

April 15, 2009

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

Ladies and Gentlemen:

State law and local ordinances require that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the year ended June 30, 2008. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal controls established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the City of Sandy Springs (the "City").

This report has been prepared in accordance with State statutes set forth in an Act providing uniform standards for audits of municipalities and counties within the State of Georgia, approved March 28, 1968 (p. 464), and as amended by an Act approved April 21, 1968 (GA Laws 1997, p. 883). Mauldin and Jenkins, CPAs, have issued an unqualified ("clean") opinion on the City of Sandy Springs' financial statements for the year ended June 30, 2008. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the Government

As one of Georgia's newest cities, Sandy Springs was incorporated in December of 2005 after overcoming a thirty-year struggle for independence. Located just north of the City of Atlanta, Sandy Springs occupies a land area of 37.7 square miles and serves a population of 99,808 (2000 U.S. Bureau of Labor Statistics - American Community Survey (ACS) Population Estimate). Sandy Springs is home to one of the largest business districts in the state and is proud to host the largest suburban building in the United States, the 570 foot Concourse Towers. Sixteen miles of shoreline from the Chattahoochee River are located within the jurisdiction, creating a unique recreational opportunity in a 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 on a non-partisan basis. Each of the council members is elected by district and the mayor is elected at large by popular vote. The mayor and council members serve until their successors are qualified and certified. Terms of office begin at the certification of the election and swearing into office. Elections are held every four years. The Mayor appoints, subject to confirmation by the council, a City Manager to carry out the administrative operations of the government. The City is empowered to levy a property tax on both real and personal property located within its boundaries and is able to levy all other taxes granted to municipalities within the State of Georgia.

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

The annual budget serves as the foundation for the City's financial plan and assists in the control of the financial stability and health of the government. The Mayor and Council are required to adopt a final budget no later than the close of the fiscal year. The budget is prepared by fund, function, and department. Since Fiscal Year 2007, the budgeting process included performance management initiatives. The City Manager may transfer resources within a department (within a fund) as deemed necessary. Transfers between departments or funds, however, need special approval from the City Council.

Local Economy

Sandy Springs is Georgia's seventh largest City and has an estimated population of 99,808. The population is anticipated to grow to 103,740 by the Year 2010, with an annual estimated growth rate of 1.95%. The commercial real estate market is complemented by the area's largest transportation systems intersecting within the City, I-285 and Georgia 400. These transportation arteries are two of the most heavily traveled in the region. The City is served by the Metropolitan Atlanta Rapid Transit Authority, comprised of fixed rail passenger trains and a privately-owned bus system.

Sandy Springs is home to several Fortune 500 Companies, including United Parcel Service (UPS), Newell Rubbermaid, Exide Technologies, Mirant, and Mueller Water Products. The City's commercial properties comprise over 45% of the total tax digest by property value, ensuring a strong economic environment for the government. Sandy Springs also hosts four of the region's largest health care hospitals; Northside Hospital, Saint Joseph's, Kaiser Permanente, and Children's Healthcare at Scottish Rite Hospital. This concentration of health care facilities is one of the largest in the Southeast.

This past year, there were 43,411 households in the City. The average household size was 2.52 people. Families made up 58 percent of the households in Sandy Springs. This figure includes both married-couple families (43 percent) and other families (15 percent). Non-family households made up 42 percent of all households. Most of the non-family households were comprised of people living alone. However, some consisted of individuals living in households in which no one was related to the head of household.

The most common occupations found in Sandy Springs were: management, professional, and related occupations, 48 percent; sales and office occupations, 29 percent; service occupations, 16 percent; construction, extraction, maintenance and repair occupations, four percent; and production, transportation, and material moving occupations, three percent. Eighty-four percent of the people employed were private wage and salary workers; seven percent were federal, state, or local government workers; and nine percent were self-employed on their own and were not incorporated business workers.

Seventy-four percent of Sandy Springs city workers drove to work alone in 2007, five percent carpooled, eight percent took public transportation, and four percent used other means. The remaining nine percent worked at home. Among those who commuted to work, it took them on average 24.2 minutes to arrive at work.

The median income of households in Sandy Springs was \$76,240. Eighty-nine percent of the households received earnings and 11 percent received retirement income other than Social Security. Fifteen percent of the households received Social Security. These income sources are not mutually exclusive; that is, some households received income from more than one source. Ninety-three percent of people 25 years and over had at least graduated from high school and 62 percent had a bachelor's degree or higher.

National Economy

The Federal Reserve has executed numerous monetary policy initiatives in an attempt to limit a recession. Uncle Sam issued billions of dollars to shore up the housing, banking and auto industries. The unemployment rate reached its highest in three decades, with the stock market losing more than \$10 trillion of market wealth and over 50% of its value. This has produced a financial ripple effect of devastating retirement plans, long-term investments and jobs. Market strategists and economists alike point to a slow and painful recovery. History doesn't provide guidance to this type of recovery since it was not generated by a business cycle but by a broken financial system. What can't be debated any longer is the magnitude of the speed of decline and extent in which it has impacted all sectors of the economy.

