

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA**
(A Component Unit of the Atlanta Development Authority)

Basic Financial Statements

June 30, 2009

(With Independent Auditors' Report Thereon)

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA**
(A Component Unit of the Atlanta Development Authority)

June 30, 2009

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INDEPENDENT AUDITORS' REPORT

**The Board of Directors of the
Urban Residential Finance Authority
Atlanta, Georgia**

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and each major fund of the **Urban Residential Finance Authority** (the "Authority"), a component unit of the Atlanta Development Authority, as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Lakewood Hills, Inc. which represents 99% of the assets and 94% of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Lakewood Hills, Inc. is based solely on the report of the other auditors.

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. The financial statements of Lakewood Hills, Inc. were not audited in accordance with *Government Auditing Standards*. 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and each major fund of the Urban Residential Finance Authority as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof 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 the Authority'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.

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

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of the Atlanta Development Authority)
Management's Discussion and Analysis (Unaudited)
June 30, 2009**

This section of the Urban Residential Finance Authority ("URFA") annual financial report presents our discussion and analysis of URFA'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**

- Total assets of the Authority, including component units, decreased approximately \$8.9 million during the fiscal year June 30, 2009. This decrease is primarily attributable to a reduction in cash and cash equivalents of approximately \$1.5 million, an approximately \$3.2 million adjustment in investment in real estate, an approximately \$2 million adjustment to the allowance for doubtful accounts, and an approximately \$1 million reduction in the receivable from Atlanta Housing Opportunity, Inc.
- The Authority's assets related to business-type activities exceeded its liabilities at the close of the fiscal year ended June 30, 2009 by approximately \$6.8 million (*net assets*). Of this amount, approximately \$2.9 million represents unrestricted net assets which may be used to meet the Authority's ongoing obligations to citizens and creditors.
- The Authority's total net assets related to business-type activities decreased by approximately \$4.1 million during the fiscal year ended June 30, 2009. This change in net assets is primarily due to an approximately \$2.1 million reduction in investment income, and an approximately \$2 million adjustment to the allowance for doubtful accounts.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements. The Authority's basic financial statements consist of four components: management's discussion and analysis (this section), government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Authority's finances, including information related to its component units.

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

The *statement of activities* presents information showing how the Authority'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 government-wide financial statements include not only the Authority itself (known as the *primary government*), but also legally separate entities for which the Authority is financially accountable: Lakewood Hills, Inc.; Crogman School Development, LLC; Crogman School, Inc.; and GP URFA Sexton, Inc. (collectively known as *component units*). Financial information for these component units is reported separately from the financial information presented for the primary government itself.

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June 30, 2009**

The government-wide financial statements can be found on pages 7-8 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The accompanying statements include two funds, one for the administrative fund and another for all other accounts of the Authority. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements, but show the activity in greater detail, presenting the activity of each of the funds and also presenting cash flow information. The basic proprietary fund financial statements can be found on pages 9-11 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 government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-23 of this report.

Government-wide 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 the Authority, assets exceeded liabilities by approximately \$6.8 million at the end of fiscal year 2009. A summary of the net assets is presented below.

**Summary of the Authority's Net Assets
June 30, 2009 and June 30, 2008**

	2009	2008
Assets:		
Current assets	\$ 8,948,644	\$ 9,179,530
Other non-current assets	33,080,726	38,699,436
Total assets	42,029,370	47,878,966
Liabilities:		
Long-term liabilities	32,518,535	33,550,415
Other liabilities	2,688,773	3,429,271
Total liabilities	35,207,308	36,979,686
Net assets:		
Invested in capital assets	17,450	-
Restricted	3,911,222	6,897,326
Unrestricted	2,893,390	4,001,954
Total net assets	\$ 6,822,062	\$ 10,899,280

The Authority's total assets equal approximately \$42 million for the fiscal year ended 2009. Total assets decreased by approximately \$5.8 million. This decrease is due primarily to an adjustment of approximately \$3.2 million in an investment in real estate, an approximately \$1 million decrease in the receivable from Atlanta Housing Opportunity, Inc. related to the Series 2007 Housing Opportunity bonds and an approximately \$2 million increase in the allowance for doubtful accounts. The Authority's total liabilities decreased approximately \$1.8 million primarily due to an approximately \$1 million principal payment on the Series 2007 Housing Opportunity bonds.

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Management's Discussion and Analysis (Unaudited)
June 30, 2009**

The largest portion of the Authority's net assets, amounting to approximately \$3.9 million, represents resources that are subject to external restrictions on how they may be used.

The Authority's net assets decreased by approximately \$4.1 million during the fiscal year ended June 30, 2009. A summary of that change is presented below, in comparison to the change in the prior year.

