

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

Basic Financial Statements

June 30, 2006

(With Independent Auditors' Report Thereon)

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

June 30, 2006

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the business-type activities, the aggregate discretely presented component units, and each major fund of the **Urban Residential Finance Authority** (the "Authority"), a component unit of the Atlanta Development Authority, as of and for the six months ended June 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Lakewood Hills, Inc. which represent 37% of the assets and 0% of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Lakewood Hills, Inc. is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, and each major fund of the Urban Residential Finance Authority as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the six months then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2006 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis (on pages 3 through 7) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
September 13, 2006

**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2006**

As management of the Urban Residential Finance Authority (the "Authority" or "URFA"), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the six (6) months ended June 30, 2006. The Authority beginning January 1, 2006 has adopted a new fiscal year end of June 30. This change was made in unison with the City of Atlanta. The change in fiscal year end results in 2006 representing six (6) months of activity compared to 2005 which included twelve (12) months of activity, as a result the financial analysis represented in the management's discussion and analysis represents a short fiscal year from January 1, 2006 to June 30, 2006.

**Financial Highlights**

- The assets of the Authority exceeded its liabilities at the close of the six months ended June 30, 2006 by \$15,466,212 (*net assets*). Of this amount, \$6,022,828 (*unrestricted net assets*) may be used to meet the Authority's ongoing obligations to citizens and creditors.
- The Authority's total net assets increased by \$44,427 during the six months ended June 30, 2006. This change in net assets is comprised of the Administrative Fund and the Restricted Program Fund. It is important to look at the change in net assets with a business perspective as well as from a governmental focus. The chart below lists the change in net assets from a business perspective.

	<u>Change in Net Assets</u>
Administrative Fund:	
Income prior to items described below	\$579,942
2006 Additions to the Bad Debt Reserve	<u>(143,800)</u>
Change in Net Assets on Administrative Fund	\$436,142
Restricted Program Fund	<u>( 391,715)</u>
Total Net Change in Assets from Both Funds	<u>\$ 44,427</u>

The operating income for URFA before additions to the bad debt reserve was \$579,942. In 2006, URFA, as part of its normal review of receivables, increased its bad debt reserve by \$143,800. After the bad debt reserve adjustment described above, the change in net assets on the Administrative Fund was an increase of \$436,142.

The Restricted Program Funds were created for a different purpose other than revenue generating. The two (2) funds in the restricted program funds are the Vine City Housing Trust Fund and the Mortgage Assistance Program. The Vine City Housing Trust Fund was established in 1989 to provide affordable single and multi-family low interest loans. The Trust Fund was established primarily as a result of commercial development with the Vine City corridor and financed using the 1% hotel sales tax dollars. In 2006, the change in net assets includes a \$433,548 increase in the bad debt reserve. This increase was based on our normal review of the receivables identifying specific doubtful accounts together with establishing a general reserve. The Mortgage Assistance Program (MAP) assists first (1<sup>st</sup>) time home buyers basically providing them a deferred second mortgage that will be forgiven at the end of a five (5) year period if they remain in their home. The net amount of assistance provided in 2006 was \$305,683. The primary function of the Restricted Program Funds is to provide assistance to the community.

**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2006**

Both the Administrative Fund and the Restricted Program Funds total the increase in assets for 2006 in the amount of \$44,427. The Statement of Activities presents the same net change in assets but combines the functions on both funds from a governmental perspective.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements comprise three (3) components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net assets* presents information on all of the Authority's assets and liabilities, with the difference between the two (2) reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

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

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

On June 17, 2005, Park Place Apartments Inc filed voluntary position for relief under Chapter 7, Title II of the Bankruptcy Code in the United States Bankruptcy for the Northern District of Georgia, Atlanta Division. On July 26, 2006, Park Place Apartments was sold; therefore, assets and liabilities as of June 30, 2006 were adjusted to the actual settlement value in accordance to the liquidation basis of accounting.

The government-wide financial statements can be found on pages 8 - 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 (2) funds – one (1) for the administrative fund and the second (2<sup>nd</sup>) 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 15-23 of this report.

**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2006**

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the Authority, assets exceeded liabilities by \$15,466,212 at the close of the six month period. A summary of the net assets is presented below.

**Summary of the Authority's Net Assets**  
**June 30, 2006 and December 31, 2005**

	<u>2006</u>	<u>2005</u>
<b>Assets:</b>		
Current assets	\$ 7,871,208	\$ 7,616,668
Other non-current assets	12,241,909	12,906,146
Total assets	<u>20,113,117</u>	<u>20,522,814</u>
<b>Liabilities:</b>		
Long-term liabilities	4,032,573	4,545,939
Other liabilities	614,332	555,090
Total liabilities	<u>4,646,905</u>	<u>5,101,029</u>
<b>Net assets:</b>		
Restricted	9,443,384	9,835,099
Unrestricted	6,022,828	5,586,686
Total net assets	<u>\$ 15,466,212</u>	<u>\$ 15,421,785</u>

The Authority's assets total \$20,113,117. The assets consist of \$5,975,828 of cash and cash equivalents (of which \$214,902 is restricted by external entities), \$7,598,353 in loans receivable, \$1,268,180 advances for development costs, \$3,375,376 investments in joint ventures and development projects and the balance in other receivables of \$1,895,380. Of this amount, \$1,396,489 is a loan receivable from a development partner. Overall, total assets increased by \$44,427.

