

DOWNTOWN DEVELOPMENT AUTHORITY OF THE
CITY OF AUGUSTA
FINANCIAL STATEMENTS
DECEMBER 31, 2014

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of 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, 2014, 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.

Auditors' Responsibility

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 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Basis for Qualified Opinion

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.

Qualified Opinion

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion” paragraph and the effects of the other matters discussed in the following paragraphs, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Downtown Development Authority of the City of Augusta, as of December 31, 2014, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted the management discussion and analysis and the budgetary comparison statement that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Downtown Development Authority’s basic financial statements. 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.

The supplemental schedule of expenses by activity is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedule of expenses by activity is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Augusta, Georgia
May 4, 2015

DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF AUGUSTA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

ASSETS	
Unrestricted cash	\$ 87,742
Restricted cash	2,980
Accounts receivable, net	10,100
Noncurrent assets:	
Capital assets, net	970,008
Total Assets	<u>\$ 1,070,830</u>
 LIABILITIES	
Accounts payable	\$ 1,093
Accrued expenses	41,268
Payable from restricted resources:	
Accounts payable	5,768
Total Liabilities	<u>48,129</u>
 NET POSITION	
Net investment in capital assets	970,008
Restricted	2,212
Unrestricted	50,481
Total Liabilities and Net Assets	<u>\$ 1,070,830</u>

SEE NOTES TO FINANCIAL STATEMENTS

DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF AUGUSTA
 STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2014

<u>FUNCTIONS/PROGRAMS</u>	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS
<u>EXPENSES</u>	<u>FUNDRAISING</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>		
Governmental activities:					
Economic development	\$ 301,630	\$ 28,184	\$ 165,100	\$ 3,960	\$ (104,386)
			General Revenues:		(104,386)
			Interest income		496
			Change in net position		(103,890)
			Net position - beginning of year		1,126,591
			Net position - end of year		\$ 1,022,701

SEE NOTES TO FINANCIAL STATEMENTS

DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF AUGUSTA
BALANCE SHEET - GOVERNMENTAL FUND
DECEMBER 31, 2014

ASSETS	
Cash	\$ 87,742
Restricted cash	2,980
Accounts receivable, net	10,100
Total Assets	\$ 100,822
LIABILITIES	
Accounts payable	\$ 1,093
Accrued expenses	41,268
Liabilities payable from restricted resources	5,768
Total Liabilities	48,129
FUND BALANCE	
Restricted	2,212
Unassigned	50,481
Total Liabilities and Fund Balance	\$ 100,822
GOVERNMENTAL FUND BALANCE	\$ 52,693
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.	970,008
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 1,022,701

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, 2014

REVENUES	
Operating grants and contributions	\$ 165,100
Capital grants and contributions	3,960
Event sponsorships	28,184
Miscellaneous income	496
Total Revenues	197,740
EXPENDITURES	
Current:	
General government	234,966
Total Expenditures	234,966
Excess of Expenditures Over Revenues	(37,226)
FUND BALANCE - BEGINNING OF YEAR	89,919
FUND BALANCE - END OF YEAR	\$ 52,693
Net change in fund balance - governmental fund	\$ (37,226)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental fund reports capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation on governmental assets	(66,664)
Change in net assets of governmental activities	\$ (103,890)

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 accounting 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 Position 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 Position. The Statement of Activities presents changes in net position. 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

The City of Augusta, Georgia determines the annual appropriation of funding for the Authority. All budgets are prepared on a basis consistent with accounting principles generally accepted in the United States of America. The Authority's annual operating budget is established and approved by the Authority Board subsequent to notification of the Authority's annual appropriation from the City.

D. Accounts Receivable

Accounts receivable are shown net of allowances for uncollectible amounts. Uncollectible amounts are estimated based upon past collection experience. At December 31, 2014, the allowance for doubtful accounts was \$2,500.

E. Capital Assets

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

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

Estimated useful lives for asset types are as follows:

Buildings	40 years
Furniture and fixtures	5 - 7 years

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Fund Equity

The Authority implemented GASB Statement Number 54, "Fund Balance Reporting and Governmental Fund Type Definitions", as of January 1, 2011. This standard changed the overall definition and classification of governmental fund balances.

Fund equity in government-wide and proprietary fund financials is classified as net position. Net position is classified as follows:

- Net investment in capital assets - This classification represents capital assets, net of accumulated depreciation, decreased by the remaining balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.
- Unrestricted - Unrestricted net position represents net position that does not meet the definitions of the other classifications.

