

# Comprehensive Annual Financial Report and Independent Auditors' Report



For the fiscal years ended  
June 30, 2012 and 2011

The Housing Authority of the City of  
Atlanta, Georgia

Prepared by the Atlanta Housing Authority

**COMPREHENSIVE ANNUAL FINANCIAL REPORT AND  
INDEPENDENT AUDITORS' REPORT**

**THE HOUSING AUTHORITY OF THE CITY OF ATLANTA, GEORGIA**

**For the fiscal years ended June 30, 2012 and 2011**

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## **INTRODUCTORY SECTION**

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November 27, 2012

Board of Commissioners  
The Housing Authority of the City of Atlanta, Georgia

We are pleased to present the Comprehensive Annual Financial Report of The Housing Authority of the City of Atlanta, Georgia (AHA or the Authority) for the fiscal year ended June 30, 2012 (FY 2012).

The information presented in this report is the responsibility of the management of AHA. To the best of our knowledge and belief, the information as presented is accurate in all material respects, is presented in a manner designed to fairly state the financial position and the results of operations of the Authority, and includes all necessary disclosures to enable the reader to gain a complete understanding of AHA's financial position. To provide a reasonable basis for making these representations, management of the Authority has established internal controls that are designed both to protect its assets and the integrity of its operations, and to compile sufficient reliable information for the preparation of the Authority's financial statements in conformity with generally accepted accounting principles (GAAP).

The U.S. Department of Housing and Urban Development (HUD) requires that each local housing authority publish, within nine months of the close of its fiscal year, a complete set of financial statements prepared in accordance with GAAP, consistently applied, and audited by a firm of independent certified public accountants. Metcalf Davis, engaged by AHA to audit its FY 2012 financial statements, issued an unqualified opinion on the financial statements of the Authority for the fiscal years ended June 30, 2012 and 2011, indicating that the Authority's financial statements are fairly presented in conformity with GAAP. The Independent Auditors' Report is included as the first component of the financial section of this report.

The independent audit of the financial statements of the Authority is part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require an independent auditor to report not only on the fair presentation of the financial statements, but also on the Authority's internal controls and compliance with Federal Program requirements.

The Financial Statements for AHA consist of the Statements of Net Assets, Statements of Revenue, Expense and Changes in Net Assets, and Statements of Cash Flows. Notes to the Financial Statements are an integral part of the financial statements.

The Government Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview and analysis to accompany the Financial Statements in the form of a Management's Discussion and Analysis (MD&A). This Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent public accountants.



## **Profile of the Authority**

AHA is a public body corporate and politic created under the Housing Authorities Laws of the State of Georgia. AHA's mission is to provide quality affordable housing in amenity-rich, mixed-income communities for the betterment of the community. Since 1994, AHA has been transforming its operations from a troubled public housing authority to become a well-managed, diversified real estate company, with a public mission and purpose. AHA meets its mission by deploying its assets to facilitate quality affordable housing opportunities for low-income households (including low-income elderly and disabled persons) in amenity-rich, mixed-income communities in the City of Atlanta. AHA has broad corporate powers including, but not limited to, the power to: acquire, manage, own, operate, develop and renovate housing; invest and lend money; create for-profit and not-for-profit entities; administer Housing Choice Vouchers; issue bonds for affordable housing purposes; and develop commercial, retail and market-rate properties that benefit affordable housing. Many of AHA's programs are funded, in part, and regulated by HUD under the provisions of the U.S. Housing Act of 1937, as amended, as modified by AHA's Moving to Work Agreement (MTW Agreement) dated September 23, 2003, as amended and restated effective as of November 13, 2008 and as further amended effective as of January 16, 2009.

Under the Housing Authorities Laws, the governing body of AHA is the Board of Commissioners, whose members are appointed by the Mayor of the City of Atlanta. The Board of Commissioners hires the President and Chief Executive Officer who, in turn, hires the staff of the Authority. The current President and Chief Executive Officer is Renée Lewis Glover, who was hired on September 1, 1994.

AHA has created affiliate entities to implement and execute a number of the Authority's program activities and initiatives. The financial statements of these affiliates are included in AHA's financial statements as blended component units. AHA has one affiliate that is not a component unit, but is considered a related entity. As such, the financial activities for this entity have been excluded from the Authority's financial statements. (See Note A of the Notes to the Financial Statements for further details.)

AHA is one of the 11 founding members of Georgia HAP Administrators, Inc. *dba* National Housing Compliance (Georgia HAP), a Georgia not-for-profit 501(c)(4) corporation that performs contract administration services for HUD's project-based Section 8 and FHA-insured portfolio in the states of Georgia and Illinois. Georgia HAP subcontracts with its members and pays incentive fees and makes distributions for work performed. Fees earned by AHA from performing such contract administration services are included in AHA's financial statements.

On an annual basis, AHA submits its Comprehensive Operating and Capital Budget to the Board of Commissioners for approval. Throughout the fiscal year, the Board-approved budget is used as a management tool to plan, control and evaluate proprietary fund spending for each major project.

## **AHA's Mission, Vision and Guiding Principles**

Under Ms. Glover's leadership, AHA chartered a new course and embarked on an important and ambitious mission: to transform its delivery of affordable housing by ending the practice of concentrating low-income families and by abandoning the traditional 100 percent public housing model through implementation of a comprehensive and strategic revitalization program (Revitalization Program). Under AHA's Revitalization Program, public-housing-assisted households were relocated to housing of their choice, primarily to private housing (using Housing Choice Vouchers to close the gap for the cost of rent and utilities). After relocation, distressed and obsolete housing projects were demolished and the sites remediated and prepared for development. Through partnerships with excellent private-sector developers, market-rate-quality, mixed-use, mixed-income communities are developed using public and private resources. AHA's Revitalization Program is designed to intentionally deconcentrate poverty and create communities of choice, where Atlanta's families from every socio-economic status can live, learn, work and play as they pursue their version of the American dream.

In response to the deteriorating conditions in AHA's remaining distressed and obsolete public housing projects, the escalating rates of crime in these projects and the need to facilitate the assisted households in moving from such detrimental conditions, AHA designed and began implementing in FY 2007 a program called the "Quality of Life Initiative" (QLI). As of June 30, 2010, AHA successfully completed the relocation of all affected public-housing-assisted households and by December 31, 2010, AHA had completed the demolition of these 12 properties. With the completion of the relocation and demolition phases of QLI, AHA no longer owned or operated any large-family public-housing projects, thereby ending the era of warehousing low-income households in distressed and obsolete developments in isolated and depressed areas.

AHA continues to own 11 elderly high-rise buildings and two small-family public-housing-assisted developments, all of which are well-located in economically integrated neighborhoods. As a result of the above-described strategic initiatives, during FY 2011 and FY 2012, AHA has been able to focus its investments on the remaining AHA-owned residential properties to improve the physical plant and quality of life for its residents.

Moreover, as a result of these strategic initiatives — the Revitalization Program and QLI — AHA's operations are more stable and its financial position is sound.

### **AHA's Vision**

#### ***"Healthy Mixed-Income Communities, Healthy Self-Sufficient Families"***

AHA's strategies and initiatives for facilitating housing opportunities for low-income families in the City of Atlanta are governed by five guiding principles:

1. End the practice of concentrating low-income families in distressed and isolated neighborhoods.
2. Develop communities through public/private partnerships, leveraging private-sector know-how and using public and private sources of funding and private-sector real estate market principles.
3. Create mixed-use, mixed-income communities with the goal of creating market-rate communities with a seamlessly integrated, affordable residential component.

4. Create healthy mixed-use, mixed-income (children-centered) communities using a holistic and comprehensive approach to ensure long-term marketability and sustainability, and to support excellent outcomes for families, especially children, with emphasis on excellent, high-performing neighborhood schools and excellent quality-of-life amenities, such as first-class retail and green space.
5. Residents should be supported with adequate resources to assist them to achieve their life goals, focusing on self-sufficiency and educational advancement of the children. Expectations and standards for personal responsibility should be benchmarked for success.

Since 1994, AHA has been able to successfully deconcentrate poverty through implementation of its Revitalization Program. The Revitalization Program calls for AHA, in partnership with great private-sector developers, to leverage its public housing development funds, its land and its operating subsidies to facilitate for income-eligible households the availability of quality affordable housing opportunities in mixed-use, mixed-income communities. To date, AHA has sponsored the creation of 16 master-planned, mixed-use, mixed-income communities, leveraging more than \$300 million in HOPE VI, other public housing development funds and MTW Funds, resulting in a total financial investment and economic impact of more than \$3 billion.

### **Moving to Work (MTW) Status**

Having moved from “troubled agency” status in 1994 to “high performer” status in 1999 and sustained that status thereafter, AHA applied for and received the MTW designation in 2001. After protracted negotiations with HUD, AHA executed its MTW Agreement with HUD on September 23, 2003, effective as of July 1, 2003. AHA negotiated and executed with HUD an extension of this agreement effective November 13, 2008, as amended on January 16, 2009, which extended the MTW Agreement until June 30, 2018, with rights to further ten-year extensions, subject to HUD’s approval and meeting certain agreed-upon conditions. AHA’s MTW Agreement provides substantial statutory and regulatory relief under the U.S. Housing Act of 1937, as amended. AHA’s program design for implementing its MTW Agreement is reflected in AHA’s multi-year Business Plan, which was prepared leveraging the statutory and regulatory relief under its MTW Agreement and the guiding principles, the lessons learned and best practices from AHA’s Revitalization Program. Under its MTW Agreement, AHA has the statutory and regulatory flexibility to implement local solutions to address local challenges in providing affordable housing opportunities to income-eligible households in Atlanta.

Consistent with the five guiding principles, AHA’s Business Plan sets forth **three primary goals**:

- **Quality Living Environments** — Provide quality affordable housing in healthy mixed-income communities with access to excellent quality-of-life amenities.
- **Self-Sufficiency** — (a) Facilitate opportunities for families and individuals to build economic capacity and stability which reduce their dependency on subsidy, ultimately becoming financially independent; (b) facilitate and support initiatives and strategies to support great educational outcomes for children; and (c) facilitate and support initiatives that enable the elderly and persons with disabilities to live independently with enhanced opportunities for aging well.
- **Economic Viability** — Maximize AHA’s financial soundness and viability to ensure sustainability.

## **FY 2012 Priority Activities**

AHA's enterprise-wide activities continued to be aligned around the **eight major priorities** of AHA's FY 2012 MTW Annual Implementation Plan which are highlighted as follows:

- 1. Advance the Master Plans for AHA-sponsored master-planned mixed-use, mixed-income communities.**
  - Creating mixed-income communities
  - Fostering quality community schools
  - Green space and neighborhood improvements
  - Energy-efficient housing
  - HOPE VI grant closeouts
  - Leveraging public-private partnerships
  - Choice Neighborhoods Planning Grant
  - Comprehensive homeownership programs
- 2. Evolve AHA's asset management business model.**
  - Improving long-term financial stability of real estate
  - Supportive Housing for Homeless, Mental Health and Special Needs Populations
  - Reducing homelessness in Atlanta
- 3. Re-engineer the administration of the Housing Choice Voucher Program.**
  - Piloting program re-design ideas
  - Serving vulnerable families
  - Real estate-centric business approach
- 4. Improve the quality of life at AHA-Owned Residential Communities by greening the properties and increasing efficiencies.**
  - Capital improvements and upgrades to units
  - Saving energy and managing costs
  - Building harmony and respect in communities
  - Bridging the "digital divide"
  - Growing urban community gardens
- 5. Advance the human development strategy through strategic partnerships.**
  - Supporting financial independence and resiliency
  - Connecting to service providers
  - Encouraging educational advancement
  - Funding the Atlanta Community Scholars Awards (ACSA)
  - Aging Well Program
- 6. Implement the integrated Enterprise Resource Planning (ERP) solution.**
  - Launching first phase of new ERP solution
  - Improving processes
  - Reducing reporting errors

**7. Streamline AHA's operations and strengthen AHA's financial position through new sources of funding and revenue, and by managing costs.**

- Increasing operational efficiency
- Funding and revenue activities

**8. Leverage AHA's human resources.**

- New Performance Management and rewards process
- Technology links human resources and payroll processes

**During FY 2012, AHA achieved the following:**

- 21,035 households served by AHA.
- 69 percent of households were either work compliant or deferred under AHA's work/program requirement. Deferred families were supported in a tough economy through their engagement in training and education leading to jobs and self-sufficiency. A culture of work, resiliency and self-reliance has been embraced by our customers.
- 234 new affordable rental units (including low income housing tax credit units) and 24 new market-rate rentals were completed in AHA-sponsored mixed-use, mixed-income communities on the sites of former public housing projects.
- 33 low-income, first-time home-buyers received down payment assistance from AHA.
- 9,277 households (6,878 of whom live in the City of Atlanta) received assistance through the Housing Choice Voucher Program.
- 126 units were added to the affordable housing inventory by private developers utilizing AHA's Project Based Rental Assistance (PBRA) Program.
- 87 units under PBRA Agreements with private owners were added to provide housing for vulnerable groups such as homeless persons, veterans, and persons with mental or developmental disabilities, all with wrap-around supportive services. Our commitment to the Regional Commission on Homelessness and the United Way was sustained by providing permanent supportive housing for a total of 546 formerly homeless households.
- \$0.9 million of the remaining balance of the \$26.6 million Federal American Recovery and Reinvestment Act (ARRA) stimulus grant awarded by HUD in 2009 was expended for the common areas and exteriors of the 13 AHA-Owned (public housing-assisted) Residential Communities. AHA also expended an additional \$1.8 million in MTW funds for repairs and upgrades to selected units.
- 62 percent of residents of AHA-Owned Residential Communities are crossing the digital divide using the new computer rooms and services as a part of AHA's Aging Wellness Initiative.
- 46 students were awarded over \$100,000 in scholarships through AHA's Atlanta Community Scholars Award.

These and other successes are highlighted in AHA's FY 2012 MTW Annual Report.

## **Transforming the Business of Helping People**

We take our responsibility of service to the community and the families we serve very seriously. Our MTW Agreement has allowed us to be innovative and engage our partners and stakeholders in local problem-solving. This innovation extends to the back-office operations and the way we do business.

In FY 2010, AHA began a multi-year, comprehensive business transformation to better serve our families and to position AHA as a best-in-class diversified real estate company with a public mission and purpose. In partnership with Boston Consulting Group (BCG), an international strategy and business consulting firm, AHA assessed our business model, strategy and operations from five dimensions: process, policy and procedure, people, technology, and data.

During FY 2012, we continued to re-engineer our business and implement the Business Transformation Initiative.

In our first major success, AHA implemented the first phase of the Yardi Enterprise Resource Planning (ERP) Solution — on-time and as budgeted — and immediately reduced manual paper invoice approval processes. By the end of FY 2013, we expect to substantially complete the implementation of the ERP Solution and begin realizing other long-term efficiencies.

## **Economic Conditions**

Like every other major metropolitan area in the United States, metropolitan-Atlanta has been adversely impacted by the global economic recession. Many local and national economists have stated that metropolitan-Atlanta and Georgia remain attractive places to live, work and invest because the fundamentals are quite strong. Metropolitan-Atlanta enjoys the benefits of moderate weather, an educated workforce, a concentration of excellent colleges and universities, and the Hartsfield Jackson International Airport. Such economists have stated that, given these fundamentals, Atlanta's economic recovery will be better than that of the nation. Job loss data suggests, however, that Atlanta in the near term has been hit slightly harder by the recession than the nation. Net job growth in metropolitan-Atlanta began in late 2010 and continued through 2011 and 2012, but at a sluggish pace. All indications suggest full recovery will take several more years.

AHA has been similarly impacted as follows:

- AHA-sponsored development activities, in partnership with private developers, rely on private investment and the conditions in the real estate and financial markets. AHA expects that our development activities will pick up as those markets improve and credit becomes more available.
- Recently, the multi-family rental market has begun to recover nationally and in the City of Atlanta. This growth is primarily in response to a very soft market for the production and sale of single-family homes.
- The downturn in the Atlanta real estate market has created both opportunities and challenges. AHA has been able to purchase real estate at more reasonable prices to advance revitalization activities. In this environment, real estate owners throughout the City of Atlanta have been willing to participate in the PBRA initiative, thereby guaranteeing a stream of income for a percentage of their units in a soft market. This has opened new markets in Atlanta for this initiative. Households using tenant-based Housing

Choice Vouchers have had a broader array of choices to use their vouchers, tempered by the heightened risk of foreclosure. With the recent recovery in the multi-family rental market, AHA will need to develop new incentives and approaches in order to facilitate continued access to Class A and B properties to tenant-based voucher holders.

- AHA-assisted households have been impacted by the downturn in the employment market which will result in higher aggregate subsidy payments from AHA until the employment market recovers.
- In preparing our budget for FY 2013 in the context of the reality of the staggering Federal deficit, AHA has been more conservative in making assumptions and projections concerning revenue. AHA believes that as a result of: a) the statutory and regulatory relief provided under its MTW Agreement; b) the operational and financial efficiencies resulting from combining its low-income operating funds, Housing Choice Voucher funds and certain capital funds into a single fund and preparing a multi-year Business Plan; and c) the elimination of the obsolete, distressed and socially dysfunctional public housing projects through the thoughtful implementation of its comprehensive Revitalization Program and QLI, it is well-positioned to come through this economic downturn. Even in a down economy, these strategic steps have enabled AHA to provide income-eligible households with substantially better housing opportunities in amenity-rich communities and neighborhoods.

We wish to express our appreciation to all of the individuals who contributed to the preparation of this Report.

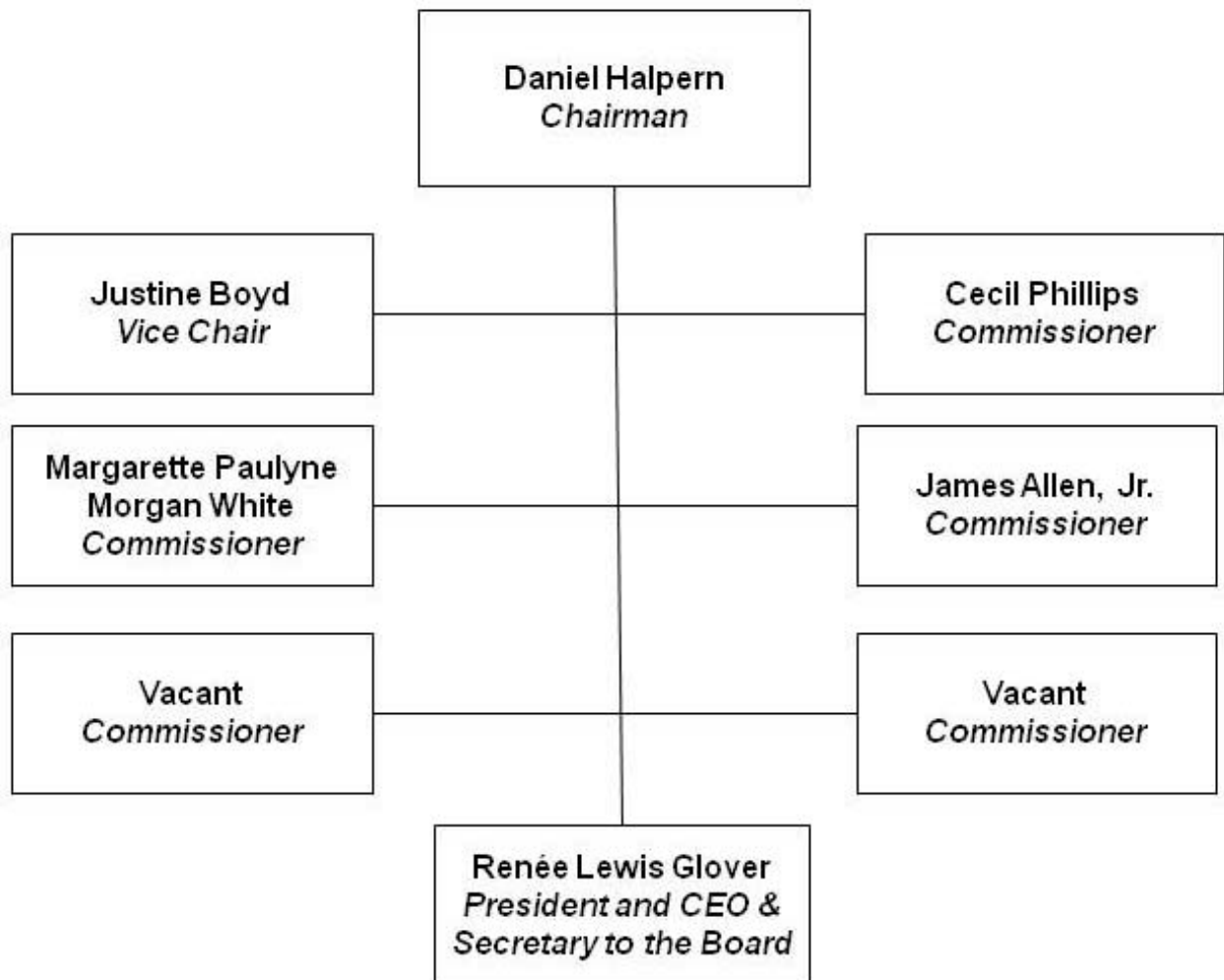


Renée Lewis Glover  
President and Chief Executive Officer



Suzi Reddekopp  
Chief Financial Officer

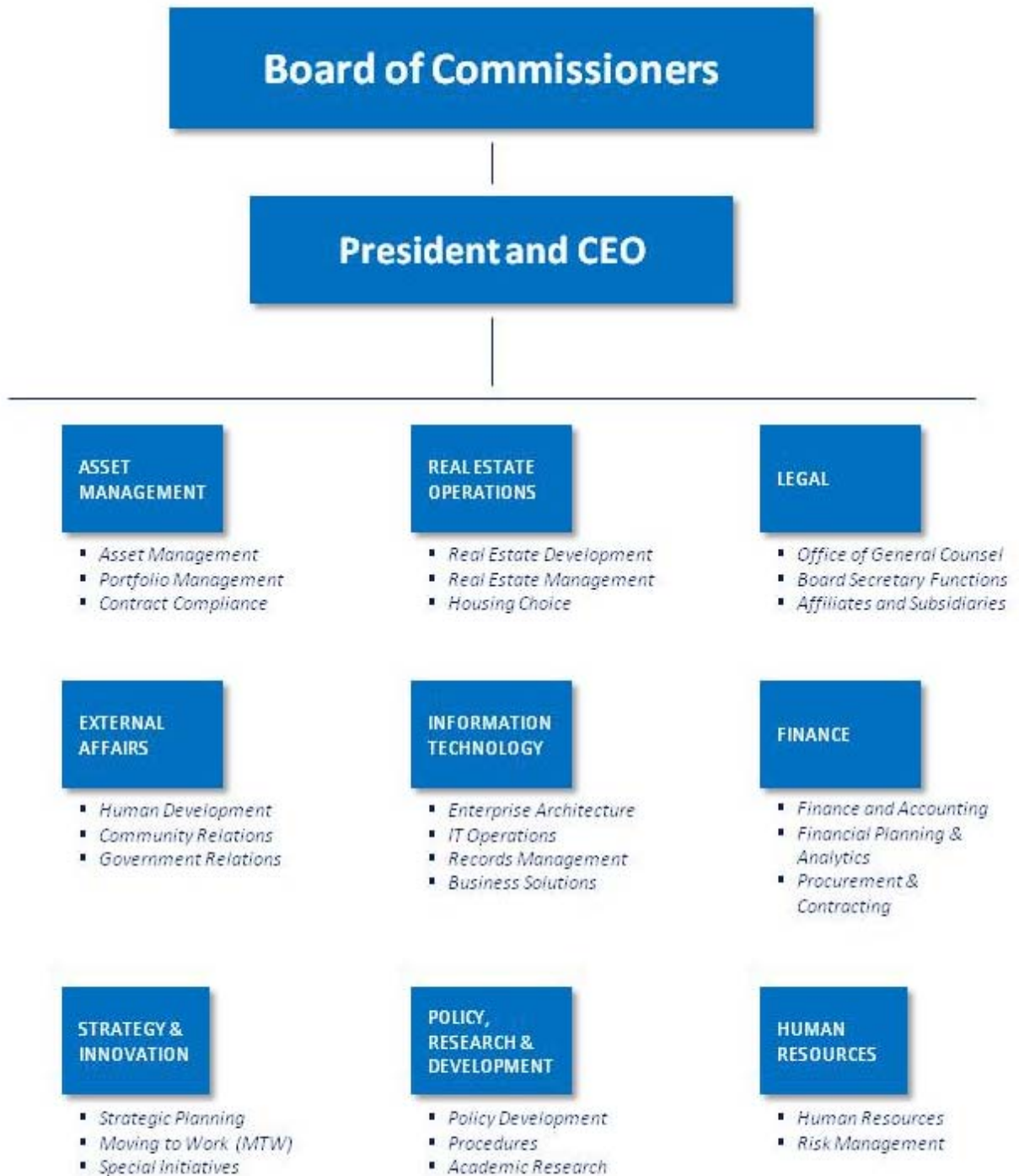
## AHA's Board of Commissioners



As of June 30, 2012



# AHA's Organizational Structure



As of June 30, 2012

## **FINANCIAL SECTION**

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## Independent Auditors' Report

Board of Commissioners  
The Housing Authority of the City of Atlanta, Georgia

We have audited the accompanying financial statements of The **Housing Authority of the City of Atlanta, Georgia** (hereinafter referred to as the "**Atlanta Housing Authority**") as of and for the fiscal years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of the **Atlanta Housing Authority**'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the **Atlanta Housing Authority**, as of June 30, 2012 and 2011 and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2012 on our consideration of the **Atlanta Housing Authority**'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 read in conjunction with this report in considering and assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 38 and the Schedule of Pension Funding Progress on page 72 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements of the **Atlanta Housing Authority** taken as a whole. The Financial Data Schedules and notes thereto, the Schedule of HUD-Funded Grants, and Program Cost Certification Schedules listed as "Other Supplementary Information" in the table of contents are required by the United States Department of Housing and Urban Development and are presented for purposes of additional analysis and are not a required part of the financial statements of the **Atlanta Housing Authority**. The Financial Data Schedules, the Schedule of HUD-Funded Grants, and Program Cost Certification Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements taken as a whole.

Our audits were conducted for the purpose of forming an opinion on the financial statements of the **Atlanta Housing Authority** taken as a whole. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. These sections have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.



Atlanta, Georgia  
November 27, 2012

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

*The management of The Housing Authority of the City of Atlanta, Georgia (AHA) is providing this Management's Discussion and Analysis as an analytical overview of AHA's financial performance for the fiscal years ended June 30, 2012 (FY 2012) and June 30, 2011 (FY 2011). This document should be read in conjunction with the Letter of Transmittal, AHA's Financial Statements and accompanying Notes.*

### **Moving to Work (MTW) Demonstration Program**

AHA is an MTW agency under HUD's MTW Demonstration Program which provides certain "high-performing" agencies with substantial statutory and regulatory relief under the U.S. Housing Act of 1937, as amended (1937 Act), as reflected in an agreement between the selected agency and HUD. AHA negotiated and entered into its MTW Agreement with HUD on September 25, 2003 which was effective from July 1, 2003 through June 30, 2010. In response to HUD's decision to introduce a standard form of agreement and expand the MTW Demonstration Program, AHA successfully negotiated and executed an Amended and Restated MTW Agreement on November 13, 2008. On January 16, 2009, AHA and HUD executed a further amendment to the Amended and Restated MTW Agreement. AHA's MTW Agreement, as amended and restated, is referred to as the "MTW Agreement."

AHA's MTW Agreement incorporates its legacy authorizations from its initial MTW Agreement and clarifies AHA's ability to use MTW-eligible funds outside of Section 8 and Section 9 of the 1937 Act. AHA's MTW Agreement was extended until June 30, 2018, and may be automatically extended for additional 10-year periods, subject to HUD approval and AHA meeting certain agreed-upon conditions. AHA developed its base Business Plan in FY 2004, which lays out AHA's strategic goals and objectives during the term of its MTW Agreement. AHA's Business Plan and its subsequent annual MTW Implementation Plans on a cumulative basis outline AHA's priority projects, activities and initiatives to be implemented during each fiscal year.

### **Significance of MTW**

AHA's MTW Agreement has enabled it to strengthen its financial position and to face the headwinds resulting from Federal budget deficits and the Congressional Appropriations process. Under its auspices, AHA has been able to operate as an innovator and problem solver, to be a nimble, efficient and effective real estate enterprise, and to serve more low-income families in the City of Atlanta. The MTW Agreement has removed regulatory and statutory barriers, and has enabled AHA to align its policies, business processes and practices with the goal of leveraging private-sector investment and incenting participation by private real estate developers and owners, as well as investors in long-term public/private partnerships, utilizing private-sector real estate business principles in achieving AHA's goals and objectives. Through these public/private partnerships, AHA is able to do more with less, realize better operating efficiencies and effectiveness, and achieve dramatically better outcomes for AHA-assisted families and AHA's real estate investments. The relief provided AHA under the MTW Agreement is essential to AHA's continued success and long-term financial viability.

The Housing Authority of the City of Atlanta, Georgia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **MTW Single Fund**

Under its MTW Agreement, AHA has combined its Public Housing Operating Subsidy, MTW Housing Choice Voucher Funds and Capital Fund Program Grant awards into an MTW Single Fund which may be used for MTW-eligible activities as authorized under the MTW Agreement and set forth in AHA's Business Plan and annual MTW Implementation Plans. Although the programmatic restrictions for each of these funding sources have been waived under AHA's MTW Agreement, the various funds that make up AHA's MTW Single Fund have different expiration dates, obligation and expenditure dates, and drawdown conditions, the most recent of which is HUD's new approach to disbursing the Housing Choice Voucher Funds.

At the beginning of calendar year 2012, HUD made a major change in its approach in disbursing Housing Choice Voucher Funds to public housing authorities (PHAs). HUD now disburses such funds based on a PHA's historical housing assistance payment spend rate and projected need, rather than in 12 equal installments of the full annual authorization. As an MTW agency, HUD also allows AHA to include expenditures of MTW funds for MTW-eligible activities under its HUD-approved MTW Annual Implementation Plans for the purposes of HUD's spend rate and needs analyses. PHAs may request additional disbursements up to their annual authorization, but must expend all funds drawn or face further disbursement reductions in the future. In response to all of these factors, AHA adopted a cash management strategy designed to meet such requirements while preventing the forfeiture of funds as a result of expenditure deadlines. This new cash management strategy required AHA to manage its draws of all three funding sources in FY 2012 to respond to HUD's new Housing Choice Voucher Funds disbursement methodology. At the end of the year, AHA deferred drawing \$14.5 million in Housing Choice Voucher Funds which, under the prior HUD methodology, would have been drawn in FY 2012. This deferral had a temporary negative impact on AHA's cash balances and, therefore, Net Assets as of June 30, 2012 as compared to June 30, 2011.



### **FY 2012 Overview**

AHA's financial position remained strong with net assets of \$433.2 million at June 30, 2012. An overview of AHA's operations, including initiatives and activities pursued by AHA during the year, are summarized below and are further described in the **FY 2012 Financial Highlights** beginning on page 21.



The Housing Authority of the City of Atlanta, Georgia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FY 2012 Overview — continued**

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During FY 2012, over 95% of AHA's funding came from HUD in the form of Housing Choice Voucher Funds, Public Housing Operating Subsidy and Capital Fund grants. As stated previously, at the beginning of calendar year 2012, HUD made a major change in its approach in disbursing Housing Choice Voucher Funds to public housing authorities. In response, AHA adopted a new cash management strategy designed to prevent the potential forfeiture of funds.

AHA also received revenue from rents paid by residents of the 13 AHA-Owned Residential Communities; fees earned in connection with development activities under its Revitalization Program; participation with the individual Owner Entities in net cash flows from mixed-income, mixed-finance rental communities (in the form of interest payments on AHA's subordinated debt or ground lease payments, depending on the deal structure); profit participation from the sale of single family homes at the sites of the master-planned, mixed-use, mixed-income communities; and fees earned as a subcontractor and member of Georgia HAP Administrators, Inc. *dba* National Housing Compliance (Georgia HAP).