The largest portion of the Authority's net assets (assets less liabilities), \$9,443,384, represents resources that are subject to external restrictions on how they may be used. These restrictions primarily relate to the net assets created by the Authority's participation in various loan programs funded by grants from the Federal Government, through the City of Atlanta. The restricted amounts decreased from the prior year due, in part, to increasing the reserve for bad debt previously mentioned.

**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2006**

The Authority's net assets increased by \$44,427 during the six months ended June 30, 2006. A summary of that change is presented below, in comparison to the change in the prior year.

**Summary of Changes in the Authority's Net Assets**  
**Six months ended June 30, 2006 and fiscal year ended December 31, 2005**

	<u>2006</u>	<u>2005</u>
Revenues:		
Program revenues:		
Charges for services	\$ 658,407	\$ 2,340,263
General revenues:		
From the use of money and property	97,184	137,628
From other governmental agencies	10,645	215,740
Other	1,510,118	2,269,194
Total revenues	<u>2,276,354</u>	<u>4,962,825</u>
Expenses:		
Economic Development	<u>2,231,927</u>	<u>4,753,716</u>
Total expenses	<u>2,231,927</u>	<u>4,753,716</u>
Increase/(Decrease) in net assets	<u>44,427</u>	<u>209,109</u>
Net assets, beginning of period	<u>15,421,785</u>	<u>15,212,676</u>
Net assets, end of period	<u>\$ 15,466,212</u>	<u>\$ 15,421,785</u>

Charges for services accounted for 29% of the revenues of the Authority. This percentage is less than the 47% in 2005 due to timing differences related to the short six (6) month year end of June 30, 2006. This revenue includes service, administration, and loan fees related primarily to loan programs administered by the Authority. The Authority also had \$97,184 in revenue from the use of money and property which resulted primarily from interest earnings on loan receivables outstanding. Included in the \$1,510,118 of other revenues is \$1,237,902 which represents URFA's share of profits relating to Lakewood Hills Inc. and Cascade at Kings Ridge.

The Authority's expenses of \$2,231,927 related to its overall purpose of economic development. These expenses included an increase in the administrative fund's bad debt allowance of \$143,800, restricted program fund expenses of \$736,044 which includes an increase in the bad debt allowance of \$433,548, general and administrative costs of \$1,237,259 and other economic development costs of \$114,824.

The grant and restricted program expenses are composed of expenses relating to the MAP program and the Vine City Housing Trust Fund. The MAP program offers down payment assistance to first (1st) time home buyers. The amount of the down payment assistance is written off, if the homeowner remains in the residence for a period of five (5) years. The Vine City Housing Trust Fund was established in 1989 to provide affordable single and multi-family low interest loans. In 2006, the change in net assets includes a \$433,548 increase in the bad debt reserve. This increase was based on our normal review of the receivables identifying specific doubtful accounts together with establishing a general reserve. The primary function of the Grants and Restricted Program Funds is to provide assistance to the Community. These funds are not meant to be revenue generating.

**Management's Discussion and Analysis**  
**(Unaudited)**  
**June 30, 2006**

**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 assets of \$44,427. As previously described both under the business presentation and the governmental focus, the restricted program funds are meant to assist the community. These funds are not meant to be revenue generating funds.

**Debt Administration**

The Authority issues a significant amount of conduit debt, including \$10 million during 2006, which is not included in the Authority's Statement of Net Assets but is disclosed in Note 5 to the financial statements. These liabilities are not included in the financial statements as they are limited obligations of the Authority issued on behalf of a third (3<sup>rd</sup>) party developer who is primarily responsible for their repayment.

Activity for long term obligations of the Authority for the six months ended June 30, 2006, which are reported in the Statement of Net Assets, is summarized as follows:

	<u>December 31, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2006</u>
<b>Primary government:</b>				
Notes and loans payable to the City of Atlanta funded by Community Development Block Grant	\$ 870,151	\$ -	\$ (5,688)	\$ 864,463
Loan Payable to the City of Atlanta	1,500,000	-	-	1,500,000
FNMA loan pools payable	<u>2,181,476</u>	<u>-</u>	<u>(507,451)</u>	<u>1,674,025</u>
Total primary government	<u>\$ 4,551,627</u>	<u>\$ -</u>	<u>\$ (513,139)</u>	<u>\$ 4,038,488</u>

The most significant part of the Authority's long-term obligations, is the pay down on the Fannie Mae Loan Pool. Distributions received relating to home sales at Cascade at Kings Ridge were applied to the principal and interest due on Fannie Mae. More detail regarding the long-term liabilities of the Authority are presented in Note 4 to the financial statements.