**Summary of Changes in the Authority's Net Assets
Fiscal Years ended June 30, 2009 and June 30, 2008**

	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Charges for services	\$ 5,777,988	\$ 3,119,109
General revenues:		
From the use of money and property	87,032	2,234,538
Development fees/other	388,781	3,438,409
Total revenues	<u>6,253,801</u>	<u>8,792,056</u>
Expenses:		
Economic development/including net loss on sale of property	<u>10,331,019</u>	<u>8,652,308</u>
Total expenses	<u>10,331,019</u>	<u>8,652,308</u>
Increase (decrease) in net assets	<u>(4,077,218)</u>	<u>139,748</u>
Net assets, beginning of year	<u>10,899,280</u>	<u>10,759,532</u>
Net assets, end of year	<u>\$ 6,822,062</u>	<u>\$ 10,899,280</u>

Charges for services accounted for 92% of the revenues of the Authority. This revenue includes service, administration, and loan fees related primarily to loan programs administered by the Authority. The Authority's revenues decreased by approximately \$2.5 million for fiscal year ended June 30, 2009. The majority of this decrease related to an approximately \$2.1 million reduction in investment income.

The Authority's total operating expenses are approximately \$10.3 million related to its overall mission of economic development. Total operating expenses increased by approximately \$1.7 million, primarily due to an increase of \$2 million to the allowance for doubtful accounts.

**URBAN RESIDENTIAL FINANCE AUTHORITY
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Management's Discussion and Analysis (Unaudited)
June 30, 2009**

Analysis of the Authority's Funds

As previously discussed, the Authority's funds report the activities of the administrative fund and restricted program funds with an overall decrease in net assets of approximately \$4.1 million.

Debt Administration

At the end of the fiscal year, the Authority had total bond debt outstanding of approximately \$33.6 million. The Authority's debt decreased by approximately \$982,000 during the current fiscal year. This decrease was due primarily to a principal payment of \$990,000 on the Series 2007 Housing Opportunity bonds.

Activity for long term obligations of the Authority for the fiscal year ended June 30, 2009 which are reported in the Statement of Net Assets, is summarized as follows:

	<u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2009</u>
Primary government:				
Notes and loans payable to the City of Atlanta funded by Community Development Block Grant	\$ 352,396	\$ -	\$ (6,398)	\$ 345,998
Bonds payable, 2007A Series Housing Opportunity Program	34,375,000	-	(990,000)	33,385,000
Discount on 2007A Series Housing Opportunity Program Bonds Payable	(180,583)	-	14,774	(165,809)
Total primary government	<u>\$ 34,546,813</u>	<u>\$ -</u>	<u>\$ (981,624)</u>	<u>\$ 33,565,189</u>

More detail regarding the long-term liabilities of the Authority are presented in Note 6 to the financial statements.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any of the information provided in this report, or requests for additional information, should be addressed to the Chief Financial Officer, 86 Pryor Street SW, Suite 300, Atlanta, GA 30303.

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of the Atlanta Development Authority)
Statement of Net Assets
June 30, 2009**

	Business-type Activities	Component Units
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,197,035	\$ 3,963
Restricted cash	19,208	41,683
Investment in real estate	-	721,413
Prepaid expenses	-	7,450
Other receivables	251,953	-
Due from Atlanta Housing Opportunity, Inc. -management fees	285,942	-
Due from Atlanta Housing Opportunity, Inc. -current portion of long-term debt	1,194,506	-
Total current assets	8,948,644	774,509
Noncurrent assets:		
Capital assets, nondepreciable	17,450	-
Capital assets, net of depreciation	-	741,309
Loans receivable	915,629	5,000
Other receivable	-	6,967
Investment in joint venture	79	-
Investment in development projects	-	(1,430,003)
Due from Atlanta Housing Opportunity, Inc. - noncurrent	31,720,949	-
Bond issuance costs, net of amortization	426,619	-
Total noncurrent assets	33,080,726	(676,727)
Total assets	42,029,370	97,782
Liabilities		
Current liabilities:		
Accounts payable	153,521	1,461
Bonds, notes and loans payable, current portion	1,046,654	986,728
Other payables	-	1,618,431
Accrued interest payable	154,506	-
Deferred revenue	1,112,843	-
Due to primary government	220,134	-
Funds held in escrow	1,115	-
Total current liabilities	2,688,773	2,606,620
Noncurrent liabilities:		
Bonds, notes and loans payable	32,518,535	2,347,597
Total noncurrent liabilities	32,518,535	2,347,597
Total liabilities	35,207,308	4,954,217
Net Assets (deficits)		
Invested in capital assets, net of related debt	17,450	(2,593,016)
Restricted for grant programs	3,911,222	-
Unrestricted	2,893,390	(2,263,419)
Total net assets (deficits)	\$ 6,822,062	\$ (4,856,435)

See the accompanying notes to the financial statements.