Nearly 19 years ago, AHA chartered a new course and embarked on an important and ambitious mission: to end the practice of concentrating low-income families in poverty and abandon the traditional 100% public housing model. AHA has accomplished this goal through the implementation of its comprehensive and strategic mixed-use, mixed-income revitalization program (Revitalization Program) using the seed funding and regulatory flexibility under the HOPE VI Demonstration program (Hope VI). Starting in 1994, AHA and The Integral Partnership of Atlanta (TIPA), its procured program manager and private-sector development partner for the revitalization of Techwood/Clark Howell Homes created the first mixed-use, mixed-income community (with public-housing-assisted units as a component) in the United States. The financial, regulatory and development model used to develop Centennial Place was adopted and has been used by HUD since 1995 as the national blueprint for mixed-income, mixed-finance rental communities. Leveraging the learning and best practices from its early success in creating Centennial Place, AHA successfully competed for and received six additional HOPE VI revitalization grants, one public housing development grant and four HOPE VI demolition grants totaling approximately \$200 million. To date, AHA and its private-sector development partners have created 16 mixed-use, mixed-income communities leveraging AHA-owned land and approximately \$300 million in HOPE VI and other public housing development grants into approximately \$3 billion in public and private investment and economic impact. During FY 2012, the financial close-outs for the remaining three HOPE VI grants were successfully submitted to HUD. Although the programmatic grant requirements have been met, AHA and its development partners are leveraging the value created in the newly revitalized communities to implement additional mixed-use residential and commercial development as described in the various Master Plans primarily using private sources of funds. Consistent with this strategy, during FY 2012, AHA and its private-sector development partners continued to use MTW and other sources of funds as seed capital to advance the community-building strategies as outlined in the Master Plans. Significant FY 2012 activities by Master Plan are addressed on page 23.

In collaboration with HUD, AHA and TIPA continued their efforts to evolve the reformulation demonstration program for the four rental phases at Centennial Place. This demonstration program is designed to improve the long-term financial sustainability and market competitiveness of Centennial Place. The demonstration program proposes the conversion of the Section 9 public-housing-assisted



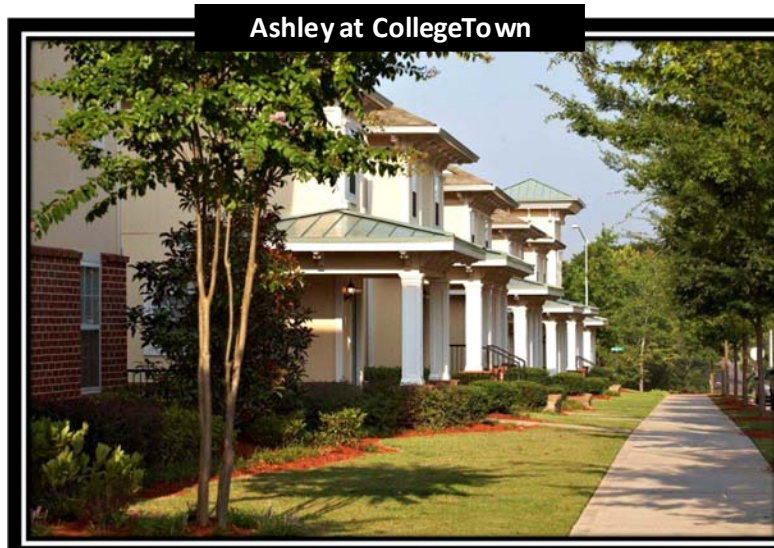
The Housing Authority of the City of Atlanta, Georgia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FY 2012 Overview — continued**

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units (ACC units) into Section 8 project-based rental assisted units under AHA's Project Based Rental Assistance (PBRA) Agreement. As proposed, the conversion will allow the Owner Entities of the four rental phases at Centennial Place to raise private debt and equity using the net operating income generated by each such phase (including the AHA-assisted units) to pay for much-needed capital improvements. AHA intends to use the protocols and learning from this demonstration program to facilitate similar improvements at other AHA-sponsored master-planned communities as they age.

Working with its private-sector development partners, AHA also continued to advance first-time home ownership through its Builders/Owners Agreement Initiative by entering into agreements with single-family homebuilders and owners to provide down payment assistance to qualified families to purchase homes from those Builders/Owners at considerably discounted prices throughout the City of Atlanta.



AHA continues to facilitate quality affordable housing opportunities for low-income families through the tenant-based Housing Choice Voucher Program (HCVP), AHA's Project Based Rental Assistance (PBRA) Program, AHA-sponsored mixed-use, mixed-income communities and AHA-Owned Residential Communities.

Almost half of the families served by AHA during FY 2012 received housing assistance through HCVP. Through attrition, the number of families served continued to decrease during FY 2012 under this program as AHA strategically reprogrammed a portion of these funds to support additional housing opportunities under AHA's PBRA Program.

AHA continues to expand and enhance its PBRA Program. Under this program, through a competitive process, AHA leverages private-sector development activity by entering into long-term subsidy agreements, renewable for up to 15 years, with private-sector developers and owners with respect to an agreed-upon percentage of units in multi-family rental developments so that the units are affordable to low-income families. The PBRA Program has proven to be an effective and efficient method for increasing the supply of quality affordable units in mixed-income rental communities for income-eligible families throughout the City of Atlanta.

The Housing Authority of the City of Atlanta, Georgia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FY 2012 Overview — continued**

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AHA also leveraged its PBRA Program to partner with mission-oriented for-profit, not-for-profit and faith-based developers/owners to create supportive housing opportunities for at-risk populations combined with wrap-around supportive services and case management. These Supportive Housing communities help address the critical shortage of service-enriched affordable housing for homeless persons and persons with mental, developmental and physical disabilities. Through a competitive process, AHA selects and enters into a two-year renewable PBRA subsidy agreement with for-profit, not-for-profit and/or faith-based developers/owners with respect to an agreed-upon percentage of units in a supportive service-enriched rental development so that the units are affordable to persons who are homeless or who have special needs.

AHA continued to provide operating subsidy to Owner Entities of mixed-income, mixed-finance rental communities, in accordance with regulatory and operating agreements with them, to cover the operating costs of AHA-assisted units in mixed-income rental communities not covered by tenant rents.

AHA continued to fund operating expenses not covered by tenant rents including human development services to support residents, most of whom are seniors, at the AHA-Owned Residential Communities. In addition, a second Energy Performance Contract (EPC) was consummated which combined an EPC bank loan with MTW funds to enhance vibrant “aging well” environments through capital improvements utilizing energy conservation and efficiency solutions at these communities. The EPC structure provides for the loan to be repaid through future energy savings resulting from these improvements. The terms of the loan agreement provided that all proceeds would be fully drawn at signing and placed in an escrow account. The undrawn balance at June 30, 2012 is reflected in Current Assets on AHA’s Balance Sheet.

In order to improve efficiencies and enhance service levels to the families we serve, AHA continued its business transformation by substantially completing the engagement which began in 2010 with the Boston Consulting Group (BCG), a global professional business consulting firm. During FY 2012, AHA continued the implementation, with the support of BCG, of recommendations and strategies made by BCG and agreed to by AHA, including: (i) aligning AHA’s organization structure, culture, human resources, information technology and other systems in order to sustain and elevate its national reputation as a thought leader and innovator in affordable housing; (ii) advancing business process improvements in which AHA redesigned processes, operating policies and procedures to provide a road map to a “best in class” organization; and (iii) the implementation of a new integrated Enterprise Resource Planning (ERP) solution which was approved by the Board in January 2011. The first phase of the ERP solution went “live” on July 2, 2012. The remaining phases are projected to be substantially complete by the close of FY 2013.

In June 2012, AHA’s Board approved the \$3.2 million payoff of the mortgage on its headquarters building at 230 John Wesley Dobbs Avenue. This early payoff was made as a part of AHA’s cash management strategy and to ensure that AHA met its performance benchmark under its MTW Agreement for expending greater than 98% of its FY 2012 MTW Housing Choice Voucher Funds annual budget allocation on MTW-eligible activities.

The Housing Authority of the City of Atlanta, Georgia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Creating Model Communities**

By leveraging AHA's public housing development funds and land with private-sector know-how and branding, private funds and other resources over the past 19 years, AHA, in partnership with excellent private-sector developers, has facilitated and expanded the availability of quality affordable housing opportunities in amenity-rich, mixed-use, mixed-income communities. In doing so, AHA has made a significant impact on de-concentrating poverty in the City of Atlanta. AHA and its private-sector partners have leveraged well over \$300 million in HOPE VI and other public housing development funds, producing more than \$3 billion in new financial investments and economic impact in once-distressed and economically disinvested neighborhoods throughout the City of Atlanta. As described in the Letter of Transmittal, the FY 2012 strategy was again this year closely aligned around major priorities and several ongoing enterprise initiatives, which continue AHA's evolution as an effective, high-performing, diversified real estate company, with a public mission and purpose.



The Housing Authority of the City of Atlanta, Georgia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FY 2012 FINANCIAL HIGHLIGHTS**

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Net Assets were **\$433.2 million** and **\$435.8 million** respectively at June 30, 2012 and June 30, 2011, reflecting a **\$2.6 million** decrease between years (less than a one-percent change).

The FY 2012 Financial Highlights, as well as year-over-year analysis, follow.

**AHA-Owned Residential Communities**

- Continued to serve households in two family communities and advance the strategic goal of independent living and improving the quality of life for seniors “aging well” at the 11 senior high-rises as follows:
  - Funded \$11.9 million in operating expenses not covered by tenant rents including human development services, to support 1,943 households, most of whom are seniors.
  - Implemented energy conservation and efficiency solutions at the communities using \$6.7 million in draws from a \$9.1 million EPC bank loan, supplemented by \$1.8 million in MTW funds.
  - Spent the remaining balance of approximately \$0.9 million of the Federal stimulus American Recovery and Reinvestment Act (ARRA) grant awarded by HUD in 2009 for renovations at the communities and completion of the demolition of the remaining Quality Living Initiative (QLI) projects, fully expending the \$26.6 million award. The ARRA grant was a one-time special award as part of the Administration’s response to the dire economic conditions in 2008.

**Cheshire Bridge Road Highrise**



**Peachtree Road Highrise**



The Housing Authority of the City of Atlanta, Georgia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Housing Choice Voucher Program (HCVP)**

- Supported 9,277 households at the end of FY 2012 under the tenant-based Housing Choice Voucher Program, including participants who moved outside AHA's service area and participants who moved into AHA's service area from other public housing agencies.
- Other significant HCVP accomplishments during FY 2012 include:
  - Awarded, for the first time, 25 HUD Veterans Affairs Supportive Housing (HUD-VASH) vouchers, a cooperative program between HUD and the Veterans Administration to support homeless veterans.
  - Increased the number of households served who ported into the City of Atlanta by 85, bringing the total to 170. In September 2010, AHA began to invoice other public housing authorities for administering their vouchers (rather than absorbing their vouchers), collecting more than \$1.3 million in reimbursements and administrative fees during FY 2012.
  - Continued to realize savings through the rent reasonableness initiative implemented under the auspices of AHA's MTW Agreement in FY 2011.
  - Continued to promote homeownership through the Housing Choice mortgage assistance program, serving 83 families at the end of FY 2012.
  - While the families served under HCVP decreased by a net of 634 during FY 2012, AHA strategically reprogrammed a portion of the savings to support additional housing opportunities under the PBRA Program.
  - Provided a total of \$94.9 million in housing assistance payments to 9,107 households under the tenant-based HCVP.

**Project Based Rental Assistance (PBRA) Program**

- Increased the number of households served by a net of 126 in PBRA mixed-income developments under PBRA agreements with private property owners, bringing the total to 2,417.
- Increased the number of households served by a net of 104 at AHA-sponsored master-planned communities under PBRA agreements with Owner Entities, bringing the total to 1,327.
- Increased the number of participants by 87 in AHA-assisted supportive housing environments under PBRA agreements, bringing the total served to 546 under AHA's Supportive Housing Program.
- Provided a total of \$31.6 million in PBRA payments supporting a total of 4,290 units under AHA's PBRA Program.



The Housing Authority of the City of Atlanta, Georgia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Operating Subsidy Provided to Owner Entities of Master-Planned Communities**

- Increased the number of public-housing-assisted units for families residing in AHA-sponsored Mixed-Income, Mixed-Finance (MIMF) Communities by 47, bringing households served to 2,471.
- Provided \$14.1 million in operating subsidy to Owner Entities, in accordance with regulatory and operating agreements with them, to cover the operating costs of AHA-assisted units in mixed-income communities not covered by tenant rents.

**Revitalization Activities**

AHA and its private-sector development partners continue to advance the Master Plans of the mixed-use, mixed income communities, with significant accomplishments during FY 2012 as follows:

**Auburn Pointe — Grady Homes Revitalization**

- Construction and lease-up were completed by the Owner Entity on Phase VII, a 102-unit independent senior community consisting of 91 PBRA/Low-Income Housing Tax Credits (LIHTC) and 11 market-rate units.
- AHA made a significant contribution toward the revitalization of city-owned Selena S. Butler Park, located adjacent to Auburn Pointe. The improvements were completed through collaborative efforts by AHA, its development partner, the City of Atlanta and a number of other organizations.

**Capitol Gateway — Capitol Homes Revitalization**

- Acquired land to expand mixed-use residential development.
- Under the Livable Communities Initiative, the Atlanta Regional Commission, the City of Atlanta and AHA funded streetscape improvements along Memorial Drive; the work will be completed by AHA's development partner in FY 2013.

**Centennial Place — Techwood/Clark Howell Revitalization**

- Continued to advance AHA's proposal for reformulation of the public housing operating subsidy into project-based rental assistance utilizing AHA's PBRA Agreement.

**CollegeTown at West End — Harris Homes Revitalization**

- Provided down payment assistance in the form of subordinated loans to 13 home buyers utilizing Builders/Owners agreements for homes already constructed within three miles of the former Harris Homes site.

**Mechanicsville — McDaniel Glenn Revitalization**

- Construction and lease-up were completed by the Owner Entity on Phase VI, a 156-unit multi-family rental community, consisting of 47 public housing-assisted/LIHTC, 32 PBRA/LIHTC, 53 LIHTC, and 24 market-rate units leased-up in FY 2012. This is the first designated Leadership in Energy and Environmental Design (LEED) Silver Project in AHA's master-planned, mixed-income, mixed-finance community portfolio.

The Housing Authority of the City of Atlanta, Georgia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Revitalization Activities (Mechanicsville) — continued**

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- Provided down payment assistance in the form of subordinated loans to 14 home buyers utilizing Builders/Owners agreements for homes already constructed within three miles of the former McDaniel Glenn site.

**The Villages at Carver — Carver Homes Revitalization**

- Acquired sites in the Pryor Road corridor to advance retail development. Advanced environmental remediation related to these acquisitions.

**West Highlands at Heman E. Perry Boulevard — Perry Homes Revitalization**

- Completed off-site public improvements to support the construction of 54 single-family homes.
- AHA's development partner continued to construct single-family homes and sold 17 homes during the year. Of the 17 sold, AHA provided down payment assistance in the form of subordinated loans to six home buyers. AHA participates in the net profit from the sale of these homes.



**Scholars Landing — University Homes Revitalization**

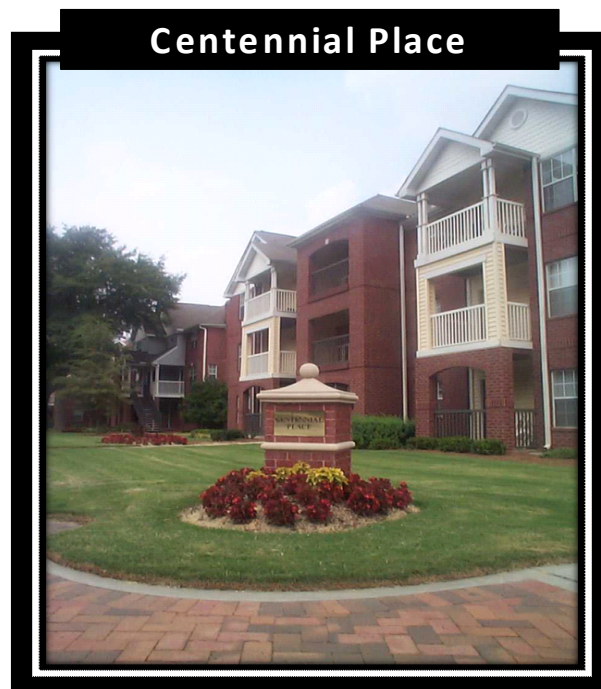
- AHA's development partner received an award of 9% Low-Income Housing Tax Credits for Phase VIII, an independent senior community consisting of 100 PBRA/LIHTC units. The closing for vertical construction occurred in December 2011 and construction commenced with an anticipated completion date of April 2013.
- Site remediation and public improvement work began for Phase VIII in FY 2012 and will be completed in FY 2013.

The Housing Authority of the City of Atlanta, Georgia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Revitalization Activities (Scholars Landing) — continued**

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- As part of the revitalization of University Homes, AHA was awarded a \$250,000 Choice Neighborhood Planning Grant in FY 2011. Most of the community outreach and conceptual planning work was performed during FY 2012, which included developing a Choice Neighborhood Transformation framework. The development of the conceptual framework is a collaborative effort among AHA, AHA's development partner, the Atlanta University Center colleges and universities, the City of Atlanta, Atlanta Public Schools, the metropolitan YMCA, a master-planning consulting firm and representatives from the surrounding communities.





The Housing Authority of the City of Atlanta, Georgia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FINANCIAL ANALYSIS**

**CONDENSED STATEMENTS OF REVENUE, EXPENSE  
AND CHANGES IN NET ASSETS**

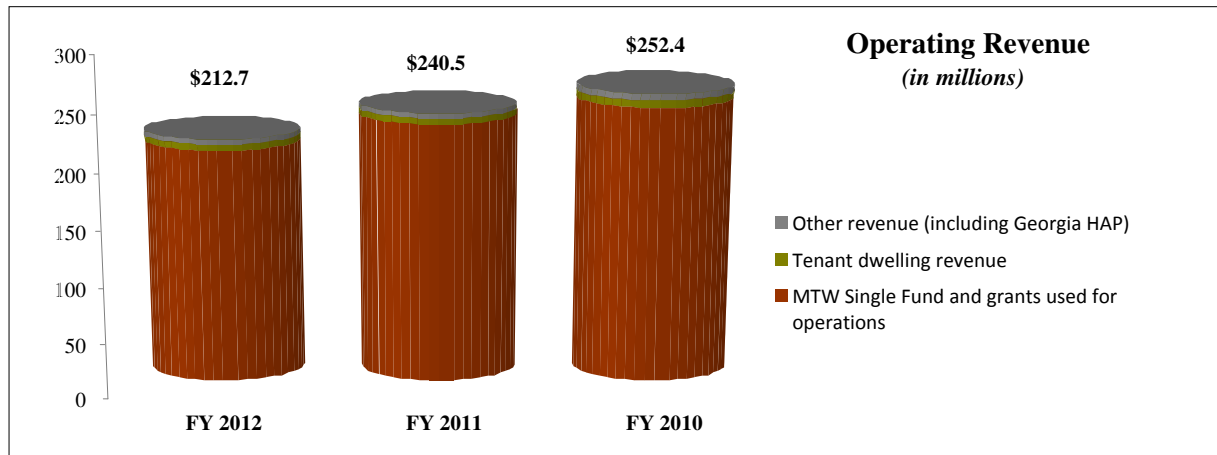
Years ended June 30,

(in millions)

|   |                |                |                | 2012 vs.<br>2011<br>Increase/<br>(Decrease) | 2011 vs.<br>2010<br>Increase/<br>(Decrease) |
|---|----------------|----------------|----------------|---|---|
|   | 2012           | 2011           | 2010           |   |   |
| <b>Operating revenue:</b>   |                |                |                |   |   |
| MTW Single Fund and grants used for operations  | \$203.3        | \$231.0        | \$240.8        | (\$27.7)                                    | (\$9.8)                                     |
| Tenant dwelling revenue   | 5.4            | 5.4            | 5.7            | 0.0   | (0.3)                                       |
| Other revenue (including Georgia HAP)   | 4.0            | 4.1            | 5.9            | (0.1)                                       | (1.8)                                       |
| <b>Total operating revenue</b>  | <b>\$212.7</b> | <b>\$240.5</b> | <b>\$252.4</b> | <b>(\$27.8)</b>                             | <b>(\$11.9)</b>                             |
| <b>Operating expense:</b>   |                |                |                |   |   |
| Housing assistance payments (HAP)   | \$140.6        | \$147.4        | \$147.3        | (\$6.8)                                     | \$0.1                                       |
| Utilities, maintenance and protective services  | 13.8           | 13.0           | 13.1           | 0.8   | (0.1)                                       |
| Resident and participant services   | 3.9            | 3.6            | 1.0            | 0.3   | 2.6   |
| General and administrative, including direct operating division expense and Georgia HAP | 49.1           | 48.9           | 48.7           | 0.2   | 0.2   |
| Depreciation and amortization   | 7.7            | 7.5            | 8.1            | 0.2   | (0.6)                                       |
| <b>Total operating expense</b>  | <b>\$215.1</b> | <b>\$220.4</b> | <b>\$218.2</b> | <b>(\$5.3)</b>                              | <b>\$2.2</b>                                |
| <b>Net operating (loss) income</b>  | <b>(\$2.4)</b> | <b>\$20.1</b>  | <b>\$34.2</b>  | <b>(\$22.5)</b>                             | <b>(\$14.1)</b>                             |
| <b>Non-operating revenue:</b>   |                |                |                |   |   |
| Capital grant revenue   | \$3.3          | \$38.3         | \$24.2         | (\$35.0)                                    | \$14.1                                      |
| Interest and investment income  | 1.1            | 0.4            | 1.3            | 0.7   | (0.9)                                       |
| Gain on sale of land  | 0.0            | 0.1            | 0.0            | (0.1)                                       | 0.1   |
| <b>Total non-operating revenue</b>  | <b>\$4.4</b>   | <b>\$38.8</b>  | <b>\$25.5</b>  | <b>(\$34.4)</b>                             | <b>\$13.3</b>                               |
| <b>Non-operating expense:</b>   |                |                |                |   |   |
| Demolition and remediation expense  | \$0.6          | \$7.4          | \$14.8         | (\$6.8)                                     | (\$7.4)                                     |
| Other revitalization expense  | 2.4            | 1.2            | 4.1            | 1.2   | (2.9)                                       |
| Relocation-related expense  | 0.1            | 2.6            | 7.0            | (2.5)                                       | (4.4)                                       |
| Valuation allowance expense   | 0.8            | 1.9            | 1.0            | (1.1)                                       | 0.9   |
| Interest expense  | 0.7            | 0.1            | 0.2            | 0.6   | (0.1)                                       |
| <b>Total non-operating expense</b>  | <b>\$4.6</b>   | <b>\$13.2</b>  | <b>\$27.1</b>  | <b>(\$8.6)</b>                              | <b>(\$13.9)</b>                             |
| <b>Net non-operating (expense) revenue</b>  | <b>(\$0.2)</b> | <b>\$25.6</b>  | <b>(\$1.6)</b> | <b>(\$25.8)</b>                             | <b>\$27.2</b>                               |
| <b>Change in net assets</b>   | <b>(\$2.6)</b> | <b>\$45.7</b>  | <b>\$32.6</b>  | <b>(\$48.3)</b>                             | <b>\$13.1</b>                               |
| <b>Net Assets — beginning of year</b>   | <b>\$435.8</b> | <b>\$390.1</b> | <b>\$357.5</b> | <b>\$45.7</b>                               | <b>\$32.6</b>                               |
| <b>Net Assets — end of year</b>   | <b>\$433.2</b> | <b>\$435.8</b> | <b>\$390.1</b> | <b>(\$2.6)</b>                              | <b>\$45.7</b>                               |

The Housing Authority of the City of Atlanta, Georgia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**OPERATING REVENUE**



**FY 2012 vs. FY 2011**

*Total operating revenue* decreased by **\$27.8 million**, primarily due to *MTW Single Fund and grants used for operations* realizing a combined decrease of **\$27.7 million**, addressed separately as follows:

- MTW Single Fund used for operations decreased \$20.8 million due to the following:
  - Public Housing Operating Subsidy, which is based on occupied units, decreased by \$5.8 million due to the elimination of QLI properties, as well as a decrease in funding levels by HUD (proration).
  - Housing Choice Voucher revenue decreased due to AHA's implementation of a cash management strategy in response to HUD's new Housing Choice cash disbursement methodology. In order to accommodate HUD's new guidance and limitations, AHA reduced its draw of funds during the last two months of FY 2012, resulting in a year-over-year decrease of \$9.0 million in MTW Housing Choice funds. These funds were drawn in early FY 2013.
  - Capital Fund Program (CFP) revenue decreased \$6.0 million as these funds were not drawn in FY 2012, but remain available for future years subject to expenditure deadlines.
- Grants used for operations decreased \$6.9 million primarily due to the following:
  - ARRA grant used for operations decreased \$4.6 million as AHA drew \$4.8 million against the grant for non-capitalized expenditures in FY 2011 versus \$0.2 million in FY 2012.
  - Development and HOPE VI grants used for operations decreased \$2.3 million as AHA drew \$5.7 million against the grants for non-capitalized expenditures in FY 2011 versus \$3.4 million in FY 2012.

The Housing Authority of the City of Atlanta, Georgia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

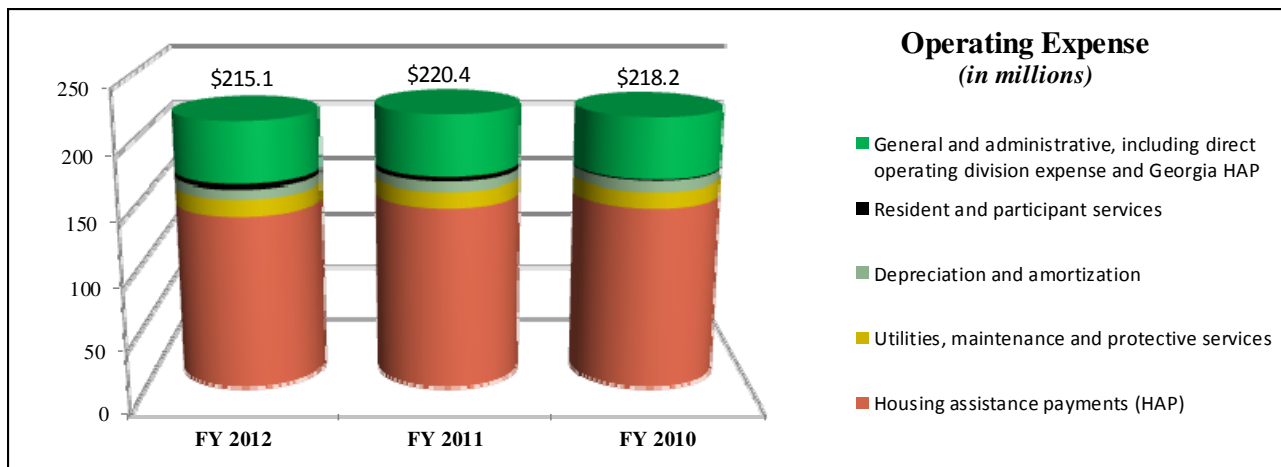
**Operating Revenue — continued**

**FY 2011 vs. FY 2010**

**Total operating revenue** decreased by **\$11.9 million**, primarily due to the following:

- **MTW Single Fund and grants used for operations** decreased **\$9.8 million** primarily due to decreases in the MTW Single Fund as well as Development and HOPE VI grants used for operations of \$8.5 million and \$4.5 million respectively, offset by an increase in ARRA grant revenue of \$3.2 million.
- **Tenant dwelling revenue** decreased **\$0.3 million** as a result of the demolition of QLI properties.
- **Other revenue** decreased **\$1.8 million** primarily due to a decrease in developer and transaction fees earned, resulting from substantially fewer development transaction closings during the year.

**OPERATING EXPENSE**



**FY 2012 vs. FY 2011**

**Total operating expense** decreased by **\$5.3 million**; with significant changes between years addressed below:

- **General and administrative (including direct operating division expense and Georgia HAP)** remained relatively consistent between years with a \$1.7 million increase in salaries and related benefits primarily resulting from a \$1.3 million accrual for agency-wide bonuses under the Pay for Performance Program. In addition, AHA made a \$1.5 million contribution to its Defined Benefit Pension Plan. These increases were offset by decreases in professional services of \$2.7 million and Georgia HAP expenses of \$0.5 million. The decrease in Georgia HAP expenses was due to a modification of Georgia HAP's contract with HUD that occurred during FY 2012.
- **Utilities, maintenance and protective services** increased **\$0.8 million** primarily as a result of an increase in deferred maintenance projects at the AHA-Owned Residential Communities.

The Housing Authority of the City of Atlanta, Georgia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Operating Expense — continued**

- **Housing Assistance Payments (HAP)** consist of payments to landlords under the Housing Choice Voucher Program, PBRA paid to private-sector owners and Owner Entities under the PBRA Program, and operating subsidy paid to Owner Entities of the mixed-income, mixed-finance Residential Communities. HAP decreased by a net of **\$6.8 million** between years as presented below:

| <i>(in millions)</i>                          |                |                |                |                        |                        |
|---|----------------|----------------|----------------|------------------------|------------------------|
|   |                |                |                | FY 2012 vs.<br>FY 2011 | FY 2011 vs.<br>FY 2010 |
| <b>Housing Assistance Payments by Program</b> | <u>FY 2012</u> | <u>FY 2011</u> | <u>FY 2010</u> | <u>Incr (Decr)</u>     | <u>Incr (Decr)</u>     |
| Tenant-Based Housing Choice Vouchers          | \$94.9         | \$104.7        | \$107.2        | (\$9.8)                | (\$2.5)                |
| Project Based Rental Assistance (PBRA)        | 31.6           | 29.2           | 27.0           | \$2.4                  | \$2.2                  |
| MIMF Operating Subsidy                        | <u>14.1</u>    | <u>13.5</u>    | <u>13.1</u>    | <u>\$0.6</u>           | <u>\$0.4</u>           |
| <b>Total Housing Assistance Payments</b>      | <u>\$140.6</u> | <u>\$147.4</u> | <u>\$147.3</u> | <u>(\$6.8)</u>         | <u>\$0.1</u>           |

- **Tenant-Based Housing Choice Voucher** payments decreased **\$9.8 million** primarily due to a reduced number of families being served under this Program due to attrition during FY 2012 and a full year's impact of attrition which occurred during FY 2011, absorption of vouchers by various public housing authorities and the reduction in the average monthly cost per voucher as a result of AHA's rent reasonableness initiative. Through attrition, the number of families served continued to decrease during FY 2012 under this Program as AHA strategically reprogrammed a portion of these funds to support additional housing opportunities under the PBRA Program.
- **Project Based Rental Assistance (PBRA)** paid to Owner Entities of AHA-sponsored master-planned communities, private-sector owners of mixed-income developments and owners of supportive housing increased **\$2.4 million** between years. The increase was primarily due to an increase of 317 PBRA units coming on-line during FY 2012 (see detail by category on page 22) and full year funding for units coming on-line during FY 2011.
- **Mixed-Income, Mixed-Finance (MIMF) Operating Subsidy** for public-housing-assisted units in MIMF Residential Communities increased **\$0.6 million**. This increase was primarily due to a combination of slightly higher operating expense at the communities and an increase of 47 units in additional Phases of MIMF Residential Communities coming on-line during FY 2012.

**FY 2011 vs. FY 2010**

**Total operating expense** increased by **\$2.2 million** primarily due to the following:

- **General and administrative (including direct operating division expense and Georgia HAP)** increased **\$0.2 million** between years.
- **Resident and participant services** increased **\$2.6 million** primarily due to an increase in case management related to QLI relocations.
- **Depreciation and amortization** decreased **\$0.6 million**.

The Housing Authority of the City of Atlanta, Georgia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**NON-OPERATING REVENUE**

**FY 2012 vs. FY 2011**

*Total non-operating revenue* decreased by **\$34.4 million**, primarily due to the following:

HUD capital grants are funded through a reimbursement drawdown process; therefore, a decrease in requests for funding of reimbursable expenditures creates a corresponding decrease in grant funding.

