



City of Sandy Springs, Georgia

Comprehensive Annual Financial Report

For Fiscal Year Ended June 30, 2007



City of Sandy Springs, Georgia

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2007

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John McDonough



CITY OF SANDY SPRINGS, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007

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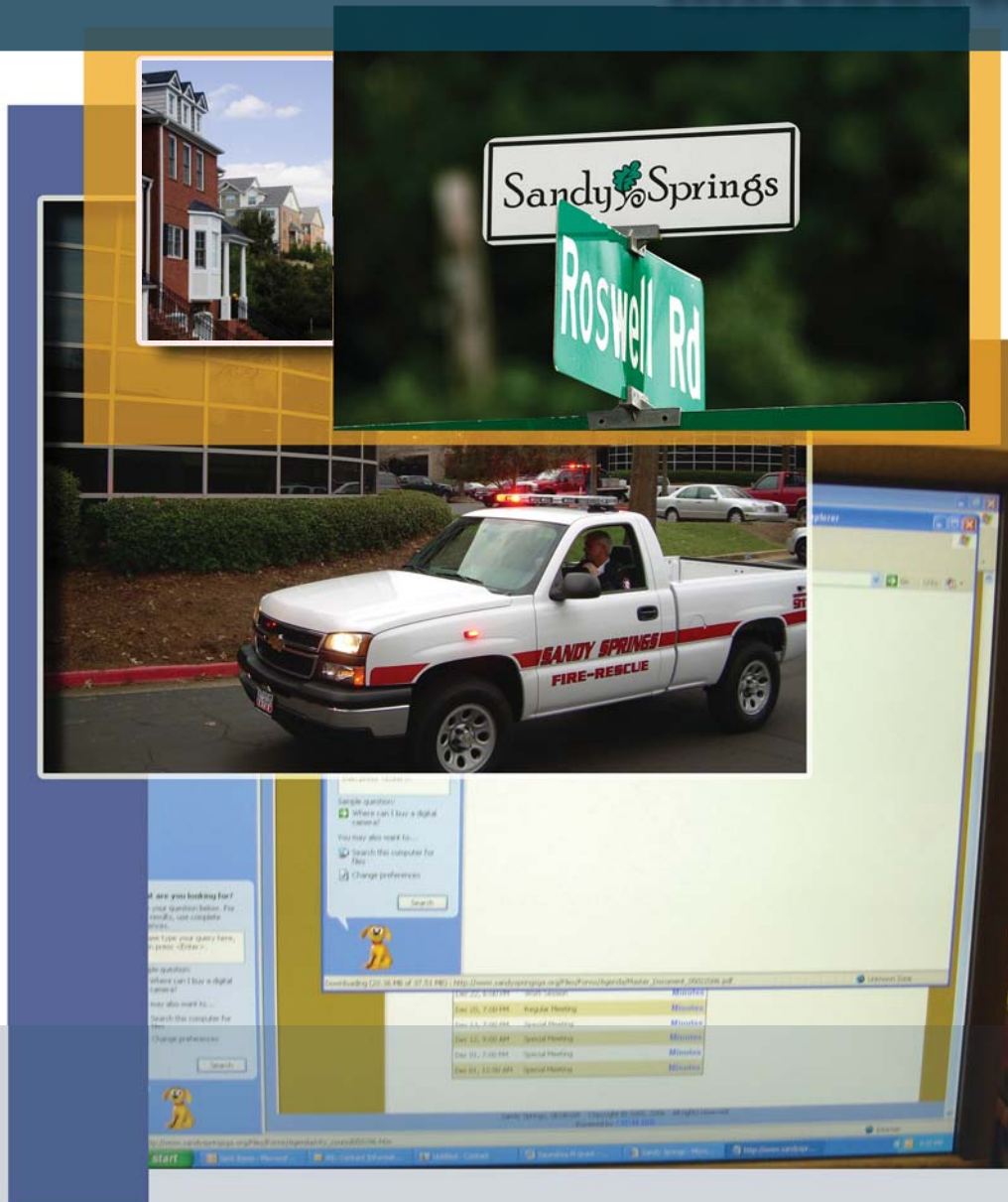
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Introductory





December 28, 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 year ended June 30, 2007. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal controls 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 is accurate in all material respects and 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 year ended June 30, 2007. 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 complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

As Georgia's third newest City, Sandy Springs was 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 97,898 (estimate based on past regional trends from 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.

Finance

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 is 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 certified. Terms of office begin at the certification of the election and swearing into office. Elections are held every four years. 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 council/manager form of government, where the Council is the legislative authority and the Mayor possess 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 the funding of capital projects. 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 2007, the budgeting process included performance management initiatives. The City Manager may transfer resources within a department (within a fund) as deemed necessary. Transfers between departments or funds, however, need special approval from the City Council.

Local Economy

Sandy Springs is Georgia's 7th largest City with the December 31, 2006, projected population of 97,898. The population is anticipated to grow to 101,873 by year 2010, with an annual estimated growth rate of 1.0%. The commercial real estate market is complemented 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.

The City is home to several Fortune 500 Companies, including United Parcel Service (UPS), Newell Rubbermaid, Beazer Homes USA, Spectrum Brands, Internet Security Systems, Crystal Springs Water, Cox Communications, and Porsche Global Imports. The City's commercial properties comprise over 40.1% of the total tax digest by property value, ensuring 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.

This past year, there were 43,000 households in the City of Sandy Springs. The average household size was 2.3 people. Families made up 51 percent of the households in Sandy Springs. This figure includes both married-couple families (41 percent) and other families (10 percent). Non-family households made up 49 percent of all households in Sandy Springs. Most of the non-family households were comprised of people living alone. However, some consisted of people living in households in which no one was related to the head of household.

The most common occupations found in Sandy Springs were: management, professional, and related occupations, 51 percent; sales and office occupations, 31 percent; service occupations, 10 percent; construction, extraction, maintenance and repair occupations, five percent; and production, transportation, and material moving occupations, three percent. Eighty-five percent of the people employed were private wage and salary workers; six percent were federal, state, or local government workers; and eight percent were self-employed on their own and were not incorporated business workers.

Seventy-eight percent of Sandy Springs city workers drove to work alone in 2006, eight percent carpoolled, seven percent took public transportation, and one percent used other means. The remaining six percent worked at home. Among those who commuted to work, it took them on average 23.1 minutes to get to work.

The median income of households in Sandy Springs was \$69,492. Eighty-six percent of the households received earnings and 12 percent received retirement income other than Social Security. Eighteen percent of the households received Social Security. These income sources are not mutually exclusive; that is, some households received income from more than one source. Ninety-six percent of people 25 years and over had at least graduated from high school and 63 percent had a bachelor's degree or higher.

National Economy

The Federal Reserve continues to provide rate cuts in response to continued losses from global banks from the credit market dislocation coupled with the threat of more bad news from the domestic housing market. The U.S. dollar has recently been impacted given the large bank losses as further signs of credit market problems yield additional Federal Reserve rate reductions. Assuming the housing and mortgage market can stay at current levels data suggests that the economy remains below its potential and less likely to fall into recession. Some economists doubt housing prices will begin to bounce back before 2009 or 2010, and they are likely to drop by around 7 percent this year and a similar amount next year.

The growing number of near-term recession predictions could become a self-fulfilling prophecy as consumer and investor sentiment responds. The credit market may have a more direct impact in that prophecy as the market threatens to stay unsettled and further tighten, possibly without deference to Federal Reserve actions. While the market works through its challenges, credit risk concerns of a different type mount as widened spreads on interbank lending could revive earlier fears of financial institution defaults. Financial professionals remain optimistic about business conditions; they cite several threats to future economic growth; including rising interest rates, volatile energy costs, and rising health care costs in the U.S. economy and forecast growth at a slower pace in the next few years. This slowed growth will impact Sandy Springs over the next few years as the economy continues to recover.

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 incorporation of the government two years ago, 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. In addition, when residential property is reassessed, if a homeowner has filed for the proper homestead exemption, the assessment cannot be raised more than 3% (or the rate of inflation) in any one year for city taxes. Other jurisdictions are not bound by the 3% cap in the utilization of increased assessments, or where a large proportion of their increased assessments falls on the back of homeowners, will roll back their millage rates. Thus, with the homestead exemptions, the city of Sandy Springs property tax can only rise 3% for homeowners.

Sandy Springs enjoys a strong economy, and the total property tax valuations in the City increased over the past year. Over half of the increase in the digest (and eventually of property tax collections) is due to new construction. This, of course, means more (housing) residents or more office workers, all of which require more city services. Of the other half of the increase in the tax digest, two-thirds is due to increased assessments of commercial properties. This happened because commercial reassessments lagged for many years in Fulton County, but efforts are now underway to correct the lag. The small increase in the tax digest due to increased assessments of residential properties reflects increased assessments for rental properties (not eligible for the homestead exemption) or where homeowners failed to file for the proper homestead exemption.

