

CITY OF ATLANTA, GEORGIA
EASTSIDE TAX ALLOCATION DISTRICT FUND

Financial Statements and Supplementary Information

June 30, 2007

(With Independent Auditor's Report Thereon)

**CITY OF ATLANTA, GEORGIA
EASTSIDE TAX ALLOCATION DISTRICT FUND**

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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 Eastside Tax Allocation District Fund (the Fund) as of and for the year ended June 30, 2007, 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 Eastside 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, 2007, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 Eastside Tax Allocation District Fund as of June 30, 2007, and the respective changes in financial position thereof for the 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 10, 2008 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 8 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 included in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mauldin & Jenkins, LLC

Atlanta, Georgia
January 10, 2008

CITY OF ATLANTA, GEORGIA
EASTSIDE TAX ALLOCATION DISTRICT FUND
Management's Discussion and Analysis

June 30, 2007

This section of the annual financial report of the Eastside Tax Allocation District Fund ("Fund") presents the analysis of the Fund's financial performance during the twelve month year that ended on June 30, 2007. 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 Eastside 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 Eastside Tax Allocation District and is responsible for all the financial reporting and compliance required by the 2005 Bond documents.

As mentioned above, while the tax allocation districts are shown on the City's CAFR, both the City and ADA jointly decided that each 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 Eastside Tax Allocation District

On December 1, 2003 the Atlanta City Council adopted Ordinance 03-O-1840 which adopted the Eastside Redevelopment Plan; created the Tax Allocation District Number Five-Eastside and authorized the pledge of positive ad valorem tax allocation increments for the payment of or security for the payment of tax allocation bonds. The Initial Ordinance was amended by the City Council by Ordinance 04-O-0231 adopted on February 16, 2004 and signed by the Mayor on February 24, 2004. The City was authorized to finance certain Redevelopment Costs as defined by the Redevelopment Powers Law the following costs: clearing, grading and preparing the property for redevelopment; environmental remediation of the property; design, construction and installation of utilities; design, construction and installation of streets, sidewalks and other public works; design and construction of parking facilities; acquisition and development of parks and greenspace; and any other facilities and improvements located in the Eastside Tax Allocation District that are eligible to be financed as Redevelopment Costs under the Act.

ADA was designated as the redevelopment agent to implement the Eastside Redevelopment Plan. The City financed a portion of the Redevelopment Costs related to the Series 2005 Bonds through the issuance of its tax allocation bonds according to Ordinance 05-O-0263 adopted March 7, 2005 and signed by the Mayor on March 8, 2005.

In August 2005, the Eastside Tax Allocation Bonds were issued: the Series 2005A Bonds for \$9,480,000 and Series 2005B Bonds for \$38,000,000 for a total of \$47,480,000.

The Board of Commissioners of Fulton County, Georgia by resolution on December 17, 2003 and The Board of Education of the City of Atlanta by resolution on December 8, 2003 consented to the inclusion of their respective shares of positive ad valorem tax increments derived for the Eastside Tax Allocation District as security for the Series 2005 bonds.

Overview of Financial Statements

The City of Atlanta has changed their accounting fiscal year from a December 31 year end to a June 30 year end. This change became effective for the period ending June 30, 2006 and resulted in a six month financial statement for that period. The June 30, 2007 financial statements are for a twelve month period.

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 four components: 1) governmental fund financial statements, 2) government-wide financial statements, 3) notes to the financial statements, and 4) 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 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 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 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 a gain a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages xx to xx of this report.

Supplemental Schedules

ADA, as Redevelopment Agent, is responsible for the compliance reporting to the Atlanta City Council, City of Atlanta, ADA Board of Directors, the Board of Commissioners of Fulton County and the Board of Education of the City of Atlanta. Monthly 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.

Schedule 3 consists of balances on deposit in each of the funds held by the Trustee. As of June 30, 2007 the Eastside Tax Allocation District has also funded a Supplemental Debt Service Reserve Fund of \$3,816,145. This fund is in addition to the Debt Service Reserve Fund. The schedule also includes a statement as to whether there were withdrawals from the Debt Service Reserve Funds.

