

**THE DOWNTOWN DEVELOPMENT AUTHORITY  
OF THE CITY OF CHAMBLEE  
A Component Unit of the City of Chamblee, Georgia**

**AUDITED BASIC FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2015**

**THE DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF CHAMBLEE**  
**A Component Unit of the City of Chamblee, Georgia**  
**AUDITED BASIC FINANCIAL STATEMENTS**  
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**FOR THE YEAR ENDED DECEMBER 31, 2015**

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# **WILCOX & BIVINGS, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

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## **Independent Auditor's Report**

**To the Board of Directors  
The Downtown Development Authority of the City of Chamblee  
Chamblee, 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 of the City of Chamblee, a component unit of the City of Chamblee, Georgia, as of and for the year ended December 31, 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 of the City of Chamblee, as of December 31, 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.**

To the Board of Directors  
The Downtown Development Authority of the City of Chamblee

*Other Matters*

*Required Supplementary Information*

Management has omitted the management's discussion and analysis 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 who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2016, on our consideration of the Downtown Development Authority of the City of Chamblee'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 the 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 Downtown Development Authority of the City of Chamblee's internal control over financial reporting and compliance.

*Wilcox & Birings, P.C.*

Suwanee, Georgia  
July 19, 2016

## **BASIC FINANCIAL STATEMENTS**

**THE DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF CHAMBLEE**  
**A Component Unit of the City of Chamblee, Georgia**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2015**

	<u>Business-type Activities</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 81,924
Receivables	62,500
Prepaid expenses	1,458
Restricted cash and cash equivalents	39,457
Nondepreciable capital assets	867,672
Depreciable capital assets	<u>569,963</u>
<b>Total assets</b>	<b><u>1,622,974</u></b>
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable	1,239
Accrued expenses	<u>4,404</u>
<b>Total current liabilities</b>	<b><u>5,643</u></b>
<b>Noncurrent liabilities:</b>	
Revenue bond payable	<u>1,509,858</u>
<b>Total noncurrent liabilities</b>	<b><u>1,509,858</u></b>
<b>Total liabilities</b>	<b><u>1,515,501</u></b>
<b>NET POSITION</b>	
Net investment in capital assets	( 72,223)
Restricted for debt service	39,457
Unrestricted	<u>140,239</u>
<b>Total net position</b>	<b><u>\$ 107,473</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.



**THE DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF CHAMBLEE**  
**A Component Unit of the City of Chamblee, Georgia**  
**STATEMENT OF FUND NET POSITION**  
**PROPRIETARY FUND**  
**DECEMBER 31, 2015**

	<u>Enterprise Fund</u>
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 81,924
Bond issuance fees receivable	62,500
Prepaid expenses	<u>1,458</u>
<b>Total current assets</b>	<u><b>145,882</b></u>
<b>Noncurrent assets:</b>	
Restricted cash and cash equivalents	39,457
Net capital assets	<u>1,437,635</u>
<b>Total noncurrent assets</b>	<u><b>1,477,092</b></u>
<b>Total assets</b>	<b>\$ <u>1,622,974</u></b>
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable	\$ 1,239
Accrued expenses	<u>4,404</u>
<b>Total current liabilities</b>	<u><b>5,643</b></u>
<b>Noncurrent liabilities:</b>	
Revenue bond payable	<u>1,509,858</u>
<b>Total noncurrent liabilities</b>	<u><b>1,509,858</b></u>
<b>Total liabilities</b>	<u><b>1,515,501</b></u>
<b>FUND NET POSITION</b>	
Net investment in capital assets	( 72,223)
Restricted for debt service	39,457
Unrestricted	<u>140,239</u>
<b>Total fund net position</b>	<u><b>107,473</b></u>
<b>Total liabilities and fund net position</b>	<b>\$ <u>1,622,974</u></b>

SEE NOTES TO FINANCIAL STATEMENTS.