During fiscal year 2007, the City Council did not need to obtain a tax anticipation note, as predicted this past year during the government's start-up phase. The city ended the year with enough reserves to leverage cashflow this fiscal year and provide a solid financial platform for operations. This coupled with the comprehensive framework of financial policies adopted shortly after the City's incorporation, provides governance to financial matters.

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 2007. 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 to maintain relativity to the changing financial needs of the government.

Major Initiatives

Fiscal year 2007 was the first full year of service since the City's incorporation. Major items implemented during the course of this past year include:

City Council Budget Priorities

The budget calls for no millage or fee rate increases, ensures financial stability; emphasis on long-term stability; and establishes the revenue enhancement program. Updates to the comprehensive land use plan; economic development and funding of transportation improvements plan for road and capital improvement program.

Renovation of existing building/facilities

Sandy Springs Police Department

- Security camera system and card key access, security windows, ceiling tile, ADA handicap door access controls, ADA ramp, life safety equipment (hard wired smoke and CO2 detectors installed), enhanced lighting, armory, property evidence room, GCIC room, fingerprinting and permits room, interrogation rooms and bathroom repairs.

Sandy Springs Fire Department #1, #2 and #4

- Security camera system, roofing repairs, ceiling tile, HVAC and electrical system repairs/replacement, kitchen cabinetry, overhead lighting and ceiling fans, commercial vent hood installed in kitchen, window treatments, ADA handicap door access controls, life safety equipment (hard wired smoke and CO2 detectors installed), pressure washing and re-stripping of the parking lots w/ADA spaces, parking lot, bay area and foundation repairs, pressure washing of the exterior stucco and bathroom repairs.

Sandy Springs City Hall (Morgan Falls)

- Security camera system and card key access, ceiling tile, HVAC and electrical system enhancements, general building renovations, overhead lighting, City Council Chamber build-out, ADA handicap door access controls, ADA ramp, life safety equipment (hard wired smoke, AED and CO2 detectors installed), re-stripping of the parking lots, window treatments and bathroom repairs.

Sandy Springs North Fulton Tennis Center

- Security camera system, roofing replacement, refinished tennis courts, HVAC systems was replaced, court lighting system electrical repairs, pressure washing exterior of the building and bleacher area, elevator system repair, windscreen replacement, trimming tree limbs around the courts, fencing and parking lot lighting areas, repairs to parking lot lighting system and chain link fencing and gates in and around the entire court system.

Sandy Springs Hammond Park

- Security camera system, trimming of light obscuring tree limbs around the courts, fencing and parking lot lighting areas, in process of replacing HVAC System.

Police Department

The Chief of Police in conjunction with support staff from various departments set a deployment plan for a police operation that became effective at midnight, July 1, 2006. The department was established with ninety-four (94) FTEs police officers with twenty (20) additional police officers being approved during the mid-year budget review. To date, the department is 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 citizens it serves.

Fire Department

The Fire Chief in conjunction with support staff from various departments set a deployment plan for a fire/rescue operation that became effective at 9:00 a.m., December 29, 2006. The department was established with ninety-one (91) FTEs fire/rescue fighters with three (3) additional Quick Response Vehicles being approved during the mid-year budget. Emory Healthcare has partnered with the city for providing first-class emergency medical direction and helping to establish the department as a premier fire/rescue and emergency medical services organization. To date, the department is extremely successful in accomplishing the goals and objectives of improving response times to emergency medical calls, establishing an enhanced EMS Program and providing AEDs, First Aid kits and training to improve survivability in medical emergencies.

Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sandy Springs for its Comprehensive Annual Financial Report (CAFR) for the fiscal period ended June 30, 2006. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We are pleased to present the City's second 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 current CAFR continues to meet the program's requirements.

The preparation of this report is possible because of 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 and City Council 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
Assistant City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sandy Springs
Georgia

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

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



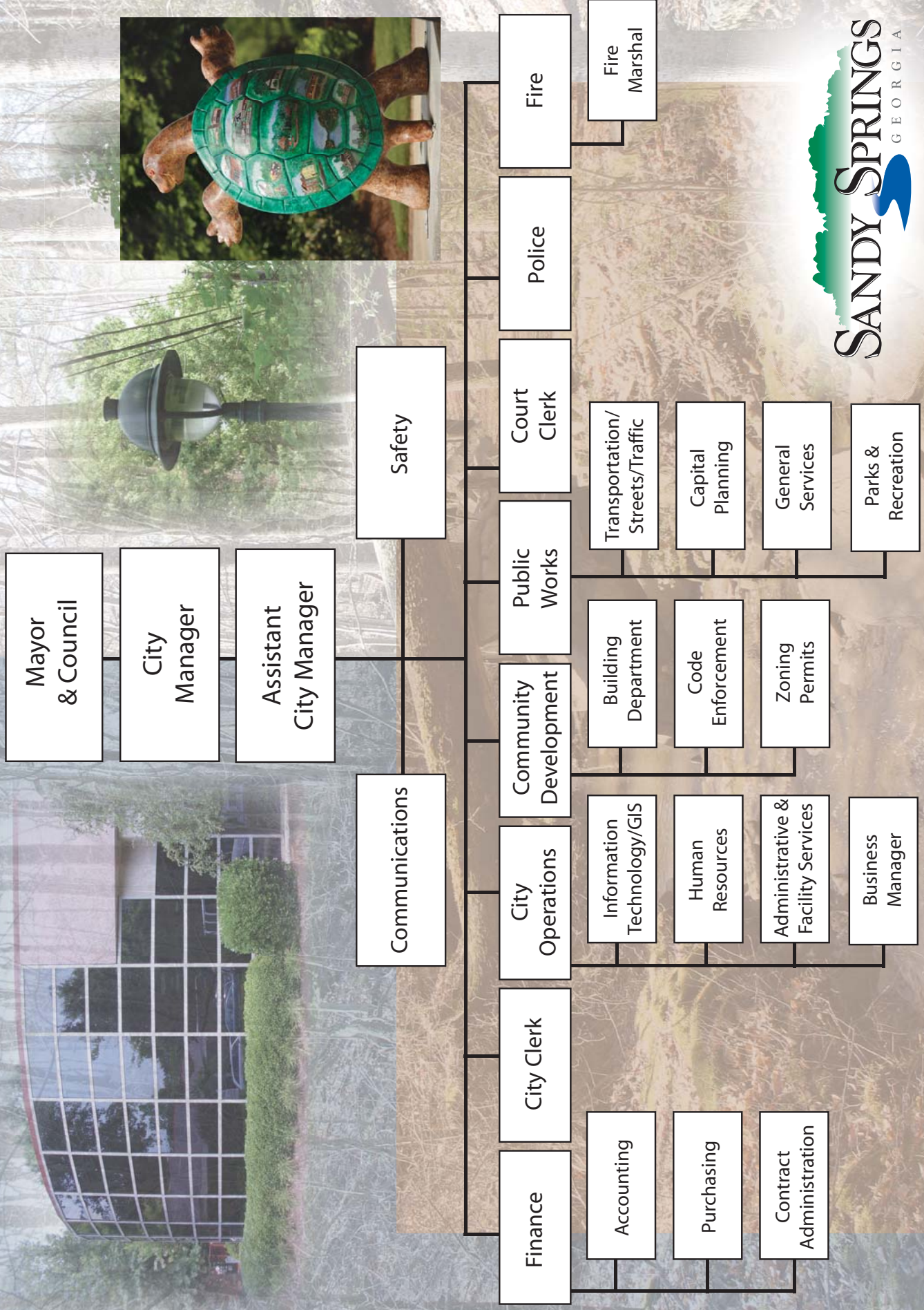
Charles S. Cox

President

Jeffrey R. Emer

Executive Director

Organization Chart



Mayor and City Council

Elected officials and manager at June 30, 2007



Mayor
Eva Galambos



Councilmember
Tibby DeJulio



Councilmember
Dianne Fries



Councilmember
Dave Greenspan



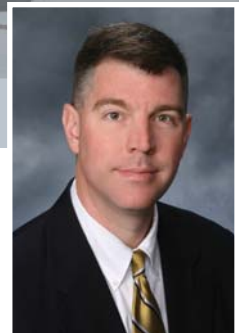
Councilmember
Ashley Jenkins



Councilmember
Karen Meinzen McEnerry



Councilmember
Rusty Paul



City Manager
John McDonough



City of Sandy Springs, Georgia

Listing of principal officials at June 30, 2007

Assistant City Manager

Al Crace

Assistant City Manager

Steve Rapson

City Clerk

Christina Rowland

Court Clerk

Matt Horn

Police Chief

Gene Wilson

Fire Chief

Jack McElfish

City Attorney

Wendell Willard

City Auditors

Mauldin & Jenkins, LLC



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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Sandy Springs, Georgia**, as of and for the year ended June 30, 2007, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sandy Springs, Georgia as of June 30, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 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 and budgetary comparison information on pages 3 through 9 and 32 through 34 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sandy Springs, Georgia's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section 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 combining and individual fund 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 sections 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
December 18, 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, 2007. 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 \$92,382,792 (total net assets). Of this amount (\$15,393,045), (unrestricted net assets) is available to meet the ongoing obligations of the government. This represents an increase of \$20,979,064 from the prior year.
- The City's increase in net assets was \$41,683,052 during the fiscal period; primarily due to \$21,130,678 being recorded as a donation of infrastructure assets and land from Fulton County for ten recreational parks and four fire stations.
- As of the close of the current fiscal period, the City's governmental funds reported combined ending fund balances of \$18,748,752. This represents an increase of \$21,809,331 primarily due to higher than anticipated revenues, lower than expected expenditures and residual funds allocated to the Capital Fund for pending capital projects.
- The City paid off \$10,000,000 of short term borrowings which existed at June 2006 and increased long term debt by \$7,500,000 primarily for the fire department start-up and mid-year police/fire improvement equipment to be repaid over the next three to ten years.

