

DOWNTOWN DEVELOPMENT AUTHORITY

(A Component Unit of The Atlanta
Development Authority, d/b/a Invest Atlanta)

Basic Financial Statements

June 30, 2015

(With Independent Auditor's Report Thereon)

DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)

June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying 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, d/b/a Invest Atlanta, as of and for the year ended June 30, 2015, 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 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Downtown Development Authority as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2015 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 11, 2015

DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Management's Discussion and Analysis (Unaudited)
June 30, 2015

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, 2015. Please read it in conjunction with the financial statements and accompanying notes.

Fiscal Year 2015 Selected Financial Highlights

- The assets of the Authority decreased approximately \$13.8 million for the fiscal year ended June 30, 2015. The primary components are an \$8.2 million decrease in the investment in direct financing lease with the City of Atlanta for the Underground Atlanta project and a \$4.4 million decrease in restricted cash related to the Atlanta Urban Redevelopment Agency as expenses to promote economic development.
- The liabilities of the Authority decreased approximately \$9.5 million for the fiscal year ended June 30, 2015. The decrease is primarily related to principal reductions in bonds payable, with the largest being approximately \$7.2 million on the 2009 Refunding Revenue Bonds (Underground Atlanta Project).

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 position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 the blended component unit 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 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, d/b/a Invest Atlanta)
Management's Discussion and Analysis (Unaudited)
June 30, 2015

Financial Analysis

As noted earlier, net position 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 \$2 million at the close of the fiscal year ended June 30, 2015. A summary of the net position is presented below.

Summary of the Authority's Business-type Activities Net Position
June 30, 2015 and June 30, 2014

	<u>2015</u>	<u>2014</u>
Assets:		
Current assets	\$ 12,498,348	\$ 16,717,441
Capital assets	1,797,045	1,917,433
Other non-current assets	43,044,071	52,538,692
Total assets	<u>57,339,464</u>	<u>71,173,566</u>
Liabilities:		
Long-term liabilities	44,739,976	54,507,216
Other liabilities	10,590,998	10,361,271
Total liabilities	<u>55,330,974</u>	<u>64,868,487</u>
Net position (deficit):		
Investment in capital assets	1,797,045	1,530,490
Restricted for debt services	8,487,566	8,336,691
Restricted for redevelopment programs	2,032,923	6,452,693
Unrestricted	(10,309,044)	(10,014,795)
Total net position (deficit)	<u>\$ 2,008,490</u>	<u>\$ 6,305,079</u>

The Authority's total assets equal approximately \$57.3 million as of the fiscal year ended June 30, 2015. The assets primarily consist of intergovernmental receivables from the City of Atlanta and the investments in direct financing leases with the City of Atlanta for the Government Center Parking Deck and Underground Atlanta project (78%), restricted cash related to the AURA Economic Recovery Zone bonds, Parking Deck and Underground Atlanta projects (18%), and the Block Building Leasehold Improvements (4%).

The Authority's total liabilities equal approximately \$55.3 million as of the fiscal year ended June 30, 2015. The liabilities consist primarily of bonds and notes payable (96%) 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, d/b/a Invest Atlanta)
Management's Discussion and Analysis (Unaudited)
June 30, 2015

Summary of Changes in the Authority's Net Position
Fiscal Years Ended June 30, 2015 and June 30, 2014

	2015	2014
Revenues:		
Subsidy income received from the City of Atlanta	\$ 1,795,092	\$ 2,214,184
Parking garage and rental income	912,304	948,808
Interest income	499	1,349
Total revenues	2,707,895	3,164,341
Expenses:		
Interest and amortization expenses	2,506,558	2,867,577
Depreciation expense	120,388	120,387
Rent expense	84,474	78,554
Redevelopment program expense	4,420,243	15,493,486
General and administrative	37,006	21,359
Total expenses	7,168,669	18,581,363
Payments from Invest Atlanta	164,185	204,604
Decrease in net position	(4,296,589)	(15,212,418)
Net position, beginning of fiscal year	6,305,079	21,517,497
Net position, end of fiscal year	\$ 2,008,490	\$ 6,305,079

The Authority's revenues primarily consist of income received from the City of Atlanta for debt service payments related to certain bond issuances (66%). Compared to the prior fiscal year, this was a decrease of approximately \$419,000 due to the decreased debt service requirements the City is required to fund. Parking garage and rental income represent 34% of total revenue. This was a decrease of approximately \$37,000 from the prior fiscal year. The Authority's expenses primarily consist of the following items: interest and amortization expense which decreased approximately \$361,000 as a result of the decreased debt service requirements, redevelopment expenses which decreased approximately \$11 million, and depreciation related to leasehold improvements. The AURA issued bonds for redevelopment purposes in 2010 and has now used most of those proceeds on programs thus causing the large reduction in redevelopment expenses.

