

**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, 2016

(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, 2016

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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, 2016, 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.

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, 2016, 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.

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 17, 2016 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 17, 2016

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Management's Discussion and Analysis (Unaudited)
June 30, 2016**

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, 2016. Please read it in conjunction with the financial statements and accompanying notes.

Fiscal Year 2016 Selected Financial Highlights

- Total assets of the Authority, including component units, increased approximately \$126,000 during the fiscal year ended June 30, 2016. This increase is primarily due to an increase in loans receivable reported in Housing Trust Fund as of June 30, 2016.
- Total liabilities of the Authority, including component units, decreased approximately \$2.1 million for the fiscal year ended June 30, 2016. The decrease is primarily the result of 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, 2016 by approximately \$9.1 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, increased by approximately \$2.6 million during the fiscal year ended June 30, 2016.

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.

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(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Management's Discussion and Analysis (Unaudited)
June 30, 2016

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.; 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 grant related 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 15-24 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 \$9.1 million at the end of fiscal year 2016. A summary of the net position is presented on the following page.

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA**
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Management's Discussion and Analysis (Unaudited)
June 30, 2016

**Summary of the Authority's Net Position
June 30, 2016 and June 30, 2015
Business-type Activities**

	<u>2016</u>	<u>2015</u>
Assets:		
Current assets	\$ 9,852,900	\$ 8,022,258
Other non-current assets	24,648,827	25,496,495
Total assets	<u>34,501,727</u>	<u>33,518,753</u>
Liabilities:		
Current liabilities	2,077,348	2,224,159
Long-term liabilities	23,365,000	24,855,000
Total liabilities	<u>25,442,348</u>	<u>27,079,159</u>
Net position:		
Restricted	6,595,147	4,236,534
Unrestricted	2,464,232	2,203,060
Total net position	<u>\$ 9,059,379</u>	<u>\$ 6,439,594</u>

The Authority's total assets equal approximately \$34.5 million as of the fiscal year ended June 30, 2016. Total assets increased approximately \$1.0 million. This increase is primarily due to an increase in loans receivable reported in Housing Trust Fund. Total liabilities decreased approximately \$1.6 million that is primarily the result of the scheduled bond payments.

The largest portion of the Authority's net position, amounting to approximately \$6.6 million, represents resources that are subject to external restrictions on how they may be used.

The Authority's net position increased by approximately \$2.6 million during the fiscal year ended June 30, 2016. A summary of that change is presented on the following page compared to the change in the prior fiscal year.

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA**
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Management's Discussion and Analysis (Unaudited)
June 30, 2016

**Summary of Changes in the Authority's Net Position
Fiscal Years Ended June 30, 2016 and June 30, 2015**

	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 4,771,692	\$ 3,410,509
Operating grants and contributions	1,445,386	1,518,307
Total revenues	<u>6,217,078</u>	<u>4,928,816</u>
Expenses:		
Economic development	3,597,293	5,343,440
Total expenses	<u>3,597,293</u>	<u>5,343,440</u>
Increase (decrease) in net position	2,619,785	(414,624)
Net position, beginning of fiscal year	6,439,594	6,854,218
Net position, end of fiscal year	<u>\$ 9,059,379</u>	<u>\$ 6,439,594</u>

Charges for services accounted for 77% 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 23% 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 \$1.3 million for the fiscal year ended June 30, 2016. This increase is primarily due to increase in charges for services in fiscal year 2016 compared to 2015.

The Authority's total operating expenses are approximately \$3.6 million related to its overall mission of providing assistance for single-family and multi-family residential housing. Total operating expenses decreased approximately \$1.7 million from the prior fiscal year due to significant program expenses on housing programs in the grant fund in the prior year which were not repeated in fiscal year 2016.

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 increase in net position of approximately \$2.6 million.

