

2012

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR YEAR ENDED JUNE 30, 2012





**CITY OF SANDY SPRINGS, GEORGIA
COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR YEAR ENDED JUNE 30, 2012

PREPARED BY:
FINANCE DEPARTMENT

SUBMITTED BY:
JOHN F. McDONOUGH
CITY MANAGER

CITY OF SANDY SPRINGS, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012

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INTRODUCTORY SECTION



December 14, 2012

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

Ladies and Gentlemen:

The Comprehensive Annual Financial Report of the City of Sandy Springs, Georgia, for the fiscal year ended June 30, 2012 is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with City management. To the best of our knowledge and belief, the enclosed data is accurate in all material respects, and is reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the City of Sandy Springs. The report has been prepared in accordance with generally accepted accounting principles. All disclosures necessary to enable an interested reader to gain an understanding of the government's financial activities have been included.

The City's financial statements have been audited by Mauldin & Jenkins, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Sandy Springs for the fiscal year ended June 30, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based on the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Sandy Springs' financial statements for the fiscal year ended June 30, 2012 are fairly presented in conformity with Generally Accepted Accounting Principles (GAAP). The independent auditor's report is presented as the first component of the financial section of the report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors 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

Sandy Springs was incorporated in December of 2005 after a 30 year struggle. Located just north of the City of Atlanta, Sandy Springs is a demographically diverse community and covers a 38 square mile area in north Fulton County, Georgia. Sandy Springs is the second largest city in the metropolitan Atlanta area and is the sixth largest city in the State of Georgia, serving a population of 96,856. According to the 2010 Census, the City's population was 65% White, 20% Black and 14.2% Hispanic. Sandy Springs is home to one of the largest business districts in the state and is proud to be home to the largest suburban buildings in the United States, the 570-foot Concourse Towers. Twenty-two miles of the Chattahoochee River flow through the City, creating a unique recreational opportunity in a metropolitan setting.



Policy making and legislative authority of the government is vested in the mayor and six council members, who are elected for four-year terms. Council members are elected by district and the mayor is elected at-large by popular vote. The mayor and council members serve until their successors are qualified and certified. Terms of office begin after 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 qualified 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 possesses all of the executive powers granted to the government under the constitution and laws of the State of Georgia and the City of Sandy Springs charter. The City Manager maintains 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 operates as one of the largest public-private partnerships in the country. 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. All services outside of public safety and top City staff are outsourced. 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. The City created a legally separate entity, the City of Sandy Springs Public Facilities Authority (the "Authority"), to assist with the leasing and multi-year contracting of capital facilities. Financial information for the Authority has not been included within this document since the Authority has been inactive to date. The Sandy Springs Hospitality Board is a component unit of the City and functions as the tourism and marketing arm of the government. In addition, the City has a joint venture with the City of Johns Creek for Emergency 911 services through the Chattahoochee River E911 Authority (ChatComm).

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. Since Fiscal Year 2007, the budgeting process included performance management initiatives. Amounts in this budget may be re-allocated within funds by approval of the City Manager as long as the total budgeted amounts do not exceed these appropriations by fund.

LOCAL ECONOMY

While the City's residential population is 96,856, the daytime population swells to more than 200,000, due to the concentration of major corporations and businesses. Sandy Springs is home to several Fortune 1000 companies, including Cox Enterprises, First Data, Mueller Water Products, Newell Rubbermaid, and United Parcel Service (UPS). The City's commercial properties comprise over 40% of the total tax digest by property value, ensuring a strong economic environment for the government. The City is home to more than 40% of the available hospital beds in the metropolitan Atlanta area and is proud to be the home of Northside Hospital, Saint Joseph's Hospital and Children's Healthcare of Atlanta.

Finance



According to the 2010 Census, there were 40,614 households in the City. The average household size was 2.23 people. Median household income was \$67,260 and per capita income was \$52,561. Median home value was \$436,800 and median age was 34.8 years. At 80.6%, the majority of Sandy Springs residents are white collar workers, with 12.6% in service careers and 6.8% in blue collar positions.

In 2010, Sandy Springs was named by Forbes.com as one of America's top 25 towns to live well and in 2012 was named the 25th highest top earning town in the country. The study considered factors including employment rates, quality of life, weather, natural beauty, concentration of businesses and the school systems. It was also rated the 9th most affluent city by Portfolio.com. In 2011, Sandy Springs was named a Heart Safe Community and received an ISO Class III rating, ranking them in the top 5% of the country. The City's Part I Crime Rates decreased for the 6th year in a row. In 2012, Sandy Springs' model of governance received significant attention in national and international media with notable stories in The Economist and the New York Times.

NATIONAL ECONOMY

Despite unprecedented government spending to encourage state and local governments to create more jobs, the unemployment rate for 2012 was 9.0%, city-wide was 8.3%. The monetary crisis around the globe is having a trickle-down effect on all economies, including the United States. Due to the tremendous debt the country is holding, recovery from this recession will take many years.

The three-year decline in home prices was a national phenomenon. In fact, according to the S&P/Case-Shiller Home Price Indices, there was a 19-month period between April 2008 and October 2009 when home prices in all 20 Metropolitan Statistical Areas (MSAs) were falling, as measured on a year-over-year basis. As of April 2012, 19 of the 20 MSAs posted positive monthly returns. However, Atlanta was the only city to post a double-digit negative annual rate of return although it saw improvements in both monthly and annual rates versus what was published in March. Atlanta joins Cleveland, Detroit and Las Vegas with average home prices continuing below their January 2000 levels.

LONG TERM FINANCIAL PLANNING

As detailed within the following financial statements, the City's policy is to maintain a minimum General Fund balance reserve of 25% 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.

As part of the financial strategic plan, the government is committed to a consistent millage rate for property taxes, to facilitate the provision of city services. The City's operating millage rate of 4.731 mills is statutorily set and cannot be increased without a public 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. Neighboring jurisdictions are not bound by the 3% cap in the utilization of increased assessments, where a large proportion of their increased assessments fall on the back of homeowners.

Finance

Despite the negative impacts to the U.S. economy, Sandy Springs continues to enjoy a strong financial outlook. 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 2012. Additionally, the commercial community continues to experience significant re-development through builders and investors developing mixed use areas. In October 2011, the City implemented an Economic Development Incentives Policy to encourage the creation of jobs and investments of business dollars within the City.

MAJOR INITIATIVES FOR THE YEAR

Heritage Bluestone Building

During Fiscal Year 2012, the City completed the design and construction to renovate the outside and basement level of the Heritage Bluestone facility.

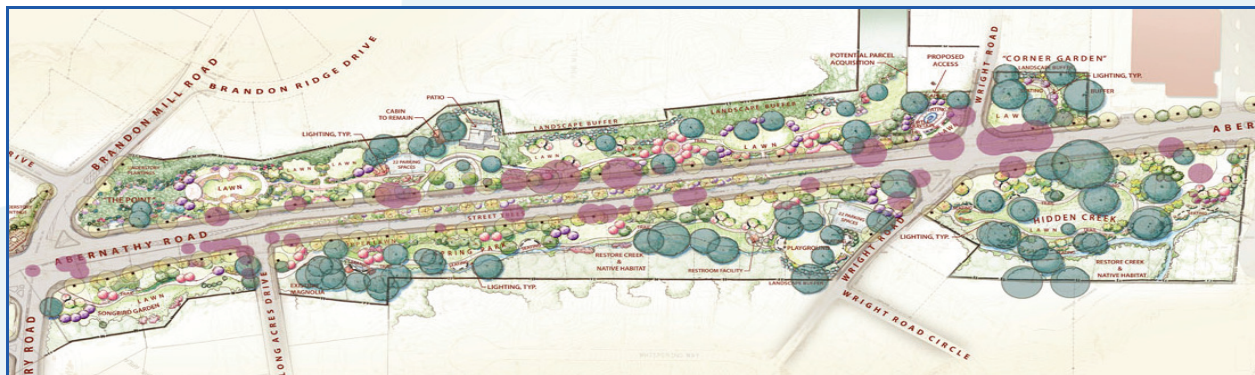


Lost Corners Preserve

The City began working on recommendations for the Miles house stabilization, hiking trails, the eradication of invasive plants and improving plant inventory. Currently, design work is being completed for the entrance drive, a parking lot, and a location is being developed for the community gardens. The City received an additional 2 acres for this site and will be adding this to its development plans.

Abernathy Greenway Park

Construction continued on this linear park in central Sandy Springs, including grading, drainage, landscaping, and relocation of utilities. Bidding on Phase IV, including construction of multi-use paths, lighting, restroom pavilions, a parking lot, and perimeter fencing as well as hardscapes at the west and east entrance, begins January 2013.



Abernathy Linear Park Conceptual Plan



INITIATIVES FOR FUTURE YEARS

Continued Construction on Park Facilities

Construction on some of the parks mentioned above continues. The City committed an additional \$2.5 million for park improvements in the 2013 budget. This includes the potential acquisition of property along Old Riverside Drive.

Public Works Facilities

\$10.2 million was included in the 2013 capital budget for infrastructure improvements to roads, bridges, storm water drainage, sidewalks, intersections and traffic management. In November 2012 the City completed work on the widening of the I-285 Bridge on Roswell Road and continues to work on the widening of Johnson Ferry Road and Abernathy Road and various other streetscape projects. The City currently has over 35 capital projects in various stages of construction and planning.

FINANCIAL POLICIES

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: 1) the safety of assets against loss from unauthorized use or disposition; and 2) the reliability of financial records for preparing financial statements in conformity with generally accepted accounting principles. The concept of reasonable assurance recognizes that: 1) the cost of a control should not exceed the benefits likely to be derived; and 2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework.

Single Audit - As a recipient of federal and state financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation for weaknesses by management and internal staff.

As part of the City's annual single audit, required in conformity with provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget circular A-133, Audits of State and Local Governments and Nonprofit Organizations, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs as well as to determine that the City has complied with applicable laws and regulations.

Budgetary Controls - The City maintains budgetary controls to ensure compliance with legal provisions of the annual appropriated budget approved by the City Council. Activities of the general fund, special revenue funds and the debt service fund are included in the annual appropriated budget. The official level of city budget control (the level on which expenditures may not legally exceed appropriations) for each legally adopted annual operating budget is the department level within each fund. Administrative transfers of appropriations within a department may be



authorized by the City Manager to meet unforeseen needs. Transfers of appropriations between departments or functions within a fund are reviewed with the City Council prior to approval. The City's budget procedures, together with such procedures for discretely presented component units, are more fully explained in the accompanying notes to the financial statements. The City maintains an encumbrance accounting system as one means of accomplishing budgetary control. Encumbered amounts at year end are carried forward to the ensuing year's budget on a case by case basis.

OTHER INFORMATION

Awards and Achievements - The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sandy Springs for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the sixth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for only one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments - The preparation of the report could not have been accomplished without the efficient and dedicated efforts of the staff of the Finance Department, the auditors for the City and its component unit, and the cooperation of City staff in various departments. My sincere appreciation is extended to each individual for the contributions made in the preparation of this report.