**THE DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF CHAMBLEE**  
**A Component Unit of the City of Chamblee, Georgia**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<b>Enterprise Fund</b>
<b>OPERATING REVENUES</b>	
Rental income	\$ 88,177
Development fees	<u>64,000</u>
<b>Total operating revenues</b>	<u><b>152,177</b></u>
<b>OPERATING EXPENSES</b>	
Development activities	3,598
Contractual services	9,672
Office supplies and materials	2,264
Professional fees	17,699
Repairs and maintenance	940
Depreciation	<u>14,160</u>
<b>Total operating expenses</b>	<u><b>48,333</b></u>
<b>Operating income</b>	<u><b>103,844</b></u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	3
Interest expense	( 44,771)
Bond issuance costs	( 59,000)
Property taxes	<u>( 17,533)</u>
<b>Total nonoperating revenues (expenses)</b>	<u><b>( 121,301)</b></u>
<b>Change in fund net position</b>	( 17,457)
<b>Fund net position - beginning</b>	<u><b>124,930</b></u>
<b>Fund net position - ending</b>	<u><b>\$ 107,473</b></u>

SEE NOTES TO FINANCIAL STATEMENTS.

**THE DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF CHAMBLEE**  
**A Component Unit of the City of Chamblee, Georgia**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Enterprise Fund</u>
<b><i>CASH FLOWS FROM OPERATING ACTIVITIES</i></b>	
Receipts from customers	\$ 89,677
Payments to suppliers	( <u>33,734</u> )
Net cash provided (used) by operating activities	<u>55,943</u>
<b><i>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</i></b>	
Refund received from issuance of capital debt	4,738
Interest paid on capital debt	( 40,367 )
Property taxes paid on property purchased with capital debt	( <u>17,533</u> )
Net cash provided (used) by capital and related financing activities	( <u>53,162</u> )
<b><i>CASH FLOWS FROM INVESTING ACTIVITIES</i></b>	
Interest earnings	<u>3</u>
Net cash provided (used) by investing activities	<u>3</u>
Increase (decrease) in cash and cash equivalents	2,784
Cash and cash equivalents – beginning of year	<u>118,597</u>
Cash and cash equivalents – end of year	\$ <u><u>121,381</u></u>
<b><i>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</i></b>	
Operating income	\$ 103,844
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation expense	14,160
Change in assets and liabilities:	
Bond issuance fees receivable	( 62,500 )
Accounts payable	<u>439</u>
Net cash provided by operating activities	\$ <u><u>55,943</u></u>
<b><i>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION</i></b>	
Cash and cash equivalents	\$ 81,924
Restricted cash and cash equivalents	<u>39,457</u>
Total cash and cash equivalents, end of year	\$ <u><u>121,381</u></u>
<b><i>SUPPLEMENTAL DISCLOSURES</i></b>	
Noncash capital and related financing activities:	
Property acquired through capital debt financing	\$ <u><u>1,446,120</u></u>
Debt issuance costs incurred through capital debt financing	\$ <u><u>59,000</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

**THE DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF CHAMBLEE**  
**A Component Unit of the City of Chamblee, Georgia**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Downtown Development Authority of the City of Chamblee ("the Authority"), a discrete component unit of the City of Chamblee, Georgia ("the City") was created in 2013 by the City Council pursuant to the Georgia Downtown Development Authorities Law. It operates through a Board of Directors ("the Board") consisting of members appointed by the City Council and Mayor. The purpose of the Authority is to promote, to preserve, and to enhance a safe and economically viable central business district by focusing both public and private resources on maximizing the potential of both the historic downtown and Peachtree Boulevard corridor to benefit the entire community.

The financial statements of the Authority have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

The Authority has implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Statement No. 62 incorporates into the GASB's accounting and financial reporting that is included in the FASB Statements and Interpretations, APB Opinions and Research Bulletins, which do not conflict with or contradict GASB statements, which were issued on or before November 30, 1989.

The Authority has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Authority is required to present a Statement of Net Position. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The statement of net position is presented in a format that displays *assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position*. Net position is displayed in three components—*net investment in capital assets; restricted* (distinguishing between major categories of restrictions); and *unrestricted*.

The Authority has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This requires the Authority to adopt provisions of Concepts Statement No. 4 for all other items reported as assets and liabilities, which were not addressed as part of GASB 63. This Statement revises the major fund calculation so that assets are combined with deferred outflows of resources and liabilities should be combined with deferred inflows of resources. GASB No. 65 also restricts the use of the term *deferred* to only deferred outflows of resources and deferred inflows of resources.

**REPORTING ENTITY**

The Authority is governed by a board appointed by the City Council and Mayor. The Authority was created for the purpose of administering activities with regard to the revitalization and economic development of downtown Chamblee. The Authority is a component unit of the City.

