

BROAD STREET COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the City of Richmond, Virginia)

Basic Financial Statements

June 30, 2006 and 2005

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 2000
1021 East Cary Street
Richmond, VA 23219-4023

Independent Auditors' Report

The Board of Directors
Broad Street Community Development Authority:

We have audited the accompanying statements of net assets of the Broad Street Community Development Authority (the Authority), a component unit of the City of Richmond, Virginia, as of June 30, 2006 and 2005, and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Broad Street Community Development Authority as of June 30, 2006 and 2005, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis (MD&A) on pages 2 through 6 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

KPMG LLP

December 10, 2006

BROAD STREET COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the City of Richmond, Virginia)

Management's Discussion and Analysis

June 30, 2006 and 2005

This section of the Broad Street Community Development Authority's (the Authority or CDA) annual financial report presents management's discussion and analysis (MD&A) of the Authority's financial performance during the fiscal years ended June 30, 2006 and 2005. Please read it in conjunction with your review of the Authority's financial statements.

FINANCIAL HIGHLIGHTS FOR FISCAL YEARS 2006 and 2005

- The Authority was established effective July 8, 2002 and issued \$66,740,000 in Series 2003 Revenue Bonds during the fiscal year. These bonds were issued to finance:
 - The construction of certain infrastructure within the Broad Street District, including certain streetscape and public utility improvements, demolition of the 6th Street Marketplace, and the acquisition, construction, and renovation of parking facilities;
 - The payment of interest accruing on the 2003 bonds through June 1, 2005;
 - The funding of a debt reserve fund for the 2003 bonds; and
 - The payment of any and all costs of issuing the 2003 bonds.
- The Authority used the 2003 bond proceeds to purchase parking facilities during fiscal year 2004 (\$13,769,237) and construction of certain streetscape, public utility improvements, and demolitions during fiscal year 2005 (\$20,575,022) and fiscal year 2006 (\$462,811).
- Besides punch list items and a section of streetscape improvements on areas adjacent to the Virginia Performing Arts Foundation, project was completed as scheduled in the spring of 2005. The section of streetscape improvements on areas adjacent to the Virginia Performing Arts Foundation could not be completed in time due to accessibility of the site. As a result, funds earmarked for these improvements were deposited in an escrow account and will be used to complete these improvements when site become accessible under the terms of an Escrow Agreement between the CDA and the Virginia Performing Arts.
- Interest on the bonds was paid during fiscal year 2006 in accordance with the bond's official statement (\$4,971,856).

**USING THE FINANCIAL SECTION OF THIS COMPONENT UNIT
ANNUAL FINANCIAL REPORT**

This annual report consists of two parts—management's discussion and analysis (this section) and the basic financial statements consisting of a statement of net assets; statement of revenues, expenses, and changes in net assets; statement of cash flows, and related footnotes. The Authority uses the accrual basis of accounting and the economic resources measurement focus. Under this method of accounting, revenues are recognized when earned, to include all parking rental receipts, which are restricted for payment of debt service, and expenses are recognized when incurred.

BROAD STREET COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the City of Richmond, Virginia)

Management's Discussion and Analysis

June 30, 2006 and 2005

COMPARATIVE FINANCIAL ANALYSIS

Summary of Net Assets

	<u>2006</u>	<u>2005</u>	<u>Percentage change</u>	<u>2004</u>
Other assets	\$ 10,270,729	11,483,953	(10.56%)	28,314,593
Capital assets	<u>51,700,663</u>	<u>55,916,529</u>	(7.54%)	<u>36,707,563</u>
Total assets	<u>61,971,392</u>	<u>67,400,482</u>		<u>65,022,156</u>
Long-term debt, net of discount	65,078,430	65,005,242	0.11%	64,932,054
Other liabilities	<u>702,941</u>	<u>3,896,421</u>	(81.96%)	<u>788,298</u>
Total liabilities	<u>65,781,371</u>	<u>68,901,663</u>		<u>65,720,352</u>
Net assets:				
Invested in capital assets, net of related debt	(5,124,367)	(2,075,705)	146.87%	(173,620)
Unrestricted	<u>1,314,388</u>	<u>574,524</u>	128.78%	<u>(524,576)</u>
Total net assets	<u>\$ (3,809,979)</u>	<u>(1,501,181)</u>		<u>(698,196)</u>

