

**ATLANTA DEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Atlanta, Georgia)

Basic Financial Statements

June 30, 2006

(With Independent Auditors' Report Thereon)

**ATLANTA DEVELOPMENT AUTHORITY**  
(A Component Unit of the City of Atlanta, Georgia)

June 30, 2006

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## INDEPENDENT AUDITORS' REPORT

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**The Board of Directors**  
**Atlanta Development 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 **Atlanta Development Authority** (the "Authority"), a component unit of the City of Atlanta, Georgia, 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 the Inner City Development Corporation and ADA/CAU Partners, Inc. which together represent 98% and 99%, respectively, of the assets and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of Lakewood Hills, Inc. which represents 16% and 0% of the assets and revenues, respectively, of the Urban Residential Finance Authority major fund; and 12% and 0% of the assets and revenues, respectively, of the business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Inner City Development Corporation; ADA/CAU Partners, Inc.; and Lakewood Hills, Inc. is based solely on the reports 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 reports of other auditors provide a reasonable basis for our opinions.

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In our opinion, based on our audit and the reports 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 Atlanta Development 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.

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 8) 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 Atlanta Development Authority (the "Authority"), 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 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 June 30, 2006 by \$21,701,076 (*net assets*). Of this amount, \$11,760,731 (*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 \$587,268 during the six months ended June 30, 2006. Total net assets reflect the Administrative Funds, Grants and Restricted Program Funds, and the component units of URFA. Each of these categories is different in purpose.

It is important to analyze each category to understand the total operations of the Authority. The chart below lists the change in net assets from a business perspective.

	<b>Change in Net Assets</b>
Administrative Funds of the Authority, the Urban Residential Finance Authority (a blended component unit), and Downtown Development Authority (a blended component unit)	\$ 1,019,705
Grants and Restricted Program Fund	(478,114)
Real Estate Projects owned by URFA (component units of URFA)	45,677
Change in Net Assets of the Authority	\$ 587,268

The Business Administrative funds show a net profit for the (6) months ended June 30, 2006 of \$1,019,705. These funds reflect the day to day operations of the Authority and any non-operating adjustments.

The Grants and Restricted Program Funds are different in purpose. The Vine City Housing Trust Fund was established in 1989 to provide affordable single and multi-family low interest loans. The 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 time home buyers giving 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 primary function of the Grants and

## Management's Discussion and Analysis

(Unaudited)

June 30, 2006

Restricted Program Funds is to provide assistance to the Community. These funds are not meant to be revenue generating. The total amount of assistance provided in 2006 was \$305,683.

The Real Estate Projects are development projects that are owned by component units of URFA. On June 17, 2005, one of the component units, 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.

It is important to review the financial presentation from a business perspective as well as from a governmental focus. The Statement of Activities presents the same net change in assets but combines all Administrative Funds, Restricted Program Funds and URFA's component units with all expenses considered economic development.

### 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 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*) and legally separate entities that are so intertwined with the Authority that they are treated as part of the primary government – the Urban Residential Finance Authority (URFA) and the Downtown Development Authority (DDA), but also legally separate entities for which the Authority is financially accountable - Inner City Development Corporation; ADA/CAU Partners, Inc.; the Atlanta Economic Renaissance Corporation; Downtown Atlanta Revitalization; Pryor Road/Lakewood, LLC; Atlanta Local Development Company; and the Aquarium Holding Company (collectively known as *component units*). Financial information for these component units is reported separately from the financial information presented for the primary government itself. As required by the Governmental Accounting Standards Board, the presentation of the activities of URFA in these statements includes the activity and balances of its component units without distinguishing between them. The breakout of that activity can be found in separately prepared financial statements of URFA.

The government-wide financial statements can be found on pages 9 - 10 of this report.

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

**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 four funds – one for each of the three intertwined entities – the Authority, URFA, and DDA and one for the Authority's grants and restricted programs. 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 four funds and also presenting cash flow information.

The basic proprietary fund financial statements can be found on pages 11-14 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 17-35 of this report.

**Supplementary Information.** Additional information is provided in the form of combining statements to present greater detail regarding the balances and activity of each of the Authority's component units.

The supplementary information can be found on pages 15-16 of this report.

**Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. In the case of the Authority, assets exceeded liabilities by \$21,701,076 at June 30, 2006. A summary of the net assets is presented below.

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

	<b>2006</b>	<b>2005</b>
Assets:		
Current assets	\$ 27,027,434	\$ 14,926,783
Capital assets	1,917,232	9,757,011
Other non-current assets	15,837,185	16,681,722
Total assets	44,781,851	41,365,516
Liabilities:		
Long-term liabilities	5,585,729	6,203,297
Other liabilities	17,495,046	14,048,411
Total liabilities	23,080,775	20,251,708
Net assets:		
Invested in capital assets	400,905	106,608
Restricted	9,539,440	10,017,554
Unrestricted	11,760,731	10,989,646
Total net assets	\$ 21,701,076	\$ 21,113,808

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

The Authority's total assets of \$44,781,851 include \$11,194,583 of cash and investments (of which \$3,666,013 is restricted by external entities), \$7,699,074 in loans receivable, \$8,372,077 is invested in real estate being held for resale and development projects, \$9,374,872 in Assets held for sale which represents the basis in Park Place Apartments which was sold July 26, 2006, \$6,224,013 in prepaid rent and other assets, and \$1,917,232 in capital assets.

The most significant changes between 2005 and 2006 were the reclassifying of the basis in Park Place Apartments from a capital asset to a current asset and the receipt of over \$2.5 million in deferred revenue, which resulted in increasing both the current assets and current liabilities.

Of the Authority's net assets (assets less liabilities) of \$21,701,076, a portion \$9,539,440 represents resources that are subject to external restrictions on how they may be used. These restrictions primarily relate to the net assets created by URFA's participation in various loan programs funded by grants from the Federal Government, through the City of Atlanta. The two (2) programs are the MAP and the Vine City Housing Trust Fund.

The Authority's net assets increased by \$587,268 for the six months year ended June 30, 2006. The net change in assets below presented the year's information in a business perspective. The summary below presents the change in net assets for the year in the governmental wide financial statement format. See page 10 for Statement of Activities.

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

	2006	2005
Revenues:		
Program revenues:		
Charges for services	\$ 2,572,204	\$ 12,993,595
Operating grants	407,959	1,197,041
General revenues:		
From the use of money and property	104,196	153,966
From other governmental agencies	744,752	1,652,235
Other	1,656,227	2,332,721
Total revenues	5,485,338	18,329,558
Expenses:		
Economic development	4,898,070	16,676,223
Total expenses	4,898,070	16,676,223
Change in net assets	587,268	1,653,335
Net assets, beginning of period	21,113,808	19,460,473
Net assets, end of period	\$ 21,701,076	\$ 21,113,808

When reviewing the above Changes in Net Assets 2005/2006 Summary, it should be noted that the period ending June 30, 2006 represents six (6) months compared to the period ending December 31, 2005 which represents twelve (12) months of activity. 2005 also included a property sale representing \$9,025,432, of that year's revenue and the cost of land related to that sale of \$7,720,531 included in that year's expenses.