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of the Atlanta Development Authority)
Statement of Activities
Year ended June 30, 2009**

	Program revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Business-type Activities	Component Units
Functions/ Programs:				
Primary government				
Business-type activities				
Economic development	\$ 10,331,019	\$ 5,777,988	\$ (4,553,031)	
Total primary government activities	<u>\$ 10,331,019</u>	<u>\$ 5,777,988</u>	<u>(4,553,031)</u>	
Component units:				
Lakewood Hills, Inc.	\$ 3,131,653	\$ 1,409,435		\$ (1,722,218)
Crogman School Development, LLC	99,549	99,372		(177)
Crogman School, Inc.	28	-		(28)
GP URFA Sexton, Inc.	<u>209,604</u>	<u>-</u>		<u>(209,604)</u>
Total component units activities	<u>\$ 3,440,834</u>	<u>\$ 1,508,807</u>		<u>(1,932,027)</u>
General revenues:				
Revenues from the use of money or property			87,032	30,136
Miscellaneous			<u>388,781</u>	<u>-</u>
Total general revenues			<u>475,813</u>	<u>30,136</u>
Changes in net assets			(4,077,218)	(1,901,891)
Net assets (deficits)– beginning of year			<u>10,899,280</u>	<u>(2,954,544)</u>
Net assets (deficits) – ending of year			<u>\$ 6,822,062</u>	<u>\$ (4,856,435)</u>

See the accompanying notes to the financial statements.

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of the Atlanta Development Authority)
Statement of Net Assets
Proprietary Funds
June 30, 2009**

	Business-type Activities - Enterprise Funds		
	Administrative Fund	Grants and Restricted Program Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 3,672,585	\$ 3,524,450	\$ 7,197,035
Restricted cash	19,208	-	19,208
Other receivables	244,633	7,320	251,953
Due from Atlanta Housing Opportunity, Inc. -management fees	285,942	-	285,942
Due from Atlanta Housing Opportunity, Inc. -current	1,194,506	-	1,194,506
Total current assets	<u>5,416,874</u>	<u>3,531,770</u>	<u>8,948,644</u>
Noncurrent assets:			
Capital assets, nondepreciable	17,450	-	17,450
Bond issuance costs	426,619	-	426,619
Advances to other funds	107,320	-	107,320
Due from Atlanta Housing Opportunity, Inc.	31,720,949	-	31,720,949
Loans receivable	77,757	837,872	915,629
Investment in joint venture	79	-	79
Total noncurrent assets	<u>32,350,174</u>	<u>837,872</u>	<u>33,188,046</u>
Total assets	<u>37,767,048</u>	<u>4,369,642</u>	<u>42,136,690</u>
Liabilities			
Current liabilities:			
Accounts payable	149,535	3,986	153,521
Accrued interest payable	154,506	-	154,506
Bonds, notes and loans payable, current portion	1,040,000	6,654	1,046,654
Deferred revenue	1,112,843	-	1,112,843
Due to primary government	220,134	-	220,134
Advances from other funds	-	107,320	107,320
Funds held in escrow	-	1,115	1,115
Total current liabilities	<u>2,677,018</u>	<u>119,075</u>	<u>2,796,093</u>
Noncurrent liabilities:			
Bonds, notes and loans payable	32,179,190	339,345	32,518,535
Total noncurrent liabilities	<u>32,179,190</u>	<u>339,345</u>	<u>32,518,535</u>
Total liabilities	<u>34,856,208</u>	<u>458,420</u>	<u>35,314,628</u>
Net Assets			
Invested in capital assets	17,450	-	17,450
Restricted for grant programs	-	3,911,222	3,911,222
Unrestricted	2,893,390	-	2,893,390
Total net assets	<u>\$ 2,910,840</u>	<u>\$ 3,911,222</u>	<u>\$ 6,822,062</u>

See the accompanying notes to the financial statements.

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of the Atlanta Development Authority)
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year ended June 30, 2009**

	Business-type Activities - Enterprise Funds		
	Administrative Fund	Grants and Restricted Program Fund	Total
Operating revenues			
Investment income	\$ 21,622	\$ 65,410	\$ 87,032
Service, administration, and loan fee	5,777,988	-	5,777,988
Other	19,244	369,537	388,781
Total operating revenues	<u>5,818,854</u>	<u>434,947</u>	<u>6,253,801</u>
Operating expenses:			
Interest on bonds, notes and loan	1,879,163	14,096	1,893,259
Program expenses	-	3,215,800	3,215,800
Amortization	52,780	-	52,780
Allowance adjustment for doubtful receivables	1,988,044	-	1,988,044
General and administrative	2,989,981	191,155	3,181,136
Total operating expenses	<u>6,909,968</u>	<u>3,421,051</u>	<u>10,331,019</u>
Operating loss	(1,091,114)	(2,986,104)	(4,077,218)
Change in net assets	(1,091,114)	(2,986,104)	(4,077,218)
Net assets at beginning of year	<u>4,001,954</u>	<u>6,897,326</u>	<u>10,899,280</u>
Net assets at end of year	<u>\$ 2,910,840</u>	<u>\$ 3,911,222</u>	<u>\$ 6,822,062</u>

See the accompanying notes to the financial statements.