Capital Asset and Debt Administration

Capital assets. The Authority's investment in capital assets as of June 30, 2015 amounts to approximately \$1.8 million (net of accumulated depreciation). The investment in capital assets includes leasehold improvements. See Note 5 to the financial statements for more information on capital assets.

DOWNTOWN DEVELOPMENT AUTHORITY
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Management's Discussion and Analysis (Unaudited)
June 30, 2015

Downtown Development Authority's Capital Assets

Capital asset balances of the Authority at June 30, 2015 are as follows:

Leasehold improvements	\$ 3,491,247
Less: accumulated depreciation	<u>(1,694,202)</u>
Net capital assets	<u><u>\$ 1,797,045</u></u>

Long Term Debt. At the end of the current fiscal year, the Authority had total long-term debt outstanding of approximately \$53 million. The Authority's debt reflects a net decrease of approximately \$9.4 million during the current fiscal year primarily as a result of debt reduction/principal payments in fiscal year 2015. See Note 6 to the financial statements for more information.

Activity for long term obligations of the Authority for the fiscal year ended June 30, 2015, which are reported in the Statement of Net Position, is summarized as follows:

Downtown Development Authority's Outstanding Debt

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>
Primary government:				
Bonds payable, 2006 DDA	\$ 19,520,978	\$ -	\$ 722,277	\$ 18,798,701
Bonds payable, 2009 DDA	22,944,779	-	7,384,653	15,560,126
Bonds payable, 2010 AURA	19,625,000	-	1,155,000	18,470,000
Promissory note payable	<u>386,943</u>	<u>-</u>	<u>148,788</u>	<u>238,155</u>
Total primary government	<u><u>\$ 62,477,700</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,410,718</u></u>	<u><u>\$ 53,066,982</u></u>

The Authority issues a significant amount of conduit debt which is not included in the Authority's Statement of Net Position but is disclosed in Note 7 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, 133 Peachtree Street, NE, Suite 2900, Atlanta, GA 30303.

DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Statement of Net Position
June 30, 2015

Assets	Business-type Activities
Current assets:	
Cash and cash equivalents	\$ 4,504
Restricted cash and cash equivalents	10,520,489
Investment in direct financing lease with the City of Atlanta, current portion	730,573
Intergovernmental receivable from the City of Atlanta, current portion	1,185,000
Prepaid items, current portion	57,782
Total current assets	12,498,348
Noncurrent assets:	
Capital assets, net of depreciation	1,797,045
Investment in direct financial lease with the City of Atlanta	25,262,519
Intergovernmental receivable from the City of Atlanta	17,285,000
Prepaid items	496,552
Total noncurrent assets	44,841,116
Total assets	57,339,464
Liabilities	
Current liabilities:	
Accrued interest payable	954,848
Bonds payable, current portion	9,636,150
Total current liabilities	10,590,998
Noncurrent liabilities:	
Advances from Invest Atlanta	1,309,144
Bonds payable	43,430,832
Total noncurrent liabilities	44,739,976
Total liabilities	55,330,974
Net Position (Deficit)	
Investment in capital assets	1,797,045
Restricted for debt services	8,487,566
Restricted for redevelopment programs	2,032,923
Unrestricted	(10,309,044)
Total net position (deficit)	\$ 2,008,490

See the accompanying notes to the financial statements.

DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Statement of Activities
Fiscal Year ended June 30, 2015

	Program Revenues	Operating Grants and Contributions	Business-type Activities	Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services		
Functions/ Programs:				
Primary government				
Business-type activities:				
Economic development	\$ 7,168,669	\$ 912,304	\$ 1,795,092	\$ (4,461,273)
Total primary government activities	\$ 7,168,669	\$ 912,304	\$ 1,795,092	\$ (4,461,273)

General revenues:	
Payments from Invest Atlanta	164,185
Interest income	499
Total general revenues	164,684
Changes in net position	(4,296,589)
Net position, beginning of year	6,305,079
Net position, end of year	\$ 2,008,490

See the accompanying notes to the financial statements.

DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-type Activities		
	Enterprise Funds		
	Administrative Fund	Atlanta Urban Redevelopment Agency	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 4,504	\$ -	\$ 4,504
Restricted cash and cash equivalents	7,991,646	2,528,843	10,520,489
Investment in direct financing lease with the City of Atlanta, current portion	730,573	-	730,573
Intergovernmental receivable from the City of Atlanta, current portion	-	1,185,000	1,185,000
Prepaid items, current portion	57,782	-	57,782
Total current assets	<u>8,784,505</u>	<u>3,713,843</u>	<u>12,498,348</u>
Noncurrent assets:			
Capital assets, net of accumulated depreciation	1,797,045	-	1,797,045
Investment in direct financing lease with the City of Atlanta	25,262,519	-	25,262,519
Intergovernmental receivable from the City of Atlanta	-	17,285,000	17,285,000
Prepaid items	496,552	-	496,552
Total noncurrent assets	<u>27,556,116</u>	<u>17,285,000</u>	<u>44,841,116</u>
Total assets	<u>36,340,621</u>	<u>20,998,843</u>	<u>57,339,464</u>
Liabilities			
Current liabilities:			
Accrued interest payable	458,928	495,920	954,848
Bonds and notes payable, current portion	8,451,150	1,185,000	9,636,150
Total current liabilities	<u>8,910,078</u>	<u>1,680,920</u>	<u>10,590,998</u>
Noncurrent liabilities:			
Advances from Invest Atlanta	1,309,144	-	1,309,144
Bonds and notes payable, noncurrent portion	26,145,832	17,285,000	43,430,832
Total noncurrent liabilities	<u>27,454,976</u>	<u>17,285,000</u>	<u>44,739,976</u>
Total liabilities	<u>36,365,054</u>	<u>18,965,920</u>	<u>55,330,974</u>
Net Position (Deficit)			
Investment in capital assets	1,797,045	-	1,797,045
Restricted for debt services	7,991,646	495,920	8,487,566
Restricted for redevelopment programs	-	2,032,923	2,032,923
Unrestricted	(9,813,124)	(495,920)	(10,309,044)
Total net position (deficit)	<u>\$ (24,433)</u>	<u>\$ 2,032,923</u>	<u>\$ 2,008,490</u>

See the accompanying notes to the financial statements.

DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2015

	Business-type Activities		
	Enterprise Funds		
	Administrative Fund	Atlanta Urban Redevelopment Agency	Total
Operating revenues:			
Parking garage income	\$ 912,304	\$ -	\$ 912,304
Subsidy income for debt service payments	772,250	1,022,842	1,795,092
Total operating revenues	<u>1,684,554</u>	<u>1,022,842</u>	<u>2,707,396</u>
Operating expenses:			
Interest expense	1,483,706	1,022,852	2,506,558
Depreciation expense	120,388	-	120,388
Rent expense	84,474	-	84,474
Redevelopment program expense	-	4,420,243	4,420,243
General and administrative	37,006	-	37,006
Total operating expenses	<u>1,725,574</u>	<u>5,443,095</u>	<u>7,168,669</u>
Operating loss	(41,020)	(4,420,253)	(4,461,273)
Non-operating revenues:			
Interest income on bank accounts	22	477	499
Payment from Invest Atlanta	164,185	-	164,185
Total non-operating revenues	<u>164,207</u>	<u>477</u>	<u>164,684</u>
Change in net position	123,187	(4,419,776)	(4,296,589)
Net position (deficit) at beginning of year	<u>(147,620)</u>	<u>6,452,699</u>	<u>6,305,079</u>
Net position (deficit) at end of year	<u>\$ (24,433)</u>	<u>\$ 2,032,923</u>	<u>\$ 2,008,490</u>

See the accompanying notes to the financial statements.

DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2015

	Business-type Activities		
	Enterprise Funds		
	Administrative Fund	Atlanta Urban Redevelopment Agency	Total
Cash flows from operating activities:			
Receipts from third parties (parking garage income)	\$ 925,985	\$ -	\$ 925,985
Payments for programs	-	(4,420,243)	(4,420,243)
Payments to suppliers	(111,110)	-	(111,110)
Net cash provided by (used in) operating activities	<u>814,875</u>	<u>(4,420,243)</u>	<u>(3,605,368)</u>
Cash flows from noncapital financing activities:			
Principal reduction of Recovery Zone bonds	-	(1,155,000)	(1,155,000)
Payment from Invest Atlanta	164,185	-	164,185
Repayment of bond principal related to revenue bonds issued on behalf of the City of Atlanta	(7,890,000)	-	(7,890,000)
Payments for interest on bonds	(1,828,842)	(1,053,863)	(2,882,705)
Repayment of note principal	(148,788)	-	(148,788)
Payment of interest on notes	(15,119)	-	(15,119)
Receipt of funds from others to subsidize debt service payments	772,250	1,022,842	1,795,092
Advances from Invest Atlanta	85,707	-	85,707
Funds received on direct financing lease with the City of Atlanta	8,227,147	1,155,000	9,382,147
Net cash used in noncapital financing activities	<u>(633,460)</u>	<u>(31,021)</u>	<u>(664,481)</u>
Cash flows from investing activities:			
Receipts of interest on bank accounts	22	477	499
Net cash provided by investing activities	<u>22</u>	<u>477</u>	<u>499</u>
Net increase (decrease) in cash and cash equivalents	181,437	(4,450,787)	(4,269,350)
Cash and cash equivalents at beginning of fiscal year	7,814,713	6,979,630	14,794,343
Cash and cash equivalents at end of fiscal year	<u>\$ 7,996,150</u>	<u>\$ 2,528,843</u>	<u>\$ 10,524,993</u>
Reconciliation to Statement of Net Position:			
Unrestricted cash and cash equivalents	\$ 4,504	\$ -	\$ 4,504
Restricted cash and cash equivalents	7,991,646	2,528,843	10,520,489
Total cash and cash equivalents	<u>\$ 7,996,150</u>	<u>\$ 2,528,843</u>	<u>\$ 10,524,993</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:			
Operating loss	\$ (41,020)	\$ (4,420,253)	\$ (4,461,273)
Adjustment to reconcile operating loss to net cash provided by (used in) operating activities:			
Depreciation expense	120,388	-	120,388
Amortization expense, net	(216,930)	-	(216,930)
Interest payments reported in operating loss	1,843,961	1,053,863	2,897,824
Receipts for debt service reported in operating loss	(772,250)	(1,022,842)	(1,795,092)
Program loss on sale of investment	-	-	-
Change in assets and liabilities:			
(Increase) decrease in:			
Other receivables	13,681	-	13,681
Prepaid items	48,536	-	48,536
Increase (decrease) in:			
Accrued interest payable	(181,491)	(31,011)	(212,502)
Net cash provided by (used in) operating activities	<u>\$ 814,875</u>	<u>\$ (4,420,243)</u>	<u>\$ (3,605,368)</u>

See the accompanying notes to the financial statements.

DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Notes to Financial Statements
June 30, 2015

(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, d/b/a Invest Atlanta (“Invest Atlanta”), which combined several existing economic development entities including DDA. Accordingly, DDA is considered to be a blended component unit of Invest Atlanta and its financial statements are included in the Invest Atlanta 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 the DDA and the Agency are identical, the DDA is able to impose its will on the Agency, and management of the DDA has operational responsibility for the activities of the Agency. Separate financial information for this component unit may be obtained from the Chief Financial Officer, Invest Atlanta at 133 Peachtree Street, NE, Suite 2900, 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 position and the statement of activities) do not provide information by fund. Net position in the statement of net position is distinguished between amounts that are invested in capital assets, restricted for use by third parties or outside requirements, and 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, d/b/a Invest Atlanta)
Notes to Financial Statements
June 30, 2015

(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.

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 programmatic and 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.

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.

DOWNTOWN DEVELOPMENT AUTHORITY
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Notes to Financial Statements
June 30, 2015

(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 position because their use is limited by applicable bond covenants.

(e) *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:

Leasehold improvements	29 years
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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. For the year ended June 30, 2015, there were no uncompleted projects and therefore, no interest to capitalize.

(f) *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 Items

In 1999, DDA signed a thirty-eight (38) year operating lease to rent the 3rd and 4th floors of the Block building for \$900,000. DDA paid the entire amount due under the lease at the time of signing. As of June 30, 2015, the remaining prepaid rent balance is \$507,237.

Additionally, in January 1, 2015, DDA paid \$60,690 for a lease of the 2nd floor of the Block Building for the calendar year 2015. As of June 30, 2015, the remaining prepaid rent is \$30,345.

The remaining balance in prepaid items is for a prepaid insurance premium and a bond insurance premium purchased in conjunction with the 2009 refunding revenue bonds and is being amortized over the life of the bonds.

(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, 2015, 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, 2015, the Authority had no bank balances exposed to custodial credit risk.

(4) Intergovernmental Receivable and Investment in Direct Financing Lease with the City of Atlanta

The Government Center Parking Deck was placed into operation 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 6 for revenue bonds payable disclosure). As of June 30, 2015, the investment in direct financing lease in relation to the Government Center Parking Deck is \$18,078,092.