Comments

- Other assets balance is made up of bond proceeds held in the reserve fund, balance of bond proceeds held in escrow account or project fund and pledged revenues held in various trust accounts. Bond proceeds held in the reserve fund, which constitute majority of other assets are invested in guaranteed investment contracts in order to maximize returns. The capital assets balance is the net balance (after depreciation) of parking facilities purchased.
- Decrease in capital assets recorded between fiscal year 2006 and 2005 can be attributed to over \$3.0 million in utility capital assets owned by Authority at June 30, 2005. These assets were always intended to be remitted to the City of Richmond, Virginia (City) once the City inspected the construction and paid for the utility related assets. Since the process lapped over June 30, 2005, the assets were shown on the Authority books with a corresponding payable to the construction company because the City had neither approved nor inspected the assets and therefore ownership had not transferred. Inspection of these assets occurred during fiscal year 2006. As a result, these assets were removed from the Authority books when payment was received from the City and payment made to the construction contractor. Accordingly, capital assets, and liabilities to be paid from restricted assets from year to year went down.
- Decrease in other liabilities between the fiscal years can be attributed to the completion of construction of public improvements as only punch lists items were being handled during fiscal year 2006. As a result, there were less public improvements bills owed to contractors at the end of fiscal year 2006 as compared to fiscal year 2005.

BROAD STREET COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the City of Richmond, Virginia)

Management's Discussion and Analysis

June 30, 2006 and 2005

Summary of Revenues, Expenses, and Changes in Net Assets

	<u>2006</u>	<u>2005</u>	Percentage change	<u>2004</u>
Operating revenues	\$ 5,145,374	3,351,708	53.51%	1,698,412
Operating expenses:				
Parking operations management fee	618,910	690,313	(10.34%)	415,199
Professional services	376,968	448,071	(15.87%)	348,665
Insurance	110,268	126,025	(12.50%)	113,047
Depreciation	1,695,036	1,366,056	24.08%	891,905
Other	5,830	72,507	(91.96%)	30,817
Total operating expenses	<u>2,807,012</u>	<u>2,702,972</u>		<u>1,799,633</u>
Operating income (loss)	2,338,362	648,736		(101,221)
Nonoperating revenues	397,884	425,068	(6.40%)	588,727
Nonoperating expenses	<u>(5,045,044)</u>	<u>(1,876,789)</u>	168.81%	<u>(985,818)</u>
Change in net assets	(2,308,798)	(802,985)		(498,312)
Net assets at beginning of period	<u>(1,501,181)</u>	<u>(698,196)</u>		<u>(199,884)</u>
Net assets at end of period	\$ <u><u>(3,809,979)</u></u>	<u><u>(1,501,181)</u></u>		<u><u>(698,196)</u></u>

Comments

- Operating revenues represent user fees related to parking facilities owned by the Authority and special assessments due to the Authority from specific land owners. These operating revenues for the year ended June 30, 2006 include \$3,653,778 in parking revenues, \$492,614 in special assessment revenues and \$998,982 in payment in lieu of assessments. The increase in operating revenues for fiscal year 2006 can be attributed to the increase in all three classes of revenues. There was an increase in parking revenues as most of parking facilities were accessible during the course of fiscal year 2006 as construction on the parking facilities and adjacent streets, which had been going on for prior periods, was completed in spring of 2005. An increase in special assessment revenues is attributed to commencement of billing for the Miller and Rhoads property after it was transferred from public to private entity. Payments in lieu of assessments also increased during fiscal year 2006 as the payment for fiscal year 2005 included payments for only a single quarter following the completion of public improvements. For fiscal year 2006, payment in lieu of assessments included billings for the whole year.
- Operating expenses include depreciation of parking facilities using the straight-line method with an estimated life of 30 years. Insurance expense represents the cost of insuring the parking facilities.
- Nonoperating revenue represents interest revenue earned by the Authority on unspent debt proceeds.
- Nonoperating expense represents interest expense, net of amount capitalized, related to bonds. The increase in non-operating expenses for fiscal year 2006 can be attributed to completion of the construction period during the spring of 2005. During the construction period, interest expense was capitalized as an asset. However, after the Authority filed the certificate of substantial completion in May 2005, interest

BROAD STREET COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the City of Richmond, Virginia)

Management's Discussion and Analysis

June 30, 2006 and 2005

expense was no longer allowed to be capitalized as an asset. As a result, no interest paid during fiscal year 2006 was capitalized as all of it was appropriately expensed.

