



City of Sandy Springs, Georgia

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2006



City of Sandy Springs, Georgia

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2006

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Submitted by:

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CITY OF SANDY SPRINGS, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE SEVEN MONTHS ENDED JUNE 30, 2006

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Introductory



February 2, 2007

Honorable Eva Galambos, Mayor,
Members of the City Council,
and Citizens of Sandy Springs, Georgia

Ladies and Gentlemen:

State law and local ordinances require that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the seven months ended June 30, 2006. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the City of Sandy Springs (the "City").

This report has been prepared in accordance with State statutes set forth in an Act providing uniform standards for audits of municipalities and counties within the State of Georgia, approved March 28, 1968 (p. 464), and as amended by an Act approved April 21, 1968 (GA Laws 1997, p. 883). Mauldin and Jenkins, CPAs, have issued an unqualified ("clean") opinion on the City of Sandy Springs' financial statements for the seven months ended June 30, 2006. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD & A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD & A complement this letter of transmittal and should be read in conjunction with it.

Profile of the Government

As Georgia's newest City, Sandy Springs incorporated in December of 2005 after overcoming a thirty year struggle for independence. Located just north of the City of Atlanta, Sandy Springs occupies a land area of 37.7 square miles and serves a population of 85,781 (based upon the 2000 census). Sandy Springs is home to one of the largest business districts in the state, and is proud to host the largest suburban building in the United States, the 570 foot Concourse Towers. Sixteen miles of shoreline from the Chattahoochee River are located within the jurisdiction, creating a unique recreational opportunity in a metro setting.

Policy making and legislative authority of the government is vested in the mayor and six council members, who are elected for four year terms on a non-partisan basis. Each of the council members are elected by district and the

mayor is elected at large by popular vote. The mayor and council members serve until their successors are qualified and elected. Terms of office begin on January 2nd, immediately following the date of election into office. Elections are held every four years and are conducted by the Fulton County Board of Elections. The mayor appoints, subject to confirmation by the council, a City Manager to carry out the administrative operations of the government. The City is empowered to levy a property tax on both real and personal property located within its boundaries and is able to levy all other taxes granted to municipalities within the State of Georgia.

The City operates under a mayor/manager form of government, whereby the mayor possesses all of the executive powers granted to the government under the constitution and laws of the State of Georgia and the City of Sandy Springs charter. The City Manager possesses all of the administrative powers granted to the government under the constitution and laws of the State of Georgia and the City's charter.

Deploying a non-traditional approach to government services, the City enjoys one of the largest contracts held by a municipal government for outsourced services and operations. Through this public/private partnership, the City provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; and recreational and cultural activities. Sanitation services are provided through relationships with private carriers. Water and sewer services are delivered to residential and commercial properties by the City of Atlanta and Fulton County, via intergovernmental agreements. The City created a legally separate entity, the City of Sandy Springs Public Facilities Authority (the "Authority"), to assist with, among other things, capital funding. Financial information for the Authority has not been included within this document since the Authority has been inactive to date.

The annual budget serves as the foundation for the City's financial plan and assists in the control of the financial stability and health of the government. The mayor and council are required to adopt a final budget no later than the close of the fiscal year. The budget is prepared by fund, function, and department. Beginning in fiscal year 2008, the budgeting process will include performance management initiatives. The City Manager may transfer resources within a department (within a fund) as they deem necessary. Transfers between departments or funds, however, need special approval from the City Council.

Local Economy

The City is home to five Fortune 500 Companies, including United Parcel Service (UPS), Newell Rubbermaid, Beazer Homes USA, Spectrum Brands and Cox Communications. The City's commercial properties comprise nearly 62% of the total tax digest by property value, insuring a strong economic environment for the government. Further, the City hosts four of the region's largest health care hospitals, Northside Hospital, Saint Joseph's, Kaiser Permanente, and Children's Healthcare at Scottish Rite Hospital. This concentration of health care facilities is one of the largest in the southeast.

Sandy Springs is Georgia's 7th largest City with a projected population of 89,770 by calendar year end 2005. The population is anticipated to grow to 94,583 by year 2010, with an annual estimated growth rate of 1%. The median household income for 2005 was \$77,853 with an average household income of \$133,227. The median household income is projected to be \$107,520 by 2010. The anticipated average household income by 2010 is projected to be \$187,366. The median home value for 2005 was \$387,489 with a median resident age of 34.3 years. Future job growth is projected at 14% annually.

The commercial real estate market is complimented by two of the area's largest transportation systems intersecting within the City, I-285 and Georgia 400. These transportation arteries are two of the most heavily traveled in the region. The City is served by the Metropolitan Atlanta Rapid Transit Authority, comprised of fixed rail passenger trains and a privately owned bus system.

Long-term Financial Planning

As detailed within the following financial statements, the City's policy is to maintain a minimum General Fund balance reserve equal to 16% of operating expenditures. Excess fund balances over reserve requirements will be used in subsequent periods for pay-as-you-go capital projects and one-time non-recurring expenditures. Because of the recent incorporation of the government, the City has adopted a three year plan to fund the initial 16% fund balance reserve.

As part of the financial strategic plan, the government is committed to a consistent millage rate for property taxes, from which services can be provided. As outlined within the legislation creating the government, the City's operating millage rate of 4.731 mills is statutorily set and cannot be changed without a referendum. A comprehensive framework of financial policies was adopted shortly after the City's incorporation, providing governance to financial matters. The City is evaluating the incorporation of increased contingency budgeting by fund within these policies to assist in the mitigation of unforeseen or non-planned events which would require financial resources from the government.

During fiscal year 2006, the City Council approved a tax anticipation note in the amount of \$10 million, and various certificates of participation. These instruments are being utilized during the government's start-up phase and are planned to be leveraged over the next several fiscal years to provide a solid financial platform for operations. The use of these instruments on an on-going basis is unclear due to the inability to project the financial markets; however, during economic times where it is beneficial to incorporate these instruments into the City's financial management program, it will do so.

The City is expected to continue developing as an economic hub and preferred location for business and residential investment. Through planned growth and suitable expansion consistent with existing zoning, the governing body approved several distinctive commercial developments during fiscal year 2006. Additionally, the residential community continues to experience significant re-development through builders and developers acquiring existing single family homes for new subdivisions as well as high-end multi-family and mixed use areas.

Relevant Financial Policies

Throughout the year, the Finance Department administered the City Council approved Financial Management Program, which outlines policy within which the government's finances are maintained. These policies address fund balances, the use of one-time revenues, issuance of debt, purchasing and procurement, cash and investment management, and accounting practices. In totality, these policies formulate the core criteria for which internal evaluations occur. On an annual basis the criteria establishing the Financial Management Program are reviewed in order to maintain relativity to the changing financial needs of the government.

Major Initiatives

Fiscal year 2006 was comprised of a seven month period beginning with the City's incorporation. As a result, goals for the year were consistent with that of any start-up organization.

Adoption of the City's Code of Ordinances, Policies and Procedures

A good portion of staff time was devoted to the adoption of the City's ordinances which establish the policy for the government. Procedures and processes in which operations occur can often be taken for granted in organizations that have been operational for a period of time.

Police Department

During fiscal year 2006 the chief of police in conjunction with support staff from various departments set a deployment plan for a police operation. The operation itself became effective at midnight, July 1, 2006. To date, the department has been extremely successful in accomplishing the goals and objectives of a more readily seen public safety law enforcement agency dedicated to the health and safety of the citizen's it serves.

Fire Department

The City was successful in negotiating a contract with Fulton County for fire protection services for the fiscal year. This contract allows the same service which was in place prior to the City's incorporation to stay in existence. The City plans on taking over this function no later than December 29, 2006.

Municipal Court

In concert with the establishment of a police department and the code enforcement division, the Municipal Court began hearing cases in January 2006. Since that time, the court has been in session a minimum of three days a week and has recently expanded to four days per week. Citations are now averaging 3,000 per month.