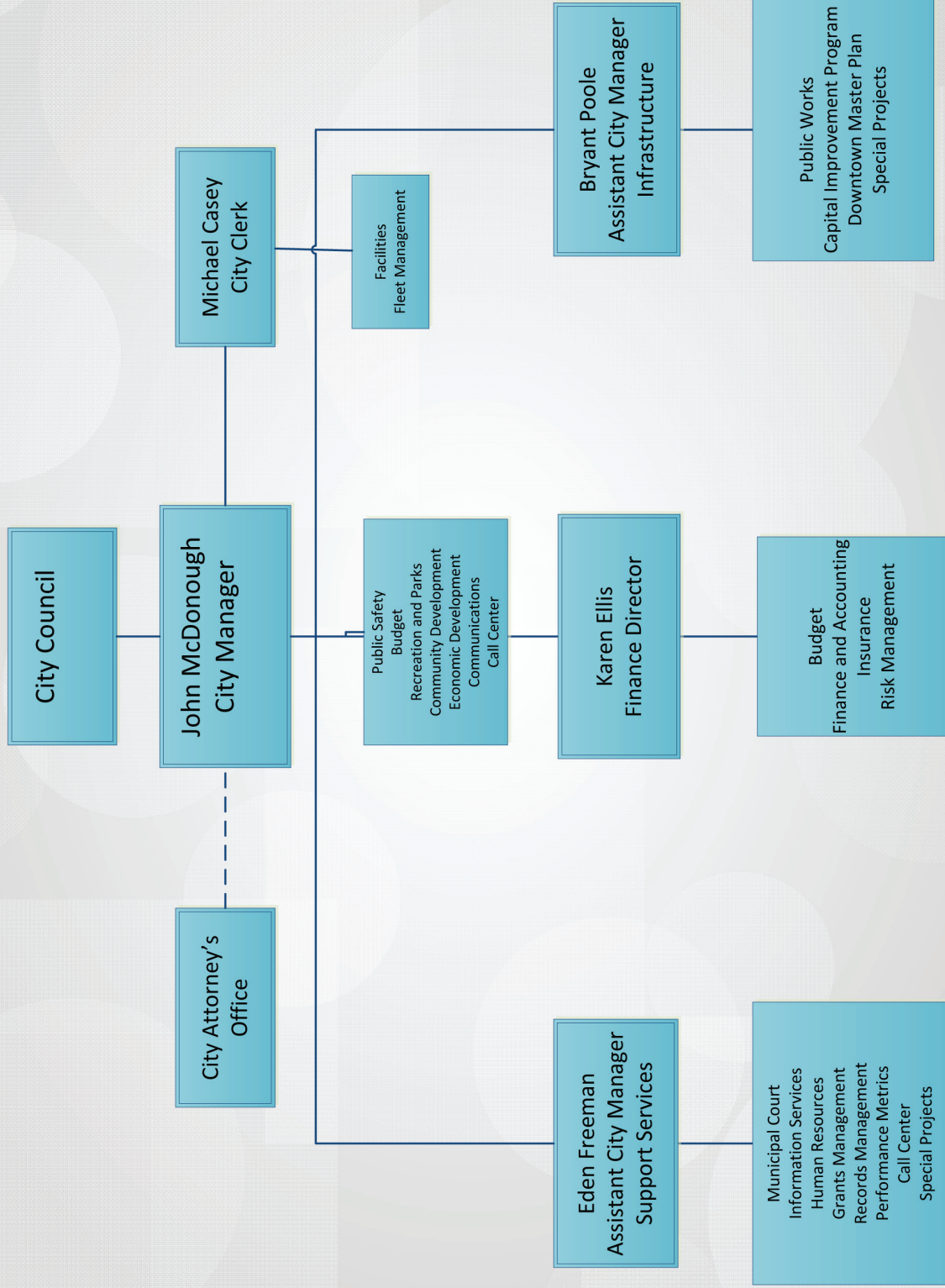
Respectfully submitted,

A handwritten signature in blue ink that reads "John McDonough".

John McDonough
City Manager

A handwritten signature in blue ink that reads "Karen Ellis".

Karen Ellis
Finance Director

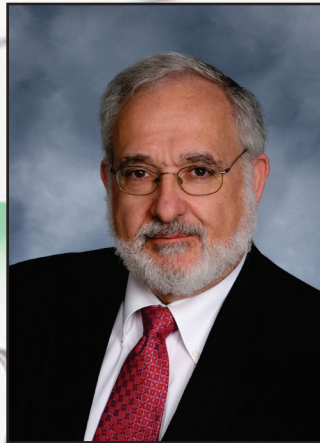


Mayor and City Council

Elected Officials and Manager



**Mayor
Eva Galambos**



**Councilmember
Tibby DeJulio**



**Councilmember
Dianne Fries**



**Councilmember
John Paulson**



**Councilmember
Gabriel Sterling**



**Councilmember
Karen McEnerney**



**Councilmember
Chip Collins**



**City Manager
John McDonough**



City of Sandy Springs, Georgia

Listing of principal officials



Finance Director

Karen Ellis

City Clerk

Michael Casey

Court Clerk

Cheston Roney

Police Chief

Terry Sult

Fire Chief

Jack McElfish

City Attorney

Wendell Willard

City Auditors

Mauldin & Jenkins, LLC



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, 2011

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.



Christopher P. Moville

President

Jeffrey R. Ennes

Executive Director



FINANCIAL SECTION



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, 2012, 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 previously 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, 2012, 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 14, 2012, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (on pages 3 through 12) and budgetary comparison information (on pages 38 through 40) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sandy Springs, Georgia's financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the financial statements as a whole.

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 and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Mauldin & Jenkins, LLC

Atlanta, Georgia
December 14, 2012

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, 2012. 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 year by \$238,289,353 (total net assets), which represents an increase of \$29,718,135 from the prior year. Of the total net assets, \$74,749,546 (unrestricted net assets) is available to meet the ongoing obligations of the government.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$70,563,282. This represents an increase of \$20,515,714 over the prior year.
- Total governmental revenues were \$95,688,408, an increase of \$6,033,402 or 6.73% from the prior year.
- Total governmental expenditures were \$75,222,694 a decrease of \$15,341,888 or 16.94% from the prior year.

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 year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g., uncollected taxes and earned but unused vacation leave).

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, housing and community development.

The government-wide financial statements can be found on pages 13 and 14 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 nine 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, capital projects and federal grant funds, 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 the general fund and each of the special revenue funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15 through 17 of this report.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 37 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The combining and individual fund statements and schedules, referred to earlier, are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 41 through 50 of this report. Required supplementary information can be found on pages 38 through 40 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 \$238,289,353. This represents a \$29,718,135, or 14.25% increase over last year.

The largest portion of the City's net assets, \$161,513,083 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.

Other than a relatively small amount of net assets that are restricted as to use (\$2,026,724), the remaining portion of the City's net assets represents unrestricted net assets of \$74,749,546 that is available to meet the ongoing obligations of the government. This amount represents 113.65% of current governmental expenses, and a 35.21% increase over the prior year.

The City has current and other assets of \$79,550,266. These assets include \$72,505,879 of cash and investments. This is an increase of \$20,692,871, or 39.94% over the prior year.

The City's capital assets are \$166,593,104 which represents an increase of \$7,455,034, or 4.68% over the prior year as the City continues to invest in infrastructure and recreational improvements

Long term liabilities decreased by \$1,137,525 or 15.00% from the prior year, as the City continues to payoff capital leases related to acquisitions of automobiles and other public safety equipment.

MANAGEMENT'S DISCUSSION AND ANALYSIS

At the end of the current fiscal year, the City reported increasing balances in all net assets categories. The table below summarizes the City's Net Assets for 2012 and 2011.

City of Sandy Springs Net Assets				
	Governmental Activities		Dollar	
	2012	2011	Increase	Percent
			(Decrease)	
Assets				
Current assets	\$ 79,550,266	\$ 57,098,937	\$ 22,451,329	39.32 %
Investment in joint venture	7,156,301	6,301,722	854,579	13.56
Capital assets, net of accumulated depreciation	166,593,104	159,138,070	7,455,034	4.68
Total assets	<u>253,299,671</u>	<u>222,538,729</u>	<u>30,760,942</u>	<u>13.82</u>
Liabilities				
Current liabilities	8,564,176	6,383,844	2,180,332	34.15
Long-term liabilities	6,446,142	7,583,667	(1,137,525)	(15.00)
Total liabilities	<u>15,010,318</u>	<u>13,967,511</u>	<u>1,042,807</u>	<u>7.47</u>
Net assets				
Invested in capital assets, net of related debt	161,513,083	152,866,760	8,646,323	5.66
Restricted	2,026,724	422,094	1,604,630	380.16
Unrestricted	74,749,546	55,282,364	19,467,182	35.21
Total net assets	<u>\$ 238,289,353</u>	<u>\$ 208,571,218</u>	<u>\$ 29,718,135</u>	<u>14.25 %</u>

Governmental activities. From the inception of Sandy Springs, and continuing through 2009, management focused on acquiring human as well as physical infrastructure for ongoing City activities. Fiscal 2009 and thereafter, the City moved more toward normal operating activities as management focused more on activities which have a direct impact on its citizens such as parks and road improvements.

Revenues: Charges for services includes fines and forfeitures, E911 telephone service charges and licenses and permits. These revenues increased \$309,353 or 3.25% primarily due to increases in licenses and permits stemming from increased building activity as the economy improves. Capital grants and contributions increased \$2,868,575 or 92.92% due to success in obtaining several U.S. Department of Transportation grants as well significant FEMA and HUD grants. Property taxes have decreased \$962,378 or 3.18% as a result of reduced commercial and residential property assessments by Fulton County. Sales and use taxes improved \$2,033,826 or 9.38% due to improvement in local and state economies. Franchise taxes increased \$933,037 or 10.77% primarily due to an increase in franchise taxes from Georgia Power. Business taxes increased \$379,945 or 3.07% as the economy continues to improve.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Expenses: General government expenses decreased \$4,257,323 or 28.11% and Judicial expenses decreased \$485,586 or 24.96% as a result of rebidding service contracts. Public works expenses decreased \$2,237,103 or 12.63% as a result of rebidding service contracts and decreases in repair and maintenance on stormwater facilities. Housing and Development expenses decreased \$1,098,559 or 34.72% as a result of rebidding service contracts.

City of Sandy Springs Changes in Net Assets

	Governmental Activities		Dollar	Percent
	2012	2011	Increase (Decrease)	
Revenues				
Program revenues:				
Charges for services	\$ 9,822,848	\$ 9,513,495	\$ 309,353	3.25 %
Operating grants and contributions	137,855	251,227	(113,372)	(45.13)
Capital grants and contributions	5,955,742	3,087,167	2,868,575	92.92
General revenues:				
Property taxes	29,268,099	30,230,477	(962,378)	(3.18)
Sales and use taxes	23,717,444	21,683,618	2,033,826	9.38
Hotel/motel taxes	3,695,536	3,536,794	158,742	4.49
Franchise taxes	9,593,906	8,660,869	933,037	10.77
Business taxes	12,750,990	12,371,045	379,945	3.07
Unrestricted investment earnings	205,572	166,946	38,626	23.14
Miscellaneous revenues	342,566	179,935	162,631	90.38
Total revenues	<u>95,490,558</u>	<u>89,681,573</u>	<u>5,808,985</u>	<u>6.48</u>
Expenses				
General government	10,887,073	15,144,396	(4,257,323)	(28.11)
Judicial	1,459,938	1,945,524	(485,586)	(24.96)
Public safety	30,106,163	32,710,740	(2,604,577)	(7.96)
Public works	15,472,596	17,709,699	(2,237,103)	(12.63)
Culture and recreation	5,593,442	5,486,076	107,366	1.96
Housing and development	2,065,861	3,164,420	(1,098,559)	(34.72)
Interest on long-term debt	187,350	221,804	(34,454)	(15.53)
Total expenses	<u>65,772,423</u>	<u>76,382,659</u>	<u>(10,610,236)</u>	<u>(13.89)</u>
Change in net assets	29,718,135	13,298,914	16,419,221	123.46 %
Net asset beginning of year	<u>208,571,218</u>	<u>195,272,304</u>		
Net asset end of year	<u>\$ 238,289,353</u>	<u>\$ 208,571,218</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, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year. The table below summarizes governmental revenues for 2012 and 2011.