CAPITAL ASSETS

As noted on page 2, the Authority's net capital assets balance at year end was made up entirely of parking facilities, including land purchased during the fiscal year. These parking facilities were purchased using the proceeds of the Series 2003 bonds.

LONG-TERM DEBT AND DEBT SERVICE COVERAGE

The Authority issued Revenue Bonds, Series 2003, dated May 15, 2003, with interest rates of 7.10% to 7.50%, and due in semi-annual installments with maturities ranging from 2015 to 2033, during the fiscal year ended June 30, 2003. This bond issuance represents 100% of the Authority's fiscal year end long-term debt balance.

The Authority's annual debt obligations are to be repaid from pledged revenues that are comprised primarily of parking revenues, special assessment revenues and payments in lieu of assessments. For fiscal year 2006 and 2005, each annual debt service payment of \$4,971,856 consisted of interest due on the Bonds. For fiscal year 2005 and prior years debt service payments were capitalized and paid from Bond proceeds as it was expected that the parking facilities would not be fully operational during the construction period and not able to support debt service payments during this period. The Authority has been receiving parking revenues during the capitalized interest period, and these revenues, after payment of expenses, have been deposited to the supplemental reserve fund held by the trustee. The Authority began to receive special assessment revenues and payments in lieu of assessment revenues in the spring of 2006 following the completion of the streetscape improvements by the Authority, pursuant to the terms of agreements controlling the payment of these revenues. For fiscal year 2006, debt service payments were paid with pledged revenues, reserve fund investment income and some residual balance from the capitalized interest fund.

Parking revenues, special assessment revenues and payments in lieu of assessments projected to be earned in fiscal year 2007 are not expected to be sufficient to cover the annual debt service payments due during this period. As a result, the balance of parking revenues previously deposited to the supplemental reserve fund will be withdrawn and applied to cover the deficiency in these revenues and debt service obligations during fiscal year 2007. Net parking revenues in the amount of \$2,107,487 earned during the construction period, have previously been placed in a supplemental reserve fund. A portion of these funds in the amount of \$1,177,017 were transferred to the interest fund during fiscal year 2006 to pay interest on the bonds, leaving a balance of \$1,053,386 as of October 31, 2006.

In the event the parking revenues, special assessment revenues, payment in-lieu of assessments, and supplemental reserve fund are not sufficient to cover debt service on the Bonds, the trustee for the Bonds would draw from the reserve funds established for repair and replacement and operating expenses, and then from the debt service reserve fund (which was funded in the amount of \$6,136,875 from bond proceeds) as necessary to cover the payments due on the Bonds. The amounts currently on deposit in the repair and replacement fund and operating reserve fund are \$103,500 and \$12,658, respectively. The City of Richmond has agreed to replenish the debt service reserve fund for any draws on this fund up to \$3.0 million a year, subject to appropriation by the City Council. It is expected that the projected parking revenues, special assessment revenues, payments in-lieu of assessments and the funds accumulated in the supplemental debt fund will be sufficient to pay debt service in

BROAD STREET COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the City of Richmond, Virginia)

Management's Discussion and Analysis

June 30, 2006 and 2005

fiscal year 2007. The annual parking revenues, special assessment revenues and payments in-lieu of assessments are projected to be sufficient to pay debt service beginning with fiscal year 2008, although the margin is small. In order for the Authority to continue to meet its future annual debt service obligations, the parking facilities will need to attract additional customers in line with the current projections. Also, collection of all revenues on timely basis will also play an important role in advancing this obligation. The planned opening of the U.S. Federal Courthouse and the Miller & Rhoads Hotel are both expected to increase the customers using the Authority's parking facilities. The projections of parking revenues prepared by the Authority by its parking consultant for fiscal year 2006 were above budget by a margin of \$284,840, as compared to a negative variance of \$295,627 for the past year. As a result of the small margin in the ability of the Authority to meet its obligations on the Bonds and the uncertainty regarding future parking operations, the replenishment of debt service reserve fund by the City may become necessary in the future.