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

Charges for services and Operating grants accounted for 54% of the revenues of the Authority. This revenue includes income for development properties held; service, operating grants, administration, and loan fees related primarily to loan programs administered by URFA, and fees related to the administration of the Tax Allocation Districts. Also in 2006, the Authority received revenue of \$407,959 in operating grants to be used for the BeltLine TAD program. General Revenues from the use of money and property was \$104,196. The amount received by ADA from the City of Atlanta for the Administrative Fund was \$734,107. Included in the \$1,656,227 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 \$4,898,070 all related to its overall purpose of economic development. These expenses included development costs of \$441,463, interest on long-term financing of \$91,052, general and administrative expenses of \$3,353,580, down payment assistance program of \$240,683, expenses related to the Beltline program fund of \$457,596, and other program and depreciation expense of \$313,696.

**Analysis of the Authority's Funds**

As previously discussed, the Authority's funds report the activities of the Authority, URFA, and DDA and report the same level of activity, with an overall increase in net assets of \$587,268.

**Capital Assets**

The Authority's investment in capital assets as of the six months ended June 30, 2006, amounts to \$1,917,232 (net of accumulated depreciation). The investment in capital assets includes furniture and equipment, and leasehold improvements.

Capital asset balances of the Authority at June 30, 2006 are as follows:

Leasehold improvements	\$2,448,854
Furniture and equipment	618,059
Gross capital assets	<u>3,066,913</u>
Less: accumulated depreciation	<u>(1,149,681)</u>
Net capital assets	<u>\$1,917,232</u>

**Debt Administration**

The Authority (including URFA and DDA) issues a significant amount of conduit debt, including \$10 million during the six months ended June 30, 2006, which is not included in the Authority's Statement of Net Assets as allowed by the Governmental Accounting Standards Board, but is disclosed in Note 6 to the financial statements. These liabilities are not included in the financial statements as they are limited obligations of the Authority (including URFA and DDA) issued on behalf of a third 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:

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

	<u>December 31, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2006</u>
<b>Primary government:</b>				
Bonds payable, 1999 Park Place Apartments project	\$ 8,036,000	\$ 1,081,807	\$ -	\$ 9,117,807
Notes payable to the City of Atlanta funded by Community Development Block Grant	870,151	-	(5,688)	864,463
Bonds payable, DDA	1,523,679	-	(89,387)	1,434,292
FNMA loan pools payable	2,181,476	-	(507,451)	1,674,025
Construction loan payable	3,482,816	-	-	3,482,816
Loan payable to the City of Atlanta	1,700,000	-	-	1,700,000
Capital Lease Payable	109,882	-	(9,874)	100,008
Total primary government	<u>\$ 17,904,004</u>	<u>\$ 1,081,807</u>	<u>\$ (612,400)</u>	<u>\$ 18,373,411</u>

The Authority increased its debt by \$469,407 for the six months ended June 30, 2006. This is a result of revaluing (increasing) the 1999 bonds payable on the Park Place Apartments project by \$1,081,807 to the actual settlement value in accordance to the liquidation basis of accounting in anticipation of the property being sold July 26, 2006. The Authority committed to a construction loan for Phase IV condominium and single family homes for Lakewood Hills which will be reduced by proceeds from future home sales. The Fannie Mae loan pool (FNMA) was reduced with the corresponding receipts on the loan receivables. More detail regarding the long-term liabilities of the Authority are presented in Note 5 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.

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Statement of Net Assets**  
**June 30, 2006**

	<b>Business-type Activities</b>	<b>Component Units</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 7,528,570	\$ 675,620
Restricted cash	3,666,013	6,683,433
Investment in real estate	4,143,520	-
Other receivables	1,944,639	146,608
Prepaid expenses	117,350	-
Assets held for sale	9,374,872	-
Due from component units	252,470	-
Due from the primary government	-	14,670
Total current assets	27,027,434	7,520,331
Noncurrent assets:		
Advances for development costs	1,327,524	-
Loans receivable	7,699,074	-
Investment in joint venture	121	-
Investment in real estate	-	6,715,255
Investment in development projects	4,228,557	(254,666)
Capital assets, nondepreciable	-	1,946,841
Capital assets, net of depreciation	1,917,232	43,249,839
Prepaid rent	2,489,667	-
Bond issuance costs, net of amortization	87,003	6,647,927
Other	5,239	230,679
Total noncurrent assets	17,754,417	58,535,875
Total assets	44,781,851	66,056,206
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	829,749	658,146
Bonds, notes, and loans payable, current portion	12,765,612	3,242,342
Capital leases payable, current portion	22,070	-
Accrued interest payable	122,443	3,350,307
Deferred revenue	3,612,929	131,809
Funds held in escrow	127,573	189,883
Due to component units	14,670	-
Due to the primary government	-	252,470
Total current liabilities	17,495,046	7,824,957
Noncurrent liabilities:		
Deferred revenue	-	128,310
Capital leases payable	77,938	-
Bonds, notes and loans payable	5,507,791	63,721,552
Total noncurrent liabilities	5,585,729	63,849,862
Total liabilities	23,080,775	71,674,819
<b>Net Assets (Deficit)</b>		
Invested in capital assets, net of related debt	400,905	(11,453,035)
Restricted for grant programs	9,539,440	-
Unrestricted	11,760,731	5,834,422
Total net assets (deficit)	\$ 21,701,076	\$ (5,618,613)

See accompanying notes to financial statements.

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Statement of Activities**  
**Six months ended June 30, 2006**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Business-type Activities	Component Units
Functions/ Programs:					
Primary government:					
Business-type activities:					
Economic development	\$ 4,898,070	\$ 2,572,204	\$ 407,959	\$ (1,917,907)	
Total primary government activities	<u>\$ 4,898,070</u>	<u>\$ 2,572,204</u>	<u>\$ 407,959</u>	<u>(1,917,907)</u>	
Component units:					
ADA/CAU Partners, Inc.	\$ 6,767,495	\$ 4,682,398	\$ -		\$ (2,085,097)
Atlanta Economic Renaissance Corporation	49,898	8,211	-		(41,687)
Atlanta Local Development Company	-	6,852	-		6,852
Total component unit activities	<u>\$ 6,817,393</u>	<u>\$ 4,697,461</u>	<u>\$ -</u>		<u>(2,119,932)</u>
General revenues:					
Revenues from the use of money or property				104,196	238,852
Revenues from other governmental agencies not restricted for specific functions				744,752	-
Miscellaneous				<u>1,656,227</u>	<u>-</u>
Total general revenues				<u>2,505,175</u>	<u>238,852</u>
Change in net assets				587,268	(1,881,080)
Net assets (deficit) – beginning				<u>21,113,808</u>	<u>(3,737,533)</u>
Net assets (deficit) – ending				<u>\$ 21,701,076</u>	<u>\$ (5,618,613)</u>

See accompanying notes to financial statements.