Awards and Acknowledgments

We are pleased to present the City's first Comprehensive Annual Financial Report (CAFR), and submit the same to the Government Finance Officers Association (GFOA) for consideration in the Certificate of Achievement for Excellence in Financial Reporting program. We believe that our CAFR meets the program's requirements.

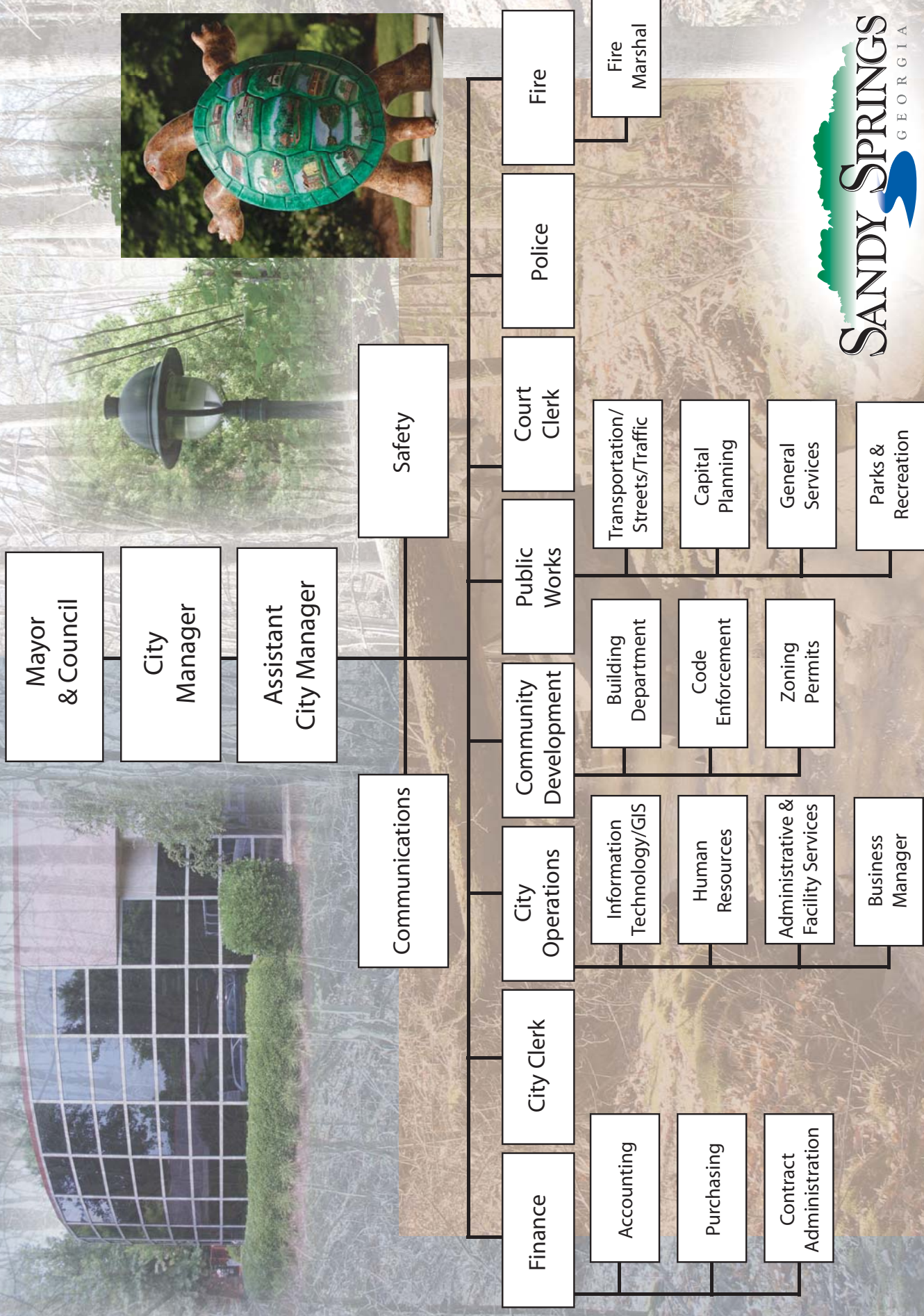
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Department of Finance. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor, City Council, and City Manager for the unfailing support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

John McDonough
City Manager

Steven Rapson, CPA
Finance Director

Organization Chart



Mayor and City Council

Elected officials and manager at June 30, 2006



Mayor
Eva Galambos



Councilmember
Tibby DeJulio



Councilmember
Dianne Fries



Councilmember
Dave Greenspan



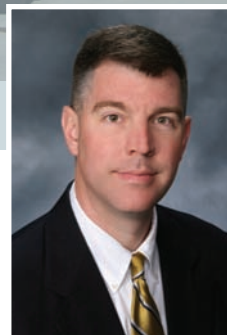
Councilmember
Ashley Jenkins



Councilmember
Karen Meinzen McEnergy



Councilmember
Rusty Paul



City Manager
John McDonough

City of Sandy Springs, Georgia

Listing of principal officials at June 30, 2006

Assistant City Manager

Al Crace

Finance Director

Steve Rapson

City Clerk

Christina Rowland

Court Clerk

Vacant

Police Chief

Gene Wilson

Fire Chief

Jack McElfish

City Attorney

Wendell Willard

City Auditors

Mauldin & Jenkins



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Financial



INDEPENDENT AUDITOR'S REPORT

**The Honorable Mayor and Members
of the City Council of the
City of Sandy Springs, Georgia**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **City of Sandy Springs, Georgia**, as of and for the seven months ended June 30, 2006, which collectively comprise the City of Sandy Springs, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Sandy Springs, Georgia'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 the 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Sandy Springs, Georgia as of June 30, 2006, and the respective changes in financial position thereof for the seven months then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2007, on our consideration of the City of Sandy Springs, Georgia'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 9 and the budgetary comparisons for the General Fund and Hotel/Motel Tax Fund on pages 30 through 32 are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sandy Springs, Georgia's basic financial statements. The individual nonmajor fund financial statements and schedules, introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical tables and data have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 2, 2007

CITY OF SANDY SPRINGS, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Sandy Springs (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal period by \$50,744,740 (total net assets). Of this amount (\$5,586,019), (unrestricted net assets) is not available to meet the ongoing obligations of the government. This negative balance illustrates the necessity of the \$10 million tax anticipation note used to provide a positive cash flow for the first fiscal period's operations.
- The City's increase in net assets was \$50,744,740 during the fiscal period; primarily due to \$57,054,085 being recorded as a donation of infrastructure assets at incorporation for roadways, sidewalks, culverts and signals. This brings the City's capital assets fully into compliance with GASB 34 pronouncements.
- As of the close of the current fiscal period, the City's governmental funds reported combined ending fund balances of (\$3,060,579). This ending fund balance includes proceeds from the issuance of long term debt of \$4 million for the police start-up equipment during the fiscal period to be repaid over the next three years.
- The City's total long-term debt was \$4 million at June 30, 2006 for police start-up equipment. Additionally, the City has short term borrowings of \$10 million for a tax anticipation note used to provide a positive cash flow for the first fiscal period of operations.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the City's net assets changed during the fiscal period. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes (governmental activities). The governmental activities of the City include general government, judicial, public safety, public works, culture and recreation, housing and community development.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and hotel/motel tax funds, both of which are considered to be major funds.

The City adopts an annual appropriated budget for all its governmental funds. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12 through 15 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The City uses an Agency Fund for the collection and remittance of cash appearance bond related activity for municipal court.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 through 29 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information such as the budgetary comparison schedules as presented on a generally accepted accounting principal basis in this section. These schedules are intended to demonstrate the City's compliance with the legally adopted and amended budgets. Required supplementary information can be found on pages 30 through 33 of this report.

The individual fund statements and schedules, referred to earlier, are presented immediately following the required supplementary information. Individual fund statements and schedules can be found on pages xx-xx of this report.

Government-wide Financial Analysis

Since this is the first period the City has presented statements under Governmental Accounting Standards Board Statement No. 34 (GASB 34), comparative information is not yet available. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$50,744,740.