	Governmental Activities			
	2012	2011	Dollar Increase (Decrease)	Percent
Revenues:				
Taxes	\$ 79,343,825	\$ 76,309,783	\$ 3,034,042	3.98 %
Licenses and permits	1,851,971	1,302,189	549,782	42.22
Intergovernmental revenues	5,885,742	3,417,008	2,468,734	72.25
Fines and forfeitures	3,419,501	3,935,918	(516,417)	(13.12)
Charges for services	4,551,376	4,275,388	275,988	6.46
Interest income	205,572	166,946	38,626	23.14
Other	430,421	247,774	182,647	73.72
Total revenues	<u>95,688,408</u>	<u>89,655,006</u>	<u>6,033,402</u>	<u>6.73</u>
Expenditures:				
General government	11,048,889	15,463,566	(4,414,677)	(28.55)
Public Safety	31,003,258	33,108,679	(2,105,421)	(6.36)
Judicial	1,459,938	1,945,524	(485,586)	(24.96)
Public Works	21,642,758	27,737,474	(6,094,716)	(21.97)
Recreation	5,932,476	7,219,744	(1,287,268)	(17.83)
Housing and Development	2,753,603	3,764,554	(1,010,951)	(26.85)
Debt service	1,381,772	1,325,041	56,731	4.28
Total expenditures	<u>75,222,694</u>	<u>90,564,582</u>	<u>(15,341,888)</u>	<u>(16.94)</u>
Excess (deficiency) of revenues over expenditures	20,465,714	(909,576)	21,375,290	(2,350.03)
Proceeds from sale of capital assets	50,000	914	49,086	
Proceeds from capital lease	-	1,500,000	(1,500,000)	(100.00)
Net change in fund balance	20,515,714	591,338	19,924,376	
Fund balance, beginning of year	<u>50,047,568</u>	<u>49,456,230</u>	<u>591,338</u>	<u>1.20</u>
Fund balance, end of year	<u>\$ 70,563,282</u>	<u>\$ 50,047,568</u>	<u>\$ 20,515,714</u>	<u>40.99 %</u>

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$70,563,282. Of this balance, \$35,369,424 has been assigned by management to be used primarily for infrastructure projects, \$11,168,204 has been appropriated for use in the 2013 fiscal year budget for the General fund, and \$21,766,616 is considered unassigned and can be used to meet the near term operating needs of the City.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental funds – continued

Tax revenues have increased \$3,034,042 or 3.98% as franchise taxes and sales taxes have increased as the economy improves. Revenues for licenses and permits have increased \$549,782 or 42.22% as building activity has recovered. Intergovernmental revenues increased \$2,468,734 or 72.25% due to success in obtaining U.S. Department of Transportation grants as well as significant FEMA and HUD grants. Charges for services increased \$275,988 or 6.46% as impact fee revenues continue to grow. Fines and forfeitures decreased \$516,417 or 13.12% because of a shift in focus in Public Safety from ticket issuance to crime prevention.

General Government expenditures have decreased \$4,414,677 or 28.55% and judicial expenditures have decreased \$485,586 or 24.96% as a result of rebidding the related operating contracts. Public safety expenditures have decreased \$2,105,421 or 6.36% because major upgrades to computer equipment were made in the prior year. Public works expenditures decreased \$6,094,716 or 21.97% and recreation expenditures decreased \$1,287,268 or 17.83% due to rebidding the related operating contracts as well as fewer infrastructure expenditures being made in the current year. Housing and development expenses decreased \$1,010,951 or 26.85% as a result of rebidding the related operating contracts.

General Fund

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the total fund balance was \$34,725,327, an increase of \$13,270,858 or 61.86%. As a measure of the liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance at June 30, 2012 was \$21,766,616 and represents 37.82% percent of total general fund expenditures. Total General Fund revenues have increased \$2,736,098 or 3.44% with significant increases in licenses and permits and sales taxes as the economy improves.

General fund expenditures decreased \$9,130,097 or 13.69% primarily from rebidding operating contracts.

General Fund Budgetary Highlights

The General Fund budget versus actual comparison can be found on pages 38 and 39. For fiscal 2012, the City had an overall favorable budget variance of \$14,335,742.

Revenues were \$6,556,283 better than budgeted as economic conditions improved during the year and the City's revenue budgets are very conservative. Expenditures were \$7,746,642 better than budgeted as management has used extremely conservative estimates and rebidding of operating contracts further reduced costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Federal Grants Fund

All grants from federal agencies are accounted for in the Federal Grants Fund. At the end of 2012, the Federal Grants fund had zero fund balance, as in the prior year. Grant revenues for 2012 were \$4,231,508, which is an increase from 2011 revenues of \$2,377,182 due to increased activity with the CDBG and EECBG programs. Expenditures were \$4,413,060, primarily for the public works function.

Capital Projects Fund

The capital projects fund accounts for the activities for constructing or obtaining capital assets of the City such as road improvement projects, land acquisitions and improvements, storm-water drainage projects, sidewalk projects and recreation and parks facilities and improvements. At the end of 2012, the fund balance of this fund was \$33,770,010 which represents a significant increase of \$5,964,734 over the prior year. The City operates on the philosophy that all revenues over and above what is required for operations in the general fund should be transferred for specific projects in the capital projects fund. Therefore, this increase represents amounts that have been allocated toward specific projects but are in various stages of completion. Specifically, the City has allocated money toward property acquisitions that have not yet been completed as of the date of this report.

As stated above, a significant amount of the resources in the capital projects fund are direct transfers from the general fund. In 2012, the general fund contributed \$12,320,198 toward capital projects. Revenues from state and federal transportation funds were \$903,997. Expenditures totaled \$7,259,461 for 2012 compared to \$15,859,874 in 2011. Below is a table comparing capital project funding for 2012 and 2011.

City of Sandy Springs Capital Projects Fund Expenditures

	2012	2011	Dollar Increase (Decrease)	Percent
General Government	\$ 707,236	\$ 1,008,855	\$ (301,619)	(29.90) %
Public Safety	53,900	1,816,270	(1,762,370)	(97.03)
Public Works	5,988,314	11,015,369	(5,027,055)	(45.64)
Culture and Recreation	510,011	2,019,380	(1,509,369)	(74.74)
	\$ 7,259,461	\$ 15,859,874	\$ (8,600,413)	(54.23) %

Public safety capital expenditures decreased \$1,762,370 or 97.03% because significant computer upgrades were completed in 2011. Public works capital expenditures decreased \$5,027,055 or 45.64% as several road resurfacing and sidewalk construction projects were completed in 2011. Culture and recreation decreased \$1,509,369 or 74.74% as several park improvement projects were completed in 2011.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental activities as of June 30, 2012, amounts to \$166,593,104 (net of accumulated depreciation). This represents an increase of \$7,455,034 or 4.68% over the prior year. Assets donated when the City was formed in 2006 were approximately \$78 million, which means that the City has added approximately \$89 million of new equipment, land and infrastructure since City inception. Additional information on the City's capital assets can be found in note 6 on page 31 of this report.

City of Sandy Springs Capital Assets (net of depreciation)

	Governmental Activities	
	2012	2011
Land	\$ 22,303,780	\$ 20,461,121
Constuction in progress	31,868,375	36,596,861
Buildings	5,249,690	3,763,863
Improvements	3,585,517	3,650,951
Machinery and equipment	8,497,117	6,746,858
Infrastructure	95,088,625	87,918,416
	<u>\$ 166,593,104</u>	<u>\$ 159,138,070</u>

Long-term debt. At the end of fiscal year 2012, the City had total debt outstanding of \$5,080,021, primarily for police and fire 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 7 on page 32 of this report.

Economic Factors and Next Year's Budgets and Rates

All of these factors were considered in preparing the City's budget for the 2013 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 operating millage rate of 4.731 mills is statutorily set and cannot be changed without a referendum. As part of the financial strategic plan, the government is committed to a consistent millage rate for property taxes, to facilitate the provision of city services.
- Infrastructure Improvements – The City provided substantial capital funding to continue the work started in prior years to begin to address a significant backlog of existing infrastructure deficiencies. Funding was allocated for repaving program, intersection improvements, parks, buildings, machinery and equipment, roadways, sidewalks, culverts, equipment and signals.
- Economy Impact – The City's revenues and expenditures were implemented with a conservative approach to reflect the economic conditions that are expected to continue through 2013.
- The City restricts the use of one-time revenues to capital projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Requests for Information

This financial report is designed to provide a general overview of the City of Sandy Springs' 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, Sandy Springs, Georgia, 30350, or by calling 770-730-5600.

CITY OF SANDY SPRINGS, GEORGIA

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Primary Government Governmental Activities	Component Unit Sandy Springs Hospitality Board
ASSETS		
Cash and cash equivalents	\$ 67,596,588	\$ 422,317
Investments	4,909,291	-
Taxes receivable	1,583,520	-
Accounts receivable	684,119	560
Due from other governments	4,557,195	-
Due from primary government	-	110,765
Prepays	219,553	4,840
Investment in joint venture	7,156,301	-
Capital assets:		
Nondepreciable	54,172,155	-
Depreciable, net of accumulated depreciation	112,420,949	-
Total assets	253,299,671	538,482
LIABILITIES		
Accounts payable	8,022,924	19,190
Accrued liabilities	430,487	-
Due to component unit	110,765	-
Compensated absences due within one year	686,599	-
Compensated absences due in more than one year	679,522	-
Capital leases, due within one year	179,449	-
Capital leases, due in more than one year	2,058,467	-
Notes payable due within one year	976,012	-
Notes payable due in more than one year	1,866,093	-
Total liabilities	15,010,318	19,190
NET ASSETS		
Invested in capital assets, net of related debt	161,513,083	-
Restricted:		
Infrastructure improvements	1,548,674	-
Public safety projects	346,442	-
Tourism	987	519,292
Recreation	130,621	-
Unrestricted	74,749,546	-
Total net assets	\$ 238,289,353	\$ 519,292

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, 2012**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 10,887,073	\$ 668,931	\$ 73,582	\$ -
Judicial	1,459,938	3,271,883	-	-
Public safety	30,106,163	2,702,483	-	147,485
Public works	15,472,596	1,223,719	-	5,808,257
Culture and recreation	5,593,442	808,689	64,273	-
Housing and development	2,065,861	1,147,143	-	-
Interest on long-term debt	187,350	-	-	-
Total governmental activities	<u>65,772,423</u>	<u>9,822,848</u>	<u>137,855</u>	<u>5,955,742</u>
Total primary government	<u>\$ 65,772,423</u>	<u>\$ 9,822,848</u>	<u>\$ 137,855</u>	<u>\$ 5,955,742</u>
Component Unit				
Sandy Springs Hospitality Board	\$ 1,271,012	\$ -	\$ 1,187,745	\$ -
	<u>\$ 1,271,012</u>	<u>\$ -</u>	<u>\$ 1,187,745</u>	<u>\$ -</u>

General revenues:
 Property taxes
 Sales taxes
 Hotel/Motel taxes
 Franchise taxes
 Business taxes
 Insurance premium tax
 Unrestricted investment earnings
 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
\$ (10,144,560)	\$ -
1,811,945	-
(27,256,195)	-
(8,440,620)	-
(4,720,480)	-
(918,718)	-
(187,350)	-
<u>(49,855,978)</u>	<u>-</u>
<u>(49,855,978)</u>	<u>-</u>
-	(83,267)
<u>-</u>	<u>(83,267)</u>
29,268,099	-
23,717,444	-
3,695,536	-
9,593,906	-
8,348,890	-
4,402,100	-
205,572	-
342,566	777
<u>79,574,113</u>	<u>777</u>
29,718,135	(82,490)
208,571,218	601,782
<u>\$ 238,289,353</u>	<u>\$ 519,292</u>

CITY OF SANDY SPRINGS, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012**

ASSETS	General Fund	Federal Grant Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 30,128,647	\$ 748,413	\$ 34,140,980	\$ 2,578,548	\$ 67,596,588
Investments	4,909,291	-	-	-	4,909,291
Taxes receivable	1,238,887	-	-	344,633	1,583,520
Other receivables	150,131	-	37,823	496,165	684,119
Intergovernmental receivables	2,105,561	2,056,568	395,066	-	4,557,195
Due from other funds	1,120,302	-	-	40,747	1,161,049
Prepays	219,553	-	-	-	219,553
Total assets	\$ 39,872,372	\$ 2,804,981	\$ 34,573,869	\$ 3,460,093	\$ 80,711,315
LIABILITIES					
Accounts payable	\$ 4,464,734	\$ 1,797,892	\$ 592,128	\$ 1,168,170	\$ 8,022,924
Accrued liabilities	267,766	-	141,731	-	409,497
Deferred revenue	373,798	-	70,000	-	443,798
Due to other funds	40,747	1,007,089	-	113,213	1,161,049
Due to component unit	-	-	-	110,765	110,765
Total liabilities	5,147,045	2,804,981	803,859	1,392,148	10,148,033
FUND BALANCES					
Fund balances:					
Nonspendable:					
Prepays	219,553	-	-	-	219,553
Restricted:					
Public safety projects	-	-	-	346,442	346,442
Tourism	-	-	-	987	987
Recreation	-	-	-	130,621	130,621
Infrastructure improvements	-	-	-	1,548,674	1,548,674
Committed:					
Recreation	12,761	-	-	-	12,761
Assigned:					
Stormwater projects	1,558,193	-	-	-	1,558,193
Infrastructure improvements	-	-	33,770,010	-	33,770,010
Community development	-	-	-	41,221	41,221
2013 fiscal year appropriations of fund balance	11,168,204	-	-	-	11,168,204
Unassigned	21,766,616	-	-	-	21,766,616
Total fund balances	34,725,327	-	33,770,010	2,067,945	70,563,282
Total liabilities and fund balances	\$ 39,872,372	\$ 2,804,981	\$ 34,573,869	\$ 3,460,093	
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.					166,593,104
Other assets which do not provide current financial resources and, therefore, are not reported in the funds.					7,156,301
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.					(6,467,132)
Some revenues are not available in the current period and, therefore, are not reported in the funds.					443,798
Net assets of governmental activities					<u>\$ 238,289,353</u>

