ATLANTA BELTLINE, INC.

(A Component Unit of the
Atlanta Development Authority)

Basic Financial Statements

June 30, 2009

(With Independent Auditor's Report Thereon)

ATLANTA BELTLINE, INC.
(A Component Unit of the Atlanta Development Authority)

June 30, 2009

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MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

The Board of Directors of the
Atlanta BeltLine, Inc.
Atlanta, Georgia

We have audited the accompanying basic financial statements of the **Atlanta BeltLine, Inc.** ("ABI"), a component unit of the Atlanta Development Authority, as of and for the year ended June 30, 2009. These financial statements are the responsibility of the ABI'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 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 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 the 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 Atlanta BeltLine, Inc. as of June 30, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2009 on our consideration of ABI'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* and should be considered in assessing the results of our audit.

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The management's discussion and analysis (on pages 3 through 6) 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 the information and express no opinion on it.

Mauldin & Jenkins, LLC

Atlanta, Georgia
November 17, 2009

ATLANTA BELTLINE, INC.
(A Component Unit of the Atlanta Development Authority)
Management's Discussion and Analysis (Unaudited)
June 30, 2009

This section of the Atlanta BeltLine Inc. ("ABI") annual financial report presents our discussion and analysis of ABI's financial performance during the fiscal year ended June 30, 2009. Please read it in conjunction with the financial statements and accompanying notes.

Fiscal Year 2009 Selected Financial Highlights

- ABI's total assets decreased approximately $20.6 million for the year ended June 30, 2009. The majority of the decrease relates to ABI causing NE Corridor, LLC (NEC) to transfer to the Atlanta Development Authority certain land related to the BeltLine project.
- ABI's total liabilities decreased approximately $1.2 million for the year ended June 30, 2009.
- ABI's total net assets decreased approximately $19.4 million for the year ended June 30, 2009, primarily as the result of the NEC land transfer noted above.
- ABI's total revenues increased approximately $4.4 million for the year ended June 30, 2009, primarily related to an approximately $4 million increase in private grants and contributions.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to ABI's financial statements. ABI's financial statements are comprised of three components: management's discussion and analysis (this section), the financial statements, and the notes to the financial statements.

Financial statements. The *statement of net assets (deficits)* presents information on all of ABI's assets and liabilities, with the difference between the two reported as net assets (deficits). Over time, increases or decreases in net assets may serve as a useful indicator of whether ABI's financial position is improving or deteriorating.

The *statement of revenues, expenses, and changes in fund net assets* presents information showing how ABI's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The financial statements can be found on pages 7-9 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 10 through 14 of this report.

Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of ABI, liabilities exceeded assets by approximately $17.7 million at June 30, 2009. A summary of the net assets (deficit) is presented on the following page.

Atlanta BeltLine Inc.'s Net Assets (Deficit)

	2009	2008
Assets:		
Current assets	$ 25,782,218	$ 34,108,022
Capital assets	14,809,877	4,114,190
Other noncurrent assets	2,434,288	25,430,665
Total assets	43,026,383	63,652,877
Liabilities:		
Current liabilities	1,291,600	1,733,432
Noncurrent liabilities	59,429,900	60,229,900
Total liabilities	60,721,500	61,963,332
Net assets (deficit):		
Invested in capital assets, net of related debt	7,154,556	4,114,190
Unrestricted	(24,849,673)	(2,424,645)
Total net assets (deficit)	$ (17,695,117)	$ 1,689,545

ABI's total assets equal approximately $43 million. The current assets primarily consist of cash and cash equivalents (98%), while noncurrent assets primarily consist of capital assets (86%) and investments in development projects (14%). ABI's total liabilities equal approximately $60.7 million. The liabilities primarily consist of a long-term payable to the City of Atlanta (49%) and a loan payable to a consortium of financial institutions (48%).

For the years from June 30, 2008 through June 30, 2009, ABI's total net assets decreased by approximately $19.4 million, primarily related to the NEC land transfer to the Atlanta Development Authority. ABI's deficit of $24.8 million in unrestricted net assets will be funded through intergovernmental funding from the City of Atlanta as well as private organizations.