A summary comparison of the government fund statements for June 30, 2006 and June 30, 2007 are presented below:

Summary Comparison of Governmental Fund Balance Sheets
As of June 30, 2006 and June 30, 2007

	2006	2007
Assets		
Cash and Investments	\$ 8,972,525	\$ 5,998,378
Property Tax Receivable	51,007	246,995
Restricted Investments	36,884,931	22,980,654
Total Assets	\$ 45,908,463	\$ 29,226,027
Liabilities		
Accrued Tax Increment due to Other Governmental Entities	8,854,898	3,498,289
Deferred Revenue- Amount received after the 60 day Due to COA Cash Pool and Pension Fund	49,763	246,156
Total Liabilities	8,904,661	3,758,773
Fund Balance	37,003,802	25,467,254
Total Liabilities and Fund Balance	\$ 45,908,463	\$ 29,226,027

Assets include predominately cash and investments and restricted investments. These assets are held for future payments on the bonds of the Fund and for future investment in the District. Restricted investments decreased because of payments of bond proceeds for community development in the Tax Allocation District.

The current liability due other governmental entities is the result of the Agreed Upon Procedures reconciliation of the TAD taxable assessments and collections. In July 2006, the TAD repaid to the Fulton County Tax Commissioner \$4,495,587. The amount due to other taxing entities as of June 30, 2007 is \$3,498,289.

Governmental Fund
 Summary Comparison of Revenues, Expenditures and Changes in Fund Balance
 For the Six Months ended June 30, 2006 and the Year Ended June 30, 2007

	2006	2007
General Revenues:		
Tax Increment Revenue	\$ 88,612	\$ 3,770,564
Investment Earnings	1,613,148	1,448,123
Other Revenue	7,130	-
Total General Revenues	1,708,890	5,218,687
Expenditures/Expenses:		
Community Development	4,078,344	14,052,300
General Government	15,253	60,355
Debt Service	1,093,735	2,642,580
Total Expenditures/Expenses	5,187,332	16,755,235
Excess (Deficiency) of Revenues over (Under) Expenditures	(3,478,442)	(11,536,548)
Net Change	(3,478,442)	(11,536,548)
Fund Balance		
Beginning of Year	40,482,243	37,003,802
End of Year	\$ 37,003,802	\$ 25,467,254

The Comparison of Revenues, Expenditures and Changes in Fund Balance show a difference of tax increment revenue between the two year ends of \$3,681,952. The tax increment revenue is received in the fourth quarter of a calendar year therefore, the financial statements for the six months ended June 30, 2006 show very little tax collections. The total 2006 taxable assessed value of the property in the district was \$408,502,110 which is an increase over the 2003 base year of \$108,774,870. The growth rate over the base value for 2006 is 26.628%. The property taxes continue to increase as reflected by the increase development in the district. Investment earning for 2007 reflect the interest earnings on the reserves held by the Trustee and interest on the special fund.

Expenditures for community development were \$14,052,300 for the year ended June 30, 2007. The expenditures are for qualified costs per the Redevelopment Act. Debt service expenditures are due semi- annually on July 1st and January 1st. Debt payments are withdrawn from the Capitalized Interest Fund that was set aside at closing. The amount remaining in the Capitalized Interest Fund as of June 30, 2007 is \$1,604,638.

The government wide financial statements for June 30, 2006 and June 30, 2007 are presented below:

Summary Comparison of Government wide Statement of Net Assets
As of June 30, 2006 and June 30, 2007

	<u>2006</u>	<u>2007</u>
Assets		
Cash and Investments	\$ 8,972,525	\$ 5,998,378
Property Tax Receivable	51,006	246,995
Deferred Issuance Costs	945,227	883,019
Restricted Investments	36,884,930	22,980,654
Total Assets	<u>\$ 46,853,688</u>	<u>\$ 30,109,046</u>
Liabilities		
Accrued Tax Increment due to Other Governmental Entities	8,854,896	3,498,289
Payable to COA		14,328
Accrued Interest Payable	1,321,290	1,321,290
Long-term Debt	47,160,443	47,181,474
Total Liabilities	<u>57,336,629</u>	<u>52,015,381</u>
Total Net Assets (Deficit)	<u>(10,482,941)</u>	<u>(21,906,335)</u>

Government wide Financials
Summary Comparison of the Statement of Activities
For the Six Months ended June 30, 2006 and the Year Ended June 30, 2007

	<u>2006</u>	<u>2007</u>
General Revenues:		
Tax Increment Revenue	\$ (18,112)	\$ 3,966,957
Investment Earnings	1,613,148	1,448,123
Other Revenue	7,130	-
Total General Revenues	<u>1,602,166</u>	<u>5,415,080</u>
Expenses:		
Community Development	4,078,344	14,052,300
General Government	15,253	60,355
Debt Service	1,362,910	2,725,819
Total Expenditures/Expenses	<u>5,456,507</u>	<u>16,838,474</u>
Net Change	(3,854,341)	(11,423,394)
Net Assets/(Deficit)		
Beginning of Year	(6,628,600)	(10,482,941)
End of Year	<u>\$ (10,482,941)</u>	<u>\$ (21,906,335)</u>

As noted above, the difference between the governmental fund and government wide financial statements is that the government wide financial statements present the information on an accrual basis. The main changes between the years on the financial statements is the timing of the tax increment revenue. The change in debt service reflects a six month period compared to a twelve month period.