- *Capital grant revenue* used for modernization and revitalization activities had a combined decrease of **\$35.0 million** and is addressed separately as follows:
  - Capital grant revenue (including ARRA) used for modernization of the AHA-owned communities decreased \$20.4 million between years primarily due to AHA's draw-down of \$16.6 million from the ARRA grant used for construction activities in FY 2011 versus \$0.7 million in FY 2012. In addition, as part of its cash management strategy, AHA deferred the use of \$3.7 million of Capital Fund Program funds for modernization, opting to use other MTW funds.
  - Capital grant revenue drawn for revitalization decreased \$14.6 million due to reduced acquisition, construction loan and public improvement activity funded by grants during FY 2012.
- *Interest and investment income* increased by **\$0.7 million** primarily due to the income recognized from adding the interest on related-party construction loans to the permanent loan balance upon conversion, as well an increase in the receipt of related-party-development interest payments.

**FY 2011 vs. FY 2010**

*Total non-operating revenue* increased by **\$13.3 million**, primarily due to the following:

- *Capital grant revenue* increased **\$14.1 million** primarily due to draws relating to renovation projects at AHA-Owned Residential Communities and revitalization activities.
- *Interest and investment income* decreased by **\$0.9 million** primarily due to the timing of related-party-development construction loan interest amortization between years.

**NON-OPERATING EXPENSE**

**FY 2012 vs. FY 2011**

*Total non-operating expense* decreased by **\$8.6 million**, primarily due to the following:

- *Demolition and remediation expense* decreased by **\$6.8 million** due to completion of QLI related demolition during FY 2011.
- *Relocation-related expense* decreased by **\$2.5 million** due to completion of QLI relocation during FY 2011 and reductions of associated human development services activity during FY 2012.

The Housing Authority of the City of Atlanta, Georgia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Non-Operating Expense — continued**

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- **Valuation allowance expense** decreased by **\$1.1 million**. During FY 2011, AHA made **\$1.1 million** in one-time unsecured loans to Owner Entities of the AHA master-planned communities for improvements to meet Uniform Federal Accessibility Standards (UFAS) and these loans were fully reserved at closing. No UFAS loans were made during FY 2012. Adjustments to other allowances offset for the year.
- **Other revitalization expense** increased by **\$1.2 million primarily** due to a **\$0.8 million** contribution toward revitalization of city-owned Selena S. Butler Park located adjacent to Auburn Pointe, as well as increased AHA-funded public improvement activity at the master-planned communities.
- **Interest expense** increased **\$0.6 million** primarily due to interest on the EPC bank loan that closed in FY 2012, as well as the prepayment penalty on the payoff of the loan in June 2012 of the AHA headquarters building (offset by interest savings over the life of the loan).

**FY 2011 vs. FY 2010**

**Total non-operating expense** decreased by **\$13.9 million**, primarily due to the following:

- **Demolition and remediation expense** decreased by **\$7.4 million** due to reduced demolition activity.
- **Other revitalization expense** decreased by **\$2.9 million** due to reduced public improvement activity at the master-planned communities.
- **Relocation-related expense** decreased by **\$4.4 million** due to reduced QLI relocation and related human development services activity.
- **Valuation allowance expense** increased by **\$0.9 million** due to establishing reserves for unsecured loans.

The Housing Authority of the City of Atlanta, Georgia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**TOTAL ASSETS**

**CONDENSED STATEMENTS OF NET ASSETS**

As of June 30,

(in millions)

|  |                |                |                | 2012 vs.<br>2011<br>Increase/<br>(Decrease) | 2011 vs.<br>2010<br>Increase/<br>(Decrease) |
|--|----------------|----------------|----------------|---|---|
|  | 2012           | 2011           | 2010           |   |   |
| <b>ASSETS:</b>   |                |                |                |   |   |
| Current assets   | \$110.4        | \$121.3        | \$121.2        | (\$10.9)                                    | \$0.1                                       |
| Related development loans, receivables and investments in partnerships, net of allowance | 167.9          | 166.0          | 150.3          | 1.9   | 15.7  |
| Capital assets, net of accumulated depreciation  | 151.1          | 143.1          | 120.7          | 8.0   | 22.4  |
| Other non-current assets   | 34.4           | 34.0           | 29.7           | 0.4   | 4.3   |
| <b>Total assets</b>  | <b>\$463.8</b> | <b>\$464.4</b> | <b>\$421.9</b> | <b>(\$0.6)</b>                              | <b>\$42.5</b>                               |
| <b>LIABILITIES:</b>  |                |                |                |   |   |
| Current liabilities  | \$20.0         | \$24.4         | \$27.0         | (\$4.4)                                     | (\$2.6)                                     |
| Long-term debt, net of current portion   | 9.3            | 2.9            | 3.2            | 6.4   | (0.3)                                       |
| Other non-current liabilities  | 1.3            | 1.3            | 1.6            | 0.0   | (0.3)                                       |
| <b>Total liabilities</b>   | <b>\$30.6</b>  | <b>\$28.6</b>  | <b>\$31.8</b>  | <b>\$2.0</b>                                | <b>(\$3.2)</b>                              |
| <b>NET ASSETS:</b>   |                |                |                |   |   |
| Invested in capital assets, net of related debt  | \$141.8        | \$139.9        | \$117.1        | \$1.9                                       | \$22.8                                      |
| Restricted-expendable net assets   | 214.9          | 217.8          | 206.8          | (2.9)                                       | 11.0  |
| Unrestricted net assets  | 76.5           | 78.1           | 66.2           | (1.6)                                       | 11.9  |
| <b>Total net assets</b>  | <b>\$433.2</b> | <b>\$435.8</b> | <b>\$390.1</b> | <b>(\$2.6)</b>                              | <b>\$45.7</b>                               |
| <b>Total liabilities and net assets</b>  | <b>\$463.8</b> | <b>\$464.4</b> | <b>\$421.9</b> | <b>(\$0.6)</b>                              | <b>\$42.5</b>                               |

**June 30, 2012 vs. June 30, 2011**

**Total assets** remained consistent between years reflecting balances of **\$463.8** and **\$464.4 million** respectively at June 30, 2012 and June 30, 2011. The changes between categories are addressed below:

- **Current assets** decreased by **\$10.9 million** primarily due to decreases of \$17.1 million in Receivables from HUD due to timing between years and \$0.4 million in Development fees receivable. These decreases were substantially offset by increases of \$2.4 million in Investments reflecting the unspent balance of the EPC bank loan; \$1.6 million in Prepaid expenses primarily due to the processing of the July FY 2013 subsidy payments in June FY 2012; \$0.8 million Public improvement advances; and a \$1.5 million net increase in Cash.
- **Non-current assets** increased **\$10.3 million** primarily due to an **\$8.0 million** increase in Capital assets, net of accumulated depreciation, resulting from renovation construction projects designed to improve the quality of life at senior high-rises; site improvements and land acquisitions related to revitalization activities; a **\$1.9 million** increase in Related development and other loan activity primarily associated with construction activity at various master-planned, mixed-income communities and an increase in Other non-current assets of **\$0.4 million** primarily due to an approximate \$0.4 million increase in the Perry Bolton Tax Allocation District (TAD) receivable.



The Housing Authority of the City of Atlanta, Georgia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Assets — continued**

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**June 30, 2011 vs. June 30, 2010**

*Total assets* increased by **\$42.5 million**, primarily due to the following:

- *Related development loans, receivables and investments in partnerships, net of allowance* increased by **\$15.7 million**, primarily due to loan activity associated with construction activity at various master-planned, mixed-income communities and mixed-income communities with PBRA units.
- *Capital assets, net of accumulated depreciation* increased by **\$22.4 million** resulting primarily from renovation construction projects at the AHA-Owned Residential Communities; and site improvements and land acquisitions related to revitalization activities.
- *Other non-current assets* increased by **\$4.3 million**, primarily due to increases in the public improvement receivable to be funded from the proceeds of the issuance of the Perry Bolton Tax Allocation District (TAD) bonds.

**TOTAL LIABILITIES**

**June 30, 2012 vs. June 30, 2011**

*Total liabilities* increased by **\$2.0 million**, primarily due to the following:

- *Current liabilities* decreased by **\$4.4 million**, due primarily to a decrease of \$4.8 million in Accrued liabilities associated with reduced construction activity at various master-planned, mixed-income communities; \$0.7 million in accounts payable and other current liabilities and \$0.3 million in the current portion of long-term debt. This decrease was partially offset by an accrual of \$1.3 million for agency-wide bonuses earned under the Pay for Performance Program which were accrued in FY 2012 but paid in FY 2013.
- *Non-current liabilities* increased by **\$6.4 million** primarily due to the addition of the \$9.3 million EPC bank loan offset by the payoff of the \$3.2 million balance on the AHA headquarters building mortgage (including current portion of \$0.3 million).

**June 30, 2011 vs. June 30, 2010**

*Total liabilities* decreased by **\$3.2 million**, primarily due to the following:

- *Current liabilities* decreased by **\$2.6 million**, comprised of the offsetting changes which follow:
  - Accounts payable decreased by \$5.0 million primarily resulting from an overfunding of \$2.7 million by HUD for Operating Subsidy for FY 2010. In addition, there was a lower balance in Accounts Payable of \$1.9 million at year-end versus FY 2010, offset by an increase in accrued liabilities, resulting in a net difference of \$0.5 million between years.



The Housing Authority of the City of Atlanta, Georgia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Liabilities — continued**

- Accrued liabilities, other current liabilities and current portion of long-term debt increased by \$2.4 million, offset by a decrease of \$1.9 million in Accounts payable as addressed above.
- **Non-current liabilities**, which includes the current portion of long-term debt and other non-current liabilities, decreased by **\$0.6 million** between years.

**TOTAL NET ASSETS (EQUITY)**

| <b>TOTAL NET ASSETS (EQUITY)</b>                |                |                |                |   |   |
|---|----------------|----------------|----------------|---|---|
| As of June 30,                                  |                |                |                |   |   |
| (in millions)                                   |                |                |                |   |   |
|   | 2012           | 2011           | 2010           | 2012 vs.<br>2011<br>Increase/<br>(Decrease) | 2011 vs.<br>2010<br>Increase/<br>(Decrease) |
| Invested in capital assets, net of related debt | \$141.8        | \$139.9        | \$117.1        | \$1.9                                       | \$22.8                                      |
| Restricted—expendable net assets:               |                |                |                |   |   |
| HUD-funded programs                             | 39.1           | 44.2           | 50.8           | (5.1)                                       | (6.6)                                       |
| Related development and other loans             | 166.4          | 164.4          | 147.1          | 2.0   | 17.3  |
| Related development operating reserves          | 9.4            | 9.2            | 8.9            | 0.2   | 0.3   |
| Unrestricted net assets                         | 76.5           | 78.1           | 66.2           | (1.6)                                       | 11.9  |
| <b>Total net assets</b>                         | <b>\$433.2</b> | <b>\$435.8</b> | <b>\$390.1</b> | <b>(\$2.6)</b>                              | <b>\$45.7</b>                               |

**June 30, 2012 vs. June 30, 2011**

**Total net assets** remained relatively constant between the years:

- **Invested in capital assets, net of related debt** includes land, buildings, improvements and equipment less the related debt. The majority of these assets have restricted-use covenants tied to AHA's ownership and cannot be used to liquidate liabilities. AHA generally uses these assets to provide affordable housing to qualified income-eligible families. The **\$1.9 million** reflects a net increase of \$8.0 million in Capital assets net of depreciation, offset by a net increase of \$6.1 million in related debt.
- **Restricted-expendable net assets**, subject to both internal and external constraints, are calculated at the carrying value of restricted assets less related liabilities. Restricted—expendable net assets include restrictions for HUD-funded programs, related development and other loans, and related development operating reserves made in conjunction with the AHA-sponsored mixed-income development transactions. These assets cannot be used, pledged or mortgaged to a third party or seized, foreclosed upon or sold in the case of a default, ahead of any HUD lien or interest without HUD approval.

The Housing Authority of the City of Atlanta, Georgia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Net Assets (Equity) — continued**

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Changes in *Restricted–expendable net assets* include:

- **HUD-funded programs** represent assets accumulated over previous years within the MTW Single Fund that can be used as working capital to implement strategies as prescribed under AHA's MTW Agreement. These assets decreased by **\$5.1 million** primarily as a result of AHA's new cash management strategy.
- **Related development and other loans** represent predevelopment, construction and permanent loans related to the development of mixed-income, mixed-finance communities and to certain other communities owned by private property owners with which AHA has entered into long-term PBRA agreements for an agreed percentage of the rental units. These assets increased by **\$2.0 million** due to increased loan advances (net of allowances) offset by payments received. AHA's related development and other loans receivable are not considered available to satisfy AHA's obligations due to their long-term, contingent nature.
- **Related development operating reserves** represent funds held in AHA escrow accounts for the sole purpose of covering operating subsidy shortfalls (under certain specified conditions) for the AHA-assisted units in the mixed-income, mixed-finance rental communities owned by various Owner Entities. These funds remained relatively consistent between years.
- **Unrestricted net assets** are not as restricted as the foregoing category but remain subject to varying degrees of restrictions. HUD approval is required, with some limited exceptions, to use or deploy these assets outside of the ordinary course of AHA's business. AHA's eligible business activities are set forth in its HUD-approved Business Plan, as amended from time to time, by its MTW Annual Implementation Plans. In all cases, AHA's assets are subject to the limitations of AHA's charter and the Housing Authorities Laws of the State of Georgia. Unrestricted net assets decreased by **\$1.6 million** during FY 2012.

**June 30, 2011 vs. June 30, 2010**

**Total net assets** increased by **\$45.7 million** primarily due to renovations at the AHA-Owned Residential Communities, land acquisitions, AHA-funded site-improvements, development loans to related parties and net income earned by Georgia HAP Administrators *dba* National Housing Compliance.



The Housing Authority of the City of Atlanta, Georgia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **ECONOMIC FACTORS**

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### **Future HUD Funding — Subsidies and Multi-year Grant Awards**

Funding for AHA's Fiscal Year 2013 (FY 2013) is extremely uncertain at this time since subsidies and other resources from HUD for the last six months of the fiscal year will be funded by HUD Federal Fiscal Year 2013 (FFY 2013) appropriations which have not yet been acted on by Congress.

On September 28, 2012 Congress passed Public Law (PL) 112-75, a Continuing Appropriations Act which authorizes FY 2013 funding for the federal government through March 27, 2013, essentially at FY 2012 levels. Prior to March 28, 2013, Congress must either pass a FY 2013 budget or enact another Continuing Appropriations Act to extend funding beyond that date in order to keep the government running. As of the date of this report, Congress has not authorized funding for HUD programs from which AHA will be funded from April to June 2013, the last three months of AHA's FY 2013.

PL 112-75 presents a challenge to HUD in that the FFY 2013 Congressional funding levels for Housing Choice and for the Public Housing Operating Fund were depressed in 2012 as Congress and HUD required public housing authorities (PHAs) to use cash reserves that PHAs had accumulated during previous years to make up the shortfall in federal funding. Since the reserves have already been used for that purpose, the PHAs need a funding level in 2013 equal to their 2012 HUD funding plus what they used of their local reserves in order to have sufficient resources to support operations at the 2012 level. Since PL 112-75 does not provide sufficient funding through March 27, 2013, to provide this level of funding, HUD is currently proposing "forward funding" during the first few months of calendar year 2013, which is basically betting that full funding will eventually be approved by Congress and the President. This is a risky situation for all involved.

Congress must also deal with the implication of the sequestration called for by the Budget Control Act of 2011. This act required that a special joint committee of Congress, nicknamed the "Super Committee," identify \$1.5 trillion in deficit reduction. The Super Committee failed to develop the requisite plan which, in turn, triggered automatic sequestration which will result in across-the-board spending cuts in virtually all federal programs beginning January 1, 2013. Estimates are that, if sequestration does occur, it will result in an 8.2% reduction in HUD funding and would reduce AHA's funding by more than \$18 million with half of such reduction occurring in FY 2013.

AHA currently has sufficient cash balances and reserves to maintain current operations during FY 2013 in the event of sequestration, but would have to adjust its plans for future years if funding reductions continue.

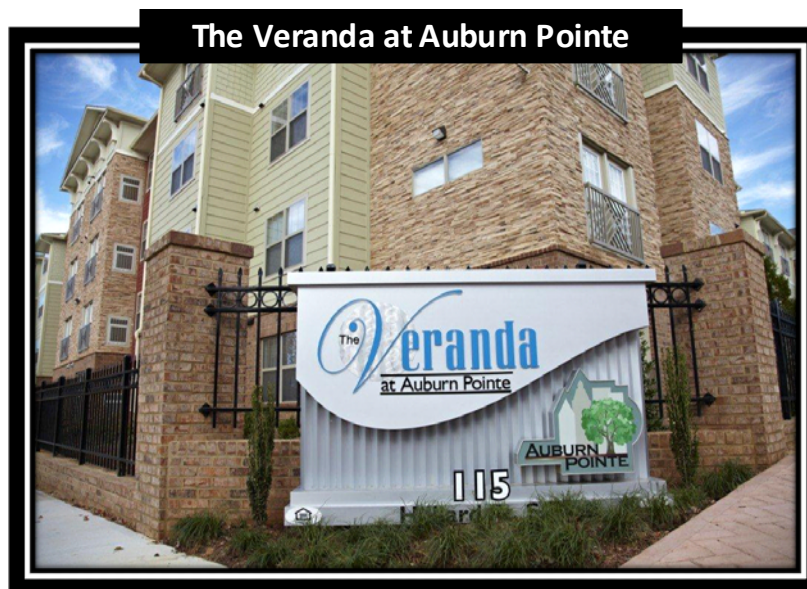
In the event that sequestration does not occur, currently proposed FFY 2013 appropriation legislation would fund the HUD programs which support AHA's activities at substantially the same levels as in FFY 2012. Therefore, actual HUD funding levels are expected to fall somewhere between a reduction of more than \$18 million to no reduction.

The Housing Authority of the City of Atlanta, Georgia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Local Market Issues**

Current local market conditions directly affect AHA's families and will impact FY 2013 expenses. While some economists see improving economic conditions, others are less optimistic. Atlanta's unemployment rate has improved and has dropped to below 9 percent, but still exceeds the national average of 7.8 percent, resulting in many AHA-assisted families continuing to face company downsizing and layoffs. Changes in family income have direct impacts on AHA expenditures. A drop in household income results in an increase in the amount AHA would pay for housing assistance payments for Housing Choice Vouchers, PBRA-assisted units and AHA-assisted units in mixed-income communities, since households contribute 30 percent of their adjusted income toward rent and utilities. An increase in household income would have the opposite effect over time. Because the AHA-Owned Communities primarily house elderly and disabled individuals on fixed incomes, these properties would experience minimal impact.

The mortgage foreclosure rate in the Atlanta metropolitan area has fallen, but continues to remain high — the sixth highest rate in the nation. This has had an adverse effect on AHA's Housing Choice Voucher holders as tenants are sometimes forced to relocate from homes undergoing foreclosure. AHA's due diligence process and the provisions of the "Protecting Tenants at Foreclosure Act of 2009" mitigate the exposure relating to such foreclosures, but they still pose hardships to affected households when required to move and create additional AHA program expense associated with processing moves and changes in unit ownership.



### **Recent Accounting Pronouncements**

The Governmental Accounting Standards Board (GASB) has released new pronouncements which will be implemented by the Authority starting in fiscal year 2013 through 2014: GASB 61, "*The Financial Reporting Entity: Omnibus*;" GASB 63, "*Financial Reporting of Deferred Outflows, Deferred Inflows and Net Position*;" GASB 65, "*Items Previously Reported as Assets and Liabilities*;" and GASB 68, "*Accounting and Financial Reporting for Pensions*." See Note V to the Financial Statements.

The Housing Authority of the City of Atlanta, Georgia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**CONTACTING AHA'S FINANCIAL MANAGEMENT**

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This financial report is designed to provide a general overview of AHA's financial position and to demonstrate AHA's accountability for the assets it manages to interested persons, including citizens of our local jurisdiction, creditors and other interested parties. If you have questions about this report or wish to request additional financial information, contact the Chief Financial Officer at The Housing Authority of the City of Atlanta, Georgia, 230 John Wesley Dobbs Ave., N.E., Atlanta, Georgia 30303, telephone number 404-817-7374.

## **FINANCIAL STATEMENTS**

The Housing Authority of the City of Atlanta, Georgia

**STATEMENTS OF NET ASSETS**

June 30, 2012 and 2011

|  | <u>2012</u>                      | <u>2011</u>                      |
|--|----------------------------------|----------------------------------|
| <b>ASSETS</b>  |                                  |                                  |
| <b>CURRENT ASSETS</b>  |                                  |                                  |
| Cash   |                                  |                                  |
| Unrestricted   | \$ 60,527,870                    | \$ 56,647,160                    |
| Restricted   | <u>40,815,144</u>                | <u>43,174,173</u>                |
| Total cash   | 101,343,014                      | 99,821,333                       |
| Investments, restricted  | 2,395,868                        | -                                |
| Receivables, net of allowance of \$353,112 and \$2,978 in<br>2012 and 2011, respectively   | 4,350,989                        | 20,764,287                       |
| Prepaid expense  | <u>2,311,642</u>                 | <u>729,056</u>                   |
| <br>Total current assets   | <br>110,401,513                  | <br>121,314,676                  |
| <b>NON-CURRENT ASSETS</b>  |                                  |                                  |
| Investments, restricted  | 9,359,926                        | 9,228,069                        |
| Related development and other loans, investments in partnerships,<br>and development receivables, net of allowances of \$34,224,537<br>and \$34,618,793 in 2012 and 2011, respectively | 167,930,497                      | 166,027,043                      |
| Capital assets, net of accumulated depreciation of \$117,179,696<br>and \$109,459,256 in 2012 and 2011, respectively   | 151,092,159                      | 143,135,216                      |
| Other assets, net of accumulated amortization and allowance of<br>\$4,278,414 and \$3,739,648 in 2012 and 2011, respectively   | <u>25,065,563</u>                | <u>24,664,504</u>                |
| <br>Total non-current assets   | <br><u>353,448,145</u>           | <br><u>343,054,832</u>           |
| <br><b>TOTAL ASSETS</b>  | <br><u><u>\$ 463,849,658</u></u> | <br><u><u>\$ 464,369,508</u></u> |

*The accompanying notes are an integral part of these statements.*

|   | 2012                  | 2011                  |
|---|-----------------------|-----------------------|
| <b>LIABILITIES AND NET ASSETS</b>               |                       |                       |
| <b>CURRENT LIABILITIES</b>                      |                       |                       |
| Accounts payable                                | \$ 1,102,938          | \$ 1,386,807          |
| Accrued liabilities                             | 11,158,326            | 14,502,525            |
| Other current liabilities                       | 7,713,304             | 8,165,157             |
| Current portion of long-term debt               | <u>-</u>              | <u>331,315</u>        |
| Total current liabilities                       | 19,974,568            | 24,385,804            |
| <b>NON-CURRENT LIABILITIES</b>                  |                       |                       |
| Long-term debt, net of current portion          | 9,293,862             | 2,905,388             |
| Other non-current liabilities                   | <u>1,341,235</u>      | <u>1,270,244</u>      |
| Total non-current liabilities                   | <u>10,635,097</u>     | <u>4,175,632</u>      |
| <b>TOTAL LIABILITIES</b>                        | 30,609,665            | 28,561,436            |
| <b>NET ASSETS</b>                               |                       |                       |
| Invested in capital assets, net of related debt | 141,798,296           | 139,898,513           |
| Restricted—expendable:                          |                       |                       |
| HUD-funded programs                             | 39,146,870            | 44,107,316            |
| Related development and other loans             | 166,388,111           | 164,438,300           |
| Related development operating reserves          | 9,359,926             | 9,228,069             |
| Unrestricted                                    | <u>76,546,790</u>     | <u>78,135,874</u>     |
| Total net assets                                | <u>433,239,993</u>    | <u>435,808,072</u>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>         | <u>\$ 463,849,658</u> | <u>\$ 464,369,508</u> |

*The accompanying notes are an integral part of these statements.*



The Housing Authority of the City of Atlanta, Georgia

**STATEMENTS OF REVENUE, EXPENSE AND  
CHANGES IN NET ASSETS**

Years Ended June 30, 2012 and 2011

|  | <u>2012</u>           | <u>2011</u>           |
|--|-----------------------|-----------------------|
| Operating revenue:   |                       |                       |
| MTW Single Fund used for operations                            | \$ 199,577,064        | \$ 220,387,902        |
| ARRA grant used for operations                                 | 235,428               | 4,816,316             |
| Tenant dwelling revenue  | 5,435,556             | 5,415,284             |
| Development and HOPE VI grants used for operations             | 3,458,489             | 5,744,912             |
| Fees earned from Georgia HAP                                   | 1,302,261             | 1,793,158             |
| Other operating revenue  | <u>2,715,078</u>      | <u>2,304,135</u>      |
| Total operating revenue  | 212,723,876           | 240,461,707           |
| Operating expense:   |                       |                       |
| Housing assistance payments                                    | 140,636,447           | 147,352,440           |
| Administrative including direct operating division expense     | 47,043,935            | 46,291,482            |
| Utilities, maintenance and protective services                 | 13,809,507            | 13,020,689            |
| Resident and participant services                              | 3,901,350             | 3,652,211             |
| General expense  | 1,768,081             | 1,818,099             |
| Expense related to Georgia HAP                                 | 245,938               | 758,881               |
| Depreciation and amortization                                  | <u>7,724,701</u>      | <u>7,478,954</u>      |
| Total operating expense  | <u>215,129,959</u>    | <u>220,372,756</u>    |
| Net operating income   | (2,406,083)           | 20,088,951            |
| Non-operating revenue:   |                       |                       |
| Capital grant revenue — modernization of AHA-Owned Communities | 1,703,838             | 22,090,892            |
| Capital grant revenue — revitalization related                 | 1,572,218             | 16,255,535            |
| Interest and investment income                                 | 1,153,962             | 428,162               |
| Gain on sale of fixed asset                                    | <u>7,570</u>          | <u>84,118</u>         |
| Total non-operating revenue                                    | 4,437,588             | 38,858,707            |
| Non-operating expense:   |                       |                       |
| Demolition and remediation expense                             | 551,003               | 7,463,416             |
| Other revitalization expense                                   | 2,432,976             | 1,204,574             |
| Relocation-related expense                                     | 56,789                | 2,579,158             |
| Valuation allowance expense                                    | 845,009               | 1,874,749             |
| Interest expense   | <u>713,807</u>        | <u>151,992</u>        |
| Total non-operating expense                                    | <u>4,599,584</u>      | <u>13,273,889</u>     |
| Change in net assets   | (2,568,079)           | 45,673,769            |
| Net assets — beginning of year                                 | <u>435,808,072</u>    | <u>390,134,303</u>    |
| Net assets — end of year                                       | <u>\$ 433,239,993</u> | <u>\$ 435,808,072</u> |

*The accompanying notes are an integral part of these statements.*

The Housing Authority of the City of Atlanta, Georgia

**STATEMENTS OF CASH FLOWS**

Years Ended June 30, 2012 and 2011

|   | 2012                         | 2011                     |
|---|------------------------------|--------------------------|
| Increase (Decrease) in Cash   |                              |                          |
| Cash flows from operating activities  |                              |                          |
| HUD funds used for non-capitalized expense  | \$ 209,773,891               | 226,840,121              |
| Receipts from residents   | 5,356,434                    | 5,416,099                |
| Payments to landlords   | (140,636,447)                | (147,352,440)            |
| Payments to suppliers   | (42,461,886)                 | (46,837,642)             |
| Payments for employees  | (25,632,008)                 | (22,969,726)             |
| Other receipts  | <u>350,169</u>               | <u>7,361,090</u>         |
| Net cash provided by operating activities   | 6,750,153                    | 22,457,502               |
| Cash flows from non-capital financing activities  |                              |                          |
| Net advances related to public improvements   | <u>(818,533)</u>             | <u>(359,344)</u>         |
| Net cash used by non-capital financing activities   | (818,533)                    | (359,344)                |
| Cash flows from capital and related financing activities                                      |                              |                          |
| Capital grant revenues  | 13,285,718                   | 38,665,009               |
| Acquisition and modernization of capital assets   | (15,677,650)                 | (29,929,419)             |
| Proceeds from disposition of fixed assets   | 7,570                        | 105,900                  |
| Demolition and remediation expense  | (551,003)                    | (7,463,416)              |
| Other revitalization expense  | (2,432,975)                  | (1,226,359)              |
| Related development loans, investment in partnerships, and<br>development-related receivables | (3,149,516)                  | (21,499,070)             |
| Interest income on notes receivable   | 994,492                      | 421,394                  |
| Proceeds received from capital debt   | 9,293,862                    | -                        |
| Payments under capital debt   | <u>(3,812,175)</u>           | <u>(474,305)</u>         |
| Net cash used by capital and related financing activities                                     | (2,041,677)                  | (21,400,266)             |
| Cash flows from investing activities  |                              |                          |
| Purchases of investments, restricted  | (2,527,732)                  | (449,843)                |
| Sales of investments, restricted  | -                            | 157,361                  |
| Interest income on investments, restricted  | <u>159,470</u>               | <u>6,768</u>             |
| Net cash used by investing activities   | <u>(2,368,262)</u>           | <u>(285,714)</u>         |
| Net increase in cash  | 1,521,681                    | 412,178                  |
| Cash — beginning of the year  | <u>99,821,333</u>            | <u>99,409,155</u>        |
| Cash — end of the year  | <u><u>\$ 101,343,014</u></u> | <u><u>99,821,333</u></u> |

*The accompanying notes are an integral part of these statements.*

The Housing Authority of the City of Atlanta, Georgia

**STATEMENTS OF CASH FLOWS** — continued

Years Ended June 30, 2012 and 2011

|  | <u>2012</u>         | <u>2011</u>          |
|--|---------------------|----------------------|
| Reconciliation of net operating income to net cash provided by operating activities        |                     |                      |
| Net operating (loss) income  | \$ (2,406,083)      | \$ 20,088,951        |
| Adjustments to reconcile net operating income to net cash provided by operating activities |                     |                      |
| Depreciation and amortization expense  | 7,724,701           | 7,478,954            |
| Provision for operating bad debts  | 84,881              | 13,125               |
| Relocation-related expense   | (56,789)            | (2,579,158)          |
| Changes in assets and liabilities  |                     |                      |
| Decrease (Increase) in receivables   | 6,586,816           | (3,642,044)          |
| (Increase) in prepaid expenses   | (1,582,586)         | (372,096)            |
| (Decrease) Increase in accounts payable and accrued liabilities                            | (3,219,925)         | 2,089,365            |
| (Decrease) in deferred revenue and public improvements                                     | (451,853)           | (351,230)            |
| Increase (Decrease) in other non-current liabilities                                       | 70,991              | (268,365)            |
|  | <u>9,156,236</u>    | <u>2,368,551</u>     |
| Net cash provided by operating activities  | <u>\$ 6,750,153</u> | <u>\$ 22,457,502</u> |

*The accompanying notes are an integral part of these statements.*

## **NOTES TO THE FINANCIAL STATEMENTS**

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE A — ORGANIZATION AND NATURE OF OPERATIONS**

*1. Organization*

The Housing Authority of the City of Atlanta, Georgia (“AHA” or “the Authority”) is a public body corporate and politic created under the Housing Authorities Laws of the State of Georgia, and is a diversified real estate company, with a public mission and purpose. The primary purpose of AHA is to facilitate affordable housing opportunities for low-income, elderly and disabled persons in the City of Atlanta (City). AHA has broad corporate powers including, but not limited to, the power to acquire, manage, own, operate, develop and renovate housing; invest and lend money; create for-profit and not-for-profit entities; administer Housing Choice Vouchers; issue bonds for affordable housing purposes; and acquire, own and develop commercial land, retail and market-rate properties that benefit affordable housing.

The governing body of AHA is its Board of Commissioners (Board) which is comprised of seven members appointed by the Mayor of the City of Atlanta. Two resident members serve one-year terms and five members serve five-year staggered terms. The Board appoints the President and Chief Executive Officer to operate the business of AHA. The Board provides strategic guidance and oversight of AHA’s operations; AHA is not considered a component unit of the City and is not included in the City’s financial statements.