**Requests for Information**

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

**URBAN RESIDENTIAL FINANCE AUTHORITY  
OF THE CITY OF ATLANTA, GEORGIA  
(A Component Unit of the Atlanta Development Authority)  
Statement of Net Assets  
June 30, 2006**

<b>Assets</b>	<b>Business-type Activities</b>	<b>Component Units</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 5,760,926	\$ 625,721
Restricted cash	214,902	450,116
Investment in real estate	-	4,143,520
Prepaid expenses	-	3,250
Assets held for sale	-	9,374,872
Other receivables	1,895,380	23,741
Total current assets	<u>7,871,208</u>	<u>14,621,220</u>
<b>Noncurrent assets:</b>		
Advances for development costs	1,268,180	-
Loans receivable	7,598,353	100,721
Investment in joint venture	121	-
Investment in development projects	3,375,255	(1,247)
Bond issuance costs, net of amortization	-	69,030
Total noncurrent assets	<u>12,241,909</u>	<u>168,504</u>
Total assets	<u>20,113,117</u>	<u>14,789,724</u>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Accounts payable	64,713	666,679
Bonds, notes and loans payable, current portion	5,915	12,600,623
Accrued interest payable	-	122,443
Deferred revenue	505,461	-
Funds held in escrow	18,240	22,308
Due to the primary government	20,003	-
Total current liabilities	<u>614,332</u>	<u>13,412,053</u>
<b>Noncurrent liabilities:</b>		
Bonds, notes and loans payable	4,032,573	-
Total noncurrent liabilities	<u>4,032,573</u>	<u>-</u>
Total liabilities	<u>4,646,905</u>	<u>13,412,053</u>
<b>Net Assets</b>		
Restricted for grant programs	9,443,384	-
Unrestricted	6,022,828	1,377,671
Total net assets	<u>\$ 15,466,212</u>	<u>\$ 1,377,671</u>

See accompanying notes to financial statements.

**URBAN RESIDENTIAL FINANCE AUTHORITY  
OF THE CITY OF ATLANTA, GEORGIA  
(A Component Unit of the Atlanta Development Authority)  
Statement of Activities  
Six months ended June 30, 2006**

	<b>Program revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>		
<b>Expenses</b>	<b>Charges for Services</b>	<b>Business-type Activities</b>	<b>Component Units</b>		
<b>Functions/ Programs:</b>					
Primary government:					
Business-type activities:					
Economic development	\$ 2,231,927	\$ 658,407	\$ (1,573,520)		
Total primary government activities	\$ 2,231,927	\$ 658,407	(1,573,520)		
<b>Component units:</b>					
Park Place Apartments, Inc.	\$ 1,009,169	\$ 978,435		\$ (30,734)	
Villages of Park Place, LLC	6,385	-		(6,385)	
Total component units activities	\$ 1,015,554	\$ 978,435		(37,119)	
<b>General revenues:</b>					
Revenues from the use of money or property			97,184	82,796	
Revenues from other governmental agencies not restricted for specific functions			10,645	-	
Miscellaneous			1,510,118	-	
Total general revenues			1,617,947	82,796	
			Changes in net assets	44,427	45,677
			Net assets – beginning	15,421,785	1,331,994
			Net assets – ending	\$ 15,466,212	\$ 1,377,671

See accompanying notes to financial statements.

**URBAN RESIDENTIAL FINANCE AUTHORITY  
OF THE CITY OF ATLANTA, GEORGIA  
(A Component Unit of the Atlanta Development Authority)  
Statement of Net Assets  
Proprietary Funds  
June 30, 2006**

	Business-type Activities - Enterprise Funds		
	Administrative Fund	Grants and Restricted Program Fund	Total
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 3,043,327	\$ 2,717,599	\$ 5,760,926
Restricted cash	214,902	-	214,902
Other receivables	1,648,877	246,503	1,895,380
Due from other funds	150,000	-	150,000
Total current assets	<u>5,057,106</u>	<u>2,964,102</u>	<u>8,021,208</u>
Noncurrent assets:			
Advances for development costs	1,268,180	-	1,268,180
Loans receivable	86,368	7,511,985	7,598,353
Investment in joint venture	121	-	121
Investment in development projects	3,375,255	-	3,375,255
Total noncurrent assets	<u>4,729,924</u>	<u>7,511,985</u>	<u>12,241,909</u>
Total assets	<u>9,787,030</u>	<u>10,476,087</u>	<u>20,263,117</u>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	64,713	-	64,713
Bonds, notes and loans payable, current portion	-	5,915	5,915
Deferred revenue	505,461	-	505,461
Due to other funds	-	150,000	150,000
Due to primary government	20,003	-	20,003
Funds held in escrow	-	18,240	18,240
Total current liabilities	<u>590,177</u>	<u>174,155</u>	<u>764,332</u>
Noncurrent liabilities:			
Bonds, notes and loans payable	3,174,025	858,548	4,032,573
Total noncurrent liabilities	<u>3,174,025</u>	<u>858,548</u>	<u>4,032,573</u>
Total liabilities	<u>3,764,202</u>	<u>1,032,703</u>	<u>4,796,905</u>
<b>Net Assets</b>			
Restricted for grant programs	-	9,443,384	9,443,384
Unrestricted	6,022,828	-	6,022,828
Total net assets	<u>\$ 6,022,828</u>	<u>\$ 9,443,384</u>	<u>\$ 15,466,212</u>