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 report 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, and 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 six 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, hotel/motel tax, and capital projects funds, all 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 the 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 31 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. 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 32 through 34 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 35 through 43 of this report.

Government-wide Financial Analysis

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 \$92,382,792.

The largest portion of the City's net assets, \$76,989,747, reflects its investment in capital assets (e.g., buildings, machinery and equipment, 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 unrestricted net assets \$15,393,045 that is available to meet the ongoing obligations of the government. In the prior fiscal year, unrestricted net assets was a deficit balance of (\$5,586,019). This represents a positive shift of \$20,979,064, primarily as a result of excess revenues over expenditures which is necessary to provide some working capital cushion for the City.

At the end of the current fiscal period, the City reported positive balances in both net assets categories.

City of Sandy Spring's Net Assets

	Governmental Activities	
	2007	2006
Assets		
Current assets	\$ 25,190,349	\$ 9,995,688
Capital assets, net of accumulated depreciation	82,949,292	57,862,728
Total assets	108,139,641	67,858,416
Liabilities		
Current liabilities	5,721,669	13,057,226
Long-term liabilities	10,035,180	4,056,450
Total liabilities	15,756,849	17,113,676
Net assets		
Invested in capital assets, net of related debt	76,989,747	56,330,759
Unrestricted	15,393,045	(5,586,019)
Total net assets	\$ 92,382,792	\$ 50,744,740

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental activities. Governmental activities in the prior year were for a partial year beginning December 2005. The donation of capital assets accounted for substantially all the growth in net assets for 2006. Fiscal 2007 represents a full year of operating activity for the City Key elements of this increase are as follows:

City of Sandy Spring's Changes in Net Assets

	Governmental Activities	
	2007	2006
Revenues		
Program revenues:		
Charges for services	\$ 7,650,281	\$ 2,216,324
Operating grants and contributions	125,798	-
Capital grants and contributions	21,653,418	-
General revenues:		
Property taxes	27,563,122	996,312
Sales taxes	24,795,033	9,627,122
Hotel/motel taxes	4,319,717	2,349,053
Franchise taxes	7,603,326	583,129
Business taxes	9,796,751	7,779,925
Unrestricted investment earnings	734,079	113,746
Contributions not restricted to specific programs	2,044	70,000
Miscellaneous revenues	116,339	2,898
Total revenues	<u>104,359,908</u>	<u>23,738,509</u>
Expenses		
General government	14,455,096	9,154,700
Judicial	782,597	328,008
Public safety	23,090,567	9,867,430
Public works	12,515,340	5,105,770
Culture and recreation	4,105,728	2,699,718
Housing and development	7,236,048	2,697,519
Interest on long-term debt	536,480	194,709
Total expenses	<u>62,721,856</u>	<u>30,047,854</u>
Income (loss) before special item	41,638,052	(6,309,345)
Special item - donation of infrastructure at incorporation	-	57,054,085
Change in net assets	<u>41,638,052</u>	<u>50,744,740</u>
Net asset beginning of year	50,744,740	-
Net asset end of year	<u>\$ 92,382,792</u>	<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 a combined ending fund balance of \$18,748,752. Of this balance, \$3,697,018 is reserved for capital projects, \$202,977 is reserved for prepaids, and \$14,848,757 is considered unreserved and can be used to meet the near term operating needs of the City. This is an increase of \$21,809,331 from the prior year. This increase is primarily a result of the City levying property taxes for the first time in 2007, generating revenues of \$27,004,750.

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 \$9,083,886, while total fund balance was \$12,993,881. As a measure of the liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents (16%) percent of total general fund expenditures. This is only a decrease of 3.6% compared to last year in spite of the fact that unreserved undesignated fund balance is being compared to a full year of operating expenditures.

Hotel/Motel Tax Fund. The hotel/motel tax fund reported a fund balance of \$227,025 as of June 30, 2007. There was no change in the fund balance from last year, as this fund is designed to spend all of its revenues on the promotion of tourism, either by expenditures within the fund or by transfers to other funds or the City's component unit. The hotel/motel tax fund owes the component unit \$917,926 at year end for taxes that have been collected, but not yet remitted.

Capital Projects Fund. The capital projects fund was set up during 2007 to account for capital projects managed by the City. During the year a total of \$6,180,936 was transferred into the capital projects fund from the general and solid waste hauling fees fund. The City also entered into capital leases in the amount of \$7,500,000 which is reported in this fund. After capital outlay expenditures of \$8,222,585, the capital projects fund had a remaining fund balance of \$5,488,351 at year end.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 while providing revenue enhancement, financial priorities and discipline.

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.

For fiscal 2007, the City had a favorable budget variance of \$16,284,685. There was a \$5,813,263 favorable budget variance for revenues. Almost all categories of revenue realized significant favorable variances. Debt service reflected a favorable budget variance of \$8,014,351 due to different accounting treatment of short term debt between budgetary accounting and generally accepted accounting principles for government entities.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental activities as of June 30, 2007, amounts to \$82,949,292 (net of accumulated depreciation). These assets primarily reflect the donation of infrastructure assets from Fulton County for roadways, sidewalks, culverts and signals; and the capital investment for police vehicles and other capital related equipment.

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

	Governmental Activities	
	2007	2006
Land	\$ 13,448,323	\$ -
Construction in progress	135,262	-
Buildings	4,539,935	-
Improvements	2,739,170	-
Machinery and equipment	7,146,468	1,561,175
Infrastructure	54,940,134	56,301,553
Total	<u>\$ 82,949,292</u>	<u>\$ 57,862,728</u>

Additional information on the City's capital assets can be found in note 6 on page 26 of this report.

Long-term debt. At the end of fiscal year 2006, 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. During fiscal year 2007, the entire short term borrowing amount of \$10,000,000 was repaid. Additionally, long term debt increased \$7,500,000, primarily for capital leases to purchase fire start-up and police equipment. All debt is 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 27 and 28 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 2008 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 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 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 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, 2007

	Primary Government Governmental Activities	Component Unit Sandy Springs Hospitality Board
ASSETS		
Cash and cash equivalents	\$ 19,168,025	\$ 300
Accounts receivable	235,685	-
Taxes receivable	5,235,818	-
Due from other governments	347,844	-
Due from primary government	-	917,926
Prepays	202,977	-
Capital assets:		
Nondepreciable	13,583,585	-
Depreciable, net of accumulated depreciation	69,365,707	-
Total assets	108,139,641	918,226
LIABILITIES		
Accounts payable	4,775,516	31,763
Accrued liabilities	28,227	-
Due to component unit	917,926	-
Compensated absences due within one year	340,755	-
Compensated absences due in more than one year	37,862	-
Note payable due within one year	2,783,844	-
Note payable due in more than one year	6,872,719	-
Total liabilities	15,756,849	31,763
NET ASSETS		
Invested in capital assets, net of related debt	76,989,747	-
Unrestricted	15,393,045	886,463
Total net assets	\$ 92,382,792	\$ 886,463

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

CITY OF SANDY SPRINGS, GEORGIA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 14,455,096	\$ 652,646	\$ 30,294	\$ -
Judicial	782,597	3,447,821	-	-
Public safety	23,090,567	77,240	79,632	175,677
Public works	12,515,340	370,645	-	21,477,741
Culture and recreation	4,105,728	167,975	15,872	-
Housing and development	7,236,048	2,933,954	-	-
Interest on long-term debt	536,480	-	-	-
Total governmental activities	<u>62,721,856</u>	<u>7,650,281</u>	<u>125,798</u>	<u>21,653,418</u>
Total primary government	<u>\$ 62,721,856</u>	<u>\$ 7,650,281</u>	<u>\$ 125,798</u>	<u>\$ 21,653,418</u>
Component Unit				
Sandy Springs Hospitality Board	\$ 540,105	\$ -	\$ -	\$ -
	<u>\$ 540,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Sales taxes				
Hotel/Motel taxes				
Franchise taxes				
Business taxes				
Unrestricted investment earnings				
Contributions not restricted to specific programs				
Miscellaneous revenues				
Total general revenues				
Change in net assets				
Net assets, beginning of year				
Net assets, end of year				