ECONOMIC FACTORS

The Authority's financial performance is dependent on the ability of the parking facilities to attract a sustained volume of customers, which is dependent on the following factors:

- Events and activities being held and hosted at the Convention Center, the Coliseum, the Marriott Hotel, and the Carpenter Center;
- Parking demand generated by existing retail and office land uses; and
- Parking demand to be generated by the proposed building projects of the Authority and other projects proposed such as the Miller & Rhoads Hotel, Marriott Hotel expansion, and the Federal Court House.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Mr. Keenan Rice, MuniCap, Inc., 6760 Alexander Bell Drive, Suite 220, Columbia, Maryland 21046.

BROAD STREET COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the City of Richmond, Virginia)

Statements of Net Assets

June 30, 2006 and 2005

	2006	2005
Assets:		
Current assets:		
Accounts receivable	\$ 853,839	483,926
Special assessment receivables	749,392	368,441
Payments in Lieu of Assessments receivables	414,098	190,440
Prepaid insurance	—	110,292
Total current assets	2,017,329	1,153,099
Noncurrent assets:		
Restricted assets – cash and cash equivalents (note 2)	8,253,400	10,330,854
Capital assets (note 4):		
Land	4,791,100	4,791,100
Parking facilities	50,928,939	53,449,769
Less accumulated depreciation	(4,019,376)	(2,324,340)
Total capital assets, net	51,700,663	55,916,529
Total noncurrent assets	59,954,063	66,247,383
Total assets	61,971,392	67,400,482
Liabilities:		
Current liabilities:		
Accounts payable	288,620	164,254
Total current liabilities	288,620	164,254
Noncurrent liabilities:		
Liabilities to be paid from restricted assets	414,321	3,732,167
Due in more than one year (note 3):		
Long-term debt	66,740,000	66,740,000
Less discount on long-term debt	(1,661,570)	(1,734,758)
Total long-term debt	65,078,430	65,005,242
Total noncurrent liabilities	65,492,751	68,737,409
Total liabilities	65,781,371	68,901,663
Net assets:		
Invested in capital assets, net of related debt	(5,124,367)	(2,075,705)
Unrestricted	1,314,388	574,524
Total net assets	\$ (3,809,979)	(1,501,181)

See accompanying notes to basic financial statements.

BROAD STREET COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the City of Richmond, Virginia)

Statements of Revenues, Expenses, and Changes in Net Assets

Years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Rental revenue	\$ 3,653,778	2,792,827
Special assessments revenue	492,614	368,441
Payments in Lieu of Assessments	998,982	190,440
	<u>5,145,374</u>	<u>3,351,708</u>
Total operating revenues		
Operating expenses:		
Parking operations management fee	618,910	690,313
Professional services	376,968	448,071
Insurance	110,268	126,025
Depreciation	1,695,036	1,366,056
Other	5,830	72,507
	<u>2,807,012</u>	<u>2,702,972</u>
Total operating expenses		
Operating income	<u>2,338,362</u>	<u>648,736</u>
Nonoperating revenues (expenses):		
Interest revenue	397,884	425,068
Interest expense	(5,045,044)	(1,876,789)
	<u>(4,647,160)</u>	<u>(1,451,721)</u>
Total nonoperating expenses		
Change in net assets	(2,308,798)	(802,985)
Net assets at beginning of year	<u>(1,501,181)</u>	<u>(698,196)</u>
Net assets at end of year	<u>\$ (3,809,979)</u>	<u>(1,501,181)</u>

See accompanying notes to basic financial statements.

BROAD STREET COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the City of Richmond, Virginia)