See accompanying notes to financial statements.

**URBAN RESIDENTIAL FINANCE AUTHORITY  
OF THE CITY OF ATLANTA, GEORGIA  
(A Component Unit of the Atlanta Development Authority)  
Statement of Revenues, Expenses, and Changes in Fund Net Assets  
Proprietary Funds  
Six months ended June 30, 2006**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Administrative Fund</b>	<b>Grants and Restricted Program Fund</b>	<b>Total</b>
Operating revenues:			
Investment income	\$ 33,178	\$ 64,006	\$ 97,184
Service, administration, and loan fees	658,407	-	658,407
City of Atlanta subsidy	-	10,645	10,645
Other	1,240,440	269,678	1,510,118
Total operating revenues	<u>1,932,025</u>	<u>344,329</u>	<u>2,276,354</u>
Operating expenses:			
Development costs	259,300	441,463	700,763
Interest on notes	38,414	14,808	53,222
Downpayment assistance program	-	240,683	240,683
General and administrative	1,198,169	39,090	1,237,259
Total operating expenses	<u>1,495,883</u>	<u>736,044</u>	<u>2,231,927</u>
Operating income (loss)	436,142	(391,715)	44,427
Change in net assets	436,142	(391,715)	44,427
Net assets at beginning of period	5,586,686	9,835,099	15,421,785
Net assets at end of period	<u>\$ 6,022,828</u>	<u>\$ 9,443,384</u>	<u>\$ 15,466,212</u>

See accompanying notes to financial statements.

**URBAN RESIDENTIAL FINANCE AUTHORITY  
OF THE CITY OF ATLANTA, GEORGIA  
(A Component Unit of the Atlanta Development Authority)  
Statement of Cash Flows  
Proprietary Funds  
Six months ended June 30, 2006**

	Business-type Activities - Enterprise Fund		Total
	Administrative Fund	Grants and Restricted Program Fund	
Cash flows from operating activities:			
Receipts from customers	\$ 847,108	\$ 435,098	\$ 1,282,206
Receipts from grantors	-	10,645	10,645
Receipts of interest on loans	33,212	64,006	97,218
Payments (to) from other funds	(149,000)	149,000	-
Payments (to) from primary government	20,003	-	20,003
Payments to suppliers	(777,712)	(227,259)	(1,004,971)
Payments to employees	(420,457)	-	(420,457)
Payments for programs	(342,351)	(682,146)	(1,024,497)
Other	1,793,793	269,381	2,063,174
Net cash provided by operating activities	<u>1,004,596</u>	<u>18,725</u>	<u>1,023,321</u>
Cash flows from capital financing activities:			
Repayment of bond principal	(507,451)	(5,688)	(513,139)
Payments for interest	(38,414)	(14,808)	(53,222)
Net cash used in capital financing activities	<u>(545,865)</u>	<u>(20,496)</u>	<u>(566,361)</u>
Net increase (decrease) in cash and cash equivalents	458,731	(1,771)	456,960
Cash and cash equivalents at beginning of period	2,799,498	2,719,370	5,518,868
Cash and cash equivalents at end of period	<u>\$ 3,258,229</u>	<u>\$ 2,717,599</u>	<u>\$ 5,975,828</u>
Reconciliation to Statement of Net Assets:			
Cash and cash equivalents	\$ 3,043,327	\$ 2,717,599	\$ 5,760,926
Restricted cash	214,902	-	214,902
	<u>\$ 3,258,229</u>	<u>\$ 2,717,599</u>	<u>\$ 5,975,828</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 436,142	\$ (391,715)	\$ 44,427
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:			
Interest payments reported in operating income	38,414	14,808	53,222
(Increase) decrease in:			
Accrued interest receivable	34	-	34
Other receivables	201,092	(297)	200,795
Investment in development properties	350,670	-	350,670
Loans receivable	24,490	435,098	459,588
Advances for development costs	(160,493)	-	(160,493)
Investment in joint venture	14,472	-	14,472
Due from (to) component units	1,591	-	1,591
Due from (to) other funds	(149,000)	149,000	-
Increase (decrease) in:			
Accounts payable and accrued expenses	62,970	(188,169)	(125,199)
Due to primary government	20,003	-	20,003
Deferred revenue	164,211	-	164,211
Net cash provided by operating activities	<u>\$ 1,004,596</u>	<u>\$ 18,725</u>	<u>\$ 1,023,321</u>

See accompanying notes to financial statements.