Long-Term Debt

In August 2005, the City issued \$47,480,000 in limited obligation bonds for the Eastside Tax Allocation District. 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 City of Atlanta, the Board of Commissioners of Fulton County and the Board of Education of the City of Atlanta.

At the time of the bond issuance, \$4,894,861 was set aside for capitalized interest to help pay the interest on the bonds through January 1, 2008. The 2005 Bonds have annual principal payments due on December 1st, beginning January 1, 2009 and semi-annual interest payments due on July 1st and January 1st. The amortization schedule for the bonds is listed in note 5 to the financial statements.

Economic Factors and Outlook

The Eastside Tax Allocation District bonds were issued on August 2, 2005. The Tax Allocation District provided funding for 7 projects including \$3.5 million designated for parks and greenspace acquisition and development. The Eastside Tax Allocation District provides an Affordable Housing Purchase Program. All residential projects receiving funding will include 20% affordable housing targeted to homeowners earning up to 80% of the area median income (AMI) or renters earning up to 60% of AMI. In all, 38% of units will be affordable, nearly double the target.

Projects funded with the Eastside Tax Allocation District bond proceeds includes 859 condominiums; 269 apartments, 102 hotel rooms, 130,000 square feet of retail space and 265,000 square feet of office space. To date, most projects have been completed and are performing well.

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
EASTSIDE TAX ALLOCATION DISTRICT FUND
Statement of Net Assets and Governmental Fund Balance Sheet
June 30, 2007

	Eastside Tax Allocation District Fund	Adjustments (Note 3)	Statement of Net Assets
Assets			
Cash and cash equivalents	\$ 1,758,732	\$ -	\$ 1,758,732
Investments	4,239,646	-	4,239,646
Property taxes receivable	246,995	-	246,995
Restricted assets:			
Investments	22,980,654	-	22,980,654
Deferred issuance costs	-	883,019	883,019
Total assets	<u>\$ 29,226,027</u>	<u>883,019</u>	<u>30,109,046</u>
Liabilities			
Amount due to other taxing entities	\$ 3,512,617	-	3,512,617
Deferred revenue	246,156	(246,156)	-
Liabilities payable from restricted assets:			
Accrued interest payable	-	1,321,290	1,321,290
Long-term debt:			
Due after one year	-	47,181,474	47,181,474
Total liabilities	<u>3,758,773</u>	<u>48,256,608</u>	<u>52,015,381</u>
Fund Balance/Net Assets (Deficit)			
Fund balance:			
Reserved for debt service	9,242,636	(9,242,636)	-
Reserved for development	9,928,591	(9,928,591)	-
Reserved for Atlanta Board of Education	1,944,498	(1,944,498)	-
Unreserved	4,351,529	(4,351,529)	-
Total fund balance	<u>25,467,254</u>	<u>(25,467,254)</u>	<u>-</u>
Total liabilities and fund balance	<u>\$ 29,226,027</u>		
Net assets (deficit):			
Restricted:			
Development and debt service		(30,393,016)	(30,393,016)
Atlanta Board of Education purposes		1,944,498	1,944,498
Unrestricted		6,542,183	6,542,183
Total net assets (deficit)		<u>\$ (21,906,335)</u>	<u>\$ (21,906,335)</u>

See accompanying notes to basic financial statements.

