

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

Basic Financial Statements

June 30, 2003

(With Independent Auditors' Report Thereon)

Independent Auditors' Report

The Board of Directors
Broad Street Community Development Authority:

We have audited the accompanying statement 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, 2003, and the related statements of revenues, expenses and changes in net assets and cash flows for the period from July 8, 2002 (inception) to June 30, 2003. 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2003, and the changes in its financial position and its cash flows for the period from July 8, 2002 (inception) to June 30, 2003, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 through 4 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 8, 2003

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

Statement of Net Assets

June 30, 2003

Assets:	
Current assets:	
Accounts receivable	\$ <u>36,582</u>
Noncurrent assets:	
Restricted assets – cash and cash equivalents (note 2)	41,248,712
Capital assets (note 4):	
Land	4,684,600
Parking facilities	19,212,010
Less accumulated depreciation	<u>(66,379)</u>
Total capital assets, net	<u>23,830,231</u>
Total noncurrent assets	<u>65,078,943</u>
Total assets	<u>65,115,525</u>
Liabilities:	
Current liabilities:	
Accounts payable	42,222
Interest payable	<u>414,321</u>
Total current liabilities	<u>456,543</u>
Noncurrent liabilities:	
Due in more than one year (note 3):	
Long-term debt	66,740,000
Less discount on long-term debt	<u>(1,881,134)</u>
Total noncurrent liabilities	<u>64,858,866</u>
Total liabilities	<u>65,315,409</u>
Net assets:	
Invested in capital assets, net of related debt	220,077
Unrestricted	<u>(419,961)</u>
Total net assets	<u>\$ <u>(199,884)</u></u>

See accompanying notes to financial statements.

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

Statement of Revenues, Expenses and Changes in Net Assets

For the period from July 8, 2002 (inception) to June 30, 2003

Operating revenues:		
Rental revenue		\$ <u>132,415</u>
Operating expenses:		
Parking operations management fee	13,117	
Professional services	10,000	
Insurance	10,189	
Depreciation	66,379	
Other	<u>8,916</u>	
Total operating expenses	<u>108,601</u>	
Operating income	<u>23,814</u>	
Nonoperating revenues (expenses):		
Interest revenue	196,722	
Interest expense	<u>(420,420)</u>	
Total nonoperating expenses	<u>(223,698)</u>	
Change in net assets	(199,884)	
Net assets – beginning of period	<u>—</u>	
Net assets – end of period		\$ <u><u>(199,884)</u></u>

See accompanying notes to financial statements.

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

Statement of Cash Flows

For the period from July 8, 2002 (inception) to June 30, 2003

Cash flows from operating activities:	
Rental receipts	\$ <u>95,833</u>
Cash flows from capital and related financing activities:	
Acquisition of fixed assets	(23,896,610)
Proceeds from issuance of bonds	<u>64,852,767</u>
Net cash provided by capital and related financing activities	<u>40,956,157</u>
Cash flows from investing activities:	
Interest received	<u>196,722</u>
Net increase in cash and cash equivalents	41,248,712
Cash and cash equivalents, beginning of period	<u>—</u>
Cash and cash equivalents, end of period	<u><u>\$ 41,248,712</u></u>
Adjustments to reconcile operating income to net cash provided by operating activities:	
Operating income	\$ <u>23,814</u>
Adjustment to reconcile operationg income to net cash used in operating activities:	
Depreciation	66,379
Change in assets and liabilities:	
Increase in accounts receivable	(36,582)
Increase in accounts payable	<u>42,222</u>
Total adjustments	<u>72,019</u>
Net cash provided by operating activities	<u><u>\$ 95,833</u></u>

See accompanying notes to financial statements.

BROAD STREET COMMUNITY DEVELOPMENT AUTHORITY

(A Component Unit of the City of Richmond, Virginia)

Management's Discussion and Analysis

June 30, 2003

This section of the Broad Street Community Development Authority's (the Authority) annual financial report presents management's discussion and analysis (MD&A) of the Authority's financial performance during the fiscal year ended June 30, 2003. Please read it in conjunction with your review of the Authority's financial statements.

FINANCIAL HIGHLIGHTS FOR FISCAL YEAR 2003

- 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.
 - The payment of any and all costs of issuing the 2003 Bonds.
- The Authority used bond proceeds to purchase parking facilities during the fiscal year and ended the year with a net capital asset balance of \$23,830,231.
- Balance of the funds is being used to finance other activities listed above with the whole project scheduled to be completed by spring of 2005.

**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.

COMPARATIVE FINANCIAL ANALYSIS

As this is the first year that the Authority has existed, its financial statements present only the current period financial data in the format required by the Governmental Accounting Standards Board (GASB) Statement No. 34. In future years, a comparative analysis of the Authority's net assets and financial activities will be presented in the MD&A and the annual financial report.