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2006**

	Business-type Activities - Enterprise Funds				Total
	Administrative Fund	Grants and Restricted Program Fund	Urban Residential Finance Authority	Downtown Development Authority	
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 1,039,969	\$ 96,056	\$ 6,386,647	\$ 5,898	\$ 7,528,570
Restricted cash	3,000,995	-	665,018	-	3,666,013
Investment in real estate	-	-	4,143,520	-	4,143,520
Other receivables	25,518	-	1,919,121	-	1,944,639
Prepaid expenses	29,704	-	3,250	84,396	117,350
Assets held for sale	-	-	9,374,872	-	9,374,872
Due from component units	272,473	-	-	-	272,473
Total current assets	<u>4,368,659</u>	<u>96,056</u>	<u>22,492,428</u>	<u>90,294</u>	<u>27,047,437</u>
Noncurrent assets:					
Advances for development costs	59,344	-	1,268,180	-	1,327,524
Loans receivable	-	-	7,699,074	-	7,699,074
Investment in joint venture	-	-	121	-	121
Investment in development projects	854,549	-	3,374,008	-	4,228,557
Capital assets, net of depreciation	97,062	-	-	1,820,170	1,917,232
Prepaid rent	-	-	-	2,489,667	2,489,667
Bond issuance costs, net of amortization	-	-	69,030	17,973	87,003
Other	5,239	-	-	-	5,239
Total noncurrent assets	<u>1,016,194</u>	<u>-</u>	<u>12,410,413</u>	<u>4,327,810</u>	<u>17,754,417</u>
Total assets	<u>5,384,853</u>	<u>96,056</u>	<u>34,902,841</u>	<u>4,418,104</u>	<u>44,801,854</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	98,357	-	731,392	-	829,749
Bonds, notes, and loans payable, current portion	-	-	12,606,538	159,074	12,765,612
Capital leases payable, current	22,070	-	-	-	22,070
Accrued interest payable	-	-	122,443	-	122,443
Deferred revenue	3,107,468	-	505,461	-	3,612,929
Funds held in escrow	87,025	-	40,548	-	127,573
Due to primary government	-	-	20,003	-	20,003
Due to component units	14,670	-	-	-	14,670
Total current liabilities	<u>3,329,590</u>	<u>-</u>	<u>14,026,385</u>	<u>159,074</u>	<u>17,515,049</u>
Noncurrent liabilities:					
Capital leases payable	77,938	-	-	-	77,938
Bonds, notes, and loans payable	200,000	-	4,032,573	1,275,218	5,507,791
Total noncurrent liabilities	<u>277,938</u>	<u>-</u>	<u>4,032,573</u>	<u>1,275,218</u>	<u>5,585,729</u>
Total liabilities	<u>3,607,528</u>	<u>-</u>	<u>18,058,958</u>	<u>1,434,292</u>	<u>23,100,778</u>
<b>Net Assets (Deficit)</b>					
Invested in capital assets, net of related debt	(2,946)	-	-	403,851	400,905
Restricted for grant programs	-	96,056	9,443,384	-	9,539,440
Unrestricted	1,780,271	-	7,400,499	2,579,961	11,760,731
Total net assets	<u>\$ 1,777,325</u>	<u>\$ 96,056</u>	<u>\$ 16,843,883</u>	<u>\$ 2,983,812</u>	<u>\$ 21,701,076</u>

See accompanying notes to financial statements.

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**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>Total</b>
	<b>Administrative Fund</b>	<b>Grants and Restricted Program Fund</b>	<b>Urban Residential Finance Authority</b>	<b>Downtown Development Authority</b>	
Operating revenues:					
Interest income	\$ 6,847	\$ -	\$ 97,349	\$ -	\$ 104,196
Rental income	-	-	978,435	5,472	983,907
Service, administration, and loan fees	929,890	-	658,407	-	1,588,297
City of Atlanta subsidy	734,107	-	10,645	-	744,752
Private grants	-	407,959	-	-	407,959
Other	63,478	-	1,592,749	-	1,656,227
Total operating revenues	<u>1,734,322</u>	<u>407,959</u>	<u>3,337,585</u>	<u>5,472</u>	<u>5,485,338</u>
Operating expenses:					
Development costs	-	-	441,463	-	441,463
Interest on bonds, notes, and loans	3,862	-	53,222	33,968	91,052
Program expenses	-	457,596	259,300	-	716,896
Depreciation and amortization	10,989	-	-	43,407	54,396
Downpayment assistance program	-	-	240,683	-	240,683
General and administrative	1,017,573	36,762	2,252,813	46,432	3,353,580
Total operating expenses	<u>1,032,424</u>	<u>494,358</u>	<u>3,247,481</u>	<u>123,807</u>	<u>4,898,070</u>
Operating income (loss)	701,898	(86,399)	90,104	(118,335)	587,268
Transfers in	-	-	-	126,100	126,100
Transfers out	(126,100)	-	-	-	(126,100)
Change in net assets	575,798	(86,399)	90,104	7,765	587,268
Net assets at beginning of period	<u>1,201,527</u>	<u>182,455</u>	<u>16,753,779</u>	<u>2,976,047</u>	<u>21,113,808</u>
Net assets at end of period	<u>\$ 1,777,325</u>	<u>\$ 96,056</u>	<u>\$ 16,843,883</u>	<u>\$ 2,983,812</u>	<u>\$ 21,701,076</u>

See accompanying notes to financial statements.