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of the Atlanta Development Authority)
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2009**

	Business-type Activities - Enterprise Fund		
	Administrative Fund	Grants and Restricted Program Fund	Total
Cash flows from operating activities:			
Receipts from customers	\$ 5,087,764	\$ 2,897,291	\$ 7,985,055
Receipts of interest on loans	21,622	65,410	87,032
Payments from other funds	33,290	20,494	53,784
Payments to other funds	-	(140,610)	(140,610)
Payments to primary government	534,719	-	534,719
Advances to/from other funds	520,000	(520,000)	-
Receipts from primary government	220,154	-	220,154
Payments to suppliers	(1,830,165)	(187,189)	(2,017,354)
Payments to employees	(1,180,610)	-	(1,180,610)
Payments for programs	(1,843,093)	(3,215,800)	(5,058,893)
Other	704,724	629,147	1,333,871
Net cash provided by (used in) operating activities	<u>2,268,405</u>	<u>(451,257)</u>	<u>1,817,148</u>
Cash flows from capital financing activities:			
Repayment of bond principal	(990,000)	(6,398)	(996,398)
Acquisition and construction of capital assets	(17,450)	-	(17,450)
Payments for interest	(1,883,344)	(14,096)	(1,897,440)
Net cash used in capital financing activities	<u>(2,890,794)</u>	<u>(20,494)</u>	<u>(2,911,288)</u>
Net increase (decrease) in cash and cash equivalents	(622,389)	(471,751)	(1,094,140)
Cash and cash equivalents at beginning of year	4,314,182	3,996,201	8,310,383
Cash and cash equivalents at end of year	<u>\$ 3,691,793</u>	<u>\$ 3,524,450</u>	<u>\$ 7,216,243</u>
Reconciliation to Statement of Net Assets:			
Cash and cash equivalents	\$ 3,672,585	\$ 3,524,450	\$ 7,197,035
Restricted cash	19,208	-	19,208
	<u>\$ 3,691,793</u>	<u>\$ 3,524,450</u>	<u>\$ 7,216,243</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (1,091,114)	\$ (2,986,104)	\$ (4,077,218)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:			
Amortization expense	52,780	-	52,780
Interest payments reported in operating income	1,879,163	14,096	1,893,259
(Increase) decrease in:			
Other receivables	(266,117)	79,814	(186,303)
Loans receivable	313,081	2,897,291	3,210,372
Advances for development costs	217,600	-	217,600
Investment in joint venture	-	-	-
Due from Atlanta Housing Opportunity, Inc.	975,676	-	975,676
Due from other funds	33,290	20,494	53,784
Due from primary government	534,719	-	534,719
Advances to/from other funds	520,000	(520,000)	-
Prepaid expenses	20,794	-	20,794
Increase (decrease) in:			
Accounts payable and accrued expenses	(72,649)	199,112	126,463
Funds held in escrow	-	(15,370)	(15,370)
Due to primary government	220,154	20	220,174
Due to Atlanta Housing Opportunity, Inc.	(65,667)	-	(65,667)
Due to other funds	-	(140,610)	(140,610)
Deferred revenue	(1,003,305)	-	(1,003,305)
Net cash provided by (used in) operating activities	<u>\$ 2,268,405</u>	<u>\$ (451,257)</u>	<u>\$ 1,817,148</u>
Non-cash operating activities:			
Allowance adjustment for doubtful receivables	\$ 1,988,044	\$ 3,215,800	\$ 5,203,844

See the accompanying notes to the financial statements.

