URBAN RESIDENTIAL FINANCE AUTHORITY OF THE CITY OF ATLANTA, GEORGIA

(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)

Basic Financial Statements

June 30, 2013

(With Independent Auditor's Report Thereon)

URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of the Atlanta Development Authority, d/b/a Invest Atlanta)

June 30, 2013

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MAULDIN
& JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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, d/b/a Invest Atlanta ("Invest Atlanta"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and each major fund of the Urban Residential Finance Authority as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 12, the Authority implemented Governmental Accounting Standards Board Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*, effective July 1, 2012. These standards modified terminology and presentation of certain accounts and changed the accounting for bond issuance costs. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
November 13, 2013

This section of the Urban Residential Finance Authority ("URFA" or the "Authority") annual financial report presents our discussion and analysis of URFA's financial performance during the fiscal year ended June 30, 2013. Please read it in conjunction with the financial statements and accompanying notes.

Fiscal Year 2013 Selected Financial Highlights

- Total assets of the Authority, including component units, decreased approximately $2.3 million during the fiscal year ended June 30, 2013. This decrease is primarily due to a $1.2 million decrease in loans receivable primarily related to the increase in the allowance for doubtful accounts associated with the loan provided for the Villas at the Dome apartments and a decrease of $1.2 million in amounts due from the Atlanta Housing Opportunity, Inc. due to scheduled debt service payments being made by the City of Atlanta on behalf of the Atlanta Housing Opportunity, Inc.

- Total liabilities of the Authority, including component units, decreased approximately $1.5 million for the fiscal year ended June 30, 2013. The decrease is primarily the result of $1.2 million in scheduled bond payments.

- The Authority's assets related to business-type activities, excluding component units, exceeded its liabilities at the close of the fiscal year ended June 30, 2013 by approximately $6.8 million (*net position*). Of this amount, approximately $2.5 million represents an unrestricted net position which may be used to meet the Authority's ongoing obligations to citizens and creditors.

- The Authority's total net position related to business-type activities, excluding component units, decreased by approximately $0.5 million during the fiscal year ended June 30, 2013.

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 position* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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.; GP URFA Sexton, Inc.; Sylvan Hills Development, LLC.; and Toby Sexton Development, LLC (collectively known as *component units*). Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 8 and 9 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 10-12 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 15-28 of this report.

Government-wide Financial Analysis

As noted earlier, net position 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 2013. A summary of the net position is presented on the following page.

Summary of the Authority's Net Position
June 30, 2013 and 7312702
June 30, 2012
Business-type Activities

	2013	2012 (Restated)
Assets:		
Current assets	$ 8,022,843	$ 6,915,717
Other non-current assets	28,687,032	31,558,170
Total assets	36,709,875	38,473,887
Liabilities:		
Current liabilities	1,981,709	1,953,440
Long-term liabilities	27,924,961	29,207,745
Total liabilities	29,906,670	31,161,185
Net position:		
Net investment in capital assets	-	16,171
Restricted	4,281,338	3,394,144
Unrestricted	2,521,867	3,902,387
Total net position	$ 6,803,205	$ 7,312,702

The Authority's total assets equal approximately $36.7 million as of the fiscal year ended June 30, 2013. Total assets decreased approximately $1.8 million. This decrease is primarily due to a $1.2 million decrease in loans receivable primarily related to the increase in the allowance for doubtful accounts associated with the loan provided for the Villas at the Dome apartments and a decrease of $1.2 million in amounts due from the Atlanta Housing Opportunity, Inc. due to scheduled debt service payments being made by the City of Atlanta on behalf of the Atlanta Housing Opportunity, Inc. Total liabilities decreased approximately $1.3 million that is primarily the result of the scheduled bond payments.

The largest portion of the Authority's net position, amounting to approximately $4.3 million, represents resources that are subject to external restrictions on how they may be used.

The Authority's net position decreased by approximately $0.5 million during the fiscal year ended June 30, 2013. A summary of that change is presented on the following page compared to the change in the prior fiscal year.