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Six months ended June 30, 2006**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Total</b>
	<b>Administrative Fund</b>	<b>Grants and Restricted Program Fund</b>	<b>Urban Residential Finance Authority</b>	<b>Downtown Development Authority</b>	
<b>Cash flows from operating activities:</b>					
Receipts from customers	\$ 929,890	\$ -	\$ 1,282,206	\$ -	\$ 2,212,096
Receipts from grantors	734,107	407,959	10,645	-	1,152,711
Receipts of interest on loans	6,847	-	97,218	-	104,065
Miscellaneous receipts	63,478	-	-	-	63,478
Payments to suppliers	(188,280)	(36,762)	(1,004,971)	(4,234)	(1,234,247)
Payments to employees	(727,317)	-	(420,457)	-	(1,147,774)
Payments for programs	-	(457,621)	(1,024,497)	-	(1,482,118)
Other	1,885,481	-	2,195,770	6,572	4,087,823
Net cash provided by (used in) operating activities	<u>2,704,206</u>	<u>(86,424)</u>	<u>1,135,914</u>	<u>2,338</u>	<u>3,756,034</u>
<b>Cash flows from noncapital financing activities:</b>					
Transfers in	-	-	-	126,100	126,100
Transfers out	(126,100)	-	-	-	(126,100)
Other	196,345	-	(493,560)	(2,200)	(299,415)
Net cash provided by (used in) noncapital financing activities	<u>70,245</u>	<u>-</u>	<u>(493,560)</u>	<u>123,900</u>	<u>(299,415)</u>
<b>Cash flows from capital financing activities:</b>					
Repayment of bond principal	-	-	(513,139)	(89,387)	(602,526)
Principal payment for capital lease	(9,874)	-	-	-	(9,874)
Payments for interest	(3,862)	-	(53,222)	(33,968)	(91,052)
Net cash used in capital financing activities	<u>(13,736)</u>	<u>-</u>	<u>(566,361)</u>	<u>(123,355)</u>	<u>(703,452)</u>
Net increase (decrease) in cash and cash equivalents	2,760,715	(86,424)	75,993	2,883	2,753,167
Cash and cash equivalents at beginning of period	1,280,249	182,480	6,975,672	3,015	8,441,416
Cash and cash equivalents at end of period	<u>\$ 4,040,964</u>	<u>\$ 96,056</u>	<u>\$ 7,051,665</u>	<u>\$ 5,898</u>	<u>\$ 11,194,583</u>
<b>Reconciliation to Statement of Net Assets:</b>					
Cash and cash equivalents	\$ 1,039,969	\$ 96,056	\$ 6,386,647	\$ 5,898	\$ 7,528,570
Restricted cash	3,000,995	-	665,018	-	3,666,013
	<u>\$ 4,040,964</u>	<u>\$ 96,056</u>	<u>\$ 7,051,665</u>	<u>\$ 5,898</u>	<u>\$ 11,194,583</u>

(continued)

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Six months ended June 30, 2006**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Total</b>
	<b>Administrative Fund</b>	<b>Grants and Restricted Program Fund</b>	<b>Urban Residential Finance Authority</b>	<b>Downtown Development Authority</b>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 701,898	\$ (86,399)	\$ 90,104	\$ (118,335)	\$ 587,268
Adjustment to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	10,989	-	-	43,407	54,396
Interest payments reported in operating income	3,862	-	53,222	33,968	91,052
(Increase) decrease in:					
Accrued interest receivable	-	-	34	-	34
Other receivables	(11,631)	-	200,795	-	189,164
Advances for development costs	-	-	(160,493)	-	(160,493)
Loans receivable	-	-	459,588	-	459,588
Investment in development projects	141,000	-	350,670	-	491,670
Investment in joint venture	-	-	14,472	-	14,472
Prepays and other assets	(21,099)	-	6,963	42,198	28,062
Due from (to) other funds	25	(25)	-	-	-
Due from (to) component units	(170,291)	-	1,591	-	(168,700)
Increase (decrease) in:					
Accounts payable and accrued expenses	(308,181)	-	(65,220)	-	(373,401)
Funds held in escrow	-	-	(26)	-	(26)
Due to primary government	-	-	20,003	1,100	21,103
Deferred revenue	2,357,634	-	164,211	-	2,521,845
Net cash provided by (used in) operating activities	<u>\$ 2,704,206</u>	<u>\$ (86,424)</u>	<u>\$ 1,135,914</u>	<u>\$ 2,338</u>	<u>\$ 3,756,034</u>

See accompanying notes to financial statements.

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Combining Statement of Net Assets**  
**Component Units**  
**June 30, 2006**

	Inner City Development Corporation	ADA/CAU Partners, Inc.	Atlanta Economic Renaissance Corporation	Downtown Atlanta Revitalization	Pryor Road/ Lakewood, LLC	Atlanta Local Development Company	Lakewood Senior	Aquarium Holding Company	Total Component Units
<b>Assets</b>									
<b>Current assets:</b>									
Cash and cash equivalents	\$ 146,930	\$ 280,427	\$ 32,179	\$ -	\$ 101,276	\$ 11,089	\$ 39,881	\$ 63,838	\$ 675,620
Restricted cash	6,145	6,677,288	-	-	-	-	-	-	6,683,433
Other receivables	-	140,600	1,008	14,670	5,000	-	-	-	146,608
Due from the primary government	-	-	-	14,670	-	-	-	-	14,670
<b>Total current assets</b>	<b>153,075</b>	<b>7,098,315</b>	<b>33,187</b>	<b>14,670</b>	<b>106,276</b>	<b>11,089</b>	<b>39,881</b>	<b>63,838</b>	<b>7,520,331</b>
<b>Noncurrent assets:</b>									
Capital assets, nondepreciable	1,946,841	-	-	-	-	-	-	-	1,946,841
Capital assets, net of depreciation	8,224,818	35,025,021	-	-	-	-	-	-	43,249,839
Investment in real estate	5,394,682	-	1,320,573	-	(104,330)	-	(150,336)	-	6,715,235
Investment in development projects	-	-	-	-	-	-	-	-	(254,666)
Bond issuance costs, net of amortization	54,061	6,593,866	-	-	-	-	-	-	6,647,927
Other assets	230,679	-	-	-	-	-	-	-	230,679
<b>Total noncurrent assets</b>	<b>15,851,081</b>	<b>41,618,887</b>	<b>1,320,573</b>	<b>-</b>	<b>(104,330)</b>	<b>-</b>	<b>(150,336)</b>	<b>-</b>	<b>58,535,875</b>
<b>Total assets</b>	<b>16,004,156</b>	<b>48,717,202</b>	<b>1,353,760</b>	<b>14,670</b>	<b>1,946</b>	<b>11,089</b>	<b>(110,455)</b>	<b>63,838</b>	<b>66,056,206</b>
<b>Liabilities</b>									
<b>Current liabilities:</b>									
Accounts payable	216,208	441,938	-	-	-	-	-	-	658,146
Bonds, notes, and loans payable, current portion	3,057,342	185,000	-	-	-	-	-	-	3,242,342
Accrued interest payable	266,000	1,592,931	1,491,376	-	-	-	-	-	3,350,307
Deferred revenue	-	131,809	-	-	-	-	-	-	131,809
Funds held in escrow	3,060	150,323	36,500	-	-	-	-	-	189,883
Due to the primary government	-	-	252,470	-	-	-	-	-	252,470
<b>Total current liabilities</b>	<b>3,542,610</b>	<b>2,502,001</b>	<b>1,780,346</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,824,957</b>
<b>Noncurrent liabilities:</b>									
Deferred revenue	-	-	128,310	-	-	-	-	-	128,310
Bonds, notes and loans payable	7,794,141	52,261,159	3,666,252	-	-	-	-	-	63,721,552
<b>Total noncurrent liabilities</b>	<b>7,794,141</b>	<b>52,261,159</b>	<b>3,794,562</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63,849,862</b>
<b>Total liabilities</b>	<b>11,336,751</b>	<b>54,763,160</b>	<b>5,574,908</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>71,674,819</b>
<b>Net Assets (Deficit)</b>	<b>(625,763)</b>	<b>(10,827,272)</b>	<b>(4,221,148)</b>	<b>14,670</b>	<b>1,946</b>	<b>11,089</b>	<b>(110,455)</b>	<b>63,838</b>	<b>(11,453,035)</b>
Invested in capital assets, net of related debt	5,293,168	4,781,314	-	-	-	-	-	-	5,834,422
Unrestricted	-	-	-	-	-	-	-	-	-
<b>Total net assets (deficit)</b>	<b>\$ 4,667,405</b>	<b>\$ (6,045,958)</b>	<b>\$ (4,221,148)</b>	<b>\$ 14,670</b>	<b>\$ 1,946</b>	<b>\$ 11,089</b>	<b>\$ (110,455)</b>	<b>\$ 63,838</b>	<b>\$ (5,618,613)</b>