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA**
(A Component Unit of the Atlanta Development Authority)

**Combining Statement of Net Assets
Component Units
June 30, 2009**

	Lakewood Hills, Inc.	Croghan School Development, LLC	Croghan School, Inc.	GP URFA Sexton, Inc.	Total Component Units
Assets					
Current assets:					
Cash and cash equivalents	\$ 3,963	\$ -	\$ -	\$ -	\$ 3,963
Restricted cash	41,683	-	-	-	41,683
Investment in real estate	721,413	-	-	-	721,413
Prepaid expenses	7,450	-	-	-	7,450
Total current assets	774,509	-	-	-	774,509
Noncurrent assets:					
Loans receivable	5,000	-	-	-	5,000
Other receivable	6,967	-	-	-	6,967
Capital assets, net of depreciation	741,309	-	-	-	741,309
Investment in development projects	-	-	(450,555)	(979,448)	(1,430,003)
Total noncurrent assets	753,276	-	(450,555)	(979,448)	(676,727)
Total assets	1,527,785	-	(450,555)	(979,448)	97,782
Liabilities					
Current liabilities:					
Accounts payable	361	1,000	100	-	1,461
Advances from primary government	-	-	-	-	-
Bonds, notes and loans payable, current portion	986,728	-	-	-	986,728
Other payables	1,618,431	-	-	-	1,618,431
Total current liabilities	2,605,520	1,000	100	-	2,606,620
Noncurrent liabilities:					
Bonds, notes and loans payable	2,347,597	-	-	-	2,347,597
Total noncurrent liabilities	2,347,597	-	-	-	2,347,597
Total liabilities	4,953,117	1,000	100	-	4,954,217
Net Assets (Deficit)					
Invested in capital assets, net of related debt	(2,593,016)	-	(450,655)	(979,448)	(2,593,016)
Unrestricted	(832,316)	(1,000)	-	-	(2,263,419)
Total net assets (deficit)	\$ (3,425,332)	\$ (1,000)	\$ (450,655)	\$ (979,448)	\$ (4,856,435)

See the accompanying notes to the financial statements.

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA**
(A Component Unit of the Atlanta Development Authority)
**Combining Statement of Activities
Component Units
Year ended June 30, 2009**

	Net (Expense) Revenue and Changes in Net Assets					
	Program revenues	Lakewood Hills, Inc.	Crogman School Development, LLC	Crogman School, Inc.	GP URFA Sexton, Inc.	Total Component Units
Expenses						
\$ 3,131,653	\$ 1,409,435	\$ -	\$ -	\$ -	\$ -	\$ (1,722,218)
99,549	99,372	(177)	-	-	-	(177)
28	-	-	(28)	-	-	(28)
209,604	-	-	-	(209,604)	-	(209,604)
<u>\$ 3,440,834</u>	<u>\$ 1,508,807</u>	<u>\$ (1,722,218)</u>	<u>\$ (177)</u>	<u>\$ (28)</u>	<u>\$ (209,604)</u>	<u>\$ (1,932,027)</u>
Total component unit activities						
General revenues:						
Revenues from the use of money or property	\$ 30,136	\$ -	\$ -	\$ -	\$ -	\$ 30,136
Total general revenues	30,136	-	-	-	-	30,136
Changes in net assets	(1,692,082)	(177)	(28)	(209,604)	(769,844)	(1,901,891)
Net assets (deficit) – beginning of year	(1,733,250)	(823)	(450,627)	(769,844)	(979,448)	(2,954,544)
Net assets (deficit) – ending of year	<u>\$ (3,425,332)</u>	<u>\$ (1,000)</u>	<u>\$ (450,655)</u>	<u>\$ (979,448)</u>	<u>\$ (979,448)</u>	<u>\$ (4,856,435)</u>

Functions/ Programs:

Component units:
Lakewood Hills, Inc.
Crogman School Development, LLC
Crogman School, Inc
GP URFA Sexton, Inc.

Total component unit activities

General revenues:

Revenues from the use of money or property
Total general revenues
Changes in net assets
Net assets (deficit) – beginning of year
Net assets (deficit) – ending of year

See the accompanying notes to the financial statements.

**THE URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of the Atlanta Development Authority)
Notes to Financial Statements
June 30, 2009**

(1) Summary of Significant Accounting Policies

(a) *The Financial Reporting Entity*

The Urban Residential Finance Authority of the City of Atlanta, Georgia (“URFA” or “the Authority”) was created in 1979 to assist in providing financing for the construction or rehabilitation of single family and multi-family residential housing, and to provide funds to be used as down payment assistance for families within certain income limitations within the city of Atlanta.

In 1997, the City created a new umbrella economic development agency, the Atlanta Development Authority (ADA), which combined several previously existing economic development entities, including the Authority. The Authority is considered to be a blended component unit of the ADA, and its financial statements are included in the ADA’s financial statements.

The component unit column in the government-wide financial statements also includes Lakewood Hills, Inc.; Crogman School Development, LLC; Crogman School, Inc.; and GP URFA Sexton, Inc. which are discretely presented component units of URFA. They are reported in a separate column to emphasize that they are legally separate from the Authority.

Each of these component units is accounted for as proprietary fund types.