The largest portion of the City's net assets reflects its investment in capital assets (e.g., roadways, sidewalks, culverts, equipment and signals); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining portion of the City's net assets represents negative unrestricted net assets (\$5,586,019) that is not available to meet the ongoing obligations of the government. This negative balance illustrates the necessity of the \$10 million tax anticipation note used to provide a positive cash flow for the first fiscal period of operations.

At the end of the current fiscal period, the City reported a net positive balance in total net assets and a shortfall in unrestricted net assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Sandy Spring's Net Assets

	Governmental Activities
Assets	
Current assets	\$ 9,995,688
Capital assets, net of accumulated depreciation	57,862,728
Total assets	<u>67,858,416</u>
Liabilities	
Current liabilities	13,057,226
Long-term liabilities	4,056,450
Total liabilities	<u>17,113,676</u>
Net assets	
Invested in capital assets, net of related debt	56,330,759
Unrestricted	(5,586,019)
Total net assets	<u>\$ 50,744,740</u>

Governmental activities. Governmental activities are reflected as the donation of infrastructure assets at incorporation in capital assets for the first period of operation thereby accounting for substantially all of the growth in the net assets of the City. Key elements of this increase are as follows:

City of Sandy Spring's Changes in Net Assets

	Governmental Activities
Revenues	
Program revenues:	
Charges for services	\$ 2,216,324
General revenues:	
Property taxes	996,312
Sales and use taxes	11,976,175
Franchise taxes	583,129
Business taxes	7,779,925
Unrestricted investment earnings	113,746
Contributions not restricted to specific programs	70,000
Miscellaneous revenues	2,898
Total revenues	<u>23,738,509</u>
Expenses	
General government	9,154,700
Judicial	328,008
Public safety	9,867,430
Public works	5,105,770
Culture and recreation	2,699,718
Housing and development	2,697,519
Interest on long-term debt	194,709
Total expenses	<u>30,047,854</u>
Loss before special item	(6,309,345)
Special item - donation of infrastructure at incorporation	57,054,085
Change in net assets	50,744,740
Net asset beginning of year	-
Net asset end of year	<u>\$ 50,744,740</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of (\$3,060,579). The primary reason for this negative fund balance is due to the general fund's \$10 million tax anticipation note that was used to provide a positive cash flow for the first fiscal period's operations. A large component of the City's governmental funds combined ending fund balance is approximately \$2.5 million reserved for capital projects that have been approved by City Council. The remaining portion represents unreserved, undesignated fund balance of (\$5,528,610).

General Fund.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved, undesignated fund balance was (\$5,755,635), while total fund balance was (\$3,287,604). As a measure of the liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. This negative balance illustrates the necessity of the \$10 million tax anticipation note used to provide a positive cash flow for the first fiscal period's operations. Unreserved, undesignated fund balance represents (19.6) percent of total general fund expenditures.

Key factors in causing this shortfall are as follows:

- Revenues were \$1.9 million less than budgeted primarily due to shortfalls in business license, franchise agreements, a slow start-up of court services offset by greater than expected revenue from sales and uses taxes.
- Expenditures were \$660 thousand less than budgeted primarily due to unspent contingency reserves.

General Fund Budgetary Highlights

The City's budget utilized a conservative approach based on lack of historical information available. Emphasis was given to ensuring financial stability for the first seven months of operations and long-term stability while providing revenue enhancement; financial priorities and discipline.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City employs an annual mid-year budget process in order to re-align appropriations made during the annual budget process with significant unexpected trends. This ensures adjustments facilitating appropriations to be in alignment with expected resources. Differences between the original budget and final amended budget are then resolved via official City Council action.

During the first seven months of operation a budget realignment in appropriations was made between the original and final amended budget. The following are the main component of this budget realignment:

- \$816,595 supplemental appropriation to the Police Department associated with the start-up of this department during the first year of operation.

This realignment was funded via contingencies set aside for this purpose.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental activities as of June 30, 2006, amounts to \$57,862,728 (net of accumulated depreciation). These assets primarily reflect the donation of infrastructure assets at incorporation for roadways, sidewalks, culverts and signals; and the capital investment for police vehicles and other capital related equipment. This brings the City's financial statements fully into compliance with GASB 34 pronouncements.

City of Sandy Spring's Capital Assets (net of depreciation)

	Governmental Activities
Machinery and equipment	\$ 1,561,175
Infrastructure	56,301,553
Total	<u>\$ 57,862,728</u>

Additional information on the City's capital assets can be found in note 6 on page 25 of this report.

Long-term debt. At the end of the current fiscal year, the City had total debt outstanding of \$4,000,000 for police start-up equipment. Additionally, the City had short term borrowings of \$10,000,000 in the form of a tax anticipation note used to provide a positive cash flow for the first fiscal period of operations. This entire amount comprises debt backed by the full faith and credit of the City.

Additional information on the City's long-term debt can be found in note 8 on pages 26 through 27 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Factors and Next Year's Budgets and Rates

All of these factors were considered in preparing the City's budget for the 2007 fiscal year.

- Sustainability of existing services – the City has deployed a philosophy of budgetary evaluation which reviews the needs of the City to the standard which realizes that services and associated costs should not be appropriated if they are not justified as long-term goals of the organization. This philosophy is solidified during the budget process, with a multi-year financial outlook that provides the conduit to evaluate government priorities, realign and diversify revenue structures, and provide the data for decision making for continued financial success.
- Cost of government – The government is legally mandated to levy a 4.731 millage rate through the legislation that created the City. This millage rate, along with the first time levy of property taxes within the City, will provide approximately \$24 million in additional revenue to the City that was previously recognized in Fulton County.
- The consideration of several new revenue sources and the revision of current revenue source rates/charges. New revenue sources include the review of an administrative fee for court processing, rental vehicle excise taxes, and licenses and permit fees.

The City restricts the use of one-time revenues to operations, and limits the growth in expenditures from operations to those performance indicators which are designated as inadequate by City Council.

Requests for Information

This financial report is designed to provide a general overview of the City of Sandy Spring's finances for all those with an interest in the government City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Department of Finance, City of Sandy Springs, 7840 Roswell Road, City of Sandy Springs, Georgia, 30350, or by calling 770-730-5600.

CITY OF SANDY SPRINGS, GEORGIA

STATEMENT OF NET ASSETS JUNE 30, 2006

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,008,690
Taxes receivable	3,986,998
Capital assets:	
Depreciable, net of accumulated depreciation	<u>57,862,728</u>
 Total assets	 <u>67,858,416</u>
 LIABILITIES	
Accounts payable	2,417,511
Retainage payable	192,869
Accrued liabilities	446,846
Tax anticipation note	10,000,000
Compensated absences due within one year	56,450
Note payable due within one year	1,168,451
Note payable due in more than one year	<u>2,831,549</u>
 Total liabilities	 <u>17,113,676</u>
 NET ASSETS	
Invested in capital assets, net of related debt	56,330,759
Unrestricted	<u>(5,586,019)</u>
 Total net assets	 <u>\$ 50,744,740</u>

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

CITY OF SANDY SPRINGS, GEORGIA

STATEMENT OF ACTIVITIES FOR THE SEVEN MONTHS ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges for	Operating	Capital	Revenues and
		Services	Grants and	Grants and	Changes in
			Contributions	Contributions	Net Assets
					Governmental
					Activities
Primary government:					
Governmental activities:					
General government	\$ 9,154,700	\$ 577,667	\$ -	\$ -	\$ (8,577,033)
Judicial	328,008	401,377	-	-	73,369
Public safety	9,867,430	-	-	-	(9,867,430)
Public works	5,105,770	-	-	-	(5,105,770)
Culture and recreation	2,699,718	43,349	-	-	(2,656,369)
Housing and development	2,697,519	1,193,931	-	-	(1,503,588)
Interest on long-term debt	194,709	-	-	-	(194,709)
Total governmental activities	30,047,854	2,216,324	-	-	(27,831,530)
Total primary government	\$ 30,047,854	\$ 2,216,324	\$ -	\$ -	(27,831,530)
General revenues:					
Property taxes					996,312
Sales and use taxes					11,976,175
Franchise taxes					583,129
Business taxes					7,779,925
Unrestricted investment earnings					113,746
Contributions not restricted to specific programs					70,000
Miscellaneous revenues					2,898
Special item - donation of infrastructure at incorporation					57,054,085
Total general revenues and special item					78,576,270
Change in net assets					50,744,740
Net assets, beginning of period					-
Net assets, end of period					\$ 50,744,740