CITY OF ATLANTA, GEORGIA
EASTSIDE TAX ALLOCATION DISTRICT FUND
Statement of Activities and Governmental Fund
Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2007

	Eastside Tax Allocation District Fund	Adjustments (Note 3)	Statement of Activities
Expenditures/expenses:			
General government	\$ 14,112,655	\$ -	\$ 14,112,655
Debt service:			
Interest	2,642,580	83,239	2,725,819
Total expenditures/expenses	<u>16,755,235</u>	<u>83,239</u>	<u>16,838,474</u>
Net program expense			<u>16,838,474</u>
General revenues:			
Tax increment revenue	3,770,564	196,393	3,966,957
Investment earnings	1,448,123	-	1,448,123
Miscellaneous revenue	-	-	-
Total general revenues	<u>5,218,687</u>	<u>196,393</u>	<u>5,415,080</u>
Excess (deficiency) of revenues over (under) expenditures	(11,536,548)	113,154	(11,423,394)
Change in net assets	(11,536,548)	113,154	(11,423,394)
Fund balance/net assets (deficit)			
Beginning of the year	<u>37,003,802</u>	<u>(47,486,743)</u>	<u>(10,482,941)</u>
End of the year	<u>\$ 25,467,254</u>	<u>\$ (47,373,589)</u>	<u>\$ (21,906,335)</u>

See accompanying notes to basic financial statements.

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

June 30, 2007

(1) Reporting Entity

The Eastside Tax Allocation District (the Fund) of the City of Atlanta, Georgia (the City) was created in 1993 in order to finance permitted redevelopment costs within the Eastside Tax Allocation District. These redevelopment costs, primarily infrastructure related, were provided to the area incorporated within the Eastside 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 Eastside 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, Fulton County, and the City of Atlanta Board of Education. The City has designated the Atlanta Development Authority as the redevelopment agent for the Eastside 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 year ended June 30, 2007; 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.

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

June 30, 2007

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 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 year. Property taxes and investment income associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period 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 Eastside Tax Allocation District Fund – which records all of its activity and is used to account for all financial resources of the Fund.

When both restricted and unrestricted resources are available for use, it is the Fund's policy to use restricted resources first, then unrestricted resources as they are needed.

(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.

(g) *Fund Balance*

In the governmental fund financial statements, reservations of fund balance are reported for amounts that are legally restricted by the bond indenture for debt service, development purposes, and a certain amount set aside for the City of Atlanta Board of Education.

CITY OF ATLANTA, GEORGIA
EASTSIDE TAX ALLOCATION DISTRICT FUND

Notes to Basic Financial Statements

June 30, 2007

(h) *Deferred Issuance Costs*

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.

(i) *Budget*

The Fund does not have a legally adopted annual operating budget. Accordingly, no statement of revenues, expenditures, and changes in fund balance – budget to actual is presented.

(j) *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

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 of property taxes receivable not available as of year end are deferred in governmental funds, but are recognized as revenue when earned.	\$ 246,156
Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	(1,321,290)
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.	(47,181,474)
Issuance costs related to long-term debt is expended in governmental funds, but is recognized as asset in the government-wide statements and amortized over the life of the debt.	883,019

CITY OF ATLANTA, GEORGIA
EASTSIDE TAX ALLOCATION DISTRICT FUND

Notes to Basic Financial Statements

June 30, 2007

(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 bonds is reported as an other financing source in the governmental funds and, thus, has the effect of increasing fund balance because current financial resources have been gained. For the Fund as a whole, however, the proceeds from the bonds increase the liabilities in the statement of net assets and do not result in an inflow in the statement of activities. Discounts on the bonds are also netted with principal and amortized. (\$21,031)

Payments for interest on the bonds are accrued in the statement of activities, but only reported when due in the statement of revenues, expenditures, and changes in fund balance. This is the amount of the change in the accrued interest payable. (-)

Tax revenue in the statement of activities differs from the amount reported in the governmental funds due to the change in deferred revenue between year ends. 196,393

Issuance costs are expended in the governmental fund statements, however they are accrued in the government-wide statement. Amortization of the deferred bond issuance costs is recorded in the statement of activities, but not reported in the statement of revenues, expenditures, and fund balance. (62,208)

(4) Deposits and investments

Investments, with a carrying value of \$4,239,646, consist of investment in the Georgia Fund 1, a local government investment pool administered by the State of Georgia Office of Treasury and Fiscal Services (OTFS). As the investments represent ownership of a portion of a large pool of investments these amounts are not categorizable for custodial risk disclosure. The pooled investments are not registered with the Securities and Exchange Commission (SEC) but are managed in a manner consistent with SEC's Rule 2a7 of the Investment Company Act of 1940. Accordingly, the Fund's investments in the Georgia Fund 1 have been determined based on the pool's share price as adjusted to market.

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. As of June 30, 2007, the Fund's investment in Georgia Fund 1 was rated AAAM by Standard & Poor's.