Fund equity in the governmental fund financial statements is classified as fund balance. Mostly, fund balance is the difference between current assets and current liabilities. In the fund statements, governmental funds report fund balance classifications that consist of hierarchy based primarily on the extent to which the Authority is required to honor constraints on the specific purposes for which amounts in those funds can be expended. Fund balances are classified as follows:

- Nonspendable - Fund balances are reported as nonspendable when amounts cannot be expended because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact.
- Restricted - Fund balances are reported as restricted when there are restrictions imposed on their use either through enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.
- Committed - Fund balances are reported as committed when they can be used only for a specific purposes pursuant to constraints imposed by the formal action of the Authority Board through the adoption of a formal policy. Only the Authority Board may modify or rescind the commitment.
- Assigned - Fund balances are reported as assigned when amounts are constrained by the Board's intent to be used for specific purposes, but are neither restricted nor committed. The authorization to assign fund balance remains with the Authority Board.
- Unassigned - Fund balances are reported as unassigned as the remaining amount when the balances do not meet any of the other classifications. The Authority reports positive fund balance in the general fund only, if applicable. Negative unassigned balances may be reported in all governmental funds.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Flow Assumptions

When both restricted and unrestricted amounts of fund balances are available for use for expenditures incurred, the Authority's policy is to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, the Authority's policy is to use fund balances in the following order:

- Committed
- Assigned
- Unassigned

H. 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.

I. New Accounting Pronouncements Adopted

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. The application of this statement is effective for the Authority's fiscal year ending December 31, 2014. This statement did not affect the Authority's financial statements for the year ending December 31, 2014.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The application of this statement is effective for the Authority's fiscal year ending December 31, 2014. This statement did not affect the Authority's financial statements for the year ending December 31, 2014.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The application of this statement is effective for the Authority's fiscal year ending December 31, 2014. This statement did not affect the Authority's financial statements for the year ending December 31, 2014.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. New Accounting Pronouncements to be Adopted in Future Years

In June 2012, the GASB issued Statement No. 68, *Accounting and Reporting for Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The application of this statement is effective for the Authority's fiscal year ending December 31, 2015. The impact of this pronouncement on the Authority's financial statements has not been determined.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This Statement provides transition provisions of GASB's new pension standards for state and local governments. This Statement will require recognition of a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. The application of this statement is effective for the Authority's fiscal year ending December 31, 2015. The impact of this pronouncement on the Authority's financial statements has not been determined.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then. The Authority has no items that qualify for reporting in this category.

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. At December 31, 2014, the carrying amount of the Authority's deposits was approximately \$90,700, and the bank balance was approximately \$90,700 all of which was insured by the Federal Deposit Insurance Corporation.

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, 2014, was as follows:

	<u>BALANCE</u> 12/31/13	<u>ADDITIONS</u>	<u>BALANCE</u> 12/31/14
Capital assets:			
Port Royal parking deck	\$ 2,600,000	\$ -	\$ 2,600,000
Furniture and equipment	7,920	-	7,920
Total capital assets	<u>2,607,920</u>	-	<u>2,607,920</u>
Less accumulated depreciation for:			
Port Royal parking deck	(1,563,328)	(66,664)	(1,629,992)
Furniture and equipment	(7,920)	-	(7,920)
Total accumulated depreciation	<u>(1,571,248)</u>	<u>(66,664)</u>	<u>(1,637,912)</u>
Capital assets, net	<u>\$ 1,036,672</u>	<u>\$ (66,664)</u>	<u>\$ 970,008</u>

Depreciation expense for the year ended December 31, 2014, was \$66,664.

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 position 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
December 20, 1999	925 Reynolds Street, Augusta, GA
April 11, 2000	3 Eighth Street, Augusta, GA

During 2014, the Authority transferred ownership of two of these properties to the City of Augusta, for no consideration.

<u>Date Property was Transferred</u>	<u>Property Description</u>
June 19, 2014	1 Fifth Street, Augusta, GA
November 13, 2014	1 A Tenth Street, Augusta, GA

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

NOTE 4 - OPERATING LEASES

The Authority has various operating leases for renting space as well as office equipment. Total rent expense for 2014 was \$10,860.

At December 31, 2014, future minimum lease payments under leases, having initial non-cancelable lease terms in excess of one year are as follows:

2015	\$ 10,860
2016	10,860
2017	10,860
2018	2,050
Total	<u>\$ 34,630</u>

NOTE 5 - COMMITMENT

On May 16, 2013, the Authority entered into an agreement with Retail Strategies, LLC to receive certain consulting services, for a total cost of \$60,000 over three years. For the year ending December 31, 2014, the Authority paid \$15,000 for these services. As of December 31, 2014, the Authority is obligated to pay \$15,000 during 2015 related to this agreement.

DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF AUGUSTA
 SUPPLEMENTAL SCHEDULE OF EXPENSES BY ACTIVITY
 YEAR ENDED DECEMBER 31, 2014

GOVERNMENTAL ACTIVITIES:

Economic Development:

Salaries	\$ 138,631
Depreciation	66,664
Professional fees	15,260
Retail recruitment	15,000
Office rent	8,400
Christmas Light-up Spectacular	8,390
GRU Day	8,331
Tree replacement on Broad Street	3,960
Telephone	3,691
Sponsorship	3,665
Insurance	3,119
Bad debt expense	2,500
Copier rent	2,460
Office supplies	2,524
Utilities	2,447
Partnership development	1,888
Operating expenses	11,703
Travel	1,063
Training	750
Memberships	535
Advertising and marketing	461
Postage	188
	188

Total Economic Development	301,630
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Total Governmental Activities	\$ 301,630
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