Summary of Changes in the Authority's Net Position
Fiscal Years Ended June 30, 2013 and June 30, 2012

	2013	2012 (Restated)
Revenues:		
Program revenues:		
Charges for services	$ 4,482,098	$ 2,019,459
Operating grants and contributions	4,151,327	2,711,876
General revenues:		
From the use of money and property	-	62,781
Total revenues	8,633,425	4,794,116
Expenses:		
Economic development	9,142,922	5,607,199
Total expenses	9,142,922	5,607,199
(Decrease) increase in net position	(509,497)	(813,083)
Net position, beginning of fiscal year, as restated	7,312,702	8,125,785
Net position, end of fiscal year	$ 6,803,205	$ 7,312,702

Charges for services accounted for 52% of the revenues of the Authority. This revenue includes program income, servicing, administration, and loan fees related primarily to loan programs administered by the Authority. Operating grants and contributions makes up 48% of the revenues. This revenue consists of grants for loan programs and funding from the City of Atlanta for debt service related to the 2007 Housing Opportunity Bonds.

The Authority's total revenue increased approximately $3.8 million for the fiscal year ended June 30, 2013. The largest contributor to the increase is $2.5 million received from NeighborWorks Columbus for funding of the Neighborhood LIFT program.

The Authority's total operating expenses are approximately $9.1 million related to its overall mission of providing assistance for single-family and multi-family residential housing. Total operating expenses increased approximately $3.5 million from the prior fiscal year.

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 position of approximately $0.5 million.

Debt Administration

At the end of the fiscal year, the Authority had total bond debt outstanding of approximately $29.2 million. The Authority's debt decreased approximately $1.2 million during the current fiscal year. This decrease was primarily due to a principal payment of $1,210,000 on the Series 2007 Housing Opportunity bonds.

Activity for long term obligations of the Authority for the fiscal year ended June 30, 2013 which are reported in the Statement of Net Position is summarized as follows:

	June 30, 2012	Additions	Reductions	June 30, 2013
Primary government:				
Notes and loans payable to the City of Atlanta funded by Community Development Block Grants	$ 332,426	$ -	$ (14,681)	$ 317,745
Bonds payable, 2007A Series Housing Opportunity Program	30,100,000	-	(1,210,000)	28,890,000
Total primary government	$ 30,432,426	$ -	$ (1,224,681)	$ 29,207,745

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, 133 Peachtree Street, NE, Suite 2900, Atlanta, GA 30303.

URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Statement of Net Position
June 30, 2013

	Business-type Activities	Component Units
Assets		
Current assets:		
Cash and cash equivalents	$ 5,127,320	$ 22,018
Restricted cash and cash equivalents	1,431,231	-
Prepaid items	6,430	5,082
Other receivables	43,225	366
Due from Atlanta Housing Opportunity, Inc. - current portion	1,414,637	-
Total current assets	8,022,843	27,466
Noncurrent assets:		
Capital assets, net of depreciation	-	666,713
Prepaid items, noncurrent	50,566	-
Loans receivable	527,786	-
Due from component units	463,709	-
Other receivables	50	3,815,620
Investment in development projects	-	574,910
Advances to Invest Atlanta	569,949	-
Due from Atlanta Housing Opportunity, Inc. - noncurrent	27,074,972	-
Total noncurrent assets	28,687,032	5,057,243
Total assets	36,709,875	5,084,709
Liabilities		
Current liabilities:		
Accounts payable	97,026	1,100
Bonds, notes and loans payable, current portion	1,282,784	350,000
Accrued interest payable	135,452	-
Unearned revenue	457,879	-
Funds held in escrow	8,568	-
Total current liabilities	1,981,709	351,100
Noncurrent liabilities:		
Due to primary government (URFA)	-	4,173,909
Due to others	-	2,378,669
Loan payable to Invest Atlanta	-	948,563
Bonds, notes and loans payable	27,924,961	1,322,597
Total noncurrent liabilities	27,924,961	8,823,738
Total liabilities	29,906,670	9,174,838
Net Position (deficits)		
Net investment in capital assets	-	(1,954,447)
Restricted for grant programs	4,281,338	-
Unrestricted	2,521,867	(2,135,682)
Total net position (deficits)	$ 6,803,205	$ (4,090,129)

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, d/b/a Invest Atlanta)
Statement of Activities
Fiscal Year Ended June 30, 2013

