

**DOWNTOWN DEVELOPMENT AUTHORITY OF
THE CITY OF AUGUSTA
FINANCIAL STATEMENTS
DECEMBER 31, 2007**

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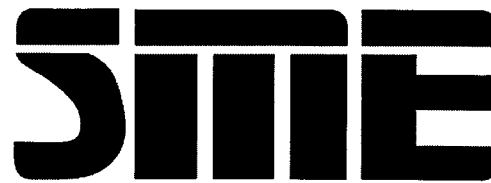
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INDEPENDENT AUDITORS' REPORT



SEROTTA MADDOCKS EVANS & CO
CERTIFIED PUBLIC ACCOUNTANTS

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, 2007, 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 not presented management discussion and analysis and the budgetary comparison statement required by the Governmental Accounting Standards Board that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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 paragraph, 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, 2007, 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

June 11, 2008

DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF AUGUSTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2007

ASSETS	
Cash	\$ 523,410
Noncurrent assets:	
Capital assets, net	3,655,032
Deferred charges	<u>55,853</u>
Total Assets	<u><u>\$ 4,234,295</u></u>
 LIABILITIES	
Accounts payable	\$ 190,387
Due to other city funds	11,214
Noncurrent liabilities:	
Due within one year:	
Revenue bonds	585,000
Due in more than one year:	
Revenue bonds	<u>1,215,000</u>
Total Liabilities	<u>2,001,601</u>
 NET ASSETS	
Invested in capital assets net of related debt	1,855,032
Unrestricted	<u>377,662</u>
Total Liabilities and Net Assets	<u><u>\$ 4,234,295</u></u>

SEE NOTES TO FINANCIAL STATEMENTS

DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF AUGUSTA
 STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2007

	PROGRAM REVENUES				
FUNCTIONS/PROGRAMS	EXPENSES	FUNDRAISING	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS
Governmental activities:					
Economic development	\$ 762,527	\$ 2,546	\$ 315,055	\$ 729,550	\$ 284,624
Interest on bond debt	53,440		-		(53,440)
Total governmental activities	\$ 815,967	\$ 2,546	\$ 315,055	\$ 729,550	231,184
			General Revenues:		
			Interest income		14,122
			Change in net assets		245,306
			Net assets - beginning of year		1,987,388
			Net assets - end of year		\$ 2,232,694

SEE NOTES TO FINANCIAL STATEMENTS

DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF AUGUSTA
BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2007

ASSETS		
Cash		\$ 523,410
Total Assets		<u>\$ 523,410</u>
LIABILITIES		
Accounts payable		\$ 190,387
Due to other funds		11,214
Total Liabilities		<u>201,601</u>
FUND BALANCE		
Unreserved		<u>321,809</u>
		<u>321,809</u>
Total Liabilities and Fund Balance		<u>\$ 523,410</u>
 GOVERNMENTAL FUND BALANCE		 \$ 321,809
 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.		3,655,032
Deferred charges from bond issuance costs are expensed in the current period rather than amortized over the life of the bonds.		55,853
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund.		
Bonds payable		<u>(1,800,000)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 2,232,694</u>

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, 2007

REVENUES	
Operating grants and contributions	\$ 255,890
Capital grants and contributions	729,550
Saturday Market income	59,165
Fundraising income, net	2,546
Interest income	14,122
Total Revenues	1,061,273
EXPENDITURES	
Current:	
General government	571,770
Bond payments:	
Principal	575,000
Interest	53,440
Total Expenditures	1,200,210
Excess of Expenditures Over Revenues	(138,937)
FUND BALANCE - BEGINNING OF YEAR	460,746
FUND BALANCE - END OF YEAR	\$ 321,809

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. 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

E. 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.

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

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:

- 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 Authority does not have a deposit policy for custodial credit risk. At December 31, 2007, the total carrying amount of the Authority's deposits was approximately \$519,000 and the bank balance was approximately \$522,000 at three different financial institutions, limiting its federal depository insurance to \$300,000 with the remaining balance of approximately \$222,000 uncollateralized.

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

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

	<u>BALANCE</u> 12/31/06	<u>ADDITIONS</u>	<u>DISPOSALS</u>	<u>BALANCE</u> 12/31/07
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	<u>6,465,313</u>	<u>-</u>	<u>-</u>	<u>6,465,313</u>
Less accumulated depreciation for:				
Port Royal parking deck	(1,105,000)	(65,000)	-	(1,170,000)
Riverfront parking deck	(1,526,400)	(95,400)	-	(1,621,800)
Clock	(11,571)	(4,139)	-	(15,710)
Furniture and equipment	(1,378)	(1,393)	-	(2,771)
Total accumulated depreciation	<u>(2,644,349)</u>	<u>(165,932)</u>	<u>-</u>	<u>(2,810,281)</u>
Capital assets, net	3,820,964	(165,932)	-	3,655,032
Related debt	(2,375,000)	-	575,000	(1,800,000)
Capital assets, net of related debt	<u>\$ 1,445,964</u>	<u>\$ (165,932)</u>	<u>\$ 575,000</u>	<u>\$ 1,855,032</u>

Depreciation expense for the year ended December 31, 2007 was \$165,932.

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

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

NOTE 4 - LONG-TERM DEBT

Long-term debt activity for the year ended December 31, 2007 was as follows:

	General Long-term Debt
	Development Authority Bonds, Series 2003
Debt Outstanding at December 31, 2006	\$ 2,375,000
Principal Payments	(575,000)
Debt Outstanding at December 31, 2007	\$ 1,800,000

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.

The Series 2003 Bonds are limited, special obligations of the Authority and are secured from payments received under an intergovernmental lease between the City of Augusta and the Authority for use of the two parking decks.

Interest on the Series 2003 Development Authority Bonds is paid semi-annually. The interest rate is 2.56%. Principal is due on January 1 of each year as follows:

Year	Principal Payments
2008	\$ 585,000
2009	600,000
2010	615,000
	\$1,800,000



SEROTTA MADDOCKS EVANS & CO
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION

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, 2007 appears on page 1. 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
June 11, 2008

DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF AUGUSTA
 SUPPLEMENTAL SCHEDULE OF EXPENSES BY ACTIVITY
 YEAR ENDED DECEMBER 31, 2007

GOVERNMENTAL ACTIVITIES:

Economic Development:

Bank service charges	\$ 311
Salaries	79,817
Training	825
Memberships	450
Office supplies	7,789
Postage	2,685
Marketing study	5,735
Professional fees	6,285
Rent	9,600
Sponsorship	1,000
Telephone	5,187
Casual labor	23,052
Depreciation	165,932
Amortization	24,823
Insurance	3,417
Copier	1,788
Travel	4,322
Advertising and marketing	4,092
Utilities	4,440
Operating expenses	15,438
Partnership development	2,493
Christmas decorations expense	150,344
DDA projects	168,736
Profile reports	4,331
Saturday Market expenses	43,495
Special Purpose Local Option Tax expenses	<u>26,140</u>
 Total Economic Development	 762,527
 Interest on bond debt	 <u>53,440</u>
 Total Governmental Activities	 <u><u>\$ 815,967</u></u>