

**CITY OF ATLANTA, GEORGIA
PRINCETON LAKES
TAX ALLOCATION DISTRICT FUND**

Financial Statements and Supplementary Information

June 30, 2011

(With Independent Auditor's Report Thereon)

**CITY OF ATLANTA, GEORGIA
PRINCETON LAKES TAX ALLOCATION DISTRICT FUND
JUNE 30, 2011**

Table of Contents

| | Page |
|---|-------------|
| Independent Auditor's Report | 1 |
| Management's Discussion and Analysis | 3 |
| Basic Financial Statements: | |
| Statement of Net Assets and Governmental Fund Balance Sheet | 10 |
| Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance | 11 |
| Notes to Basic Financial Statements | 12 |
| Required Supplementary Information | |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual | 20 |
| Supplementary Information: | |
| Schedule 1: Fund Balance Sheet Comparison – Cash Basis | 21 |
| Schedule 2: Flow of Funds Comparison – Cash Basis | 22 |
| Schedule 3: Balance of Funds Under the Bond Indenture – Cash Basis | 23 |
| Schedule 4: Debt Service Coverage Ratio – Cash Basis | 24 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> | 25 |

INDEPENDENT AUDITOR'S REPORT

**The Board of Directors
Atlanta Development Authority**

We have audited the accompanying financial statements of the governmental activities and the major fund of the City of Atlanta, Georgia Princeton Lakes Tax Allocation District Fund (the "Fund") as of and for the fiscal year ended June 30, 2011, which collectively comprise the Fund's basic financial statements. These financial statements are the responsibility of the Fund's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 audit provides a reasonable basis for our opinions.

As discussed in Note 1, the financial statements present only the Princeton Lakes Tax Allocation District Fund and do not purport to, and do not, present fairly the financial position of the City of Atlanta, Georgia, as of June 30, 2011, and the changes in its financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2, the Fund implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective July 1, 2010.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the City of Atlanta, Georgia Princeton Lakes Tax Allocation District Fund as of June 30, 2011, and the respective changes in financial position thereof for the fiscal year 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 a report dated January 24, 2012 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (on pages 3 through 9) and the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual (on page 20) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fund's basic financial statements. The supplementary information, as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 basic financial statements as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 24, 2012

CITY OF ATLANTA, GEORGIA
PRINCETON LAKES TAX ALLOCATION DISTRICT FUND

Management's Discussion and Analysis

June 30, 2011

This section of the annual financial report of the Princeton Lakes Tax Allocation District Fund ("Fund") presents the analysis of the Fund's financial performance during the fiscal year ended on June 30, 2011. Please read it in conjunction with the financial statements and their accompanying notes, which follow this section. The financial statements include only the financial activities of the Princeton Lakes Tax Allocation District. The Fund is an integral part of the City of Atlanta's ("City") government reporting entity and its results are included in the Comprehensive Annual Financial Report (CAFR) of the City as a Nonmajor Governmental Fund.

The Atlanta Development Authority ("ADA") is the redevelopment agent for the Princeton Lakes Tax Allocation District and is responsible for all the financial reporting and compliance required by the 2006 Bond documents.

As mentioned above, while the tax allocation districts are shown on the City's CAFR, both the City and ADA jointly decide which district should have a separate audit. A separate audit provides the reader of the financial statements with more financial information pertaining to each individual tax allocation district.

The Princeton Lakes Tax Allocation District

On March 15, 2006, the City of Atlanta, Georgia issued \$21,000,000 Series 2006A Tax Allocation Bonds pursuant to the Constitution and laws of the State of Georgia, in particular Chapter 44 of Title 36 of the Official Code of Georgia Annotated, as amended, known as the Redevelopment Powers Law (the "Act"). The Initial Resolution 02-R-1775 was adopted by the City Council on November 18, 2002, and signed by the Mayor on November 26, 2002. On February 8, 2006, Ordinance 06-O-0263 was adopted by the City Council and signed by the Mayor on February 9, 2006.

ADA was designated as the redevelopment agent to implement the Princeton Lakes Redevelopment Plan. Pursuant to the Act, the Tax Allocation Bonds were issued to finance public improvements serving the properties located within the tax allocation district.

The properties in the tax allocation district are located in the City of Atlanta, Georgia with boundaries consisting of Hogan Road SW to the north; the City of East Point to the east; Camp Creek Parkway SW to the south; and Fairburn Road SW to the west.

The Mixed Use Development in the Princeton Lakes TAD, includes retail, hotel, office and residential components to be located on a 188-acre parcel in the TAD between Redwine Road and Camp Creek Parkway. The residential development, which is a master planned residential community that will include 844 single family homes and townhomes on a 238-acre parcel in the northwest portion of the TAD.

The Board of Commissioners of Fulton County, Georgia by Resolution 02-1414 adopted on December 18, 2002, consented to the inclusion of their respective shares of positive ad valorem tax increments derived for the Princeton Lakes TAD as security for the Series 2006 Bonds.

On July 1, 2010, the City of Atlanta and U.S. Bank National Association (Trustee) entered into the First Supplemental Indenture of Trust. With the majority consent of the bondholders with the aggregate principal amount of the Bonds then outstanding, it was agreed that the City had the option to purchase bonds for cancellation from excess tax increment and from funds on deposit in the Redemption Account of the Bond Fund.

CITY OF ATLANTA, GEORGIA
PRINCETON LAKES TAX ALLOCATION DISTRICT FUND

Management's Discussion and Analysis

June 30, 2011

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the Fund's basic financial statements. The Funds' basic financial statements consist of five (5) components: 1) governmental fund financial statements, 2) government-wide financial statements, 3) notes to the financial statements, 4) required supplemental schedule, and 5) other supplemental schedules. Because the Fund's activities are single purpose in nature the governmental fund and government-wide financial statements are presented together in the statements with an adjustment column reconciling the differences.

Governmental Fund Financial Statements

The governmental fund financial statements focus only on the Fund's balances of spendable resources available at the end of the fiscal year and are presented on a modified accrual basis. Only current assets and liabilities are presented in the Balance Sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance focus only on the Fund's near-term inflows and outflows of spendable resources for the fiscal year. Revenues are considered available when they are collectible within the current fiscal year or soon enough thereafter to pay liabilities of the current fiscal year. For this purpose, the Fund considers revenues to be available if they are collected within 60 days after the end of the fiscal year.