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

**Combining Statement of Net Assets  
Component Units  
June 30, 2006**

	Park Place Apartments, Inc.	Villages of Park Place, LLC	Lakewood Hills, Inc.	Crogman School Development, LLC	Crogman School, Inc.	GP URFA Sexton, Inc	Total Component Units
<b>Assets</b>							
<b>Current assets:</b>							
Cash and cash equivalents	\$ -	\$ -	\$ 625,160	\$ 561	\$ -	\$ -	\$ 625,721
Restricted cash	-	-	450,116	-	-	-	450,116
Investment in real estate	-	-	4,143,520	-	-	-	4,143,520
Prepaid expenses	-	-	3,250	-	-	-	3,250
Assets held for sale	9,374,872	-	-	-	-	-	9,374,872
Other receivables	-	-	23,741	-	-	-	23,741
<b>Total current assets</b>	<b>9,374,872</b>	<b>-</b>	<b>5,245,787</b>	<b>561</b>	<b>-</b>	<b>-</b>	<b>14,621,220</b>
<b>Noncurrent assets:</b>							
Loans receivable	-	-	100,721	-	-	-	100,721
Investment in development projects	-	-	-	-	(899)	(348)	(1,247)
Bond issuance costs, net of amortization	-	-	69,030	-	-	-	69,030
<b>Total noncurrent assets</b>	<b>-</b>	<b>-</b>	<b>169,751</b>	<b>-</b>	<b>(899)</b>	<b>(348)</b>	<b>168,504</b>
<b>Total assets</b>	<b>9,374,872</b>	<b>-</b>	<b>5,415,538</b>	<b>561</b>	<b>(899)</b>	<b>(348)</b>	<b>14,789,724</b>
<b>Liabilities</b>							
<b>Current liabilities:</b>							
Accounts payable	112,314	-	553,265	1,000	100	-	666,679
Bonds, notes and loans payable, current portion	9,117,807	-	3,482,816	-	-	-	12,600,623
Accrued interest payable	122,443	-	-	-	-	-	122,443
Funds held in escrow	22,308	-	-	-	-	-	22,308
<b>Total current liabilities</b>	<b>9,374,872</b>	<b>-</b>	<b>4,036,081</b>	<b>1,000</b>	<b>100</b>	<b>-</b>	<b>13,412,053</b>
<b>Total liabilities</b>	<b>9,374,872</b>	<b>-</b>	<b>4,036,081</b>	<b>1,000</b>	<b>100</b>	<b>-</b>	<b>13,412,053</b>
<b>Net Assets (Deficit)</b>							
<b>Unrestricted</b>	<b>-</b>	<b>-</b>	<b>1,379,457</b>	<b>(439)</b>	<b>(999)</b>	<b>(348)</b>	<b>1,377,671</b>
<b>Total net assets (deficit)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,379,457</b>	<b>\$ (439)</b>	<b>\$ (999)</b>	<b>\$ (348)</b>	<b>\$ 1,377,671</b>

See accompanying notes to financial statements.

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

Combining Statement of Activities  
Component Units

Six months ended June 30, 2006

	Program revenues						Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Park Place Apartments, Inc.	Villages of Park Place, LLC	Lakewood Hills, Inc.	Crogman School Development, LLC	Crogman School, Inc.	GP URFA Sexton, Inc.	Total Component Units	
\$ 1,009,169	\$ 978,435	\$ (30,734)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (30,734)	
6,385	-	-	(6,385)	-	-	-	-	-	(6,385)	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	-	
<u>\$ 1,015,554</u>	<u>\$ 978,435</u>	<u>\$ (30,734)</u>	<u>\$ (6,385)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (37,119)</u>	
General revenues:										
Revenues from the use of money or property		\$ 82,631	\$ 165	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,796	
Total general revenues		82,631	165	-	-	-	-	-	82,796	
Changes in net assets		51,897	(6,220)	-	-	-	-	-	45,677	
Net assets (deficit) – beginning		(51,897)	6,220	1,379,457	(439)	(999)	(348)		1,331,994	
Net assets (deficit) – ending		-	-	\$ 1,379,457	(439)	(999)	(348)		\$ 1,377,671	

Functions/ Programs:

- Component units:
- Park Place Apartments, Inc.
- Villages of Park Place, LLC
- Lakewood Hills, Inc.
- Crogman School Development, LLC
- Crogman School, Inc.
- GP URFA Sexton, Inc.
- Total component unit activities

See accompanying notes to financial statements.