**THE DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF CHAMBLEE**  
**A Component Unit of the City of Chamblee, Georgia**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**BASIS OF PRESENTATION**

**Government-wide Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the Authority. The effect of Interfund activity, within the business-type activities columns, has been removed from these statements. Business-type activities rely to a significant extent on fees and charges for support.

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

**Fund Financial Statements**

The Authority segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for proprietary activities. These statements present each major fund as a separate column on the fund financial statements.

**Proprietary funds**

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Fund Net Position. The City has presented the following major proprietary fund:

*Enterprise Fund* – The Enterprise Fund is used to account for all activities of the Authority. Activities of the fund include economic development activities. All costs are financed through economic development fees, rental income, or intergovernmental revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, professional fees, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

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.

**THE DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF CHAMBLEE**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**CASH AND CASH EQUIVALENTS**

The Authority has defined cash and cash equivalents to include cash on hand, demand deposits, and cash with fiscal agents. For purposes of the statement of cash flows of the Proprietary Fund, the Authority considers all highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

**PREPAID EXPENSES**

Payments made for services that will benefit periods beyond December 31, 2015 are recorded as prepaid expenses.

**RESTRICTED CASH AND CASH EQUIVALENTS**

The Enterprise Fund holds certain funds in an account restricted for debt service. These funds are held in cash as allowed by State law and the requirements of the related debt agreement.

**CAPITAL ASSETS**

Capital are recorded at historical cost, appraised value, or estimated historical cost or replacement cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenditures; renewal and betterments are capitalized. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	39 years
Furniture, fixtures and equipment	3 – 5 years

The sale or disposal of capital assets is recorded by removing the cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

The Authority capitalizes interest costs as part of the cost of construction of various construction projects when material.

**INTEREST EXPENSE AND CAPITALIZED INTEREST**

Interest expense on long-term debt has been included as a direct function expense in the business-type activities. The Authority incurred \$44,771 of interest expense from business-type activities for the year ended December 31, 2015.

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets. The Authority incurred interest costs of \$44,771 during the year, all of which was charged to expense. No interest costs were capitalized by the enterprise fund for the year ended December 31, 2015.

**LONG-TERM DEBT**

Long-term debt is recorded on the statement of net position in the government-wide and proprietary fund financial statements, and any related interest expense is recorded on the statement of activities in the government-wide financial statements and the statement of revenues, expenses, and changes in net position in the proprietary fund financial statements.

**THE DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF CHAMBLEE**  
**A Component Unit of the City of Chamblee, Georgia**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles 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 the financial statements and the reported amount of revenues and expenditures or expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**USE OF RESTRICTED/UNRESTRICTED NET POSITION**

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Authority's policy is to apply restricted net position first.

**NOTE 2 - CASH AND INVESTMENTS**

*Credit risk.* The Authority is authorized to invest in obligations or investments as determined by the Board, subject to any agreement with bondholders and with applicable law. As of December 31, 2015, the Authority did not have any investments other than deposits with financial institutions.

*Custodial credit risk* for cash deposits is the risk that in the event of a bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover collateral securities in the possession of an outside party. State statutes require all deposits to be 110% collateralized by depository insurance, obligations of the United States or certain obligations guaranteed by the U.S. Government, obligations of the State of Georgia, or industrial revenue bonds or bonds of public or development authorities, counties, or municipalities of the State of Georgia. The Authority has no policy on custodial credit risk other than it complies with the State of Georgia requirements.

The carrying amounts of deposits for the Authority were \$121,381, and the bank balance was \$121,381. The entire bank balance was covered by Federal Depository Insurance at December 31, 2015. The Authority has not adopted a formal deposit policy.