Government-wide Financial Statements

The government-wide financial statements are reported using the full accrual basis of accounting, similar to that used by private sector companies. The Statement of Net Assets column reports information about all assets and liabilities of the Fund – both current and long-term. The Statement of Activities measures the success of the Fund's operations over the past fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Notes to the Financial Statements

The notes provide additional information that is essential to gain a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 12 to 19 of this report.

Required Supplemental Schedule

Included in these financial statements is the schedule of revenues, expenditures, and changes in fund balances – budget to actual for the Princeton Tax Allocation District governmental fund. This schedule can be found on page 20.

Supplemental Schedules

ADA, as Redevelopment Agent, is responsible for the compliance reporting to the Atlanta City Council, City of Atlanta, ADA Board of Directors, and the Board of Commissioners of Fulton County. Quarterly reporting consists of cash basis financials for the tax allocation district and meets the compliance requirement. The cash basis financials consist of two statements: the Fund Balance Sheet Comparison and the Flow of Funds Comparison. These schedules are presented as Schedules 1 and 2 in the supplementary information section of this report.

CITY OF ATLANTA, GEORGIA
PRINCETON LAKES TAX ALLOCATION DISTRICT FUND

Management's Discussion and Analysis

June 30, 2011

Schedule 3 consists of balances on deposit in each of the funds held by the Trustee. The schedule also includes a statement as to whether there were withdrawals from the Debt Service Reserve Fund. Schedule 4 presents the Fund's debt service coverage ratio.

A summary comparison of the governmental fund statements for June 30, 2010 and June 30, 2011 are presented below:

Princeton Lakes Tax Allocation District Fund
 Summary Comparison of Governmental Fund Balance Sheets
 As of June 30, 2010 and June 30, 2011

| | 2010 | 2011 |
|---|--------------|--------------|
| Assets: | | |
| Cash and cash equivalents | \$ 2,863,103 | \$ 4,032,581 |
| Property taxes receivable, net of allowance | 35,055 | 31,762 |
| Restricted investments | 3,756,086 | 2,588,783 |
| Total Assets | \$ 6,654,244 | \$ 6,653,126 |
| Liabilities: | | |
| Accounts payable | \$ 1,533 | \$ 5,580 |
| Due to the City of Atlanta | - | 2,306 |
| Due to other governments | - | 27,435 |
| Deferred revenue | 8,181 | 31,762 |
| Total Liabilities | 9,714 | 67,083 |
| Fund Balance: | | |
| Restricted | 6,644,530 | 6,586,043 |
| Total Fund Balance | 6,644,530 | 6,586,043 |
| | | |
| Total liabilities and fund balance | \$ 6,654,244 | \$ 6,653,126 |

CITY OF ATLANTA, GEORGIA
PRINCETON LAKES TAX ALLOCATION DISTRICT FUND

Management's Discussion and Analysis

June 30, 2011

Princeton Lakes Tax Allocation District Fund
 Summary Comparison of Revenues, Expenditures, and Changes in Fund Balance
 For the Fiscal Years Ended June 30, 2010 and June 30, 2011

| | 2010 | 2011 |
|---|--------------|--------------|
| Expenditures: | | |
| General government | \$ 62,870 | \$ 58,159 |
| Debt service-principal | - | 1,060,000 |
| Debt service- interest | 979,550 | 979,874 |
| Total Expenditures | 1,042,420 | 2,098,033 |
| General Revenues: | | |
| Tax increment revenue | 2,058,781 | 2,009,194 |
| Investment earnings | 13,665 | 9,152 |
| Other revenue | - | 21,200 |
| Total General Revenues | 2,072,446 | 2,039,546 |
| Excess (deficiency) of revenues over (under expenditures) | 1,030,026 | (58,487) |
| Net change in fund balance | 1,030,026 | (58,487) |
| Fund Balance: | | |
| Beginning of the fiscal year | 5,614,504 | 6,644,530 |
| End of the fiscal year | \$ 6,644,530 | \$ 6,586,043 |

Assets include predominately cash and cash equivalents plus restricted investments. These assets are held for future payments on the 2006 Bonds. Cash and cash equivalents is the Special Fund bank account held by the City of Atlanta. The Special Fund bank account increased \$1,169,478 over the previous fiscal year with an ending cash in the Special Fund of \$4,032,581.

The Summary Comparison of Revenues, Expenditures, and Changes in Fund Balance statements show a decrease in tax increment revenue of \$49,587 which is mainly from the property tax appeals that have taken place in the District. The tax digests for tax calendar years 2008, 2009, and 2010 were all certified by the State during the current fiscal year. The growth rate for the Princeton Lakes District continues to grow. The certified growth rate for property tax year 2010 is 99.280% compared to property tax year 2009 of 99.235%. The 2010 Certified Tax Digest reflects taxable assessed valued in the District as \$114,838,890 which is an increase of \$114,012,130 over the 2002 base year.

Per the First Supplemental Indenture of Trust dated July, 1, 2010, the City of Atlanta offered to purchase bonds in cash up to a Maximum Purchase Amount of \$2,500,000 from excess tax increment. Bids were submitted to the Atlanta Development Authority on behalf of the City. A Bid for Purchase of \$1,060,000 was selected for purchase by the City of Atlanta with a Bid Price of \$980 per \$1,000 of Bonds. The payment to the holder of the bonds was made on January 1, 2011. These purchases are from excess tax increments in the Special Fund bank account or amounts in the Redemption account held by the Trustee.

CITY OF ATLANTA, GEORGIA
PRINCETON LAKES TAX ALLOCATION DISTRICT FUND

Management's Discussion and Analysis

June 30, 2011

Interest on the 2006 Bonds is paid semi-annually. The amount of interest and principal paid for the fiscal year ended June 30, 2011 was \$979,874 and \$1,060,000, respectively. The amount of principal paid is determined by the City of Atlanta in their Bid to Purchase bonds.