CITY OF ATLANTA, GEORGIA
EASTSIDE TAX ALLOCATION DISTRICT FUND

Notes to Basic Financial Statements

June 30, 2007

(4) Deposits and investments (continued)

At June 30, 2007, the Fund had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Mutual Fund		\$ 3,848,424
Georgia Fund 1	15 day weighted average	4,239,646
Guaranteed Investment Contract	January 1, 2030	3,821,851
Guaranteed Investment Contract	January 1, 2008	1,604,639
Guaranteed Investment Contract	March 1, 2008	<u>13,705,740</u>
Total		<u>\$ 27,220,300</u>

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, 2007, interest rate risk is reported in the above table as "Maturities" for each investment classification.

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, 2007, the Fund had no bank balances that were exposed to custodial credit risk.

(5) Bonds Payable

During 2005, the City issued \$47,480,000 in limited obligation bonds for the Eastside Tax Allocation District. The issuance is a limited obligation 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, Fulton County, and the Atlanta Board of Education. The property tax increments are pledged until the payment in full of the bonds.

CITY OF ATLANTA, GEORGIA
EASTSIDE TAX ALLOCATION DISTRICT FUND

Notes to Basic Financial Statements

June 30, 2007

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

	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
Twelve months ended June 30:			
2008	\$ -	2,642,580	2,642,580
2009	1,135,000	2,642,580	3,777,580
2010	1,200,000	2,578,736	3,778,736
2011	1,265,000	2,511,236	3,776,236
2012	1,340,000	2,440,080	3,780,080
2013-2017	7,950,000	10,982,059	18,932,059
2018-2022	10,450,000	8,554,240	19,004,240
2023-2027	13,800,000	5,300,400	19,100,400
2028-2031	10,340,000	1,179,640	11,519,640
\$	<u>47,480,000</u>	<u>38,831,551</u>	<u>86,311,551</u>

The Fund's long-term liability activity for the year ended June 30, 2007, was as follows:

<u>Bonds</u>	<u>Balance June 30, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2007</u>	<u>Amount Due Within One Year</u>
Series 2005 Bonds	\$ 47,480,000	-	-	47,480,000	-
Less: Discount	(319,557)	-	(21,031)	(298,526)	-
Total	<u>\$ 47,160,443</u>	<u>-</u>	<u>(21,031)</u>	<u>47,181,474</u>	<u>-</u>

SCHEDULE 1**CITY OF ATLANTA, GEORGIA
EASTSIDE TAX ALLOCATION DISTRICT FUND**

Supplementary Information

	<i>December 31, 2004</i>	<i>December 31, 2005</i>	<i>June 30, 2006</i>	<i>June 30, 2007</i>
ASSETS:				
Restricted Cash: Tax Increment				
Restricted Cash Tax Increment Fund	\$ 1,336,045.12	\$ 251.02	\$ -	\$ 1,758,732.40
Restricted Cash Tax Increment Investment Fund		8,781,199.87	8,972,525.00	4,239,645.95
Total Restricted Cash Tax Increment Fund	1,336,045.12	8,781,450.89	8,972,525.00	5,998,378.35
Restricted Cash: Other Funds				
Restricted Cash- Capitalized Interest Fund-GIC		4,895,232.78	4,013,607.32	1,604,638.47
Restricted Cash- Debt Service Reserve Fund-GIC		3,745,885.00	3,821,851.55	3,821,851.94
Restricted Cash- Project A Fund - GIC		6,630,053.45	5,068,307.71	1,739,273.53
Restricted Cash- Project B Fund - GIC		23,505,104.15	21,937,333.88	11,966,466.30
Restricted Cash- Interest Fund			7,292.71	7,650.11
Restricted Cash- Supplemental DSR Fund				3,816,145.30
Restricted Cash - Tax Increment Fund		2,002,765.00	2,036,537.55	24,628.72
Restricted Cash - Reserve for APS				
Total Restricted Cash: Other Funds	-	40,779,040.38	36,884,930.72	22,980,654.37
TOTAL ASSETS	\$ 1,336,045.12	\$ 49,560,491.27	\$ 45,857,455.72	\$ 28,979,032.72
LIABILITIES/FUND BALANCE:				
Other Payable- Governmental Entities		\$ 8,944,293.00	\$ 8,854,898.28	\$ 3,498,289.00
Other Payable- City- Pension Fund- Erroneous Deposit				11,382.05
Other Payable-Due to City Cash Pool				2,946.50
Total Liabilities	-	8,944,293.00	8,854,898.28	3,512,617.55
Fund Balance	1,301,136.88	1,336,045.12	40,616,198.27	37,002,557.44
Sources (Uses) Balance	34,908.24	39,280,153.15	(3,613,640.83)	(11,536,142.27)
Total Fund Balance	1,336,045.12	40,616,198.27	37,002,557.44	25,466,415.17
TOTAL LIABILITIES/FUND BALANCE	\$ 1,336,045.12	\$ 49,560,491.27	\$ 45,857,455.72	\$ 28,979,032.72

The Fund Balance Sheet Comparison lists the bank balances as of year end and is reported on the cash basis of accounting. The Capitalized Interest account of \$1,604,638, as of June 30, 2007, will be used for the debt service payment on July 1, 2007.