		Program Revenues		Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Business-type Activities	Component Units
Functions/ Programs:					
Primary government:					
Business-type activities:					
Economic development	$ 9,142,922	$ 4,482,098	$ 4,151,327	$ (509,497)	
Total primary government activities	$ 9,142,922	$ 4,482,098	$ 4,151,327	(509,497)	
Component units:					
Lakewood Hills, Inc.	$ 198,715	$ 105,723	$ -		$ (92,992)
Crogman School Development, LLC	-	-	-		-
Crogman School, Inc.	444	-	-		(444)
GP URFA Sexton, Inc.	128	-	-		(128)
Sylvan Hills Development, LLC	-	-	-		-
Toby Sexton Development, LLC	-	-	-		-
Total component units activities	$ 199,287	$ 105,723	$ -		(93,564)
General revenues:					
Revenues from the use of money or property				-	55
Total general revenues				-	55
Change in net position				(509,497)	(93,509)
Net position (deficits) at beginning of year, as restated				7,312,702	(3,996,620)
Net position (deficits) at end of year				$ 6,803,205	$ (4,090,129)

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, d/b/a Invest Atlanta)
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-type Activities - Enterprise Funds		
	Administrative Fund	Grants and Restricted Program Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	$ 2,097,681	$ 3,029,639	$ 5,127,320
Restricted cash and cash equivalents	1,431,231	-	1,431,231
Prepaid items, current	6,430	-	6,430
Other receivables	16,740	26,485	43,225
Due from Atlanta Housing Opportunity, Inc. - current	1,414,637	-	1,414,637
Due from other funds	405,105	-	405,105
Total current assets	5,371,824	3,056,124	8,427,948
Noncurrent assets:			
Prepaid items, noncurrent	50,566	-	50,566
Loans receivable	-	527,786	527,786
Due from component units	463,709	-	463,709
Other receivables	50	-	50
Advances to Invest Atlanta	569,949	-	569,949
Due from Atlanta Housing Opportunity, Inc.	27,074,972	-	27,074,972
Total noncurrent assets	28,159,246	527,786	28,687,032
Total assets	33,531,070	3,583,910	37,114,980
Liabilities			
Current liabilities:			
Accounts payable	94,641	2,385	97,026
Bonds, notes and loans payable, current portion	1,275,000	7,784	1,282,784
Accrued interest payable	135,452	-	135,452
Unearned revenue	457,879	-	457,879
Due to other funds	-	405,105	405,105
Funds held in escrow	-	8,568	8,568
Total current liabilities	1,962,972	423,842	2,386,814
Noncurrent liabilities:			
Bonds, notes and loans payable	27,615,000	309,961	27,924,961
Total noncurrent liabilities	27,615,000	309,961	27,924,961
Total liabilities	29,577,972	733,803	30,311,775
Net Position			
Restricted for grant programs	1,431,231	2,850,107	4,281,338
Unrestricted	2,521,867	-	2,521,867
Total net position	$ 3,953,098	$ 2,850,107	$ 6,803,205

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, d/b/a Invest Atlanta)
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2013

	Business-type Activities - Enterprise Funds		
	Administrative Fund	Grants and Restricted Program Fund	Total
Operating revenues:			
Investment income	$ 767	$ 24,652	$ 25,419
Service, administration, and loan fees	2,139,963	2,289,862	4,429,825
Developer fees	22,618	-	22,618
Private grants	-	2,500,000	2,500,000
Subsidy income for debt service payments - City of Atlanta	1,651,327	-	1,651,327
Other revenue	-	4,236	4,236
Total operating revenues	3,814,675	4,818,750	8,633,425
Operating expenses:			
Interest on bonds, notes, and loans	1,651,327	13,009	1,664,336
Economic development	551	5,327,825	5,328,376
Depreciation and amortization	3,643	-	3,643
General and administrative	2,109,835	21,952	2,131,787
Total operating expenses	3,765,356	5,362,786	9,128,142
Operating income (loss)	49,319	(544,036)	(494,717)
Nonoperating expenses:			
Loss on disposal of capital assets	(14,780)	-	(14,780)
Total nonoperating expenses	(14,780)	-	(14,780)
Change in net position	34,539	(544,036)	(509,497)
Net position at beginning of year, as restated	3,918,559	3,394,143	7,312,702
Net position at end of year	$ 3,953,098	$ 2,850,107	$ 6,803,205

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, d/b/a Invest Atlanta)
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2013