**URBAN RESIDENTIAL FINANCE AUTHORITY  
OF THE CITY OF ATLANTA, GEORGIA  
(A Component Unit of the Atlanta Development Authority)  
Notes to Financial Statements  
June 30, 2006**

**(1) Summary of Significant Accounting Policies**

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

The Urban Residential Finance Authority of the City of Atlanta, Georgia (the “Authority” or URFA) commenced activities on October 3, 1979, as a public body corporation and an instrumentality of the State of Georgia formed for and by the City of Atlanta, Georgia (the “City”) pursuant to the Urban Residential Finance Authorities Act for Large Municipalities (the “Act”).

The Authority is authorized to issue bonds to assist in providing financing for the construction or rehabilitation of multifamily residential housing and to provide funds to purchase mortgage loans to finance owner-occupied residences for families within certain maximum income limitations, both within the City of Atlanta, Georgia. The bonds are to be paid from collections on mortgage loans and certain other pledged revenues of the Authority. The bonds are limited obligations of the Authority, which has no taxing power, and are not a debt of the State of Georgia or any political subdivision thereof.

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

The component unit column in the government-wide financial statements also includes Park Place Apartments, Inc.; Villages of Park Place, LLC; Lakewood Hills, Inc.; Crogman School Development, LLC; Crogman School, Inc.; Auburn Group, Inc.; and GP URFA Sexton, Inc. which are discretely presented component units of URFA, a blended component unit of ADA. They are reported in a separate column to emphasize that they are legally separate from the Authority. There was no balance nor any activity for the six months period for Auburn Group Inc., therefore, Auburn Group, Inc is not shown in the financial statements. Each of these component units is accounted for as proprietary fund types.

Park Place Apartments, Inc. (PPI) is wholly owned by URFA and was developed to own and operate an affordable multifamily residential housing project. The Board of Directors of PPI is appointed by the Board of Directors of ADA, who can also impose their will on PPI by removal of board members at any time. On June 17, 2005, PPI filed voluntary petition for relief under Chapter 7, Title II of the Bankruptcy Code in the United States Bankruptcy Court for the Northern District of Georgia, Atlanta Division. On July 26, 2006 subsequent to June 30, 2006, Park Place Apartments was sold; therefore, assets and liabilities as of June 30, 2006 were adjusted to the actual settlement value in accordance to the liquidation basis of accounting.

Villages of Park Place, LLC (VPP) is wholly owned by URFA and was organized to acquire, develop, and sell real property for the construction of single-family homes. As the sole member of the limited liability corporation, URFA controls the activity of VPP. Villages of Park Place LLC has a December 31 fiscal year-end.

**URBAN RESIDENTIAL FINANCE AUTHORITY  
OF THE CITY OF ATLANTA, GEORGIA  
(A Component Unit of the Atlanta Development Authority)  
Notes to Financial Statements  
June 30, 2006**

**(1) Summary of Significant Accounting Policies (Continued)**

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

Lakewood Hills, Inc. (LHI) is wholly owned by URFA and was developed to construct single-family homes and multi-family homes in the southeast section of the City of Atlanta. The Board of Directors of LHI is appointed by the Board of Directors of ADA, who can also impose their will on LHI by removal of board members at any time. Lakewood Hills, Inc. has a December 31 fiscal year-end.

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's has a December 31 year-end.

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

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

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

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

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

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are 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.

**URBAN RESIDENTIAL FINANCE AUTHORITY  
OF THE CITY OF ATLANTA, GEORGIA  
(A Component Unit of the Atlanta Development Authority)  
Notes to Financial Statements  
June 30, 2006**

**(1) Summary of Significant Accounting Policies (Continued)**

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

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.

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

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

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

**URBAN RESIDENTIAL FINANCE AUTHORITY  
OF THE CITY OF ATLANTA, GEORGIA  
(A Component Unit of the Atlanta Development Authority)  
Notes to Financial Statements  
June 30, 2006**

**(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.

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

***(e) Advances for Development Costs***

Advances for development costs consist of amounts paid to developers for initial costs of development of a desired area. Once permanent financing is obtained or sales or leasing of developed properties begin, these advances are repaid to the Authority.

***(f) Loans Receivable***

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

***(g) Investment in Joint Venture***

Investments in joint venture consist of the Authority's investment in the Auburn Group, Inc.'s investment in Auburn Glenn Partners, LLC. Auburn Group, Inc. owns a 10% interest in the joint venture with two other unrelated entities. The Authority's investments in joint ventures are accounted for using the equity method of accounting.

***(h) Investment in Real Estate***

Investments in real estate consist of property stated at the lower of aggregate cost or net realizable value. Cost includes the purchase price of the land and development costs, as well as capitalized interest. There was no interest capitalized during 2006.