The government wide financial statements for June 30, 2010 and June 30, 2011 are presented below:

Princeton Lakes Tax Allocation District Fund
Summary Comparison of Government wide Statement of Net Assets
As of June 30, 2010 and June 30, 2011

| | 2010 | 2011 |
|---|------------------------|------------------------|
| Assets: | | |
| Cash and cash equivalents | \$ 2,863,103 | \$ 4,032,581 |
| Property taxes receivable, net of allowance | 35,055 | 31,762 |
| Deferred charges, unamortized balance | 241,645 | 222,475 |
| Restricted investments | 3,756,086 | 2,588,783 |
| Total Assets | 6,895,889 | 6,875,601 |
| Liabilities: | | |
| Accounts payable | 1,533 | 5,580 |
| Due to the City of Atlanta | - | 2,306 |
| Due to other governments | - | 27,435 |
| Accrued interest payable | 489,775 | 460,625 |
| Long- term debt | 17,596,525 | 16,553,460 |
| Total Liabilities | 18,087,833 | 17,049,406 |
| Total Net Assets (deficit) | \$ (11,191,944) | \$ (10,173,805) |

CITY OF ATLANTA, GEORGIA
PRINCETON LAKES TAX ALLOCATION DISTRICT FUND

Management's Discussion and Analysis

June 30, 2011

Princeton Lakes Tax Allocation District Fund
Summary Comparison of Government wide Statement of Activities
For the Fiscal Years Ended June 30, 2010 and June 30, 2011

| | 2010 | 2011 |
|---------------------------------------|-----------------|-----------------|
| Expenses: | | |
| Amortization expense | \$ 36,896 | \$ 36,104 |
| General government | 62,870 | 58,159 |
| Interest expense | 979,550 | 950,724 |
| Total Expenses | 1,079,316 | 1,044,987 |
| General Revenues: | | |
| Tax increment revenue | 2,028,490 | 2,032,774 |
| Investment earnings | 13,665 | 9,152 |
| Gain on the early redemption of Bonds | - | 21,200 |
| Total General Revenues | 2,042,155 | 2,063,126 |
| Change in net assets | 962,839 | 1,018,139 |
| Net Assets (Deficit) | | |
| Beginning of the fiscal year | (12,154,783) | (11,191,944) |
| End of the fiscal year | \$ (11,191,944) | \$ (10,173,805) |

As noted above in the discussion, the difference between governmental fund and government wide financial statements is that the government wide financial statements present the information on an accrual basis. Under the accrual basis of accounting, the tax increment revenue includes the accounts receivable from the taxpayers in the District. As of June 30, 2011, the amount of Property Tax Receivable is \$31,762. The government wide financial statements show the amount of bonds outstanding on the Statement of Net Assets.

Long-Term Debt

In March 2006, the City issued \$21,000,000 in limited obligation bonds for the Princeton Lakes TAD. The issuance is a limited obligation of the City, not secured by the full faith and credit of the City, but rather is secured and payable solely from the pledged revenues. Pledged revenues are defined as the positive ad valorem tax allocation increments collected above the base at the time of the creation of the tax allocation district. Legislation for the pledged revenues was adopted by the Atlanta City Council and the Board of Commissioners of Fulton County.

The 2006 Bonds have annual principal payments due on January 1st and semi-annual interest payments due on July 1st and January 1st.

CITY OF ATLANTA, GEORGIA
PRINCETON LAKES TAX ALLOCATION DISTRICT FUND

Management's Discussion and Analysis

June 30, 2011

On December 2, 2008, the bondholders declined to consent to the proposed amendment to extend the extraordinary mandatory redemption from unexpended proceeds. On January 1, 2009, in addition to the normal interest and principal due, a payment of \$2,825,000 of remaining bond proceeds were used to redeem bonds in accordance with the Indenture of Trust and DTC procedures. The early redemption was applied to future principal payments on the bonds. The next principal payment is due January 1, 2016.

On January 29, 2010, a majority of bondholders provided their consent to amend the Indenture and approve the First Supplemental Indenture of Trust. This document, executed on July 1, 2010, allows for the use of excess tax increment and excess investment earnings to purchase outstanding 2006 Bonds tendered for purchase prior to the optional and special mandatory redemption dates otherwise provided for in the Indenture. On January 1, 2011, in addition to the normal interest due, \$1,060,000 of excess tax increment and investment earnings was used to tender bonds in accordance with the First Supplemental Indenture of Trust. See note 6 for further discussions on long term debt.

Economic Factors and Outlook

The 2006 Bonds provided funding for the Mixed Use Development which consists of approximately 430,000 square feet of retail development including major national and regional retailers. The Publix-anchored retail center, Camp Creek Marketplace Phase II and all of the Redwine Road commercial properties are complete. The Mixed Use Development also includes three medical office buildings, all of which are complete. In addition, the Mixed Use Development includes 776 residential units consisting of 656 market rate garden apartments, which are complete and approximately 94% leased, and 120 townhomes, of which 35 are complete. Proceeds of the bonds were used to reimburse the developer for a portion of the costs associated with the public improvements required to support the Mixed Use Development, which included: water detention facility improvements, installation of sewer and water improvements, installation of intersections, and traffic signals on major connecting parkways, and road improvements.

The Residential Development is a master planned residential community which includes 844 single family homes and townhomes on a 238-acre parcel. The development consists primarily of single-family detached homes, with one planned neighborhood of approximately 150 townhomes. All of the single-family homes and townhomes are complete and sold. The Residential Development has greenways and pedestrian pathways connecting the homes to adjacent commercial developments and existing public transportation routes. The proceeds from the bonds have been used to reimburse the developer for site preparation, clearance, grading, installation of detention ponds, installation of sewer and water infrastructure and sidewalks.

Requests for Information

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

CITY OF ATLANTA, GEORGIA
PRINCETON LAKES TAX ALLOCATION DISTRICT FUND
Statement of Net Assets and Governmental Fund Balance Sheet
June 30, 2011