**NOTE 3 - RECEIVABLES**

	<u>Business- type Activities</u>
Current receivables:	
Bond issuance fees receivable	\$ <u>62,500</u>
Total receivables	\$ <u>62,500</u>

**THE DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF CHAMBLEE**  
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**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 4 - CAPITAL ASSETS**

Following is a summary of changes in the capital assets of business-type activities:

	<u>Balance January 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31, 2015</u>
<b>BUSINESS-TYPE ACTIVITIES:</b>				
<b>Not being depreciated:</b>				
Land	\$ <u>-</u>	\$ <u>867,672</u>	\$ <u>-</u>	\$ <u>867,672</u>
Subtotal	<u>-</u>	<u>867,672</u>	<u>-</u>	<u>867,672</u>
<b>Depreciable capital assets:</b>				
Buildings	-	578,448	-	578,448
Furniture, fixtures and equipment	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>6,000</u>
Subtotal	<u>6,000</u>	<u>578,448</u>	<u>-</u>	<u>584,448</u>
<b>Accumulated depreciation:</b>				
Furniture, fixtures and equipment	( <u>325</u> )	( <u>14,160</u> )	<u>-</u>	( <u>14,485</u> )
Subtotal	( <u>325</u> )	( <u>14,160</u> )	<u>-</u>	( <u>14,485</u> )
Net depreciable capital assets	<u>5,675</u>	<u>564,288</u>	<u>-</u>	<u>569,963</u>
Net capital assets	\$ <u><u>5,675</u></u>	\$ <u><u>1,431,960</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,437,635</u></u>

Depreciation was charged to functions as follows:

Business-type activities:

Economic development	\$ <u>14,160</u>
Total governmental activities depreciation expense	\$ <u><u>14,160</u></u>

**NOTE 5 - LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended December 31, 2015:

<u>Type of Debt</u>	<u>Balance January 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31, 2015</u>	<u>Amounts Due within One Year</u>
<b>Business-type activities:</b>					
Revenue bond payable	\$ <u>-</u>	\$ <u>1,509,858</u>	\$ <u>-</u>	\$ <u>1,509,858</u>	\$ <u>-</u>
Total proprietary fund debt	\$ <u><u>-</u></u>	\$ <u><u>1,509,858</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,509,858</u></u>	\$ <u><u>-</u></u>

The reporting entity's long-term debt is all to be repaid from business-type activities.

**THE DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF CHAMBLEE**  
**A Component Unit of the City of Chamblee, Georgia**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 5 - LONG-TERM DEBT - Continued**

**BUSINESS-TYPE ACTIVITIES:**

As of December 31, 2015, the long-term debt payable from proprietary fund resources consisted of the following:

**REVENUE BOND:**

**TAXABLE INDUSTRIAL DEVELOPMENT REVENUE BOND PAYABLE (ECONOMIC DEVELOPMENT PROJECT), Series 2015**

On February 26, 2015, the Authority issued Taxable Industrial Development Revenue Bond (Economic Development Project), Series 2015 ("the Bond") in the maximum amount of \$1,550,000. The Bond was issued as a single Bond in the form of a draw-down instrument. The Bond was purchased by a bank which then entered into a bond purchase loan agreement with the Authority. The Bond bears interest at a rate of 3.50% through February 1, 2018, and a variable rate thereafter. The Bond was issued in order to finance the purchase of property located in the Authority's development area designated by the City.

On February 26, 2015, the bank advanced \$1,509,858 to the Authority which was used in its entirety to pay for costs associated with the purchase the property.

The Authority is only required to make interest payments on the Bond through January 31, 2019. The Authority makes interest payments monthly. The Authority is required to start making principal payments on the Bond beginning February 1, 2019 and each February 1<sup>st</sup> thereafter through and including the final maturity date of February 1, 2028. Each annual principal payment will be in an amount equal to one-fifteenth of the outstanding principal balance of the Bond as of February 1, 2018.

The Bond is secured by the property and in part by a pledge of rental payments paid to the Authority by a company which is currently leasing the property. Additionally, the Authority entered into an intergovernmental agreement with the City to provide security for the payment of the Bond. Under the intergovernmental agreement, the City has the authority to tax property in the City at a 3 mill limit to the extent necessary to pay the debt service on the Bond, and that such payments be pledged by the Authority to the holders of the Bond.

As part of the Bond agreement, the Authority is required to set up a Debt Service Fund account in which it must set aside rental payments collected from the property lease to pay for principal and interest payments as they come due on the Bond.