***(i) 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.

***(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.

**URBAN RESIDENTIAL FINANCE AUTHORITY  
OF THE CITY OF ATLANTA, GEORGIA  
(A Component Unit of the Atlanta Development Authority)  
Notes to Financial Statements  
June 30, 2006**

**(2) Deposits and Investments**

*(a) Credit Risk*

The Authority is authorized to invest in obligations or investments as determined by the Authority, subject to any agreement with bondholders and with applicable law. As of June 30, 2006, 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.

**(3) Investment in Real Estate**

Investment in real estate of the discretely presented component units consisted of the following at June 30, 2006:

	<b>2006</b>
Component units:	
Lakewood Hills	\$ 4,143,520
Total	\$ 4,143,520

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

**URBAN RESIDENTIAL FINANCE AUTHORITY  
OF THE CITY OF ATLANTA, GEORGIA  
(A Component Unit of the Atlanta Development Authority)  
Notes to Financial Statements  
June 30, 2006**

**(4) Long-term Liabilities**

Activity for the bonds, notes, loans payable, and other long-term liabilities for the six months ended June 30, 2006 consists of the following:

	<u>December 31, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2006</u>	<u>Amount Due Within One Year</u>
<b>Primary government:</b>					
Notes and loans payable to the City of Atlanta funded by Community Development Block Grant	\$ 870,151	\$ -	\$ (5,688)	\$ 864,463	\$ 5,915
FNMA loan pools payable	2,181,476	-	(507,451)	1,674,025	-
Loan payable to the City of Atlanta	<u>1,500,000</u>	<u>-</u>	<u>-</u>	<u>1,500,000</u>	<u>-</u>
Total primary government	<u>\$ 4,551,627</u>	<u>\$ -</u>	<u>\$ (513,139)</u>	<u>\$ 4,038,488</u>	<u>\$ 5,915</u>
<b>Component units:</b>					
Bonds payable, 1999 Park Place Apartments project	\$ 8,036,000	\$ 1,081,807	\$ -	\$ 9,117,807	\$ 9,117,807
Construction loan payable	<u>3,482,816</u>	<u>-</u>	<u>-</u>	<u>3,482,816</u>	<u>3,482,816</u>
Total component units	<u>\$ 11,518,816</u>	<u>\$ 1,081,807</u>	<u>\$ -</u>	<u>\$ 12,600,623</u>	<u>\$ 12,600,623</u>

The Authority entered into loan agreements with the City of Atlanta wherein the City loaned the Authority \$900,000 of U.S. Department of Housing and Urban Development (HUD) funds under its Community Development Block Grant Program. The purpose of the loan is to establish loan funds for Evergreen Village Estates, L.P. and Fulton Cotton Mill Associates, L.P. in order to leverage the investment of tax-exempt housing revenue bonds in the acquisition and rehabilitation of the projects. Repayment terms are consistent with the terms of the promissory note executed with the developer. At June 30, 2006, the balance of these loans payable was \$864,463.

On August 31, 2004 the Authority entered into a comprehensive amendment and reaffirmation of its 1999, as amended in 2000, financing agreement with FNMA for \$7,500,000 which was used by the Authority to lend or invest in development projects that meet the Authority's housing goals and underwriting criteria. The agreement is secured by the assets of each project, plus a letter of credit provided by the Authority for 15% of the outstanding advances. Interest is paid monthly in arrears at LIBOR plus 1.25%. Payments of principal will be from the net sales proceeds in connection with the sale of lots within the Villages of Kings Ridge at Cascade project. The maturity date of this note is April 30, 2009. As of June 30, 2006, the Authority had \$1,674,025 outstanding under the agreement.

Prior to 2002, the City of Atlanta donated undeveloped land known as the King's Ridge property to the Authority for development purposes. The value of this property is part of the basis of the Village of Kings Ridge at Cascade project. The value of the land of \$1,500,000 will be paid back to the City from home sales.

No principal payments on the 1999 Park Place Apartments project were made during the fiscal year as the mortgage note was revalued on June 30, 2006 at \$9,117,807, the amount to be paid in liquidation.

**URBAN RESIDENTIAL FINANCE AUTHORITY  
OF THE CITY OF ATLANTA, GEORGIA  
(A Component Unit of the Atlanta Development Authority)  
Notes to Financial Statements  
June 30, 2006**

**(4) Long-term Liabilities (Continued)**

Construction of Phase V Lakewood condominiums is financed with a construction loan. Principal payments on the construction loan will be from future home sales. The construction loan had a balance of \$3,482,816 at June 30, 2006.

***Debt Service Requirements***

Annual principal and interest requirements for the bonds payable for the Park Place Apartments project are not presented due to the liquidation of those bonds described earlier in this report. The FNMA loan pool payable was renegotiated during 2004 to be repaid as properties financed by the loan are sold. The final maturity date of the loan pool payable is 2009. The construction loan payable for the Lakewood Hills project are payable when property sales occur, therefore no debt service requirement schedule is presented. The loan and note payable to the City of Atlanta are required to be paid when certain events occur, such as land sales or program income; therefore no debt service requirement schedule is presented.