Lakewood Hills, Inc. (LHI) is wholly owned by URFA and was created to develop single-family and multi-family homes in the City of Atlanta. The Board of Directors of LHI is appointed by the Board of Directors of ADA, who can also impose their will on LHI by removal of board members at any time. Lakewood Hills, Inc. has a December 31 fiscal year-end and its balances are shown as of its year ending date.

Crogman School Development, LLC (CSD) is wholly owned by URFA and was organized to improve and develop property for use as affordable multi-family residential housing. As the sole member of the limited liability company, URFA controls the activity of CSD. Crogman School Development, LLC has a December 31 year-end and its balances are shown as of its year ending date.

Crogman School, Inc. (CSI) is wholly owned by URFA and is the general partner in Crogman, LP, which consists of an affordable multi-family residential housing facility. The Board of Directors of CSI is appointed by the Board of Directors of ADA, who can also impose their will on CSI by removal of board members at any time. Crogman School, Inc. has a December 31 fiscal year-end and its balances are shown as of its year ending date.

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of the Atlanta Development Authority)
Notes to Financial Statements
June 30, 2009**

(1) Summary of Significant Accounting Policies (Continued)

(a) *The Financial Reporting Entity (Continued)*

GP URFA Sexton, Inc. (GP URFA Sexton) is wholly owned by URFA and is the owner of 10% of URFA Sexton, Inc., which is the general partner in URFA-Sexton, LP, which consists of an affordable multi-family residential housing facility. The Board of Directors of GP URFA Sexton is appointed by the Board of Directors of ADA, who can also impose their will on GP URFA Sexton by removal of board members at any time. GP URFA Sexton, Inc. has a December 31 fiscal year-end and its balances are shown as of its year ending date.

Separate financial statements or financial information on these component units may be obtained from the Chief Financial Officer, Atlanta Development Authority at 86 Pryor Street, SW, Suite 300, Atlanta, GA 30303.

(b) *Government-wide and Fund Financial Statements*

The Authority presents government-wide financial statements which are prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements (i.e. the statement of net assets and the statement of activities) do not provide information by fund. Net assets in the statement of net assets are distinguished between amounts that are invested in capital assets, restricted for use by third parties or outside requirements, and amounts that are unrestricted.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or benefit from the services provided by a given function or segment and include interest income on loans provided for economic development and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted interest income on investments and other items not properly included among program revenues are reported as general revenues.

In addition to the government-wide financial statements, the Authority has prepared separate financial statements for proprietary funds. These fund financial statements use the accrual basis of accounting and the economic resources measurement focus.

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
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Notes to Financial Statements
June 30, 2009**

(1) Summary of Significant Accounting Policies (Continued)

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Interest income and service, administration, and loan fees are recognized as revenue when earned regardless of when the cash is received. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenses are recorded when a liability is incurred.

The Authority reports the following major enterprise funds:

Administrative Fund – The Administrative Fund is used to record the receipt of income not directly pledged to the repayment of specific notes, bonds, or grant programs and the payment of expenses related to the Authority’s administrative functions.

Grants and Restricted Program Fund – This fund is used to account for all activity of the Authority that is restricted for grants or bond activities.

Private-sector standards of accounting and financial reporting issued prior to November 30, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Authority has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund’s principal ongoing operations. The principal operating revenue of each of the Authority’s enterprise funds is interest income on loans outstanding; service, administration, and loan fees; and other activity surrounding the development of property. Operating expenses for the enterprise funds include direct general and administrative expenses of administering the economic development programs. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. 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.

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
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Notes to Financial Statements
June 30, 2009**

(1) Summary of Significant Accounting Policies (Continued)

(d) Cash, Cash Equivalents, and Investments

For the purposes of the statement of cash flows, the Authority 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 specific purposes are classified as restricted assets on the balance sheet because their use is limited by the purpose of certain agreements with other parties.

Investments are carried at fair value based on quoted market prices.

(e) Advances for Development Costs

Advances for development costs consist of amounts paid to developers for initial costs of development of a desired area. Once permanent financing is obtained or sales or leasing of developed properties begin, these advances are repaid to the Authority. As of June 30, 2009, the value of these advances, net of allowances, is \$0.

(f) Loans Receivable

Loans receivable are stated at their unpaid principal balance less loan discounts. The discounts are amortized using a method approximating a level yield over the estimated average life of the loans.

(g) Investment in Real Estate

Investments in real estate consist of property stated at the lower of aggregate cost or net realizable value. Cost includes the purchase price of the land and development costs, as well as capitalized interest. There was no interest capitalized during 2009.

(h) Investment in Development Projects

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

(i) Capital Assets

Capital assets are stated at cost. For the primary government, capital assets consist of non-depreciable work in process related to new software implementation. For the Authority's component unit, Lakewood Hills, Inc, capital assets consists of real property representing 11 condominium units in Phase VI-A and are recorded at cost. Depreciation of the rental property (buildings) is computed primarily using the straight-line method over a 40 year estimated useful life.