The following is a summary of the maturity of the bonds and interest thereon:

Amount of original issue	\$ 1,509,858
Amount redeemed	( _____ )
Amount outstanding, December 31, 2015	1,509,858
Less: current maturities	_____
Long-term maturities	<u>\$ 1,509,858</u>



**THE DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF CHAMBLEE**  
**A Component Unit of the City of Chamblee, Georgia**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 5 - LONG-TERM DEBT - Continued**

**REVENUE BOND - Continued:**

**TAXABLE INDUSTRIAL DEVELOPMENT REVENUE BOND PAYABLE (ECONOMIC DEVELOPMENT PROJECT), Series 2015 - Continued**

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service Requirements</u>
2016	\$ -	\$ 52,845	\$ 52,845
2017	-	52,845	52,845
2018	-	52,845	52,845
2019	133,333	48,567	181,900
2020	133,333	43,901	177,234
2021 - 2025	666,667	149,503	816,170
2026 - 2028	<u>576,525</u>	<u>28,038</u>	<u>604,563</u>
<b>Totals</b>	<b><u>\$ 1,509,858</u></b>	<b><u>\$ 428,544</u></b>	<b><u>\$ 1,938,402</u></b>

**NOTE 6 - CONDUIT DEBT**

The Authority issues industrial revenue bonds to provide financing for the purchase of land, buildings or equipment for qualified companies. The bonds are secured by the property financed and are payable solely from contract payments from the company. Upon repayment of the bonds, ownership of the property transfers to the company served by the bond issue. Neither the Authority, the City of Chamblee, the State of Georgia, nor any political subdivision thereof is obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

The following is a schedule of the bonds issued by the Authority as of December 31, 2015:

	<u>Aggregate Maximum Principal of Bonds</u>	<u>Principal Advances</u>
Downtown Development Authority of the City of Chamblee Economic Development Revenue Bond (CFD Chamblee Owner LLC Project), Series 2014	\$ 48,000,000	\$ 7,155,876
Downtown Development Authority of the City of Chamblee Economic Development Revenue Bond (Peachtree Crossing, LLC Project), Series 2015	\$ 50,000,000	\$ 13,227,438

**NOTE 7 - RESTRICTED ASSETS**

Restricted assets consisted of \$39,457 of cash restricted for debt service on the Authority's outstanding long-term debt.

**THE DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF CHAMBLEE**  
**A Component Unit of the City of Chamblee, Georgia**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 8 - RESTRICTED NET POSITION**

Restricted net position is comprised of \$39,457 restricted for debt service for the Authority's business-type activities.

**NOTE 9 - OPERATING LEASES**

The Authority leases rental property that it acquired when it purchased land and building located at 2135 American Industrial Way. The lease payments to be received in the future under the lease are:

2016	\$ 105,030
2017	<u>35,020</u>
Total future lease payments to be received	\$ <u>140,080</u>

**NOTE 10 - DEFICIT FUND NET POSITION**

The Authority's Proprietary Fund had a deficit fund net position investment in capital assets of \$72,223 at December 31, 2015. This deficit is a result of long-term debt from the purchase of capital assets exceeding capital asset costs. The Authority will have to pay down the long-term debt at a faster rate than the capital assets are depreciated in order to eliminate this deficit.

**NOTE 11 - LITIGATION**

The Authority is not a party to any pending civil litigation per the knowledge of the Authority's attorney. Additionally, the attorney has no knowledge of any unasserted claims and assessments for the period during which they have devoted substantive attention in the form of legal consultation or representation.

**NOTE 12 - RISK MANAGEMENT**

The Authority is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency (GIRMA) for property and liability insurance, public entity risk pool currently operating as common risk management and insurance program for member local governments. The Georgia Municipal Association (GMA) administers the risk pool.

As part of this risk pool, the Authority is obligated to pay all contributions and assessments as prescribed by the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the fund, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the fund being required to pay any claim of loss. The Authority is also to allow the pool's agents and attorneys to represent the Authority in investigation, settlement discussions and all levels of litigation arising out of any claim made against the Government within the scope of loss protection furnished by the fund.

The fund is to defend and protect the members of the fund against liability or loss as prescribed in the member governments' contracts. The fund is to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

**THE DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF CHAMBLEE**  
**A Component Unit of the City of Chamblee, Georgia**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**NOTE 13 – RELATED PARTY TRANSACTIONS**

The Authority paid \$3,098 for services to a vendor that was related to a Board member during the year.

**NOTE 14 - SUBSEQUENT EVENTS**

The Authority entered into two purchase and sale agreements in April and May 2016 to purchase properties in the amounts of \$1,899,000 and \$2,750,000.