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

Net (Expenses) Revenues and Changes in Net Assets	
Primary Government	Component Unit
Governmental Activities	Sandy Springs Hospitality Board
\$ (13,772,156)	\$ -
2,665,224	-
(22,758,018)	-
9,333,046	-
(3,921,881)	-
(4,302,094)	-
(536,480)	-
(33,292,359)	-
(33,292,359)	-
-	(540,105)
-	(540,105)
27,563,122	-
24,795,033	-
4,319,717	1,389,781
7,603,326	-
9,796,751	-
734,079	36,787
2,044	-
116,339	-
74,930,411	1,426,568
41,638,052	886,463
50,744,740	-
<u>\$ 92,382,792</u>	<u>\$ 886,463</u>

CITY OF SANDY SPRINGS, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2007

ASSETS	General Fund	Hotel/Motel Tax Fund	Capital Projects Fund
Cash and cash equivalents	\$ 10,539,066	\$ 1,258,361	\$ 7,312,375
Accounts receivable	220,685	-	15,000
Taxes receivable	4,877,178	358,640	-
Intergovernmental receivable	307,263	-	-
Due from other funds	648,999	-	-
Prepays	202,977	-	-
Total assets	<u>\$ 16,796,168</u>	<u>\$ 1,617,001</u>	<u>\$ 7,327,375</u>
LIABILITIES			
Accounts payable	\$ 3,054,132	\$ 283,248	\$ 1,428,258
Accrued liabilities	13,000	-	-
Deferred revenue	735,155	-	-
Due to other funds	-	188,802	410,766
Due to component unit	-	917,926	-
Total liabilities	<u>3,802,287</u>	<u>1,389,976</u>	<u>1,839,024</u>
FUND BALANCES			
Fund balances:			
Reserved for:			
Capital projects	3,697,018	-	-
Prepays	202,977	-	-
Unreserved, reported in:			
General Fund	9,093,886	-	-
Special Revenue Funds	-	227,025	-
Capital Projects Funds	-	-	5,488,351
Total fund balances	<u>12,993,881</u>	<u>227,025</u>	<u>5,488,351</u>
Total liabilities and fund balances	<u>\$ 16,796,168</u>	<u>\$ 1,617,001</u>	<u>\$ 7,327,375</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.

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Some revenues are not available in the current period and, therefore, are not reported in the funds.

Net assets of governmental activities

The accompanying notes are an integral part of these statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 58,223	\$ 19,168,025
-	235,685
-	5,235,818
40,581	347,844
-	648,999
-	202,977
<u>\$ 98,804</u>	<u>\$ 25,839,348</u>

\$ 9,878	\$ 4,775,516
-	13,000
-	735,155
49,431	648,999
-	917,926
<u>59,309</u>	<u>7,090,596</u>

-	3,697,018
-	202,977
-	9,093,886
37,377	264,402
2,118	5,490,469
<u>39,495</u>	<u>18,748,752</u>
<u>\$ 98,804</u>	

82,949,292
(10,050,407)
<u>735,155</u>
<u>\$ 92,382,792</u>

CITY OF SANDY SPRINGS, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2007

	General Fund	Hotel/Motel Tax Fund	Capital Projects Fund
Revenues:			
Property taxes	\$ 27,004,750	\$ -	\$ -
Sales taxes	24,795,033	-	-
Hotel/Motel taxes	-	4,319,717	-
Franchise taxes	7,603,326	-	-
Business taxes	9,796,751	-	-
Licenses and permits	3,498,289	-	-
Intergovernmental	228,623	-	-
Charges for services	332,247	1,280	-
Fines and forfeitures	3,447,820	-	-
Contributions	2,044	-	-
Interest earned	734,079	-	-
Miscellaneous	86,339	-	30,000
Total revenues	<u>77,529,301</u>	<u>4,320,997</u>	<u>30,000</u>
Expenditures:			
Current:			
General government	14,662,914	-	-
Judicial	784,594	-	-
Public safety	21,112,163	-	6,721,226
Public works	9,613,149	-	1,271,637
Culture and recreation	894,601	3,087,286	229,722
Housing and development	7,236,048	-	-
Debt service:			
Principal	1,843,437	-	-
Interest	522,212	-	-
Total expenditures	<u>56,669,118</u>	<u>3,087,286</u>	<u>8,222,585</u>
Excess (deficiency) of revenues over expenditures	<u>20,860,183</u>	<u>1,233,711</u>	<u>(8,192,585)</u>
Other financing sources (uses):			
Issuance of long term debt	-	-	7,500,000
Transfers in	1,233,711	-	6,180,936
Transfers out	<u>(5,812,409)</u>	<u>(1,233,711)</u>	<u>-</u>
Total other financing sources (uses)	<u>(4,578,698)</u>	<u>(1,233,711)</u>	<u>13,680,936</u>
Net change in fund balances	<u>16,281,485</u>	<u>-</u>	<u>5,488,351</u>
Fund balances (deficit), beginning of year	<u>(3,287,604)</u>	<u>227,025</u>	<u>-</u>
Fund balances, end of year	<u>\$ 12,993,881</u>	<u>\$ 227,025</u>	<u>\$ 5,488,351</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 27,004,750
-	24,795,033
-	4,319,717
-	7,603,326
-	9,796,751
370,645	3,868,934
73,107	301,730
-	333,527
-	3,447,820
170,025	172,069
-	734,079
-	116,339
<u>613,777</u>	<u>82,494,075</u>
-	14,662,914
-	784,594
189,965	28,023,354
-	10,884,786
15,790	4,227,399
-	7,236,048
-	1,843,437
-	522,212
<u>205,755</u>	<u>68,184,744</u>
<u>408,022</u>	<u>14,309,331</u>
-	7,500,000
-	7,414,647
<u>(368,527)</u>	<u>(7,414,647)</u>
<u>(368,527)</u>	<u>7,500,000</u>
<u>39,495</u>	<u>21,809,331</u>
-	(3,060,579)
<u>\$ 39,495</u>	<u>\$ 18,748,752</u>

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 YEAR ENDED JUNE 30, 2007

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

Net change in fund balances - total governmental funds	\$ 21,809,331
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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.	3,955,886
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The effect of the donation of capital assets is to increase net assets.	21,130,678
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	735,155
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt.	(5,656,563)
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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.	(336,435)
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	<u>\$ 41,638,052</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF SANDY SPRINGS, GEORGIA

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2007**

	ASSETS	Municipal Court Fund
Cash		\$ 585,502
Total assets		\$ 585,502
	LIABILITIES	
Due to others		\$ 585,502
Total liabilities		\$ 585,502

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

CITY OF SANDY SPRINGS, GEORGIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

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, housing and development and public works.

The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

The Sandy Springs Hospitality Board has been included as a discretely presented component unit in the accompanying financial statements. The Sandy Springs Hospitality Board does not have the power to levy taxes, determine its own aggregate budget without the approval of the City of Sandy Springs, Georgia, or issue bonded debt. Financial information with regard to the Hospitality Board can be obtained from the Board's administrative offices at 7840 Roswell Road, Building 500, Sandy Springs, Georgia 30350. Separate financial statements for the Sandy Springs Hospitality Board are not prepared; however, the Board plans to produce separate financial statements for the year ended June 30, 2008.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 primary government and its component unit. The primary government is reported separately from its discretely presented component unit. The statement of net assets includes non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, any interfund services provided and used are not eliminated as this process would distort the direct costs and program revenues reported in the various functions.

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.

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 taxes, 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.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, major individual governmental funds are reported as separate columns in the fund financial statements.

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.

The **capital projects fund** is used to account for the capital expenditures made by the City.

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's Municipal Court 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, 2007, and none were recorded.

E. Budgets

Formal budgetary accounting is employed as a management control device for the general fund, special revenue funds, and capital projects funds 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 and repayments of tax anticipation notes are debt service expenditures. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required. During the fiscal year ended June 30, 2007, 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. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, are recorded as prepaid items in both government-wide and fund financial statements.

J. Capital Assets

Capital assets, which include buildings, improvements, 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 three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The City has reported all infrastructure 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:

Buildings	20-50 years
Improvements	15-40 years
Machinery and equipment	3-20 years
Infrastructure	40-60 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)

K. 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.

L. 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.

M. 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.

N. 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 \$10,050,407 difference are as follows:

Notes payable	\$ (9,656,563)
Compensated absences (i.e., vacation)	(378,617)
Accrued interest	<u>(15,227)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ (10,050,407)</u></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 \$3,955,886 difference are as follows:

Capital outlay	\$ 6,444,911
Depreciation expense	<u>(2,489,025)</u>
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets - governmental activities</i>	<u><u>\$ 3,955,886</u></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 “the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net assets.” The details of this \$5,656,563 difference are as follows:

Proceeds from note payable	\$ (7,500,000)
Principal repayments	<u>1,843,437</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets - governmental activities</i>	<u><u>\$ (5,656,563)</u></u>

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 \$336,435 difference are as follows:

Compensated absences (i.e., vacation)	\$ (322,167)
Accrued interest	<u>(14,268)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets - governmental activities</i>	<u><u>\$ (336,435)</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.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

The following fund and General Fund departments had excesses of actual expenditures over appropriations for the fiscal period ended June 30, 2007:

General Fund departments:	
Finance department	\$ 185,188
City clerk	165,621
Interest	142,212
Hotel/Motel Tax Fund	372,566

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

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits and investments as of June 30, 2007 are summarized as follows:

Statement of Net Assets:	
Cash and cash equivalents	\$ 19,168,025
Statement of Fiduciary Net Assets:	
Cash - Agency fund	585,502
	<u>\$ 19,753,527</u>
Cash deposited with financial institutions	\$ 6,380,914
Cash deposited with Georgia fund 1	13,372,613
	<u>\$ 19,753,527</u>

Credit risk. State statutes and the City's policies 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, 2007, the City's investment in Georgia Fund 1 received a rating of AAAM by Standard & Poor's.