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 6 for revenue bonds payable disclosure) under a capital lease arrangement for the Underground Parking Deck. As of June 30, 2015, a net receivable of \$7,915,000 is recorded by the Downtown Development Authority as an investment in direct financing lease with the City of Atlanta with the difference (\$7,530,000) 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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(4) Intergovernmental Receivable and Investment in Direct Financing Lease with the City of Atlanta (Continued)

On October 28, 2010, the Agency issued \$22,775,000 of Taxable Recovery Zone Economic Development Bonds (Series 2010) on behalf of the City of Atlanta 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 improvements of the Urban Redevelopment Plan. The principal and interest on the Series 2010 Bonds are special limited obligations of the Agency and shall be payable solely from moneys payable to the Agency by the City of Atlanta (see Note 6 for revenue bonds payable disclosure) under an intergovernmental arrangement. As of June 30, 2015, a net receivable of \$18,470,000 is recorded by the Agency as an intergovernmental receivable from the City of Atlanta.

(5) Capital Assets

Capital assets activity for the fiscal year ended June 30, 2015 consists of the following:

	June 30, 2014	Additions	Deletions	June 30, 2015
Capital assets being depreciated:				
Leasehold improvements	\$ 3,491,247	\$ -	\$ -	\$ 3,491,247
Total capital assets being depreciated	3,491,247	-	-	3,491,247
Less accumulated depreciation				
Leasehold improvements	(1,573,814)	(120,388)	-	(1,694,202)
Total accumulated depreciation	(1,573,814)	(120,388)	-	(1,694,202)
Net capital assets	\$ 1,917,433	\$ (120,388)	\$ -	\$ 1,797,045

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(6) Revenue Bonds and Notes Payable

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, 2015 is \$18,930,000. This facility is currently being leased to the City of Atlanta with the lease payments equal to the debt service payments on the bonds.

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, 2015 is \$15,445,000. The Authority has recorded a receivable from the City of Atlanta for all future debt service payments.

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 improvements 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. The Agency has recorded a receivable from the City of Atlanta for all future 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, 2015 is \$18,470,000.

In December 2013, the Authority entered into a promissory note payable with a bank in the amount of \$458,857. This note was used to satisfy the balloon payment due on the Series 1999 Downtown Development Authority Revenue Bonds. Payments for principal and interest, at a rate of 4.75%, are due monthly and the note matures December 1, 2016. The balance due on the note at June 30, 2015 was \$238,155.

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(6) Revenue Bonds and Notes Payable (Continued)

Activity for the bonds payable for the fiscal year ended June 30, 2015 consists of the following:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2015</u>	<u>Amount Due Within One Fiscal Year</u>
Primary government:					
Bonds payable, 2006 Downtown					
Development Authority Revenue					
Bonds	\$ 19,660,000	\$ -	\$ 730,000	\$ 18,930,000	\$ 765,000
Discount on 2006 Revenue Bonds	(139,022)	-	(7,723)	(131,299)	-
Bonds payable, 2009 Downtown					
Development Authority Refunding					
Revenue Bonds	22,605,000	-	7,160,000	15,445,000	7,530,000
Unamortized Bond Premium	339,779	-	224,653	115,126	-
Bonds payable, 2010 Atlanta Urban					
Redevelopment Agency Taxable					
Bonds	19,625,000	-	1,155,000	18,470,000	1,185,000
Promissory Note Payable	386,943	-	148,788	238,155	156,150
Total primary government	<u>\$ 62,477,700</u>	<u>\$ -</u>	<u>\$ 9,410,718</u>	<u>\$ 53,066,982</u>	<u>\$ 9,636,150</u>

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(6) Revenue Bonds and Notes Payable (Continued)

Debt Service Requirements

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal Year Ending June 30:			
2016	\$ 9,636	\$ 2,442	\$ 12,078
2017	10,012	1,952	11,964
2018	2,090	1,654	3,744
2019	2,160	1,550	3,710
2020	2,235	1,442	3,677
2021 - 2025	12,455	5,428	17,883
2026- 2030	11,410	2,115	13,525
2031 - 2032	3,085	154	3,239
Totals	<u>53,083</u>	<u>\$ 16,737</u>	<u>\$ 69,820</u>
Plus premium on bonds	115		
Less discount on bonds	(131)		
Total outstanding debt	<u>\$ 53,067</u>		

(7) 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.

As the balance of conduit debt issued by DDA, at the time of the implementation of GASB Interpretation No. 2 in 1996, was not determinable, DDA discloses the aggregate original issue amount of the bonds issued as conduit debt to be \$247,718,400.

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(8) Advances and Payments from Invest Atlanta

As part of its normal course of business, Invest Atlanta provides operating funds to DDA. During fiscal year ended June 30, 2015, payments in the amount of \$164,185 were received by DDA from Invest Atlanta. At June 30, 2015, DDA owes the Atlanta Development Authority's Administrative Fund \$1,309,144, which was not expected to be repaid within one fiscal year, but will be repaid in future years.