| | Princeton Lakes Tax Allocation District | Adjustments (Note 3) | Statement of Net Assets |
|--|--|---------------------------------|------------------------------------|
| Assets | | | |
| Cash and cash equivalents | \$ 4,032,581 | \$ - | \$ 4,032,581 |
| Property taxes receivable, net of allowance | 31,762 | - | 31,762 |
| Restricted assets: | | | |
| Investments | 2,588,783 | - | 2,588,783 |
| Deferred charges, unamortized balance | - | 222,475 | 222,475 |
| Total assets | <u>6,653,126</u> | <u>222,475</u> | <u>6,875,601</u> |
| Liabilities | | | |
| Accounts payable | 5,580 | - | 5,580 |
| Due to the City of Atlanta | 2,306 | - | 2,306 |
| Due to other governments | 27,435 | - | 27,435 |
| Deferred revenue | 31,762 | (31,762) | - |
| Liabilities payable from restricted assets: | | | |
| Accrued interest payable | - | 460,625 | 460,625 |
| Long-term debt: | | | |
| Due after one year | - | 16,553,460 | 16,553,460 |
| Total liabilities | <u>67,083</u> | <u>16,982,323</u> | <u>17,049,406</u> |
| Fund Balance/Net Assets (Deficit) | | | |
| Fund balance: | | | |
| Restricted for debt service | 2,588,783 | (2,588,783) | - |
| Restricted for future debt redemption | 3,997,260 | (3,997,260) | - |
| Total fund balance | <u>6,586,043</u> | <u>(6,586,043)</u> | <u>-</u> |
| Total liabilities and fund balance | <u>\$ 6,653,126</u> | | |
| Net assets (deficit): | | | |
| Restricted for debt service | | 2,588,783 | 2,588,783 |
| Restricted for future debt redemption | | 3,997,260 | 3,997,260 |
| Unrestricted | | (16,759,848) | (16,759,848) |
| Total net assets (deficit) | | <u>\$ (10,173,805)</u> | <u>\$ (10,173,805)</u> |

See accompanying notes to basic financial statements.

CITY OF ATLANTA, GEORGIA
PRINCETON LAKES TAX ALLOCATION DISTRICT FUND
Statement of Activities and Governmental Fund
Revenues, Expenditures and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2011

| | Princeton Lakes Tax Allocation District | Adjustments (Note 3) | Statement of Activities |
|--|--|---------------------------------|------------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| Expenditures/expenses: | | | |
| General government | \$ 58,159 | \$ - | \$ 58,159 |
| Amortization expense | - | 36,104 | 36,104 |
| Debt service: | | | |
| Principal | 1,060,000 | (1,060,000) | - |
| Interest | 979,874 | (29,150) | 950,724 |
| Total expenditures/expenses | <u>2,098,033</u> | <u>(1,053,046)</u> | <u>1,044,987</u> |
| Net program expense | | | <u>1,044,987</u> |
| General revenues: | | | |
| Tax increment revenue | 2,009,194 | 23,580 | 2,032,774 |
| Investment earnings | 9,152 | - | 9,152 |
| Other revenue | 21,200 | - | 21,200 |
| Total general revenues | <u>2,039,546</u> | <u>23,580</u> | <u>2,063,126</u> |
| Excess (deficiency) of revenues over (under) expenditures | (58,487) | 58,487 | - |
| Net change in fund balance | (58,487) | 58,487 | - |
| Change in net assets | - | (1,018,139) | 1,018,139 |
| Fund balance/net assets (deficit) | | | |
| Beginning of the fiscal year | <u>6,644,530</u> | <u>(17,836,474)</u> | <u>(11,191,944)</u> |
| End of the fiscal year | <u>\$ 6,586,043</u> | <u>\$ (16,759,848)</u> | <u>\$ (10,173,805)</u> |

See accompanying notes to basic financial statements.

CITY OF ATLANTA, GEORGIA
PRINCETON LAKES TAX ALLOCATION DISTRICT FUND

Notes to Basic Financial Statements

June 30, 2011

(1) Reporting Entity

The Princeton Lakes Tax Allocation District (the “Fund”) of the City of Atlanta, Georgia (the “City”) was created in 2002 in order to finance permitted redevelopment costs within the Princeton Lakes Tax Allocation District. These redevelopment costs, primarily infrastructure related, were provided to the area incorporated within the Princeton Lakes Tax Allocation District in order to facilitate overall development of the area by a private developer. The financing of these redevelopment costs is able to be provided by bonds, notes or other obligations of the City which are payable from ad valorem property taxes levied on assessed value of the property within the Princeton Lakes Tax Allocation District after development, less the amount of ad valorem property taxes assessed before redevelopment. These ad valorem property taxes assessed include those assessed on behalf of the City and Fulton County. The City has designated the Atlanta Development Authority as the redevelopment agent for the Princeton Lakes Tax Allocation District. The accompanying financial statements include only the financial activities of the Fund. The Fund is an integral part of the City’s government reporting entity, and its results are included in the Comprehensive Annual Financial Report (CAFR) of the City as a governmental fund. The latest available CAFR is as of and for the fiscal year ended June 30, 2011; that CAFR should be read in conjunction with these financial statements.

(2) Summary of Significant Accounting Policies

(a) General

In its accounting and financial reporting in conformity with accounting principles generally accepted in the United States of America, the Fund follows the pronouncements of the Governmental Accounting Standards Board (GASB).

(b) Government-wide and Fund Financial Statements

The Fund presents government-wide financial statements which are prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements (i.e. the statement of net assets and the statement of activities) do not provide information by fund, but present the governmental activities using a different basis of accounting. Significantly, the statement of net assets includes noncurrent assets and liabilities and the government-wide statement of activities reflects changes in long-term assets and liabilities. Net assets in the statement of net assets are distinguished between amounts that are restricted for use by third parties or outside requirements and amounts that are unrestricted.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or benefit from the services provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

In addition to the government-wide financial statements, the Fund has prepared separate fund financial statements. The fund financial statements use the modified accrual basis of accounting and the current financial resources measurement focus. Due to the single purpose nature of the activities

CITY OF ATLANTA, GEORGIA
PRINCETON LAKES TAX ALLOCATION DISTRICT FUND
Notes to Basic Financial Statements

June 30, 2011

of the Fund, the government-wide and fund financial statements have been presented together with an adjustments column reconciling the differences.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are considered measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fund considers revenues to be available if they are collected within 60 days after the end of the fiscal year. Property taxes and investment income associated with the current fiscal year are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year if available. Expenditures generally are recorded when a liability is incurred, with an exception for principal and interest on long-term debt, which is recognized when due.

The Fund has only one governmental fund – the Princeton Lakes Tax Allocation District Fund – which records all of its activity and is used to account for all financial resources of the Fund.

(d) *Cash and Cash Equivalents*

Cash includes cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date acquired by the Fund.

(e) *Investments*

Investments are recorded on the statement of net assets and the balance sheet at fair value. All investment income, including changes in the fair value of investments, is reported as revenue in the statement of activities and the statement of revenues, expenditures, and changes in fund balance.