	Business-type Activities - Enterprise Fund		
	Administrative Fund	Grants and Restricted Program Fund	Total
Cash flows from operating activities:			
Receipts from customers and other governments	$ 2,298,884	$ 5,917,974	$ 8,216,858
Receipts of interest on loans	767	11,643	12,410
Receipts of developer fees from component units	22,618	-	22,618
Advances to other funds	(350,000)	350,000	-
Payments to suppliers	(1,044,150)	(21,152)	(1,065,302)
Payments to employees	(1,052,492)	-	(1,052,492)
Payments for programs	(551)	(5,327,825)	(5,328,376)
Other	-	7,666	7,666
Net cash provided by (used in) operating activities	(124,924)	938,306	813,382
Cash flows from noncapital financing activities:			
Receipts from City of Atlanta to cover interest expense on revenue bonds issued on behalf of the City of Atlanta for AHOI	2,843,890	-	2,843,890
Receipts of principal and interest on loans	-	13,009	13,009
Repayment of bond principal	(1,210,000)	-	(1,210,000)
Repayment on notes and loans payable	-	(14,681)	(14,681)
Payments for interest	(1,658,760)	(13,009)	(1,671,769)
Repayment of advances due from Invest Atlanta	372,261	-	372,261
Repayment of advances to the City of Atlanta	-	10,000	10,000
Net cash provided by (used in) noncapital financing activities	347,391	(4,681)	342,710
Net increase in cash and cash equivalents	222,467	933,625	1,156,092
Cash and cash equivalents at beginning of year	3,306,445	2,096,014	5,402,459
Cash and cash equivalents at end of year	$ 3,528,912	$ 3,029,639	$ 6,558,551
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	$ 2,097,681	$ 3,029,639	$ 5,127,320
Restricted cash and cash equivalents	1,431,231	-	1,431,231
	$ 3,528,912	$ 3,029,639	$ 6,558,551
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	$ 49,319	$ (544,036)	$ (494,717)
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization expense	3,643	-	3,643
Interest receipts reported in operating loss	(1,651,327)	(13,009)	(1,664,336)
Interest payments reported in operating loss	1,651,327	13,009	1,664,336
(Increase) decrease in:			
Other receivables	105,700	(26,485)	79,215
Loans receivable	-	1,154,597	1,154,597
Due from Atlanta BeltLine, Inc.	26,000	-	26,000
Due from component units	62,609	-	62,609
Due from other funds	(350,000)	350,000	-
Prepaid items	6,688	-	6,688
Increase (decrease) in:			
Accounts payable and accrued expenses	6,505	800	7,305
Funds held in escrow	-	3,430	3,430
Due to other funds	-	-	-
Unearned revenue	(35,388)	-	(35,388)
Net cash provided by (used in) operating activities	$ (124,924)	$ 938,306	$ 813,382

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, d/b/a Invest Atlanta)
Combining Statement of Net Position
Component Units
June 30, 2013

	Lakewood Hills, Inc.	Crogman School Devel., LLC	Crogman School, Inc.	GP URFA Sexton, Inc.	Sylvan Hills Devel., LLC	Toby Sexton Devel., LLC	Total Component Units
Assets							
Current assets:							
Cash and cash equivalents	$ 22,018	$ -	$ -	$ -	$ -	$ -	$ 22,018
Other receivables	366	-	-	-	-	-	366
Prepaid items	5,082	-	-	-	-	-	5,082
Total current assets	27,466	-	-	-	-	-	27,466
Noncurrent assets:							
Developer fees receivables, net of allowance	-	142,205	-	-	1,698,766	1,974,649	3,815,620
Capital assets, net of depreciation	666,713	-	-	-	-	-	666,713
Investment in development projects	581,282	-	(5,334)	(866)	(172)	-	574,910
Total noncurrent assets	1,247,995	142,205	(5,334)	(866)	1,698,594	1,974,649	5,057,243
Total assets	1,275,461	142,205	(5,334)	(866)	1,698,594	1,974,649	5,084,709
Liabilities							
Current liabilities:							
Accounts payable	-	1,000	100	-	-	-	1,100
Bonds, notes and loans payable, current portion	350,000	-	-	-	-	-	350,000
Total current liabilities	350,000	1,000	100	-	-	-	351,100
Noncurrent liabilities:							
Due to primary government (URFA)	2,737,058	142,205	-	-	526,618	768,028	4,173,909
Due to others	-	-	-	-	1,172,148	1,206,521	2,378,669
Construction loan payable	1,322,597	-	-	-	-	-	1,322,597
Loan payable to Invest Atlanta	948,563	-	-	-	-	-	948,563
Total noncurrent liabilities	5,008,218	142,205	-	-	1,698,766	1,974,549	8,823,738
Total liabilities	5,358,218	143,205	100	-	1,698,766	1,974,549	9,174,838
Net Position (Deficit)							
Net investment in capital assets	(1,954,447)	-	-	-	-	-	(1,954,447)
Unrestricted	(2,128,310)	(1,000)	(5,434)	(866)	(172)	100	(2,135,682)
Total net position (deficit)	$ (4,082,757)	$ (1,000)	$ (5,434)	$ (866)	$ (172)	$ 100	$ (4,090,129)