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

CITY OF SANDY SPRINGS, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	General Fund	Federal Grant Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 29,525,159	\$ -	\$ -	\$ -	\$ 29,525,159
Sales taxes	23,717,444	-	-	-	23,717,444
Hotel/Motel taxes	-	-	-	3,695,536	3,695,536
Franchise taxes	9,654,696	-	-	-	9,654,696
Business taxes	8,348,890	-	-	-	8,348,890
Insurance premium tax	4,402,100	-	-	-	4,402,100
Licenses and permits	1,851,971	-	-	-	1,851,971
Intergovernmental	60,946	4,231,508	903,997	689,291	5,885,742
Charges for services	808,689	-	-	3,742,687	4,551,376
Fines and forfeitures	3,271,883	-	-	147,618	3,419,501
Interest earned	204,857	-	-	715	205,572
Contributions	73,582	-	-	64,273	137,855
Miscellaneous	292,566	-	-	-	292,566
Total revenues	82,212,783	4,231,508	903,997	8,340,120	95,688,408
Expenditures:					
Current:					
General government	10,341,653	-	707,236	-	11,048,889
Judicial	1,459,938	-	-	-	1,459,938
Public safety	27,793,843	489,268	53,900	2,666,247	31,003,258
Public works	11,041,361	3,923,792	5,988,314	689,291	21,642,758
Culture and recreation	2,782,374	-	510,011	2,640,091	5,932,476
Housing and development	2,753,603	-	-	-	2,753,603
Debt service:					
Principal	1,191,289	-	-	-	1,191,289
Interest	190,483	-	-	-	190,483
Total expenditures	57,554,544	4,413,060	7,259,461	5,995,629	75,222,694
Excess (deficiency) of revenues over expenditures	24,658,239	(181,552)	(6,355,464)	2,344,491	20,465,714
Other financing sources (uses):					
Proceeds from sale of capital assets	50,000	-	-	-	50,000
Transfers in	1,064,369	181,552	12,320,198	-	13,566,119
Transfers out	(12,501,750)	-	-	(1,064,369)	(13,566,119)
Total other financing sources (uses)	(11,387,381)	181,552	12,320,198	(1,064,369)	50,000
Net change in fund balances	13,270,858	-	5,964,734	1,280,122	20,515,714
Fund balances, beginning of year	21,454,469	-	27,805,276	787,823	50,047,568
Fund balances, end of year	\$ 34,725,327	\$ -	\$ 33,770,010	\$ 2,067,945	\$ 70,563,282

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

CITY OF SANDY SPRINGS, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2012

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

Net change in fund balances - total governmental funds \$ 20,515,714

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. 7,539,685

The net effect of various miscellaneous transactions involving capital assets (disposals) is to decrease net assets. (84,651)

Some long term assets, such as investment in joint ventures, are reported as expenditures in governmental funds and recognized as a long term asset on the statement of net assets. 854,579

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (247,850)

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 and related items. 1,191,289

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. (50,631)

Change in net assets - governmental activities \$ 29,718,135

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, 2012**

	ASSETS	<u>Municipal Court Fund</u>
Cash		\$ 426,317
Total assets		<u>\$ 426,317</u>
	LIABILITIES	
Due to others		\$ 426,317
Total liabilities		<u>\$ 426,317</u>

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

CITY OF SANDY SPRINGS, GEORGIA

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2012

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. 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. A voting majority of the Sandy Springs Hospitality Board's governing body is appointed by the City. 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.

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 most revenues to be available if they are collected within 60 days of the end of the current fiscal period, however grant revenues are considered to be available if they are collected within 180 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 **federal grant fund** is used to account for the expenditures and restricted resources of federally funded grants of the City.

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 an assignment 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, 2012, 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 principles generally accepted in the United States of America. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for the general fund, and special revenue funds. Project-length budgets are adopted for the capital projects funds. During the fiscal year ended June 30, 2012, 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, 2012, are recorded as prepaid items in both government-wide and fund financial statements and the expenditure is recognized as the benefits are received.

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

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

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

Fund balances are classified as follows:

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

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Equity (Continued)

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

Assigned – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. The City Council, through City Ordinance, has expressly delegated to the Finance Director the authority to assign funds for particular purposes.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the general fund. The City has a policy to maintain an unassigned fund balance in the general fund of twenty-five percent of the subsequent year's budgeted expenditures and outgoing transfers.

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

Net Assets – Net assets represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net assets are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net assets are reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 \$6,467,132 difference are as follows:

Notes payable	\$ (2,842,105)
Capital lease payable	(2,237,916)
Compensated absences (i.e., vacation)	(1,366,121)
Accrued interest	<u>(20,990)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ (6,467,132)</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

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 \$7,539,685 difference are as follows:

Capital outlay	\$ 12,917,802
Depreciation expense	<u>(5,378,117)</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>7,539,685</u></u>

Another element of that 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. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$1,191,289 difference are as follows:

Current year payments on notes payable	\$ 1,008,671
Current year payment on capital leases payable	<u>182,618</u>
 Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	 \$ <u><u>1,191,289</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 “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 \$50,631 difference are as follows:

Compensated absences (i.e., vacation)	\$ (53,764)
Accrued interest	<u>3,133</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>\$ (50,631)</u></u>

NOTE 3. LEGAL COMPLIANCE - BUDGETS

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

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

The following funds had an excess of actual expenditures over appropriations for the fiscal year ended June 30, 2012:

General Fund departments:	
Legal services	\$ 14,107
Debt service	82,337
Hotel/Motel Fund	388,831
Federal Grant Fund	995,909

These over expenditures were funded by greater than anticipated revenues and by other line items coming under budget.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS

Total deposits as of June 30, 2012 are summarized as follows:

Statement of Net Assets:	
Cash and cash equivalents	\$ 67,596,588
Statement of Fiduciary Assets and Liabilities:	
Cash - Agency fund	426,317
	<u>\$ 68,022,905</u>
Cash deposited with financial institutions	\$ 7,564,398
Cash deposited with Georgia fund 1	60,458,507
	<u>\$ 68,022,905</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. The City does not have a credit rating policy which provides restrictions or limitations on credit ratings for the City's investments. As of June 30, 2012, the City's investment in Georgia Fund 1 received a rating of AAAM by Standard & Poor's, with a weighted average maturity of 48 days.

As of June 30, 2012, the City had the following investments:

Investment	Maturity	Fair Value
Certificates of deposit	0- 6 months	\$ 2,344,491
Certificates of deposit	12-18 months	2,564,800
		<u>\$ 4,909,291</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 Office of the State Treasurer of the State of Georgia. 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, 2012, 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, 2012, all of the City's and Hospitality Board's bank balances were insured and/or collateralized as defined by State statutes.

NOTE 5. RECEIVABLES

Property taxes are levied on property values assessed as of January 1, which is also the lien date. 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, 2012, 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>Federal Grant</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>
Receivables:				
Intergovernmental	\$ 2,105,561	\$ 2,056,568	\$ 395,066	\$ -
Taxes	1,238,887	-	37,823	344,633
Other	150,131	-	-	496,165
Total receivables	<u>3,494,579</u>	<u>2,056,568</u>	<u>432,889</u>	<u>840,798</u>
Less allowance for uncollectible	-	-	-	-
Net total receivable	<u><u>\$ 3,494,579</u></u>	<u><u>\$ 2,056,568</u></u>	<u><u>\$ 432,889</u></u>	<u><u>\$ 840,798</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the City for the year ended June 30, 2012 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Nondepreciable capital assets					
Land	\$ 20,461,121	\$ 1,842,659	\$ -	\$ -	\$ 22,303,780
Construction in progress	36,596,861	8,695,153	(84,651)	(13,338,988)	31,868,375
Total	<u>57,057,982</u>	<u>10,537,812</u>	<u>(84,651)</u>	<u>(13,338,988)</u>	<u>54,172,155</u>
Capital assets, being depreciated					
Buildings	4,405,885	-	-	1,660,363	6,066,248
Improvements	4,187,399	-	-	68,433	4,255,832
Machinery and equipment	14,786,714	2,188,826	(326,427)	1,637,734	18,286,847
Infrastructure	128,042,300	191,164	-	9,972,458	138,205,922
Total	<u>151,422,298</u>	<u>2,379,990</u>	<u>(326,427)</u>	<u>13,338,988</u>	<u>166,814,849</u>
Less accumulated depreciation for:					
Buildings	(642,022)	(174,536)	-	-	(816,558)
Improvements	(536,448)	(133,867)	-	-	(670,315)
Machinery and equipment	(8,039,856)	(2,076,301)	326,427	-	(9,789,730)
Infrastructure	(40,123,884)	(2,993,413)	-	-	(43,117,297)
Total	<u>(49,342,210)</u>	<u>(5,378,117)</u>	<u>326,427</u>	<u>-</u>	<u>(54,393,900)</u>
Total capital assets being depreciated, net	<u>102,080,088</u>	<u>(2,998,127)</u>	<u>-</u>	<u>13,338,988</u>	<u>112,420,949</u>
Governmental activities capital assets, net	<u>\$ 159,138,070</u>	<u>\$ 7,539,685</u>	<u>\$ (84,651)</u>	<u>\$ -</u>	<u>\$ 166,593,104</u>

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

Governmental activities:	
General government	\$ 309,086
Public safety	1,794,804
Public works	3,051,896
Culture and recreation	222,331
Total depreciation expense - governmental activities	<u>\$ 5,378,117</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT

Notes Payable

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 was broken into four separate notes. Only one of the notes remains outstanding at June 30, 2012 as follows:

<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Monthly Payment</u>
\$ 4,094,644	4.3216 %	December 2016	\$ 42,538

Fiscal year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 428,818	\$ 81,639	\$ 510,457
2014	447,721	62,736	510,457
2015	467,458	42,999	510,457
2016	488,064	22,393	510,457
2017	250,791	3,186	253,977
	<u>\$ 2,082,852</u>	<u>\$ 212,953</u>	<u>\$ 2,295,805</u>

During November 2007, the City entered into an agreement through a financial institution to borrow \$500,000 for the purchase of vehicles and equipment for the police and fire departments. Monthly payments of \$8,737, including interest at a rate of 4.06% began in December 2007 and will continue through November 2012. The debt service requirements to maturity are as follows:

Fiscal year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 43,266	\$ 419	\$ 43,685
	<u>\$ 43,266</u>	<u>\$ 419</u>	<u>\$ 43,685</u>

During November 2010, the City entered into an agreement through a financial institution to borrow \$1,500,000 for the purchase of vehicles and equipment for the police department. Monthly payments of \$42,561, including interest at a rate of 1.04% began in December 2010 and will continue through November 2013. The debt service requirements to maturity are as follows:

Fiscal year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 503,928	\$ 6,798	\$ 510,726
2014	212,059	743	212,802
	<u>\$ 715,987</u>	<u>\$ 7,541</u>	<u>\$ 723,528</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. LONG-TERM DEBT (CONTINUED)

Capital Lease

During January 2007, the City entered into an agreement with Fulton County to lease a fire station for fire protection services. The lease agreement qualifies as a capital lease for accounting purposes. The fire station is included in capital assets at a cost of \$2,981,273. Interest has been imputed at a rate of 2.98% and the City makes semi-annual payments through October 2019. The debt service requirements to maturity are as follows:

<u>Year Ending June 30,</u>	
2013	\$ 247,058
2014	246,562
2015	245,713
2016	245,378
2017	402,011
2018-2020	<u>1,202,669</u>
Total minimum lease payments	<u>2,589,391</u>
Less amounts representing interest	<u>(351,475)</u>
Present value of minimum lease payments	<u>\$ 2,237,916</u>

Changes in Long-Term Liabilities

The following is a summary of long-term debt activity of the City for the year ended June 30, 2012:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due With in One Year</u>
Governmental activities:					
Notes payable	\$ 3,850,776	\$ -	\$ (1,008,671)	\$ 2,842,105	\$ 976,012
Capital lease payable	2,420,534	-	(182,618)	2,237,916	179,449
Compensated absences	1,312,357	713,341	(659,577)	1,366,121	686,599
Governmental activity					
Long-term liabilities	<u>\$ 7,583,667</u>	<u>\$ 713,341</u>	<u>\$ (1,850,866)</u>	<u>\$ 6,446,142</u>	<u>\$ 1,842,060</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Federal Grant Fund	\$ 1,007,089
General Fund	Nonmajor governmental funds	113,213
Nonmajor governmental funds	General Fund	40,747
Total		\$ 1,161,049

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.