(f) *Restricted Assets*

The bond indenture states that the trustee shall establish and maintain segregated trust accounts in the issuer's name for debt service, capitalized interest, and other related reserves.

CITY OF ATLANTA, GEORGIA
PRINCETON LAKES TAX ALLOCATION DISTRICT FUND
Notes to Basic Financial Statements

June 30, 2011

(g) ***Taxes Receivable***

Although the Princeton Lakes Tax Allocation District (“TAD”) is not a taxing authority, it is the direct recipient of positive ad valorem tax allocation increments derived from the Princeton Lakes Tax Allocation District each fiscal year. The TAD’s revenue stream from the incremental ad valorem taxes is based upon the annual assessed value of property and the property tax billings in excess of the District’s 2002 base fiscal year.

(h) ***Fund Equity and Net Assets***

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net assets.”

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the TAD is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by a formal vote of the City Council. Only the City Council may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. As of June 30, 2011, the City Council has not expressly delegated authority to anyone to be able to assign fund balances for specific purposes.

Unassigned – Fund balances are reported as unassigned for the residual amount when the balances do not meet any of the above criterion.

CITY OF ATLANTA, GEORGIA
PRINCETON LAKES TAX ALLOCATION DISTRICT FUND

Notes to Basic Financial Statements

June 30, 2011

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Fund’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Fund’s policy, by default, to use fund balance in the following order: (1) Committed, (2) Assigned, and (3) Unassigned.

Net Assets – Net assets represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the TAD has spent) for the acquisition, construction or improvement of those assets. Net assets are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net assets are reported as unrestricted. The TAD applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Restrictions on the government-wide statement of net assets represent amounts segregated to meet debt covenants and Bond Indenture.

(i) ***Deferred Charges***

In the government-wide financial statements, bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the effective interest method. In the governmental fund financial statements, these costs are expended.

(j) ***Budget***

The Fund legally adopts an annual operating budget. A schedule of revenues, expenditures, and changes in fund balance – budget to actual is presented in the required supplementary information section of this financial report.

(k) ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(3) **Reconciliation of Government-wide and Fund Financial Statements**

(a) ***Explanation of adjustments between the governmental fund balance sheet and the government-wide statement of net assets***

The Governmental fund balance sheet is adjusted for the following items to report the statement of net assets.

| | |
|---|------------|
| Amounts paid for the costs to issue long-term debt are expended in governmental funds, but are deferred in the government-wide statements and recognized over the life of the debt. | \$ 222,475 |
|---|------------|

CITY OF ATLANTA, GEORGIA
PRINCETON LAKES TAX ALLOCATION DISTRICT FUND

Notes to Basic Financial Statements

June 30, 2011

Amounts of property taxes receivable not available as of fiscal year end are deferred in governmental funds, but are recognized as revenue when earned. 31,762

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (460,625)

Long-term liabilities applicable to the Fund's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities – both current and long-term – are reported in the statement of net assets. (16,553,460)

(b) *Explanation of adjustments between the governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities*

The Governmental fund statement of revenues, expenditures, and changes in fund balance is adjusted for the following items to report the statement of activities.

Issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this difference are as follows:

| | |
|------------------------------------|-------------|
| Amortization of discount | \$ (16,935) |
| Amortization of issuance costs | (19,169) |
| Principal payments | 1,060,000 |
| Change in accrued interest payable | 29,150 |

Tax revenue in the statement of activities differs from the amount reported in the governmental funds due to the change in deferred revenue between fiscal year ends. (23,580)

CITY OF ATLANTA, GEORGIA
PRINCETON LAKES TAX ALLOCATION DISTRICT FUND
Notes to Basic Financial Statements

June 30, 2011

(4) Legal Compliance – Budgets

The City of Atlanta, Georgia is required to adopt a balanced budget each fiscal year and maintains budgetary controls to ensure compliance with legal provisions of the annual appropriated budget approved by the Mayor and City Council. Annual budgets are adopted for the Tax Allocation District with the level of legal budgetary control established by the City Council at the department level.

The amounts of anticipated revenues and appropriated expenditures for the annual budget are controlled by the City Charter and various ordinances adopted by the City Council.

The responsibility for revenue anticipations and specified appropriations is fixed by law by the Budget Commission, which is composed of the Mayor, the Chief Financial Officer, the Chair of the City Council Finance Committee, and two other members of City Council. The Budget Commission may not anticipate in any fiscal year an amount in excess of 99% of the normal revenues of the City actually collected during the previous fiscal year (unless tax rates are increased) plus any accumulated cash surplus carried forward from the previous fiscal year.

After the initial annual budget is adopted, it may be amended for interdepartmental transfers of appropriations with the approval of City Council. Intradepartmental transfers of appropriations among individual budgetary accounts may be initiated by a department head with approval of the Chief Operating Officer, the Chair of the City Council Finance Committee, and the Chief Financial Officer.

Total appropriations for any fund may be increased if, during the fiscal year, sources of revenue become available to the City in excess of original anticipations, and these amounts are anticipated by the Budget Commission and subsequently appropriated by City Council. No such additional appropriations were required during the fiscal year ended June 30, 2011.

The following department or expenditure line item had an excess of actual expenditures over appropriations for the fiscal year ended June 30, 2011:

| | |
|--------------|--------------|
| Debt Service | \$ 1,054,244 |
|--------------|--------------|

This over expenditure was funded by greater than anticipated revenues and by available fund balance

CITY OF ATLANTA, GEORGIA
PRINCETON LAKES TAX ALLOCATION DISTRICT FUND
Notes to Basic Financial Statements

June 30, 2011

(5) Deposits and Investments

Credit risk. State statutes authorize the Fund to invest in obligations of the State of Georgia or other States; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker’s acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

At June 30, 2011, the Fund had the following investments:

| <u>Investment</u> | <u>Maturities/Duration</u> | <u>Fair Value</u> |
|---|----------------------------|-------------------|
| First American U.S. Treasuries - Mutual Funds | 35 days | \$ 2,588,783 |

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates may adversely affect an investment’s fair value. Since the price of a bond fluctuates with market interest rates, the risk that an investor faces is that the price of the bonds in a portfolio will decline if market interest rates rise. At June 30, 2011, interest rate risk is reported in the above table as “Maturities/Duration” for each of the applicable investment classifications.

Custodial Credit Risk-Deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of June 30, 2011, the Fund had no bank balances that were exposed to custodial credit risk.