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, d/b/a Invest Atlanta)
Combining Statement of Activities
Component Units
Fiscal Year Ended June 30, 2013

		Program Revenues	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Charges for Services	Lakewood Hills, Inc.	Crogman School Devel., LLC	Crogman School, Inc.	GP URFA Sexton, Inc.	Sylvan Hills Devel., LLC	Toby Sexton Devel., LLC	Total Component Units
Functions/ Programs:									
Component units:									
Lakewood Hills, Inc.	$ 198,715	$ 105,723	$ (92,992)	$ -	$ -	$ -	$ -	$ -	$ (92,992)
Crogman School Development, LLC	-	-	-	-	-	-	-	-	-
Crogman School, Inc.	444	-	-	-	(444)	-	-	-	(444)
GP URFA Sexton, Inc.	128	-	-	-	-	(128)	-	-	(128)
Sylvan Hills Development, LLC	-	-	-	-	-	-	-	-	-
Toby Sexton Development, LLC	-	-	-	-	-	-	-	-	-
Total component unit activities	$ 199,287	$ 105,723	$ (92,992)	$ -	$ (444)	$ (128)	$ -	$ -	$ (93,564)
General revenues:									
Revenues from the use of money or property			$ 55	$ -	$ -	$ -	$ -	$ -	$ 55
Total general revenues			55	-	-	-	-	-	55
Changes in net position			(92,937)	-	(444)	(128)	-	-	(93,509)
Net position (deficit) – beginning of year			(3,989,820)	(1,000)	(4,990)	(738)	(172)	100	(3,996,620)
Net position (deficit) – ending of year			$ (4,082,757)	$ (1,000)	$ (5,434)	$ (866)	$ (172)	$ 100	$ (4,090,129)

See the accompanying notes to the financial statements.

(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, d/b/a Invest Atlanta ("Invest Atlanta"), which combined several previously existing economic development entities, including the Authority. The Authority is considered to be a blended component unit of Invest Atlanta, and its financial statements are included in Invest Atlanta'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.; GP URFA Sexton, Inc.; Sylvan Hills Development, LLC; and Toby Sexton Development, LLC, which are discretely presented component units of URFA. They are reported in a separate column to emphasize 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 URFA, who can also impose their will on LHI by removal of board members at any time. Lakewood Hills, Inc. has a December 31 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 URFA, who can also impose their will on CSI by removal of board members at any time. Crogman School, Inc. has a December 31 year-end and its balances are shown as of its year ending date.

(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 general partner and owner of .01% of 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 URFA, 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 year-end and its balances are shown as of its year ending date.

Sylvan Hills Development, LLC. (Sylvan Hills) is wholly owned by URFA and is the general partner and owner of .01% of Columbia at Sylvan Hills, LP, which consists of an affordable multi-family residential housing facility. The Board of Directors of Sylvan Hills is appointed by the Board of Directors of URFA, who can also impose their will on Sylvan Hills by removal of board members at any time. Sylvan Hills Development, LLC has a December 31 year-end and its balances are shown as of its year ending date.

Toby Sexton Development, LLC. (Toby Sexton) is a joint venture in which URFA has an interest of 79%. Toby Sexton was organized to improve and develop property for use as affordable multi-family residential housing. As the majority owner of the limited liability company, URFA controls the activity of Toby Sexton. Toby Sexton Development, LLC has a December 31 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, Invest Atlanta at 133 Peachtree Street, NE, Suite 2900, 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 position and the statement of activities) do not provide information by fund. Net position in the statement of net position is distinguished between amounts that are invested in capital assets, restricted for use by third parties or outside requirements, and unrestricted amounts.

(1) Summary of Significant Accounting Policies (Continued)

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

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.

(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.