As of June 30, 2007, the City had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Georgia Fund 1	15 day weighted average	<u>\$ 13,372,613</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, 2007, 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, 2007, all of the City's bank balances were adequately insured and collateralized as defined by GASB.

NOTE 5. RECEIVABLES

Property taxes are levied on property values assessed as of January 1. The City contracts with Fulton County to bill and collect City of Sandy Springs property taxes. The taxes are levied by August 1 based on the assessed value of property as listed on the previous January 1 and are due on October 15 of each year. Property taxes are recorded as receivables and deferred revenues when assessed. Revenues are recognized when available.

Receivables at June 30, 2007, for the City's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Capital Projects</u>	<u>Hotel/Motel Tax</u>	<u>Nonmajor Governmental</u>
Receivables:				
Accounts	\$ 220,685	\$ 15,000	\$ -	\$ -
Intergovernmental	307,263	-	-	40,581
Taxes	4,877,178	-	358,640	-
Total receivables	5,405,126	15,000	358,640	40,581
Less allowance for uncollectible	-	-	-	-
Net total receivable	<u>\$ 5,405,126</u>	<u>\$ 15,000</u>	<u>\$ 358,640</u>	<u>\$ 40,581</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the City for the period ended June 30, 2007 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Nondepreciable capital assets				
Land	\$ -	\$ 13,448,323	\$ -	\$ 13,448,323
Construction in progress	-	135,262	-	135,262
Total	<u>-</u>	<u>13,583,585</u>	<u>-</u>	<u>13,583,585</u>
Capital assets, being depreciated:				
Buildings	-	4,590,251	-	4,590,251
Improvements	-	2,832,969	-	2,832,969
Machinery and equipment	1,645,708	6,299,649	-	7,945,357
Infrastructure	57,054,085	269,135	-	57,323,220
Total	<u>58,699,793</u>	<u>13,992,004</u>	<u>-</u>	<u>72,691,797</u>
Less accumulated depreciation for:				
Buildings	-	(50,316)	-	(50,316)
Improvements	-	(93,799)	-	(93,799)
Machinery and equipment	(84,533)	(714,356)	-	(798,889)
Infrastructure	(752,532)	(1,630,554)	-	(2,383,086)
Total	<u>(837,065)</u>	<u>(2,489,025)</u>	<u>-</u>	<u>(3,326,090)</u>
Total capital assets being depreciated, net	<u>57,862,728</u>	<u>11,502,979</u>	<u>-</u>	<u>69,365,707</u>
Governmental activities capital assets, net	<u>\$ 57,862,728</u>	<u>\$ 25,086,564</u>	<u>\$ -</u>	<u>\$ 82,949,292</u>

Additions noted above include assets donated to the City from Fulton County. Due to the relationship between Fulton County and the City, these assets were added to the City's Statement of Net Assets at estimated historical cost, less accumulated depreciation. The capital contribution of these assets is recognized in the City's Statement of Activities.

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

Governmental activities:	
General government	\$ 34,845
Public safety	787,811
Public works	1,630,554
Culture and recreation	<u>35,815</u>
Total depreciation expense - governmental activities	<u>\$ 2,489,025</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. SHORT-TERM BORROWINGS

The City paid off 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%, matured on December 31, 2006. As of June 30, 2007, the principal was paid in full.

Total short-term borrowings interest incurred and expensed for the period ended June 30, 2007, was \$186,215.

The following is a summary of the tax anticipation note payable for the period ended June 30, 2007:

	<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

Notes 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% began in August 2006 and will 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>
2008	\$ 1,333,022	\$ 88,651	\$ 1,421,673
2009	1,389,937	31,736	1,421,673
	<u>\$ 2,722,959</u>	<u>\$ 120,387</u>	<u>\$ 2,843,346</u>

During September 2006, the City entered into an agreement through a financial institution to borrow \$7,500,000 for the purchase of vehicles and equipment for the police and fire departments. The total borrowing is broken into four separate notes as follows:

<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Monthly Payment</u>
\$ 464,440	4.0612 %	January 2010	\$ 13,511
4,094,644	4.3216	December 2016	42,538
2,500,000	4.0612	January 2010	73,878
440,916	4.0027	February 2010	13,018

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Notes Payable (Continued)

Fiscal year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,450,822	\$ 264,528	\$ 1,715,350
2009	1,511,703	203,647	1,715,350
2010	1,082,891	143,438	1,226,329
2011	393,372	117,085	510,457
2012	410,712	99,744	510,456
2013 - 2017	2,084,104	240,465	2,324,569
	<u>\$ 6,933,604</u>	<u>\$ 1,068,907</u>	<u>\$ 8,002,511</u>

Changes in Long-Term Liabilities

The following is a summary of long-term debt activity of the City for the period ended June 30, 2007:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes payable	\$ 4,000,000	\$ 7,500,000	\$ (1,843,437)	\$ 9,656,563	\$ 2,783,844
Compensated absences	56,450	492,466	(170,299)	378,617	340,755
Governmental activity					
Long-term liabilities	<u>\$ 4,056,450</u>	<u>\$ 7,992,466</u>	<u>\$ (2,013,736)</u>	<u>\$ 10,035,180</u>	<u>\$ 3,124,599</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, 2007 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
General Fund	Hotel/Motel Tax Fund	\$ 188,802
General Fund	Non-major Governmental Fund	49,431
General Fund	Capital Fund	410,766
Total		<u>\$ 648,999</u>
Amount Due from Primary Government to Component Unit:		
Hospitality Board	Hotel/Motel Tax Fund	<u>\$ 917,926</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

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>
Capital Fund	Nonmajor governmental fund	\$ 368,527
General Fund	Hotel/Motel Tax Fund	1,233,711
Capital Fund	General Fund	5,812,409
		<u>\$ 7,414,647</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.

NOTE 10. OPERATING LEASES

The government leases the police building and office facilities under non-cancelable operating leases. Total costs for such leases were \$430,052 for the fiscal year ended June 30, 2007. The future minimum lease payments for these leases are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2008	\$ 452,972
2009	471,520
Total	<u>\$ 924,492</u>

NOTE 11. 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

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 \$29 million annually.

The City, as of June 30, 2007, has contracted out the operations of the E911 services to Fulton County. During the 2007 fiscal year, the City began providing the operations of the police and fire departments in-house.

NOTE 12. 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, 2007, there were 193 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, 2007, the City's contributions to the Plan were \$1,157,042.

NOTE 13. 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.

NOTE 14. 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, 2007, the City received \$4,319,717 in hotel/motel taxes. Of this amount, \$3,087,286, or 71.4%, was used for the promotion of tourism, conventions, or trade shows.

NOTES TO FINANCIAL STATEMENTS

NOTE 15. 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, 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 the first two years 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.

NOTE 16. FUND DEFICITS

For the year ended June 30, 2007, the City's Federal Grant Fund had a deficit fund balance of \$8,228. The fund deficit will be reduced through General Fund appropriations, as needed.