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA**
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Management's Discussion and Analysis (Unaudited)
June 30, 2016

Debt Administration

At the end of the fiscal year, the Authority had total bond debt outstanding of approximately \$24.9 million. The Authority's debt decreased approximately \$1.4 million during the current fiscal year. This decrease was due to a principal payment of \$1,415,000 on the Series 2007 Housing Opportunity bonds. Activity for long term obligations of the Authority for the fiscal year ended June 30, 2016 which are reported in the Statement of Net Position is summarized as follows:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2016</u>
Primary government:				
Bonds payable, 2007A Series Housing Opportunity Program	\$ 26,270,000	\$ -	\$ (1,415,000)	\$ 24,855,000
Total primary government	<u>\$ 26,270,000</u>	<u>\$ -</u>	<u>\$ (1,415,000)</u>	<u>\$ 24,855,000</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, 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, 2016

	Business-type Activities	Component Units
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,748,901	\$ 9,989
Restricted cash and cash equivalents	1,339,495	-
Prepaid items	5,550	150
Other receivables	284,068	9,966
Due from Atlanta Housing Opportunity, Inc. - current portion	1,607,856	-
Due from Invest Atlanta	867,030	-
Total current assets	9,852,900	20,105
Noncurrent assets:		
Capital assets, net of depreciation	-	610,766
Prepaid items, noncurrent	33,001	-
Loans receivable	1,492,553	-
Due from component units	222,826	-
Other receivables	50	2,127,458
Other assets - development projects	-	(1,065)
Due from Atlanta Housing Opportunity, Inc. - noncurrent	22,900,397	-
Total noncurrent assets	24,648,827	2,737,159
Total assets	34,501,727	2,757,264
Liabilities		
Current liabilities:		
Accounts payable	330,098	12,337
Bonds payable, current portion	1,490,000	-
Accrued interest payable	117,856	-
Unearned revenue	132,759	-
Due to Invest Atlanta	461	29,884
Funds held in escrow	6,174	-
Total current liabilities	2,077,348	42,221
Noncurrent liabilities:		
Due to primary government (URFA)	-	4,520,375
Due to others	-	1,841,954
Loan payable to Invest Atlanta	-	948,563
Bonds payable	23,365,000	-
Total noncurrent liabilities	23,365,000	7,310,892
Total liabilities	25,442,348	7,353,113
Net Position (deficits)		
Net investment in capital assets	-	(337,797)
Restricted for grant programs	6,595,147	-
Unrestricted	2,464,232	(4,258,052)
Total net position (deficits)	\$ 9,059,379	\$ (4,595,849)

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, 2016

	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	\$ 3,597,293	\$ 4,771,692	\$ 1,445,386	\$ 2,619,785		
Total primary government activities	\$ 3,597,293	\$ 4,771,692	\$ 1,445,386	2,619,785		
Component units:						
Lakewood Hills, Inc.	\$ 467,425	\$ 94,907	\$ -		\$ (372,518)	
GP URFA Sexton, Inc.	-	116	-		116	
Sylvan Hills Development, LLC	5	-	-		(5)	
Toby Sexton Development, LLC	-	-	-		-	
Total component units activities	\$ 467,430	\$ 95,023	\$ -		(372,407)	
General revenues:						
Revenues from the use of money or property				-	-	
Total general revenues				-	-	
				2,619,785	(372,407)	
				6,439,594	(4,223,442)	
				\$ 9,059,379	\$ (4,595,849)	