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

(1) Summary of Significant Accounting Policies (Continued)

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

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 revenues of each of the Authority's enterprise funds are 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.

(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 statement of net positions 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) 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.

(f) 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.

(1) Summary of Significant Accounting Policies (Continued)

(g) Capital Assets

Capital assets are stated at cost. For the primary government, capital assets included depreciable leasehold office improvements. Depreciation of the leasehold office improvements are computed primarily using the straight-line method over a 7 year estimated useful life.

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.

(h) Unearned Revenue

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

(i) 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, 2013, the Authority did not have any investments other than deposits with financial institutions.

(2) Deposits and Investments (Continued)

(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, 2013, the Authority had no bank balances that were exposed to custodial credit risk.

(3) Investment in Development Projects

Investment in development projects of the discretely presented component units consisted of the following at June 30, 2013:

		2013
Component units:		
Lakewood Hills, Inc.	$	581,282
Crogman School, Inc.		(5,334)
GP URFA Sexton, Inc.		(866)
Sylvan Hills Development, LLC		(172)
Total	$	574,910

The condominiums in the Lakewood Hills development are being held for resale.

(4) Capital Assets

Capital assets activity for the fiscal year ended June 30, 2013 consists of the following:

Urban Residential Finance Authority	**June 30, 2012**	**Additions**	**Deletions**	**June 30, 2013**
Capital assets, being depreciated:				
Leasehold office improvements	$ 23,366	$ -	$ (23,366)	$ -
	23,366	-	(23,366)	-
Less accumulated depreciation	(7,195)	(1,391)	8,586	-
Net capital assets, being depreciated	$ 16,171	$ (1,391)	$ (14,780)	$ -

Component Unit - Lakewood Hills, Inc.				
Capital assets, being depreciated:				
Building and improvements	$ 745,971	$ -	$ -	$ 745,971
	745,971	-	-	745,971
Less accumulated depreciation	(60,610)	(18,648)	-	(79,258)
Net capital assets, being depreciated	$ 685,361	$ (18,648)	$ -	$ 666,713

(5) Receivables

As of June 30, 2013, the Administrative Fund had $1,047,740 in gross other receivables less $1,031,000 in allowances for uncollectible receivables which net to an ending balance of $16,740. In addition, the Administrative Fund reported $7,280,397 in gross loans receivable and the same in allowances for uncollectible receivables for a net loan receivable balance of $0 at fiscal year-end. These loans receivable include uncollectible loans from Lakewood Hills, Inc. of $2,929,676; a loan due from Crogman, LP of $2,116,265; and loans due from URFA-Sexton, LP of $2,156,659; and other loans due of $77,797.

As of June 30, 2013, the Grants and Restricted Program Fund had $13,908,784 in gross loans outstanding less $13,380,998 in allowances for uncollectible loans and loans which are not expected to require repayment under the various Authority programs, netting to an ending balance of $527,786.

(6) Long-term Liabilities

Activity for the bonds, notes, loans payable, and other long-term liabilities for the fiscal year ended June 30, 2013 consists of the following:

	June 30, 2012 (Restated)	Additions	Reductions	June 30, 2013	Amount Due Within One Year
Primary government:					
Notes and loans payable to the City of Atlanta funded by Community Development Block Grants	$ 332,426	$ -	$ (14,681)	$ 317,745	$ 7,784
Bonds payable, 2007A Series Housing Opportunity Program	30,100,000	-	(1,210,000)	28,890,000	1,275,000
Total primary government	$ 30,432,426	$ -	$ (1,224,681)	$ 29,207,745	$ 1,282,784
Component units:					
Construction loan payable	$ 2,047,597	$ -	$ (375,000)	$ 1,672,597	$ 350,000
Advance loan from Invest Atlanta	948,563	-	-	948,563	-
Total component units	$ 2,996,160	$ -	$ (375,000)	$ 2,621,160	$ 350,000

Amounts previously reported as a discount on the 2007A Bonds as of June 30, 2012 in the amount of $124,000, were an underwriters discount and therefore included as part of the issuance costs related to these bonds. These costs were written off, effective July 1, 2012, as part of the restatement of net position in implementing GASB Statement No. 65 as discussed in Note 13.

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, 2013, the balance of the remaining loans payable was $317,745.