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 YEAR ENDED JUNE 30, 2007**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 25,168,000	\$ 26,312,516	\$ 27,004,750	\$ 692,234
Sales taxes	23,932,000	23,911,810	24,795,033	883,223
Franchise taxes	6,350,000	5,785,371	7,603,326	1,817,955
Business taxes	11,500,000	11,500,000	9,796,751	(1,703,249)
Licenses and permits	1,391,000	2,158,527	3,498,289	1,339,762
Intergovernmental	-	65,000	228,623	163,623
Charges for services	160,716	167,081	332,247	165,166
Fines and forfeitures	1,050,000	1,635,666	3,447,820	1,812,154
Contributions	-	-	2,044	2,044
Interest earned	75,000	118,064	734,079	616,015
Miscellaneous	-	62,003	86,339	24,336
Total revenues	69,626,716	71,716,038	77,529,301	5,813,263
Expenditures:				
Current:				
General government:				
Mayor and council	163,532	163,532	138,223	25,309
City manager	645,744	645,744	444,105	201,639
General administration	9,749,801	10,522,989	9,750,424	772,565
Finance department	1,865,285	1,965,345	2,150,533	(185,188)
Legal services	766,000	766,000	526,834	239,166
Facilities and buildings	1,186,190	1,444,452	1,304,861	139,591
City clerk	182,313	182,313	347,934	(165,621)
Contingencies	2,779,899	974,633	-	974,633
Total general government	17,338,764	16,665,008	14,662,914	2,002,094
Judicial	710,312	848,612	784,594	64,018
Public safety:				
Police department	11,430,593	12,921,410	12,258,159	663,251
Fire department	8,751,185	9,768,546	8,854,004	914,542
Total public safety	20,181,778	22,689,956	21,112,163	1,577,793
Public works	9,390,688	9,669,488	9,613,149	56,339
Culture and recreation	1,126,092	974,092	894,601	79,491
Housing and development	7,261,953	7,264,953	7,236,048	28,905
Debt service:				
Principal	-	10,000,000	1,843,437	8,156,563
Interest	10,390,000	380,000	522,212	(142,212)
Total debt service	10,390,000	10,380,000	2,365,649	8,014,351
Total expenditures	66,399,587	68,492,109	56,669,118	11,822,991
Excess of revenues over expenditures	3,227,129	3,223,929	20,860,183	17,636,254

Continued

CITY OF SANDY SPRINGS, GEORGIA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED JUNE 30, 2007**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Other financing sources (uses):				
Transfers in	\$ 1,085,280	\$ 1,085,280	\$ 1,233,711	\$ 148,431
Transfers out	(4,312,409)	(4,312,409)	(5,812,409)	(1,500,000)
Total other financing sources (uses)	(3,227,129)	(3,227,129)	(4,578,698)	(1,351,569)
Net change in fund balances (budgetary basis)	-	(3,200)	16,281,485	16,284,685
Add - principal payments on tax anticipation note, June 30	10,000,000	10,000,000	-	(10,000,000)
Net change in fund balances (GAAP basis)	\$ 10,000,000	\$ 9,996,800	\$ 16,281,485	\$ 6,284,685

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 YEAR ENDED JUNE 30, 2007**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 3,800,000	\$ 3,800,000	\$ 4,319,717	\$ 519,717
Charges for services	-	-	1,280	1,280
Total revenues	<u>3,800,000</u>	<u>3,800,000</u>	<u>4,320,997</u>	<u>520,997</u>
Expenditures:				
Culture and recreation	<u>2,714,720</u>	<u>2,714,720</u>	<u>3,087,286</u>	<u>(372,566)</u>
Total expenditures	<u>2,714,720</u>	<u>2,714,720</u>	<u>3,087,286</u>	<u>(372,566)</u>
Excess of revenues over expenditures	1,085,280	1,085,280	1,233,711	148,431
Other financing uses:				
Transfers out	<u>(1,085,280)</u>	<u>(1,085,280)</u>	<u>(1,233,711)</u>	<u>(148,431)</u>
Total other financing uses	<u>(1,085,280)</u>	<u>(1,085,280)</u>	<u>(1,233,711)</u>	<u>(148,431)</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	<u>227,025</u>	<u>227,025</u>	<u>227,025</u>	<u>-</u>
Fund balances, end of year	<u>\$ 227,025</u>	<u>\$ 227,025</u>	<u>\$ 227,025</u>	<u>\$ -</u>

NONMAJOR GOVERNMENTAL FUNDS

Operating Grant Fund – To account for the expenditures and revenues of non-federal grants and local contributions.

Federal Grant Fund – To account for the expenditures and revenues of federal grants.

Solid Waste Hauling Fund – To account for the revenues received from hauling companies transporting solid waste through the City limits and the expenditure of these funds on infrastructure maintenance.

CITY OF SANDY SPRINGS, GEORGIA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2007

	Special Revenue Funds		Capital Project Fund	Total Nonmajor Governmental Funds
	Operating Grant Fund	Federal Grant Fund	Solid Waste Hauling Fund	
ASSETS				
Cash	\$ 56,105	\$ -	\$ 2,118	\$ 58,223
Due from other governments	-	40,581	-	40,581
Total assets	<u>\$ 56,105</u>	<u>\$ 40,581</u>	<u>\$ 2,118</u>	<u>\$ 98,804</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 9,878	\$ -	\$ 9,878
Due to other funds	10,500	38,931	-	49,431
Total liabilities	<u>10,500</u>	<u>48,809</u>	<u>-</u>	<u>59,309</u>
FUND BALANCES				
Unreserved	<u>45,605</u>	<u>(8,228)</u>	<u>2,118</u>	<u>39,495</u>
Total liabilities and fund balances	<u>\$ 56,105</u>	<u>\$ 40,581</u>	<u>\$ 2,118</u>	<u>\$ 98,804</u>

CITY OF SANDY SPRINGS, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

	Special Revenue Fund		Capital Projects Fund	Total Nonmajor Governmental Funds
	Operating Grant Fund	Federal Grant Fund	Solid Waste Hauling Fund	
REVENUES				
License and permits	\$ -	\$ -	\$ 370,645	\$ 370,645
Intergovernmental	4,500	68,607	-	73,107
Contributions	170,025	-	-	170,025
Total revenues	174,525	68,607	370,645	613,777
EXPENDITURES				
Current:				
Public safety	113,130	76,835	-	189,965
Culture and recreation	15,790	-	-	15,790
Total expenditures	128,920	76,835	-	205,755
Excess (deficiency) of revenues over (under) expenditures	45,605	(8,228)	370,645	408,022
OTHER FINANCING USES				
Transfers out	-	-	(368,527)	(368,527)
Total other financing uses	-	-	(368,527)	(368,527)
Net change in fund balances	45,605	(8,228)	2,118	39,495
FUND BALANCES, beginning of year	-	-	-	-
FUND BALANCES, end of year	<u>\$ 45,605</u>	<u>\$ (8,228)</u>	<u>\$ 2,118</u>	<u>\$ 39,495</u>

CITY OF SANDY SPRINGS, GEORGIA

OPERATING GRANT FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2007

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 4,500	\$ 4,500
Contributions	-	185,026	170,025	(15,001)
Total revenues	-	185,026	174,525	(10,501)
Expenditures:				
Public safety	-	129,354	113,130	16,224
Public works	-	39,800	-	39,800
Culture and recreation	-	15,872	15,790	82
Total expenditures	-	185,026	128,920	56,106
Excess of revenues over expenditures	-	-	45,605	45,605
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,605</u>	<u>\$ 45,605</u>

CITY OF SANDY SPRINGS, GEORGIA

FEDERAL GRANT FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2007

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Intergovernmental	\$ 373,600	\$ 171,100	\$ 68,607	\$ (102,493)
Total revenues	373,600	171,100	68,607	(102,493)
Expenditures:				
Public safety	388,762	178,900	76,835	102,065
Total expenditures	388,762	178,900	76,835	102,065
Deficiency of revenues over expenditures	(15,162)	(7,800)	(8,228)	(428)
Other financing sources:				
Transfers in	15,162	7,800	-	(7,800)
Total other financing sources	15,162	7,800	-	(7,800)
Net change in fund balances	-	-	(8,228)	(8,228)
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,228)</u>	<u>\$ (8,228)</u>

CITY OF SANDY SPRINGS, GEORGIA

SOLID WASTE HAULING FEES FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2007

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
License and permits	\$ 800,000	\$ 800,000	\$ 370,645	\$ (429,355)
Total revenues	<u>800,000</u>	<u>800,000</u>	<u>370,645</u>	<u>(429,355)</u>
Expenditures:				
Public works	100,000	100,000	-	100,000
Total expenditures	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Excess (deficiency) of revenues over expenditures	700,000	700,000	370,645	(329,355)
Other financing uses:				
Transfers out	(700,000)	(700,000)	(368,527)	331,473
Total other financing uses	<u>(700,000)</u>	<u>(700,000)</u>	<u>(368,527)</u>	<u>331,473</u>
Net change in fund balances	-	-	2,118	2,118
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,118</u></u>	<u><u>\$ 2,118</u></u>

CITY OF SANDY SPRINGS, GEORGIA

CAPITAL PROJECTS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS) FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>			<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenues:				
Miscellaneous	\$ -	\$ 30,000	\$ 30,000	\$ -
Total revenues	-	30,000	30,000	-
Expenditures:				
General government	-	99,360	-	99,360
Public safety	-	7,697,000	6,721,226	975,774
Public works	6,512,409	5,066,340	1,271,637	3,794,703
Culture and recreation	-	1,179,709	229,722	949,987
Total expenditures	6,512,409	14,042,409	8,222,585	5,819,824
Deficiency of revenues over expenditures	(6,512,409)	(14,012,409)	(8,192,585)	5,819,824
Other financing sources:				
Issuance of note payable	-	7,500,000	7,500,000	-
Transfers in	6,512,409	6,512,409	6,180,936	(331,473)
Total other financing sources	6,512,409	14,012,409	13,680,936	(331,473)
Net change in fund balances	-	-	5,488,351	5,488,351
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,488,351</u>	<u>\$ 5,488,351</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 YEAR ENDED JUNE 30, 2007

	Balance June 30, 2006	Additions	Deductions	Balance June 30, 2007
MUNICIPAL COURT FUND				
Assets:				
Cash	\$ 61,681	\$ 1,950,743	\$ 1,426,922	\$ 585,502
Accounts receivable	1,970	-	1,970	-
Total assets	<u>\$ 63,651</u>	<u>\$ 1,950,743</u>	<u>\$ 1,428,892</u>	<u>\$ 585,502</u>
Liabilities:				
Due to others	<u>\$ 63,651</u>	<u>\$ 1,950,743</u>	<u>\$ 1,428,892</u>	<u>\$ 585,502</u>

COMPONENT UNIT

Sandy Springs Hospitality Board – To account for the revenue and expenditures of promoting tourism within the City as funded by Hotel/Motel tax revenue.