See accompanying notes to financial statements.



**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Notes to Financial Statements**  
**June 30, 2006**

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

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

In 1997, The Atlanta Development Authority (the "Authority") was created by the City of Atlanta, Georgia (the "City") to promote the revitalization and growth of the City of Atlanta through a comprehensive and centralized program focusing on community development and redevelopment. The Authority was created through a combination of the following economic development and financing authorities which have been included in the Authority's financial statements as blended component units in conformity with accounting principles generally accepted in the United States of America, as set forth in Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*:

The Urban Residential Finance Authority of the City of Atlanta, Georgia (URFA) was created pursuant to the Urban Residential Finance Authorities Act for Large Municipalities (the Act) and commenced activities on October 3, 1979. URFA is authorized 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 income limitations, both within the City of Atlanta, Georgia. URFA's board of directors is substantially the same as the Board of Directors of ADA and it has a financial benefit and burden relationship with ADA. As a result, URFA is a blended component unit of ADA. These statements include 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. Auburn Group, Inc is not shown in the financial statements due to no activity for the six months ended June 30, 2006.

The Downtown Development Authority (DDA) was developed to promote the revitalization and redevelopment of the City by financing projects that will develop and promote for the public good and general welfare trade, commerce, industry, and employment opportunities and will promote the general welfare of the City. DDA's board of directors is substantially the same as the Board of Directors of ADA and it has a financial benefit and burden relationship with ADA. As a result, DDA is a blended component unit of ADA.

The component unit column in the government-wide financial statements includes the Inner City Development Corporation; ADA/CAU Partners, Inc.; the Atlanta Economic Renaissance Corporation; Downtown Atlanta Revitalization; Pryor Road/Lakewood, LLC; Atlanta Local Development Company; and the Aquarium Holding Company. They are reported in a separate column to emphasize that they are legally separate from the Authority. Each of these component units is accounted for using the guidance applicable to proprietary funds.

The Inner City Development Corporation (ICDC) was created to acquire land and develop the Historic Westside Village area. The Board of Directors of ICDC is appointed by the Board of Directors of ADA and the assets of ICDC are legally entitled to revert to ADA. ICDC includes its component units: HWV 2A, LLC and HWV 3A, LLC. IDC and its component units have a December 31 year-end.

ADA/CAU Partners, Inc. was created to construct college dormitories on the campus of Clark Atlanta University. The Board of Directors of ADA/CAU Partners, Inc. is appointed by the Board of Directors of ADA, who can also impose their will on ADA/CAU Partners, Inc. by removal of board members at any time.

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Notes to Financial Statements**  
**June 30, 2006**

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

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

The Atlanta Economic Renaissance Corporation (AERC), formerly the Atlanta Economic Development Corporation, was created to coordinate and encourage efforts by the private and public sectors to promote the general economic development of the City and its residents. The Board of Directors of AERC is appointed by the Board of Directors of ADA, who can also impose their will on AERC through its management as the management of ADA and AERC are essentially the same.

The Downtown Atlanta Revitalization (DAR) was created to carry out the purposes of the Atlanta Economic Development Corporation. The Board of Directors of DAR is appointed by the Board of Directors of ADA, who can also impose their will on DAR by removal of board members at any time. DAR does not include the activity of its component unit – Lakewood Senior, Inc which has a December 31 year-end. Lakewood Senior activity is shown separately as a component unit. DAR is a 501 (c) 3 non-profit corporation.

Pryor Road/Lakewood, LLC is wholly owned by ADA and was created to purchase and develop real property for the Park Place South Development. As the sole member of the limited liability corporation, ADA controls the activity of Pryor Road/Lakewood, LLC. Pryor Road/Lakewood, LLC has a December 31 year-end.

The Atlanta Local Development Company (ALDC) was created to manage the small business administration loan program in the Atlanta area. Due to the significance of influence of the management of ADA on the activity of ALDC, it would be misleading to exclude ALDC from the financial reporting entity of ADA.

The Aquarium Holding Company (AHC) was created to study the possibility of building an aquarium in the downtown Atlanta area. Due to the significance of influence of the management of ADA on the activity of AHC, it would be misleading to exclude AHC from the financial reporting entity of ADA.

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

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Notes to Financial Statements**  
**June 30, 2006**

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

***(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 invested in capital assets (net of any related debt), 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.

In addition to the government-wide financial statements, the Authority has prepared separate financial statements for proprietary funds. These fund financial statements also 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 – This fund is used to account for all economic development and administrative activity of ADA except those financed with grants. This fund includes all personnel, office, and administrative costs of the Authority.

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

Urban Residential Finance Authority – These statements are used to account for all economic development activity of the blended component unit - URFA.

Downtown Development Authority – These statements are used to account for all economic development activity of the blended component unit - DDA.

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Notes to Financial Statements**  
**June 30, 2006**

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

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

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 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.

**(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. State statutes authorize the Authority to invest in obligations of any state; obligations of any political subdivision of any state; certificates of deposit or time deposits of any national state bank or savings and loan which have deposits insured by the FDIC or FSLIC; prime bankers acceptances; repurchase agreements; and the Local Government Investment Pool of the State of Georgia ("Georgia Fund 1").

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.

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Notes to Financial Statements**  
**June 30, 2006**

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

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

Investments in joint venture consist of the Authority's investment in the Auburn Group, Inc.'s (a component unit of URFA) investment in Auburn Glenn Partners, LLC. Auburn Group, Inc. owns a 10% interest in the joint venture with two (2) other unrelated entities. The Authority's investments in joint ventures are accounted for using the equity method of accounting. There was no activity during the six months ended June 30, 2006 for the Auburn Group, Inc.