Atlanta BeltLine, Inc.'s Changes in Net Assets (Deficit)

	2009	2008
Revenues:		
Intergovernmental funding	$ 4,820,183	$ 4,482,252
Private grants and contributions	6,443,169	2,480,893
Interest income (non-operating)	457,528	617,703
Other income	99,052	6,000
Total revenues	11,819,932	7,586,848
Expenses:		
General and administrative	7,686,735	4,625,871
Loss on investment in NE Corridor, LLC joint venture	22,996,377	-
Interest expense	521,482	1,139,713
Total expenses	31,204,594	5,765,584
Increase (decrease) in net assets	(19,384,662)	1,821,264
Net assets (deficit), beginning of year or period	1,689,545	(131,719)
Net assets (deficit), end of year	$ (17,695,117)	$ 1,689,545

At June 30, 2009, revenues consist primarily of intergovernmental funding from special tax allocation districts (41%) and private grants and contributions (55%) compared to 59% and 33%, respectively, of the prior year. At June 30, 2009, expenses consist primarily of general and administrative costs (25%) compared to 80% in the prior year, and loss on investment in the NE Corridor LLC joint venture (74%).

Capital Assets

The capital assets of ABI total $14.8 million for the year ended June 30, 2009. Capital assets are comprised of land and improvements related to the BeltLine project. The majority of this balance is comprised of three projects: Clear Creek ($6 million), North Park Avenue ($2.4 million), and Old Fourth Ward park ($5 million).

Debt

ABI entered into an agreement with a consortium of financial institutions to receive $29,429,900 of interim funding for the implementation of the 2007 BeltLine projects. Interest only is payable semi-annually (on April 17 and October 17). For a period of 24 months commencing April 17, 2008, the loan was to accrue interest at a daily rate of LIBOR + .55%. Effective, March 17, 2009, in accordance with the original loan agreement, due to a downgrade of the City of Atlanta's debt rating the interest rate changed to a daily rate of LIBOR + .65%. Commencing on April 17, 2010 the interest rate will change to a daily rate of LIBOR .75% until the note matures on September 17, 2022. Commencing on October 17, 2010, principal will be due in annual installments until the note matures. As of June 30, 2009, the outstanding balance on the note is $29,429,900.

The City of Atlanta contributed $30,000,000 to ABI for the estimated cost to complete the Clear Creek project which will result in the construction of a storm water retention pond and infrastructure improvements for sewer basin relief. The liability will be repaid by ABI giving the City the completed asset and returning any funds which may remain.

Requests for Information

This financial report is designed to provide a general overview of ABI's finances for all those with an interest in them. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance and Administration, 86 Pryor Street SW, Suite 200, Atlanta, GA 30303.

ATLANTA BELTLINE, INC.
(A Component Unit of the Atlanta Development Authority)
Statement of Net Assets
June 30, 2009

Assets		
Current assets:		
Cash and cash equivalents	$	792,186
Restricted cash		24,397,126
Accounts receivable		592,541
Prepaid expenses		365
Total current assets		25,782,218
Noncurrent assets:		
Investment in development projects		2,434,288
Capital assets, nondepreciable		14,809,877
Total noncurrent assets		17,244,165
Total assets		43,026,383
Liabilities		
Current liabilities:		
Accounts payable		1,813
Accrued expenses		735,349
Due to the Atlanta Development Authority		54,438
Due to the Atlanta BeltLine Partnership		500,000
Total current liabilities		1,291,600
Noncurrent liabilities:		
Due to the City of Atlanta		30,000,000
Notes payable		29,429,900
Total noncurrent liabilities		59,429,900
Total liabilities		60,721,500
Net Assets (Deficit)		
Invested in capital assets, net of related debt		7,154,556
Unrestricted		(24,849,673)
Total net assets (Deficit)	$	(17,695,117)

See the accompanying notes to the financial statements.

ATLANTA BELTLINE, INC.
(A Component Unit of the Atlanta Development Authority)
Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Year ended June 30, 2009

Operating revenues:	
Intergovernmental funding	$ 4,820,183
Private grants and contributions	6,443,169
Other income	99,052
Total operating revenues	11,362,404
Operating expenses:	
General and administrative	7,686,735
Loss on investment in NE Corridor, LLC joint venture	22,996,377
Interest expense	521,482
Total operating expenses	31,204,594
Operating loss	(19,842,190)
Non-operating revenue:	
Interest income	457,528
Change in net assets	(19,384,662)
Net assets at beginning of year	1,689,545
Net assets (deficit) at end of year	$ (17,695,117)

See the accompanying notes to the financial statements.