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 fiscal year, with interest rates ranging from 5.068% to 5.802%. The bonds mature on December 1, 2027. At June 30, 2013, the outstanding principal balance was $28,890,000. Also at June 30, 2013, an amount of $28,489,609 is recorded as being due from AHOI, with the difference between the bonds and the receivable resulting from other small amounts receivable as a result of other activities not related to these bonds.

(6) Long-term Liabilities (Continued)

Construction of the Lakewood Hills development was financed with construction loans. On April 28, 2008, Lakewood Hills Inc. refinanced its construction loan with Wachovia Bank. The note, in the amount of $3,000,000, incurred interest at the 1–month LIBOR plus 1.80 percent rate. Payments of interest only were due beginning June 1, 2008 and continuing until maturity, which was the earlier of the date of the sale of the last individual residential lot or August 17, 2011. On August 17, 2011, Lakewood Hills, Inc. refinanced its construction loan with Wells Fargo Bank (previously Wachovia Bank, NA). The note, in the amount of $3,300,000, incurred interest at the 1-month LIBOR plus 4 percent rate. Payments of interest only were due until maturity, which was the earlier of the date of the sale of the last individual residential lot or August 31, 2012. Proceeds from sales of individual residential lots were to be used to reduce the principal balance outstanding on the note, in accordance with the terms of the loan agreement with Wells Fargo Bank. On August 20, 2012, Lakewood Hills, Inc. refinanced its construction loan with Wells Fargo Bank. The note, in the amount of $1,847,597, which is the balance due on the construction loan at the time of the refinancing, incurs interest at the 1-month LIBOR plus 4 percent rate. Proceeds from sales of individual residential lots were to be used to reduce the principal balance outstanding on the note, in accordance with the terms of the loan agreement with Wells Fargo Bank. Payments of $87,500 plus interest are due quarterly until maturity, which is December 1, 2017. The balance of this loan at December 31, 2012 was $1,672,597.

On January 15, 2009, Lakewood Hills, Inc. obtained a loan in the amount of $986,728 from Invest Atlanta to pay down a construction loan with Sun Trust Bank. The loan bears interest at a variable rate and matures on January 15, 2019. The loan is to be repaid with net proceeds from the sale of condominium units, with the entire balance and any unpaid accrued interest due becoming immediately payable upon the first to occur of the sale of the last unit or the maturity date. As of fiscal year-end, the loan due to Invest Atlanta was $948,563.

Debt Service Requirements

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.

(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):

	Principal	Interest	Total
Fiscal Year Ending June 30:			
2014	$ 1,275	$ 1,592	$ 2,867
2015	1,345	1,524	2,869
2016	1,415	1,452	2,867
2017	1,490	1,375	2,865
2018	1,575	1,293	2,868
2019 - 2023	9,345	4,631	13,976
2024 - 2028	12,445	2,250	14,695
Totals	$28,890	$ 14,117	$ 43,007

The annual principal and interest requirements, using the interest rate in effect at year-end, for the loan payable to Wells Fargo for Lakewood Hills, Inc. are set forth below (dollar amounts in thousands):

	Principal	Interest	Total
Fiscal Year Ending December 31:			
2013	$ 350	$ 65	$ 415
2014	350	50	400
2015	350	35	385
2016	350	21	371
2017	273	6	279
Totals	$ 1,673	$ 177	$ 1,850

(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, 2013 for conduit debt issued by the Authority was $319,773,552.

(8) Interfund Balances

All interfund balances were for payments made or received on behalf of each respective fund or component unit which had not been reimbursed at fiscal year-end. At June 30, 2013, the Administrative Fund was owed $569,949 from Invest Atlanta, which will be reimbursed over the next several fiscal years. At June 30, 2013, the Administrative Fund was owed $405,105 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 within one fiscal year.

As of fiscal year-end, Lakewood Hills, Inc, a component unit of URFA, has a deficit of $4,082,757 in which URFA has agreed, if deemed necessary, to cover any major operating shortfalls Lakewood Hills, Inc. may have.

(9) Due to Others and Due to Primary Government (URFA)

Toby Sexton Development, LLC

Pursuant to a developer agreement between URFA-Sexton, LP ("USLP") and Toby Sexton Development, LLC ("TSD") (a discretely presented component unit of URFA), TSD had been retained by USLP to perform certain services with respect to property owned by USLP, including construction and rehabilitation of the property and other related cost. As consideration for the services provided by TSD, USLP, pursuant to a developer agreement made between the two entities, will pay a fee of up to $2,415,847 and of this fee, $445,521 has been paid to date by USLP to TSD. The agreement provides for interest on the unpaid balance at the long-term annual federal rate at the placed in service date which was 4.68%. At June 30, 2013, a developer fee of $1,970,326 and accrued interest of $4,323 remained due from USLP.