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
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Notes to Financial Statements
June 30, 2009**

(1) Summary of Significant Accounting Policies (Continued)

(j) Deferred Revenue

The Authority has received certain money from issuer fees, administrative fees on Housing Opportunity Fund operations in which revenue will be recognized when earned. Therefore, the Authority has reported these items as deferred revenue under the accrual basis of accounting on the statement of net assets.

(k) Use of Estimates

Management of the Authority 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

The Authority is authorized to invest in obligations or investments as determined by the Board of Directors of the Authority, subject to any agreement with bondholders and with applicable law. As of June 30, 2009, the Authority 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, the Authority had no bank balances that were exposed to custodial credit risk.

(3) Investment in Real Estate

Investment in real estate of the discretely presented component units consisted of the following at June 30, 2009:

	2009
Component units:	
Lakewood Hills	\$ 721,413
Total	\$ 721,413

The condominiums and town homes in the Lakewood Hills development are being held for resale and are expected to be sold within the next year and are thus classified as current assets.

**URBAN RESIDENTIAL FINANCE AUTHORITY
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June 30, 2009**

(4) Capital Assets

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

Work in process - Software	\$ -	\$ 17,450	\$ -	\$ 17,450
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total capital assets	\$ -	\$ 17,450	\$ -	\$ 17,450
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Component Unit - Lakewood Hills, Inc.				
Capital assets being depreciated:				
Building and improvements	\$ -	\$ 745,971	\$ -	\$ 745,971
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	-	745,971	-	745,971
Less accumulated depreciation	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net capital assets	-	(4,662)	-	(4,662)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	\$ -	\$ 741,309	\$ -	\$ 741,309
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(5) Receivables

As of June 30, 2009, the Administrative Fund had \$1,400,075 in gross other receivables less \$869,500 in allowances for uncollectible receivables which netted to an ending balance of \$530,575. In addition, the Administrative Fund reported \$1,621,368 in gross loans receivables less \$1,543,611 in allowances for uncollectible receivables which netted to an ending balance of \$77,757.

As of June 30, 2009, the Grants and Restricted Program Fund had \$9,426,235 in gross loans outstanding less \$8,588,363 in allowances for uncollectible loans and loans which are not expected to require repayment under the various Authority programs which netted to an ending balance of \$837,872.

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
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Notes to Financial Statements
June 30, 2009**

(6) Long-term Liabilities

Activity for the bonds, notes, loans payable, and other long-term liabilities for the fiscal year ended June 30, 2009 consists of the following:

	<u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2009</u>	<u>Amount Due Within One Year</u>
Primary government:					
Notes and loans payable to the City of Atlanta funded by Community Development Block Grant	\$ 352,396	\$ -	\$ (6,398)	\$ 345,998	\$ 6,654
Bonds payable, 2007A Series Housing Opportunity Program	34,375,000	-	(990,000)	33,385,000	1,040,000
Discount on 2007A Series Housing Opportunity Program Bonds payable	(180,583)	-	14,774	(165,809)	-
Total primary government	<u>\$ 34,546,813</u>	<u>\$ -</u>	<u>\$ (981,624)</u>	<u>\$ 33,565,189</u>	<u>\$ 1,046,654</u>
Component units:					
Bonds payable, 1999 Park Place Construction loan payable	\$ 5,802,656	\$ -	\$ (2,468,331)	\$ 3,334,325	\$ 986,728
Total component units	<u>\$ 5,802,656</u>	<u>\$ -</u>	<u>\$ (2,468,331)</u>	<u>\$ 3,334,325</u>	<u>\$ 986,728</u>

The Authority entered into loan agreements with the City of Atlanta wherein the City loaned the Authority \$900,000 of U.S. Department of Housing and Urban Development (HUD) funds under its Community Development Block Grant ("CDBG") program. The CDBG funds were used to establish mezzanine financing for Evergreen Village Estates, L.P. and Fulton Cotton Mill Associates, L.P. to leverage their investment of tax-exempt housing revenue bonds in the acquisition and rehabilitation of certain development projects. At June 30, 2009, the balance of the remaining loans payable was \$345,998.

