions.
- (b) **Custodial Credit Risk-Deposits.** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2011, the Authority had no bank balances that were exposed to custodial credit risk.

**(4) Investment in Direct Financing Lease with the City of Atlanta**

The Government Center Parking Deck was placed into operations in January 2008. The land and related building of the deck was leased to the City of Atlanta in a lease that qualifies as a capital lease. The lease payments from the City of Atlanta equal the debt service payments on the Series 2006 Revenue Bonds (see Note 7 for revenue bonds payable disclosure). As of June 30, 2011, the investment in direct financing lease in relation to the Government Center Parking Deck is \$20,709,108.

In 2009, DDA issued \$52,790,000 in Refunding Revenue Bonds (Series 2009) on behalf of the City of Atlanta to pay off or refund the City's 2002 Series Underground Atlanta Project Revenue Bonds. The principal and interest on the Series 2009 Revenue Bonds are special limited obligations of DDA and shall be payable solely from moneys payable to DDA by the City of Atlanta (see Note 7 for revenue bonds payable disclosure) under a capital lease arrangement for the Underground Parking Deck. As of June 30, 2011, a net receivable of \$35,895,000 is recorded by the Downtown Development Authority as an investment in direct financing lease with the City of Atlanta with the difference (\$6,195,000) between the total outstanding Series 2009 revenue bonds and the receivable being money transferred by the City of Atlanta to DDA's trust account for future debt service payments.

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**(5) Investment in CV Underground**

During 1999, the Authority entered into an agreement with other parties to contribute capital to the CV Underground, LLC. CV Underground, LLC (the "Company") was formed in 1999 to manage and operate the Underground Atlanta Festival Marketplace. In exchange for its capital contribution, the Authority is entitled to the first one percent of distributable cash from the Company's operations, with the remaining ninety-nine percent going to the majority owner. As of June 30, 2011, the Authority's interest in CV Underground is approximately \$2,100,343.

**(6) Capital Assets**

Capital assets activity for the fiscal year ended June 30, 2011 consists of the following:

	<u>June 30,</u> <u>2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2011</u>
Capital assets being depreciated:				
Furniture and equipment	\$ 760,050	\$ -	\$ -	\$ 760,050
Leasehold improvements	3,491,247	-	-	3,491,247
Total capital assets being depreciated	<u>4,251,297</u>	<u>-</u>	<u>-</u>	<u>4,251,297</u>
Less accumulated depreciation				
Furniture and equipment	(643,992)	(103,767)	-	(747,759)
Leasehold improvements	(1,092,263)	(120,388)	-	(1,212,651)
Total accumulated depreciation	<u>(1,736,255)</u>	<u>(224,155)</u>	<u>-</u>	<u>(1,960,410)</u>
Net capital assets	<u>\$ 2,515,042</u>	<u>\$ (224,155)</u>	<u>\$ -</u>	<u>\$ 2,290,887</u>

**(7) Revenue Bonds Payable**

In 1999, the Authority issued \$2,400,000 of Series 1999 Downtown Development Authority Revenue Bonds for renovations and leasehold improvements of office space. Principal and interest payments are payable monthly until the bonds mature in 2014, and the Bonds carry an interest rate of 4.6%. The balance due on these bonds at June 30, 2011 is \$689,618. Bond issuance costs of \$35,500 are amortized using the straight line method, which is not materially different from using the effective interest method. In July 2010, the Authority amended the payment schedule on the Bonds by lowering the monthly principal and interest payments. The interest rate and maturity date remain the same correlating to a balloon payment of \$426,890 due March 2014.

In 2006, the Authority issued \$23,480,000 of Revenue Bonds (\$17,990,000, Series 2006A, and \$5,490,000, Series 2006B) for the purpose of acquiring land and building a five-story parking facility. Interest is due semiannually on June 1, and December 1 of each fiscal year, with varying interest rates ranging from 4% to 5%. Principal payments are due annually and the bonds mature in 2032. The balance due on these bonds at June 30, 2011 is \$21,685,000. This facility is currently being leased to the City of Atlanta with the lease payments equal to the debt service payments on the bonds. Bond issuance costs of \$943,921 are amortized using the straight line method, which is not materially different from using the effective interest method.

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**(7) Revenue Bonds Payable (Continued)**

In 2009, the Authority issued \$52,790,000 of refunding revenue bonds (\$44,975,000, Series 2009A, and \$7,815,000, Series 2009B). The Series 2009A bonds were used to refund the principal of the City of Atlanta Series 2002, Variable Rate Refunding Revenue Bonds (Underground Atlanta Project). The Series 2009B bonds were issued for the purpose of paying (a) the termination fee in connection with an interest rate swap relating to the City of Atlanta's Series 2002 Bonds, (b) accrued interest on the City of Atlanta's Series 2002 Bonds, and (c) the costs of issuance of the Series 2009 Bonds. Commencing on July 1, 2009, interest is due semiannually on January 1 and July 1 of each fiscal year with varying interest rates ranging from 2% to 5%. The 2009A bonds mature in 2016, whereas the 2009B bonds matured in 2010. The balance due on the 2009A Series bonds at June 30, 2011 is \$42,090,000. The Authority has recorded a receivable from the City of Atlanta for all future debt service payments. Bond issuance costs of \$841,941 are being amortized using the effective interest method.