(6) Bonds Payable

During 2006, the City issued \$21,000,000 in limited obligation bonds for the Princeton Lakes Tax Allocation District. The issuances are limited obligations of the City, not secured by the full faith and credit of the City, but rather are secured solely by, and payable solely from, the pledged revenues. The pledged revenues are defined as the tax allocation increments, the amount of property taxes generated within the district area which exceed the amount collected from the same area prior to development, from the City and Fulton County. The property tax increments are pledged until the payment in full of the bonds.

CITY OF ATLANTA, GEORGIA
PRINCETON LAKES TAX ALLOCATION DISTRICT FUND

Notes to Basic Financial Statements

June 30, 2011

The Fund's debt service requirements based upon required sinking fund and interest payments are as follows:

| Fiscal year ending June 30: | <u>Principal</u> | <u>Interest</u> | <u>Total debt service</u> |
|-----------------------------|----------------------|----------------------|---------------------------|
| 2012 | \$ - | \$ 921,250 | \$ 921,250 |
| 2013 | - | 921,250 | 921,250 |
| 2014 | - | 921,250 | 921,250 |
| 2015 | - | 921,250 | 921,250 |
| 2016 | 115,000 | 918,088 | 1,033,088 |
| 2017-2021 | 4,140,000 | 4,029,854 | 8,169,854 |
| 2022-2026 | 5,415,000 | 2,723,189 | 8,138,189 |
| 2027-2031 | 7,080,000 | 1,014,750 | 8,094,750 |
| | <u>\$ 16,750,000</u> | <u>\$ 12,370,881</u> | <u>\$ 29,120,881</u> |

The Fund's long-term liability activity for the fiscal year ended June 30, 2011, was as follows:

| <u>Bonds</u> | <u>Balance June 30, 2010</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance June 30, 2011</u> | <u>Amount Due In One Year</u> |
|-------------------|--------------------------------------|------------------|---------------------|--------------------------------------|---------------------------------------|
| Series 2006 Bonds | \$ 17,810,000 | \$ - | \$ 1,060,000 | \$ 16,750,000 | \$ - |
| Less: Discount | (213,475) | - | (16,935) | (196,540) | - |
| Total | <u>\$ 17,596,525</u> | <u>\$ -</u> | <u>\$ 1,043,065</u> | <u>\$ 16,553,460</u> | <u>\$ -</u> |

(7) Option to Purchase Bonds

In accordance with the First Supplemental Indenture of Trust made and entered into July 1, 2010 between the Fund and U.S. Bank, the Fund has the option to apply amounts deposited in the Special Fund bank account to purchase Bonds from the holders. This option must be exercised on or before March 1 of each calendar year. On January 3, 2011, the Fund purchased approximately \$1,060,000 of its Series 2006 Bonds with amounts from the Special Fund bank account. As a result of this optional purchase, the Authority has realized income of \$21,200 for the fiscal year ended June 30, 2011.

(8) Subsequent Event

On January 3, 2012, the Fund exercised its option purchase \$3,570,000 in Bonds from the holders. This is the second consecutive fiscal year that the Fund has exercised this option.

**CITY OF ATLANTA, GEORGIA
PRINCETON LAKES TAX ALLOCATION DISTRICT FUND**

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

| | Budget | | Actual | Variance With Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Tax increment revenue | \$ 1,695,300 | \$ 1,695,300 | \$ 2,009,194 | \$ 313,894 |
| Investment earnings | - | - | 9,152 | 9,152 |
| Other revenues | 4,678,460 | 4,678,460 | 21,200 | (4,657,260) |
| Total revenues | <u>6,373,760</u> | <u>6,373,760</u> | <u>2,039,546</u> | <u>(4,334,214)</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government: | | | | |
| Nondepartmental | 5,388,130 | 5,388,130 | 58,159 | 5,329,971 |
| Total general government | <u>5,388,130</u> | <u>5,388,130</u> | <u>58,159</u> | <u>5,329,971</u> |
| Debt service: | | | | |
| Principal | - | - | 1,060,000 | (1,060,000) |
| Interest | 983,630 | 983,630 | 979,874 | 3,756 |
| Cost of issuance | 2,000 | 2,000 | - | 2,000 |
| Total debt service | <u>985,630</u> | <u>985,630</u> | <u>2,039,874</u> | <u>(1,054,244)</u> |
| Total expenditures | <u>6,373,760</u> | <u>6,373,760</u> | <u>2,098,033</u> | <u>4,275,727</u> |
| Excess (deficiency) of revenues (under) over expenditures | <u>-</u> | <u>-</u> | <u>(58,487)</u> | <u>(58,487)</u> |
| Net change in fund balances | - | - | (58,487) | (58,487) |
| Fund balance, beginning of fiscal year | <u>6,644,530</u> | <u>6,644,530</u> | <u>6,644,530</u> | <u>-</u> |
| Fund balance, end of fiscal year | <u>\$ 6,644,530</u> | <u>\$ 6,644,530</u> | <u>\$ 6,586,043</u> | <u>\$ (58,487)</u> |

SCHEDULE 1

CITY OF ATLANTA, GEORGIA
PRINCETON LAKES TAX ALLOCATION DISTRICT FUND
Fund Balance Sheet Comparison - Cash Basis
As of the Period Ended