Statements of Cash Flows

Years ended June 30, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Receipts from rental properties	\$ 4,170,854	2,572,623
Payments to vendors	(877,320)	(1,656,931)
Net cash provided by operating activities	3,293,534	915,692
Cash flows from capital and related financing activities:		
Payments for capital assets and capitalization of construction period interest	(3,780,657)	(17,257,176)
Proceeds from sale of capital assets	2,983,641	—
Non-capitalized interest paid on long-term debt	(4,971,856)	(1,803,601)
Net cash used in capital and related financing activities	(5,768,872)	(19,060,777)
Cash flows from investing activities:		
Interest received	397,884	425,068
Net decrease in cash and cash equivalents	(2,077,454)	(17,720,017)
Cash and cash equivalents at beginning of period	10,330,854	28,050,871
Cash and cash equivalents at end of period	\$ 8,253,400	10,330,854
Adjustments to reconcile operating income to net cash provided by operating activities:		
Operating income	\$ 2,338,362	648,736
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,695,036	1,366,056
Change in assets and liabilities:		
Increase in accounts receivable	(369,913)	(220,204)
Increase in special assessment receivable	(380,951)	(368,441)
Increase in Payment in Lieu of Assessment receivable	(223,658)	(190,440)
Decrease (increase) in prepaid expenses	110,292	(110,292)
Increase (decrease) in accounts payable	124,366	(209,723)
Total adjustments	955,172	266,956
Net cash provided by operating activities	\$ 3,293,534	915,692
Supplemental disclosure of cash flow information:		
Noncash transactions:		
Acquisition of capital assets	\$ —	3,317,846
Amortization of bond discount	73,188	73,188
Cash paid on interest that has been capitalized and included in capital assets at fiscal year end	—	3,168,255

See accompanying notes to basic financial statements.

BROAD STREET COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the City of Richmond, Virginia)

Notes to Basic Financial Statements

June 30, 2006 and 2005

(1) Summary of Significant Accounting Policies

The Broad Street Community Development Authority (the Authority) was established effective July 8, 2002, pursuant to the provisions of Article 6 of Chapter 51 of Title 15.2 of the Code of Virginia of 1950 (the Act), as amended. The Authority is responsible for financing certain improvements in connection with the proposed development and redevelopment of the downtown area to benefit the citizens of the City of Richmond, Virginia (the City).

(a) Financial Reporting Entity

The Authority's financial statements are prepared in conformity with U.S. 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 principles. Therefore, the Authority's financial statements are presented in accordance with GASB Statement No.14, *The Financial Reporting Entity*. This statement defines the distinction between the Authority as a primary government and its related entities. The Authority has no related entities that require inclusion in the Authority's financial statements, but the Authority does meet the requirements for inclusion in the City's financial statements as a discretely presented component unit mainly due to the fact that the Authority is governed by a board of five voting directors and three ex-officio, nonvoting directors, all of whom are appointed by City Council.

(b) Financial Reporting Model

GAAP sets the reporting model requirements for the annual financial reports of state and local governments. For entities like the Authority that are engaged solely in business-type activities, the annual report includes:

- **Management's Discussion and Analysis** – GAAP requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.
- **Statement of Net Assets** – The statement of net assets is designed to display the financial position of the entity. The net assets of the Authority are broken down into two categories – (1) invested in capital assets, net of related debt and (2) unrestricted.
- **Statement of Revenues, Expenses, and Changes in Net Assets** – The statement of revenues, expenses, and changes in net assets is designed to display the financial activities of the entity for the period under audit.
- **Statement of Cash Flows** – Prepared using the direct method.

BROAD STREET COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the City of Richmond, Virginia)

Notes to Basic Financial Statements

June 30, 2006 and 2005

(c) Basis of Accounting

The Authority uses the accrual basis of accounting and the economic resources measurement focus. Under this method of accounting, revenues are recognized when earned, to include all parking rental receipts which are restricted for payment of debt service, and expenses are recognized when incurred.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority follows all applicable GASB pronouncements as well as all Financial Accounting Standards Board (FASB) pronouncements and predecessor, Accounting Practices Board Opinions, and Accounting Research Bulletins (ARB) issued on or before November 30, 1989 to the extent they do not conflict with existing GASB pronouncements. Under paragraph 7 of GASB Statement No. 20, the Authority has elected not to apply FASB pronouncements issued after November 30, 1989.

(d) Cash and Cash Equivalents

Include cash on hand, checking and savings accounts, and money market accounts, which generally have maturities of less than three months at the time of acquisition. Certain cash and cash equivalents are reported as restricted as they are required to only be used for the repayment of debt service.

(e) Depreciation

Parking facilities are the only depreciable property owned by the Authority. This property is stated at cost and depreciation on the property is provided on a straight-line basis over a 30-year estimated life. Land associated with the parking facilities is recorded as a nondepreciable capital asset. Capitalized interest associated with these facilities approximated \$7,450,000 at June 30, 2006.