ATLANTA BELTLINE, INC.
(A Component Unit of the Atlanta Development Authority)
Statement of Cash Flows
Year ended June 30, 2009

Cash flows from operating activities:	
Receipts from grantors and others	$ 9,451,988
Payments to suppliers and vendors	(4,742,513)
Payments to employees	(1,635,776)
Payments for development projects	(3,623)
Net cash provided by operating activities	3,070,076
Cash flows from capital financing activities:	
Acquisition and construction of capital assets	(10,695,687)
Payments for interest	(521,482)
Net cash used by capital financing activities	(11,217,169)
Cash flows from investing activities:	
Interest on investments	457,528
Net cash provided by investing activities	457,528
Net decrease in cash and cash equivalents	(7,689,565)
Cash and cash equivalents at beginning of year	32,878,877
Cash and cash equivalents at end of year	$ 25,189,312
Reconciliation of Cash and Cash Equivalents To Statement of Net Assets:	
Cash and cash equivalents	$ 792,186
Restricted cash and equivalents	24,397,126
	$ 25,189,312
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	$ (19,842,190)
Adjustment to reconcile operating income to net cash provided by operating activities:	
Change in assets and liabilities:	
(Increase) decrease in:	
Accounts receivable	(592,541)
Prepaid	9,957
Due from NE Corridor joint venture	1,743,927
Investment in joint venture	22,992,754
Increase (decrease) in:	
Accounts payable	1,813
Accrued expenses	(498,082)
Due to the Atlanta Development Authority	(745,562)
Net cash provided by operating activities	$ 3,070,076

See the accompanying notes to the financial statements.

(1) Summary of Significant Accounting Policies

(a) The Financial Reporting Entity

Atlanta Beltline, Inc. ("ABI") was incorporated in 2006 to act as implementation agent on behalf of the Atlanta Development Authority ("ADA") with respect to the Atlanta BeltLine project (the "BeltLine"). Beltline development activities will enrich Atlanta's quality of life with parks, trails, transit, and economic development and set a national standard for transformative investment, sustainable growth, and equitable development.

As a public corporation, ABI meets the definition of a governmental entity and follows accounting principles generally accepted in the United States of America ("GAAP") for government entities. The Governmental Accounting Standards Board ("GASB") is the standard setting body for governmental GAAP.

Management has considered the criteria set forth in GASB Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, *Defining the Financial Reporting Entity*. Based upon the application of the above criteria, the Atlanta Development Authority (the "Authority") has determined ABI to be a component unit of the Authority.

(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance subject to this same limitation. ABI has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. ABI's principal operating revenue is derived from contributions to support the development of the Beltline, and other related activity. Operating expenses for the fund include development, program, and direct general and administrative expenses of ABI. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is ABI's policy to use restricted resources first, then unrestricted resources as they are needed.

(1) Summary of Significant Accounting Policies (Continued)

(c) Cash and Cash Equivalents

For the purposes of the statement of cash flows, ABI considers all short-term investment securities with original maturities of three months or less, local government investment pools, repurchase agreements, money market accounts, and investment agreements under which funds can be withdrawn at any time without penalty to be cash equivalents. Certain resources set aside for Beltline projects are classified as restricted assets on the balance sheet because their use is limited by the purpose of certain agreements with the City of Atlanta.

(d) Investment in Development Projects

Investments in development projects represent ABI's acquisition and improvement of properties in anticipation of either private or public development of the property. Investments and improvements are recorded at cost.

(e) Capital Assets

Capital assets are stated at cost. The Beltline capital assets consist of non-depreciable land and construction in process related to the Clear Creek Project.

(f) Due to the Primary Government

Amounts are reported in the statement of net assets for amounts due to the ADA which are the result from ADA loaning ABI money to cover certain operating costs in which these amounts will be reimbursed within one year of the fiscal year-end.

(g) Use of Estimates

Management of ABI has made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses to prepare the financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from these estimates.

(2) Deposits and Investments

(a) ***Credit Risk.*** ABI is authorized to invest in obligations or investments as determined by its Board of Directors, subject to any agreement with bondholders and with applicable law. As of June 30, 2009, ABI did not have any investments other than deposits with financial institutions.