The composition of amounts due from/to the primary government and its component unit is as follows:

Receivable Entity	Payable Entity	Amount
Hospitality Board	Nonmajor Governmental Funds	\$ 110,765

Interfund transfers:

Transfers In	Transfers Out	Amount
General Fund	Nonmajor Governmental Funds	\$ 1,064,369
Federal Grant Fund	General Fund	181,552
Capital Projects Fund	General Fund	12,320,198
		\$ 13,566,119

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

NOTES TO FINANCIAL STATEMENTS

NOTE 9. OPERATING LEASES

The leases for the City Hall building and office facilities as well as the Police headquarters are under non-cancelable operating leases. Total costs for these leases were \$1,375,219 for the fiscal year ended June 30, 2012. The future minimum lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	
2013	\$ 1,387,845
2014	1,418,140
2015	<u>1,449,117</u>
Total	<u><u>\$ 4,255,102</u></u>

NOTE 10. COMMITMENTS AND CONTINGENT LIABILITIES

The government is a defendant in various lawsuits. As of June 30, 2012, the City has been named as the defendant in a case involving contract procurement. As this case is outstanding, the City is unable to estimate a range of the potential loss.

The City has entered into several public/private contractual partnerships for outsourced services and operations. Through these contracts with the private companies, an array of operational services is provided via outsourcing. These contracts are operating contracts for which the City is continually monitoring its outsourcing needs as compared to the cost of providing these services in-house. Currently, the cost of these contracts is approximately \$12 million annually.

In addition to the liabilities enumerated in the balance sheet, at June 30, 2012, the City has contractual commitments on uncompleted contracts of approximately \$3,934,689.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED CONTRIBUTION PENSION PLAN

The City of Sandy Springs' Profit Sharing Plan is a single employer defined contribution plan established and administered by the City of Sandy Springs for all full time employees. At June 30, 2012, there were 252 plan members. The City contributes 12% of each employee's salary directly to the Plan. Additionally, the City offers to match 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. Plan provisions and contribution requirements are established and may be amended by the City's Council. For the fiscal year ending June 30, 2012, the City's contributions to the Plan were \$1,971,948 and employees contributed \$805,791.

NOTE 12. JOINT VENTURE

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

In October 2008, the cities of Sandy Springs and Johns Creek created the Chattahoochee River 911 Authority (Chatt Comm.), which was created pursuant to the provisions of the Official Code of Georgia Annotated (OCGA) Section 36-75-1, which provides for the organization of a joint public safety and judicial facility authority. Chatt Comm Board membership includes the City Manager from each participating city, or their designee. Chatt Comm was created by the two cities contributing a pre-determined capital amount necessary to equip the facility. This has been reported as investment in joint venture and is \$7,156,301 as of June 30, 2012. The cities have also pledged their future E911 revenues to Chatt Comm to pay for the operation of the emergency 911 answering facility. Future net operating revenues from Chatt Comm will be used to repay the cities capital investments. Additionally, the two cities will be responsible for funding any operating deficits as well as any future capital purchases of the Authority. For the year ended June 30, 2012, the City of Sandy Springs has collected and remitted \$2,518,968 of E911 revenues. As of June 30, 2012, Chatt Comm had net assets of \$2,252,333. Separate financial statements may be obtained from the City of Sandy Springs, who has been contracted by Chatt Comm to serve as the accountants, at 7840 Roswell Road, Building 500, Sandy Springs, Georgia 30350.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. HOTEL/MOTEL LODGING TAX

The City has levied a 7% lodging tax. The Official Code of Georgia Annotated 48-13-50 requires that all lodging taxes levied of 5% or more be expended or obligated contractually for the promotion of tourism, conventions, or trade shows. During the year ended June 30, 2012, the City received \$3,695,536 in hotel/motel taxes. Of this amount, \$2,640,091, or 71.4%, was used for the promotion of tourism, conventions, or trade shows.

NOTE 14. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, 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 past three years.

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 the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SANDY SPRINGS, GEORGIA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2012**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 28,065,000	\$ 28,065,000	\$ 29,525,159	\$ 1,460,159
Sales taxes	21,980,000	21,080,000	23,717,444	2,637,444
Franchise taxes	8,400,000	8,400,000	9,654,696	1,254,696
Business taxes	7,600,000	7,600,000	8,348,890	748,890
Insurance premium tax	4,800,000	4,800,000	4,402,100	(397,900)
Licenses and permits	1,213,500	1,213,500	1,851,971	638,471
Intergovernmental	-	-	60,946	60,946
Charges for services	170,000	728,000	808,689	80,689
Fines and forfeitures	3,600,000	3,600,000	3,271,883	(328,117)
Interest earned	100,000	100,000	204,857	104,857
Contributions	100,000	70,000	73,582	3,582
Miscellaneous	-	-	292,566	292,566
Total revenues	<u>76,028,500</u>	<u>75,656,500</u>	<u>82,212,783</u>	<u>6,556,283</u>
Expenditures:				
Current:				
General government:				
Mayor and council	157,364	157,364	148,490	8,874
City manager	812,339	812,339	582,376	229,963
General administration	5,037,139	5,256,364	4,204,349	1,052,015
Legal services	808,000	808,000	822,107	(14,107)
Facilities and buildings	1,625,800	1,625,800	1,385,633	240,167
City clerk	148,830	148,830	114,817	34,013
Contingencies	1,150,000	605,684	73,119	532,565
Data processing / MIS	1,596,703	1,690,171	1,629,889	60,282
Public information	1,423,913	1,423,913	1,380,873	43,040
Total general government	<u>12,760,088</u>	<u>12,528,465</u>	<u>10,341,653</u>	<u>2,186,812</u>
Judicial	<u>1,388,295</u>	<u>1,527,041</u>	<u>1,459,938</u>	<u>67,103</u>
Public safety:				
Police department	17,976,069	17,976,069	16,691,668	1,284,401
Fire department	10,328,878	10,328,878	9,688,766	640,112
E911	1,553,700	1,553,700	1,413,409	140,291
Total public safety	<u>29,858,647</u>	<u>29,858,647</u>	<u>27,793,843</u>	<u>2,064,804</u>
Public works:				
Public works	9,836,705	9,836,705	9,673,690	163,015
Sanitation and wastewater	2,925,872	3,564,884	1,367,671	2,197,213
Total public works	<u>12,762,577</u>	<u>13,401,589</u>	<u>11,041,361</u>	<u>2,360,228</u>
Culture and recreation				
Recreation	2,431,608	2,989,608	2,709,325	280,283
Anne Frank	100,000	100,000	73,049	26,951
Total culture and recreation	<u>2,531,608</u>	<u>3,089,608</u>	<u>2,782,374</u>	<u>307,234</u>
Housing and development				
Building/inspection/code enforcement	2,883,524	3,096,401	2,631,710	464,691
Community development	500,000	500,000	121,893	378,107
Total housing and development	<u>3,383,524</u>	<u>3,596,401</u>	<u>2,753,603</u>	<u>842,798</u>
Debt service				
Principal	1,185,448	1,185,448	1,191,289	(5,841)
Interest	113,987	113,987	190,483	(76,496)
Total debt service	<u>1,299,435</u>	<u>1,299,435</u>	<u>1,381,772</u>	<u>(82,337)</u>
Total expenditures	<u>63,984,174</u>	<u>65,301,186</u>	<u>57,554,544</u>	<u>7,746,642</u>
Excess of revenues over expenditures	<u>12,044,326</u>	<u>10,355,314</u>	<u>24,658,239</u>	<u>14,302,925</u>

Continued

CITY OF SANDY SPRINGS, GEORGIA

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other financing sources (uses):				
Proceeds from sale of capital assets	\$ -	\$ -	\$ 50,000	\$ 50,000
Transfers in	1,475,872	1,430,000	1,064,369	(365,631)
Transfers out	<u>(13,670,198)</u>	<u>(12,850,198)</u>	<u>(12,501,750)</u>	<u>348,448</u>
Total other financing sources (uses)	<u>(12,194,326)</u>	<u>(11,420,198)</u>	<u>(11,387,381)</u>	<u>32,817</u>
 Net change in fund balances	 (150,000)	 (1,064,884)	 13,270,858	 14,335,742
 Fund balance, beginning of year	 <u>21,454,469</u>	 <u>21,454,469</u>	 <u>21,454,469</u>	 <u>-</u>
 Fund balance, end of year	 <u>\$ 21,304,469</u>	 <u>\$ 20,389,585</u>	 <u>\$ 34,725,327</u>	 <u>\$ 14,335,742</u>

Note: See footnotes 1 and 3 of the basic financial statements for budgetary policies.

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, 2012**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 3,937,566	\$ 2,772,834	\$ 4,231,508	\$ 1,458,674
Total revenues	<u>3,937,566</u>	<u>2,772,834</u>	<u>4,231,508</u>	<u>1,458,674</u>
Expenditures:				
Public safety	622,563	956,046	489,268	466,778
Public works	<u>2,973,347</u>	<u>2,461,105</u>	<u>3,923,792</u>	<u>(1,462,687)</u>
Total expenditures	<u>3,595,910</u>	<u>3,417,151</u>	<u>4,413,060</u>	<u>(995,909)</u>
Excess (deficiency) of revenues over (under) expenditures	341,656	(644,317)	(181,552)	462,765
Other financing sources:				
Transfers in	<u>242,206</u>	<u>713,811</u>	<u>181,552</u>	<u>(532,259)</u>
Total other financing sources	<u>242,206</u>	<u>713,811</u>	<u>181,552</u>	<u>(532,259)</u>
Net change in fund balances	583,862	69,494	-	(69,494)
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 583,862</u>	<u>\$ 69,494</u>	<u>\$ -</u>	<u>\$ (69,494)</u>

NONMAJOR GOVERNMENTAL FUNDS

Confiscated Assets Fund – To account for the use of confiscated drug money by the City's Police Department, which are restricted by State law in purpose.

E911 Fund – To account for the collection and expenditures of E911 fees, which are restricted by state law.

Operating Grant Fund – To account for the expenditures and revenues of local grants and contributions, which are restricted by the donors.

CDBG Fund – To account for the expenditures and revenues of the Community Development Block Grant, which are restricted under the terms of the grant agreements.

Hotel/Motel Fund – To account for the 7% lodging tax levied in the City, which are restricted by state law.

Impact Fees Fund – To account for fees assessed upon development activity that are collected to pay for system improvements (recreation/parks, streets, and public safety) as detailed within the government's impact fee ordinance.