SUPPLEMENTARY INFORMATION

| | <i>December 31, 2004</i> | <i>December 31, 2005</i> | <i>June 30, 2006</i> | <i>June 30, 2007</i> | <i>June 30, 2008</i> | <i>June 30, 2009</i> | <i>June 30, 2010</i> | <i>June 30, 2011</i> |
|--|--------------------------|--------------------------|-------------------------|-------------------------|-------------------------|------------------------|------------------------|------------------------|
| ASSETS: | | | | | | | | |
| Restricted Cash: Tax Increment | | | | | | | | |
| Restricted Cash Tax Increment Fund | \$ 18,877.46 | \$ 48,312.40 | \$ - | \$ 587,304.60 | \$ 1,150,043.13 | \$ 1,938,696.90 | \$ 2,863,099.37 | \$ 4,032,580.90 |
| Restricted Cash Tax Increment Investment Fund-State Pool | - | - | 43,703.59 | 1,703.87 | 3.94 | 4.00 | 4.00 | - |
| Total Restricted Cash Tax Increment Fund | 18,877.46 | 48,312.40 | 43,703.59 | 589,008.47 | 1,150,047.07 | 1,938,700.90 | 2,863,103.37 | 4,032,580.90 |
| Restricted Cash: Other Funds | | | | | | | | |
| Restricted Cash- Capitalized Interest Fund | - | - | 1,869,826.20 | 1,013,083.39 | 145,754.89 | 0.01 | 0.01 | - |
| Restricted Cash- Debt Service Reserve Fund | - | - | 318,507.94 | 724,225.91 | 1,506,274.46 | 1,575,313.99 | 1,659,550.00 | 1,659,563.29 |
| Restricted Cash-Cost of Issuance Fund | - | - | 14,054.96 | 14,718.56 | - | - | - | - |
| Restricted Cash- Project Fund | - | - | 17,319,283.13 | 13,263,208.76 | 6,505,868.31 | 1,507,621.56 | 1,507,621.56 | 468,501.47 |
| Restricted Cash-Tax Increment | - | - | - | 52.29 | 730,131.59 | 20.09 | 9,795.09 | 90.00 |
| Restricted Cash- Interest Fund | - | - | - | - | 15,172.49 | 568,894.07 | 579,119.07 | 460,628.46 |
| Total Restricted Cash: Other Funds | - | - | 19,521,672.23 | 15,015,288.91 | 8,903,201.74 | 3,651,849.72 | 3,756,085.73 | 2,588,783.22 |
| TOTAL ASSETS | \$ 18,877.46 | \$ 48,312.40 | \$ 19,565,375.82 | \$ 15,604,297.38 | \$ 10,053,248.81 | \$ 5,590,550.62 | \$ 6,619,189.10 | \$ 6,621,364.12 |
| LIABILITIES/FUND BALANCE: | | | | | | | | |
| <i>Fulton County Tax Commissioner</i> | - | - | - | 38,076.28 | - | - | - | 27,434.65 |
| <i>Payables- Other</i> | - | - | - | - | - | - | - | 3,580.00 |
| <i>City of Atlanta- Payable Cash Pool</i> | - | - | - | 2,486.50 | - | - | - | 4,306.25 |
| Total Liabilities | - | - | - | 40,562.78 | - | - | - | 35,320.90 |
| Fund Balance | \$ - | \$ 18,877.46 | \$ 48,312.40 | \$ 19,565,375.82 | \$ 15,563,734.60 | \$ 10,053,248.81 | \$ 5,590,550.62 | \$ 6,619,189.10 |
| Sources (Uses) Balance | 18,877.46 | 29,434.94 | 19,517,063.42 | (4,001,641.22) | (5,510,485.79) | (4,462,698.19) | 1,028,638.48 | (33,145.88) |
| Total Fund Balance | 18,877.46 | 48,312.40 | 19,565,375.82 | 15,563,734.60 | 10,053,248.81 | 5,590,550.62 | 6,619,189.10 | 6,586,043.22 |
| TOTAL LIABILITIES/FUND BALANCE | \$ 18,877.46 | \$ 48,312.40 | \$ 19,565,375.82 | \$ 15,604,297.38 | \$ 10,053,248.81 | \$ 5,590,550.62 | \$ 6,619,189.10 | \$ 6,621,364.12 |

The Fund Balance Sheet Comparison lists the bank balances as of fiscal year-end and is reported on the cash basis of accounting.

CITY OF ATLANTA, GEORGIA
PRINCETON LAKES TAX ALLOCATION DISTRICT FUND
Flow of Funds Comparison - Cash Basis
For the Period Ended