*2. Moving to Work (MTW) Agreement*

MTW is a demonstration program established in 1996 by Congress and administered by the U.S. Department of Housing and Urban Development (HUD), authorizing certain “high-performing” public housing agencies, pursuant to an agreement with HUD, the flexibility to design and test various approaches and initiatives for facilitating and providing quality affordable housing opportunities and related services and amenities in their localities. AHA received its MTW designation in 2001 and executed its MTW Agreement with HUD on September 23, 2003, the initial period of which was effective from July 1, 2003 through June 30, 2010. In response to HUD’s decision to expand and extend the demonstration period until June 30, 2018, AHA and HUD negotiated and executed an Amended and Restated MTW Agreement, effective as of November 13, 2008, and further amended by that certain Second Amendment to the MTW Agreement, effective as of January 16, 2009. AHA’s MTW Agreement, as amended and restated is herein referred to as the “MTW Agreement.” The MTW Agreement may be extended beyond June 30, 2018, for additional 10-year periods subject to HUD’s approval and AHA meeting certain agreed-upon conditions.

The MTW Agreement provides substantial statutory and regulatory relief under the 1937 Act, and reaffirms, extends and expands the statutory and regulatory relief provided under AHA’s original MTW Agreement. The MTW Agreement forms the statutory and regulatory framework for AHA to carry out its work during the term of the MTW Agreement, as it may be extended, as set forth in AHA’s Business Plan, and as amended from time to time. In 2004, AHA submitted to HUD its base Business Plan, using this new statutory and regulatory framework (herein referred to as the “Business Plan”). AHA’s Business Plan and its subsequent Annual MTW Implementation Plans on a cumulative basis outline AHA’s priority projects, activities and initiatives to accomplish during each fiscal year.

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE A — ORGANIZATION AND NATURE OF OPERATIONS — continued**

Pursuant to the authority in AHA's MTW Agreement, AHA has combined its low-income operating funds, Housing Choice Voucher funds and certain capital funds into a single fund (herein referred to as the "MTW Single Fund" or "MTW Funds") which may be expended on MTW-eligible activities as set forth in its Business Plan. AHA receives funding, subject to HUD proration, for all MTW-eligible Housing Choice Vouchers. Under AHA's MTW Agreement, MTW Housing Choice Voucher funding is based on the number of HUD-authorized MTW vouchers and is not subject to annual reconciliation or funding reduction based on the actual number of Housing Choice Vouchers utilized. HUD monitors AHA's work for consistency and compliance with its MTW Agreement, Business Plan and AHA's Annual MTW Implementation Plans.

*3. Affiliate Entities/Component Units*

To manage its business and financial affairs more effectively, AHA has created affiliate entities to support its various ventures. While AHA, the parent entity, manages federal programs, the affiliate entities support the various functions necessary to meet AHA's mission of providing quality affordable housing and related services and amenities.

Certain of these affiliate entities are considered component units in accordance with generally accepted accounting principles. Because of the nature and significance of their operational or financial relationships with AHA, the component units are included in AHA's reporting entity. These blended component units, although legally separate entities are, in substance, part of AHA's operations.

These blended component units do not issue separate financial statements. Financial information for each of the following blended component units is presented in Note B in Other Supplementary Information.

- Atlanta Affordable Housing for the Future, Inc. (AAHFI) is a Georgia 501(c)(3) not-for-profit corporation created at the direction of the AHA Board in order to facilitate the revitalization of AHA-Owned distressed public housing projects. AAHFI participates in the revitalization of AHA-sponsored communities by holding limited partnership interests in either the related development project partnership (Owner Entity) or an interest in the general partner of the related development project partnership of the various public/private partnerships that own the mixed-income, mixed-finance rental communities.
- Special Housing and Homeownership, Inc. (SHHI) is a Georgia 501(c)(3) not-for-profit corporation created at the direction of the AHA Board in order to develop, maintain and implement programs to assist income-eligible individuals in achieving the goal of homeownership.

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE A — ORGANIZATION AND NATURE OF OPERATIONS — continued**

- 230 John Wesley Dobbs Boulevard Ventures, Inc. (JWD) is a Georgia 501(c)(3) not-for-profit corporation created at the direction of the AHA Board in order to lessen the burdens of government by acquiring and holding title to real property and improvements, and by providing such real property and improvements to government agencies and tax-exempt organizations at cost.
- Renaissance Affordable Housing, Inc. (RAH) is a Georgia 501(c)(3) not-for-profit corporation created at the direction of the AHA Board in order for AHA to participate in the acquisition and development of certain properties to support the overall revitalization program at or near AHA communities or other appropriate locations in metropolitan Atlanta.
- Westside Affordable Housing, Inc. (WAH) is a Georgia 501(c)(3) not-for-profit corporation and was created at the direction of the AHA Board in order for AHA to participate in the acquisition and development of certain properties to support the overall revitalization program at or near AHA communities or other appropriate locations in metropolitan Atlanta.
- Atlanta Housing Investment Company, Inc. (AHICI) is a for-profit corporation created at the direction of the AHA Board in order to assist AHA in its revitalization efforts at or near AHA communities or other appropriate locations in metropolitan Atlanta. AHICI participates in the revitalization of AHA-sponsored communities by holding partnership and financial interests in various transactions.
- Strategic Resource Development Corporation, Inc. (SRDC) is a Georgia 501(c)(3) not-for-profit corporation created at the direction of the AHA Board to solicit and accept charitable donations to fund AHA initiatives.
- Atlanta Housing Development Corporation (AHDC) is a Georgia not-for-profit organization, organized solely to serve as an “instrumentality” of AHA for the purpose of issuing tax-exempt bonds for construction, acquisition and rehabilitation of low-income housing pursuant to Section 11(b) of the Housing Act of 1937, as amended (42 U.S.C. Section 1437i). This entity had no activity in recent years

AHA has one affiliate, Atlanta Housing Opportunity, Inc. (AHOI) that is not a component unit. It is, however, considered a related entity. AHOI is a Georgia not-for-profit corporation created at the direction of the AHA Board in order to facilitate the Housing Opportunity Bond Program established by the City of Atlanta. The activities of the nonprofit corporation are limited to participation in the Housing Opportunity Bond Program. Since the City of Atlanta is financially accountable and responsible for the debt of AHOI, the financial activity of AHOI is not included in AHA’s financial statements but is included in the City’s financial statements (see further disclosure in Note T).

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows.

*1. Basis of Presentation and Accounting*

The financial statements represent the combined results of AHA and its blended component units, and have been prepared in accordance with generally accepted accounting principles (GAAP) of the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. AHA and its blended component units maintain their accounts substantially in accordance with the chart of accounts prescribed by HUD and are organized utilizing the fund accounting model. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts.

AHA accounts for its operations in a single enterprise fund. Enterprise funds account for those operations financed and operated in a manner similar to private business or where AHA has decided that determination of revenue earned, costs incurred and net revenue over expense is necessary for management accountability.

Enterprise funds are proprietary funds used to account for business activities of special purpose governments for which a housing authority qualifies under GASB No. 34, *“Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments.”* Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the Statements of Net Assets. The Statements of Revenue, Expense and Changes in Net Assets presents increases (revenue) and decreases (expense) in total net assets. Under the accrual basis of accounting, revenue is recognized in the period in which it is earned while expense is recognized in the period in which the liability is incurred.

AHA has adopted GASB No. 62, *“Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.”* This guidance incorporates the FASB, Accounting Principles Board Opinions (APB) and Accounting Research Bulletin (ARB) pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements. GASB No. 62 supersedes GASB No. 20 that permitted enterprise funds and business type activities to apply those FASB statements and interpretations that did not conflict with or contradict GASB pronouncements. GASB No. 62 updated previous guidance to recognize the effects of the governmental environment and needs of governmental users. As AHA had previously not elected to follow the post-1989 FASB, APB and ARB pronouncements, GASB No. 62 did not have a material effect on the financial statements of AHA.



The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued**

*2. Inter-company and Inter-fund Receivables and Payables*

Inter-company and inter-fund receivables and payables are the result of the use of a central fund as the common paymaster for shared costs of AHA. All inter-company and inter-fund balances net to zero in combination and, hence, are eliminated for financial statement presentation. All programs aggregate into one single enterprise fund.

*3. Fair Value of Financial Instruments*

The carrying amount of AHA's financial instruments at June 30, 2012 and 2011, which include cash, investments, accounts receivable, accounts payable and other current liabilities approximates fair value due to the relatively short maturity of these instruments.

Investments of HUD funds are made in financial instruments that are consistent with HUD regulations. AHA requires uninsured funds on deposit be collateralized in accordance with HUD requirements and in AHA's name, if held by a third party.

*4. Inventories*

AHA maintains no inventory. All supplies are expensed when purchased. Supplies on hand are nominal.

*5. Prepaid Expense*

Payments made to vendors for goods or services that will benefit periods beyond the fiscal year end are recorded as prepaid expense. Prepaid expense at June 30, 2012 and 2011 consisted primarily of prepaid insurance premiums and service contracts. In addition, FY 2012 also included the July FY 2012 operating subsidy payments to Owner Entities of the master-planned communities which were paid in June FY 2012.

*6. Restricted Assets*

Certain assets may be classified as restricted assets on the Statements of Net Assets because their use is restricted by time or specific purpose. AHA's practice is to expend restricted assets prior to utilizing unrestricted assets if allowable for the intended purpose.

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued**

*7. Related Development and Other Loans Receivables and Valuation Allowance*

*Related-Party Development Loans* — AHA makes subordinated loans to the private-sector owners in conjunction with financing arrangements related to the development of the AHA-sponsored mixed-income, mixed-finance rental communities. These subordinated loans are fully obligated to the Owner Entities at the financial closing and represent AHA's share of the development budget for AHA-assisted Annual Contribution Contract (ACC) units. Such loans are typically funded on a drawdown reimbursement basis using primarily HOPE VI grants, public-housing-development funds or Replacement Housing Factor funds (RHF). The loans are amortized over periods up to 55 years at interest rates ranging from zero percent to 7.99 percent, as agreed to by AHA and individual Owner Entities, and approved by HUD. The respective loan agreements provide that these loans will be repaid by the Owner Entity to AHA from net cash flow, net project proceeds and/or condemnation proceeds for such phases; to the extent such amounts are available. For most of these development projects, AHA owns the land and enters into a long-term ground lease with the Owner Entity. At the end of the ground lease, the land and improvements revert to AHA.

*Other Loans* — AHA made loans to the Owner Entities of mixed-income, mixed-finance rental communities in order to meet federal statutory requirements (UFAS compliance). These loans are fully reserved.

AHA provides gap financing to facilitate the construction of properties with up to a 15 year renewable PBRA agreement with the private owners.

*Valuation Allowance* — Management evaluates the loans for collectability and records a valuation allowance for loans it determines may not be fully collectible. AHA adjusts the valuation allowance when appropriate.

*8. Other Allowances*

AHA establishes an allowance for all unpaid balances from tenants for accounts receivable older than 60 days.

AHA fully reserves loans made upon funding through the homeownership mortgage down payment assistance program.

*9. Capital Assets*

Capital assets include land, land improvements, buildings, equipment and modernization in process for improvements to land and buildings. Capital assets are defined by AHA as assets with an initial cost of more than \$2,500 and an estimated useful life of greater than one year.

Such assets are recorded at cost or fair value at the time of purchase or donation, respectively. Improvements and other capital activities are recorded as modernization in process until they are completed and placed in service.

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued**

The costs of normal and extraordinary maintenance and repairs that do not add value to the asset or extend the useful life of the asset are expensed as incurred to operations. Generally, demolition costs, land preparation, soil remediation and other site improvement costs that do not add value are expensed as non-operating items.

Depreciation is calculated using the straight-line method assuming the following useful lives:

|                       |             |
|-----------------------|-------------|
| Buildings             | 20–40 years |
| Building improvements | 10–30 years |
| Building equipment    | 10–15 years |
| Land improvements     | 15 years    |
| Equipment             | 5–10 years  |

Long-lived assets are reviewed annually for impairment under the provisions and in accordance with GASB No. 42, *“Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.”*

AHA owns several paintings of historical significance which are being preserved for future educational and exhibition purposes. These works of art, commissioned in the 1940s at minimal cost, have an appraised value in excess of \$800,000 but have not been recorded on AHA’s books pursuant to the guidance of GASB No. 34.

*10. Income and Property Taxes*

Income received or generated by AHA is not generally subject to federal income tax, pursuant to Section 115 of the Internal Revenue Service Code (IRC). Although exempt from state and local property taxes, AHA makes payments in lieu of taxes (PILOT), pursuant to an agreement with the City of Atlanta and DeKalb and Fulton counties.

*11. Accrued Compensated Absences*

A liability for compensated absences (vacation) is accrued as employees earn the right to receive the benefit. The current portion represents the amount estimated to be taken in the ensuing year.

*12. Fee and Interest Income Recognition on Related Development and Other Loans*

In connection with its Revitalization Program, AHA earns developer and other fees in its role as sponsor and co-developer. Developer and other fees are recorded as earned. Collection of developer fees are generally tied to equity payments from the tax credit investor.

Interest on the related development loans is subordinated and contingent on cash flows from the property. Recognition of interest income does not occur until payments are received or are reasonably expected to be received.

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued**

*13. Revenue and Expense*

Proprietary funds distinguish operating revenue and expense from non-operating items. Operating revenue and expense generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. AHA defines its operating revenue as income derived from operating funds received from HUD, tenant dwelling revenue, fees earned in conjunction with development activities under its Revitalization Program and other operating revenue. When grant funds are used for operations, AHA recognizes operating revenue at the time such costs are incurred, pursuant to a draw-down process on a reimbursement basis. Operating expense for proprietary funds includes the cost of providing services, administrative expense and depreciation on capital assets.

When AHA completes capital improvements to be paid with grants, AHA's right to be reimbursed by HUD is perfected, and AHA records the asset and corresponding capital grant revenue as the work progresses. The unexpended portions of the grants held by HUD for AHA's account remain available for AHA's use, subject to the terms of the grant agreements and other agreements with HUD. The unexpended portions of the grants held by HUD are not reflected in AHA's financial statements.

Non-operating revenue includes interest and investment income, reimbursements for capitalized expenditures under capital grants received from HUD for modernization, revitalization and other development activities, and gain from the sale of land. Non-operating expense includes interest, demolition and remediation, relocation, capital asset write-off and adjustments to valuation allowances.

*14. Self-insurance and Litigation Losses*

AHA recognizes estimated losses related to self-insured workers' compensation claims and litigation claims in the period in which the occasion giving rise to the loss occurred when the loss is probable and reasonably estimable (see further disclosure in Note N).

*15. Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that may affect the reported amounts. Accounting estimates for such items as depreciation, valuation of related development and other loans, other operating receivables, operating expense accruals and contingent liabilities are all reflected in AHA's financial statements and disclosed in the notes thereto.

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE B — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — continued**

*16. Budgets*

Annually, AHA submits a Comprehensive Operating and Capital Budget (Budget) to the Board for approval. Throughout the fiscal year, the Budget is used as a management tool to plan, control and evaluate spending for each major program. Budgets are not required for financial statement presentation.

*17. Risk Management*

AHA is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. AHA carries commercial insurance and certain reserves deemed sufficient to meet current requirements.

*18. Change in Presentation*

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation. These reclassifications had no effect on total net assets.

**NOTE C — CASH AND INVESTMENTS**

Cash and investments are stated at cost, which approximates fair value, and consist primarily of cash in checking accounts and/or money market accounts and other investments. All funds on deposit are FDIC insured or are fully collateralized in accordance with guidance recommended by HUD. HUD requires housing authorities to invest excess HUD funds in obligations of the United States, certificates of deposit or any other federally insured investments. All investments held by AHA are in short-term U.S. Treasuries or money market accounts.

At June 30, 2012 and 2011, cash and investments consisted of deposits with financial institutions either fully insured by FDIC insurance, up to \$250,000 per institution, or collateralized by securities held by a third party in AHA's name and in government securities.

Cash and investments are classified as "Unrestricted" and "Restricted" for financial presentation purposes based on HUD guidance:

- *Cash — Unrestricted* includes cash available for program purposes including current operations. Because the funds are not tied to a certain program or property, they are classified as unrestricted. They remain subject, however, to varying degrees of restrictions. For example, HUD approval is required, with some limited exceptions, to use or deploy these funds strategically outside of the ordinary course of AHA's business under the MTW Agreement. In all cases, AHA's assets are subject to the limitations of AHA's charter and the Housing Authorities Laws of the State of Georgia.

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE C — CASH AND INVESTMENTS — continued**

- *Cash — Restricted* includes cash to be expended for specific purposes based on the source of the money. AHA's restricted cash generally includes: proceeds from the sale of property acquired with grant or development funds; program income from specific grants; income generated from development activities; partnership operating reserves; and public improvement funds.
- *Investments — Restricted (current)* includes the unspent balance of an Energy Performance Contract bank loan, held in escrow, at June 30, 2012.
- *Investments — Restricted (non-current)* includes authority reserves that are held by escrow agents for the benefit of investors and Owner Entities of the mixed-income, mixed-finance rental communities. These reserves are restricted in accordance with agreements entered into in conjunction with the development of these properties. These reserves, while invested in short-term instruments, cannot be readily liquidated due to such restrictions.

Cash and investments at June 30, 2012 consisted of the following:

|                                       | <u>Fair value</u>     | <u>Collateral held<br/>by third party</u> | <u>U.S.-backed<br/>securities and<br/>treasury obligations</u> |
|---------------------------------------|-----------------------|---|--|
| Unrestricted cash                     |                       |   |  |
| MTW cash                              | \$ 41,644,667         |   |  |
| MTW program income                    | 6,196,361             |   |  |
| Georgia HAP                           | 7,742,331             |   |  |
| Other                                 | <u>4,944,511</u>      |   |  |
|                                       | 60,527,870            |   |  |
| Restricted cash                       |                       |   |  |
| Development-related program income    | 25,606,870            |   |  |
| Public Improvement funds              | 7,408,471             |   |  |
| Proceeds from disposition activity    | 3,701,896             |   |  |
| Perry program income                  | 1,506,117             |   |  |
| Harris program income                 | 1,734,551             |   |  |
| Other                                 | <u>857,239</u>        |   |  |
|                                       | <u>40,815,144</u>     |   |  |
| Total cash                            | 101,343,014           | \$ 122,958,259                            | \$ -   |
| Investments, restricted (current)     | 2,395,868             | -   | -  |
| Investments, restricted (non-current) | <u>9,359,926</u>      | <u>-</u>                                  | <u>9,359,926</u>   |
| Total in banks                        | <u>\$ 113,098,808</u> | <u>\$ 122,958,259</u>                     | <u>\$ 9,359,926</u>  |

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE C — CASH AND INVESTMENTS — continued**

Cash and investments at June 30, 2011 consisted of the following:

|                                       | <u>Fair value</u>     | <u>Collateral held<br/>by third party</u> | <u>U.S.-backed<br/>securities and<br/>treasury obligations</u> |
|---------------------------------------|-----------------------|---|--|
| Unrestricted cash                     |                       |   |  |
| MTW cash                              | \$ 39,114,595         |   |  |
| MTW program income                    | 7,947,901             |   |  |
| Georgia HAP                           | 7,439,495             |   |  |
| Other                                 | <u>2,145,169</u>      |   |  |
|                                       | 56,647,160            |   |  |
| Restricted cash                       |                       |   |  |
| Development-related program income    | 23,032,625            |   |  |
| Public Improvement funds              | 7,877,537             |   |  |
| Proceeds from disposition activity    | 6,115,576             |   |  |
| Perry program income                  | 2,159,045             |   |  |
| Harris program income                 | 2,056,657             |   |  |
| Other                                 | <u>1,932,733</u>      |   |  |
|                                       | <u>43,174,173</u>     |   |  |
| Total cash                            | 99,821,333            | \$ 117,408,996                            | \$ -   |
| Investments, restricted (non-current) | <u>9,228,069</u>      | <u>-</u>                                  | <u>9,228,069</u>   |
| Total in banks                        | <u>\$ 109,049,402</u> | <u>\$ 117,408,996</u>                     | <u>\$ 9,228,069</u>  |

**NOTE D — RECEIVABLES**

Current receivables at June 30, 2012 and 2011 consisted of the following:

|   | <u>2012</u>         | <u>2011</u>          |
|---|---------------------|----------------------|
| HUD receivables   | \$ 1,063,977        | \$ 18,127,021        |
| Predevelopment loans  | 297,937             | 183,580              |
| Development and other fees receivable   | 937,934             | 1,369,639            |
| Tenant dwelling rents (net of allowance of \$3,112 and \$2,978 in<br>2012 and 2011, respectively) | 4,660               | 7,951                |
| Other receivables (net of allowance of \$350,000 and \$0 in<br>2012 and 2011, respectively)       | 715,055             | 563,203              |
| Public improvement advances   | <u>1,331,426</u>    | <u>512,893</u>       |
|   | <u>\$ 4,350,989</u> | <u>\$ 20,764,287</u> |

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE E — RELATED DEVELOPMENT LOANS, INVESTMENT IN PARTNERSHIPS AND RECEIVABLES**

GAAP defines related parties as those parties that can significantly influence the management or operating policies of the transacting parties or that have an ownership interest in one of the transacting parties. The related development and other loans, investment in partnerships, development receivables and predevelopment loans at June 30, 2012 and 2011 consisted of the following:

|  | <u>2012</u>           | <u>2011</u>           |
|--|-----------------------|-----------------------|
| Development loans (net of allowance of \$29,913,175 and \$29,994,113 in 2012 and 2011, respectively)               | \$ 158,486,256        | \$ 156,813,749        |
| Other loans (net of allowance of \$3,090,930 and \$3,231,693 in 2012 and 2011, respectively)                       | 8,009,944             | 7,530,554             |
| Investment in Partnerships (net of allowance of \$414,493 in 2012 and 2011)  | -                     | -                     |
| Development and other fees receivable (net of allowance of \$805,939 and \$978,494 in 2012 and 2011, respectively) | 1,425,830             | 1,357,830             |
| Predevelopment loans   | <u>8,467</u>          | <u>324,910</u>        |
|  | <u>\$ 167,930,497</u> | <u>\$ 166,027,043</u> |

**Development loans**

AHA enters into subordinated development (construction and permanent) loans with the Owner Entities of the mixed-income, mixed-finance rental communities in conjunction with financing arrangements related to the development projects, as described in Note B.7. During FY 2012, the subordinated construction loans to Owner Entities increased by a net of \$2,006,062.

**Other loans**

AHA may provide gap financing to facilitate the construction of properties with up to a 15-year renewable PBRA agreement with the private owners. During FY 2012, loan draws of \$305,869 were advanced under such loans.

AHA and HUD were parties to a Voluntary Compliance Agreement (VCA). With respect to the mixed-income, mixed-finance rental communities, the VCA required AHA to ensure that the site, common areas and at least five percent of AHA-assisted units met UFAS and other federal statutory requirements. AHA (or its affiliate) made loans, grants or capital contributions to the Owner Entities of the mixed-income, mixed-finance rental communities to achieve Uniform Federal Accessibility Standards (UFAS) compliance with the VCA. AHA completed its obligations under the VCA on March 24, 2011. These unsecured loans are fully reserved.



The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE E — RELATED DEVELOPMENT LOANS, INVESTMENT IN PARTNERSHIPS AND RECEIVABLES — continued**

**Development and other fees receivable**

AHA earns development and other fees associated with the construction and revitalization activities at the mixed-income, mixed-finance rental communities and from certain properties with Project Based Rental Assistance (PBRA) agreements. See further disclosure in Note B.12.

**Predevelopment loans**

AHA makes predevelopment loans to its development partners (typically an affiliate of the Owner Entity) prior to the financial closing to facilitate development of the site, including the purchase of building materials, permits and architectural/design services. Predevelopment loans are repaid upon closing the financial instruments that support the construction of the project, including AHA's subordinated construction loan. Loans expected to be paid within one year are classified as current.

**Related-party development income and (expense)**

Related-party development income and expense for the years ended June 30, 2012 and 2011 consisted of the following:

|  | 2012            | 2011            |
|--|-----------------|-----------------|
| <b>Type of income/(expense):</b>   |                 |                 |
| Interest Income  | \$ 724,640      | \$ 160,417      |
| Developer and other fee income   | \$ 1,701,818    | \$ 1,198,689    |
| Housing assistance payments to Owner Entities of the mixed-income communities  | \$ (14,086,311) | \$ (13,489,960) |
| Housing assistance payments to private owners/<br>Owner Entities where AHA has a PBRA agreement<br>and has advanced a loan | \$ (11,169,518) | \$ (11,555,824) |

Owner Entity financial statements are audited by independent accounting firms hired by each respective Owner Entity. See further disclosure in Note B.12 and in the Other Supplementary Information.

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE F — OTHER RELATED-PARTY TRANSACTIONS**

***Georgia HAP Administrators, Inc. dba National Housing Compliance (Georgia HAP)***

Georgia HAP Administrators, Inc. *dba* National Housing Compliance (Georgia HAP) was formed in August 1999 as a 501(c)(4) nonprofit corporation pursuant to the laws of the State of Georgia for the purpose of administering Housing Assistance Payments Contracts between HUD and private owners of multi-family housing with project-based rental assistance. Georgia HAP, headquartered in Atlanta, Georgia, is comprised of 11 member organizations, including AHA (Members). Georgia HAP earns fees for contract administration services as HUD's Performance Based Contract Administrator (PBCA) for the states of Illinois and Georgia. Georgia HAP makes periodic distributions to Members in the form of revenue in excess of expenses and also pays base administrative fees and incentive fees for subcontract work performed by Members in their respective areas of operation. As a Member, AHA earned unrestricted fees of \$1,322,690 and \$1,813,846 in FY 2012 and FY 2011, respectively, from Georgia HAP activities in Georgia and Illinois.

During FY 2012, an amendment was made to Georgia HAP's contract with HUD which suspended the PBCA requirement to perform management and occupancy reviews (MORs) of HUD-assisted properties in Georgia HAP's PBCA portfolios. Consequently, Georgia HAP advised its Members under their respective subcontract agreements to stop performing MORs. As a result of this action, AHA ceased MOR activities, which, therefore, eliminated the need for compliance staff that performed MORs and reduced the associated salary expense incurred under this activity.

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE G — CAPITAL ASSETS**

Changes in capital assets for the year ended June 30, 2012:

|                               | Balance at<br>June 30, 2011 | Additions<br>and reclasses | Deletions<br>and reclasses | Balance at<br>June 30, 2012 |
|-------------------------------|-----------------------------|----------------------------|----------------------------|-----------------------------|
| Land*                         | \$ 52,444,233               | \$ 4,989,201               | \$ (16,378)                | \$ 57,417,056               |
| Land improvements             | 18,818,902                  | 4,774,101                  | -                          | 23,593,003                  |
| Buildings and improvements    | 137,298,051                 | 15,326,683                 | (9,062,667)                | 143,562,067                 |
| Equipment                     | 18,496,733                  | 12,087,177                 | -                          | 30,583,910                  |
| Modernization in process*     | <u>25,536,553</u>           | <u>11,220,172</u>          | <u>(23,640,906)</u>        | <u>13,115,819</u>           |
|                               | 252,594,472                 | 48,397,334                 | (32,719,951)               | 268,271,855                 |
| Less accumulated depreciation |                             |                            |                            |                             |
| Land improvements             | (9,060,935)                 | (1,286,165)                | -                          | (10,347,100)                |
| Buildings and improvements    | (85,971,804)                | (4,002,712)                | -                          | (89,974,516)                |
| Equipment                     | <u>(14,426,517)</u>         | <u>(2,431,563)</u>         | <u>-</u>                   | <u>(16,858,080)</u>         |
|                               | <u>(109,459,256)</u>        | <u>(7,720,440)</u>         | <u>-</u>                   | <u>(117,179,696)</u>        |
| Total capital assets, net     | <u>\$ 143,135,216</u>       | <u>\$ 40,676,894</u>       | <u>\$ (32,719,951)</u>     | <u>\$ 151,092,159</u>       |

\* *Non-depreciable assets*

Changes in capital assets for the year ended June 30, 2011:

|                               | Balance at<br>June 30, 2010 | Additions<br>and reclasses | Deletions<br>and reclasses | Balance at<br>June 30, 2011 |
|-------------------------------|-----------------------------|----------------------------|----------------------------|-----------------------------|
| Land*                         | \$ 47,819,408               | \$ 4,650,253               | \$ (25,428)                | \$ 52,444,233               |
| Land improvements             | 18,616,180                  | 202,722                    | -                          | 18,818,902                  |
| Buildings and improvements    | 135,467,591                 | 1,830,460                  | -                          | 137,298,051                 |
| Equipment                     | 15,684,247                  | 2,812,486                  | -                          | 18,496,733                  |
| Modernization in process*     | <u>5,077,624</u>            | <u>22,625,461</u>          | <u>(2,166,532)</u>         | <u>25,536,553</u>           |
|                               | 222,665,050                 | 32,121,382                 | (2,191,960)                | 252,594,472                 |
| Less accumulated depreciation |                             |                            |                            |                             |
| Land improvements             | (7,884,982)                 | (1,175,953)                | -                          | (9,060,935)                 |
| Buildings and improvements    | (81,824,364)                | (4,147,440)                | -                          | (85,971,804)                |
| Equipment                     | <u>(12,274,948)</u>         | <u>(2,151,566)</u>         | <u>-</u>                   | <u>(14,426,517)</u>         |
|                               | <u>(101,984,294)</u>        | <u>(7,474,959)</u>         | <u>-</u>                   | <u>(109,459,256)</u>        |
| Total capital assets, net     | <u>\$ 120,680,756</u>       | <u>\$ 24,646,423</u>       | <u>\$ (2,191,960)</u>      | <u>\$ 143,135,216</u>       |

\* *Non-depreciable assets*

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE H — OTHER NON-CURRENT ASSETS**

Other non-current assets at June 30, 2012 and 2011 consisted of the following:

|  | <u>2012</u>          | <u>2011</u>          |
|--|----------------------|----------------------|
| Public improvement funds due from the City of Atlanta and related entities                                     | \$ 25,047,719        | \$ 24,640,405        |
| Homeownership down payment assistance notes (net of allowance of \$4,200,367 and \$3,665,595 in 2012 and 2011) | -                    | -                    |
| Loan costs (net of accumulated loan amortization of \$31,287 and \$27,293 in 2012 and 2011, respectively)      | 8,654                | 12,649               |
| Other (net of allowance for doubtful accounts of \$46,760 in 2012 and 2011)                                    | <u>9,190</u>         | <u>11,450</u>        |
|  | <u>\$ 25,065,563</u> | <u>\$ 24,664,504</u> |

**NOTE I — ACCOUNTS PAYABLE**

Accounts payable at June 30, 2012 and 2011 consisted of the following:

|                         | <u>2012</u>         | <u>2011</u>         |
|-------------------------|---------------------|---------------------|
| Accounts payable, trade | \$ 582,229          | \$ 1,179,504        |
| HUD payable             | 309,170             | -                   |
| Other                   | <u>211,539</u>      | <u>207,303</u>      |
|                         | <u>\$ 1,102,938</u> | <u>\$ 1,386,807</u> |

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE J — ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2012 and 2011 consisted of the following:

|  | <u>2012</u>          | <u>2011</u>          |
|--|----------------------|----------------------|
| Accrued expense                          | \$ 6,781,443         | \$ 10,065,842        |
| Contract retention                       | 1,284,466            | 2,737,033            |
| Compensated absences                     | 709,138              | 705,188              |
| Wages payable                            | 2,020,390            | 752,513              |
| Contingencies and uncertainties (Note N) | 158,611              | 200,000              |
| Workers' compensation claims (Note N)    | 50,000               | 30,000               |
| Interest payable                         | <u>154,278</u>       | <u>11,949</u>        |
|  | <u>\$ 11,158,326</u> | <u>\$ 14,502,525</u> |

Compensated absences at June 30, 2012 consisted of the following:

|                         | <u>Balance at<br/>June 30,<br/>2011</u> | <u>Additions</u>  | <u>Reductions</u>   | <u>Balance at<br/>June 30,<br/>2012</u> | <u>Non-<br/>current</u> | <u>Current</u>    |
|-------------------------|---|-------------------|---------------------|---|-------------------------|-------------------|
| Compensated<br>absences | <u>\$ 1,206,455</u>                     | <u>\$ 856,635</u> | <u>\$ (709,138)</u> | <u>\$ 1,353,952</u>                     | <u>\$ 644,814</u>       | <u>\$ 709,138</u> |

Compensated absences at June 30, 2011 consisted of the following:

|                         | <u>Balance at<br/>June 30,<br/>2010</u> | <u>Additions</u>  | <u>Reductions</u>   | <u>Balance at<br/>June 30,<br/>2011</u> | <u>Non-<br/>current</u> | <u>Current</u>    |
|-------------------------|---|-------------------|---------------------|---|-------------------------|-------------------|
| Compensated<br>absences | <u>\$ 1,323,453</u>                     | <u>\$ 578,858</u> | <u>\$ (695,856)</u> | <u>\$ 1,206,455</u>                     | <u>\$ 501,267</u>       | <u>\$ 705,188</u> |

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE K — OTHER CURRENT LIABILITIES**

Other current liabilities at June 30, 2012 and 2011 consisted of the following:

|  | <u>2012</u>         | <u>2011</u>         |
|--|---------------------|---------------------|
| Public improvement funds received from the City of<br>Atlanta and related entities | \$ 6,985,389        | \$ 7,443,506        |
| Other  | <u>727,915</u>      | <u>721,651</u>      |
|  | <u>\$ 7,713,304</u> | <u>\$ 8,165,157</u> |

**NOTE L — LONG-TERM DEBT**

Long-term debt at June 30, 2012 consisted of the following:

|                         | <u>Balance at<br/>July 1, 2011</u> | <u>Additions</u>    | <u>Reductions</u>     | <u>Balance at<br/>June 30, 2012</u> | <u>Non-current</u>  | <u>Current</u> |
|-------------------------|------------------------------------|---------------------|-----------------------|-------------------------------------|---------------------|----------------|
| J.W. Dobbs Note Payable | \$ 3,236,703                       | -                   | \$ (3,236,703)        | -                                   | -                   | -              |
| EPC Bank Loan Payable   | <u>-</u>                           | <u>9,293,862</u>    | <u>-</u>              | <u>9,293,862</u>                    | <u>9,293,862</u>    | <u>-</u>       |
|                         | <u>\$ 3,236,703</u>                | <u>\$ 9,293,862</u> | <u>\$ (3,236,703)</u> | <u>\$ 9,293,862</u>                 | <u>\$ 9,293,862</u> | <u>\$ -</u>    |

Long-term debt at June 30, 2011 consisted of the following:

|                         | <u>Balance at<br/>July 1, 2010</u> | <u>Additions</u> | <u>Reductions</u>   | <u>Balance at<br/>June 30, 2011</u> | <u>Non-current</u>  | <u>Current</u>    |
|-------------------------|------------------------------------|------------------|---------------------|-------------------------------------|---------------------|-------------------|
| J.W. Dobbs Note Payable | <u>\$ 3,553,851</u>                | <u>\$ -</u>      | <u>\$ (317,148)</u> | <u>\$ 3,236,703</u>                 | <u>\$ 2,905,388</u> | <u>\$ 331,315</u> |

Interest expense related to long-term debt was \$713,807 and \$151,992 for the years ended June 30, 2012 and 2011, respectively.