CITY OF SANDY SPRINGS, GEORGIA

BALANCE SHEET COMPONENT UNIT - HOSPITALITY BOARD OF SANDY SPRINGS JUNE 30, 2007

ASSETS	
Cash	\$ 300
Due from primary government	<u>917,926</u>
Total assets	<u>\$ 918,226</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	<u>\$ 31,763</u>
Total liabilities	<u>31,763</u>
FUND BALANCE	
Unreserved	<u>886,463</u>
Total liabilities and fund balance	<u>\$ 918,226</u>

CITY OF SANDY SPRINGS, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
COMPONENT UNIT - HOSPITALITY BOARD OF SANDY SPRINGS
FOR THE YEAR ENDED JUNE 30, 2007**

REVENUES

Hotel/Motel taxes	\$ 1,389,781
Interest	<u>36,787</u>
Total revenues	<u>1,426,568</u>

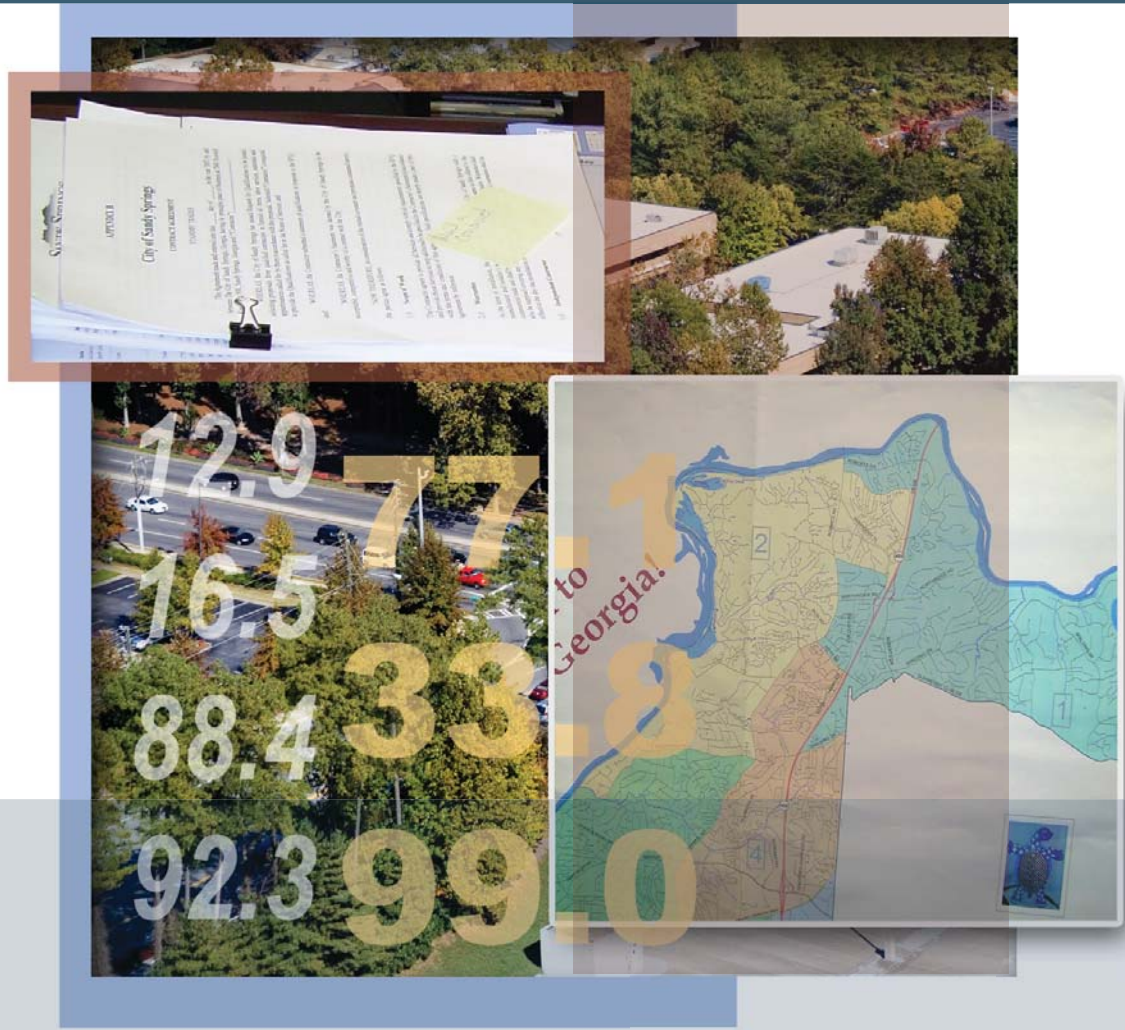
EXPENDITURES

Current:	
General government	117,993
Culture and recreation	<u>422,112</u>
Total expenditures	<u>540,105</u>
Excess of revenues over expenditures	<u>886,463</u>
Net change in fund balances	<u>886,463</u>

FUND BALANCES, beginning of period	<u>-</u>
---	----------

FUND BALANCES, end of period	<u><u>\$ 886,463</u></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..... 44

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 49

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

Debt Capacity 54

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..... 56

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 57

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 schedule of Operating Indicators by Function has been omitted for the year ended June 30, 2007. The City incorporated in December 2005 and contracted out most of its services during fiscal year 2006, therefore there were no relevant operating indicators to report. During fiscal year 2007, the City began to provide more services on its own, but because the City is still in the start-up phase, relevant operating indicators are still not 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 LAST TWO FISCAL YEARS (accrual basis of accounting)

	<u>2007</u>	<u>2006</u>
Primary government:		
Invested in capital assets, net of related debt	\$ 76,989,747	\$ 56,330,759
Unrestricted	<u>15,393,045</u>	<u>(5,586,019)</u>
Total primary government net assets	<u>\$ 92,382,792</u>	<u>\$ 50,744,740</u>

Note: The City's operations have grown during 2007, its first full year of operation.
The 2006 period was only 7 months.

CITY OF SANDY SPRINGS, GEORGIA

CHANGES IN NET ASSETS LAST TWO FISCAL YEARS (accrual basis of accounting)

	<u>2007</u>	<u>2006</u>
Expenses		
General government	\$ 14,455,096	\$ 9,154,700
Judicial	782,597	328,008
Public safety	23,090,567	9,867,430
Public works	12,515,340	5,105,770
Culture and recreation	4,105,728	2,699,718
Housing and development	7,236,048	2,697,519
Interest on long-term debt	536,480	194,709
Total expenses	<u>\$ 62,721,856</u>	<u>\$ 30,047,854</u>
Program revenues		
Charges for services:		
General government	\$ 652,646	\$ 577,667
Judicial	3,447,821	401,377
Public safety	77,240	-
Public works	370,645	-
Culture and recreation	167,975	43,349
Housing and development	2,933,954	1,193,931
Operating grants and contributions	125,798	-
Capital grants and contributions	21,653,418	-
Total program revenues	<u>\$ 29,429,497</u>	<u>\$ 2,216,324</u>
Net (expense) revenue	<u>\$ (33,292,359)</u>	<u>\$ (27,831,530)</u>
General Revenues and Other Changes in Net Assets		
Taxes		
Property taxes	\$ 27,563,122	\$ 996,312
Sales taxes	24,795,033	9,627,122
Other taxes	21,719,794	10,712,107
Unrestricted investment earnings	734,079	113,746
Contributions not restricted to specific programs	2,044	70,000
Miscellaneous revenues	116,339	2,898
Special item - donation of infrastructure at incorporation	-	57,054,085
Total	<u>\$ 74,930,411</u>	<u>\$ 78,576,270</u>
Change in Net Assets	<u>\$ 41,638,052</u>	<u>\$ 50,744,740</u>

Note: Fiscal year 2007 is the City's first full year of operations. The 2006 period was only 7 months.
The City is gradually taking over the services provided to its citizens by Fulton County, which will result in increases to both revenues and expenses.