(b) ***Custodial Credit Risk-Deposits.*** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2009, ABI had no bank balances that were exposed to custodial credit risk.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2009 consists of the following:

Atlanta Beltline, Inc.	**June 30, 2008**	**Additions**	**Deletions**	**June 30, 2009**
Capital assets, not being depreciated:				
Land	$ 3,485,000	$ 9,010,791	$ -	$ 12,495,791
Construction in process - Clear Creek	629,190	1,684,896	-	2,314,086
Total capital assets	$ 4,114,190	$ 10,695,687	$ -	$ 14,809,877

(4) Long-term Liabilities

Activity for notes payable for the year ended June 30, 2009 consists of the following:

	June 30, 2008	Additions	Reductions	June 30, 2009	Amount Due Within One Year
Notes payable	$ 29,429,900	$ -	$ -	$ 29,429,900	$ -
Total Long-term debt	$ 29,429,900	$ -	$ -	$ 29,429,900	$ -

In 2007, ABI entered into an agreement with a consortium of financial institutions to receive $29,429,900 of interim funding for the implementation of the 2007 BeltLine Projects. Interest only is payable semi-annually (on April 17 and October 17). For a period of 24 months commencing April 17, 2008, the loan was to accrue interest at a daily rate of LIBOR + .55%. Effective March 17, 2009, due to a downgrade of the City of Atlanta's debt rating, the interest rate changed in accordance with the original loan agreement to a daily rate of LIBOR + .65%. Commencing on April 17, 2010 the interest rate will change to a daily rate of LIBOR + .75% until the note matures on September 17, 2022. Commencing on October 17, 2010, principal will be due in annual installments until the note matures. As of June 30, 2009, the outstanding balance on the note is $29,429,900.

Debt Service Requirements

Annual principal and interest requirements (using the interest rate of 1.032% at year-end) for the notes payable to the banks are set forth below (dollar amounts in thousands):

	Principal	Interest	Total
Year ending June 30:			
2010	$ -	$ 304	$ 304
2011	2,264	280	2,544
2012	2,264	257	2,521
2013	2,264	234	2,498
2014	2,264	210	2,474
2015 - 2019	11,319	701	12,020
2020 - 2023	9,055	140	9,195
Totals	$ 29,430	$ 2,126	$ 31,556

(5) Due to City of Atlanta - Clear Creek project

In 2007, ABI and the City of Atlanta entered into an intergovernmental agreement for the Clear Creek construction project. The Clear Creek project will result in the construction of a storm water retention pond and infrastructure improvements for sewer basin relief. The City of Atlanta contributed $30 million to ABI for the estimated cost to complete the project. Upon completion, both the project and any portion of the $30 million not expended by ABI will revert back to the City of Atlanta. This amount has no maturity date, nor is interest charged. All costs associated with the Clear Creek Project are being accounted for as construction in process. Under the agreement, any costs in excess of $30 million are required to be funded by ABI. At June 30, 2009 there were no anticipated costs in excess of $30 million.

(6) Due to BeltLine Partnership

In 2007, BeltLine Partnership advanced $500,000 to ABI without interest, to provide ABI with cash flow for specific consulting services. The funds are due to be repaid by ABI on December 31, 2009. At June 30, 2009, the advance is expected to be repaid by the BeltLine Tax Allocation District with proceeds from a future bond issuance. ABI management expects to receive an extension of the due date.

(7) Pension Plan

ABI participates in two different qualified tax deferred defined contribution retirement plans offered to its employees, both of which are administered by the International City/County Management Association Retirement Corp ("ICMA-RC"). The first plan operates under section 457(b) of the Internal Revenue Code, and allows employees to contribute a certain percentage of their pay each year (up to the federal maximum limits). ABI does not match contributions to the section 457(b) plan.

Because ABI does not participate in the federal social security system, it is required by law to establish a "public employee retirement system" ("PERS") to take the place of its otherwise mandatory contributions to the federal social security system. Establishing a PERS requires by law that ABI contribute to a qualified retirement plan a minimum of 7.25% of base pay for all eligible employees. ABI has met this requirement by participating in a second retirement plan which operates under section 401(a) of the Internal Revenue Code and is wholly funded by employer contributions which are made based on a percentage of eligible compensation for all full time employees of ABI who are over 21 years of age. ABI has elected to contribute more to the plan than the required legal minimum. For the year ended June 30, 2009, ABI contributions to the 401(a) plan totaled $199,089. Employees cannot contribute directly to the 401(a) plan.