BROAD STREET COMMUNITY DEVELOPMENT AUTHORITY

(A Component Unit of the City of Richmond, Virginia)

Management's Discussion and Analysis

June 30, 2003

FINANCIAL ANALYSIS OF THE AUTHORITY

Summary of Net Assets:

Other assets	\$ 41,285,294
Capital assets	<u>23,830,231</u>
Total assets	<u>65,115,525</u>
Long-term debt, net of discount	64,858,866
Other liabilities	<u>456,543</u>
Total liabilities	65,315,409
Net assets:	
Invested in capital assets, net of related debt	220,077
Unrestricted	<u>(419,961)</u>
Total net assets	<u>\$ (199,884)</u>

Comments:

- The other assets balance is made up almost entirely of invested bond proceeds. Most of these proceeds are invested in guaranteed investment contracts in order to maximize results until the funds are expended. The capital assets balance is the net balance (after depreciation) of three parking facilities purchased in fiscal year 2003 and the related debt.

Summary of Revenues, Expenses and Changes in Net Assets:

Operating revenues	\$ <u>132,415</u>
Operating expenses:	
Parking operations management fee	13,117
Professional services	10,000
Insurance	10,189
Depreciation	66,379
Other	<u>8,916</u>
Total operating expenses	<u>108,601</u>
Operating income	23,814
Nonoperating revenues	196,722
Nonoperating expenses	<u>(420,420)</u>
Change in net assets	<u>\$ (199,884)</u>

BROAD STREET COMMUNITY DEVELOPMENT AUTHORITY

(A Component Unit of the City of Richmond, Virginia)

Management's Discussion and Analysis

June 30, 2003

Comments:

- Operating revenues represent rental revenue for the month of June 2003 related to parking facilities purchased on May 29, 2003.
- Operating expenses include depreciation of parking facilities for the month of June 2003 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 at the time of bond issuance.
- Nonoperating expense represents interest expense related to bonds accrued from May 15, 2003 to June 2003.

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 Series 2003 Bonds.

LONG-TERM DEBT

The Authority issued Revenue Bonds, Series 2003, dated May 15, 2003, 7.10% to 7.50% interest rates, 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.

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 highly 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., 8340 Governor Ridgely Lane, Ellicott City, MD 21043.

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

Notes to Basic Financial Statements

June 30, 2003

(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 accounting principles generally accepted in the United States of America (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 the Richmond City Council.

(b) Financial Reporting Model

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the Authority prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions. For entities like the Authority that are engaged solely in business-type activities, the annual report includes:

- **Management's Discussion and Analysis** – GASB Statement No. 34 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.

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

Notes to Basic Financial Statements

June 30, 2003

- **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 as required by GASB Statement No. 34.

(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 Equivalents***

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.

(f) ***Income Taxes***

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

(2) **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.

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

Notes to Basic Financial Statements

June 30, 2003

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, 2003, the carrying amounts of the Authority's cash and cash equivalents balance agreed with the financial institution balance of \$41,248,712. The entire financial institution balance at June 30, 2003 was insured under the provisions of the Deposits Act or covered by federal depository insurance.

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.

The Authority's cash equivalents are considered investments and are categorized below to give an indication of the level of custodial credit risk assumed at June 30, 2003. Category 1 includes investments that are insured or registered or for which the securities are held by the Authority or its safekeeping agent in the Authority's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the counterparty's trust department or safekeeping agent in the Authority's name. Category 3 includes uninsured or unregistered investments for which the securities are held by the counterparty or by its trust department or safekeeping agent, but not in the Authority's name.

<u>2003</u>	<u>Category</u>			<u>Carrying amount</u>	<u>Fair value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Repurchase agreements	\$ 6,136,875	—	—	6,136,875	6,136,875
Total cash equivalents (excluding money market accounts)				6,136,875	\$ 6,136,875
Guaranteed investment contracts (GICS)				34,822,135	
Cash and money market accounts				289,702	
Total cash, money market accounts and GICS				35,111,837	
Total cash and cash equivalents				\$ 41,248,712	

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

Notes to Basic Financial Statements

June 30, 2003

(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 period ended June 30, 2003. Changes in the total long-term liabilities during this period are summarized below:

	<u>Balance beginning of period</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2003</u>	<u>Due within one year</u>
Revenue bonds	\$ —	66,740,000	—	66,740,000	—
Less: discount	—	(1,887,233)	6,099	(1,881,134)	—
Revenue bonds, net	<u>\$ —</u>	<u>64,852,767</u>	<u>6,099</u>	<u>64,858,866</u>	<u>—</u>

The debt service obligations to maturity related to these bonds at June 30, 2003 are as follows:

	<u>Principal amount</u>	<u>Interest amount</u>
Year ending June 30:		
2004	\$ —	5,192,828
2005	—	4,971,856
2006	—	4,971,856
2007	—	4,971,856
2008	—	4,971,856
2009-2013	4,160,000	24,431,780
2014-2018	8,425,000	22,254,187
2019-2023	12,045,000	18,631,500
2024-2028	17,285,000	13,385,625
2029-2033	24,825,000	5,853,750
Total	<u>\$ 66,740,000</u>	<u>109,637,094</u>

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

Notes to Basic Financial Statements

June 30, 2003

(4) Capital Assets

Changes in capital assets during the fiscal period ended June 30, 2003 are summarized below:

	<u>Balance beginning of period</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2003</u>
Capital assets:				
Non-depreciable – Land	\$ —	4,684,600	—	4,684,600
Depreciable – Parking facilities	—	19,212,010	—	19,212,010
Less accumulated depreciation for:				
Parking facilities	—	66,379	—	66,379
Total capital assets, net	\$ —	23,830,231	—	23,830,231