**(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. Valuation allowances are provided to adjust the carrying value of land held for resale to net realizable values (see Note 4).

**(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) *Capital Assets***

Capital assets are stated at cost. Depreciation on capital assets is calculated on the straight-line method over the estimated useful lives as follows:

Leasehold improvements	29 – 40 years
Furniture and Equipment	5 years

**(k) *Income Taxes***

The Authority's income is exempt for Federal income taxes pursuant to Section 115 of the Internal Revenue Code.

**(l) *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.

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**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) Capital Assets**

Capital assets activity for the period ended June 30, 2006 consists of the following:

<b>Atlanta Development Authority</b>	<b>December 31, 2005</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2006</b>
Capital assets being depreciated:				
Furniture and equipment	\$ 109,882	\$ -	\$ -	\$ 109,882
	109,882	-	-	109,882
Less accumulated depreciation	(1,831)	(10,989)	-	(12,820)
Net property and equipment	<u>\$ 108,051</u>	<u>\$ (10,989)</u>	<u>\$ -</u>	<u>\$ 97,062</u>

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Notes to Financial Statements**  
**June 30, 2006**

**(3) Capital Assets (Continued)**

	<u>December 31,</u> <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2006</u>
<b>Urban Residential Finance Authority:</b>				
Capital assets not being depreciated:				
Land	\$ 1,100,000	\$ -	\$ (1,100,000)	\$ -
Capital assets being depreciated:				
Buildings and improvements	13,876,349	-	(13,876,349)	-
	<u>14,976,349</u>	<u>-</u>	<u>(14,976,349)</u>	<u>-</u>
Less accumulated depreciation				
Buildings and improvements	(7,189,781)	-	7,189,781	-
Net property and equipment	<u>\$ 7,786,568</u>	<u>\$ -</u>	<u>\$ (7,786,568)</u>	<u>\$ -</u>
<b>Downtown Development Authority:</b>				
Capital assets subject to depreciation:				
Furniture and equipment	\$ 508,177	\$ -	\$ -	\$ 508,177
Leasehold improvements	2,448,854	-	-	2,448,854
	<u>2,957,031</u>	<u>-</u>	<u>-</u>	<u>2,957,031</u>
Capital assets being depreciated:				
Furniture and equipment	(508,177)	-	-	(508,177)
Leasehold improvements	(586,462)	(42,222)	-	(628,684)
Net property and equipment	<u>\$ 1,862,392</u>	<u>\$ (42,222)</u>	<u>\$ -</u>	<u>\$ 1,820,170</u>
<b>Total primary government:</b>				
Capital assets not being depreciated:				
Land	\$ 1,100,000	\$ -	\$ (1,100,000)	\$ -
Capital assets subject to depreciation:				
Furniture and equipment	618,059	-	-	618,059
Buildings and improvements	13,876,349	-	(13,876,349)	-
Leasehold improvements	2,448,854	-	-	2,448,854
	<u>18,043,262</u>	<u>-</u>	<u>(14,976,349)</u>	<u>3,066,913</u>
Capital assets being depreciated:				
Furniture and equipment	(510,008)	(10,989)	-	(520,997)
Buildings and improvements	(7,189,781)	-	7,189,781	-
Leasehold improvements	(586,462)	(42,222)	-	(628,684)
Net property and equipment	<u>\$ 9,757,011</u>	<u>\$ (53,211)</u>	<u>\$ (7,786,568)</u>	<u>\$ 1,917,232</u>

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Notes to Financial Statements**  
**June 30, 2006**

**(3) Capital Assets (Continued)**

Capital assets activity for the discretely presented component units for the period ended June 30, 2006 consists of the following:

	<u>December 31, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2006</u>
Capital assets not being depreciated:				
Land	\$ 1,946,841	\$ -	\$ -	\$ 1,946,841
Construction in progress	16,371,872	-	(16,371,872)	
Capital assets being depreciated:				
Furniture and equipment	720,226	968,685	-	1,688,911
Buildings and improvements	23,048,588	20,027,167	-	43,075,755
Land improvements	3,270,833	-	-	3,270,833
	<u>45,358,360</u>	<u>20,995,852</u>	<u>(16,371,872)</u>	<u>49,982,340</u>
Less accumulated depreciation	<u>(3,223,107)</u>	<u>(1,562,553)</u>	<u>-</u>	<u>(4,785,660)</u>
Net property and equipment	<u>\$ 42,135,253</u>	<u>\$ 19,433,299</u>	<u>\$ (16,371,872)</u>	<u>\$ 45,196,680</u>

**(4) Investment in Real Estate**

Investment in real estate consisted of the following at June 30, 2006:

	<u>2005</u>
Primary government:	
Lakewood Hills	\$ 4,143,520
Total	<u>\$ 4,143,520</u>
Component units:	
Historic Westside Village	\$ 5,394,682
Flood Plain Land	109,327
Southside Industrial Park (SIP)	3,412,561
Less accumulated write-down to net realizable value	<u>(2,201,315)</u>
Total	<u>\$ 6,715,255</u>

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Notes to Financial Statements**  
**June 30, 2006**

**(4) Investment in Real Estate (Continued)**

**(a) *Villages of Park Place, Lakewood Hills, and Historic Westside Village***

The parcels of vacant land at the Historic Westside Village and the condominiums and townhomes in the Lakewood Hills development are being held for resale.

**(b) *Southside Industrial Park***

Using funds provided by the U.S. Department of Housing and Urban Development (HUD), the SIP property was purchased by the City for future development and sale. The project was then transferred to DAFC, at which time AERC entered into an agreement with DAFC to develop and market the project. During 1986, DAFC issued industrial revenue bonds in the amount of \$1,750,000, a portion of the proceeds of which were used by AERC to reimburse the City for the original property acquisition with the remaining proceeds to be used by AERC for future improvements. The bonds were to be repaid from proceeds from SIP land sales or according to an agreed-upon payment schedule, whichever was earlier. The Bond obligation was repaid in 1989.

During 1989, AERC purchased additional parcels of land from the City and HUD (Phases II (a) and II(b)). This acquisition was financed by borrowings from the City and a local bank. During March 1993, the \$1,218,733 note payable to bank was repaid with the proceeds from a loan from the City. AERC and the City have entered into an agreement establishing the priority of payments on these obligations from the land sale proceeds. The proceeds from sales of Phase II (a), net of an established percentage ranging from 8% to 20% to be retained by AERC as reimbursement of administrative expenses, will be utilized to repay \$2,600,000 of the Phase I original loan from the City and thereto repay \$2,975,000 of the Phase II original loan from the City. The proceeds from the sale of Phase II (b) will be utilized to repay \$2,975,000 of the Phase II original loan from the City. A total of 50% of the remaining proceeds, if any, will be paid to the City. The Authority will be required to repay the outstanding balance on the loans if insufficient proceeds are derived from land sales.