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

CITY OF SANDY SPRINGS, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2006

ASSETS	General Fund	Hotel/Motel Tax Fund	Total Governmental Funds
Cash and cash equivalents	\$ 5,140,718	\$ 867,972	\$ 6,008,690
Taxes receivable	3,533,286	453,712	3,986,998
Due from other funds	274,891	-	274,891
Total assets	<u>\$ 8,948,895</u>	<u>\$ 1,321,684</u>	<u>\$ 10,270,579</u>
LIABILITIES			
Accounts payable	\$ 1,597,743	\$ 819,768	\$ 2,417,511
Deposits payable	192,869	-	192,869
Accrued liabilities	445,887	-	445,887
Due to other funds	-	274,891	274,891
Tax anticipation note	10,000,000	-	10,000,000
Total liabilities	<u>12,236,499</u>	<u>1,094,659</u>	<u>13,331,158</u>
FUND BALANCES			
Fund balances:			
Reserved for:			
Capital projects	2,468,031	-	2,468,031
Unreserved, reported in:			
General Fund	(5,755,635)	-	(5,755,635)
Special Revenue Fund	-	227,025	227,025
Total fund balances	<u>(3,287,604)</u>	<u>227,025</u>	<u>(3,060,579)</u>
Total liabilities and fund balances	<u>\$ 8,948,895</u>	<u>\$ 1,321,684</u>	
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			57,862,728
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			<u>(4,057,409)</u>
Net assets of governmental activities			<u>\$ 50,744,740</u>

The accompanying notes are an integral part of these statements.

CITY OF SANDY SPRINGS, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE SEVEN MONTHS ENDED JUNE 30, 2006

	General Fund	Hotel/Motel Tax Fund	Total Governmental Funds
Revenues:			
Property taxes	\$ 996,312	\$ -	\$ 996,312
Sales and use taxes	9,627,122	2,349,053	11,976,175
Franchise taxes	583,129	-	583,129
Business taxes	7,779,925	-	7,779,925
Licenses and permits	1,744,329	-	1,744,329
Charges for services	70,618	-	70,618
Fines and forfeitures	401,377	-	401,377
Contributions	70,000	-	70,000
Interest earned	101,641	12,105	113,746
Miscellaneous	2,898	-	2,898
Total revenues	<u>21,377,351</u>	<u>2,361,158</u>	<u>23,738,509</u>
Expenditures:			
Current:			
General government	9,180,705	-	9,180,705
Judicial	328,008	-	328,008
Public safety	11,332,550	-	11,332,550
Public works	4,353,238	-	4,353,238
Culture and recreation	1,250,074	1,463,244	2,713,318
Housing and development	2,697,519	-	2,697,519
Debt service:			
Interest	193,750	-	193,750
Total expenditures	<u>29,335,844</u>	<u>1,463,244</u>	<u>30,799,088</u>
Excess (deficiency) of revenues over expenditures	<u>(7,958,493)</u>	<u>897,914</u>	<u>(7,060,579)</u>
Other financing sources (uses):			
Issuance of long term debt	4,000,000	-	4,000,000
Transfers in	670,889	-	670,889
Transfers out	-	(670,889)	(670,889)
Total other financing sources (uses)	<u>4,670,889</u>	<u>(670,889)</u>	<u>4,000,000</u>
Net change in fund balances	<u>(3,287,604)</u>	<u>227,025</u>	<u>(3,060,579)</u>
Fund balances, beginning of period	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of period	<u>\$ (3,287,604)</u>	<u>\$ 227,025</u>	<u>\$ (3,060,579)</u>

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

CITY OF SANDY SPRINGS, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE SEVEN MONTHS ENDED JUNE 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (3,060,579)
--	----------------

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	808,643
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The effect of the donation of capital assets is to increase net assets.	57,054,085
---	------------

The issuance of long-term debt provides current financial resources to governmental funds. This transaction, however, has no effect on net assets. This amount is the effect of this difference in the treatment of long-term debt.	(4,000,000)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(57,409)
---	----------

	<u>\$ 50,744,740</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF SANDY SPRINGS, GEORGIA

**STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
JUNE 30, 2006**

ASSETS	Municipal Court Fund
Cash	\$ 61,681
Accounts receivable	1,970
Total assets	<u>\$ 63,651</u>
LIABILITIES	
Due to others	<u>\$ 63,651</u>
Total liabilities	<u>\$ 63,651</u>

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

CITY OF SANDY SPRINGS, GEORGIA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Sandy Springs, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting", the City has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions, issued on or before November 30, 1989, for its government-wide financial statements, unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City's government-wide financial statements do not apply subsequent private-sector guidance. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City, which was incorporated in 2005, operates under a charter adopted December 1, 2005, as a municipal corporation governed by an elected mayor and a six-member council. The government provides such services as police protection, fire and rescue services, cultural and recreational activities, and public works.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the 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 those who purchase, use, or directly benefit from goods, services, or privileges 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Agency funds have no measurement focus; however, they use the accrual basis of accounting to recognize assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales tax, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The **general fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **hotel/motel tax fund** is used to account for the revenues from hotel motel taxes and the expenditures associated with the promotion of tourism, conventions, and trade shows.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Additionally, the City reports the following fund type:

The **agency fund** is used to account for the collection and disbursement of monies by the City on behalf of other individuals or entities.

D. Encumbrances

The City employed encumbrance accounting during the year. Encumbrances, if existing at the end of the fiscal year, are recorded and appropriations lapse at year end. Open encumbrances would then be a reservation of fund balance since the commitments would be honored in subsequent years. Encumbrances do not constitute expenditures or liabilities. There were no encumbrances outstanding at June 30, 2006, and none were recorded.

E. Budgets

Formal budgetary accounting is employed as a management control device for the general fund and the special revenue fund of the City. The governmental funds budgets are adopted on a basis consistent with accounting principals generally accepted in the United States of America, except that the proceeds from tax anticipation notes are reported as budgetary other financing sources in the general fund. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund and special revenue fund. During the fiscal year ended June 30, 2006, the original budget was amended through supplemental appropriations. These changes are reflected in the budgetary comparison schedules.

All unencumbered budget appropriations lapse at the end of each year.

F. Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the City. The City pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

H. Interfund Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds."

I. Capital Assets

Capital assets, which include machinery and equipment and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The City has reported all infrastructures that it currently owns and has a responsibility for maintaining. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives is not capitalized.

Capital assets of the City are depreciated using the straight line method over the following useful lives:

Machinery and equipment	3-20 years
Infrastructure	60 years

Fully depreciated assets still in service are carried in the capital asset accounts.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

K. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

In the fund financial statements, governmental fund types recognize the face amount of the debt issued as other financing sources and the repayment of debt as debt service expenditures.

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

M. 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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$4,057,409 difference are as follows:

Note payable	\$ (4,000,000)
Compensated absences (i.e., vacation)	(56,450)
Accrued interest	<u>(959)</u>
Net adjustment to reduce <i>fund balance - total governmental funds to arrive at net assets - governmental activities</i>	<u>\$ (4,057,409)</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and change in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$808,643 difference are as follows:

Capital outlay	\$ 1,645,708
Depreciation expense	<u>(837,065)</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds to arrive at change in net assets - governmental activities</i>	<u>\$ 808,643</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of the reconciliation states that "some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$57,409 difference are as follows:

Compensated absences (i.e., vacation)	\$ (56,450)
Accrued interest	<u>(959)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds to arrive at change in net assets - governmental activities</i>	<u><u>\$ (57,409)</u></u>

NOTE 3. LEGAL COMPLIANCE - BUDGETS

The budget is officially adopted by the governing body prior to the beginning of its fiscal year, or a resolution authorizing the continuation of necessary and essential expenditures to operate the City will be adopted. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level, within the fund.