**J.W. Dobbs note payable**

The J.W. Dobbs capital lease agreements and note payable were refinanced and combined effective September 1, 2004 in the amount of \$5,125,000 requiring monthly debt service payments of \$39,193, based on a fixed interest rate of 4.43 percent. A final balloon payment was due September 1, 2014. The note was collateralized by the land and building located at 230 J.W. Dobbs Avenue, which had a net book value of \$12,104,646 and \$12,710,550 at June 30, 2012 and 2011, respectively.

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE L — LONG-TERM DEBT — continued**

On June 29, 2012, AHA prepaid the full amount outstanding of \$3,148,942 including the prepayment premium owed under the Amended and Restated Facilities Lease and Option Agreement by and between AHA and 230 John Wesley Dobbs Boulevard Ventures, Inc. and facilitated the release of the AHA headquarters property from the Amended and Restated Deed to Secure Debt held by Bank of America, N.A. The titles to the land and the building at 230 John Wesley Dobbs Avenue and the two parcels of land at the intersection of John Wesley Dobbs Avenue and Bell Street used for parking were transferred to AHA.

**EPC bank loan payable**

In FY 2012 an Energy Performance Contract (EPC) was consummated which combined an EPC bank loan in the amount of \$9,104,935 with \$2,034,237 of MTW funds for capital improvements utilizing energy conservation and efficiency solutions at the AHA-Owned Residential Communities. During FY 2012, \$188,927 of accrued interest was capitalized into the loan, bringing the outstanding principal balance to \$9,293,862 at June 30, 2012. The EPC structure provides for the loan to be repaid through future energy savings resulting from such improvements. The terms of the loan agreement provided that all proceeds would be fully drawn at closing and placed in an escrow account. The unused balance at June 30, 2012 is \$2,395,868 and is reflected in the Current Asset section of the Statements of Net Assets as an Investment (restricted).

**Aggregate long-term debt by year**

Aggregate long-term debt service payments scheduled for the next five fiscal years and thereafter are as follows:

|            | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>         |
|------------|---------------------|---------------------|----------------------|
| 2013       | \$ -                | \$ 304,698          | \$ 304,698           |
| 2014       | 305,259             | 627,119             | 932,378              |
| 2015       | 198,878             | 447,632             | 646,510              |
| 2016       | 223,177             | 437,728             | 660,905              |
| 2017       | 254,266             | 426,614             | 680,880              |
| Thereafter | <u>8,312,282</u>    | <u>3,790,123</u>    | <u>12,102,405</u>    |
|            | <u>\$ 9,293,862</u> | <u>\$ 6,033,914</u> | <u>\$ 15,327,776</u> |

During FY 2013, additional accrued interest in the amount of \$158,136 will be capitalized into the outstanding principal balance per the terms of the loan agreement.

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE M — OTHER NON-CURRENT LIABILITIES**

Other non-current liabilities at June 30, 2012 and 2011 consisted of the following:

|  | <u>2012</u>        | <u>2011</u>         |
|--|--------------------|---------------------|
| Resident security deposits               | \$ 336,661         | \$ 334,193          |
| Deferred rooftop satellite lease revenue | 359,760            | 427,215             |
| Compensated absences (Note J)            | 644,814            | 501,267             |
| Other                                    | <u>-</u>           | <u>7,569</u>        |
|  | <u>\$1,341,235</u> | <u>\$ 1,270,244</u> |

**NOTE N — INSURANCE AND CLAIMS**

AHA is exposed to various risks of loss related to: torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters.

**Self-insurance plan — workers' compensation**

AHA is self-insured for workers' compensation claims and has purchased excess insurance for its workers' compensation self-insurance plan, which limits its liability to \$400,000 per accident. AHA has a system in place to identify incidents which might give rise to workers' compensation claims. It uses this information to compute an estimate of loss due to claims asserted and incidents that have been incurred but not reported. Periodically AHA obtains an actuarial study to assist them with their estimates. The last study completed was as of June 30, 2010. Settled claims have not exceeded the self-insured retention in any part of the past five years. AHA has recorded estimated liabilities of \$50,000 and \$30,000 as of June 30, 2012 and 2011, respectively.

**Litigation and claims**

AHA is party to legal actions arising in the ordinary course of business. One such claim was settled subsequent to year-end which was entirely covered by insurance, and accordingly no liability related to this claim has been accrued. In addition, certain other actions are in various stages of the litigation process and their ultimate outcome cannot be determined currently. Accordingly, potential liabilities in excess of insurance coverage may not be reflected in the accompanying financial statements. While it is the opinion of outside and in-house legal counsel that the ultimate outcome of such litigation would be impossible to predict, the financial statements include estimated liabilities in the amount of \$158,611 and \$200,000 as of June 30, 2012 and 2011, respectively.



The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE O — CONTINGENCIES AND UNCERTAINTIES**

**Easements, liens and other contractual obligations**

Generally, real property owned by AHA under the public housing program or purchased using public housing development funds is subject to a HUD declaration of trust and most have various customary easements (e.g., utility rights-of-way). From time to time, mechanics' liens or other such liens may be recorded against AHA-Owned property. Notwithstanding any such liens, under Georgia law, all real property of AHA is exempt from levy and sale by virtue of execution, other judicial process or judgment. Additionally, real property owned by AHA affiliate entities and leasehold interests in AHA real property (ground leased to Owner Entities in connection with mixed-income rental communities) may be subject to mortgage liens and other contractual obligations.

**Valuation of related development loans**

The multi-family rental housing market is affected by a number of factors such as mortgage interest rates, supply and demand, changes in neighborhood demographics and growth of the metropolitan Atlanta area. Because related development loans to Owner Entities of the mixed-income, mixed-finance multi-family rental communities are subordinated and payable from net cash flows, local market conditions could impact the value of those receivables as reflected on AHA's books. AHA's strategy is to monitor the performance of the properties and local market conditions, and conduct a valuation study every two years by an expert third-party financial consultant. A valuation study based on a representative sample of such related development loans was performed as of June 30, 2012 and it was determined that no increase in valuation reserve was indicated (see further disclosure by Owner Entity in Other Supplementary Information).

**NOTE P — DEFINED BENEFIT PENSION PLAN**

**Plan description**

AHA's Retirement Plan (the Plan) is a single-employer, non-contributory defined benefit pension plan under a group annuity contract with Massachusetts Mutual Life Insurance Company, an insurance carrier, which maintains custody of Plan assets, administers the Plan and invests all funds through a General Investment account and a separate Money Market account. AHA is not required to provide a separate audited GAAP-basis pension plan report. Assets of the Plan represent less than one percent of the insurance carrier's total assets. None of the Plan's investments are the property of AHA. The Plan provides retirement, disability and death benefits to the participants and their beneficiaries.

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE P — DEFINED BENEFIT PENSION PLAN — continued**

The AHA Board froze the Plan as of December 31, 2007. No employees hired or rehired on or after January 1, 2008, may be added to or accrue additional benefits under the Plan. The Board also froze benefit accruals under the Plan for all current participants, except certain vested employees whose age plus years of service equaled 60 at December 31, 2007 and who elected to continue accruals under the Plan (grandfathered employees). In FY 2009, AHA offered and made lump sum cash payments to those plan participants who are no longer employed with AHA, had vested in a retirement benefit but who had not retired nor been certificated by the Plan administrator. In August 2009, \$6,306,469 was paid from the Plan to the 304 participants who elected to take the lump sum. AHA is no longer liable to fund future retirement benefits for those participants who elected to take their retirement benefit under the lump sum option.

The plan document received a favorable determination letter from the IRS on June 3, 2011.

**Funding policy**

AHA's funding policy is to contribute an amount equal to or greater than the minimum required contribution. The Actuarial Standard of Practice recommends the use of best-estimate range for each assumption, based on past experience, future expectations and application of professional judgment. The recommended contributions were computed as part of the actuarial valuations performed as of January 1, 2012, 2011 and 2010. Beginning June 1996, AHA's contributions were determined under the Projected Unit Credit Actuarial Cost method (pay-related benefit formula). See the multi-year pension trend information presented in the Schedule of Pension Funding Progress immediately following the Notes to the Financial Statements, which presents information about the actuarial value of plan assets relative to the actuarial accrued liability for benefits.

**Annual pension costs and annual required contribution**

For the fiscal year ended June 30, 2012, AHA funded pension payments of \$1,500,000. There were no AHA funded pension payments for the years ended June 30, 2011 and 2010, respectively. Such payments were greater than or equal to AHA's annual required contributions for the respective years.

For the year ended June 30, 2012, AHA's annual pension cost was as follows:

|  |                                |
|--|--------------------------------|
| Annual required contribution                         | \$ 223,441                     |
| Amortization of unfunded actuarial accrued liability | 312,741                        |
| Interest   | <u>25,581</u>                  |
| Annual pension costs                                 | 561,763                        |
| Contributions made                                   | <u>(1,500,000)</u>             |
| (Decrease) in net pension obligation (NPO)           | (938,237)                      |
| NPO at beginning of year                             | <u>-</u>                       |
| <br>(Overfunded) Unfunded NPO at end of year         | <br><u><u>\$ (938,237)</u></u> |

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE P — DEFINED BENEFIT PENSION PLAN — continued**

Three-year trend information is as follows

|  | <u>January 1, 2012</u> |   | <u>January 1, 2011</u> |   | <u>January 1, 2010</u> |
|--|------------------------|---|------------------------|---|------------------------|
| Market value of assets   | 39,048,208             |   | \$40,673,163           |   | \$42,249,247           |
| Actuarial accrued liability (AAL)  | 42,610,612             | * | 40,720,186             | * | 42,121,920             |
| (Unfunded) Overfunded AAL  | (3,562,404)            | * | (47,023)               | * | 127,327                |
| Funded ratio   | 91.64%                 |   | 99.88%                 |   | 100.30%                |
| Annual pension cost (APC)  | 561,763                |   | -                      |   | -                      |
| Actual contributions during fiscal year                                    | 1,500,000              |   | -                      |   | -                      |
| Percentage of APC contributed  | 267.02%                |   | n/a                    |   | n/a                    |
| (Overfunded) Unfunded net pension obligations after employer contributions | (938,237)              |   | -                      |   | -                      |

\* Based on level equivalent discount rates of 4.9%, 5.5%, and 5.25% for 2012, 2011 and 2010, respectively.

Significant actuarial assumptions used to compute the annual contribution requirement as of the January 1, 2012 valuation date are as follows: 1) the valuation uses the Projected Unit Credit Actuarial Cost method; 2) the Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on an open basis. The remaining amortization period at January 1, 2012 is 15 years; 3) the Actuarial Value of plan assets is equal to the market value at the date of valuation; 4) the assumed average investment rate of return is 5.5 percent for participants without certificates and 4.25 percent for participants with certificates, for a level equivalent rate of 4.9 percent compounded annually; 5) mortality rates, used to calculate the actuarial accrued liability (AAL) were based upon the RP 2000 tables; and 6) projected salary increases are 4 percent per year.

Significant changes in assumptions used in the current year compared to the prior year were as follows: the assumed investment rate of return in the prior year was 5.5 percent for all participants.

**NOTE Q — DEFERRED COMPENSATION AND DEFINED CONTRIBUTION PLANS**

AHA offers its employees a deferred compensation plan created in accordance with IRC Section 457 (the 457 Plan). The 457 Plan is available to all full-time eligible employees and permits participants to defer a portion of their salary until future years. Effective February 1, 2008, all eligible employees had the option to participate in the 457 Plan with a deferral rate of two percent. Employees may change their deferral rates at any time. Employee contributions of \$770,030 and \$687,608 were made in the Plan years 2011 and 2010, respectively.

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE Q — DEFERRED COMPENSATION AND DEFINED CONTRIBUTION PLANS— continued**

In conjunction with changes made to the Defined Benefit Plan, effective February 1, 2008, AHA's Board also approved the creation of the new Defined Contribution Plan under IRC Section 401(a) (the 401(a) Plan), for all eligible employees. The 401(a) Plan provides an employer-matching contribution on amounts that employees defer into the 457 Plan, equal to 100 percent of the first two percent deferred by the participant. Additional matching contributions are made based on the participant's years of service with AHA. In addition, further contributions can be made at the discretion of management. The employer contribution to the 401(a) Plan was \$590,231 and \$508,538 during FY 2012 and FY 2011, respectively. Amounts from these plans are available to participants at the time of termination, retirement, death or emergency. As required by federal regulations, the funds are held in trust for the exclusive benefit of participants and their beneficiaries.

Both of the plans are administered by Wells Fargo. AHA has no ownership of the plans. Accordingly, the plans' assets are not reported in AHA's financial statements. AHA may amend, modify or terminate the plans, upon approval of such amendment, modification or termination by the Retirement Fiduciary Committee, the Executive Director or Board of Commissioners of AHA.

**NOTE R — POST-EMPLOYMENT BENEFITS**

AHA offered early retirement programs in FY 1995 and FY 2004. AHA employees who elected early retirement under prescribed "open windows" in these years were permitted to continue their medical benefits until age 65 at 50 percent of the premium cost. AHA records these expenditures on a pay-as-you-go basis. Annual costs were \$30,172 and \$18,906 for FY 2012 and FY 2011, respectively. As of June 30, 2012, four employees were receiving these benefits; three from FY 1995 and one from FY 2004.

**NOTE S — LEASES**

AHA is party to lease agreements as lessor whereby it receives revenue for tenant dwellings leased in AHA-Owned public-housing-assisted residential properties. These leases are for a one-year period (which may or may not be renewed depending upon tenant eligibility and desire) and are considered operating leases for accounting purposes.

AHA is the ground lessor to Owner Entities of most of the mixed-income communities, as discussed further in Note B.7. Revenue derived from these leases is nominal.

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE S — LEASES — continued**

The cost and accumulated depreciation of AHA-Owned assets used in leasing activities were as follows, for the years ended June 30, 2012 and 2011:

|                          | <u>2012</u>          | <u>2011</u>          |
|--------------------------|----------------------|----------------------|
| Land                     | \$ 52,366,543        | \$ 50,330,299        |
| Buildings and equipment  | 156,075,944          | 145,097,555          |
| Accumulated Depreciation | <u>(100,009,773)</u> | <u>(93,979,229)</u>  |
| Net                      | <u>\$108,432,714</u> | <u>\$101,448,625</u> |

AHA is party to operating lease agreements as lessee for office equipment used in the normal course of business. Estimated fiscal year disbursements over the remaining lives of these lease agreements are as follows:

| <u>Year ending December 31,</u> | <u>Amount</u>     |
|---------------------------------|-------------------|
| 2013                            | \$ 163,837        |
| 2014                            | 73,193            |
| 2015                            | <u>15,256</u>     |
|                                 | <u>\$ 252,286</u> |

Lease expense was \$280,703 and \$239,931 for the years ended June 30, 2012 and 2011, respectively.

**NOTE T — CONDUIT DEBT**

The following bonds, issued by AHA as conduit issuer, do not represent a debt or pledge of the full faith and credit of AHA and, accordingly, have not been reported in the accompanying financial statements. AHA has no responsibility for this conduit debt beyond any resources provided by the related loans.

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE T — CONDUIT DEBT — continued**

**Taxable mortgage revenue refunding bonds**

Taxable mortgage revenue refunding bonds were issued by AHA, as the conduit issuer, on September 25, 1995, related to the properties shown below. The mortgage payable balances are as follows:

| <u>Property</u> | <u>December 31,<br/>2011</u> | <u>December 31,<br/>2010</u> |
|-----------------|------------------------------|------------------------------|
| Oakland City    | \$ 2,193,501                 | \$ 2,193,501                 |
| Bedford Pines   | 1,094,360                    | 1,157,111                    |
| Bedford Towers  | 2,096,394                    | 2,647,215                    |
| Grant Park      | 2,727,797                    | 2,793,335                    |
| Capital Towers  | 1,277,794                    | 1,281,692                    |
| Capital Avenue  | <u>1,417,156</u>             | <u>1,445,370</u>             |
|                 | <u>\$ 10,807,002</u>         | <u>\$ 11,518,224</u>         |

**Taxable revenue bonds (Housing Opportunity Program)**

Atlanta Housing Opportunity, Inc. (AHOI) is a Georgia not-for-profit corporation created at the direction of the AHA Board for the sole purpose of facilitating the Housing Opportunity Program for the City of Atlanta. AHOI has no other programs or purpose (see further disclosure in Note A.3).

The Urban Residential Finance Authority of the City of Atlanta, Georgia (URFA) is authorized to issue Housing Opportunity Bonds (conduit debt) and loan the proceeds to AHOI, up to a maximum principal amount not to exceed \$75 million. URFA issued the first bond series of \$35 million Series 2007 A bonds and loaned the proceeds to AHOI in FY 2007. The City of Atlanta has the absolute and unconditional obligation to make the debt payments. In addition to the debt payments, the City pays the administrative and corporate governance costs of AHOI. URFA serves as the program administrator for the Housing Opportunity Program. The City's program oversight role includes establishing the program, directing the activities, and establishing or revising the budget for the Housing Opportunity Program. As such, AHOI is considered a component unit of the City of Atlanta.

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE T — CONDUIT DEBT — continued**

**Multi-family housing revenue bonds**

In order to provide a portion of the funds for the construction of three AHA-sponsored mixed-income, mixed-finance communities, multi-family housing revenue bonds were issued by AHA, as the conduit issuer, on May 1, 1999, July 1, 1999, and December 7, 2006, respectively. The mortgage payable balances are as follows:

| <u>Related development project</u>       | <u>December 31,<br/>2011</u> | <u>December 31,<br/>2010</u> |
|--|------------------------------|------------------------------|
| John Hope Community Partnership II, L.P. | \$ 10,924,916                | \$ 11,121,100                |
| Carver Redevelopment Partnership V, L.P. | 3,425,000                    | 3,425,000                    |
| East Lake Redevelopment II, L.P.         | <u>10,640,000</u>            | <u>11,140,000</u>            |
|  | <u>\$ 24,989,916</u>         | <u>\$ 25,686,100</u>         |

**NOTE U — NET ASSETS**

Net assets (Assets less Liabilities) are comprised of three components: 1) capital assets, net of related debt; 2) restricted—expendable net assets; and 3) unrestricted net assets.

Capital assets, net of related debt represents the net book value of capital assets, net of outstanding debt used to acquire those assets.

Restricted—expendable net assets, subject to both internal and external constraints, are calculated at the carrying value of restricted assets less related liabilities. These net assets are restricted by time and/or purpose. Restricted—expendable net assets include restrictions for HUD-funded programs, related development and other loans, and related development operating reserves made in conjunction with the AHA-sponsored mixed-income, mixed-finance development transactions. These assets cannot be used, pledged or mortgaged to a third party or seized, foreclosed upon or sold in the case of a default, ahead of any HUD lien or interest without HUD approval. In addition, the related development and other loans are not available to satisfy AHA's obligations due to the long-term, contingent nature of the underlying notes (see further disclosure in Note E, Note O and Other Supplementary Information).

Unrestricted net assets are not as restricted as in the foregoing category but remain subject to varying degrees of limitations. HUD approval is required, with some limited exceptions, to use or deploy these assets strategically outside of the ordinary course of AHA's business. AHA's eligible business activities are set forth in its HUD-approved Business Plan, as amended from time to time, by its MTW Annual Implementation Plans. In all cases, AHA's assets are subject to the limitations of AHA's charter and the Housing Authorities Laws of the State of Georgia.

The Housing Authority of the City of Atlanta  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2012 and 2011

**NOTE V — RECENT ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board (GASB) has released new pronouncements which will be implemented by the Authority starting in fiscal year 2013 through 2014: GASB 61, *“The Financial Reporting Entity: Omnibus;”* GASB 63, *“Financial Reporting of Deferred Outflows, Deferred Inflows and Net Position;”* GASB 65, *“Items Previously Reported as Assets and Liabilities;”* and GASB 68, *“Accounting and Financial Reporting for Pensions.”*

GASB 61 may change the classification and/or presentation of certain related parties and component units in the Authority’s reporting entity. This pronouncement is expected to have a material impact on the financial statements.

GASB 63 introduces the concept of deferred outflows, deferred inflows and net position in governmental reporting. GASB 65 prescribes which transaction types that were previously reported as assets and liabilities will now be classified as deferred inflows and outflows. In addition, it requires the write off of deferred debt issuance costs as they are now deemed not to be an asset. The presentation of the statement of activities of the Authority will be modified to present the effects of any of the resulting changes and to reflect the term net position. Management is in the process of evaluating the impact that these pronouncements will have on the financial statements.

GASB 68 will bring public pension accounting more in line with the private sector rules. As part of the change, the discount rate for public defined benefit pension plans will be more in line with the discount rate and investment rate of return for private defined benefit plans and a liability will be recorded to the extent the Authority’s pension is unfunded. This pronouncement is expected to have a material impact on the financial statements.



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## **REQUIRED SUPPLEMENTARY INFORMATION**

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### SCHEDULE OF PENSION FUNDING PROGRESS

| Actuarial<br>Valuation Date | Actuarial Value<br>of Assets | Actuarial Accrued<br>Liability (AAL) | (Underfunded)<br>Overfunded AAL | Funded Ratio | Covered Payroll | (Underfunded)<br>Overfunded<br>AAL as a % of<br>Covered Payroll |
|-----------------------------|------------------------------|--------------------------------------|---------------------------------|--------------|-----------------|---|
| January 1, 2003             | \$32,258,280                 | \$29,594,674                         | \$2,663,606                     | 109.00%      | \$14,592,516    | 18.25%  |
| January 1, 2004             | \$33,491,848                 | \$30,407,288                         | \$3,084,560                     | 110.14%      | \$15,699,710    | 19.65%  |
| January 1, 2005             | \$34,586,113                 | \$34,195,565                         | \$390,548                       | 101.14%      | \$14,243,999    | 2.74%   |
| January 1, 2006             | \$36,301,044                 | \$43,272,475                         | (\$6,971,431)                   | 83.89%       | \$13,150,498    | -53.01%   |
| January 1, 2007             | \$39,878,195                 | \$44,672,523                         | (\$4,794,328)                   | 89.27%       | \$11,253,960    | -42.60%   |
| January 1, 2008             | \$38,728,718                 | \$45,673,452                         | (\$6,944,734)                   | 84.79%       | \$13,822,948    | -50.24%   |
| January 1, 2009             | \$49,447,193                 | \$46,407,109                         | \$3,040,084                     | 106.55%      | \$13,877,719    | 21.91%  |
| January 1, 2010             | \$42,249,247                 | \$42,121,920                         | \$127,327                       | 100.30%      | \$12,695,948    | 1.00%   |
| January 1, 2011             | \$40,673,163                 | \$40,720,186                         | (\$47,023)                      | 99.88%       | \$10,983,388    | -0.43%  |
| January 1, 2012             | \$39,048,208                 | \$42,610,612 *                       | (\$3,562,404)                   | 91.64%       | \$9,401,000     | -37.89%   |

\* The increase in AAL in 2012 is due primarily to changes in actuarial assumptions as described in Note P.

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## **OTHER SUPPLEMENTARY INFORMATION**

The Housing Authority of the City of Atlanta, Georgia

**FINANCIAL DATA SCHEDULE OF  
BALANCE SHEET ACCOUNTS**

As of June 30, 2012

| ASSETS  | Project<br>Total      | Moving to Work<br>Demonstration<br>Program | Housing Choice<br>Vouchers | Mainstream<br>Vouchers | Revitalization of<br>Severely<br>Distressed Public<br>Housing | Choice<br>Neighborhoods<br>Planning Grant | Component Units      |
|---|-----------------------|--|----------------------------|------------------------|---|---|----------------------|
| <b>CURRENT ASSETS</b>                           |                       |  |                            |                        |   |   |                      |
| Cash  |                       |  |                            |                        |   |   |                      |
| Unrestricted                                    | \$ 3,000,051          | \$ 38,644,617                              | \$ -                       | \$ -                   | \$ -  | \$ -                                      | \$ 2,644,965         |
| Restricted                                      | <u>336,661</u>        | <u>-</u>                                   | <u>-</u>                   | <u>-</u>               | <u>-</u>  | <u>-</u>                                  | <u>15,000</u>        |
| Total Cash                                      | 3,336,712             | 38,644,617                                 | -                          | -                      | -   | -   | 2,659,965            |
| Receivables, net of allowance                   | 1,361,073             | 312,328                                    | 23,111                     | 153,927                | -   | 9,428                                     | -                    |
| Investments - Restricted                        | 2,395,868             | -  | -                          | -                      | -   | -   | -                    |
| Prepaid expenses and other assets               | 1,884,343             | 36,862                                     | -                          | -                      | -   | -   | 4,976                |
| Interprogram --- due from                       | <u>40,607,082</u>     | <u>18,659,998</u>                          | <u>-</u>                   | <u>-</u>               | <u>-</u>  | <u>-</u>                                  | <u>91,421</u>        |
| Total current assets                            | 49,585,078            | 57,653,806                                 | 23,111                     | 153,927                | -   | 9,428                                     | 2,756,362            |
| <b>NON-CURRENT ASSETS</b>                       |                       |  |                            |                        |   |   |                      |
| Capital Assets, net of accumulated depreciation | 108,432,715           | 352,401                                    | -                          | -                      | 157,899   | -   | 42,248,789           |
| Notes, Loans and Mortgages Receivable -         |                       |  |                            |                        |   |   |                      |
| Non-Current                                     | -                     | 8,468                                      | -                          | -                      | -   | -   | 108,000              |
| Other Assets                                    | <u>-</u>              | <u>9,190</u>                               | <u>-</u>                   | <u>-</u>               | <u>-</u>  | <u>-</u>                                  | <u>55,220</u>        |
| Total non-current assets                        | <u>108,432,715</u>    | <u>370,059</u>                             | <u>-</u>                   | <u>-</u>               | <u>157,899</u>  | <u>-</u>                                  | <u>42,412,009</u>    |
| <b>Total ASSETS</b>                             | <u>\$ 158,017,793</u> | <u>\$ 58,023,864</u>                       | <u>\$ 23,111</u>           | <u>\$ 153,927</u>      | <u>\$ 157,899</u>   | <u>\$ 9,428</u>                           | <u>\$ 45,168,370</u> |
| <b>LIABILITIES AND NET ASSETS</b>               |                       |  |                            |                        |   |   |                      |
| <b>CURRENT LIABILITIES</b>                      |                       |  |                            |                        |   |   |                      |
| Accounts payable                                | \$ 52,880             | \$ 78,947                                  | \$ -                       | \$ -                   | \$ 56,665   | \$ -                                      | \$ 18,731            |
| Accrued liabilities                             | 5,129,314             | 36,481                                     | -                          | -                      | 34,809  | 9,439                                     | 88,543               |
| Other current liabilities                       | 1,055,001             | 301,734                                    | -                          | -                      | -   | -   | 3,031                |
| Interprogram -- due to                          | <u>34,901,628</u>     | <u>22,614,550</u>                          | <u>23,111</u>              | <u>153,927</u>         | <u>1,220,283</u>  | <u>-</u>                                  | <u>(3,031)</u>       |
| Total current liabilities                       | 41,138,823            | 23,031,711                                 | 23,111                     | 153,927                | 1,311,757   | 9,439                                     | 107,274              |
| <b>NON-CURRENT LIABILITIES</b>                  |                       |  |                            |                        |   |   |                      |
| Long-term debt, net of current portion          | 9,293,862             | -  | -                          | -                      | -   | -   | 1,263,000            |
| Other non-current liabilities                   | <u>946,553</u>        | <u>111,421</u>                             | <u>-</u>                   | <u>-</u>               | <u>-</u>  | <u>-</u>                                  | <u>-</u>             |
| Total non-current liabilities                   | <u>10,240,416</u>     | <u>111,421</u>                             | <u>-</u>                   | <u>-</u>               | <u>-</u>  | <u>-</u>                                  | <u>1,263,000</u>     |
| <b>Total LIABILITIES</b>                        | <u>51,379,239</u>     | <u>23,143,132</u>                          | <u>23,111</u>              | <u>153,927</u>         | <u>1,311,757</u>  | <u>9,439</u>                              | <u>1,370,274</u>     |
| <b>NET ASSETS</b>                               |                       |  |                            |                        |   |   |                      |
| Invested In capital assets, net of related debt | 99,138,852            | 352,401                                    | -                          | -                      | 157,899   | -   | 40,985,789           |
| Restricted Net Assets                           | 7,512,355             | 31,634,426                                 | -                          | -                      | -   | -   | -                    |
| Unrestricted Net Assets                         | <u>(12,653)</u>       | <u>2,893,905</u>                           | <u>-</u>                   | <u>-</u>               | <u>(1,311,758)</u>  | <u>(11)</u>                               | <u>2,812,307</u>     |
| <b>Total NET ASSETS</b>                         | <u>106,638,554</u>    | <u>34,880,732</u>                          | <u>-</u>                   | <u>-</u>               | <u>(1,153,858)</u>  | <u>(11)</u>                               | <u>43,798,096</u>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>         | <u>\$ 158,017,793</u> | <u>\$ 58,023,864</u>                       | <u>\$ 23,111</u>           | <u>\$ 153,927</u>      | <u>\$ 157,899</u>   | <u>\$ 9,428</u>                           | <u>\$ 45,168,371</u> |

| Other Federal<br>Program | State/Local   | Business Activities | MTW<br>Demonstration<br>Program for Low<br>Rent | MTW Demonstration<br>Program for Capital<br>Fund | MTW Demonstration<br>Program for HCV<br>program | Competitive<br>Capital Fund<br>Stimulus Grant | Central Office<br>Cost Center | Total<br>Pre-Eliminations | Eliminations    | Total<br>Post-Eliminations |
|--------------------------|---------------|---------------------|---|--|---|---|-------------------------------|---------------------------|-----------------|----------------------------|
| \$ -                     | \$ 7,096      | \$ 13,938,692       | \$ -  | \$ -   | \$ -  | \$ -  | \$ 2,292,450                  | \$ 60,527,870             | \$ -            | \$ 60,527,870              |
| -                        | 7,408,471     | 32,549,434          | -   | -  | -   | -   | 505,578                       | 40,815,144                | -               | 40,815,144                 |
| -                        | 7,415,567     | 46,488,126          | -   | -  | -   | -   | 2,798,028                     | 101,343,014               | -               | 101,343,014                |
| -                        | 1,329,394     | 1,071,251           | -   | -  | -   | -   | 90,478                        | 4,350,989                 | -               | 4,350,989                  |
| -                        | -             | -                   | -   | -  | -   | -   | -                             | 2,395,868                 | -               | 2,395,868                  |
| -                        | -             | -                   | -   | -  | -   | -   | 972,255                       | 2,898,435                 | (586,793)       | 2,311,642                  |
| -                        | 708           | 1,306,980           | -   | -  | -   | -   | 364,204                       | 61,030,394                | (61,030,394)    | -                          |
| -                        | 8,745,668     | 48,866,356          | -   | -  | -   | -   | 4,224,965                     | 172,018,700               | (61,617,187)    | 110,401,513                |
| -                        | -             | 36,109              | -   | -  | -   | -   | 922,226                       | 152,150,139               | (1,057,980)     | 151,092,159                |
| -                        | -             | 167,778,926         | -   | -  | -   | -   | -                             | 167,895,393               | (1,263,000)     | 166,632,393                |
| -                        | 25,047,719    | 10,611,463          | -   | -  | -   | -   | -                             | 35,723,593                | -               | 35,723,593                 |
| -                        | 25,047,719    | 178,426,498         | -   | -  | -   | -   | 922,226                       | 355,769,125               | (2,320,980)     | 353,448,145                |
| \$ -                     | \$ 33,793,388 | \$ 227,292,855      | \$ -  | \$ -   | \$ -  | \$ -  | \$ 5,147,191                  | \$ 527,787,825            | \$ (63,938,167) | \$ 463,849,658             |
| \$ -                     | \$ -          | \$ 744              | \$ -  | \$ -   | \$ -  | \$ -  | \$ 374,262                    | \$ 582,229                | \$ -            | \$ 582,229                 |
| 10,873                   | 80,531        | 8,059               | -   | -  | -   | -   | 2,437,813                     | 7,835,863                 | -               | 7,835,863                  |
| -                        | 7,343,890     | 656,936             | -   | -  | -   | -   | 2,532,544                     | 11,893,136                | -               | 11,893,136                 |
| -                        | 668,694       | 1,451,232           | -   | -  | -   | -   | -                             | 61,030,394                | (61,030,394)    | -                          |
| 10,873                   | 8,093,115     | 2,116,972           | -   | -  | -   | -   | 5,344,619                     | 81,341,622                | (61,030,394)    | 20,311,228                 |
| -                        | -             | -                   | -   | -  | -   | -   | -                             | 10,556,862                | (1,263,000)     | 9,293,862                  |
| -                        | -             | 3,572               | -   | -  | -   | -   | 529,821                       | 1,591,367                 | (586,793)       | 1,004,574                  |
| -                        | -             | 3,572               | -   | -  | -   | -   | 529,821                       | 12,148,230                | (1,849,793)     | 10,298,437                 |
| 10,873                   | 8,093,115     | 2,120,544           | -   | -  | -   | -   | 5,874,440                     | 93,489,852                | (62,880,187)    | 30,609,665                 |
| -                        | -             | 36,109              | -   | -  | -   | -   | 922,226                       | 141,593,276               | 205,020         | 141,798,296                |
| -                        | -             | 177,011,126         | -   | -  | -   | -   | -                             | 216,157,907               | (1,263,000)     | 214,894,907                |
| (10,873)                 | 25,700,272    | 48,125,076          | -   | -  | -   | -   | (1,649,475)                   | 76,546,790                | -               | 76,546,790                 |
| (10,873)                 | 25,700,272    | 225,172,311         | -   | -  | -   | -   | (727,249)                     | 434,297,973               | (1,057,980)     | 433,239,993                |
| \$ -                     | \$ 33,793,388 | \$ 227,292,855      | \$ -  | \$ -   | \$ -  | \$ -  | \$ 5,147,191                  | \$ 527,787,825            | \$ (63,938,167) | \$ 463,849,658             |