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, 2016

	Business-type Activities - Enterprise Funds		
	Administrative Fund	Grants and Restricted Program Fund	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,662,251	\$ 4,086,650	\$ 5,748,901
Restricted cash and cash equivalents	1,339,495	-	1,339,495
Prepaid items, current	5,550	-	5,550
Other receivables	160,276	123,792	284,068
Due from Atlanta Housing Opportunity, Inc. - current	1,607,856	-	1,607,856
Due from other funds	440,483	-	440,483
Due from Invest Atlanta	867,030	-	867,030
Total current assets	<u>6,082,941</u>	<u>4,210,442</u>	<u>10,293,383</u>
Noncurrent assets:			
Prepaid items, noncurrent	33,001	-	33,001
Loans receivable	-	1,492,553	1,492,553
Due from component units	222,826	-	222,826
Other receivables	50	-	50
Due from Atlanta Housing Opportunity, Inc.	22,900,397	-	22,900,397
Total noncurrent assets	<u>23,156,274</u>	<u>1,492,553</u>	<u>24,648,827</u>
Total assets	<u>29,239,215</u>	<u>5,702,995</u>	<u>34,942,210</u>
Liabilities			
Current liabilities:			
Accounts payable	329,873	225	330,098
Bonds payable, current portion	1,490,000	-	1,490,000
Accrued interest payable	117,856	-	117,856
Unearned revenue	132,759	-	132,759
Due to other funds	-	440,483	440,483
Due to Invest Atlanta	-	461	461
Funds held in escrow	-	6,174	6,174
Total current liabilities	<u>2,070,488</u>	<u>447,343</u>	<u>2,517,831</u>
Noncurrent liabilities:			
Bonds payable	23,365,000	-	23,365,000
Total noncurrent liabilities	<u>23,365,000</u>	<u>-</u>	<u>23,365,000</u>
Total liabilities	<u>25,435,488</u>	<u>447,343</u>	<u>25,882,831</u>
Net Position			
Restricted for grant programs	1,339,495	5,255,652	6,595,147
Unrestricted	2,464,232	-	2,464,232
Total net position	<u>\$ 3,803,727</u>	<u>\$ 5,255,652</u>	<u>\$ 9,059,379</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, d/b/a Invest Atlanta)
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Fiscal Year Ended June 30, 2016

	Business-type Activities - Enterprise Funds		
	Administrative Fund	Grants and Restricted Program Fund	Total
Operating revenues:			
Investment income	\$ 4,584	\$ 14,883	\$ 19,467
Service, administration, and loan fees	1,860,734	2,531,237	4,391,971
Developer fees	90,584	-	90,584
Subsidy income for debt service payments - City of Atlanta	1,445,386	-	1,445,386
Other revenue	265,737	3,933	269,670
Total operating revenues	<u>3,667,025</u>	<u>2,550,053</u>	<u>6,217,078</u>
Operating expenses:			
Interest on bonds, notes, and loans	1,445,386	-	1,445,386
Economic development	-	157,809	157,809
Amortization	6,361	-	6,361
General and administrative	1,954,106	33,631	1,987,737
Total operating expenses	<u>3,405,853</u>	<u>191,440</u>	<u>3,597,293</u>
Operating income	<u>261,172</u>	<u>2,358,613</u>	<u>2,619,785</u>
Change in net position	261,172	2,358,613	2,619,785
Net position at beginning of year	<u>3,542,555</u>	<u>2,897,039</u>	<u>6,439,594</u>
Net position at end of year	<u>\$ 3,803,727</u>	<u>\$ 5,255,652</u>	<u>\$ 9,059,379</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, d/b/a Invest Atlanta)
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2016