Transfers of appropriations within a department budget or within a non-departmental expenditure category require only the approval of the Director of Finance and the City Manager. Increases in appropriations in a departmental budget or in a non-departmental expenditure category, require approval of the governing body in the form of amendments to the budget resolution.

The following fund and General Fund departments had excesses of actual expenditures over appropriations for the fiscal period ended June 30, 2006:

Hotel/Motel Tax Fund	\$ 962,744
General Fund departments:	
Mayor and council	24,327
Police department	816,595

These over expenditures were funded by greater than anticipated revenues and by other departments which experienced fewer expenditures than expected.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2006 are summarized as follows:

Statement of Net Assets:	
Cash and cash equivalents	\$ 6,008,690
Statement of Fiduciary Net Assets:	
Cash - Agency fund	61,681
	<u>\$ 6,070,371</u>
Cash deposited with financial institutions	\$ 2,562,535
Cash deposited with Georgia fund 1	3,507,836
	<u>\$ 6,070,371</u>

Credit risk. State statutes authorize the City 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 bankers' 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, 2006, the City's investment in Georgia Fund 1 received a rating of AAAM by Standard & Poor's.

As of June 30, 2006, the City had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Georgia Fund 1	28 day weighted average	<u>\$ 3,507,836</u>

Interest rate risk: The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

The local government investment pool, "Georgia Fund 1," created by OCGA 36-83-8, is a stable net asset value investment pool, which follows Standard and Poor's criteria for AAAm rated money market funds and is regulated by the Georgia Office of Treasury and Fiscal Services. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on \$1 per share. As of June 30, 2006, the City considers amounts held in Georgia Fund 1 as cash equivalents for financial statement presentation.

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, 2006, all of the City's bank balances were adequately insured and collateralized as defined by GASB.

NOTE 5. RECEIVABLES

Real property taxes were not levied in the City's first seven months of incorporation ended June 30, 2006.

Receivables at June 30, 2006, for the City's individual major funds and fiduciary fund, including any applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Hotel/Motel Tax</u>	<u>Municipal Court</u>
Receivables:			
Taxes	\$ 3,533,286	\$ 453,712	\$ 1,970
Total receivables	3,533,286	453,712	1,970
Less allowance for uncollectible	-	-	-
Net total receivable	<u>\$ 3,533,286</u>	<u>\$ 453,712</u>	<u>\$ 1,970</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the City for the period ended June 30, 2006 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, being depreciated:	\$	\$	\$	\$
Machinery and equipment	-	1,645,708	-	1,645,708
Infrastructure	-	57,054,085	-	57,054,085
Total	<u>-</u>	<u>58,699,793</u>	<u>-</u>	<u>58,699,793</u>
Less accumulated depreciation for:				
Machinery and equipment	-	(84,533)	-	(84,533)
Infrastructure	-	(752,532)	-	(752,532)
Total	<u>-</u>	<u>(837,065)</u>	<u>-</u>	<u>(837,065)</u>
Governmental activities capital assets, net	<u>\$ -</u>	<u>\$ 57,862,728</u>	<u>\$ -</u>	<u>\$ 57,862,728</u>

Infrastructure additions noted above represent the City's initial reporting of infrastructure previously maintained by Fulton County. Upon incorporation, the City became responsible for maintaining and improving these capital assets. Due to the relationship of Fulton County to the City, these assets were added to the City's Statement of Net Assets at estimated historical cost, less accumulated depreciation. The one time addition of these assets has been reported as a special item in the Statement of Activities.

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	\$ 10,096
Public safety	74,437
Public works	<u>752,532</u>
Total depreciation expense - governmental activities	<u>\$ 837,065</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. SHORT-TERM BORROWINGS

The City has a tax anticipation note for operating purposes of \$10,000,000 at a local financial institution. The borrowing, with an interest rate of 3.875%, matures on December 31, 2006. As of June 30, 2006, \$10,000,000 of principal was outstanding.

Total short-term borrowings interest incurred and expensed for the period ended June 30, 2006, was \$193,750

The following is a summary of the tax anticipation note payable for the period ended June 30, 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Tax anticipation note	\$ -	\$ 10,000,000	\$ -	\$ 10,000,000

NOTE 8. LONG-TERM DEBT

Note Payable

In June 2006, the City entered into an agreement through a financial institution to borrow \$4,000,000 from the Georgia Municipal Association for the purchase of vehicles and equipment for the police department. Monthly payments of \$118,472, including interest at a rate of 4.179% will begin in August 2006 and continue through July 2009. The debt service requirements to maturity are as follows:

Fiscal year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 1,168,451	\$ 134,749	\$ 1,303,200
2008	1,328,385	93,288	1,421,673
2009	1,385,103	36,570	1,421,673
2010	118,061	412	118,473
	<u>\$ 4,000,000</u>	<u>\$ 265,019</u>	<u>\$ 4,265,019</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities

The following is a summary of long-term debt activity of the City for the period ended June 30, 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Note payable	\$ -	\$ 4,000,000	\$ -	\$ 4,000,000	\$ 1,168,451
Compensated absences	-	56,450	-	56,450	56,450
Governmental activity					
Long-term liabilities	<u>\$ -</u>	<u>\$ 4,056,450</u>	<u>\$ -</u>	<u>\$ 4,056,450</u>	<u>\$ 1,224,901</u>

For governmental activities, compensated absences are generally liquidated by the general fund.

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2006 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
General Fund	Hotel/Motel Tax Fund	<u>\$ 274,891</u>

All interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Hotel/Motel Tax Fund	<u>\$ 670,889</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTES TO FINANCIAL STATEMENTS

NOTE 10. COMMITMENTS AND CONTINGENT LIABILITIES

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City has entered a public/private contractual partnership for outsourced services and operations. Through this contract with a private company, an array of operational services are provided via outsourcing. This contract is an operating contract for which the City is continually monitoring its outsourcing needs as compared to providing services in-house. Currently, this contract is approximately \$27 million annually.

The City, as of June 30, 2006, has contracted out the operations of the Police, Fire and E911 services to Fulton County. Subsequent to year end, the City has begun providing the operations of the Police and Fire Departments in-house.

NOTE 11. DEFINED CONTRIBUTION PENSION PLAN

The City of Sandy Springs' Profit Sharing Plan is a single employer defined contribution plan established and administered by Sandy Springs for all full time employees. At June 30, 2006, there were 61 plan members. The City matches 100% for each dollar of employee contributions up to 5% of the employee's salary. Employees are not required to contribute to the Plan. Employees are eligible after one month of employment and are fully vested after three months. For the fiscal year ending June 30, 2006, the City's contributions to the Plan were \$90,302.

NOTE 12. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities around the Metropolitan Atlanta Georgia area, is a member of the Atlanta Regional Commission (ARC) and is required to pay annual dues thereto, which Fulton County has paid on behalf of the City of Sandy Springs. Membership in ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organization structure of ARC. ARC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Separate financial statements may be obtained from ARC, 40 Courtland Street NE, Atlanta, Georgia 30303.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. HOTEL/MOTEL LODGING TAX

The City has levied a 7% lodging tax. The Official Code of Georgia Annotated 48-13-50 requires that all lodging taxes levied of 5% or more be expended or obligated contractually for the promotion of tourism, conventions, or trade shows. During the year ended June 30, 2006, the City received \$1,895,341 in hotel/motel taxes. Of this amount, \$1,463,244, or 77%, was used for the promotion of tourism, conventions, or trade shows.

NOTE 14. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, a public entity risk pools currently operating as common risk management and insurance programs for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims have not exceeded the coverages in this first period of operation.