The Housing Authority of the City of Atlanta, Georgia

**FINANCIAL DATA SCHEDULE OF PROGRAM REVENUE, EXPENSES  
AND CHANGES IN NET ASSET ACCOUNTS**

As of June 30, 2012

|   | Project<br>Total      | Moving to Work<br>Demonstration<br>Program | Housing Choice<br>Vouchers | Mainstream<br>Vouchers | Revitalization of<br>Severely<br>Distressed Public<br>Housing | Choice<br>Neighborhoods<br>Planning Grant | Component Units      |
|---|-----------------------|--|----------------------------|------------------------|---|---|----------------------|
| Tenant Revenue  | \$ 5,435,556          | \$ -                                       | \$ -                       | \$ -                   | \$ -  | \$ -                                      | \$ -                 |
| HUD PHA Operating Grants  | 1,748,692             | -  | 6,975,461                  | 776,523                | 1,512,906   | 181,891                                   | 15,000               |
| Capital Grants  | 1,446,850             | -  | -                          | -                      | 125,368   | -   | -                    |
| Other Fees  | -                     | -  | -                          | -                      | -   | -   | -                    |
| Interest and Investment Income                                      | -                     | -  | -                          | -                      | -   | -   | -                    |
| Other Revenue   | 359,602               | 231,119                                    | 427,164                    | 44,964                 | -   | -   | 1,912,136            |
| Gain or Loss on Sale of Capital Assets                              | 7,570                 | -  | -                          | -                      | -   | -   | -                    |
| <b>Total REVENUE</b>  | <b>\$ 8,998,271</b>   | <b>\$ 231,119</b>                          | <b>\$ 7,402,625</b>        | <b>\$ 821,487</b>      | <b>\$ 1,638,274</b>   | <b>\$ 181,891</b>                         | <b>\$ 1,927,136</b>  |
| Administrative  | 7,408,869             | 41,012,729                                 | 427,164                    | 44,964                 | 1,871   | 181,891                                   | 319,142              |
| Tenant Services   | 1,539,179             | 178,374                                    | -                          | -                      | -   | -   | -                    |
| Utilities, maintenance and protective services                      | 12,364,646            | -  | -                          | -                      | (2,947)   | -   | 1,158,862            |
| General expenses  | 14,754,551            | 2,049,876                                  | -                          | -                      | -   | -   | 47,564               |
| Interest expense  | 343,206               | -  | -                          | -                      | -   | -   | 370,602              |
| Extraordinary Maintenance   | 1,175,497             | -  | -                          | -                      | 1,536,913   | -   | -                    |
| Housing Assistance Payments   | -                     | 118,706,014                                | 7,067,599                  | 776,523                | -   | -   | -                    |
| Depreciation Expense  | 6,030,811             | 316,182                                    | -                          | -                      | -   | -   | 1,124,850            |
| <b>Total EXPENSES</b>   | <b>\$ 43,616,758</b>  | <b>\$ 162,263,176</b>                      | <b>\$ 7,494,763</b>        | <b>\$ 821,487</b>      | <b>\$ 1,535,837</b>   | <b>\$ 181,891</b>                         | <b>\$ 3,021,021</b>  |
| Operating Transfer In   | \$ 427,313            | \$ 192,844,722                             | \$ 69,902                  | \$ -                   | \$ 9,094,196  | \$ -                                      | \$ -                 |
| Operating transfer Out  | (427,313)             | (377,916)                                  | -                          | -                      | (5,399,797)   | -   | -                    |
| Operating Transfers from/to Component Unit                          | (330)                 | (3,148,942)                                | -                          | -                      | (1,361,622)   | -   | 5,082,759            |
| Transfers between Program and Project - In                          | 15,079,265            | -  | -                          | -                      | -   | -   | -                    |
| Transfers between Project and Program - Out                         | -                     | (13,434,320)                               | -                          | -                      | (816,421)   | -   | -                    |
| Total Other financing Sources (Uses)                                | 15,078,935            | 175,883,544                                | 69,902                     | -                      | 1,516,356   | -   | 5,082,759            |
| Change in net assets  | (19,539,552)          | 13,851,487                                 | (22,237)                   | -                      | 1,618,793   | -   | 3,988,874            |
| Net assets -- beginning of year                                     | 105,753,846           | 40,260,186                                 | 22,237                     | -                      | 8,099,672   | -   | 39,809,223           |
| Prior Period Adjustments, Equity Transfers and Correction of Errors | 20,424,259            | (19,230,940)                               | -                          | -                      | (10,872,324)  | (11)                                      | -                    |
| Net assets -- end of year   | <b>\$ 106,638,554</b> | <b>\$ 34,880,732</b>                       | <b>\$ -</b>                | <b>\$ -</b>            | <b>\$ (1,153,858)</b>   | <b>\$ (11)</b>                            | <b>\$ 43,798,096</b> |

| Other Federal<br>Program | State/Local   | Business Activities | MTW<br>Demonstration<br>Program for Low<br>Rent | MTW Demonstration<br>Program for Capital<br>Fund | MTW Demonstration<br>Program for HCV<br>program | Competitive<br>Capital Fund<br>Stimulus Grant | Central Office<br>Cost Center | Total<br>Pre-Eliminations | Eliminations    | Total<br>Post-Eliminations |
|--------------------------|---------------|---------------------|---|--|---|---|-------------------------------|---------------------------|-----------------|----------------------------|
| \$ -                     | \$ -          | \$ -                | \$ -  | \$ -   | \$ -  | \$ -  | \$ -                          | \$ 5,435,556              | \$ -            | \$ 5,435,556               |
| -                        | -             | -                   | 17,933,751                                      | 328,519  | 173,562,810                                     | 235,428                                       | -                             | 203,270,981               | -               | 203,270,981                |
| -                        | -             | -                   | -   | 1,019,641  | -   | 684,197                                       | -                             | 3,276,057                 | -               | 3,276,057                  |
| -                        | -             | -                   | -   | -  | -   | -   | 34,788,022                    | 34,788,022                | (34,788,022)    | -                          |
| -                        | -             | 884,110             | -   | -  | -   | -   | -                             | 884,110                   | -               | 884,110                    |
| -                        | 18            | 3,159,529           | -   | -  | -   | -   | 41,403                        | 6,175,934                 | (1,888,744)     | 4,287,190                  |
| -                        | -             | -                   | -   | -  | -   | -   | -                             | 7,570                     | -               | 7,570                      |
| \$ -                     | \$ 18         | \$ 4,043,638        | \$ 17,933,751                                   | \$ 1,348,161                                     | \$ 173,562,810                                  | \$ 919,625                                    | \$ 34,829,425                 | \$ 253,838,230            | \$ (36,676,766) | \$ 217,161,464             |
| 38,906                   | -             | 487,800             | -   | -  | -   | -   | 34,028,987                    | 83,952,324                | (36,676,766)    | 47,275,557                 |
| -                        | -             | 289,794             | -   | -  | -   | -   | 466,306                       | 2,473,654                 | -               | 2,473,654                  |
| -                        | -             | 42,050              | -   | -  | -   | -   | 228,722                       | 13,791,333                | -               | 13,791,333                 |
| -                        | -             | 555,009             | -   | -  | -   | -   | 809,374                       | 18,216,374                | -               | 18,216,374                 |
| -                        | -             | -                   | -   | -  | -   | -   | -                             | 713,807                   | -               | 713,807                    |
| -                        | -             | 36,142              | -   | -  | -   | 235,428                                       | -                             | 2,983,979                 | -               | 2,983,979                  |
| -                        | -             | -                   | -   | -  | -   | -   | -                             | 126,550,137               | -               | 126,550,137                |
| -                        | -             | -                   | -   | -  | -   | -   | 252,858                       | 7,724,701                 | -               | 7,724,701                  |
| \$ 38,906                | \$ -          | \$ 1,410,795        | \$ -  | \$ -   | \$ -  | \$ 235,428                                    | \$ 35,786,246                 | \$ 256,406,309            | \$ (36,676,766) | \$ 219,729,543             |
| \$ -                     | \$ 2,310,563  | \$ 3,524,018        | \$ -  | \$ -   | \$ -  | \$ -  | \$ 75,057                     | \$ 208,345,771            | \$ -            | \$ 208,345,771             |
| -                        | -             | (9,238,985)         | (17,933,751)                                    | (1,348,161)                                      | (173,562,810)                                   | -   | (57,038)                      | (208,345,771)             | -               | (208,345,771)              |
| -                        | -             | (571,865)           | -   | -  | -   | -   | -                             | -                         | -               | -                          |
| -                        | -             | -                   | -   | -  | -   | -   | -                             | 15,079,265                | -               | 15,079,265                 |
| -                        | (126,308)     | -                   | -   | -  | -   | (684,197)                                     | (18,019)                      | (15,079,265)              | -               | (15,079,265)               |
| -                        | 2,184,255     | (6,286,832)         | (17,933,751)                                    | (1,348,161)                                      | (173,562,810)                                   | (684,197)                                     | -                             | -                         | -               | -                          |
| (38,906)                 | 2,184,273     | (3,653,988)         | -   | -  | -   | -   | (956,821)                     | (2,568,079)               | -               | (2,568,079)                |
| -                        | 9,958,867     | 228,940,366         | -   | -  | -   | 2,965,225                                     | 1,056,429                     | 436,866,052               | (1,057,980)     | 435,808,072                |
| 28,033                   | 13,557,132    | (114,067)           | -   | -  | -   | (2,965,225)                                   | (826,856)                     | -                         | -               | -                          |
| \$ (10,873)              | \$ 25,700,272 | \$ 225,172,311      | \$ -  | \$ -   | \$ -  | \$ -  | \$ (727,249)                  | \$ 434,297,973            | \$ (1,057,980)  | \$ 433,239,993             |

The Housing Authority of the City of Atlanta  
**NOTES TO FINANCIAL DATA SCHEDULES**  
June 30, 2012

**NOTE A — BASIS OF PRESENTATION**

The accompanying Schedule of Combining Program Revenue, Expense and Changes in Net Asset Accounts and Schedule of Combining Statement of Net Asset Accounts have been prepared using the basis of accounting required by HUD's Real Estate Assessment Center (REAC) and as modified in accordance with the provisions, policies and requirements contained in the MTW Agreement.

REAC requires certain items on the Schedule of Combining Balance Sheet Accounts to be classified entirely as short-term or long-term. However, these items are allocated between short and long-term in the financial statements prepared in accordance with GAAP. Also, REAC does not provide for presenting items on the Schedule of Combining Program Revenue, Expense and Changes in Net Asset Accounts as operating or non-operating. Accordingly, there are differences in classifications and presentation between these schedules and the financial statements. However, total assets, liabilities, net assets and changes in net assets reported in these schedules agree to the financial statements prepared in accordance with GAAP.

The Housing Authority of the City of Atlanta  
**NOTES TO FINANCIAL DATA SCHEDULES**  
June 30, 2012

**NOTE B — COMBINING SCHEDULE OF BLENDED COMPONENT UNITS**

AHA's blended component units are created at the direction of the AHA Board to assist the Authority with development and other acquisition activities in support of affordable housing. Under GASB 14 and 34, these blended component units are presented within the reporting entity of AHA and are identified within the Financial Data Schedule. See Note A.3 of the Notes to the Financial Statements for additional information on AHA's component units. Balances and activity for FY 2012 are as follows:

|   | Year ended June 30, 2012 |                   |                    |                   |               |                     |                  | Total<br>Component<br>Units |
|---|--------------------------|-------------------|--------------------|-------------------|---------------|---------------------|------------------|-----------------------------|
|   | JWD                      | AAHFI             | SHHI               | RAH               | SRDC          | WAH                 | AHICI            |                             |
| <b>ASSETS</b>                           |                          |                   |                    |                   |               |                     |                  |                             |
| Current and non-current assets          | \$ 742,248               | \$ 181,154        | \$1,097,075        | \$ 155,899        | \$ -          | \$ 723,984          | \$ 19,223        | \$ 2,919,581                |
| Capital assets, net                     | <u>12,930,485</u>        | <u>-</u>          | <u>-</u>           | <u>-</u>          | <u>-</u>      | <u>29,318,304</u>   | <u>-</u>         | <u>42,248,789</u>           |
| Total assets                            | <u>\$13,672,732</u>      | <u>\$ 181,154</u> | <u>\$1,097,075</u> | <u>\$ 155,899</u> | <u>\$ -</u>   | <u>\$30,042,288</u> | <u>\$ 19,223</u> | <u>\$ 45,168,370</u>        |
| <b>LIABILITIES AND NET ASSETS</b>       |                          |                   |                    |                   |               |                     |                  |                             |
| Current and non-current liabilities     | \$ 98,650                | \$ -              | \$ -               | \$ -              | \$ -          | \$ 8,624            | \$ -             | \$ 107,274                  |
| Long-term debt outstanding              | <u>-</u>                 | <u>-</u>          | <u>-</u>           | <u>-</u>          | <u>-</u>      | <u>1,263,000</u>    | <u>-</u>         | <u>1,263,000</u>            |
| Total liabilities                       | <u>98,650</u>            | <u>-</u>          | <u>-</u>           | <u>-</u>          | <u>-</u>      | <u>1,271,624</u>    | <u>-</u>         | <u>1,370,274</u>            |
| Invested in capital assets, net of debt | 12,930,485               | -                 | -                  | -                 | -             | 28,055,304          | -                | 40,985,789                  |
| Unrestricted                            | <u>643,598</u>           | <u>181,154</u>    | <u>1,097,075</u>   | <u>155,899</u>    | <u>-</u>      | <u>715,359</u>      | <u>19,223</u>    | <u>2,812,307</u>            |
| Total net assets                        | <u>13,574,082</u>        | <u>181,154</u>    | <u>1,097,075</u>   | <u>155,899</u>    | <u>-</u>      | <u>28,770,664</u>   | <u>19,223</u>    | <u>43,798,096</u>           |
| Total liabilities and net assets        | <u>\$13,672,732</u>      | <u>\$ 181,154</u> | <u>\$1,097,075</u> | <u>\$ 155,899</u> | <u>\$ -</u>   | <u>\$30,042,288</u> | <u>\$ 19,223</u> | <u>\$ 45,168,370</u>        |
| <b>REVENUE</b>                          |                          |                   |                    |                   |               |                     |                  |                             |
| Operating revenue                       | \$ 1,896,963             | \$ 5,194          | \$ -               | \$ -              | \$ 15,000     | \$ 2,950            | \$ -             | \$ 1,920,107                |
| Non-operating revenue                   | <u>1,675</u>             | <u>463</u>        | <u>2,816</u>       | <u>400</u>        | <u>-</u>      | <u>1,626</u>        | <u>49</u>        | <u>7,029</u>                |
| Total revenue                           | <u>1,898,638</u>         | <u>5,657</u>      | <u>2,816</u>       | <u>400</u>        | <u>15,000</u> | <u>4,576</u>        | <u>49</u>        | <u>1,927,136</u>            |
| <b>EXPENSE</b>                          |                          |                   |                    |                   |               |                     |                  |                             |
| Operating and other expense             | (2,893,830)              | -                 | -                  | -                 | (15,000)      | (112,170)           | (20)             | (3,021,021)                 |
| Operating transfers in/(out)            | <u>3,148,942</u>         | <u>-</u>          | <u>-</u>           | <u>-</u>          | <u>-</u>      | <u>1,933,816</u>    | <u>-</u>         | <u>5,082,758</u>            |
| Change in net assets                    | <u>2,153,750</u>         | <u>5,657</u>      | <u>2,816</u>       | <u>400</u>        | <u>-</u>      | <u>1,826,221</u>    | <u>29</u>        | <u>3,988,874</u>            |
| Net assets — beginning of year          | <u>11,420,333</u>        | <u>175,497</u>    | <u>1,094,259</u>   | <u>155,499</u>    | <u>-</u>      | <u>26,944,442</u>   | <u>19,193</u>    | <u>39,809,223</u>           |
| Net assets — end of year                | <u>\$13,574,082</u>      | <u>\$ 181,154</u> | <u>\$1,097,075</u> | <u>\$ 155,899</u> | <u>\$ -</u>   | <u>\$28,770,664</u> | <u>\$ 19,223</u> | <u>\$ 43,798,096</u>        |

\*The following entity does not have any balances or activity: AHDC

The Housing Authority of the City of Atlanta, Georgia

**SCHEDULE OF RELATED-PARTY BALANCES**

As of June 30, 2012

| Owner Entity                                       | Development<br>Loans  | Other<br>Loans       | Investment<br>In<br>Partnerships | Valuation<br>Allowance |
|--|-----------------------|----------------------|----------------------------------|------------------------|
| <b>Predevelopment loans:</b>                       |                       |                      |                                  |                        |
| Harris Redevelopment, LLC                          | \$ -                  | \$ -                 | \$ -                             | \$ -                   |
| Grady Multifamily II, L.P.                         | -                     | -                    | -                                | -                      |
| Grady Senior Partnership III, L.P.                 | -                     | -                    | -                                | -                      |
| UH Senior Partnership I, LP                        | -                     | -                    | -                                | -                      |
| <b>Construction financing loans:</b>               |                       |                      |                                  |                        |
| Adamsville Green, LP                               | -                     | 1,990,879            | -                                | -                      |
| Mechanicsville Apartments Phase 6, L.P.            | 5,170,000             | -                    | -                                | -                      |
| <b>Permanent financing loans:</b>                  |                       |                      |                                  |                        |
| Campbell Stone, L.P.                               | -                     | 1,500,000            | -                                | -                      |
| Gates Park Crossing HFOP Apartments, L.P.          | -                     | 1,203,535            | -                                | -                      |
| Gates Park Crossing HFS Apartments, L.P.           | -                     | 1,074,077            | -                                | -                      |
| West End Phase III Redevelopment Partnership, L.P. | 1,298,400             | 97,805               | -                                | (365,795)              |
| Columbia Village, L.P.                             | 2,250,000             | -                    | 111,914                          | (2,361,914)            |
| Columbia Senior Residences at Edgewood, L.P.       | 1,139,652             | -                    | -                                | -                      |
| Carver Redevelopment Partnership II, L.P.          | 740,000               | -                    | -                                | -                      |
| John Hope Community Partnership I, L.P.            | 4,620,000             | -                    | -                                | -                      |
| John Hope Community Partnership II, L.P.           | 7,980,000             | -                    | -                                | -                      |
| CCH John Eagan I Homes, L.P.                       | 5,896,000             | -                    | -                                | (5,896,000)            |
| CCH John Eagan II Homes, L.P.                      | 4,536,000             | -                    | -                                | (4,536,000)            |
| Mercy Housing Georgia VI, L.P.                     | 5,600,000             | 111,296              | -                                | -                      |
| Harris Redevelopment Partnership VI, L.P.          | -                     | -                    | 220,000                          | (220,000)              |
| Capitol Gateway Partnership II, L.P.               | 3,946,821             | -                    | -                                | -                      |
| Carver Redevelopment Partnership V, L.P.           | 6,240,000             | -                    | -                                | -                      |
| Harris Redevelopment Partnership II, L.P.          | -                     | 97,544               | -                                | -                      |
| Columbia Commons, L.P.                             | 3,425,221             | -                    | 82,580                           | (707,801)              |
| Grady Redevelopment Partnership I, L.P.            | 2,957,625             | -                    | -                                | -                      |
| Grady Redevelopment Partnership II, L.P.           | 7,545,027             | -                    | -                                | -                      |
| Columbia at Mechanicsville Apartments, L.P.        | 5,115,000             | -                    | -                                | -                      |
| Columbia Senior Residences at Mechanicsville, L.P. | 4,273,628             | -                    | -                                | -                      |
| Mechanicsville Apartments Phase 3, L.P.            | 5,965,398             | -                    | -                                | -                      |
| Mechanicsville Apartments Phase 4, L.P.            | 5,494,000             | -                    | -                                | -                      |
| Harris Redevelopment Partnership Phase V, LP       | 9,196,000             | -                    | -                                | (333,557)              |
| Grady Senior Partnership II, LP                    | 3,000,000             | -                    | -                                | -                      |
| Carver Senior Building, L.P.                       | -                     | -                    | -                                | -                      |
| Kimberly Associates I, L.P.                        | 2,605,000             | 152,484              | -                                | (152,484)              |
| Kimberly Associates II, L.P.                       | 1,507,000             | 70,335               | -                                | (70,335)               |
| Kimberly Associates III, L.P.                      | 1,305,000             | 22,080               | -                                | (22,080)               |
| Columbia Park Citi Residences, L.P.                | 4,828,164             | 117,687              | -                                | (370,851)              |
| Columbia Creste, L.P.                              | 5,246,290             | 148,009              | -                                | (494,299)              |
| Columbia Estates, L.P.                             | 4,566,413             | 168,791              | -                                | (985,204)              |
| Columbia Grove, L.P.                               | 4,466,669             | 227,999              | -                                | (390,772)              |
| Carver Redevelopment Partnership I, L.P.           | 9,074,250             | 225,792              | -                                | (1,472,042)            |
| Carver Redevelopment Partnership III, L.P.         | 8,430,000             | 111,500              | -                                | (111,091)              |
| Harris Redevelopment Partnership I, L.P.           | 7,925,000             | 351,060              | -                                | (115,047)              |
| East Lake Redevelopment, L.P.                      | 5,824,000             | 182,365              | -                                | (6,006,365)            |
| East Lake Redevelopment II, L.P.                   | 11,903,505            | 297,548              | -                                | (8,340,020)            |
| Legacy Partnership I, L.P.                         | 3,520,000             | 43,382               | -                                | (13,508)               |
| Legacy Partnership II, L.P.                        | 3,445,000             | 116,560              | -                                | (108,689)              |
| Legacy Partnership III, L.P.                       | 3,774,000             | 391,289              | -                                | (326,349)              |
| Legacy Partnership IV, L.P.                        | 3,920,000             | 284,483              | -                                | (251,653)              |
| Capitol Gateway Partnership I, L.P.                | 10,084,861            | 181,236              | -                                | (181,236)              |
| Centennial Park North, LLC                         | -                     | 108,000              | -                                | -                      |
| <b>Other Loans:</b>                                |                       |                      |                                  |                        |
| 178 Elm Street, LLC                                | -                     | -                    | -                                | -                      |
| 940 Cunningham Place, LLC                          | -                     | 1,693,137            | -                                | -                      |
| Columbia Heritage Senior Residences, LP            | -                     | -                    | -                                | -                      |
| Brock Built Homes, LLC                             | -                     | 132,000              | -                                | -                      |
| UH Senior Partnership I, L.P.                      | -                     | -                    | -                                | -                      |
|  | <b>\$ 188,813,924</b> | <b>\$ 11,100,873</b> | <b>\$ 414,494</b>                | <b>\$ (33,833,092)</b> |

| Developer Fees<br>and Other Fees<br>Current | Developer Fees<br>and Other Fees<br>Long-term | Developer Fees<br>and Other Fees<br>Allowance | Predevelopment<br>Loans<br>Current | Predevelopment<br>Loans<br>Long-term | Accrued<br>Interest<br>(Not Recorded) |
|---|---|---|------------------------------------|--------------------------------------|---------------------------------------|
| \$ -  | \$ -  | \$ -  | \$ -                               | \$ 8,468                             | \$ -                                  |
| -   | -   | -   | 297,937                            | -                                    | -                                     |
| -   | -   | -   | -                                  | -                                    | -                                     |
| -   | -   | -   | -                                  | -                                    | -                                     |
| 86,883                                      | -   | -   | -                                  | -                                    | 29,863                                |
| 489,330                                     | -   | -   | -                                  | -                                    | -                                     |
| -   | -   | -   | -                                  | -                                    | 470,530                               |
| 37,500                                      | 182,554                                       | -   | -                                  | -                                    | 19,658                                |
| 182,105                                     | 45,270  | -   | -                                  | -                                    | 17,543                                |
| -   | -   | -   | -                                  | -                                    | 871,342                               |
| -   | 42,197  | -   | -                                  | -                                    | 2,454,819                             |
| -   | 1,024   | -   | -                                  | -                                    | 36,089                                |
| -   | 52,448  | (17,802)                                      | -                                  | -                                    | 287,713                               |
| -   | -   | -   | -                                  | -                                    | 419,650                               |
| -   | -   | -   | -                                  | -                                    | 804,650                               |
| -   | -   | (89,223)                                      | -                                  | -                                    | 471,680                               |
| -   | 122,472                                       | (274,091)                                     | -                                  | -                                    | 321,413                               |
| -   | -   | -   | -                                  | -                                    | 137,931                               |
| -   | 19,311  | (19,311)                                      | -                                  | -                                    | -                                     |
| -   | -   | -   | -                                  | -                                    | 210,468                               |
| -   | 185,836                                       | (58,716)                                      | -                                  | -                                    | 59,393                                |
| -   | -   | -   | -                                  | -                                    | 1,445                                 |
| -   | -   | -   | -                                  | -                                    | 1,004,494                             |
| -   | -   | -   | -                                  | -                                    | 25,222                                |
| -   | -   | -   | -                                  | -                                    | -                                     |
| -   | 32,610  | -   | -                                  | -                                    | 786,664                               |
| -   | 27,022  | -   | -                                  | -                                    | 571,235                               |
| 54,978                                      | 17,449  | -   | -                                  | -                                    | 147,384                               |
| 87,137                                      | 20,936  | -   | -                                  | -                                    | 135,724                               |
| -   | -   | -   | -                                  | -                                    | 39,320                                |
| -   | -   | -   | -                                  | -                                    | -                                     |
| -   | 187,891                                       | (178,891)                                     | -                                  | -                                    | -                                     |
| -   | -   | -   | -                                  | -                                    | 26,853                                |
| -   | 7,833   | (7,833)                                       | -                                  | -                                    | 894,898                               |
| -   | 91,241  | (91,241)                                      | -                                  | -                                    | 673,231                               |
| -   | 73,062  | -   | -                                  | -                                    | 1,638,830                             |
| -   | 47,837  | -   | -                                  | -                                    | 1,487,575                             |
| -   | 47,675  | -   | -                                  | -                                    | 1,341,624                             |
| -   | 37,978  | -   | -                                  | -                                    | 871,298                               |
| -   | -   | -   | -                                  | -                                    | 778,158                               |
| -   | -   | -   | -                                  | -                                    | 479,495                               |
| -   | 89,636  | (68,831)                                      | -                                  | -                                    | 519,791                               |
| -   | -   | -   | -                                  | -                                    | 2,417                                 |
| -   | 42,275  | -   | -                                  | -                                    | 3,657                                 |
| -   | -   | -   | -                                  | -                                    | 4,363,791                             |
| -   | -   | -   | -                                  | -                                    | 4,377,853                             |
| -   | -   | -   | -                                  | -                                    | 3,415,721                             |
| -   | -   | -   | -                                  | -                                    | 2,712,329                             |
| -   | -   | -   | -                                  | -                                    | 382,642                               |
| -   | -   | -   | -                                  | -                                    | -                                     |
| -   | -   | -   | -                                  | -                                    | -                                     |
| -   | -   | -   | -                                  | -                                    | -                                     |
| -   | 307,898                                       | -   | -                                  | -                                    | -                                     |
| -   | -   | -   | -                                  | -                                    | -                                     |
| -   | 308,470                                       | -   | -                                  | -                                    | -                                     |
| <u>\$ 937,933</u>                           | <u>\$ 1,990,925</u>                           | <u>\$ (805,939)</u>                           | <u>\$ 297,937</u>                  | <u>\$ 8,468</u>                      | <u>\$ 33,294,393</u>                  |