	Business-type Activities - Enterprise Fund		
	Administrative Fund	Grants and Restricted Program Fund	Total
Cash flows from operating activities:			
Receipts from customers and other governments	\$ 1,402,625	\$ 1,766,951	\$ 3,169,576
Receipts of interest on loans	4,584	14,883	19,467
Receipts of developer fees from component units	90,584	-	90,584
Payments (to) from other funds	(173,908)	173,908	-
Payments to suppliers	(583,307)	(33,170)	(616,477)
Payments to primary government for reimbursement of operating transactions	(864,168)	-	(864,168)
Payments for programs	-	(441,739)	(441,739)
Other	(99,636)	5,159	(94,477)
Net cash provided by (used in) operating activities	<u>(223,226)</u>	<u>1,485,992</u>	<u>1,262,766</u>
Cash flows from noncapital financing activities:			
Receipts from City of Atlanta to cover debt service on revenue bonds issued on behalf of the City of Atlanta for AHOI	2,840,159	-	2,840,159
Repayment of bond principal	(1,415,000)	-	(1,415,000)
Payments for interest	(1,451,609)	-	(1,451,609)
Net cash used in noncapital financing activities	<u>(26,450)</u>	<u>-</u>	<u>(26,450)</u>
Net increase (decrease) in cash and cash equivalents	(249,676)	1,485,992	1,236,316
Cash and cash equivalents at beginning of year	<u>3,251,422</u>	<u>2,600,658</u>	<u>5,852,080</u>
Cash and cash equivalents at end of year	<u>\$ 3,001,746</u>	<u>\$ 4,086,650</u>	<u>\$ 7,088,396</u>
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 1,662,251	\$ 4,086,650	\$ 5,748,901
Restricted cash and cash equivalents	1,339,495	-	1,339,495
	<u>\$ 3,001,746</u>	<u>\$ 4,086,650</u>	<u>\$ 7,088,396</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:			
Operating income	\$ 261,172	\$ 2,358,613	\$ 2,619,785
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:			
Amortization expense	6,361	-	6,361
Interest receipts reported in operating loss	(1,445,386)	-	(1,445,386)
Interest payments reported in operating loss	1,445,386	-	1,445,386
(Increase) decrease in:			
Other receivables	211,311	(111,041)	100,270
Loans receivable	210,079	(653,245)	(443,166)
Due from other funds	(100,000)	100,000	-
Due from Invest Atlanta	(867,030)	-	(867,030)
Due from component units	62,634	-	62,634
Increase (decrease) in:			
Accounts payable and accrued expenses	233,918	(283,930)	(50,012)
Due to other funds	(73,908)	73,908	-
Due to Invest Atlanta	(70,327)	461	(69,866)
Due to Atlanta Housing Opportunity, Inc.	(29,309)	-	(29,309)
Funds held in escrow	-	1,226	1,226
Unearned revenue	(68,127)	-	(68,127)
Net cash provided by (used in) operating activities	<u>\$ (223,226)</u>	<u>\$ 1,485,992</u>	<u>\$ 1,262,766</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, d/b/a Invest Atlanta)
Combining Statement of Net Position
Component Units
June 30, 2016

	<u>Lakewood Hills, Inc.</u>	<u>GP URFA Sexton, Inc.</u>	<u>Sylvan Hills Devel., LLC</u>	<u>Toby Sexton Devel., LLC</u>	<u>Total Component Units</u>
Assets					
Current assets:					
Cash and cash equivalents	\$ 9,989	\$ -	\$ -	\$ -	\$ 9,989
Prepaid items	150	-	-	-	150
Other receivables	9,966	-	-	-	9,966
Total current assets	<u>20,105</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,105</u>
Noncurrent assets:					
Developer fees receivables, net of allowance	-	-	920,837	1,206,621	2,127,458
Capital assets, net of depreciation	610,766	-	-	-	610,766
Other assets - development projects	-	(885)	(180)	-	(1,065)
Total noncurrent assets	<u>610,766</u>	<u>(885)</u>	<u>920,657</u>	<u>1,206,621</u>	<u>2,737,159</u>
Total assets	<u>630,871</u>	<u>(885)</u>	<u>920,657</u>	<u>1,206,621</u>	<u>2,757,264</u>
Liabilities					
Current liabilities:					
Accounts payable	12,337	-	-	-	12,337
Due to Invest Atlanta	29,884	-	-	-	29,884
Total current liabilities	<u>42,221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,221</u>
Noncurrent liabilities:					
Due to primary government (URFA)	4,234,971	-	285,404	-	4,520,375
Due to others	-	-	635,433	1,206,521	1,841,954
Loan payable to Invest Atlanta	948,563	-	-	-	948,563
Total noncurrent liabilities	<u>5,183,534</u>	<u>-</u>	<u>920,837</u>	<u>1,206,521</u>	<u>7,310,892</u>
Total liabilities	<u>5,225,755</u>	<u>-</u>	<u>920,837</u>	<u>1,206,521</u>	<u>7,353,113</u>
Net Position (Deficit)					
Net investment in capital assets	(337,797)	-	-	-	(337,797)
Unrestricted	(4,257,087)	(885)	(180)	100	(4,258,052)
Total net position (deficit)	<u>\$ (4,594,884)</u>	<u>\$ (885)</u>	<u>\$ (180)</u>	<u>\$ 100</u>	<u>\$ (4,595,849)</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, d/b/a Invest Atlanta)
Combining Statement of Activities
Component Units
Fiscal Year Ended June 30, 2016**