**(5) 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.

**URBAN RESIDENTIAL FINANCE AUTHORITY  
OF THE CITY OF ATLANTA, GEORGIA  
(A Component Unit of the Atlanta Development Authority)  
Notes to Financial Statements  
June 30, 2006**

**(5) Conduit Debt (Continued)**

The aggregate principal amounts outstanding as of June 30, 2006 for conduit debt issued by the Authority are as follows:

	<u>Amount outstanding</u>
Multifamily:	
Series 1985 Renaissance on Peachtree Project	\$ 20,685,000
Series 1992 A&B Parcel 25 Redevelopment Project	3,600,000
Series 1993 Sylvan Circle Apartments Project	1,800,000
Series 1995 West End Housing Development Project	5,615,000
Series 1995 Cascade Pines Affordable Housing Project	6,595,000
Series 1996 Spring Branch Apartments Project	3,905,000
Series 1996 Defoors Ferry Manor Project	2,435,000
Series 1996 New Community at East Lake Project	6,900,000
Series 1997 Evergreen Village Estates Project	5,360,000
Series 1997 Fulton Cotton Mill Project	9,015,000
Series 1998 New Community at John Hope	4,550,000
Series 1998 Auburn Avenue Warehouse	10,630,000
Series 1998 New Community at John Eagan	5,870,000
Series 1998 City Plaza Project	10,960,000
Series 1999 Shamrock Gardens	8,130,000
Series 1999 Brentwood Creek	8,640,000
Series 1999 Brentwood Meadows	2,865,000
Series 1999 Brentwood Village	5,810,000
Series 2000 Carver Redevelopment Project	4,155,000
Series 2001 Park at Lakewood Restructuring	5,535,000
Series 2001 Peaks at West Atlanta Project	9,810,000
Series 2001 Big Bethel Village Project	8,740,000
Series 2001 Delmonte/Brownlee Project	4,595,000
Series 2001 Allen Temple Project	15,845,000
Series 2001 Carver Phase III Project	3,875,000
Series 2002 Crogman School Project	4,995,000
Series 2002 Buckhead Crossing - Refunding	16,000,000
Series 2002 Northside Plaza Refunding	4,860,000
Series 2002 Auburn Glenn Apartments Project	18,787,609
Series 2002 Alta Pointe Project	11,710,000
Series 2002 City Views at Rosa Burney Park	6,257,804
Series 2002 Park District at Atlantic Commons Project	26,500,000
Series 2003 Marietta Street Apartments	28,000,000
Series 2003 Peaks at Martin Luther King	9,994,000
Series 2003 Hollywood/Shawnee	3,380,000
Series 2003 Toby Sexton Redevelopment	11,448,396
Series 2003 Preserve at Cascade	12,500,000
Series 2003 Northside Village	16,575,000
Series 2003 Collegetown at Harris Homes	11,300,000
Series 2003 Richmond Oaks Project	10,550,000
Series 2003 Brookside Park Apartments	12,380,770
Series 2004 Terraces and Highbury Court Apartments	9,589,746
Series 2004 Market District at Atlantic Commons	29,000,000
Series 2004 Lindbergh City Center	33,500,000
Series 2005 Capital Gateway Project	16,500,000
Series 2006 Parkview at Conventry Station	10,000,000
Total Multifamily	<u>\$ 479,748,325</u>

**URBAN RESIDENTIAL FINANCE AUTHORITY  
OF THE CITY OF ATLANTA, GEORGIA  
(A Component Unit of the Atlanta Development Authority)  
Notes to Financial Statements  
June 30, 2006**

**(5) Conduit Debt (Continued)**

	<b>Amount outstanding</b>
Single Family:	
Series 1987 GNMA Collateralized Home Mortgage Program	\$ 914,429
Series 1989A GNMA Collateralized Home Mortgage Program	523,504
Series 1990 GNMA Collateralized Home Mortgage Program	369,964
Series 1991A GNMA Collateralized Home Mortgage Program	294,398
Series 1991B GNMA Collateralized Home Mortgage Program	572,470
Series 1996 Mortgage Revenue Bonds	331,121
Series 1998A Mortgage Revenue Bonds	987,883
Series 1999A Mortgage Revenue Bonds	1,520,570
Series 1999B Mortgage Revenue Bonds	934,147
Series 2000 Single Family Mortgage Revenue Bonds	1,535,114
Total Single Family	\$ 7,983,600
College Facility:	
1995 Morehouse College Project	\$ 8,130,000

**(6) Interfund Balances**

At June 30, 2006 the Administrative Fund was owed \$150,000 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.

**(7) Contingencies**

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

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



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of the business-type activities, the aggregate discretely presented component units, and each major fund of the Urban Residential Finance Authority (the "Authority"), a component unit of the Atlanta Development Authority, as of and for the six months ended June 30, 2006, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 13, 2006 which refers to the work of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
September 13, 2006