**URBAN RESIDENTIAL FINANCE AUTHORITY
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Notes to Financial Statements
June 30, 2009**

(6) Long-term Liabilities (Continued)

On April 11, 2007, the Authority issued \$35,000,000 of Georgia Taxable Revenue Bonds (Housing Opportunity Program), Series 2007A, for the purpose of loaning the proceeds from the sale of the bonds to Atlanta Housing Opportunity, Inc. (“AHOI”), a Georgia non-profit corporation. AHOI uses the bond proceeds to make loans to finance single family and multi-family housing purchases in the city of Atlanta. The city of Atlanta has guaranteed that it will make payments sufficient in time and amount to enable AHOI to pay the principal and interest on the bonds. Interest on the bonds is payable semiannually on June 1 and December 1 of each year, with interest rates ranging from 5.068% to 5.802%. The bonds mature on December 1, 2027. At June 30, 2009, the outstanding principal balance was \$33,385,000. Also at June 30, 2009, an amount of \$32,915,455 is recorded as being due from AHOI, with the difference between the bonds and the receivable resulting from differences in unamortized issuance costs.

Construction of the Lakewood Hills development was financed with construction loans. Principal payments on the construction loan will be from future home sales. The construction loan had a balance of \$3,334,325 at June 30, 2009.

The bank loans payable for construction purposes had original maturity dates which were ultimately extended to April 15, 2009 and December 31, 2010, respectively. As part of the extension agreement for the note due April 15, 2009, restricted funds held in escrow were applied against the outstanding principal and interest balance and the Atlanta Development Authority (ADA) paid off the remaining balance of the bank note on behalf of Lakewood Hills, replacing it with a new note due to ADA that contained substantially the same terms as the previous bank note.

Debt Service Requirements

At June 30, 2009, principal on the remaining bank construction loan for the Lakewood Hills project is payable when property sales occur; therefore, no debt service requirement schedules are presented.

The notes and loans payable to the City, funded by CDBG, are also payable only when property sales occur; therefore, no debt service requirement schedule is presented.

**URBAN RESIDENTIAL FINANCE AUTHORITY
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Notes to Financial Statements
June 30, 2009**

(6) Long-term Liabilities (Continued)

The annual principal and interest requirements for the Revenue Bonds (Housing Opportunity Program), Series 2007A are set forth below (dollar amounts in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2010	\$ 1,040	\$ 1,828	\$ 2,868
2011	1,095	1,774	2,869
2012	1,150	1,717	2,867
2013	1,210	1,656	2,866
2014	1,275	1,592	2,867
2015 - 2019	7,490	6,847	14,337
2020 - 2024	9,890	4,446	14,336
2025 - 2028	10,235	1,231	11,466
Totals	<u>33,385</u>	<u>\$ 21,091</u>	<u>\$ 54,476</u>
Less discount	(166)		
Net bonds payable	<u>\$33,219</u>		

(7) Conduit Debt

The Authority issues private activity tax exempt and taxable revenue bonds to private sector entities for projects located within the city limits of Atlanta. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans or promissory notes. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. The Authority is not obligated in any manner for repayment of the bonds and does not report these as liabilities in the accompanying financial statements. The aggregate principal amounts outstanding as of June 30, 2009 for conduit debt issued by the Authority was \$490,200,835.

(8) Interfund Balances

All inter-fund balances were for payments made or received on behalf of each respective fund or component unit which had not been reimbursed at year end. At June 30, 2009 the Administrative Fund owed \$220,134 to ADA, which was expected to be repaid within one year. At June 30, 2009 the Administrative Fund was owed \$107,230 from the Grants and Restricted Program Fund for payments made on behalf of the Grants and Restricted Program Fund which had not been reimbursed at year end. This balance is expected to be repaid at a future date.

As of year-end, Lakewood Hills, Inc, a component unit of URFA, has a deficit of \$3,425,332 in which URFA has agreed, if deemed necessary, to cover any major operating shortfalls Lakewood Hills, Inc. may have.

**URBAN RESIDENTIAL FINANCE AUTHORITY
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Notes to Financial Statements
June 30, 2009**

(9) Contingencies

The Authority participates in a number of Federal financial assistance programs in the current and prior years. These programs are subject to independent financial and compliance audits by grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Authority expects such amounts, if any, to be immaterial.

The Authority is subject to various legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, based on the advice of legal counsel, the amount of ultimate liability, with respect to these actions, will not materially affect the financial position or results of operations of the Authority.

(10) Pension Plan

The Authority offers two different qualified tax deferred defined contribution retirement plans 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). The Authority does not match contributions to the section 457(b) plan.

Because URFA 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 URFA contribute to a qualified retirement plan a minimum of 7.25% of base pay for all eligible employees. URFA 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 the Authority who are over 21 years of age. URFA has elected to contribute more to the plan than the required legal minimum. For the year ended June 30, 2009, URFA contributions to the 401(a) plan totaled \$187,853. Employees cannot contribute directly to the 401(a) plan.

Investments in both plans are self-directed by the employee and each employee vests in both plans immediately upon hire. The benefit provisions, including the amount of the employer contribution that is in excess of the legal minimum, and contribution requirements may be amended at any time by the President or the Board of Directors of the Authority.