	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>				<u>Total Component Units</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Lakewood Hills, Inc.</u>	<u>GP URFA Sexton, Inc.</u>	<u>Sylvan Hills Devel., LLC</u>	<u>Toby Sexton Devel., LLC</u>	
Functions/ Programs:							
Component units:							
Lakewood Hills, Inc.	\$ 467,425	\$ 94,907	\$ (372,518)	\$ -	\$ -	\$ -	\$ (372,518)
GP URFA Sexton, Inc.	-	116	-	116	-	-	116
Sylvan Hills Development, LLC	5	-	-	-	(5)	-	(5)
Toby Sexton Development, LLC	-	-	-	-	-	-	-
Total component unit activities	<u>\$ 467,430</u>	<u>\$ 95,023</u>	<u>\$ (372,518)</u>	<u>\$ 116</u>	<u>\$ (5)</u>	<u>\$ -</u>	<u>\$ (372,407)</u>
General revenues:							
Revenues from the use of money or property			-	-	-	-	-
Total general revenues			-	-	-	-	-
Changes in net position			(372,518)	116	(5)	-	(372,407)
Net position (deficit) – beginning of year			(4,222,366)	(1,001)	(175)	100	(4,223,442)
Net position (deficit) – ending of year			<u>\$ (4,594,884)</u>	<u>\$ (885)</u>	<u>\$ (180)</u>	<u>\$ 100</u>	<u>\$ (4,595,849)</u>

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, d/b/a Invest Atlanta)
Notes to Financial Statements
June 30, 2016**

(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.; 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.

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.

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Notes to Financial Statements
June 30, 2016**

(1) Summary of Significant Accounting Policies (Continued)

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

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.

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
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Notes to Financial Statements
June 30, 2016**

(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 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 grant activities.

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 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.

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Notes to Financial Statements
June 30, 2016**

(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 statement of net position because their use is limited by the purpose of certain agreements with other parties.

(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) *Other Assets - Development Projects*

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

(g) *Capital Assets*

Capital assets are stated at cost. At June 30, 2016, the Authority had no capital assets.

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, for 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) *Cost Allocations*

The Authority pays the primary government, Invest Atlanta, for an allocation of administrative costs of the Authority, primarily reimbursements of Invest Atlanta personnel and related costs. The allocations of these costs are considered operating expenses of the Authority and are included within general and administrative expenses.

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Notes to Financial Statements
June 30, 2016**

(1) Summary of Significant Accounting Policies (Continued)

(j) 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, 2016, 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, 2016, the Authority had no bank balances that were exposed to custodial credit risk.

(3) Other Assets - Development Projects

Other assets - development projects of the discretely presented component units consisted of the following at June 30, 2016:

	<u>2016</u>
Component units:	
GP URFA Sectors, Inc.	\$ (885)
Sylvan Hills Development, LLC	<u>(180)</u>
Total	<u>\$ (1,065)</u>

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA**
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Notes to Financial Statements
June 30, 2016

(4) Capital Assets

Capital assets activity for the fiscal year ended June 30, 2016 consists of the following:

Component Unit - Lakewood Hills, Inc.	June 30, 2015	Additions	Deletions	June 30, 2016
Capital assets, being depreciated:				
Building and improvements	\$ 745,971	\$ -	\$ -	\$ 745,971
	<u>745,971</u>	<u>-</u>	<u>-</u>	<u>745,971</u>
Less accumulated depreciation	(116,556)	(18,649)	-	(135,205)
Net capital assets, being depreciated	<u>\$ 629,415</u>	<u>\$ (18,649)</u>	<u>\$ -</u>	<u>\$ 610,766</u>

(5) Receivables

As of June 30, 2016, the Administrative Fund had \$324,776 gross other receivables less \$164,500 in allowances for uncollectible receivables which net to an ending balance of \$160,276. In addition, the Administrative Fund reported \$6,723,866 in gross loans receivable which is fully allowed. These loans receivable include loans from Lakewood Hills, Inc. of \$4,489,410; loans due from URFA-Sexton, LP of \$2,156,659; and other loans due of \$77,797.