CITY OF SANDY SPRINGS, GEORGIA

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

ASSETS	Special Revenue Funds		
	Confiscated Assets Fund	E911 Fund	Operating Grant Fund
Cash	\$ 458,460	\$ 182,901	\$ 139,545
Taxes receivable	-	-	-
Other receivable	2,647	291,268	-
Due from other funds	-	-	-
Total assets	\$ 461,107	\$ 474,169	\$ 139,545
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 108,803	\$ 474,169	\$ -
Due to other funds	5,862	-	8,924
Due to component unit	-	-	-
Total liabilities	114,665	474,169	8,924
FUND BALANCES			
Restricted:			
Public safety projects	346,442	-	-
Tourism	-	-	-
Recreation	-	-	130,621
Infrastructure improvements	-	-	-
Assigned:			
Community development	-	-	-
Total fund balances	346,442	-	130,621
Total liabilities and fund balances	\$ 461,107	\$ 474,169	\$ 139,545

Special Revenue Funds		Capital Project Fund	Total Nonmajor Governmental Funds
CDBG Fund	Hotel/Motel Fund	Impact Fees Fund	
\$ 474	\$ 248,494	\$ 1,548,674	\$ 2,578,548
-	344,633	-	344,633
202,250	-	-	496,165
40,747	-	-	40,747
<u>\$ 243,471</u>	<u>\$ 593,127</u>	<u>\$ 1,548,674</u>	<u>\$ 3,460,093</u>
\$ 202,250	\$ 382,948	\$ -	\$ 1,168,170
-	98,427	-	113,213
-	110,765	-	110,765
<u>202,250</u>	<u>592,140</u>	<u>-</u>	<u>1,392,148</u>
-	-	-	346,442
-	987	-	987
-	-	-	130,621
-	-	1,548,674	1,548,674
41,221	-	-	41,221
<u>41,221</u>	<u>987</u>	<u>1,548,674</u>	<u>2,067,945</u>
<u>\$ 243,471</u>	<u>\$ 593,127</u>	<u>\$ 1,548,674</u>	<u>\$ 3,460,093</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, 2012**

	Special Revenue Funds		
	Confiscated Assets Fund	E911 Fund	Operating Grant Fund
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	-	2,518,968	-
Fines and forfeitures	147,618	-	-
Interest income	204	-	-
Contributions	-	-	64,273
Total revenues	147,822	2,518,968	64,273
EXPENDITURES			
Current:			
Public safety	145,294	2,518,968	1,985
Public works	-	-	-
Culture and recreation	-	-	-
Total expenditures	145,294	2,518,968	1,985
Excess of revenues over expenditures	2,528	-	62,288
OTHER FINANCING USES			
Transfers out	-	-	(8,924)
Total other financing uses	-	-	(8,924)
Net change in fund balances	2,528	-	53,364
FUND BALANCES, beginning of year	343,914	-	77,257
FUND BALANCES, end of year	\$ 346,442	\$ -	\$ 130,621

Special Revenue Funds		Capital Project Fund	Total Nonmajor Governmental Funds
CDBG Fund	Hotel/Motel Fund	Impact Fees Fund	
\$ -	\$ 3,695,536	\$ -	\$ 3,695,536
689,291	-	-	689,291
-	-	1,223,719	3,742,687
-	-	-	147,618
168	64	279	715
-	-	-	64,273
<u>689,459</u>	<u>3,695,600</u>	<u>1,223,998</u>	<u>8,340,120</u>
-	-	-	2,666,247
689,291	-	-	689,291
-	2,640,091	-	2,640,091
<u>689,291</u>	<u>2,640,091</u>	<u>-</u>	<u>5,995,629</u>
168	1,055,509	1,223,998	2,344,491
-	(1,055,445)	-	(1,064,369)
-	(1,055,445)	-	(1,064,369)
168	64	1,223,998	1,280,122
<u>41,053</u>	<u>923</u>	<u>324,676</u>	<u>787,823</u>
<u>\$ 41,221</u>	<u>\$ 987</u>	<u>\$ 1,548,674</u>	<u>\$ 2,067,945</u>

CITY OF SANDY SPRINGS, GEORGIA

**CONFISCATED ASSETS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2012**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 200,000	\$ 200,000	\$ 147,618	\$ (52,382)
Interest	-	-	204	204
Total revenues	<u>200,000</u>	<u>200,000</u>	<u>147,822</u>	<u>(52,178)</u>
Expenditures:				
Public safety	<u>200,000</u>	<u>200,000</u>	<u>145,294</u>	<u>54,706</u>
Total expenditures	<u>200,000</u>	<u>200,000</u>	<u>145,294</u>	<u>54,706</u>
Net change in fund balances	-	-	2,528	2,528
Fund balances, beginning of year	<u>343,914</u>	<u>343,914</u>	<u>343,914</u>	<u>-</u>
Fund balances, end of year	<u>\$ 343,914</u>	<u>\$ 343,914</u>	<u>\$ 346,442</u>	<u>\$ 2,528</u>

CITY OF SANDY SPRINGS, GEORGIA

**E911 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2012**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 2,552,210	\$ 2,552,210	\$ 2,518,968	\$ (33,242)
Total revenues	<u>2,552,210</u>	<u>2,552,210</u>	<u>2,518,968</u>	<u>(33,242)</u>
Expenditures:				
Public safety	<u>2,552,210</u>	<u>2,552,210</u>	<u>2,518,968</u>	<u>33,242</u>
Total expenditures	<u>2,552,210</u>	<u>2,552,210</u>	<u>2,518,968</u>	<u>33,242</u>
Net change in fund balances	-	-	-	-
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>

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, 2012**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Contributions	\$ 25,000	\$ 25,000	\$ 64,273	\$ 39,273
Total revenues	25,000	25,000	64,273	39,273
Expenditures:				
Public safety	25,000	25,000	1,985	23,015
Total expenditures	25,000	25,000	1,985	23,015
Excess of revenues over expenditures	-	-	62,288	62,288
Other financing uses:				
Transfers out	-	-	(8,924)	(8,924)
Total other financing uses	-	-	(8,924)	(8,924)
Net change in fund balances	-	-	53,364	53,364
Fund balances, beginning of year	77,257	77,257	77,257	-
Fund balances, end of year	\$ 77,257	\$ 77,257	\$ 130,621	\$ 53,364

CITY OF SANDY SPRINGS, GEORGIA

**CDBG FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2012**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 1,610,607	\$ 1,153,908	\$ 689,291	\$ (464,617)
Interest income	-	-	168	168
Total revenues	<u>1,610,607</u>	<u>1,153,908</u>	<u>689,459</u>	<u>(464,449)</u>
Expenditures:				
Public works	<u>489,289</u>	<u>1,153,908</u>	<u>689,291</u>	<u>464,617</u>
Total expenditures	<u>489,289</u>	<u>1,153,908</u>	<u>689,291</u>	<u>464,617</u>
Net change in fund balances	1,121,318	-	168	168
Fund balances, beginning of year	<u>41,053</u>	<u>41,053</u>	<u>41,053</u>	<u>-</u>
Fund balances, end of year	<u>\$ 1,162,371</u>	<u>\$ 41,053</u>	<u>\$ 41,221</u>	<u>\$ 168</u>

CITY OF SANDY SPRINGS, GEORGIA

**HOTEL/MOTEL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED JUNE 30, 2012**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 3,151,260	\$ 3,151,260	\$ 3,695,536	\$ 544,276
Interest income	-	-	64	64
Total revenues	<u>3,151,260</u>	<u>3,151,260</u>	<u>3,695,600</u>	<u>544,340</u>
Expenditures:				
Culture and recreation	<u>2,251,260</u>	<u>2,251,260</u>	<u>2,640,091</u>	<u>(388,831)</u>
Total expenditures	<u>2,251,260</u>	<u>2,251,260</u>	<u>2,640,091</u>	<u>(388,831)</u>
Excess of revenues over expenditures	900,000	900,000	1,055,509	155,509
Other financing uses:				
Transfers out	<u>(900,000)</u>	<u>(900,000)</u>	<u>(1,055,445)</u>	<u>(155,445)</u>
Total other financing uses	<u>(900,000)</u>	<u>(900,000)</u>	<u>(1,055,445)</u>	<u>(155,445)</u>
Net change in fund balances	-	-	64	64
Fund balances, beginning of year	<u>923</u>	<u>923</u>	<u>923</u>	<u>-</u>
Fund balances, end of year	<u>\$ 923</u>	<u>\$ 923</u>	<u>\$ 987</u>	<u>\$ 64</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, 2012**

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2012</u>
MUNICIPAL COURT FUND				
Assets:				
Cash	<u>\$ 556,175</u>	<u>\$ 4,427,083</u>	<u>\$ 4,556,941</u>	<u>\$ 426,317</u>
Liabilities:				
Due to others	<u>\$ 556,175</u>	<u>\$ 4,427,083</u>	<u>\$ 4,556,941</u>	<u>\$ 426,317</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 - SANDY SPRINGS HOSPITALITY BOARD
JUNE 30, 2012**

ASSETS	
Cash	\$ 422,317
Accounts receivable	560
Due from primary government	110,765
Prepaid items	<u>4,840</u>
Total assets	<u><u>\$ 538,482</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	<u>\$ 19,190</u>
Total liabilities	<u>19,190</u>
FUND BALANCE	
Nonspendable for prepaid items	4,840
Restricted for tourism	<u>514,452</u>
Total fund balance	<u>519,292</u>
Total liabilities and fund balance	<u><u>\$ 538,482</u></u>

CITY OF SANDY SPRINGS, GEORGIA

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
COMPONENT UNIT - SANDY SPRINGS HOSPITALITY BOARD
FOR THE YEAR ENDED JUNE 30, 2012**

REVENUES

Intergovernmental	\$ 1,187,745
Miscellaneous	<u>777</u>
Total revenues	<u>1,188,522</u>

EXPENDITURES

Current:	
Culture and recreation	<u>1,271,012</u>
Total expenditures	<u>1,271,012</u>

Net change in fund balance	(82,490)
----------------------------	----------

FUND BALANCE, beginning of year	<u>601,782</u>
--	----------------

FUND BALANCE, end of year	<u><u>\$ 519,292</u></u>
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STATISTICAL SECTION

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..... 51

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 53

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

Debt Capacity 61

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..... 63

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 64

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.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The government implemented GASB Statement 34 in 2006 which was the City's first year of incorporation; schedules presented include information beginning in that year.

CITY OF SANDY SPRINGS, GEORGIA

NET ASSETS BY COMPONENT LAST SEVEN FISCAL YEARS (accrual basis of accounting)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Primary government:				
Invested in capital assets, net of related debt	\$ 161,513,083	\$ 152,866,760	\$ 145,320,434	\$ 134,611,236
Restricted	2,026,724	422,094	-	-
Unrestricted	74,749,546	55,282,364	54,452,631	48,473,993
Total primary government net assets	<u>\$ 238,289,353</u>	<u>\$ 208,571,218</u>	<u>\$ 199,773,065</u>	<u>\$ 183,085,229</u> (1)

Note: The City's operations continued to grow during 2007 and 2008. 2007 was the City's first full year of operation.
The 2006 period was only 7 months.

(1) In 2009 the City added approximately \$33,114,000 of previously unrecorded infrastructure.

2008	2007	2006
\$ 83,403,809	\$ 76,989,747	\$ 56,330,759
-	-	-
45,566,572	15,393,045	(5,586,019)
<u>\$ 128,970,381</u>	<u>\$ 92,382,792</u>	<u>\$ 50,744,740</u>

CITY OF SANDY SPRINGS, GEORGIA

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

	2012	2011	2010	2009
Expenses				
General government	\$ 10,887,073	\$ 15,144,396	\$ 15,710,228	\$ 15,111,854
Judicial	1,459,938	1,945,524 (7)	859,627	1,149,765
Public safety	30,106,163	32,710,740 (5)	28,804,834 (4)	25,720,258
Public works	15,472,596	15,837,964	17,971,905	19,643,196
Culture and recreation	5,593,442	7,357,811	5,154,082	3,827,709
Housing and development	2,065,861	3,164,420 (6)	6,469,377	6,506,536
Interest on long-term debt	187,350	221,804	176,855	299,772
Total expenses	\$ 65,772,423	\$ 76,382,659	\$ 75,146,908	\$ 72,259,090
Program revenues				
Charges for services:				
General government	\$ 668,931	\$ 750,711	\$ 806,746	\$ 722,753
Judicial	3,271,883	3,769,291	4,290,960	4,657,134
Public safety	2,702,483	3,052,392	2,707,819 (4)	362,585
Public works	1,223,719	601,604	786,177	529,103
Culture and recreation	808,689	689,294	607,460	376,610
Housing and development	1,147,143	650,203	692,252	865,063 (3)
Operating grants and contributions	137,855	251,227	151,796	17,397
Capital grants and contributions	5,955,742	3,087,167	4,012,715	3,911,180
Total program revenues	\$ 15,916,445	\$ 12,851,889	\$ 14,055,925	\$ 11,441,825
Net (expense)/revenue	\$ (49,855,978)	\$ (63,530,770)	\$ (61,090,983)	\$ (60,817,265)
General Revenues and Other Changes in Net Assets				
Taxes				
Property taxes	\$ 29,268,099	\$ 30,230,477	\$ 31,639,678	\$ 31,870,456
Sales taxes	23,717,444	21,683,618	22,021,114	21,652,231 (2)
Other taxes	26,040,432	24,568,708	26,358,226	26,963,754 (2)
Unrestricted investment earnings	205,572	166,946	300,151	953,901
Contributions not restricted to specific programs	-	-	-	-
Miscellaneous revenues	342,566	179,935	193,516	378,119
Special item - donation of infrastructure at incorporation	-	-	-	-
Total	\$ 79,574,113	\$ 76,829,684	\$ 80,512,685	\$ 81,818,461
Change in Net Assets	\$ 29,718,135	\$ 13,298,914	\$ 19,421,702	\$ 21,001,196

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.