As part of the agreement to purchase the property in the amount of \$1,899,000, the Authority has deposited \$25,000 in escrow as earnest money. The purchase will be subject to the Authority obtaining financing in the form of a loan in the principal amount of not less than the purchase price with a minimum term of 36 months, and with a maximum initial interest rate of 3.75%. The loan to be obtained will be secured by the property and further secured in accordance with the provisions of an intergovernmental contract between the Authority and the City of Chamblee, Georgia.

As part of the agreement to purchase the property in the amount of \$2,750,000, the Authority has deposited \$50,000 in escrow as earnest money. The purchase will be subject to the Authority obtaining financing acceptable to the Authority. The loan to be obtained will be secured by the property and further secured in accordance with the provisions of an intergovernmental contract between the Authority and the City of Chamblee, Georgia.

**REPORTS AND SCHEDULES REQUIRED BY  
GOVERNMENTAL AUDITING STANDARDS**

**WILCOX & BIVINGS, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
The Downtown Development Authority of the City of Chamblee  
Chamblee, Georgia

We have audited, in accordance with the 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, the financial statements of the business-type activities and each major fund of the Downtown Development Authority of the City of Chamblee as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Downtown Development Authority of the City of Chamblee's basic financial statements and have issued our report thereon dated July 19, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Downtown Development Authority of the City of Chamblee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Downtown Development Authority of the City of Chamblee's internal control. Accordingly, we do not express an opinion on the effectiveness of the Downtown Development Authority of the City of Chamblee's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Downtown Development Authority of the City of Chamblee's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2015-001.

**The Downtown Development Authority of the City of Chamblee's Response to Findings**

The Downtown Development Authority of the City of Chamblee's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Downtown Development Authority of the City of Chamblee's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Wilcox & Birings, P.C.*

Suwanee, Georgia  
July 19, 2016

**THE DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF CHAMBLEE**  
**A Component Unit of the City of Chamblee, Georgia**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**DECEMBER 31, 2015**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2015-001**

**Criteria:** The Authority is required to issue 1099-MISC forms to all vendors, who are not corporations, for payment of services when aggregate vendor payments exceed \$600 in a calendar year.

**Condition:** Noncompliance with 1099 reporting requirements.

**Cause:** The Authority did not require vendors to complete Internal Revenue Service Form W-9, "Request for Taxpayer Identification Number and Certification" prior to paying vendors for services that exceeded \$600 in aggregate during the calendar year. Therefore, the Authority did not have the procedures in place to issue 1099 forms to vendors that met the required reporting criteria.

**Effect:** The Authority did not issue 1099-MISC forms to vendors that met the requirements to receive 1099-MISC forms from the Authority.

**Recommendation:** It is recommended that the Authority require all vendors to complete Internal Revenue Service Form W-9 prior to issuing payment to a vendor. It is further recommended that the Authority implement in its accounting system procedures to ensure the issuance of 1099 forms to all vendors that meet the 1099 reporting criteria.

**Auditee Response:** The Authority concurs with this finding and recommendation. The Authority will require all vendors to complete a W-9 form prior to issuing payment to a vendor. Additionally, the Authority will implement in its accounting system procedures to ensure the issuance of 1099 forms to each vendor that meets the 1099 reporting requirements.

**THE DOWNTOWN DEVELOPMENT AUTHORITY OF THE CITY OF CHAMBLEE  
A Component Unit of the City of Chamblee, Georgia  
5468 Peachtree Road  
CHAMBLEE, GA 30341  
470-395-2308**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2015**

**FINANCIAL STATEMENT FINDINGS**

**Finding 2015-001**

The Authority did not comply with 1099 reporting requirements.

**Recommendation**

It is recommended that the Authority require all vendors to complete Internal Revenue Service Form W-9 prior to issuing payment to a vendor. It is further recommended that the Authority implement in its accounting system procedures to ensure the issuance of 1099 forms to all vendors that meet the 1099 reporting criteria.

**Statement of Concurrence**

The Authority concurs with this finding and recommendation.

**Action**

The Authority will require all vendors to complete a W-9 form prior to issuing payment to a vendor. Additionally, the Authority will implement in its accounting system procedures to ensure the issuance of 1099 forms to each vendor that meets the 1099 reporting requirements.