The City carries commercial insurance for other risks of losses. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage in this first period of operation.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SANDY SPRINGS, GEORGIA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE SEVEN MONTHS ENDED JUNE 30, 2006

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 1,193,004	\$ 1,193,004	\$ 996,312	\$ (196,692)
Sales and use taxes	4,945,907	4,945,907	9,627,122	4,681,215
Franchise taxes	2,048,160	2,048,160	583,129	(1,465,031)
Business taxes	12,273,360	12,273,360	7,779,925	(4,493,435)
Licenses and permits	747,374	747,374	1,744,329	996,955
Intergovernmental	159,768	159,768	-	(159,768)
Charges for services	657,397	657,397	70,618	(586,779)
Fines and forfeitures	1,065,264	1,065,264	401,377	(663,887)
Contributions	70,000	70,000	70,000	-
Interest earned	190,000	190,000	101,641	(88,359)
Miscellaneous	-	-	2,898	2,898
Total revenues	23,350,234	23,350,234	21,377,351	(1,972,883)
Expenditures:				
Current:				
General government:				
Mayor and council	100,944	100,944	125,271	(24,327)
City manager	241,228	241,228	209,818	31,410
General administration	5,207,258	5,207,258	5,134,599	72,659
Finance department	1,923,049	1,923,049	1,854,603	68,446
Legal services	500,000	563,900	563,853	47
Facilities and buildings	1,183,277	1,306,977	1,207,196	99,781
City clerk	111,603	111,603	85,365	26,238
Contingencies	1,946,805	852,905	-	852,905
Total general government	11,214,164	10,307,864	9,180,705	1,127,159
Judicial	571,585	571,585	328,008	243,577
Public safety:				
Police department	6,347,555	6,955,555	7,772,150	(816,595)
Fire department	3,565,000	3,565,000	3,560,400	4,600
Total public safety	9,912,555	10,520,555	11,332,550	(811,995)
Public works	4,362,834	4,362,834	4,353,238	9,596
Culture and recreation	1,225,752	1,250,152	1,250,074	78
Housing and development	2,433,893	2,707,793	2,697,519	10,274
Debt service:				
Interest	276,000	276,000	193,750	82,250
Total expenditures	29,996,783	29,996,783	29,335,844	660,939
Deficiency of revenues over expenditures	(6,646,549)	(6,646,549)	(7,958,493)	(1,311,944)

Continued

CITY OF SANDY SPRINGS, GEORGIA

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS) FOR THE SEVEN MONTHS ENDED JUNE 30, 2006

	Budget			Variance With
	Original	Final	Actual	Final Budget
Other financing sources (uses):				
Transfers in	\$ 210,500	\$ 210,500	\$ 670,889	\$ 460,389
Transfers out	(3,030,000)	(3,030,000)	-	3,030,000
Proceeds from tax anticipation note	9,996,500	9,996,500	10,000,000	3,500
Issuance of capital lease	-	-	4,000,000	4,000,000
Total other financing sources (uses)	<u>7,177,000</u>	<u>7,177,000</u>	<u>14,670,889</u>	<u>7,493,889</u>
 Net change in fund balances (budgetary basis)	 530,451	 530,451	 6,712,396	 6,181,945
 Subtract - proceeds from tax anticipation note, June 30	 <u>(9,996,500)</u>	 <u>(9,996,500)</u>	 <u>(10,000,000)</u>	 <u>(3,500)</u>
 Net change in fund balances (GAAP basis)	 <u>\$ (9,466,049)</u>	 <u>\$ (9,466,049)</u>	 <u>\$ (3,287,604)</u>	 <u>\$ 6,178,445</u>

CITY OF SANDY SPRINGS, GEORGIA

HOTEL/MOTEL TAX FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS) FOR THE SEVEN MONTHS ENDED JUNE 30, 2006

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 737,500	\$ 737,500	\$ 2,349,053	\$ 1,611,553
Interest	-	-	12,105	12,105
Total revenues	<u>737,500</u>	<u>737,500</u>	<u>2,361,158</u>	<u>1,623,658</u>
Expenditures:				
Culture and recreation	<u>500,500</u>	<u>500,500</u>	<u>1,463,244</u>	<u>(962,744)</u>
Total expenditures	<u>500,500</u>	<u>500,500</u>	<u>1,463,244</u>	<u>(962,744)</u>
Excess of revenues over expenditures	237,000	237,000	897,914	660,914
Other financing uses:				
Transfers out	<u>(237,000)</u>	<u>(237,000)</u>	<u>(670,889)</u>	<u>(433,889)</u>
Total other financing uses	<u>(237,000)</u>	<u>(237,000)</u>	<u>(670,889)</u>	<u>(433,889)</u>
Net change in fund balances	-	-	227,025	227,025
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 227,025</u>	<u>\$ 227,025</u>

AGENCY FUND

Agency funds are used to account for assets held by the City as an agent for individuals.

Municipal Court Fund – To account for the collection of cash appearance bonds by the Municipal Court.

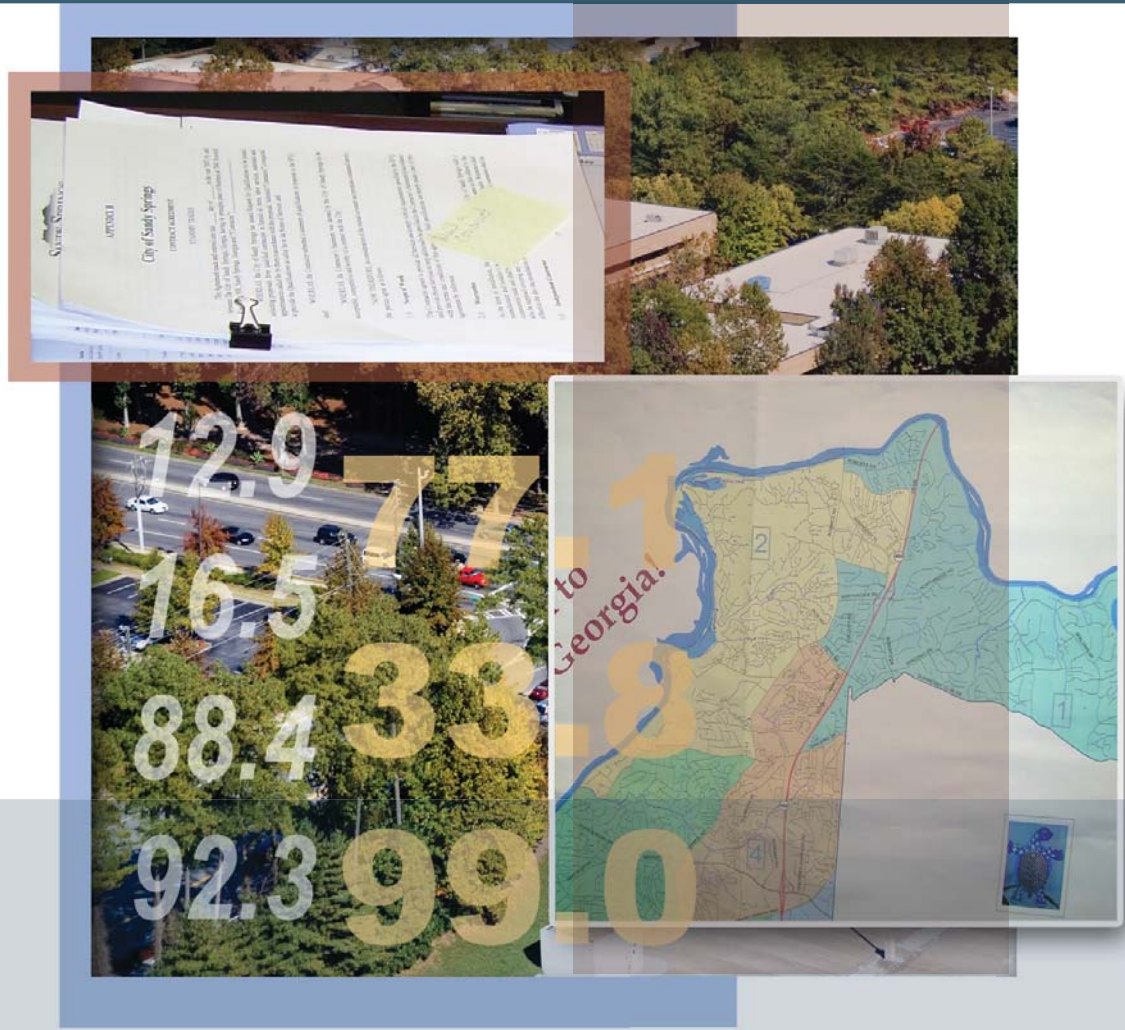
CITY OF SANDY SPRINGS, GEORGIA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES AGENCY FUND FOR THE SEVEN MONTHS ENDED JUNE 30, 2006

	Balance December 1, 2005	Additions	Deductions	Balance June 30, 2006
MUNICIPAL COURT FUND				
Assets:				
Cash	\$ -	\$ 618,233	\$ 556,552	\$ 61,681
Accounts receivable	-	1,970	-	1,970
Total assets	<u>\$ -</u>	<u>\$ 620,203</u>	<u>\$ 556,552</u>	<u>\$ 63,651</u>
Liabilities:				
Due to others	<u>\$ -</u>	<u>\$ 620,203</u>	<u>\$ 556,552</u>	<u>\$ 63,651</u>

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Statistical



STATISTICAL SECTION

This part of the City of Sandy Springs' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Page

Financial Trends..... 34

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity 39

These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.