- (1) - In 2007 the City received a large amount of park greenspace and park improvements from the County which was reported as capital contributions.
- (2) - In 2009 the City was impacted by the economy and recognized fewer sales and other tax revenues than in prior years.
- (3) - In 2009, the economy across the state and country suffered causing the sale of construction license and permits to significantly decrease.
- (4) - In 2010 the City began collecting and expensing E911 charges in the public safety function.
- (5) - In 2011 the City saw increases in personnel costs and activities in both the police and fire departments.
- (6) - In 2011 the City restructured their staffing levels in the housing and development function due to a slow down in community and development projects.
- (7) - In 2011 with the restructuring of some of the departments, the City moved several employees to the municipal court.
- (8) - In 2012 the City rebid operating contracts resulting in a decrease in expenses.

	2008	2007	2006
\$	13,818,852	\$ 14,455,096	\$ 9,154,700
	955,759	782,597	328,008
	23,006,598	23,090,567	9,867,430
	16,341,371	12,515,340	5,105,770
	4,708,976	4,105,728	2,699,718
	6,322,427	7,236,048	2,697,519
	376,778	536,480	194,709
\$	<u>65,530,761</u>	<u>62,721,856</u>	<u>30,047,854</u>

\$	724,193	\$ 652,646	\$ 577,667
	5,273,492	3,447,821	401,377
	252,473	77,240	-
	471,789	370,645	-
	252,846	167,975	43,349
	2,207,413	2,933,954	1,193,931
	85,068	125,798	-
	6,170,789	21,653,418 (1)	-
\$	<u>15,438,063</u>	<u>29,429,497</u>	<u>2,216,324</u>
\$	<u>(50,092,698)</u>	<u>(33,292,359)</u>	<u>(27,831,530)</u>

\$	29,827,325	\$ 27,563,122	\$ 996,312
	24,992,061	24,795,033	9,627,122
	29,776,872	21,719,794	10,712,107
	1,395,026	734,079	113,746
	19,498	2,044	70,000
	669,505	116,339	2,898
	-	-	57,054,085
\$	<u>86,680,287</u>	<u>74,930,411</u>	<u>78,576,270</u>
\$	<u>36,587,589</u>	<u>41,638,052</u>	<u>50,744,740</u>

CITY OF SANDY SPRINGS, GEORGIA

**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST SEVEN 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
2008	29,827,325	24,992,061	4,375,173	8,227,077	17,174,622 (1)	84,596,258
2009	31,870,456	21,652,231 (2)	3,691,845 (2)	8,561,728	14,710,181 (2)	80,486,441
2010	31,639,678	22,021,114	3,322,710	8,207,816	14,827,700	80,019,018
2011	30,230,477	21,683,618	3,536,794	8,660,869	12,371,045	76,482,803
2012	29,268,099	23,717,444	3,695,536	9,593,906	12,750,990	79,025,975

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.

(1) 2008 was the City's first year of receiving the insurance premium tax, which was approximately \$4,688,000.

(2) In 2009 the City was impacted by the economy and recognized fewer tax revenues than in prior years.

CITY OF SANDY SPRINGS, GEORGIA

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

	2012	2011 (a)	2010	2009
General Fund				
Reserved	\$ -	\$ -	\$ 1,300,071	\$ 1,462,461
Unreserved	-	-	19,903,286	23,483,803
Nonspendable - Prepays	219,553	72,022	-	-
Committed - Recreation	12,761	12,237	-	-
Assigned - Stormwater projects	1,558,193	425,864	-	-
Appropriations of fund balance for next fiscal year's budget	11,168,204	-	-	-
Unassigned	21,766,616	20,944,346	-	-
Total general fund	\$ 34,725,327	\$ 21,454,469	\$ 21,203,357	\$ 24,946,264
All Other Governmental Funds				
Unreserved, reported in:				
Special revenue funds	\$ -	\$ -	\$ 367,860	\$ 320,488
Capital projects funds	-	-	27,885,013	20,079,444
Debt service fund	-	-	-	50,357
Restricted:				
Public safety	346,442	343,914	-	-
Toursim	987	923	-	-
Recreation	130,621	77,257	-	-
Infrastructure improvements	1,548,674	-	-	-
Assigned:				
Infrastructure improvements	33,770,010	28,129,952	-	-
Community development	41,221	41,053	-	-
Total all other governmental funds	\$ 35,837,955	\$ 28,593,099	\$ 28,252,873	\$ 20,450,289

Note: The City's operations continued to grow during 2007 and 2008. 2007 was the City's first full year of operation.
The 2006 period was only 7 months.

(a) The City implemented GASB Statement No. 54 during the 2011 fiscal year.

2008	2007	2006
\$ 815,003	\$ 3,899,995	\$ 2,468,031
32,995,487	9,093,886	(5,755,635)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>\$ 33,810,490</u>	<u>\$ 12,993,881</u>	<u>\$ (3,287,604)</u>

\$ 196,466	\$ 264,402	\$ 227,025
11,394,577	5,490,469	-
(27,546)	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>\$ 11,563,497</u>	<u>\$ 5,754,871</u>	<u>\$ 227,025</u>

CITY OF SANDY SPRINGS, GEORGIA

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

	2012	2011	2010	2009
Revenues				
Taxes	\$ 79,343,825	\$ 76,309,783 (13)	\$ 80,898,625	\$ 80,218,315 (3)
Licenses and permits	1,851,971	1,302,189	1,346,983	1,965,630 (4)
Intergovernmental	5,885,742	3,417,008	4,155,881	3,860,706 (5)
Charges for services	4,551,376	4,275,388	3,856,201 (6)	582,733
Fines and forfeitures	3,419,501	3,935,918	4,481,207	4,964,885
Contributions	137,855	68,753	147,073	167,772
Interest earned	205,572	166,946	300,151	953,901
Miscellaneous	292,566	179,021	185,604	448,121
Total revenues	95,688,408	89,655,006	95,371,725	93,162,063
Expenditures				
Current:				
General government	11,048,889	15,463,566	15,774,609	23,123,876 (2)
Judicial	1,459,938	1,945,524 (10)	859,627	1,149,765
Public safety	31,003,258	33,099,211 (8)	30,213,605 (6)	26,677,292
Public works	21,642,758	27,737,474 (11)	22,256,953	23,866,587 (2)
Culture and recreation	5,932,476	7,219,744 (12)	13,437,115 (7)	7,442,979
Housing and development	2,753,603	3,764,554 (9)	6,990,292	6,506,536
Debt service:				
Principal	1,191,289	1,111,221	1,740,939	3,266,252
Interest	190,483	223,288	163,435	307,919
Total expenditures	75,222,694	90,564,582	91,436,575	92,341,206
Excess (deficiency) of revenues over (under) expenditures	20,465,714	(909,576)	3,935,150	820,857
Other Financing Sources (Uses)				
Issuance of long term debt	-	1,500,000	7,912	-
Proceeds from sale of capital assets	50,000	914	-	-
Transfers in	13,566,119	16,062,062	26,375,804	34,746,391
Transfers out	(13,566,119)	(16,062,062)	(26,375,804)	(34,746,391)
Total other financing sources (uses)	50,000	1,500,914	7,912	-
Net change in fund balances	\$ 20,515,714	\$ 591,338	\$ 3,943,062	\$ 820,857
Debt service as a percentage of noncapital expenditures	2.2%	1.8%	2.7%	4.9%

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.

- (1) In 2008 the City began expending outlays from the capital projects fund which account for approximately \$7,500,000 of the increase.
- (2) In 2009 the City continued expending outlays from the capital projects fund.
- (3) In 2009 the economy across the state and country suffered causing sales tax and hotel tax revenues to see significant decreases.
- (4) In 2009, the economy across the state and country suffered causing the sale of construction license and permits to significantly decrease.
- (5) In 2009 the City received and expended two large Department of Transportation grants for over \$2,000,000.
- (6) In 2010 the City began collecting E911 charges.
- (7) In 2010 the City has several large park improvement projects that were undertaken.
- (8) - In 2011 the City had approximately \$2 million of computer equipment purchases and upgrades as well as saw additional increases in the cost of staffing in the police and fire departments.
- (9) - In 2011 the City restructured their staffing levels in the housing and development function due to a slow down in community and development projects.
- (10) - In 2011 with the restructuring of some of the departments, the City moved several employees to the municipal court.
- (11) - The City completed their stormwater inventory in 2011 which was used to identify the infrastructure needs and began major improvement projects throughout the City.
- (12) - The projects which were undertaken in 2010 were unusually high, as they included many of the land purchases, which is the higher costing items in park improvements.
- (13) - In 2011 the City's property taxes fell approximately \$1 million, caused by the decrease in the gross digest. Additionally, the City also saw a decrease of \$2 million in business taxes.
- (14) - In 2012 the City rebid operating contracts resulting in a decrease in expenditures.

	2008	2007	2006
\$	84,201,305	\$ 73,519,577	\$ 21,335,541
	3,216,026	3,868,934	1,744,329
	984,545	301,730	-
	455,095	333,527	70,618
	5,511,084	3,447,820	401,377
	236,126	172,069	70,000
	1,395,026	734,079	113,746
	599,503	116,339	2,898
	<u>96,598,710</u>	<u>82,494,075</u>	<u>23,738,509</u>
	13,730,116	14,662,914	9,180,705
	955,759	784,594	328,008
	23,017,162	28,023,354	11,332,550
	18,016,930 (1)	10,884,786	4,353,238
	6,332,157	4,227,399	2,713,318
	6,322,427	7,236,048	2,697,519
	2,830,523	1,843,437	-
	371,671	522,212	193,750
	<u>71,576,745</u>	<u>68,184,744</u>	<u>30,799,088</u>
	<u>25,021,965</u>	<u>14,309,331</u>	<u>(7,060,579)</u>
	1,500,000	7,500,000	4,000,000
	103,270	-	-
	20,005,239	7,414,647	670,889
	(20,005,239)	(7,414,647)	(670,889)
	<u>1,603,270</u>	<u>7,500,000</u>	<u>4,000,000</u>
\$	<u>26,625,235</u>	<u>\$ 21,809,331</u>	<u>\$ (3,060,579)</u>
	5.0%	3.8%	0.7%

CITY OF SANDY SPRINGS, GEORGIA

**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST SEVEN FISCAL YEARS
(modified 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	27,004,750	24,795,033	4,319,717	7,603,326	9,796,751	73,519,577
2008	29,432,372	24,992,061	4,375,173	8,227,077	17,174,622 (1)	84,201,305
2009	32,061,197	21,193,266 (2)	3,691,845 (2)	8,561,826	14,710,181 (2)	80,218,315
2010	32,100,781	22,439,282	3,322,710	8,208,152	14,827,700	80,898,625
2011	30,018,679	21,724,415	3,536,794	8,658,850	12,371,045	76,309,783
2012	29,525,159	23,717,444	3,695,536	9,654,696	12,750,990	79,343,825

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.

(1) 2008 was the City's first year of receiving the insurance premium tax, which was approximately \$4,688,000.

(2) In 2009 the City was impacted by the economy and recognized fewer tax revenues than in prior years.