The Housing Authority of the City of Atlanta, Georgia

**SCHEDULE OF RELATED-PARTY BALANCES**

As of June 30, 2011

| Owner Entity  | Development<br>Loans  | Other<br>Loans       | Investment<br>In<br>Partnerships | Valuation<br>Allowance |
|---|-----------------------|----------------------|----------------------------------|------------------------|
| <b>Predevelopment loans:</b>                                    |                       |                      |                                  |                        |
| Harris Redevelopment, LLC                                       | \$ -                  | \$ -                 | \$ -                             | \$ -                   |
| Grady Multifamily II, L.P.                                      | -                     | -                    | -                                | -                      |
| Grady Redevelopment, LLC  | -                     | -                    | -                                | -                      |
| Grady Senior Partnership III, L.P.                              | -                     | -                    | -                                | -                      |
| UH Senior Partnership I, LP                                     | -                     | -                    | -                                | -                      |
| <b>Construction financing loans:</b>                            |                       |                      |                                  |                        |
| Adamsville Green  | -                     | 2,000,000            | -                                | -                      |
| Grady Redevelopment Partnership II, L.P.                        | 7,243,336             | -                    | -                                | -                      |
| Harris Redevelopment Partnership Phase V, LP                    | 9,196,000             | -                    | -                                | (333,557)              |
| Grady Senior Partnership II, LP                                 | 1,776,898             | -                    | -                                | -                      |
| Mechanicsville Apartments Phase 6, L.P.                         | 4,653,000             | -                    | -                                | -                      |
| <b>Permanent financing loans:</b>                               |                       |                      |                                  |                        |
| Campbell Stone, L.P.  | -                     | 1,500,000            | -                                | -                      |
| Gates Park Crossing HFOP Apartments, L.P.                       | -                     | 756,531              | -                                | -                      |
| Gates Park Crossing HFS Apartments, L.P.                        | -                     | 854,023              | -                                | -                      |
| West End Phase III Redevelopment Partnership, L.P.              | 1,298,400             | 97,805               | -                                | (365,795)              |
| Columbia Village, L.P.  | 2,250,000             | -                    | 111,914                          | (2,361,914)            |
| Columbia Senior Residences at Edgewood, L.P.                    | 1,139,652             | -                    | -                                | -                      |
| Carver Redevelopment Partnership II, L.P.                       | 740,000               | -                    | -                                | -                      |
| John Hope Community Partnership I, L.P.                         | 4,620,000             | -                    | -                                | -                      |
| John Hope Community Partnership II, L.P.                        | 7,980,000             | -                    | -                                | -                      |
| CCH John Eagan I Homes, L.P.                                    | 5,896,000             | -                    | -                                | (5,896,000)            |
| CCH John Eagan II Homes, L.P.                                   | 4,536,000             | -                    | -                                | (4,536,000)            |
| Mercy Housing Georgia VI, L.P.                                  | 5,600,000             | 111,296              | -                                | -                      |
| Harris Redevelopment Partnership VI, L.P.                       | -                     | -                    | 220,000                          | (220,000)              |
| Capitol Gateway Partnership II, L.P.                            | 3,946,821             | -                    | -                                | -                      |
| Carver Redevelopment Partnership V, L.P.                        | 6,240,000             | -                    | -                                | -                      |
| Harris Redevelopment Partnership II, L.P.                       | -                     | 97,544               | -                                | -                      |
| Columbia Commons, L.P.  | 3,425,221             | -                    | 82,580                           | (707,801)              |
| Grady Redevelopment Partnership I, L.P.                         | 2,993,354             | -                    | -                                | -                      |
| Columbia at Mechanicsville Apartments, L.P.                     | 5,115,000             | -                    | -                                | -                      |
| Columbia Senior Residences at Mechanicsville, L.P.              | 4,273,628             | -                    | -                                | -                      |
| Mechanicsville Apartments Phase 3, L.P.                         | 5,965,400             | -                    | -                                | -                      |
| Mechanicsville Apartments Phase 4, L.P.                         | 5,494,000             | -                    | -                                | -                      |
| Carver Senior Building, L.P.                                    | -                     | -                    | -                                | -                      |
| Kimberly Associates I, L.P.                                     | 2,605,000             | 152,484              | -                                | (152,484)              |
| Kimberly Associates II, L.P.                                    | 1,507,000             | 70,335               | -                                | (70,335)               |
| Kimberly Associates III, L.P.                                   | 1,305,000             | 22,080               | -                                | (22,080)               |
| Columbia Park Citi Residences, L.P.                             | 4,828,164             | 117,687              | -                                | (934,100)              |
| Columbia Creste, L.P.   | 5,246,290             | 148,009              | -                                | (401,173)              |
| Columbia Estates, L.P.  | 4,566,413             | 168,791              | -                                | (515,081)              |
| Columbia Grove, L.P.  | 4,466,669             | 227,999              | -                                | (390,772)              |
| Carver Redevelopment Partnership I, L.P.                        | 9,074,250             | 225,792              | -                                | (1,472,042)            |
| Carver Redevelopment Partnership III, L.P.                      | 8,430,000             | 111,500              | -                                | (111,091)              |
| Harris Redevelopment Partnership I, L.P.                        | 7,925,000             | 351,060              | -                                | (115,047)              |
| East Lake Redevelopment, L.P.                                   | 5,824,000             | 182,365              | -                                | (6,006,365)            |
| East Lake Redevelopment II, L.P.                                | 11,903,505            | 297,548              | -                                | (8,340,020)            |
| Legacy Partnership I, L.P.                                      | 3,520,000             | 45,407               | -                                | (8,348)                |
| Legacy Partnership II, L.P.                                     | 3,445,000             | 93,144               | -                                | (66,594)               |
| Legacy Partnership III, L.P.                                    | 3,774,000             | 365,721              | -                                | (237,462)              |
| Legacy Partnership IV, L.P.                                     | 3,920,000             | 274,047              | -                                | (195,002)              |
| Capitol Gateway Partnership I, L.P.                             | 10,084,861            | 181,236              | -                                | (181,236)              |
| Centennial Park North, LLC                                      | -                     | 108,000              | -                                | -                      |
| <b>Other:</b>   |                       |                      |                                  |                        |
| 178 Elm Street, LLC   | -                     | 571,865              | -                                | -                      |
| 940 Cunningham Place, LLC                                       | -                     | 1,629,978            | -                                | -                      |
| Columbia Heritage   | -                     | -                    | -                                | -                      |
| Brock Built Homes, LLC  | -                     | -                    | -                                | -                      |
| The Integral Partnership of Atlanta                             | -                     | -                    | -                                | -                      |
| <b>Developer and other fees receivables — general allowance</b> | -                     | -                    | -                                | -                      |
|   | <b>\$ 186,807,862</b> | <b>\$ 10,762,247</b> | <b>\$ 414,494</b>                | <b>\$ (33,640,299)</b> |

| Developer Fees<br>and Other Fees<br>Current | Developer Fees<br>and Other Fees<br>Long-term | Developer Fees<br>and Other Fees<br>Allowance | Predevelopment<br>Loans<br>Current | Predevelopment<br>Loans<br>Long-term | Prepaid<br>Interest<br>(Deferred) | Accrued<br>Interest<br>(Not Recorded) |
|---|---|---|------------------------------------|--------------------------------------|-----------------------------------|---------------------------------------|
| \$ -  | \$ -  | \$ -  | \$ 8,468                           | \$ -                                 | \$ -                              | \$ -                                  |
| -   | -   | -   | 60,000                             | -                                    | -                                 | -                                     |
| -   | -   | -   | -                                  | -                                    | -                                 | -                                     |
| -   | -   | -   | 115,112                            | -                                    | -                                 | -                                     |
| -   | -   | -   | -                                  | 324,910                              | -                                 | -                                     |
| 158,236                                     | -   | -   | -                                  | -                                    | -                                 | 4,977                                 |
| 200,781                                     | 96,767  | -   | -                                  | -                                    | -                                 | 748                                   |
| 218,182                                     | 90,539  | -   | -                                  | -                                    | -                                 | -                                     |
| 102,833                                     | 274,508                                       | -   | -                                  | -                                    | -                                 | -                                     |
|   | 386,497                                       | -   |                                    |                                      |                                   |                                       |
| -   | -   | -   | -                                  | -                                    | -                                 | 233,227                               |
| 92,757                                      | 177,118                                       | -   | -                                  | -                                    | -                                 | 114,100                               |
| 139,982                                     | 72,393  | -   | -                                  | -                                    | -                                 | 116,649                               |
| -   | -   | -   | -                                  | -                                    | -                                 | 663,289                               |
| -   | -   | -   | -                                  | -                                    | -                                 | 1,984,827                             |
| -   | -   | -   | -                                  | -                                    | -                                 | 15,226                                |
| -   | 62,654  | -   | -                                  | -                                    | -                                 | 223,106                               |
| -   | -   | -   | -                                  | -                                    | -                                 | 342,650                               |
| -   | -   | -   | -                                  | -                                    | -                                 | 671,650                               |
| -   | -   | (42,658)                                      | -                                  | -                                    | -                                 | 373,413                               |
| -   | -   | (151,619)                                     | -                                  | -                                    | -                                 | 245,813                               |
| 2,470                                       | -   | -   | -                                  | -                                    | -                                 | 46,831                                |
| -   | 19,311  | -   | -                                  | -                                    | -                                 | -                                     |
| -   | -   | -   | -                                  | -                                    | -                                 | 95,270                                |
| -   | 66,497  | -   | -                                  | -                                    | -                                 | 5,393                                 |
| -   | -   | -   | -                                  | -                                    | -                                 | 633                                   |
| -   | -   | -   | -                                  | -                                    | -                                 | 657,342                               |
| -   | -   | -   | -                                  | -                                    | -                                 | -                                     |
| 9,377                                       | -   | -   | -                                  | -                                    | -                                 | 339,548                               |
| -   | -   | -   | -                                  | -                                    | -                                 | 293,252                               |
| 351,065                                     | 92,086  | -   | -                                  | -                                    | -                                 | -                                     |
| 65,231                                      | 44,840  | -   | -                                  | -                                    | -                                 | -                                     |
| -   | 187,891                                       | (192,976)                                     | -                                  | -                                    | -                                 | -                                     |
| -   | -   | -   | -                                  | -                                    | -                                 | 1,643,692                             |
| -   | 7,833   | -   | -                                  | -                                    | -                                 | 681,359                               |
| -   | 91,241  | (91,241)                                      | -                                  | -                                    | -                                 | 505,501                               |
| -   | 25,275  | -   | -                                  | -                                    | -                                 | 1,112,217                             |
| -   | 25,499  | -   | -                                  | -                                    | -                                 | 939,050                               |
| -   | 26,525  | -   | -                                  | -                                    | -                                 | 877,404                               |
| -   | 19,842  | -   | -                                  | -                                    | -                                 | 483,566                               |
| -   | -   | -   | -                                  | -                                    | -                                 | 548,136                               |
| -   | -   | -   | -                                  | -                                    | -                                 | 338,066                               |
| -   | 68,831  | -   | -                                  | -                                    | -                                 | 384,782                               |
| -   | -   | -   | -                                  | -                                    | -                                 | 846                                   |
| 28,725                                      | -   | -   | -                                  | -                                    | -                                 | 1,179                                 |
| -   | -   | -   | -                                  | -                                    | -                                 | 3,654,314                             |
| -   | -   | -   | -                                  | -                                    | -                                 | 3,587,069                             |
| -   | -   | -   | -                                  | -                                    | -                                 | 2,748,792                             |
| -   | -   | -   | -                                  | -                                    | -                                 | 2,168,677                             |
| -   | -   | -   | -                                  | -                                    | -                                 | 216,492                               |
| -   | -   | -   | -                                  | -                                    | -                                 | -                                     |
| -   | -   | -   | -                                  | -                                    | -                                 | -                                     |
| -   | -   | -   | -                                  | -                                    | -                                 | -                                     |
| -   | 259,335                                       | -   | -                                  | -                                    | -                                 | -                                     |
| -   | -   | -   | -                                  | -                                    | -                                 | -                                     |
| -   | -   | -   | -                                  | -                                    | -                                 | -                                     |
| -   | -   | -   | -                                  | -                                    | -                                 | -                                     |
| -   | -   | (500,000)                                     | -                                  | -                                    | -                                 | -                                     |
| <u>\$ 1,369,639</u>                         | <u>\$ 2,095,482</u>                           | <u>\$ (978,494)</u>                           | <u>\$ 183,580</u>                  | <u>\$ 324,910</u>                    | <u>\$ -</u>                       | <u>\$ 26,319,086</u>                  |



The Housing Authority of the City of Atlanta, Georgia

**SCHEDULE OF RELATED-PARTY TRANSACTIONS**

As of June 30, 2012

| Owner Entity   | Current<br>Interest Income<br>on Loans | Development<br>Related<br>Income | Housing Assistance<br>Payments |                      |
|--|--|----------------------------------|--------------------------------|----------------------|
|  |  |                                  | Mixed-income<br>Communities    | PBRA <sup>1</sup>    |
| <b>Construction financing loans:</b>   |  |                                  |                                |                      |
| Mercy Housing Georgia VI, L.P.   | \$ -                                   | \$ 15,029                        | \$ 441,264                     | \$ 950,384           |
| Grady Redevelopment Partnership I, L.P.  | 25,111                                 | 12,234                           | 187,161                        | 706,031              |
| Grady Redevelopment Partnership II, L.P.   | -                                      | (35,383)                         | 284,321                        | -                    |
| Mechanicsville Apartments Phase 3, L.P.  | -                                      | 53,982                           | 375,372                        | 268,585              |
| Mechanicsville Apartments Phase 4, L.P.  | -                                      | 57,785                           | 354,390                        | 352,657              |
| Harris Redevelopment Partnership V, LP   | -                                      | 10,438                           | 293,296                        | -                    |
| Grady Senior Partnership II, LP  | -                                      | 3,172                            | -                              | -                    |
| Mechanicsville Apartments Phase 6, L.P.  | -                                      | -                                | 115,192                        | -                    |
| <b>Permanent financing loans:</b>  |  |                                  |                                |                      |
| Campbell Stone, L.P.   | 180,588                                | -                                | -                              | 1,456,671            |
| Gates Park Crossing HFOP Apartments, L.P.  | 171,481                                | 15,000                           | -                              | 1,025,338            |
| Gates Park Crossing HFS Apartments, L.P.   | -                                      | 15,000                           | -                              | -                    |
| West End Phase III Redevelopment Partnership, L.P.                                 | -                                      | -                                | 137,946                        | -                    |
| Columbia Village, L.P.   | 42,197                                 | -                                | 132,078                        | -                    |
| Columbia Senior Residences @ Edgewood, L.P.  | 1,024                                  | 49,858                           | -                              | 1,310,070            |
| Kimberly Associates I, L.P.  | -                                      | 120                              | 433,386                        | 186,375              |
| Kimberly Associates II, L.P.   | -                                      | 110                              | 212,472                        | 103,202              |
| Kimberly Associates III, L.P.  | -                                      | 100                              | 194,862                        | 92,527               |
| Columbia Estates, L.P.   | -                                      | 22,400                           | 161,819                        | -                    |
| Columbia Creste, L.P.  | -                                      | 21,313                           | 376,596                        | -                    |
| Columbia Grove, L.P.   | -                                      | 18,136                           | 239,580                        | -                    |
| Carver Redevelopment Partnership I, L.P.   | -                                      | 120                              | 690,198                        | 88,428               |
| Carver Redevelopment Partnership II, L.P.  | 15,413                                 | 34,736                           | 241,740                        | -                    |
| Carver Redevelopment Partnership III, L.P.   | -                                      | 16,932                           | 658,907                        | 63,535               |
| John Hope Community Partnership I, L.P.  | -                                      | -                                | 387,198                        | -                    |
| John Hope Community Partnership II, L.P.   | -                                      | -                                | 495,546                        | -                    |
| CCH John Eagan I Homes, L.P.   | -                                      | -                                | 474,204                        | -                    |
| CCH John Eagan II Homes, L.P.  | -                                      | 122,472                          | 442,768                        | -                    |
| Harris Redevelopment Partnership I, L.P.   | -                                      | 37,368                           | 411,678                        | -                    |
| East Lake Redevelopment, L.P.  | -                                      | -                                | 770,630                        | -                    |
| East Lake Redevelopment II, L.P.   | -                                      | 13,550                           | 1,282,447                      | -                    |
| Legacy Partnership I, L.P.   | 32,440                                 | -                                | 554,137                        | -                    |
| Legacy Partnership II, L.P.  | 7,373                                  | -                                | 397,779                        | -                    |
| Legacy Partnership III, L.P.   | -                                      | -                                | 306,679                        | -                    |
| Legacy Partnership IV, L.P.  | -                                      | -                                | 477,501                        | -                    |
| Capitol Gateway Partnership I, L.P.  | -                                      | 23,693                           | 447,268                        | 137,840              |
| Capitol Gateway Partnership II, L.P.   | 56,000                                 | 13,528                           | 226,621                        | 203,724              |
| Carver Redevelopment Partnership V, L.P.   | -                                      | 147,556                          | 393,174                        | 48,567               |
| Harris Redevelopment Partnership II, L.P.  | 28,294                                 | 12,506                           | -                              | 732,517              |
| Centennial Park North, LLC   | -                                      | -                                | -                              | -                    |
| Columbia Commons, L.P.   | -                                      | -                                | 254,106                        | 22,550               |
| Columbia Park Citi Residences, L.P.  | -                                      | 13,208                           | 390,828                        | -                    |
| Columbia at Mechanicsville Apartments, L.P.  | -                                      | 32,610                           | 417,630                        | 369,472              |
| Columbia Senior Residences at Mechanicsville, L.P.                                 | 103,361                                | 39,843                           | 239,340                        | 662,291              |
| Carver Senior Building, L.P.   | -                                      | 9,732                            | -                              | 741,308              |
| Harris Redevelopment LLC   | -                                      | -                                | -                              | -                    |
| <b>Other:</b>  |  |                                  |                                |                      |
| Adamsville Green   | 39,818                                 | -                                | -                              | 569,003              |
| Columbia Heritage Senior Residences, LP  | 21,541                                 | 61,378                           | -                              | 1,078,443            |
| Harris Redevelopment Partnership VI, LP  | -                                      | 3,303                            | 186,196                        | -                    |
| Brock Built, LLC (West Highlands Homeownership Lot Sales Profit participation)     | -                                      | 10,539                           | -                              | -                    |
| Grady Redevelopment Partnership III, L.P.  | -                                      | 288,106                          | -                              | -                    |
| UH Senior Partnership I, L.P.  | -                                      | 408,470                          | -                              | -                    |
| Brock Built, LLC (Park Swap and PHR TAD Boundaries Lot Sales Profit participation) | -                                      | 142,874                          | -                              | -                    |
| Carnegie Library, L.P.   | -                                      | -                                | -                              | -                    |
| Grady Multifamily II LP  | -                                      | 10,000                           | -                              | -                    |
|  | <b>\$ 724,640</b>                      | <b>\$ 1,701,818</b>              | <b>\$ 14,086,311</b>           | <b>\$ 11,169,518</b> |

<sup>1</sup> PBRA payments listed are not all inclusive. Related party only.

The Housing Authority of the City of Atlanta, Georgia

**SCHEDULE OF RELATED-PARTY TRANSACTIONS**

As of June 30, 2011

| Owner Entity  | Current<br>Interest Income<br>on Loans | Development<br>Related<br>Income | Housing Assistance<br>Payments |                      |
|---|--|----------------------------------|--------------------------------|----------------------|
|   |  |                                  | Mixed-income<br>Communities    | PBRA <sup>1</sup>    |
| <b>Construction financing loans:</b>  |  |                                  |                                |                      |
| Mercy Housing Georgia VI, L.P.  | \$ 3,161                               | \$ 53,356                        | \$ 453,000                     | \$ 966,114           |
| Carver Redevelopment Partnership V, L.P.  | -                                      | 14,291                           | 302,398                        | 24,656               |
| Grady Redevelopment Partnership I, L.P.   | 35,631                                 | 12,130                           | 201,917                        | 714,986              |
| Grady Redevelopment Partnership II, L.P.  | -                                      | -                                | 97,238                         | -                    |
| Mechanicsville Apartments Phase 3, L.P.   | 11,956                                 | -                                | 431,736                        | 289,327              |
| Mechanicsville Apartments Phase 4, L.P.   | -                                      | -                                | 430,250                        | 341,070              |
| Harris Redevelopment Partnership V, LP  | -                                      | -                                | 71,971                         | -                    |
| Grady Senior Partnership II, LP   | -                                      | -                                | -                              | -                    |
| Mechanicsville Apartments Phase 6, L.P.   | -                                      | 897,097                          | -                              | -                    |
| <b>Permanent financing loans:</b>   |  |                                  |                                |                      |
| Campbell Stone, L.P.  | -                                      | -                                | -                              | 1,432,898            |
| Gates Park Crossing HFOP Apartments, L.P.   | -                                      | -                                | -                              | 1,047,566            |
| Gates Park Crossing HFS Apartments, L.P.  | -                                      | -                                | -                              | 865,182              |
| West End Phase III Redevelopment Partnership, L.P.                                    | -                                      | -                                | 148,238                        | -                    |
| Columbia Village, L.P.  | -                                      | -                                | 129,046                        | -                    |
| Columbia Senior Residences @ Edgewood, L.P.   | 36,563                                 | -                                | -                              | 1,327,768            |
| Kimberly Associates I, L.P.   | -                                      | -                                | 416,888                        | 221,583              |
| Kimberly Associates II, L.P.  | -                                      | -                                | 192,610                        | 143,742              |
| Kimberly Associates III, L.P.   | -                                      | -                                | 145,697                        | 93,708               |
| Columbia Estates, L.P.  | -                                      | -                                | 324,741                        | -                    |
| Columbia Creste, L.P.   | -                                      | -                                | 432,399                        | -                    |
| Columbia Grove, L.P.  | -                                      | -                                | 341,697                        | -                    |
| Carver Redevelopment Partnership I, L.P.  | -                                      | -                                | 683,057                        | 49,654               |
| Carver Redevelopment Partnership II, L.P.   | -                                      | 6,553                            | 123,498                        | -                    |
| Carver Redevelopment Partnership III, L.P.  | -                                      | 18,852                           | 670,800                        | 44,896               |
| John Hope Community Partnership I, L.P.   | -                                      | -                                | 357,162                        | -                    |
| John Hope Community Partnership II, L.P.  | -                                      | -                                | 533,562                        | -                    |
| CCH John Eagan I Homes, L.P.  | -                                      | -                                | 510,816                        | -                    |
| CCH John Eagan II Homes, L.P.   | -                                      | -                                | 657,546                        | -                    |
| Harris Redevelopment Partnership I, L.P.  | -                                      | 18,121                           | 430,803                        | -                    |
| East Lake Redevelopment, L.P.   | -                                      | -                                | 613,668                        | -                    |
| East Lake Redevelopment II, L.P.  | -                                      | -                                | 1,047,312                      | -                    |
| Legacy Partnership I, L.P.  | -                                      | -                                | 376,122                        | -                    |
| Legacy Partnership II, L.P.   | 6,689                                  | -                                | 251,430                        | -                    |
| Legacy Partnership III, L.P.  | 10,317                                 | -                                | 246,036                        | -                    |
| Legacy Partnership IV, L.P.   | -                                      | -                                | 326,244                        | -                    |
| Capitol Gateway Partnership I, L.P.   | -                                      | 24,886                           | 554,037                        | 118,769              |
| Capitol Gateway Partnership II, L.P.  | -                                      | 14,554                           | 382,449                        | 183,788              |
| Harris Redevelopment Partnership II, L.P.   | -                                      | 9,282                            | -                              | 667,426              |
| Centennial Park North, LLC  | -                                      | -                                | -                              | -                    |
| Columbia Commons, L.P.  | -                                      | -                                | 304,728                        | 20,935               |
| Columbia Park Citi Residences, L.P.   | -                                      | -                                | 348,996                        | -                    |
| Columbia at Mechanicsville Apartments, L.P.   | -                                      | 3,163                            | 475,482                        | 364,160              |
| Columbia Senior Residences at Mechanicsville, L.P.                                    | -                                      | -                                | 284,856                        | 658,034              |
| Carver Senior Building, L.P.  | -                                      | 9,714                            | -                              | 733,819              |
| Harris Redevelopment LLC  | -                                      | -                                | -                              | -                    |
| <b>Other:</b>   |  |                                  |                                |                      |
| Adamsville Green  | 56,100                                 | -                                | -                              | 174,926              |
| Columbia Heritage   | -                                      | -                                | -                              | 1,070,817            |
| Harris Redevelopment Partnership VI, LP   | -                                      | -                                | 191,529                        | -                    |
| Brock Built, LLC (West Highlands Homeownership Lot<br>Sales Profit participation)     | -                                      | 60,857                           | -                              | -                    |
| Grady Redevelopment Partnership III, L.P.   | -                                      | -                                | -                              | -                    |
| UH Senior Partnership I, L.P.   | -                                      | 10,000                           | -                              | -                    |
| Brock Built, LLC (Park Swap and PHR TAD Boundaries<br>Lot Sales Profit participation) | -                                      | 32,205                           | -                              | -                    |
| Carnegie Library, L.P.  | -                                      | 13,628                           | -                              | -                    |
|   | <b>\$ 160,417</b>                      | <b>\$ 1,198,689</b>              | <b>\$ 13,489,960</b>           | <b>\$ 11,555,824</b> |

<sup>1</sup> PBRA payments listed are not all inclusive. Related party only.

The Housing Authority of the City of Atlanta, Georgia

**SCHEDULE OF HUD-FUNDED GRANTS**

Year ended June 30, 2012

| Program                                   | Original<br>Grant<br>Award | Grant Drawdown                       |  |                                      | Expenditures                         |  |                                      | HUD<br>Receivable/<br>(Payable)   | Remaining<br>Grant<br>Award                  |
|---|----------------------------|--------------------------------------|--|--------------------------------------|--------------------------------------|--|--------------------------------------|-----------------------------------|--|
|   | Authorized<br>Amount       | Cumulative<br>as of<br>June 30, 2011 | For the<br>year ended<br>June 30, 2012 | Cumulative<br>as of<br>June 30, 2012 | Cumulative<br>as of<br>June 30, 2011 | For the<br>year ended<br>June 30, 2012 | Cumulative<br>as of<br>June 30, 2012 | Balance<br>as of<br>June 30, 2012 | Unexpended<br>Balance as of<br>June 30, 2012 |
| <b>Capital Fund Recovery Grants:</b>      |                            |                                      |  |                                      |                                      |  |                                      |                                   |  |
| 3136 CFRG 2009 (ARRA)                     | \$ 26,579,168              | \$ 22,694,318                        | \$ 3,884,850                           | \$ 26,579,168                        | \$ 25,659,543                        | \$ 919,625                             | \$ 26,579,168                        | \$ -                              | \$ -   |
| <b>Capital Fund Program Grants:</b>       |                            |                                      |  |                                      |                                      |  |                                      |                                   |  |
| 3133 Capital Fund Program 2008            | 14,063,331                 | 13,983,107                           | 80,224                                 | 14,063,331                           | 13,997,154                           | 66,177                                 | 14,063,331                           | -                                 | -  |
| 3137 Capital Fund Program 2009            | 12,535,836                 | 9,104,143                            | 1,525,207                              | 10,629,350                           | 9,732,611                            | 898,625                                | 10,631,236                           | 1,886                             | 1,906,486                                    |
| 3140 Capital Fund Program 2010            | 11,998,337                 | 5,770,668                            | 4,000,562                              | 9,771,230                            | 9,387,871                            | 383,359                                | 9,771,230                            | -                                 | 2,227,107                                    |
| 3143 Capital Fund Program 2011            | 9,426,542                  | -                                    | -                                      | -                                    | -                                    | -                                      | -                                    | -                                 | 9,426,542                                    |
| 3146 Capital Fund Program 2012            | 4,667,238                  | -                                    | -                                      | -                                    | -                                    | -                                      | -                                    | -                                 | 4,667,238                                    |
| Total Capital Fund Program Grants         | 52,691,284                 | 28,857,918                           | 5,605,993                              | 34,463,911                           | 33,117,636                           | 1,348,161                              | 34,465,797                           | 1,886                             | 18,227,373                                   |
| <b>HOPE VI Grants:</b>                    |                            |                                      |  |                                      |                                      |  |                                      |                                   |  |
| 5102 HOPE VI - Harris Revitalization      | 35,000,000                 | 34,566,659                           | 433,341                                | 35,000,000                           | 35,000,000                           | -                                      | 35,000,000                           | -                                 | -  |
| 5108 HOPE VI - Capitol Revitalization     | 35,000,000                 | 29,225,308                           | 5,774,692                              | 35,000,000                           | 34,161,726                           | 838,274                                | 35,000,000                           | -                                 | -  |
| 5168 HOPE VI - Grady Homes Revitalization | 20,000,000                 | 17,534,287                           | 2,465,713                              | 20,000,000                           | 19,200,000                           | 800,000                                | 20,000,000                           | -                                 | -  |
| 5169 Choice Neighborhood Planning         | 250,000                    | -                                    | 172,463                                | 172,463                              | -                                    | 181,891                                | 181,891                              | 9,428                             | 77,537                                       |
| Total HOPE VI Grants                      | 90,250,000                 | 81,326,254                           | 8,846,209                              | 90,172,463                           | 88,361,726                           | 1,820,165                              | 90,181,891                           | 9,428                             | 77,537                                       |
| <b>Replacement Housing Factor Grants:</b> |                            |                                      |  |                                      |                                      |  |                                      |                                   |  |
| 3134 RHF 2008-1                           | 1,461,675                  | 808,462                              | 458,188                                | 1,266,650                            | 1,042,730                            | 260,877                                | 1,303,607                            | 36,957                            | 195,025                                      |
| 3135 RHF 2008-2                           | 5,472,872                  | 4,390,063                            | 695,444                                | 5,085,507                            | 4,738,486                            | 37,904                                 | 4,776,390                            | (309,117)                         | 387,365                                      |
| 3138 RHF 2008-2                           | 3,112,679                  | 986,780                              | 932,269                                | 1,919,049                            | 1,002,301                            | 1,137,545                              | 2,139,846                            | 220,797                           | 1,193,630                                    |
| 3139 RHF 2008-2                           | 4,838,507                  | 1,999,544                            | 755,287                                | 2,754,831                            | 2,163,597                            | 1,479,994                              | 3,643,591                            | 888,760                           | 2,083,676                                    |
| 3141 RHF 2010-1                           | 2,347,162                  | -                                    | 1,914,346                              | 1,914,346                            | 1,586,916                            | 327,430                                | 1,914,346                            | -                                 | 432,816                                      |
| 3142 RHF 2010-2                           | 3,958,066                  | -                                    | 1,544,495                              | 1,544,495                            | 1,344,871                            | 200,174                                | 1,545,045                            | 550                               | 2,413,571                                    |
| 3144 RHF 2011-1                           | 2,534,662                  | -                                    | -                                      | -                                    | -                                    | -                                      | -                                    | -                                 | 2,534,662                                    |
| 3145 RHF 2011-2                           | 2,136,846                  | -                                    | -                                      | -                                    | -                                    | -                                      | -                                    | -                                 | 2,136,846                                    |
| 3147 RHF 2012-1                           | 6,618,738                  | -                                    | -                                      | -                                    | -                                    | -                                      | -                                    | -                                 | 6,618,738                                    |
| 3148 RHF 2012-2                           | 1,429,204                  | -                                    | -                                      | -                                    | -                                    | -                                      | -                                    | -                                 | 1,429,204                                    |
| Total Replacement Housing Factor Grants   | 33,910,411                 | 8,184,849                            | 6,300,029                              | 14,484,878                           | 11,878,901                           | 3,443,924                              | 15,322,825                           | 837,947                           | 19,425,533                                   |
| <b>Total Grants</b>                       | <u>\$ 203,430,863</u>      | <u>\$ 141,063,339</u>                | <u>\$ 24,637,081</u>                   | <u>\$ 165,700,420</u>                | <u>\$ 159,017,806</u>                | <u>\$ 7,531,875</u>                    | <u>\$ 166,549,681</u>                | <u>\$ 849,261</u>                 | <u>\$ 37,730,443</u>                         |

**SCHEDULE OF CFP PROGRAM COMPLETION  
COSTS AND ADVANCES PROGRAM CERTIFICATION**

Contract completed during the year ending June 30, 2012

|  |                       |
|--|-----------------------|
| GRANT NAME   | CFP Yr 9              |
| PROJECT NUMBER                                       | <u>GA06P006501-08</u> |
| GRANT AWARD EFFECTIVE DATE*                          | May 24, 2008          |
| CONTRACT COMPLETION DATE                             | June 12, 2012         |
| BUDGET   | <u>\$ 14,063,331</u>  |
| ADVANCES   | \$ 14,063,331         |
| COSTS  | <u>14,063,331</u>     |
| EXCESS/(DEFICIENCY) OF ADVANCES DUE<br>TO/(FROM) HUD | <u>\$ -</u>           |
| AMOUNT TO BE RECAPTURED BY HUD                       | <u>\$ -</u>           |

\*Represents the LOCCS effective date.