Because the City did not incorporate until December 2005, no property taxes were levied or collected during fiscal year 2006. Therefore, the schedules for Principal Property Taxpayers and Property Tax Levies and Collections are not applicable for the year ended June 30, 2006. Property taxes will be the City's largest own-source revenue beginning in fiscal year 2007 at which time the City will be able to report all property tax information.

Debt Capacity 43

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information..... 45

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information..... 47

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

The City did not incorporate until December 2005 and contracted out most of its services during fiscal year 2006. The schedule of Operating Indicators by Function has been omitted for the year ended June 30, 2006 as the City did not provide services during fiscal year 2006 for which relevant operating indicators are available.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report.

CITY OF SANDY SPRINGS, GEORGIA

NET ASSETS BY COMPONENT CURRENT PERIOD (accrual basis of accounting)

	<u>2006</u>
Primary government:	
Invested in capital assets, net of related debt	\$ 56,330,759
Unrestricted	<u>(5,586,019)</u>
Total primary government net assets	<u>\$ 50,744,740</u>

CITY OF SANDY SPRINGS, GEORGIA

CHANGES IN NET ASSETS CURRENT PERIOD (accrual basis of accounting)

	2006
Expenses	
General government	\$ 9,154,700
Judicial	328,008
Public safety	9,867,430
Public works	5,105,770
Culture and recreation	2,699,718
Housing and development	2,697,519
Interest on long-term debt	194,709
Total expenses	<u>\$ 30,047,854</u>
Program revenues	
Charges for services:	
General government	\$ 577,667
Judicial	401,377
Culture and recreation	43,349
Housing and development	1,193,931
Total program revenues	<u>\$ 2,216,324</u>
Net (expense)/revenue	<u>\$ (27,831,530)</u>
General Revenues and Other Changes in Net Assets	
Taxes	
Property taxes	\$ 996,312
Sales taxes	11,976,175
Other taxes	8,363,054
Unrestricted investment earnings	113,746
Contributions not restricted to specific programs	70,000
Miscellaneous revenues	2,898
Special item - donation of infrastructure at incorporation	57,054,085
Total	<u>\$ 78,576,270</u>
Change in Net Assets	<u>\$ 50,744,740</u>

CITY OF SANDY SPRINGS, GEORGIA

GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE CURRENT PERIOD (accrual basis of accounting)

Fiscal Year	Property Taxes	Sales and Use Taxes	Franchise Taxes	Business Taxes	Total
2006	\$ 996,312	\$ 11,976,175	\$ 583,129	\$ 7,779,925	\$ 21,335,541

CITY OF SANDY SPRINGS, GEORGIA

FUND BALANCES OF GOVERNMENTAL FUNDS CURRENT PERIOD (modified accrual basis of accounting)

	2006
General Fund	
Reserved	\$ 2,468,031
Unreserved	(5,755,635)
Total general fund	<u>\$ (3,287,604)</u>
 All Other Governmental Funds	
Unreserved, reported in:	
Special revenue funds	\$ 227,025
Total all other governmental funds	<u>\$ 227,025</u>

CITY OF SANDY SPRINGS, GEORGIA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS CURRENT PERIOD (modified accrual basis of accounting)

	<u>2006</u>
Revenues	
Taxes	\$ 21,335,541
Licenses and permits	1,744,329
Charges for services	70,618
Fines and forfeitures	401,377
Contributions	70,000
Interest earned	113,746
Miscellaneous	2,898
Total revenues	<u>23,738,509</u>
Expenditures	
General government	9,180,705
Judicial	328,008
Public safety	11,332,550
Public works	4,353,238
Culture and recreation	2,713,318
Housing and development	2,697,519
Debt service:	
Interest	193,750
Total expenditures	<u>30,799,088</u>
Deficiency of revenues over expenditures	<u>(7,060,579)</u>
Other Financing Sources (Uses)	
Issuance of long term debt	4,000,000
Transfers in	670,889
Transfers out	(670,889)
Total other financing sources (uses)	<u>4,000,000</u>
Net change in fund balances	<u>\$ (3,060,579)</u>
Debt service as a percentage of noncapital expenditures	0.7%

CITY OF SANDY SPRINGS, GEORGIA

**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
CURRENT PERIOD
(modified accrual basis of accounting)**

Fiscal Year	Property Taxes	Sales and Use Taxes	Franchise Taxes	Business Taxes	Total
2006	\$ 996,312	\$ 11,976,175	\$ 583,129	\$ 7,779,925	\$ 21,335,541

CITY OF SANDY SPRINGS, GEORGIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY CURRENT PERIOD

Calendar Year	Real Property				Personal Property
	Residential Property	Commercial Property	Industrial Property	Other (1)	Motor Vehicles
2006	\$ 3,793,630,390	\$ 2,292,804,730	\$ 26,941,230	\$ 8,330,060	\$ 1,076,620

Source Fulton County Tax Commissioner

(1) Reflects conservation use.

Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
\$ 673,279,509	\$ 5,449,503,521	4.73	\$ 13,623,758,803	40%

CITY OF SANDY SPRINGS, GEORGIA

PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS CURRENT PERIOD *(rate per \$1,000 of assessed value)*

Calendar Year	Sandy Springs	Fulton County	School District			State	Total Direct & Overlapping Rates
			Operating Millage	Debt Service Millage	Total School District Millage		
2006	4.731	11.645	12.825	0.282	13.107	0.250	29.733

Source: Fulton County Tax Commissioner

CITY OF SANDY SPRINGS, GEORGIA

RATIOS OF OUTSTANDING DEBT BY TYPE CURRENT PERIOD

Fiscal Period Ended June 30,	Governmental Activities Note Payable	Percentage of Personal Income (1)	Per Capita (1)
2006	\$ 4,000,000	0.09 %	\$ 46.14

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Demographic and Economic Statistics for personal income and population data.

CITY OF SANDY SPRINGS, GEORGIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT AS OF JUNE 30, 2006

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Fulton County	\$ 14,381,148	12.25 %	\$ 1,761,691
Fulton County School District	<u>215,895,000</u>	12.25	<u>26,447,138</u>
Total overlapping debt	<u>\$ 230,276,148</u>		<u>\$ 28,208,829</u>

Source: Assessed value date used to estimate applicable percentages and debt outstanding obtained from Fulton County's December 31, 2005 Comprehensive Annual Financial Report.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the County's taxable assessed value that is within the City's boundaries and dividing it by the County's total taxable assessed value.

CITY OF SANDY SPRINGS, GEORGIA

DEMOGRAPHIC AND ECONOMIC STATISTICS CURRENT PERIOD

Fiscal Period	Population (1)	Personal Income (amounts expressed in thousands) (1)	Per Capita Personal Income (1)	Median Age (3)	School Enrollment (4)	Unemployment Rate (2)
2006	86,698	\$ 4,550,258	52,484	33.2	22,996	2.2 %

(1) Source: Bureau of Economic Analysis: Regional Economic Accounts

(2) Source: U. S. Bureau of Labor Statistics

(3) Source: U. S. Bureau of the Census, 2005 American Community Survey

(4) Source: Fulton County Board of Education

NOTE: 2006 population, per capita, and personal income are estimates based on past regional trends.