CITY OF SANDY SPRINGS, GEORGIA

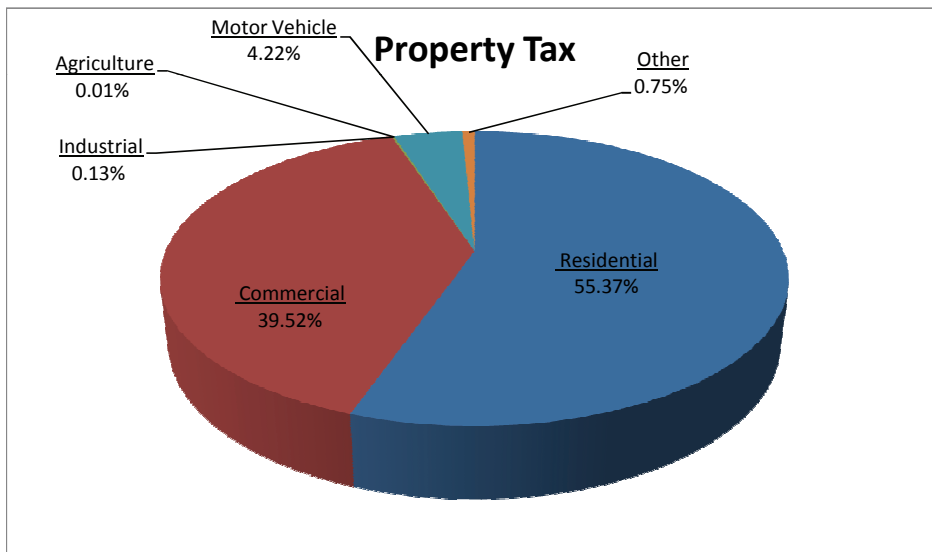
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST SEVEN CALENDAR YEARS

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
2008	4,094,509,530	3,439,835,900	15,309,680	308,440	282,296,030	42,906,780 (2)
2009	4,096,518,200	3,072,660,470	14,882,750	308,440	310,256,370	36,383,866
2010	3,966,218,590	3,001,056,530	13,647,940	290,480	274,825,840	45,563,644
2011	3,844,147,560	2,844,527,480	12,356,130	342,320	267,556,810	47,759,277
2012	3,756,986,980	2,681,350,440	9,188,790	411,200	286,683,680	50,794,652

Source: Fulton County Tax Commissioner

(1) Reflects conservation use.

(2) Fulton County Tax Commissioner made significant reassessments and reclassifications of all property categories for 2008.



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%
697,411,661	7,177,754,699	4.731	17,944,386,748	40%
610,103,942	6,920,906,154	4.731	17,302,265,385	40%
598,120,585	6,703,482,439	4.731	16,758,706,098	40%
554,479,555	6,462,210,022	4.731	16,155,525,055	40%
550,368,934	6,235,046,808	4.731	15,587,617,020	40%

CITY OF SANDY SPRINGS, GEORGIA

**PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST SEVEN CALENDAR YEARS**
(rate per \$1,000 of assessed value)

Calendar Year	Direct		Overlapping School District				Total Direct & Overlapping Rates
	Sandy Springs (1)	Fulton County	Operating Millage	Debt Service Millage	Total School District Millage	State	
2006	4.731	11.470	17.825	0.282	18.107	0.250	34.558
2007	4.731	10.281	16.904	1.188	18.092	0.250	33.354
2008	4.731	10.281	16.403	1.099	17.502	0.250	32.764
2009	4.731	10.281	17.502	-	17.502	0.250	32.764
2010	4.731	10.281	18.502	-	18.502	0.250	33.764
2011	4.731	10.551	18.502	-	18.502	0.250	34.034
2012	4.731	10.551	18.502	-	18.502	0.250	34.034

Source: Fulton County Tax Commissioner

Note: As set forth in the City's Charter, the millage rate cannot exceed 4.731 mills unless a higher limit is approved through a referendum by a majority of qualified voters of the City.

(1) Total rate is for M&O. No components to separately display.

CITY OF SANDY SPRINGS, GEORGIA

**PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND FIVE YEARS AGO
JUNE 30, 2012**

Taxpayer	2012			2007		
	Taxable Assessed	Rank	Percentage of Total Taxable Assessed	Taxable Assessed	Rank	Percentage of Total Taxable Assessed
	Value		Value	Value		Value
Development Authority of Fulton County	\$ 115,714,130	1	1.79 %	\$ 73,122,792	1	1.17 %
Four Eight Prop LLC	62,034,020	2	0.96	35,000,000	2	0.56
FULCOPROP Fifty Six, LLC	57,543,090	3	0.89			
Georgia Power Company	42,133,101	4	0.65	35,350,272	5	0.57
FULCOPROP 400, LLC	32,719,429	5	0.51			
Powers Ferry Marketing LLC	32,598,626	6	0.50			
Teachers Concourse LLC	31,231,380	7	0.48	26,874,519	10	0.43
BT Property, LLC	30,882,739	8	0.48			
Vef V Atlanta Office One, LLC	29,588,432	9	0.46			
US REIF Lakeside Commons Georgia LLC	29,081,150	10	0.45			
Highwoods DLF 97 26 DFL 99 32				27,282,761	9	0.44
Concourse V Associates				34,600,000	3	0.55
Northpark Associates LTD				33,086,079	4	0.53
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
Totals	\$ 463,526,097		7.17 %	\$ 350,118,822		5.60 %

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 SIX FISCAL YEARS**

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 %	\$ 588,209	\$ 25,148,109	99.85 %
2008	27,162,838	26,271,821	96.7	846,178	27,117,999	99.83
2009	29,635,929	28,869,540	97.4	709,253	29,578,793	99.81
2010	30,023,553	29,768,046	99.1	195,334	29,963,380	99.80
2011	28,645,938	28,201,259	98.4	389,400	28,590,659	99.81
2012	27,482,337	27,341,375	99.5	-	27,341,375	99.49

Source: Fulton County Tax Commissioner

Note: The City levied property taxes for the first time in 2007.

CITY OF SANDY SPRINGS, GEORGIA

**RATIOS OF OUTSTANDING DEBT BY TYPE
LAST SEVEN FISCAL YEARS**

Fiscal Period Ended June 30,	Governmental Activities			Percentage of Personal Income (1)	Per Capita (1)
	Notes Payable	Capital Lease Payable	Total		
2006	\$ 4,000,000	\$ -	\$ 4,000,000	0.09 %	\$ 46.14
2007	9,656,563	-	9,656,563	0.18	98.64
2008	8,326,040	-	8,326,040	0.15	83.42
2009	5,059,788	2,563,682	7,623,470	0.15	76.38
2010	3,428,740	2,453,791	5,882,531	0.11	58.02
2011	3,850,776	2,420,534	6,271,310	0.13	66.82
2012	2,842,105	2,237,916	5,080,021	0.10	52.45

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, 2012

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Overlapping general obligation debt:			
Fulton County	\$ 163,265,000	11.64 %	\$ 19,004,046
Fulton County school district	134,370,000	11.64	15,640,668
Total overlapping debt	297,635,000		34,644,714
City direct debt:			
Notes payable	2,842,105	100	2,842,105
Capital leases	2,237,916	100	2,237,916
Total direct debt	5,080,021		5,080,021
Total direct and overlapping debt	\$ 302,715,021		\$ 39,724,735

Source: Assessed value date used to estimate applicable percentages and debt outstanding obtained from Fulton County School District.

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 LAST SEVEN FISCAL YEARS

Fiscal Period	Population (1)	Personal Income (amounts expressed in thousands) (1)	Per Capita Personal Income (1)	Median Age (1)	Unemployment Rate (2)
2006	86,698	\$ 4,550,258	\$ 52,484	33.2	2.2 %
2007	97,898	5,265,933	53,790	38.6	4.3
2008	99,808	5,376,735	53,871	37.9	5.4
2009	99,808	5,231,035	52,411	35.2	10.4
2010	101,390	5,208,607	51,372	34.8	10.2
2011	93,853 (3)	4,933,008	52,561	33.9	8.3
2012	96,856	5,129,397	52,959	34.9	8.3

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

(2) Bureau of Labor Statistics July, 2010

(3) Source: 2010 U.S. Census

Note: 2007 population, per capita, and personal income are estimates based on past regional trends.

CITY OF SANDY SPRINGS, GEORGIA

**PRINCIPAL EMPLOYERS
CURRENT YEAR AND SIX YEARS AGO**

Employer	2012			2006		
	Employees (1)	Rank	Percentage of Total City Employment (2)	Employees (1)	Rank	Percentage of Total City Employment (2)
IBM Corporation	2,483	1	4.7 %	894	4	1.5 %
Cisco Systems, Inc.	1,708	2	3.3			
United Parcel Service	1,636	3	3.1	1,653	1	2.7
AT&T Mobility	650	4	1.2	1,137	2	1.9
RBS Lynk Inc.	600	5	1.1	675	7	1.1
COX Enterprises Inc	584	6	1.1			
ACS State Healthcare, LLC	510	7	1.0			
National Account Svc, Co.	480	8	0.9			
ING North American Ins Corp	448	9	0.9	675	6	1.1
Global Payments, Inc.	410	10	0.8			
Autotrader.com				926	3	1.5
Internet Security Systems				753	5	1.2
Ceridian Corporation				604	8	1.0
Coca-Cola USA Customer Care				587	9	1.0
Manheim Corporate Services, Inc.				535	10	0.9
Totals	9,509		18.1 %	8,439		13.9 %

(1) Source: Fulton County Development Authority and 2011 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 SEVEN FISCAL YEARS**

Function	2012	2011	2010	2009	2008	2007	2006
General government	46	46	63	63	62	55	120
Judicial	15	15	11	11	12	10	-
Public safety							
Police							
Officers	129	129	132	132	124	111	44
Civilians	17	17	7	7	15	15	2
Fire							
Firefighters (1)	135	128	122	123	106	105	-
Civilians	2	2	17	16	3	5	-
Public works							
Highways and streets	25	25	25	25	26	23	65
Culture and recreation	12	12	9	9	8	6	-
Housing and development	27	27	37	37	45	44	5
Total	408	401	423	423	401	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 and 2008 as well as transferred existing employees between departments.

(1) Includes the full time equivalents for the part time positions

CITY OF SANDY SPRINGS, GEORGIA

**OPERATING INDICATORS BY FUNCTION
LAST FIVE FISCAL YEARS**

Function	2012	2011	2010	2009	2008
General government					
Ordinances approved	36	38	82	70	108
Court cases	23,344	22,083	24,781	28,631	28,793
Grants managed	26	28	21	21	18
Police					
Calls for service	85,480	61,727	91,494	84,393	92,482
Part 1 crimes reported	2,817	2,639	2,984	3,104	3,827
Traffic citations issued	21,266	22,976	20,467	20,933	23,013
Fire					
Incident responses	10,567	10,769	12,668	15,885	18,425
Average response time	6 minutes	6.45 minutes	6 minutes	6 minutes	6 minutes
Fire safety programs conducted	383	308	220	575	138
Inspections conducted	3,834	3,810	3,139	3,341	2,256
Highways and streets					
Traffic signals timed	123	114	60	60	121
Average days to repair pothole	1-5 days	1-5 days	24 hr- emg/ 3 days	24 hr- emg/ 3 days	24 hr- emg/ 3 days
Community development					
Stormwater plans reviewed	29	21	64	65	38
New building permits issued	1,382	1,545	1,368	1,188	1,814
Parcels annexed	0	0	0	0	0
Culture and recreation					
Park acres maintained	220	220	225	225	155
Park & facilities	16	16	15	14	13
Annual program registrants	36,500	36,500 (1)	9,050	9,010	7,250

Sources: Various City departments.

Note: Operating indicators are not available for years prior to 2008.

(1) In 2011 the City began including number of registrants of participants in City run programs and those run by a contracted third party.

CITY OF SANDY SPRINGS, GEORGIA

**CAPITAL ASSET STATISTICS BY FUNCTION
LAST SEVEN FISCAL YEARS**

Function/Program	2012	2011	2010	2009	2008	2007	2006
Police							
Stations (1)	1	1	1	1	1	1	1
Patrol Units	165	156	131	100	106	100	40
Patrol Zones	8	8	8	8	8	8	3
Fire stations							
Leased (1)	1	2	2	2	2	2	-
Owned	3	2	2	2	2	2	-
Public Works							
Streets (miles)	360	360	360	360	360	360	295
Traffic Signals	123	114	122	119	121	119	78
Culture and recreation							
Park acreage	220	220	219	219	195	168	-
Recreational facilities	16	16	15	14	13	12	-

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.

Capital asset indicators are not available for the following functions: general government, judicial, and housing and development.