On October 28, 2010, the Agency issued \$22,775,000 of Taxable Recovery Zone Economic Development Bonds. The Series 2010 bonds were used to finance the costs of implementing the Urban Redevelopment Plan including certain costs in connection with (1) the acquisition, rehabilitation, and improvement of real property and buildings; (2) certain public transportation projects in the Urban Redevelopment Area; and (3) the acquisition and construction and installation of other related improvement of the Urban Redevelopment Plan. Commencing on January 1, 2011, interest is due semiannually on January 1 and July 1 of each fiscal year with a fixed interest rate of 5.37%. Under an intergovernmental agreement with the City of Atlanta, all principal and interest payments are payable solely and only from the City's pledge to make debt service payments. Additionally, approximately 45% of each interest payment is subsidized by the Federal Government under the Build America Bonds and Recovery Zone Bonds. The 2010 bonds mature on January 1, 2028. The balance due on the 2010 Series bonds at June 30, 2011 is \$22,770,000. Bond issuance costs of \$437,864 are being amortized using the effective interest method.

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**(7) Revenue Bonds Payable (Continued)**

Activity for the bonds payable for the fiscal year ended June 30, 2011 consists of the following:

	<u>June 30, 2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2011</u>	<u>Amount Due Within One Fiscal Year</u>
<b>Primary government:</b>					
Bonds payable, 1999 Downtown					
Development Authority Revenue					
Bonds	\$ 764,350	\$ -	\$ 74,732	\$ 689,618	\$ 64,241
Bonds payable, 2006 Downtown					
Development Authority Revenue					
Bonds	22,305,000	-	620,000	21,685,000	645,000
Discount on 2006 Revenue Bonds	(169,916)	-	(7,723)	(162,193)	-
Bonds payable, 2009 Downtown					
Development Authority Refunding					
Revenue Bonds	48,065,000	-	5,975,000	42,090,000	6,195,000
Discount on 2009 Refunding Revenue					
Bonds	(139,502)	-	(37,461)	(102,041)	-
Unamortized Bond Premium	2,212,718	-	594,190	1,618,528	-
Bonds payable, 2010 Atlanta Urban					
Redevelopment Agency Taxable					
Bonds	-	22,775,000	5,000	22,770,000	940,000
Total primary government	<u>\$ 73,037,650</u>	<u>\$ 22,775,000</u>	<u>\$ 7,223,738</u>	<u>\$ 88,588,912</u>	<u>\$ 7,844,241</u>

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**(7) Revenue Bonds Payable (Continued)**

*Debt Service Requirements*

Annual principal and interest requirements for the bonds payable are set forth below (dollar amounts in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year ending June 30:			
2012	\$ 7,844	\$ 4,118	\$ 11,962
2013	8,307	3,748	12,055
2014	9,193	3,319	12,512
2015	9,045	2,863	11,908
2016	9,480	2,402	11,882
2017 - 2021	18,730	7,751	26,481
2022 - 2026	12,905	4,598	17,503
2027 - 2031	10,150	1,442	11,592
2032	1,580	39	1,619
Totals	<u>87,234</u>	<u>\$ 30,280</u>	<u>\$ 117,514</u>
Plus premium on Downtown Development Authority Bonds	1,619		
Less discount on Downtown Development Authority Bonds	(264)		
Total outstanding debt	<u>\$ 88,589</u>		

**(8) Conduit Debt**

DDA issues private activity tax exempt and taxable revenue bonds to private sector entities for projects located within the city limits of Atlanta. The bonds are secured by the property financed and are payable solely from payments received on the underlying promissory notes. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. DDA is not obligated in any manner for repayment of the bonds and does not report these as liabilities in the accompanying financial statements.

At June 30, 2011, the aggregate principal amounts of bonds issued by DDA as conduit debt were \$247,718,400.

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**(9) Advances and Payments from the Atlanta Development Authority**

As part of its normal course of business, the Atlanta Development Authority provides operating funds to DDA. During fiscal year ended June 30, 2011, payments in the amount of \$110,199 were received by DDA from the Atlanta Development Authority. At June 30, 2011, DDA owes the Atlanta Development Authority's Administrative Fund \$1,007,007, which was not expected to be repaid within one fiscal year, but will be repaid over the next two (2) fiscal years.

**(10) Prior Period Adjustment**

DDA has determined that a restatement of prior period balances is necessary to properly report its equity interest in CV Underground, LLC. The effect of this restatement on beginning net assets and investment in CV Underground, LLC is described below:

An adjustment to investment in CV Underground of \$2,100,343 was necessary to report the DDA's interest in CV Underground as the result of a capital contribution made during 1999 which has not been reported by DDA.

	<b>Administrative Fund</b>
Net assets, June 30, 2010, as previously reported	\$ 1,170,610
Adjustment for investment in CV Underground	2,100,343
Net assets, June 30, 2010, as restated	\$ 3,270,953

**(11) Invested in Capital Assets, Net of Related Debt**

Invested in capital assets net of related debt reported on the statement of net assets as of June 30, 2011 is as follows:

	<b>Administrative Fund</b>
Invested in capital assets, net of related debt:	
Cost of capital assets	\$ 4,251,297
Less accumulated depreciation	(1,960,410)
Book value	2,290,887
Plus investment in direct financing lease with the City of Atlanta	56,604,108
Less capital related debt	(65,818,912)
Invested in capital assets, net of related debt	\$ (6,923,917)