SUPPLEMENTARY INFORMATION

| | <i>December 31, 2004</i> | <i>December 31, 2005</i> | <i>June 30, 2006</i> | <i>June 30, 2007</i> | <i>June 30, 2008</i> | <i>June 30, 2009</i> | <i>June 30, 2010</i> | <i>June 30, 2011</i> | <i>Total</i> |
|--|--------------------------|--------------------------|-------------------------|--------------------------|--------------------------|--------------------------|------------------------|-----------------------|------------------------|
| SOURCES OF FUNDS: | | | | | | | | | |
| Tax Increments | \$ 18,877.46 | \$ 29,434.94 | \$ 70,602.79 | \$ 506,105.47 | \$ 1,328,005.49 | \$ 1,772,432.85 | \$ 2,057,518.63 | \$ 2,036,068.38 | \$ 7,819,046.01 |
| Bond Proceeds | - | - | 21,000,000.00 | - | - | - | - | - | 21,000,000.00 |
| Developers Contribution to Capitalized Interest Fund | - | - | - | - | 379,438.75 | - | - | - | 379,438.75 |
| Interest Income: | | | | | | | | | |
| Interest Income Tax Increment Investment-State Pool | - | - | 378.36 | 5,414.74 | 40.47 | 0.06 | - | - | 5,833.63 |
| Interest Income Tax Increment Wachovia | - | - | - | 15,504.64 | 32,079.54 | 15,792.23 | 13,664.94 | 9,131.41 | 86,172.76 |
| Interest Income COI Fund | - | - | 190.76 | 663.60 | 438.98 | - | - | - | 1,293.34 |
| Interest Income- Interest Fund | - | - | - | - | 14.95 | 29.18 | - | 3.46 | 47.59 |
| Interest Income Project Fund | - | - | 235,667.28 | 672,126.39 | 526,198.68 | 162,700.53 | - | 3.80 | 1,596,696.68 |
| Interest Income Debt Service Reserve Fund | - | - | 113.26 | 5.25 | 76,069.47 | 7,848.09 | - | 13.29 | 84,049.36 |
| Interest Income Tax Increment- Trustee | - | - | - | 52.29 | 8,011.47 | 1,385.80 | - | - | 9,449.56 |
| Interest Income Capitalized Interest Fund | - | - | 25,848.68 | 60,840.52 | 13,232.75 | 153.10 | - | - | 100,075.05 |
| Total Interest Income | - | - | 262,198.34 | 754,607.43 | 656,086.31 | 187,908.99 | 13,664.94 | 9,151.96 | 1,883,617.97 |
| TOTAL SOURCES | 18,877.46 | 29,434.94 | 21,332,801.13 | 1,260,712.90 | 2,363,530.55 | 1,960,341.84 | 2,071,183.57 | 2,045,220.34 | 31,082,102.73 |
| USES OF FUNDS: | | | | | | | | | |
| Cost of Issuance Expenses | - | - | 327,135.80 | - | - | - | - | - | 327,135.80 |
| Underwriters Discount | - | - | 289,000.00 | - | - | - | - | - | 289,000.00 |
| Developer-Princeton Lakes LLC | - | - | 1,199,601.91 | 1,897,717.62 | 2,317,871.65 | 1,223,064.47 | - | - | 6,638,255.65 |
| Developer-Pulte Homes | - | - | - | 2,424,770.42 | 4,259,688.40 | 915,607.99 | - | - | 7,600,066.81 |
| Trustee Fees | - | - | - | 4,000.00 | 4,000.00 | 4,000.00 | 4,000.00 | 4,000.00 | 20,000.00 |
| Accounting and Auditing Fees | - | - | - | 11,200.00 | 19,700.00 | 16,700.00 | 17,400.00 | 18,100.00 | 83,100.00 |
| Legal | - | - | - | - | - | 9,283.87 | 10,628.90 | 11,800.65 | 31,713.42 |
| Municipal- Compliance Investors | - | - | - | 5,174.35 | 11,997.50 | 15,778.75 | 28,555.42 | 15,210.00 | 76,716.02 |
| Consulting-Buxton | - | - | - | - | - | - | - | 5,833.33 | 5,833.33 |
| Garner Economic Study | - | - | - | - | - | - | - | 1,872.00 | 1,872.00 |
| First SouthWest-FC for COA | - | - | - | 1,704.00 | - | 3,500.00 | 1,750.00 | 1,200.00 | 8,154.00 |
| DCA Charge- Bondholder listing | - | - | - | - | - | 120.00 | - | - | 120.00 |
| Bank & Service Charges | - | - | - | 204.40 | 758.79 | 759.95 | 660.77 | 1,676.35 | 4,060.26 |
| Bond Principal | - | - | - | - | 105,000.00 | 3,085,000.00 | - | 1,060,000.00 | 4,250,000.00 |
| Additional Bond Interest | - | - | - | - | - | - | - | 323.89 | 323.89 |
| Principal Discount | - | - | - | - | - | - | - | (21,200.00) | (21,200.00) |
| Bond Interest | - | - | - | 917,583.33 | 1,155,000.00 | 1,149,225.00 | 979,550.00 | 979,550.00 | 5,180,908.33 |
| TOTAL USES OF FUNDS | - | - | 1,815,737.71 | 5,262,354.12 | 7,874,016.34 | 6,423,040.03 | 1,042,545.09 | 2,078,366.22 | 24,496,059.51 |
| SOURCES (USES) BALANCE | \$ 18,877.46 | \$ 29,434.94 | \$ 19,517,063.42 | \$ (4,001,641.22) | \$ (5,510,485.79) | \$ (4,462,698.19) | \$ 1,028,638.48 | \$ (33,145.88) | \$ 6,586,043.22 |

The Flow of Funds Comparison is reported on the cash basis of accounting which reports only cash collected and disbursed during the period presented.

**CITY OF ATLANTA, GEORGIA
PRINCETON LAKES TAX ALLOCATION DISTRICT FUND**

SUPPLEMENTARY INFORMATION

Balances of Funds under the Bond Indenture - Cash Basis

June 30, 2011

Trust Funds - US Bank:

| | |
|---------------------------|----------------------------|
| Capitalized Interest Fund | \$ - |
| Tax Increment Fund | 90 |
| Project Fund | 468,501 |
| Cost of Issuance Fund | - |
| Interest Fund | 460,629 |
| Debt Service Reserve Fund | <u>1,659,563</u> |
| Total Trust Funds | <u><u>\$ 2,588,783</u></u> |

As of June 30, 2011, there have not been any withdrawals from the Debt Service Reserve Fund.

CITY OF ATLANTA, GEORGIA
PRINCETON LAKES TAX ALLOCATION DISTRICT FUND
 Debt Service Coverage Ratio - Cash Basis
 June 30, 2011

SUPPLEMENTARY INFORMATION

Revenue for debt service calculation:

| | | |
|---|----|-----------|
| Tax increment collections- 2010 Property Tax Year | \$ | 1,983,332 |
| Tax increment collections- 2009 Property Tax Year | | 30,919 |
| Tax increment collections- 2008 Property Tax Year | | 14,172 |
| Tax increment collections- 2007 Property Tax Year | | 62 |
| Total Tax Increment Collections | | 2,028,485 |

| | | |
|---|--|-------|
| Tax Digest Certification 2008 ,2009, and 2010 | | |
| 2008 Certification Adjustment | | 3,118 |
| 2009 Certification Adjustment | | 3,565 |
| 2010 Certification Adjustment | | 899 |
| Total Tax Digest Certification Adjustments | | 7,583 |

| | | |
|---------------------------------|--|-----------|
| Total Tax Increment Collections | | 2,036,068 |
|---------------------------------|--|-----------|

| | | |
|--------------------------|--|----|
| Interest income DSR fund | | 13 |
|--------------------------|--|----|

| | | |
|--|--|-----------|
| Total revenue for debt service calculation | | 2,036,081 |
|--|--|-----------|

Expenditures for debt service calculation:

| | | |
|---|--|---------|
| Debt service paid | | |
| Interest paid July 1, 2010 | | 489,775 |
| Interest paid January 1, 2011 | | 489,775 |
| Additional Interest for bond holder purchase of bonds | | 324 |
| Total debt service paid | | 979,874 |

| | | |
|---|--|---------|
| Total expenditures for debt service calculation | | 979,874 |
|---|--|---------|

| | | |
|----------------------------------|--|-----------|
| Excess revenue over expenditures | | 1,056,207 |
|----------------------------------|--|-----------|

| | | |
|---|--|---------|
| DSC Ratio for the Fiscal Year Ended June 30, 2011 | | \$ 2.08 |
|---|--|---------|

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

**The Board of Directors
Atlanta Development Authority**

We have audited the financial statements of the governmental activities and the major fund of the City of Atlanta, Georgia Princeton Lakes Tax Allocation District Fund (the "Fund"), as of and for the fiscal year ended June 30, 2011, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated January 24, 2012, which references that the Fund is not the entire reporting entity of the City of Atlanta and the implementation of a new accounting standard on fund balance classification. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the Fund is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 24, 2012