(f) Special Assessments and Payments in Lieu of Assessments

The City Council adopted Ordinance No. 2002-253-250 on September 23, 2002 which established special assessments, in accordance with the Code of Virginia (1950), as amended, Section 15.2-5158(5) and Sections 15.2-2404 to 15.2-2413 and the Memorandum of Understanding, to be levied to pay for a portion of the costs of improvements to be provided by the Authority. According to the Ordinance, special assessments are apportioned in accordance to the Rate and Method of Apportionment and shall not be effective until the Effective Date, which is the later of (i) the first day of the month following the date on which streetscaping improvements are completed, or (ii) the first day of the month occurring two years after the 2003 Bonds are issued (June 1, 2005). On such date, the Authority will provide a notice of special assessment to the City's Director of Finance or other City Official responsible for collection of taxes. According to the Memorandum of Understanding, the City will assign and pledge all special assessments collected by it to the Authority. Subject to annual appropriation by City Council, all special assessments collected by the City will be remitted to the Authority or the Trustee. The special assessments when levied constitute a lien on parcels subject to such taxation. Special assessments in the amount of \$492,614 were levied for collection for fiscal year 2006, as compared to \$368,441 for fiscal year 2005.

BROAD STREET COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the City of Richmond, Virginia)

Notes to Basic Financial Statements

June 30, 2006 and 2005

Payments in Lieu of Assessments (PILOA) also became effective after the completion of streetscape improvements on May 29, 2005. These payments are due from the City, the Virginia Performing Arts Foundation (VAPAF) and the Richmond Redevelopment and Housing Authority (RRHA) per the terms of the respective agreements between these three entities and the Authority. Payments from the City are comprised of two different quarterly payments related to the Richmond Coliseum, constituting an annual minimum payment of \$400,000, and an annual special event parking payment of \$250,000. Payment from the VAPAF is a quarterly payment with an annual minimum amount of \$200,000, which will increase to \$225,000 in fiscal year 2008. The PILOA payment from the RRHA is paid on monthly basis and is dependent upon actual parking activities at the Richmond Coliseum Garage for both monthly and transient parkers. PILOA revenues in the amount of \$998,982 were due to the Authority for fiscal year 2006, as compared to \$190,440 for fiscal year 2005.

(g) Income Taxes

The Authority is a governmental entity and, therefore, is exempt from federal and state income taxes.

(2) Restricted Assets – Cash and Cash Equivalents

The Authority follows a deposit and investment policy in accordance with statutes of the Commonwealth of Virginia. Accordingly, the Authority is authorized to hold cash and temporary investments, including checking and savings accounts, certificates of deposit, repurchase agreements, and banker's acceptances.

Deposits, primarily checking accounts, are placed with banks and are protected by federal depository insurance or collateral held under the provisions of the Virginia Security for Public Deposits Act (the Deposits Act), Section 2.1-359 et.seq. Under the Deposits Act, banks holding public deposits in excess of amounts insured by the FDIC Bank Insurance Fund must pledge collateral in the amount of 50% of the excess deposits to a collateral pool in the name of the State Treasury Board. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Deposits Act and for notifying the Authority of compliance by banks. At June 30, 2006 and 2005, the carrying amounts of the Authority's cash and cash equivalents balance agreed with the financial institution balance of \$8,253,400 and \$10,330,854, respectively. The entire financial institution balance at June 30, 2006 and 2005 was insured under the provisions of the Deposits Act or covered by federal depository insurance.

BROAD STREET COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the City of Richmond, Virginia)

Notes to Basic Financial Statements

June 30, 2006 and 2005

Cash equivalents include money market accounts, guaranteed investment contracts, and repurchase agreements. Repurchase agreements with carrying amounts (equal to fair values) of \$6,136,875 are 100% collateralized by U.S. Government securities at market values sufficient to cover the face value of the investments. Such underlying securities were held by financial institutions in their safekeeping departments or in their accounts at the Federal Reserve Bank of Richmond, in the Authority's name.