Developer fees receivable for TSD are payable to both URFA and Needle Development, Inc., ("NDI"). Pursuant to a development services agreement between URFA and NDI, 40% of the fees receivable by TSD are due to URFA and 60% are due to NDI. At June 30, 2013, TSD owed URFA a balance of $768,028 and NDI $1,206,521, each of which includes accrued interest receivable by TSD.

In the event of a default by USLP, URFA will be required to satisfy the outstanding payments due to TSD. As of June 30, 2013, the Authority does not find it necessary to report this contingent liability as the amounts due to TSD are not due until December 2015; however the receivable for URFA related to the development fees owed to it by Toby Sexton Development, LLC have been provided for with an allowance for doubtful account in the amount of $768,028.

Additionally, in the event of default by USLP, URFA will be required to satisfy the debt of USLP, which, as of June 30, 2013, had a balance of $10,685,838. As of June 30, 2013, the Authority does not find it necessary to report this contingent liability.

Crogman School Development, LLC

Pursuant to a development agreement between Crogman, LP ("CLP") and Crogman School Development, LLC ("CSDL") (a discretely presented component unit of URFA), CLP agreed to provide a developer fee in the amount of $1,315,432 to CSDL for services provided by CSDL during development and construction of the project. As of June 30, 2013, the balance remaining on this agreement is $142,205. In turn, this amount is owed by CSDL to URFA; however the receivable for URFA related to the development fees owed to it by CSDL have been provided for with an allowance for doubtful account in the amount of $142,205.

Additionally, in the event of default by CLP, URFA will be required to satisfy the debt of CLP, which, as of June 30, 2013, had a balance of $4,390,000. As of June 30, 2013, the Authority does not find it necessary to report this contingent liability.

(9) Due to Others and Due to Primary Government (URFA) (Continued)

Sylvan Hills Development, LLC

Pursuant to a development agreement between Columbia at Sylvan Hills, LP ("CSH") and Sylvan Hills Development, LLC ("SHD") (a discretely presented component unit of URFA), CSH agreed to provide a development and overhead fee in the amount of $2,715,820 to SHD for services provided by SHD during development and construction of the project. As of June 30, 2013, the balance remaining on this agreement is $1,698,766. In turn, this amount is owed by SHD to URFA and other entities for $526,618 and $1,172,148, respectively and pursuant to a joint venture agreement, which defines the applicable percentages, between SHD and the other entities.

(10) Contingencies

The Authority participates in a number of federal financial assistance programs in the current and prior fiscal 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.

(11) 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) defined contribution 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 fiscal year ended June 30, 2013, URFA contributions to the 401(a) defined contribution plan totaled $123,106. Employees cannot contribute directly to the 401(a) defined contribution plan.

(11) Pension Plan (continued)

Together the 457(b) plan and 401(a) plan are referred to as the Plans. 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.

(12) Restatement of Net Position – Implementation of New Accounting Standards

Effective July 1, 2012, the Authority implemented Governmental Accounting Standards Board Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and No. 65, *Items Previously Reported as Assets and Liabilities*. These standards include a requirement for the residual difference between assets and liabilities, in funds which utilize the accrual basis of accounting, to be reported as net position, instead of the previously reported net assets. Additionally, GASB Statement No. 65 requires that bond issuance costs, which were previously recognized as an asset when paid and amortized as an expense over the life of the related bonds, to be expensed when incurred for a bond issuance. As a result of implementing this new standard, the unamortized portion of bond issuance costs as of July 1, 2012 has been removed from the net position of the Administrative Fund. This restatement affected the beginning net position as follows:

	URFA Administrative Fund	
Net Position, beginning of the year, as previously reported	$	4,297,880
Effect of removing unamortized bond issuance costs		(379,321)
Net Position, beginning of the year, as restated	$	3,918,559

	Business-type Activities	
Net Position, beginning of the year, as previously reported	$	7,692,023
Effect of removing unamortized bond issuance costs		(379,321)
Net Position, beginning of the year, as restated	$	7,312,702