Approximately 18.8 acres of SIP property were sold in June 2001. Proceeds from the sale were reflected in the prior year financial statements as land sales revenue. The net cost basis of the land sold was reflected as cost of land sales. No land sales occurred in 2002, 2003, 2004, 2005, or 2006.

Management has, however, determined that the land's market value exceeds its net cost basis and that further write-downs of the land's value are not considered necessary. This determination was based on the selling price generated from prior year sales. The total valuation allowance on the SIP property was \$2,201,315 at June 30, 2006.

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Notes to Financial Statements**  
**June 30, 2006**

**(5) Long-term Liabilities**

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

	<u>December 31,</u> <u>2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30,</u> <u>2006</u>	<u>Amount</u> <u>Due Within</u> <u>One Year</u>
<b>Primary government:</b>					
Bonds payable, 1999 Park Place					
Apartments project	\$ 8,036,000	\$ 1,081,807	\$ -	\$ 9,117,807	\$ 9,117,807
Construction loan payable	3,482,816	-	-	3,482,816	3,482,816
Notes 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	1,700,000	-	-	1,700,000	-
Bonds payable, 1999 Downtown Development Authority Revenue					
Bonds	1,523,679	-	(89,387)	1,434,292	159,074
Capital leases payable	109,882	-	(9,874)	100,008	22,070
	<u>\$ 17,904,004</u>	<u>\$ 1,081,807</u>	<u>\$ (612,400)</u>	<u>\$ 18,373,411</u>	<u>\$ 12,787,682</u>
<b>Component units:</b>					
Bonds payable, 2004 Clark Atlanta University project	\$ 52,495,311	\$ -	\$ (49,152)	\$ 52,446,159	\$ 185,000
Loan payable to the City of Atlanta, secured by SIP land sale revenue	2,134,720	-	-	2,134,720	-
Loan payable to the City of Atlanta, secured by SIP land sale revenue	271,532	-	-	271,532	-
Loan payable to the City of Atlanta, secured by SIP land sale revenue	1,260,000	-	-	1,260,000	-
Loan payable to the City of Atlanta, from Section 108 federal funds	4,469,141	-	-	4,469,141	-
Loan payable for construction purposes	3,057,342	-	-	3,057,342	3,057,342
Loan payable to the Atlanta Empowerment Zone Corporation	3,325,000	-	-	3,325,000	-
Deferred revenue	128,310	-	-	128,310	-
	<u>\$ 67,141,356</u>	<u>\$ -</u>	<u>\$ (49,152)</u>	<u>\$ 67,092,204</u>	<u>\$ 3,242,342</u>

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Notes to Financial Statements**  
**June 30, 2006**

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

***Primary Government***

Component units of URFA, which are included in the URFA fund in the financial statements, have bonds payable outstanding for the Park Place Apartments project and the Lakewood Hills project. No principal payments on the 1999 Park Place Apartments project were made during the six months ended June 30, 2006 as the mortgage note was revalued on June 30, 2006 at \$9,117,807. 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. Construction of Phase V condominiums of Lakewood Hills is financed with a construction loan. Construction of Lakewood Hills Phase IV condominiums and single family homes are financed with a construction loan. The construction loan had a balance of \$3,482,816 as of June 30, 2006.

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. In prior years, the Authority also received land in the Summerhill/Georgia Avenue are for development purposes. During 2002, the Authority decided not to develop the property and is trying to sell the property. As a result, the Authority will owe the City any proceeds from the sale of the property which are expected to approximate the Authority's current basis in the property of \$200,000. The Authority will not be responsible for any loss on the sale of the property. No sales on either property occurred during 2006.

In February 1999, the Authority issued \$2,400,000 of Series 1999 Downtown Development Authority Revenue Bonds for renovations and leasehold improvements of the office space located in the Block building. The balance due on these bonds at June 30, 2006 is \$1,434,292.

During fiscal year 2005, the Authority entered into lease agreements as lessee for financing the acquisition of various equipment. The lease agreement qualify as a capital lease for accounting purposes (title transfers at the end of the lease term) and have been recorded at the present value of the future minimum lease payment as of the date of inception. This lease is being serviced in the Authority's Administrative Fund.

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Notes to Financial Statements**  
**June 30, 2006**

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

*Primary Government (Continued)*

The following is an analysis of equipment leased under capital leases as of June 30, 2006:

	<b>ADA</b>
	<b>Administration</b>
	<b>Fund</b>
Equipment	\$ 109,882
Less accumulated depreciation	(12,820)
Carrying value	\$ 97,062

The following is a schedule of future minimum lease payments under the capital leases and the present value of the net minimum lease payments at June 30, 2006:

	<b>ADA</b>
	<b>Administration</b>
<b>Fiscal year ending</b>	<b>Fund</b>
2007	\$ 27,471
2008	27,471
2009	27,471
2010	30,356
Total minimum lease payments	112,769
Less amount representing interest	(12,761)
Present value of future minimum lease payments	100,008
Less current maturities	(22,070)
	\$ 77,938

***Component Units***

During 2005, ADA/CAU Partners refinanced the Series 2001A and 2001B Bonds with a loan payable in the aggregate amount of \$51,900,000 funded with proceeds from the issuance of student housing revenue bonds, Series 2004A and 2004B (ADA/CAU Partners, Inc. Project at Clark Atlanta University). Pursuant to the trust indenture dated July 1, 2004, the proceeds from the sale of the Series 2004 Bonds are restricted to refunding the Series 2001 Bonds, to fund various reserves for the Series 2004 Bonds, to pay the costs of issuance of the Series 2004 Bonds, and to fund development and construction costs of Phase II of the project. The balance due on these bonds, net of bond premium of \$576,159, at June 30, 2006 (ADA/CAU Partners' year-end) is \$52,446,159.

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Notes to Financial Statements**  
**June 30, 2006**

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

*Component Units (Continued)*

AERC has three loans payable from the City related to purchase of the SIP land held for sale (Note 4). The original notes were borrowed to purchase the land. The agreement called for repayment of the loans upon sale of the land, with proceeds going to pay off the notes. During March 1993, AERC borrowed an additional \$1,260,000 from the City and negotiated a modification of terms on its then existing \$2,600,000 and \$1,715,000 notes payable to the City. The \$1,260,000 was used to repay the note payable to a bank along with accrued interest and fees. The new note to the City is interest free and was due on March 1, 1998. The modification of terms on the \$2,600,000 and \$1,715,000 notes extended the maturity dates to no later than March 1, 1998 and capped accrued and unpaid interest at \$913,214 and \$578,161 for each loan, respectively. As a result of the modifications, interest expense has not been accrued on these notes for their remaining terms. As no land sales occurred in 2006, 2005, 2004, 2003 or 2002, no payments were made on the notes. AERC still remains in default on these outstanding loans from the City. Management is currently in negotiations to sell the properties and repay the related notes and loans payable to the City.