	<u>Fair value</u>
2006:	
Repurchase agreements (maturity date 6/2033)	\$ 6,136,875
Cash and money market accounts	<u>2,116,525</u>
Total cash and cash equivalents	<u>\$ 8,253,400</u>
2005:	
Repurchase agreements (maturity date 6/2033)	\$ 6,136,875
Cash and money market accounts	<u>4,193,979</u>
Total cash and cash equivalents	<u>\$ 10,330,854</u>

(3) Long-Term Debt

Revenue Bonds, Series 2003, dated May 15, 2003, with interest rates ranging from 7.10% to 7.50%, due in semi-annual installments beginning in 2009 as part of a mandatory sinking fund redemption, with maturities ranging from 2015 to 2033, were issued by the Authority during its initial operating years ended June 30, 2006 and 2005. Changes in the total long-term liabilities during this period are summarized below:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>	<u>Due within</u> <u>one year</u>
Revenue bonds	\$ 66,740,000	—	—	66,740,000	—
Less discount	<u>(1,734,758)</u>	—	73,188	<u>(1,661,570)</u>	—
Revenue bonds, net	<u>\$ 65,005,242</u>	—	<u>73,188</u>	<u>65,078,430</u>	—
	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>	<u>Due within</u> <u>one year</u>
Revenue bonds	\$ 66,740,000	—	—	66,740,000	—
Less discount	<u>(1,807,946)</u>	—	73,188	<u>(1,734,758)</u>	—
Revenue bonds, net	<u>\$ 64,932,054</u>	—	<u>73,188</u>	<u>65,005,242</u>	—

BROAD STREET COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the City of Richmond, Virginia)

Notes to Basic Financial Statements

June 30, 2006 and 2005

The debt service obligations to maturity related to these bonds at June 30, 2006 are as follows:

	<u>Principal amount</u>	<u>Interest amount</u>
Year ending June 30:		
2007	\$ —	4,971,856
2008	—	4,971,856
2009	400,000	4,971,856
2010	600,000	4,943,356
2011	800,000	4,900,606
2012-2016	7,060,000	23,322,774
2017-2021	10,425,000	20,253,750
2022-2026	14,960,000	15,713,625
2027-2031	21,480,000	9,196,875
2032-2034	11,015,000	1,253,990
	<u>66,740,000</u>	<u>94,500,544</u>
Total	\$ <u>66,740,000</u>	<u>94,500,544</u>

BROAD STREET COMMUNITY DEVELOPMENT AUTHORITY
(A Component Unit of the City of Richmond, Virginia)

Notes to Basic Financial Statements

June 30, 2006 and 2005

(4) Capital Assets

Changes in capital assets during the fiscal period ended June 30, 2006 and 2005 are summarized below:

	June 30, 2006			Balance June 30, 2006
	Balance July 1, 2005	Additions	Deletions	
Capital assets:				
Nondepreciable – land	\$ 4,791,100	—	—	4,791,100
Depreciable – parking facilities and other public improvements	53,449,769	462,811	2,983,641	50,928,939
Less accumulated depreciation for:				
Parking facilities	<u>2,324,340</u>	<u>1,695,036</u>	<u>—</u>	<u>4,019,376</u>
Total capital assets, net	<u>\$ 55,916,529</u>	<u>(1,232,225)</u>	<u>2,983,641</u>	<u>51,700,663</u>
	June 30, 2005			Balance June 30, 2005
	Balance July 1, 2004	Additions	Deletions	
Capital assets:				
Nondepreciable – land	\$ 4,791,100	—	—	4,791,100
Depreciable – parking facilities and other public improvements	32,874,747	20,575,022	—	53,449,769
Less accumulated depreciation for:				
Parking facilities	<u>958,284</u>	<u>1,366,056</u>	<u>—</u>	<u>2,324,340</u>
Total capital assets, net	<u>\$ 36,707,563</u>	<u>19,208,966</u>	<u>—</u>	<u>55,916,529</u>

(5) Contingent Liabilities

Litigation

During the normal course of business, the Authority may be named as defendants in claims for personal injuries, property damage, or specific performances, which would be defended by counsel. It is the opinion of management and associated counsel that the resolution of any such litigation would not involve a substantial liability.

(6) Commitments and Liquidity

As described in note 3, the CDA has certain debt commitments that are funded from operating revenue, special assessments, payments in lieu of assessments, and reserve funds. Actual revenues have been less than originally estimated prior to the issuance of bonds and expected future revenues may not be sufficient to meet cash flow needs to fund these commitments. Therefore, the CDA may use, as necessary, reserve funds and funding from the City of Richmond, Virginia, in fiscal year 2007 to meet these commitments.