The actual CFP Cost Certificate is in agreement with AHA records.

All amounts due have been received and all liabilities have been paid and there are no undischarged liens (mechanics, laborers, contractors, or material-means) against the Project on file in any public office where the same should be filed in order to be valid. The time in which such liens could be filed has expired.

**SCHEDULE OF CFRG PROGRAM COMPLETION  
COSTS AND ADVANCES PROGRAM CERTIFICATION**

Contract completed during the year ending June 30, 2012

|  |                       |
|--|-----------------------|
| GRANT NAME   | CFRG 2009             |
| PROJECT NUMBER                                       | <u>GA06S006501-09</u> |
| GRANT AWARD EFFECTIVE DATE*                          | March 18, 2009        |
| CONTRACT COMPLETION DATE                             | March 17, 2012        |
| BUDGET   | <u>\$ 26,579,168</u>  |
| ADVANCES   | \$ 26,579,168         |
| COSTS  | <u>26,579,168</u>     |
| EXCESS/(DEFICIENCY) OF ADVANCES DUE<br>TO/(FROM) HUD | <u>\$ -</u>           |
| AMOUNT TO BE RECAPTURED BY HUD                       | <u>\$ -</u>           |

\*Represents the LOCCS effective date.

The actual CFRG Cost Certificate is in agreement with AHA records.

All amounts due have been received and all liabilities have been paid and there are no undischarged liens (mechanics, laborers, contractors, or material-means) against the Project on file in any public office where the same should be filed in order to be valid. The time in which such liens could be filed has expired.

**SCHEDULE OF HOPE VI PROGRAM COMPLETION  
COSTS AND ADVANCES PROGRAM CERTIFICATION**

Contract completed during the year ending June 30, 2012

|  |                               |
|--|-------------------------------|
| GRANT NAME   | Grady Homes<br>Revitalization |
| PROJECT NUMBER                                       | <u>GA06URD006I105</u>         |
| GRANT AWARD EFFECTIVE DATE*                          | October 27, 2005              |
| CONTRACT COMPLETION DATE                             | June 30, 2012                 |
| BUDGET   | <u>\$ 20,000,000</u>          |
| ADVANCES   | \$ 20,000,000                 |
| COSTS  | <u>20,000,000</u>             |
| EXCESS/(DEFICIENCY) OF ADVANCES DUE<br>TO/(FROM) HUD | <u>\$ -</u>                   |
| AMOUNT TO BE RECAPTURED BY HUD                       | <u>\$ -</u>                   |

\*Represents the LOCCS effective date.

The actual HOPE VI Cost Certificate is in agreement with AHA records.

All amounts due have been received and all liabilities have been paid and there are no undischarged liens (mechanics, laborers, contractors, or material-means) against the Project on file in any public office where the same should be filed in order to be valid. The time in which such liens could be filed has expired.

The Housing Authority of the City of Atlanta, Georgia

**SCHEDULE OF HOPE VI PROGRAM COMPLETION  
COSTS AND ADVANCES PROGRAM CERTIFICATION**

Contract completed during the year ending June 30, 2012

|  |                       |
|--|-----------------------|
| GRANT NAME   | Harris Revitalization |
| PROJECT NUMBER                                       | <u>GA06URD006I199</u> |
| GRANT AWARD EFFECTIVE DATE*                          | March 24, 2000        |
| CONTRACT COMPLETION DATE                             | June 30, 2012         |
| BUDGET   | <u>\$ 35,000,000</u>  |
| ADVANCES   | \$ 35,000,000         |
| COSTS  | <u>35,000,000</u>     |
| EXCESS/(DEFICIENCY) OF ADVANCES DUE<br>TO/(FROM) HUD | <u>\$ -</u>           |
| AMOUNT TO BE RECAPTURED BY HUD                       | <u>\$ -</u>           |

\*Represents the LOCCS effective date.

The actual HOPE VI Cost Certificate is in agreement with AHA records.

All amounts due have been received and all liabilities have been paid and there are no undischarged liens (mechanics, laborers, contractors, or material-means) against the Project on file in any public office where the same should be filed in order to be valid. The time in which such liens could be filed has expired.

The Housing Authority of the City of Atlanta, Georgia

**SCHEDULE OF HOPE VI PROGRAM COMPLETION  
COSTS AND ADVANCES PROGRAM CERTIFICATION**

Contract completed during the year ending June 30, 2012

|  |                        |
|--|------------------------|
| GRANT NAME   | Capitol Revitalization |
| PROJECT NUMBER                                       | <u>GA06URD006I101</u>  |
| GRANT AWARD EFFECTIVE DATE*                          | April 8, 2002          |
| CONTRACT COMPLETION DATE                             | June 30, 2012          |
| BUDGET   | <u>\$ 35,000,000</u>   |
| ADVANCES   | \$ 35,000,000          |
| COSTS  | <u>35,000,000</u>      |
| EXCESS/(DEFICIENCY) OF ADVANCES DUE<br>TO/(FROM) HUD | <u>\$ -</u>            |
| AMOUNT TO BE RECAPTURED BY HUD                       | <u>\$ -</u>            |

\*Represents the LOCCS effective date.

The actual HOPE VI Cost Certificate is in agreement with AHA records.

All amounts due have been received and all liabilities have been paid and there are no undischarged liens (mechanics, laborers, contractors, or material-means) against the Project on file in any public office where the same should be filed in order to be valid. The time in which such liens could be filed has expired.



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**STATISTICAL SECTION**  
(Unaudited)

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## **FINANCIAL TRENDS**

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The Housing Authority of the City of Atlanta, Georgia

STATEMENTS OF NET ASSETS — TEN YEAR COMPARISON (unaudited)

As of June 30,

|   | FISCAL YEAR           |                       |                       |                       |                       |                       |                       |                       |                       |                       |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|   | 2012                  | 2011                  | 2010                  | 2009                  | 2008                  | 2007                  | 2006                  | 2005                  | 2004                  | 2003                  |
| <b>ASSETS</b>   |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| <b>CURRENT ASSETS</b>   |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Cash  | \$ 101,343,014        | \$ 99,821,333         | \$ 99,409,155         | \$ 94,689,182         | \$ 114,340,407        | \$ 83,446,899         | \$ 90,422,944         | \$ 73,628,517         | \$ 34,415,971         | \$ 47,675,997         |
| Receivables, net of allowance   | 4,350,989             | 20,764,287            | 21,391,452            | 17,462,336            | 22,107,440            | 32,506,086            | 21,957,997            | 11,541,838            | 34,979,655            | 16,022,578            |
| Other current assets  | 4,707,510             | 729,056               | 356,960               | 383,408               | 14,801,659            | 15,302,879            | 14,151,035            | 382,948               | 464,657               | 165,679               |
| Total current assets  | 110,401,513           | 121,314,676           | 121,157,567           | 112,534,926           | 151,249,506           | 131,255,864           | 126,531,976           | 85,553,303            | 69,860,283            | 63,864,254            |
| <b>NON-CURRENT ASSETS</b>   |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Related development and other loans, investments in partnerships,<br>and development receivables, net of allowances | 167,930,497           | 166,027,043           | 150,313,997           | 135,322,659           | 123,102,703           | 125,644,170           | 111,739,378           | 98,586,157            | 81,524,051            | 78,986,158            |
| Capital assets, net of accumulated depreciation   | 151,092,159           | 143,135,216           | 120,680,756           | 119,322,667           | 130,334,865           | 144,758,303           | 151,499,170           | 164,713,591           | 188,410,049           | 196,666,662           |
| Investments, restricted   | 9,359,926             | 9,228,069             | 8,949,472             | 13,395,241            | 13,668,312            | 12,860,328            | 7,626,315             | 11,140,359            | 10,100,501            | 9,604,853             |
| Other assets, net of accumulated amortization and allowances  | 25,065,563            | 24,664,504            | 20,751,299            | 16,686,461            | 14,290,399            | 2,259,241             | 324,119               | 6,912,542             | 653,004               | -                     |
| Total non-current assets  | 353,448,145           | 343,054,832           | 300,695,524           | 284,727,028           | 281,396,279           | 285,522,042           | 271,188,982           | 281,352,649           | 280,687,605           | 285,257,673           |
| <b>TOTAL ASSETS</b>   | <b>\$ 463,849,658</b> | <b>\$ 464,369,508</b> | <b>\$ 421,853,091</b> | <b>\$ 397,261,954</b> | <b>\$ 432,645,785</b> | <b>\$ 416,777,906</b> | <b>\$ 397,720,958</b> | <b>\$ 366,905,952</b> | <b>\$ 350,547,888</b> | <b>\$ 349,121,927</b> |
| <b>LIABILITIES AND NET ASSETS</b>   |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| <b>CURRENT LIABILITIES</b>  |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Accounts payable  | \$ 1,102,938          | \$ 1,386,807          | \$ 6,377,736          | \$ 6,103,198          | \$ 11,912,802         | \$ 7,462,134          | \$ 8,206,977          | \$ 6,942,035          | \$ 7,979,039          | \$ 18,340,134         |
| Accrued liabilities   | 11,158,326            | 14,502,525            | 11,822,369            | 15,721,265            | 13,486,057            | 6,876,858             | 14,118,003            | 12,348,108            | 3,563,098             | 1,930,873             |
| Other current liabilities   | 7,713,304             | 8,165,157             | 8,426,223             | 11,878,466            | 21,710,135            | 13,250,720            | 15,097,902            | 10,813,878            | 11,164,675            | 9,346,400             |
| Line of credit  | -                     | -                     | -                     | -                     | 10,906,077            | 10,906,077            | -                     | -                     | -                     | -                     |
| Current portion of long-term debt   | -                     | 331,315               | 317,148               | 756,981               | 728,288               | 700,093               | 10,474,190            | 648,695               | 635,572               | 785,660               |
| Total current liabilities   | 19,974,568            | 24,385,804            | 26,943,476            | 34,459,910            | 58,743,359            | 39,195,882            | 47,897,072            | 30,752,716            | 23,342,384            | 30,403,067            |
| <b>NON-CURRENT LIABILITIES</b>  |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Long-term debt, net of current portion  | 9,293,862             | 2,905,388             | 3,236,703             | 3,553,851             | 4,310,832             | 5,039,120             | 5,739,213             | 16,213,414            | 16,681,345            | 17,335,501            |
| Other non-current liabilities   | 1,341,235             | 1,270,244             | 1,538,609             | 1,752,213             | 2,133,171             | 2,567,710             | 3,399,080             | 3,695,873             | 3,955,293             | 3,062,885             |
| Total non-current liabilities   | 10,635,097            | 4,175,632             | 4,775,312             | 5,306,064             | 6,444,003             | 7,606,830             | 9,138,293             | 19,909,287            | 20,636,638            | 20,398,386            |
| <b>TOTAL LIABILITIES</b>  | <b>30,609,665</b>     | <b>28,561,436</b>     | <b>31,718,788</b>     | <b>39,765,974</b>     | <b>65,187,362</b>     | <b>46,802,712</b>     | <b>57,035,365</b>     | <b>50,662,003</b>     | <b>43,979,022</b>     | <b>50,801,453</b>     |
| <b>NET ASSETS</b>   |                       |                       |                       |                       |                       |                       |                       |                       |                       |                       |
| Invested in capital assets, net of related debt   | 141,798,296           | 139,898,513           | 117,126,905           | 115,011,835           | 125,295,746           | 139,019,090           | 145,109,703           | 147,851,482           | 171,093,132           | 178,545,501           |
| Restricted-expendable   | 214,894,907           | 217,773,685           | 206,842,360           | 188,077,271           | 201,672,716           | 202,084,151           | 165,869,954           | 148,468,556           | 92,852,175            | 88,666,046            |
| Unrestricted  | 76,546,790            | 78,135,874            | 66,165,038            | 54,406,874            | 40,489,961            | 28,871,953            | 29,705,936            | 19,923,911            | 42,623,559            | 31,108,927            |
| Total net assets  | 433,239,993           | 435,808,072           | 390,134,303           | 357,495,980           | 367,458,423           | 369,975,194           | 340,685,593           | 316,243,949           | 306,568,866           | 298,320,474           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>   | <b>\$ 463,849,658</b> | <b>\$ 464,369,508</b> | <b>\$ 421,853,091</b> | <b>\$ 397,261,954</b> | <b>\$ 432,645,785</b> | <b>\$ 416,777,906</b> | <b>\$ 397,720,958</b> | <b>\$ 366,905,952</b> | <b>\$ 350,547,888</b> | <b>\$ 349,121,927</b> |

The Housing Authority of the City of Atlanta, Georgia

**OPERATING AND NON-OPERATING REVENUE AND EXPENSE — TEN YEAR COMPARISON (unaudited)**

For the years ended June 30,

|  | FISCAL YEAR    |                |                |                |                |                |                |                |                |                |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|  | 2012           | 2011           | 2010           | 2009           | 2008           | 2007           | 2006           | 2005           | 2004           | 2003           |
| Operating revenue:   |                |                |                |                |                |                |                |                |                |                |
| Operating subsidies  | -              | -              | -              | -              | -              | \$174,261,326  | \$ 175,078,599 | \$ 185,380,097 | \$ 175,552,213 | \$ 153,332,589 |
| MTW Single Fund used for operations                            | \$199,577,064  | \$220,387,902  | \$228,895,356  | \$205,294,340  | \$214,576,452  | -              | -              | -              | -              | -              |
| ARRA grant   | 235,428        | 4,816,316      | 1,654,300      | -              | -              | -              | -              | -              | -              | -              |
| Tenant dwelling revenue  | 5,435,556      | 5,415,284      | 5,679,841      | 9,946,947      | 14,472,567     | 17,282,562     | 18,405,002     | 17,608,530     | 17,054,377     | 15,848,502     |
| Development and HOPE VI grants                                 | 3,458,489      | 5,744,912      | 10,220,644     | 11,514,248     | 11,260,438     | -              | -              | -              | -              | -              |
| Fees earned from Georgia HAP Administrators, Inc.              | 1,302,261      | 1,793,158      | 1,823,883      | 1,827,643      | 1,833,476      | -              | -              | -              | -              | -              |
| Other operating revenue  | 2,715,078      | 2,304,135      | 4,144,092      | 2,290,441      | 3,786,412      | 6,561,773      | 6,437,735      | 6,187,147      | 3,319,634      | 4,244,383      |
| Total operating revenue  | 212,723,876    | 240,461,707    | 252,418,116    | 230,873,619    | 245,929,345    | 198,105,661    | 199,921,336    | 209,175,774    | 195,926,224    | 173,425,474    |
| Operating expense:   |                |                |                |                |                |                |                |                |                |                |
| Housing assistance payments                                    | 140,636,447    | 147,352,440    | 147,254,397    | 123,618,931    | 87,842,298     | 84,812,490     | 96,382,051     | 104,855,563    | 104,999,798    | 97,623,892     |
| Administrative including direct operating division expense     | 47,043,935     | 46,291,482     | 44,104,887     | 51,193,471     | 46,151,465     | 36,427,974     | 34,113,054     | 36,436,848     | 34,507,988     | 32,762,674     |
| Utilities, maintenance and protective services                 | 13,809,507     | 13,020,689     | 13,076,756     | 27,294,444     | 35,317,437     | -              | -              | -              | -              | -              |
| Utilities  | -              | -              | -              | -              | -              | 15,367,163     | 15,675,579     | 16,572,186     | 15,529,271     | 13,046,759     |
| Resident services, including relocation                        | -              | -              | -              | -              | -              | 7,422,976      | 5,445,229      | 6,732,464      | 6,035,585      | 5,489,328      |
| Resident and participant services                              | 3,901,350      | 3,652,211      | 1,023,137      | 1,849,462      | 5,644,670      | -              | -              | -              | -              | -              |
| Ordinary maintenance and operation                             | -              | -              | -              | -              | -              | 14,662,047     | 14,947,511     | 14,271,361     | 12,755,308     | 11,263,215     |
| Protective services  | -              | -              | -              | -              | -              | 5,916,121      | 5,589,844      | 6,823,744      | 6,567,239      | 6,231,832      |
| General expense  | 1,768,081      | 1,818,099      | 4,028,221      | 5,251,842      | 16,338,822     | 9,087,882      | 11,013,021     | 9,715,232      | 4,795,527      | 2,695,283      |
| Expenses related to Georgia HAP Administrators, Inc.           | 245,938        | 758,881        | 582,641        | 614,700        | 383,438        | -              | -              | -              | -              | -              |
| Depreciation and amortization                                  | 7,724,701      | 7,478,954      | 8,152,155      | 7,435,239      | 11,611,915     | 13,841,139     | 13,906,235     | 15,750,949     | 13,314,185     | 12,828,224     |
| Total operating expense  | 215,129,959    | 220,372,756    | 218,222,194    | 217,258,089    | 203,290,045    | 187,537,792    | 197,072,524    | 211,158,347    | 198,504,901    | 181,941,207    |
| Net operating income   | (2,406,083)    | 20,088,951     | 34,195,922     | 13,615,530     | 42,639,300     | 10,567,869     | 2,848,812      | (1,982,573)    | (2,578,677)    | (8,515,733)    |
| Non-operating revenue/(expense):                               |                |                |                |                |                |                |                |                |                |                |
| Capital grant revenue — modernization of AHA-owned communities | 1,703,838      | 22,090,892     | 3,362,297      | 4,948,674      | 8,993,544      | -              | -              | -              | -              | -              |
| Capital grant revenue — revitalization related                 | 1,572,218      | 16,255,535     | 20,902,827     | 21,981,189     | 17,275,774     | -              | -              | -              | -              | -              |
| Multiyear grants used for capitalized expenditures             | -              | -              | -              | -              | -              | 30,864,741     | 21,686,827     | 21,544,746     | 25,659,745     | 25,501,223     |
| Interest and investment income                                 | 1,153,962      | 428,162        | 1,275,968      | 1,814,301      | 5,356,916      | 5,722,435      | 6,197,582      | 2,089,429      | 1,528,676      | 1,620,330      |
| Gain on sale of fixed assets                                   | 7,570          | 84,118         | -              | -              | 2,473,956      | 421,431        | 1,179,361      | 2,441,081      | -              | -              |
| Total non-operating revenue                                    | 4,437,588      | 38,858,707     | 25,541,092     | 28,744,164     | 34,100,190     | 37,008,607     | 29,063,770     | 26,075,256     | 27,188,421     | 27,121,553     |
| Non-operating expense:   |                |                |                |                |                |                |                |                |                |                |
| Capital asset write-off  | -              | -              | -              | (23,779,910)   | (28,089,033)   | (5,721,395)    | (632,200)      | (11,880,879)   | (3,095,441)    | -              |
| Demolition and remediation expense                             | (551,003)      | (7,463,416)    | (14,843,453)   | (8,773,739)    | (11,227,208)   | -              | -              | -              | -              | -              |
| Other revitalization expense                                   | (2,432,976)    | (1,204,574)    | (4,126,847)    | (4,098,581)    | (5,862,316)    | (4,030,000)    | -              | -              | -              | -              |
| Relocation-related expense                                     | (56,789)       | (2,579,158)    | (6,939,323)    | (11,304,341)   | (9,272,600)    | -              | -              | -              | -              | -              |
| Extraordinary sitework and maintenance                         | -              | -              | -              | -              | -              | (5,008,566)    | (5,937,887)    | (1,794,960)    | (5,799,792)    | (6,231,432)    |
| Grants to Owner Entities of mixed-income communities (UFAS)    | -              | -              | (27,616)       | (484,914)      | -              | -              | -              | -              | -              | -              |
| Bad debt expense   | -              | -              | -              | -              | (3,986,000)    | -              | -              | -              | -              | -              |
| Valuation allowance  | (845,009)      | (1,874,749)    | (985,601)      | (3,548,831)    | (19,952,268)   | (2,569,048)    | -              | -              | (6,742,351)    | -              |
| Interest expense   | (713,807)      | (151,992)      | (175,851)      | (331,821)      | (866,836)      | (957,866)      | (900,851)      | (741,761)      | (723,768)      | (510,302)      |
| Total non-operating expense                                    | (4,599,584)    | (13,273,889)   | (27,098,691)   | (52,322,137)   | (79,256,261)   | (18,286,875)   | (7,470,938)    | (14,417,600)   | (16,361,352)   | (6,741,734)    |
| Change in net assets   | (2,568,079)    | 45,673,769     | 32,638,323     | (9,962,443)    | (2,516,771)    | 29,289,601     | 24,441,644     | 9,675,083      | 8,248,392      | 11,864,086     |
| Net assets — beginning of year                                 | 435,808,072    | 390,134,303    | 357,495,980    | 367,458,423    | 369,975,194    | 340,685,593    | 316,243,949    | 306,568,866    | 298,320,474    | 286,456,388    |
| Net assets — end of year                                       | \$ 433,239,993 | \$ 435,808,072 | \$ 390,134,303 | \$ 357,495,980 | \$ 367,458,423 | \$ 369,975,194 | \$ 340,685,593 | \$ 316,243,949 | \$ 306,568,866 | \$ 298,320,474 |

## **OPERATING REVENUE CAPACITY**



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The Housing Authority of the City of Atlanta, Georgia

**OPERATING REVENUE** (unaudited)

For the years ended June 30,

| Fiscal<br>Year | MTW Single Fund,<br>Development, HOPE VI and<br>ARRA Grant Revenue |                     | Tenant Dwelling Revenue |                     | Other Revenue |                     | Total Operating Revenue |                     | Number of AHA<br>Employees |
|----------------|--|---------------------|-------------------------|---------------------|---------------|---------------------|-------------------------|---------------------|----------------------------|
|                | Amount   | Percent<br>of Total | Amount                  | Percent<br>of Total | Amount        | Percent<br>of Total | Amount                  | Percent<br>of Total |                            |
|                |  |                     |                         |                     |               |                     |                         |                     |                            |
| 2002           | 138,152,226  | 87.2%               | 16,247,613              | 10.3%               | 4,055,653     | 2.6%                | 158,455,492             | 100.0%              | 313                        |
| 2003           | 153,332,589  | 88.4%               | 15,848,502              | 9.1%                | 4,244,383     | 2.4%                | 173,425,474             | 100.0%              | 337                        |
| 2004           | 175,552,213  | 89.6%               | 17,054,377              | 8.7%                | 3,319,634     | 1.7%                | 195,926,224             | 100.0%              | 311                        |
| 2005           | 185,380,097  | 88.6%               | 17,608,530              | 8.4%                | 6,187,147     | 3.0%                | 209,175,774             | 100.0%              | 224                        |
| 2006           | 175,078,599  | 87.6%               | 18,405,002              | 9.2%                | 6,437,735     | 3.2%                | 199,921,336             | 100.0%              | 207                        |
| 2007           | 174,261,326  | 88.0%               | 17,282,562              | 8.7%                | 6,561,773     | 3.3%                | 198,105,661             | 100.0%              | 233                        |
| 2008           | 225,836,890  | 91.8%               | 14,472,567              | 5.9%                | 5,619,888     | 2.3%                | 245,929,345             | 100.0%              | 287                        |
| 2009           | 216,808,588  | 93.9%               | 9,946,947               | 4.3%                | 4,118,084     | 1.8%                | 230,873,619             | 100.0%              | 318                        |
| 2010           | 240,770,300  | 95.4%               | 5,679,841               | 2.3%                | 5,967,975     | 2.4%                | 252,418,116             | 100.0%              | 262                        |
| 2011           | 230,949,130  | 96.0%               | 5,415,284               | 2.3%                | 4,097,293     | 1.7%                | 240,461,707             | 100.0%              | 250                        |
| 2012           | 203,270,981  | 95.6%               | 5,435,556               | 2.6%                | 4,017,339     | 1.9%                | 212,723,876             | 100.0%              | 239                        |

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## **DEBT CAPACITY**

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The Housing Authority of the City of Atlanta, Georgia

**LONG-TERM DEBT** (unaudited)

As of June 30,

| <u>Fiscal<br/>Year</u> | <u>Notes<br/>payable</u> | <u>Capital<br/>leases</u> | <u>Total<br/>long-term<br/>debt</u> | <u>Capital assets,<br/>net of<br/>accumulated<br/>depreciation</u> | <u>Ratio of total<br/>long-term debt<br/>to capital<br/>assets, net</u> |
|------------------------|--------------------------|---------------------------|-------------------------------------|--|---|
| 2003                   | \$ 14,622,098            | \$ 3,499,063              | \$ 18,121,161                       | \$ 196,666,662   | 9.2%  |
| 2004                   | 14,815,103               | 2,501,272                 | 17,316,375                          | 188,410,049  | 9.2%  |
| 2005                   | 14,742,366               | 2,119,743                 | 16,862,109                          | 164,713,591  | 10.2%   |
| 2006                   | 14,488,883               | 1,724,531                 | 16,213,414                          | 151,499,170  | 10.7%   |
| 2007                   | 4,423,778                | 1,315,435                 | 5,739,213                           | 144,758,303  | 4.0%  |
| 2008                   | 4,147,045                | 892,075                   | 5,039,120                           | 130,334,865  | 3.9%  |
| 2009                   | 3,857,095                | 453,737                   | 4,310,832                           | 119,322,667  | 3.6%  |
| 2010                   | 3,553,851                | -                         | 3,553,851                           | 120,680,756  | 2.9%  |
| 2011                   | 3,236,703                | -                         | 3,236,703                           | 143,135,216  | 2.3%  |
| 2012                   | 9,293,863                | -                         | 9,293,863                           | 151,092,159  | 6.2%  |

Long-term debt includes both Current and Non-Current portions. AHA has no bond financing

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## **DEMOGRAPHIC AND ECONOMIC INFORMATION**



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## METRO ATLANTA KEY ECONOMIC INDICATORS

|   | 2000       | 2001       | 2002       | 2003       | 2004       | 2005       | 2006       | 2007       | 2008       | 2009       | 2010       | 2011         |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|
| <b>Population<sup>1</sup></b>   | 4,247,981  | 4,432,950  | 4,555,490  | 4,673,146  | 4,802,300  | 4,947,012  | 5,119,641  | 5,267,527  | 5,385,586  | 5,475,213  | 5,268,860  | 5,359,205    |
| <b>Labor Force<sup>2</sup></b>  | 2,377,183  | 2,422,668  | 2,449,804  | 2,452,018  | 2,497,640  | 2,592,385  | 2,659,234  | 2,728,272  | 2,753,399  | 2,689,285  | 2,658,656  | 2,686,993    |
| <b>Employment<sup>2</sup></b>   | 2,304,515  | 2,336,175  | 2,330,487  | 2,334,092  | 2,379,513  | 2,456,221  | 2,535,341  | 2,604,115  | 2,582,627  | 2,424,779  | 2,388,182  | 2,427,996    |
| <b>Unemployment Rate<sup>2</sup></b>                                  | 3.1%       | 3.6%       | 4.9%       | 4.8%       | 4.7%       | 5.3%       | 4.7%       | 4.6%       | 6.2%       | 9.7%       | 10.2%      | 9.6%         |
| <b>Nonagricultural Employment<sup>2</sup></b>                         | 2,292,200  | 2,303,900  | 2,261,200  | 2,238,700  | 2,269,000  | 2,338,700  | 2,405,700  | 2,455,400  | 2,429,400  | 2,293,800  | 2,274,000  | 2,302,900    |
| <b>Annual Net Job Creation<sup>2</sup></b>                            | 61,200     | 11,700     | -42,700    | -22,500    | 30,300     | 69,700     | 67,000     | 49,700     | -26,000    | -135,600   | -19,800    | 28,900       |
| <b>Annual Growth Rate</b>   | 2.7%       | 0.5%       | -1.9%      | -1.0%      | 1.4%       | 3.1%       | 2.9%       | 2.1%       | -1.1%      | -5.6%      | -0.9%      | 1.3%         |
| <b>Total Establishments<sup>3</sup></b>                               | 113,998    | 121,961    | 129,092    | 131,989    | 135,729    | 138,630    | 142,347    | 144,554    | 148,933    | 146,361    | 145,038    | not released |
| <b>Gross Domestic Product (billions)<sup>4</sup></b>                  | n/a        | \$204.4    | \$211.6    | \$218.4    | \$229.6    | \$243.7    | \$257.7    | \$272.1    | \$274.9    | \$266.5    | \$272.4    | not released |
| <b>Total Personal Income (billions)<sup>4</sup></b>                   | \$144.6    | \$150.6    | \$153.2    | \$157.6    | \$166.2    | \$179.1    | \$192.5    | \$204.0    | \$209.6    | \$203.1    | \$208.1    | not released |
| <b>Per Capita Personal Income<sup>4</sup></b>                         | \$33,790   | \$34,324   | \$34,246   | \$34,585   | \$35,802   | \$37,683   | \$39,160   | \$40,410   | \$40,678   | \$38,894   | \$39,360   | not released |
| <b>Bank Deposits (billions)<sup>5</sup></b>                           | \$56.0     | \$58.7     | \$63.6     | \$75.7     | \$80.6     | \$94.5     | \$109.4    | \$113.3    | \$117.2    | \$114.6    | \$110.5    | \$115.6      |
| <b>Total Housing Units Authorized by Building Permits<sup>6</sup></b> | 64,216     | 65,268     | 66,551     | 66,377     | 74,007     | 72,861     | 68,266     | 44,770     | 19,294     | 6,533      | 7,575      | not released |
| <b>Single Family</b>  | 46,747     | 48,423     | 50,151     | 55,033     | 57,316     | 61,558     | 53,927     | 31,089     | 11,989     | 5,421      | 6,384      | not released |
| <b>Multi-Family &amp; Apartments</b>                                  | 17,469     | 16,845     | 16,400     | 11,344     | 16,691     | 11,303     | 14,339     | 13,681     | 7,305      | 1,112      | 1,191      | not released |
| <b>Commercial Real Estate Net Absorption (million SF)<sup>7</sup></b> |            |            |            |            |            |            |            |            |            |            |            |              |
| <b>Office</b>   | 9.6        | 0.2        | 2.2        | 1.9        | 5.6        | 6.9        | 5.2        | 4.0        | -1.4       | -3.6       | 0.14       | 0.74         |
| <b>Industrial</b>   | 17.8       | 5.1        | -0.27      | 1.9        | 16.2       | 15.2       | 14.6       | 11.5       | -1.9       | -7.8       | -2.7       | 9.2          |
| <b>Retail</b>   | 5.3        | 5.5        | 9.8        | 6.7        | 7.0        | 6.7        | 10.5       | 7.5        | 4.4        | -2.0       | 0.60       | 0.47         |
| <b>Hartsfield-Jackson Atlanta International Airport<sup>8</sup></b>   |            |            |            |            |            |            |            |            |            |            |            |              |
| <b>Total Operations (takeoffs &amp; landings)</b>                     | 915,454    | 890,494    | 889,966    | 911,727    | 965,204    | 980,386    | 976,447    | 994,346    | 978,083    | 970,235    | 950,119    | 923,996      |
| <b>Total Passengers</b>   | 80,162,407 | 75,858,500 | 76,876,128 | 79,087,928 | 83,605,218 | 85,907,423 | 84,846,639 | 89,379,287 | 90,039,280 | 88,001,381 | 89,331,662 | 92,389,023   |
| <b>International Passengers</b>                                       | 5,808,897  | 5,606,617  | 5,715,038  | 5,501,361  | 6,204,940  | 6,734,452  | 8,073,855  | 8,897,291  | 9,180,491  | 8,832,195  | 9,139,022  | 9,856,954    |
| <b>Total Freight (metric tons)</b>                                    | 650,796    | 589,712    | 640,697    | 687,159    | 768,739    | 725,446    | 738,180    | 715,359    | 648,704    | 554,888    | 643,502    | 663,162      |

Sources:

1: Population figures for 2000 and 2010 are decennial Census counts; 2001 - 2008 and 2011 are annual estimates by the Census Bureau between decennial Censuses.

2: Georgia Department of Labor, Bureau of Labor Statistics, not seasonally adjusted; data extracted 4/26/12.

3: A single physical location where business is conducted or where services or industrial operations are performed. Georgia Department of Labor, Workforce Information & Analysis, Employment & Wages Unit, 2011.

4: Bureau of Economic Analysis, GDP-revised September 13, 2011; Total Personal Income-August 9, 2011; Per Capita Income-September 30, 2011.

5: Federal Deposit Insurance Corporation (FDIC), June 30 annual data.

6: Census Bureau, Manufacturing & Construction Division.

7: CoStar Group, Year-End 2011.

8: Hartsfield-Jackson Atlanta International Airport.

updated 4/26/2012