Inner City Development Corporation (ICDC) has a loan payable to the City of Atlanta in the amount of \$4,469,141, at June 30, 2006, which was funded by a Section 108 loan from the United States Department Housing and Urban Development. The loan provided financing for the development of the Historic Westside Village area. The loan will be repaid from property sales and cash flow from the project and will be considered paid in full.

ICDC has a loan payable to a bank for construction in the Historic Westside Village Area originally in the amount of \$4,000,000. The ICDC has a balance on this loan of \$3,057,342 at June 30, 2006. The loan has an interest rate of 3.17%.

ICDC has a loan payable to the Atlanta Empowerment Zone Corporation in the amount of \$3,325,000, at June 30, 2006, which was funded by the Empowerment Zone grant. The loan provided financing for the development of the Historic Westside Village area. Principal payments will commence in 2008 and continue through 2048, with an interest rate of 3%.

Long term deferred revenue relates to AERC which received Federal funds from the City for land acquisitions and improvements related to the SIP land held for sale. These funds were provided to AERC contingent upon AERC's development and eventual sale of the SIP land held for sale. Therefore, the revenue has been deferred until land sales occur, at which time grant revenue is recognized equal to the portion of the cost of land sold which was originally funded by these grants. No revenue was recognized during 2006 and the deferred grant revenue relating to this project totaled \$128,310 at June 30, 2006.

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Notes to Financial Statements**  
**June 30, 2006**

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

***Debt Service Requirements***

Annual principal and interest requirements for the bonds payable are set forth below (dollar amounts in thousands):

	<b>Bonds of DDA</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	
Year ending June 30:			
2007	\$ 159	\$ 63	\$ 222
2008	167	56	223
2009	174	48	222
2010	183	40	223
2011	191	31	222
2012 - 2014	560	38	598
Totals	<u>\$ 1,434</u>	<u>\$ 276</u>	<u>\$ 1,710</u>

	<b>Bonds of Component Units</b>		<b>Total</b>
	<b>Principal</b>	<b>Interest</b>	
Year ending December 31:			
2007	\$ 185	\$ 3,186	\$ 3,371
2008	215	3,177	3,392
2009	330	3,167	3,497
2010	435	3,146	3,581
2011	565	3,119	3,684
2012 - 2016	4,215	14,936	19,151
2017 - 2021	5,830	13,417	19,247
2022 - 2026	7,895	11,352	19,247
2027 - 2031	10,640	8,604	19,244
2032 - 2036	14,310	4,938	19,248
2037	7,250	443	7,693
Plus Amortization of bond premium	576	-	576
Totals	<u>\$ 52,446</u>	<u>\$ 69,485</u>	<u>\$ 121,931</u>

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Notes to Financial Statements**  
**June 30, 2006**

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

*Debt Service Requirements (Continued)*

Annual principal and interest requirements for the note payable to the Atlanta Empowerment Zone Corporation are set forth below (dollar amounts in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2007	\$ -	\$ 101	\$ 101
2008	3	101	104
2009	43	100	143
2010	45	99	144
2011	46	98	144
2012 - 2016	252	467	719
2017 - 2021	294	425	719
2022 - 2026	342	377	719
2027 - 2031	399	321	720
2032 - 2036	464	255	719
2037 - 2041	540	179	719
2042 - 2046	629	91	720
2047 - 2048	268	8	276
Totals	<u>\$ 3,325</u>	<u>\$ 2,622</u>	<u>\$ 5,947</u>

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 loan payable for construction purposes will mature in 2007. 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 construction loan for the Lakewood Hills project is payable when property sales occur, therefore no debt service requirement schedule is presented. All loans and notes 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.

**(6) Conduit Debt**

URFA, DDA and the Authority issue 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.

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Notes to Financial Statements**  
**June 30, 2006**

**(6) Conduit Debt (Continued)**

**(a) URFA Conduit Debt**

The aggregate principal amounts of bonds outstanding as of June 30, 2006 for conduit debt issued by URFA 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 Coventry Station	10,000,000
Total Multifamily	<u>\$ 479,748,325</u>

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Notes to Financial Statements**  
**June 30, 2006**

**(6) Conduit Debt (Continued)**

**(a) URFA 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

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Notes to Financial Statements**  
**June 30, 2006**

**(6) Conduit Debt (Continued)**

**(b) DDA Conduit Debt**

The aggregate principal amount outstanding for issuances prior to 1995 could not be determined; however, the original issuance amounts for projects financed by DDA are as follows:

81 Walton Street Project	\$ 1,500,000
H.J. Russell & Co.	850,000
132-136 Mitchell Street	1,350,000
Atlanta North Georgia Conf. of the AME Church	2,500,000
Fairlie 70 Investors	5,500,000
Chamber of Commerce	3,500,000
Peachtree-Broad Building	3,200,000
Glentown Investment Partners	4,038,400
Walton Place Partners	7,240,000
CARE Project	5,000,000
Atlanta Federal Center (principal balance outstanding at 6/30/2006)	203,200,000
GSU School of Music Project	4,725,000
Central Atlanta Hospitality Childcare, Inc.	5,115,000
Total	<u><u>\$ 247,718,400</u></u>

The aggregate principal amount outstanding for issuances after 1995 are as follows:

Underground Atlanta Refunding Series 2002	<u><u>\$ 61,280,000</u></u>
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**(c) Atlanta Development Authority Conduit Debt**

As of June 30, 2006, the Authority had three issuances of revenue bonds outstanding for the Piedmont Ellis Student Housing and Student Recreation Center at Georgia State University, the Yamacraw Design Center Project, and the TUFF ATDC Project with an aggregate principal amount outstanding of \$317,595,000.

**(7) Inter-fund Transfers**

The Authority provides operating funds to the Downtown Development Authority which for the period ended June 30, 2006 was \$126,100.

**ATLANTA DEVELOPMENT AUTHORITY**  
**(A Component Unit of the City of Atlanta, Georgia)**  
**Notes to Financial Statements**  
**June 30, 2006**

**(8) Pension Plan**

The Authority participates in a Simplified Employee Pension Plan, which provides for a discretionary employer contribution, for all of its full time employees over 21 years of age. The Authority contributed 15% of all participant's base compensation for 2006. Employer contributions totaled \$113,089 for the period ended June 30, 2006.

**(9) Contingencies**

The Authority participated in a number of Federal financial assistance programs in prior years. These programs are subject to independent financial and compliance audits by grantor agencies. Except as disclosed above, the amount, if any, of expenses 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  
Atlanta Development 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 Atlanta Development Authority (the "Authority"), a component unit of the City of Atlanta, Georgia, 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