CITY OF SANDY SPRINGS, GEORGIA

**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TWO FISCAL YEARS
(accrual basis of accounting)**

Fiscal Year	Property Taxes	Sales Taxes	Hotel/Motel Taxes	Franchise Taxes	Business Taxes	Total
2006	\$ 996,312	\$ 9,627,122	\$ 2,349,053	\$ 583,129	\$ 7,779,925	\$ 21,335,541
2007	27,563,122	24,795,033	4,319,717	7,603,326	9,796,751	74,077,949

CITY OF SANDY SPRINGS, GEORGIA

FUND BALANCES OF GOVERNMENTAL FUNDS LAST TWO FISCAL YEARS (modified accrual basis of accounting)

	2007	2006
General Fund		
Reserved	\$ 3,899,995	\$ 2,468,031
Unreserved	9,093,886	(5,755,635)
Total general fund	<u>\$ 12,993,881</u>	<u>\$ (3,287,604)</u>
 All Other Governmental Funds		
Unreserved, reported in:		
Special revenue funds	\$ 264,402	\$ 227,025
Capital projects funds	5,490,469	-
Total all other governmental funds	<u>\$ 5,754,871</u>	<u>\$ 227,025</u>

Note: The City's operations have grown during 2007, its first full year of operation.
The 2006 period was only 7 months.

CITY OF SANDY SPRINGS, GEORGIA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TWO FISCAL YEARS (modified accrual basis of accounting)

	2007	2006
Revenues		
Taxes	\$ 73,519,577	\$ 21,335,541
Licenses and permits	3,868,934	1,744,329
Intergovernmental	301,730	-
Charges for services	333,527	70,618
Fines and forfeitures	3,447,820	401,377
Contributions	172,069	70,000
Interest earned	734,079	113,746
Miscellaneous	116,339	2,898
Total revenues	<u>82,494,075</u>	<u>23,738,509</u>
Expenditures		
Current:		
General government	14,662,914	9,180,705
Judicial	784,594	328,008
Public safety	28,023,354	11,332,550
Public works	10,884,786	4,353,238
Culture and recreation	4,227,399	2,713,318
Housing and development	7,236,048	2,697,519
Debt service:		
Principal	1,843,437	-
Interest	522,212	193,750
Total expenditures	<u>68,184,744</u>	<u>30,799,088</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,309,331</u>	<u>(7,060,579)</u>
Other Financing Sources (Uses)		
Issuance of long term debt	7,500,000	4,000,000
Transfers in	7,414,647	670,889
Transfers out	(7,414,647)	(670,889)
Total other financing sources (uses)	<u>7,500,000</u>	<u>4,000,000</u>
Net change in fund balances	<u>\$ 21,809,331</u>	<u>\$ (3,060,579)</u>
Debt service as a percentage of noncapital expenditures	4.0%	0.7%

Note: Fiscal year 2007 is the City's first full year of operations. The 2006 period was only 7 months.

The City is gradually taking over the services provided to its citizens by Fulton County, which will result in increases to both revenues and expenditures.

CITY OF SANDY SPRINGS, GEORGIA

GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE LAST TWO FISCAL YEARS (modified accrual basis of accounting)

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Sales Taxes</u>	<u>Hotel/Motel Taxes</u>	<u>Franchise Taxes</u>	<u>Business Taxes</u>	<u>Total</u>
2006	\$ 996,312	\$ 9,627,122	\$ 2,349,053	\$ 583,129	\$ 7,779,925	\$ 21,335,541
2007	27,004,750	24,795,033	4,319,717	7,603,326	9,796,751	73,519,577

Note: Fiscal year 2007 is the City's first full year of operations. The 2006 period was only 7 months.
The City levied property taxes for the first time in 2007.

CITY OF SANDY SPRINGS, GEORGIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TWO CALENDAR YEARS

Calendar Year	Real Property				Personal Property	
	Residential Property	Commercial Property	Industrial Property	Agricultural Property	Motor Vehicles	Other (1)
2006	\$ 3,793,630,390	\$ 2,292,804,730	\$ 26,941,230	\$ 7,858,980	\$ 227,567,111	\$ 471,080
2007	3,974,086,600	2,675,326,970	23,156,460	846,230	201,863,798	1,137,843

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	\$ 5,675,994,012	4.731	\$ 14,189,985,030	40%
624,230,855	6,252,187,046	4.731	15,630,467,615	40%

CITY OF SANDY SPRINGS, GEORGIA

**PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TWO CALENDAR YEARS**
(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
2007	4.731	10.281	16.903	1.188	18.091	0.250	33.353

Source: Fulton County Tax Commissioner

CITY OF SANDY SPRINGS, GEORGIA

PRINCIPAL PROPERTY TAXPAYERS JUNE 30, 2007

Taxpayer	2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Development Authority of Fulton County	\$ 73,122,792	1	1.17 %
Four Eight Prop LLC	35,000,000	2	0.56
Concourse V Associates	34,600,000	3	0.55
Northpark Associates LTD	33,086,079	4	0.53
Georgia Power Company	35,350,272	5	0.57
Northpark Five Hundred Assoc	29,720,000	6	0.48
Lakeside Commons LTD Ptnrship	27,557,719	7	0.44
Eop Lakeside Office LLC	27,524,680	8	0.44
Highwoods DLF 97 26 DFL 99 32	27,282,761	9	0.44
Teachers Concourse LLC	26,874,519	10	0.43
Totals	<u>\$ 350,118,822</u>		<u>5.60 %</u>

Source: Fulton County Tax Commissioner

Note: 2007 is the first year the City levied property taxes.

CITY OF SANDY SPRINGS, GEORGIA

PROPERTY TAX LEVIES AND COLLECTIONS LAST FISCAL YEAR

Fiscal Period Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 25,186,176	\$ 24,559,900	97.5 %	\$ N/A	\$ 24,559,900	97.5 %

Source: Fulton County Tax Commissioner

CITY OF SANDY SPRINGS, GEORGIA

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TWO FISCAL YEARS

Fiscal Period Ended June 30,	Governmental Activities Notes Payable	Percentage of Personal Income (1)	Per Capita (1)
2006	\$ 4,000,000	0.09 %	\$ 46.14
2007	9,656,563	0.18	98.64

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, 2007

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Fulton County	\$ 9,428,000	13.43 %	\$ 1,266,180
Fulton County School District	<u>203,740,000</u>	13.43	<u>27,362,282</u>
Total overlapping debt	<u>\$ 213,168,000</u>		<u>\$ 28,628,462</u>

Source: Assessed value date used to estimate applicable percentages and debt outstanding obtained from Fulton County's December 31, 2006 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 (1)	School Enrollment (2)	Unemployment Rate (1)
2006	86,698	\$ 4,550,258	\$ 52,484	33.2	11,498	2.2 %
2007	97,898	5,265,933	53,790	38.6	11,624	4.3

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

(2) Source: Fulton County Board of Education

Note: 2007 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 YEAR AND ONE YEAR AGO

Employer	2007			2006		
	Employees (1)	Rank	Percentage of Total City Employment (2)	Employees (1)	Rank	Percentage of Total City Employment (2)
Troy University	2,897	1	5 %	-		- %
Allied Barton Security Service	1,984	2	3	-		-
United Parcel Service	1,621	3	2.7	1,653	1	2.7
AT&T Mobility	1,182	4	2.0	1,137	2	1.9
Autotrader.com	897	5	1.5	926	3	1.5
IBM Corporation	810	6	1.3	894	4	1.5
Aspire Visa	782	7	1.3	-		0.0
Internet Security Systems	701	8	1.2	753	5	1.2
RBS Lynk Inc.	663	9	1.1	675	7	1.1
Ceridian Corporation	661	10	1.1	604	8	1.0
ING North American Ins Corp	-		-	675	6	1.1
Coca-Cola USA Customer Care	-		-	587	9	1.0
Manheim Corporate Services, Inc.	-		-	535	10	0.9
Totals	12,198		20.3 %	8,439		13.9 %

(1) Source: Fulton County Development Authority and 2007 individual employer's business license filing

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

CITY OF SANDY SPRINGS, GEORGIA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION LAST TWO FISCAL YEARS

Function	2007	2006
General government	55	26
Judicial	10	5
Public safety		
Police		
Officers	111	44
Civilians	15	2
Fire		
Firefighters	105	81
Civilians	5	-
Public works		
Highways and streets	23	24
Culture and recreation	6	6
Housing and development	44	48
Total	374	236

Source: City of Sandy Springs Human Resources Department

Note: Fiscal year 2007 is the City's first full year of operations. The 2006 period was only 7 months. The City is gradually taking over the services provided to its citizens by Fulton County, which results in changes to the number of employees. The City hired additional employees during 2007 as well as transferred existing employees between departments.

CITY OF SANDY SPRINGS, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION LAST TWO FISCAL YEARS

Function/Program	2007	2006
Police		
Stations (1)	1	1
Patrol Units	100	40
Patrol Zones	8	3
Fire stations		
Leased (1)	1	-
Owned	3	-
Public Works		
Streets (miles)	360	295
Traffic Signals	119	78
Culture and recreation		
Park acreage	130	-
Recreational facilities	3	-
Parks and greenspace		
Leased	2	-
Owned	10	-

Source: Various City departments.

(1) Reflects building operating lease.

Note: Fiscal year 2007 is the City's first full year of operations. The 2006 period was only 7 months.
The City is gradually taking over the services provided to its citizens by Fulton County.