SCHEDULE 2

**CITY OF ATLANTA, GEORGIA
EASTSIDE TAX ALLOCATION DISTRICT FUND**

Supplementary Information

	December 31, 2004	December 31, 2005	June 30, 2006	June 30, 2007	Total
SOURCES OF FUNDS:					
Tax Increments from Fulton County	\$ 1,336,062.12	\$ 1,841,880.94	\$ 89,394.72	\$ 3,770,968.02	\$ 7,038,305.80
Bond Proceeds-Series A		9,480,000.00			9,480,000.00
Bond Proceeds-Series B		38,000,000.00			38,000,000.00
Developer Reimbursement for Interest - Bondholders			7,130.39	-	7,130.39
Developer Reimbursement for Cost of Issuance		135,982.05	(135,982.05)	-	-
Interest Income	-	14,061.59	1,613,148.08	1,448,125.10	3,075,334.77
TOTAL SOURCES OF FUNDS	1,336,062.12	49,471,924.58	1,573,691.14	5,219,093.12	57,600,770.96
USES OF FUNDS:					
Developers					
30 Allen Plaza		2,310,000.00			2,310,000.00
The Reynolds		2,785,970.00	1,253,880.00	260,150.00	4,300,000.00
Oakland Park			318,462.00	1,159,696.99	1,478,158.99
12 Centennial		1,633,707.76	1,439,451.41	6,403,532.71	9,476,691.88
Tribute Lofts			505,779.20	2,109,448.17	2,615,227.37
Sweet Auburn		581,721.79	427,944.24	2,024,226.94	3,033,892.97
Capitol Gateway		1,539,365.34	127,752.46	7,233.64	1,674,351.44
Edgewood Village					-
Total Developers	-	8,850,764.89	4,073,269.31	11,964,288.45	24,888,322.65
Parks and Greenspace			5,075.00	2,088,011.39	2,093,086.39
Set Aside for APS					-
Trustee Fees				8,000.00	8,000.00
Cost of Issuance Fees	-	1,340,854.50	-	-	1,340,854.50
Accounting and Auditing Fees			4,000.00	40,200.00	44,200.00
Continuing Disclosure- Municap and Public Resource			10,953.37	4,632.50	15,585.87
Legal				5,578.35	5,578.35
Arbitrage Report					-
First Southwest Financial- FC-COA				1,704.00	1,704.00
Trust Investment Sweep Charges					-
Bank & Service Charges/Misc. Expenses	17.00	152.04	299.79	240.70	709.53
Bond Principal					-
Bond Interest			1,093,734.50	2,642,580.00	3,736,314.50
TOTAL USES OF FUNDS	17.00	10,191,771.43	5,187,331.97	16,755,235.39	32,134,355.79
SOURCES (USES) BALANCE	\$ 1,336,045.12	\$ 39,280,153.15	\$ (3,613,640.83)	\$ (11,536,142.27)	\$ 25,466,415.17

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

SCHEDULE 3

**CITY OF ATLANTA, GEORGIA
EASTSIDE TAX ALLOCATION DISTRICT FUND**

Supplementary Information

Balances of Funds under the Indenture – Cash Basis

June 30, 2007

Trust Funds - U.S. Bank	
Capitalized Interest Fund	\$ 1,604,638
Project Fund- Series A	1,739,274
Project Fund- Series B	11,966,466
Supplemental Reserve Fund	3,816,145
Tax Increment Fund	24,629
Interest Fund	7,650
Debt Service Reserve Fund	<u>3,821,852</u>
Total Trust Funds	<u>\$ 22,980,654</u>

As of June 30, 2007 there have not been any withdrawals from the Debt Service Reserve Fund.



**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 Eastside Tax Allocation District Fund (the Fund), as of and for the year ended June 30, 2007, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated January 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 and management and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Atlanta, Georgia
January 10, 2008