NOTE: School enrollment is based on beginning of school year.

CITY OF SANDY SPRINGS, GEORGIA

PRINCIPAL EMPLOYERS CURRENT PERIOD

Employer	2006		
	Employees (1)	Rank	Percentage of Total City Employment (2)
United Parcel Service	1,653	1	2.7 %
Cingular Wireless	1,137	2	1.9
Autotrader.com	926	3	1.5
IBM Corporation	894	4	1.5
Internet Security Systems	753	5	1.2
ING North American Ins Corp	675	6	1.1
RBS Lynk Inc.	675	7	1.1
Ceridian Corporation	604	8	1.0
Coca-Cola USA Customer Care	587	9	1.0
Manheim Corporate Services, Inc.	535	10	0.9
Totals	8,439		13.9 %

(1) Source: Fulton County Development Authority

(2) Source: U.S. Bureau of Labor Statistics

CITY OF SANDY SPRINGS, GEORGIA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION CURRENT PERIOD

Function	Full-time Equivalent Employees as of June 30, 2006
General Government	120
Public Safety	
Police	
Officers	44
Civilians	2
Highways and streets	
Engineering	14
Maintenance	51
Culture and recreation	5
Total	236

Source: City of Sandy Springs Human Resources Department

CITY OF SANDY SPRINGS, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION CURRENT PERIOD

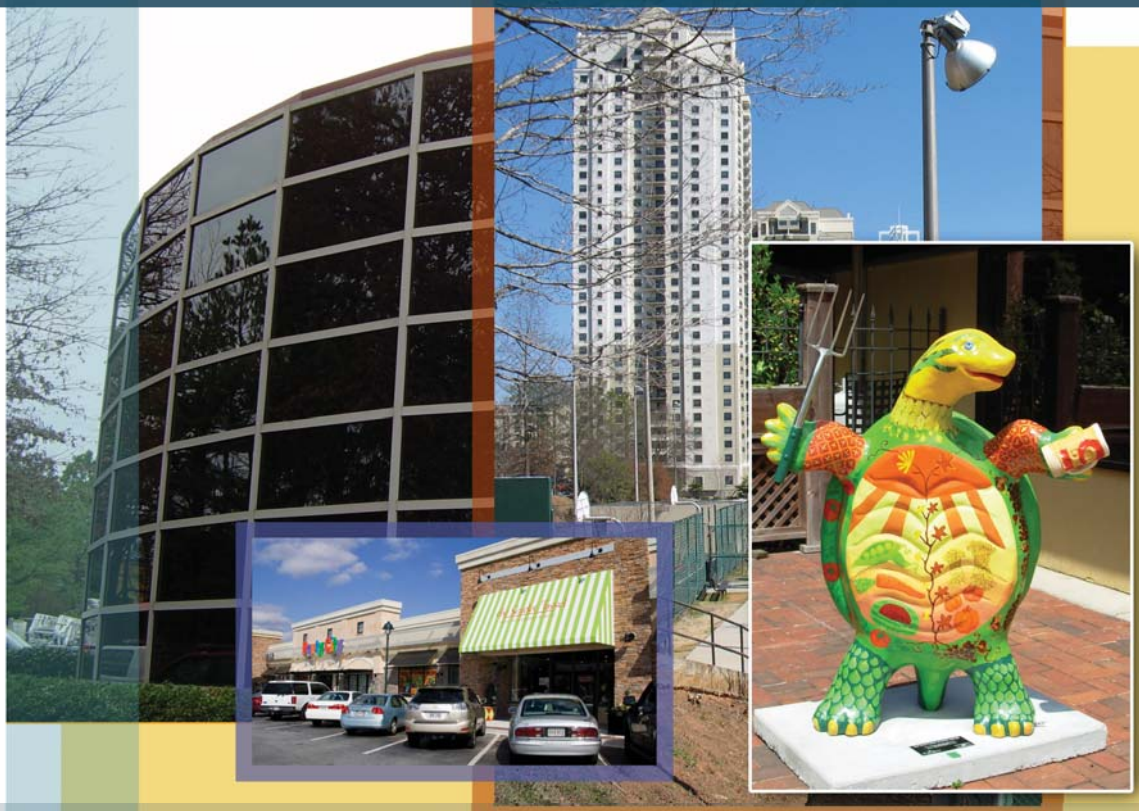
Function/Program	<u>2006</u>
Police	
Stations (1)	1
Patrol Units	40
Patrol Zones	3
Public Works	
Streets (miles)	295
Traffic Signals	78

Source: Various City departments.

(1) Reflects building operating lease.

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Compliance





CERTIFIED PUBLIC ACCOUNTANTS, LLC

**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 Honorable Mayor and Members
of the City Council of
Sandy Springs, Georgia**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Sandy Springs, Georgia (the "City") as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 2, 2007. 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 City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to initiate, record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and responses as items 2006 - 1 and 2006 - 2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2006-1 and 2006-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

We noted certain matters that were reported to management of the City, in a separate letter dated February 2, 2007.

This report is intended solely for the information and use of the City Council, management, others within the organization, federal awarding agencies and pass-through entities, and the State of Georgia and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 2, 2007

**CITY OF SANDY SPRINGS, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE SEVEN MONTHS ENDED JUNE 30, 2006**

**SECTION I
SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting: Material weaknesses identified?	<u> X </u> yes <u> </u> no
Reportable conditions identified not considered to be material weaknesses?	<u> </u> yes <u> X </u> no
Noncompliance material to financial statements noted?	<u> </u> yes <u> X </u> no

Federal Awards

There was not an audit of major federal award programs as of June 30, 2006 due to the City not having any federal expenditures during the seven months ended June 30, 2006.

**SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES**

2006 - 1. Bank reconciliations -

Criteria: Accounting principles generally accepted in the United States of America (GAAP) requires a proper cutoff of cash for reporting in the City's financial statements.

Condition/Cause: During our audit, we noted that management had not posted general ledger adjustments associated with reconciling bank statements to the bank accounts on the City's general ledger on a monthly and timely basis.

Context: The above conditions were noted during our initial inquiries and auditing procedures of the City's cash balances.

Effect: The above conditions required the need for material audit adjustments to properly reflect the City's cash balances at June 30, 2006.

Recommendation: The City should take the necessary steps to ensure that bank reconciliations are performed correctly, and on a monthly and timely basis.

Response: We concur with the recommendation. Such procedures will be implemented immediately.

CITY OF SANDY SPRINGS, GEORGIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE SEVEN MONTHS ENDED JUNE 30, 2006

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2006 - 2. Maintenance of subsidiary ledgers -

Criteria: Good, sound policies and procedures require effective design and operation of internal controls. Timely and accurate financial reports are essential to perform analysis of financial condition, review data for accuracy and completeness, monitor compliance with budget appropriations, and prepare long-range financial plans.

Condition/Cause: For the period ended June 30, 2006, we noted the City was not properly maintaining subsidiary ledgers/listings for several asset and liability accounts. These accounts included the capital assets listing for assets purchased by the City (including applicable depreciation), accounts payable ledger, and detailed listings of municipal court fund liabilities.

Context: The above conditions were noted during our initial inquiries and auditing procedures of the City's asset and liability balances.

Effect: The failure of management to effectively maintain an up-to-date general ledger and subsidiary ledgers leads to untimely and inaccurate information provided to the City Council and reflected in the City's financial statements. Additionally, failure to maintain subsidiary ledgers could hinder management's ability to make decisions and manage the assets of the City.

Recommendation: Management should maintain subsidiary ledgers/listings for all balance sheet accounts and reconcile these listings to the general ledger on a monthly and timely basis. Additionally, the general ledger should be properly adjusted to reflect correct balances in accordance with GAAP.

Response: We concur with the recommendation. Such a procedure will be implemented immediately.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not Applicable