As of June 30, 2016, the Grants and Restricted Program Fund had \$10,852,293 in gross loans outstanding less \$9,359,740 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 \$1,492,553.

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Notes to Financial Statements
June 30, 2016**

(6) Long-term Liabilities

Activity for the bonds payable, loans payable, and other long-term liabilities for the fiscal year ended June 30, 2016 consists of the following:

	<u>June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2016</u>	<u>Amount Due Within One Year</u>
Primary government:					
Bonds payable, 2007A Series Housing Opportunity Program	\$ 26,270,000	\$ -	\$ (1,415,000)	\$ 24,855,000	\$ 1,490,000
Total primary government	<u>\$ 26,270,000</u>	<u>\$ -</u>	<u>\$ (1,415,000)</u>	<u>\$ 24,855,000</u>	<u>\$ 1,490,000</u>
Component units:					
Advance loan from Invest Atlanta	\$ 948,563	\$ -	\$ -	\$ 948,563	\$ -
Total component units	<u>\$ 948,563</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 948,563</u>	<u>\$ -</u>

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, 2016, the outstanding principal balance was \$24,855,000. Also at June 30, 2016, an amount of \$24,508,253 is recorded as being due from AHOI, included accrued interest receivable, 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.

Construction of the Lakewood Hills development was financed with construction loans. During the year ended June 30, 2015, the balance of these loans was paid by URFA and the amount paid by URFA on behalf of Lakewood Hills, Inc. was added to amounts due to URFA. These amounts will be repaid with net proceeds from the sale of condominium units.

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.

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Notes to Financial Statements
June 30, 2016**

(6) Long-term Liabilities (Continued)

Debt Service Requirements

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>
Fiscal Year Ending June 30:			
2017	1,490	1,375	2,865
2018	1,575	1,293	2,868
2019	1,665	1,204	2,869
2020	1,760	1,107	2,867
2021	1,865	1,004	2,869
2022 - 2026	11,085	3,246	14,331
2027 - 2028	5,415	319	5,734
Totals	<u>\$24,855</u>	<u>\$ 9,548</u>	<u>\$ 34,403</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, 2016 for conduit debt issued by the Authority was \$293,883,382.

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Notes to Financial Statements
June 30, 2016**

(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, 2016, the Administrative Fund was owed \$867,030 from Invest Atlanta Administrative Fund for payments made on behalf of Invest Atlanta Administrative Fund which had not been reimbursed at year-end. Additionally at June 30, 2016, the Grants and Restricted Program Fund owed \$440,483 to the Administrative Fund for payments made on behalf of the Administrative Fund which had not been reimbursed at year-end. The Grants and Restricted Program Fund also owed the Invest Atlanta Administrative Fund \$461. All amounts are 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 \$4,594,884 including \$4,234,971 owed to URFA, for 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%. Effective January 1, 2015, the USLP debt was restructured and the partnership agreement was amended. As part of the amendment, the developer fee receivable, and ultimately payable to URFA, of \$768,028 was forgiven. The remaining development fee receivable was maintained and, at June 30, 2016, a developer fee of \$1,202,298 and accrued interest of \$4,323 remained due from USLP.

The remaining developer fees receivable for TSD are payable to Needle Development, Inc., (“NDI”). At June 30, 2016, TSD owed NDI \$1,206,521, which includes accrued interest receivable by TSD.

As a result of the restructuring the previous guarantees of USLP balance, by URFA, have been eliminated.

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, 2016, the balance remaining on this agreement is \$920,837. In turn, this amount is owed by SHD to URFA and other entities for \$285,404 and \$635,433, respectively and pursuant to a joint venture agreement, which defines the applicable percentages, between SHD and the other entities.

**URBAN RESIDENTIAL FINANCE AUTHORITY
OF THE CITY OF ATLANTA, GEORGIA
(A Component Unit of The Atlanta Development Authority, d/b/a Invest Atlanta)
Notes to Financial Statements
June 30, 2016**

(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.