The economy will need years to recover from the anxiety, lack of consumer confidence and financial fear that transpired this past year. Surges of corporate defaults, home foreclosures, bank failures and job losses are mounting. The average decline during a bear market since the depression is thirty percent. Perhaps more importantly, past bears lasted on average thirteen months, making this bear not just mean but also old. Most economists and financial professionals remain somewhat optimistic that a recovery will occur but at a slower pace for the next few years. This slowed growth will continue to affect Sandy Springs as the economy recovers.

Long-term Financial Planning

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

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 changed without a referendum. In addition, when residential property is reassessed, if a homeowner has filed for the proper homestead exemption, the assessment cannot be raised more than 3% (or the rate of inflation) in any one year for city taxes. Neighboring jurisdictions are not bound by the 3% cap in the utilization of increased assessments, or where a large proportion of their increased assessments falls on the back of homeowners, will roll back their millage rates. Thus, with the homestead exemptions, the Sandy Springs property tax can only rise 3% for homeowners.

Sandy Springs enjoys a strong economy. The total property tax valuations in the City increased over the past year. Over one-third of the increase in the digest (and eventually of property tax collections) is due to new construction. This, of course, means more (housing) residents or more office workers all of which require more city services. The remaining increase is attributable to two primary factors. First, there were a large number of assessments of commercial properties. This occurred because commercial reassessments lagged for many years in Fulton County. Efforts are now underway to correct this lag. Second, there was an increase in the number of assessments for residential properties. This was reflected by an increase in assessments for rental properties (not eligible for the homestead exemption) or where homeowners failed to file for the proper homestead exemption.

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 2009. Additionally, the commercial community continues to experience significant re-development through builders and developers developing mixed use areas.

Relevant Financial Policies

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

Major Initiatives

Fiscal Year 2008 was the second full year of service since the City's incorporation. Major items implemented during the course of this past year include:

City Council Budget Priorities

The budget adopted by the Mayor and City Council's established priorities including: Commitment to Outstanding Customer Service, Public Safety Services, Transportation Improvements, Planning and Zoning and Parks and Recreation. The budget called for no millage or fee rate increase, ensured financial stability; emphasized long-term stability; focused on public safety services and provided substantial capital funding to address a significant backlog of existing infrastructure deficiencies.

Capital Improvement Program

The budget was developed with City Council based upon established priorities and refined rankings from a series of budget workshops. The capital improvement program was allocated significant resources to improve our infrastructure; particularly in the area of parks, roads and bridges, sidewalks and storm water drainage facilities to address a significant backlog of existing infrastructure deficiencies. Furthermore, City Council made the determination to re-invest a one-time \$9 million of undesignated fund balance to expedite existing capital projects. As part of the budget planning process, the Mayor and Council further refined the City's Capital priorities, ranked and subsequently funded these projects as follows:

- | | |
|--|--|
| 1. Capital Improvement Plan Concept Projects | 5. Sidewalk Improvements |
| 2. Intersection Improvement Projects | 6. Stormwater Improvements |
| 3. Park Improvement Projects | 7. Traffic Signals, Signs and Marking Projects |
| 4. Permanent Public Safety Facility | |

Major Initiatives

Sandy Springs made significant progress in addressing our community priorities. We implemented bold new initiatives started in our police and fire departments as well as the announcement of a joint (E-911) public safety answering and dispatch authority with the City of Johns Creek. We formed solid partnerships with local hospitals and Rural Metro Ambulance that include launching a new induced hypothermia therapy program, to increase survival rates of cardiac arrest patients. We began the implementation of a state of the art traffic management center to improve travel times on our streets. Our Sidewalks to Schools Program saw the installation of thousands of feet of new sidewalks making it safer for our children and residents to walk to school facilities. We continued to make significant maintenance and upgrades to our park system and acquired a 22-acre parcel named Lost Corners Preserve. We enhanced police services and response times by adding additional police patrol officers, detectives, traffic officers, gang and CID officers. We increased community appearance by enhancing and increasing the frequency of grass cutting/weed spraying and street sweeping.

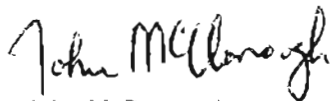
Awards and Acknowledgments

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sandy Springs for its Comprehensive Annual Financial Report (CAFR) for the fiscal period ended June 30, 2007. In order to be awarded a Certificate of Achievement, the City had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

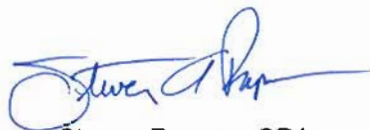
A Certificate of Achievement is valid for a period of one year only. We are pleased to present the City's third Comprehensive Annual Financial Report (CAFR), and submit the same to the Government Finance Officers Association (GFOA) for consideration in the Certificate of Achievement for Excellence in Financial Reporting program. We believe that our current CAFR continues to meet the program's requirements.

The preparation of this report is possible because of the efficient and dedicated services of the entire staff of the Department of Finance. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and City Council for the unfailing support for maintaining the highest standards of professionalism in the oversight of the City's finances.

Respectfully submitted,



John McDonough
City Manager



Steven Rapson, CPA
Assistant City Manager, Finance & Admin

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, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the fiscal period by \$128,970,393 (total net assets). Of this amount (\$45,566,584), (unrestricted net assets) is available to meet the ongoing obligations of the government and represents an increase of \$30,173,539 from the prior year.
- The City's increase in net assets was \$36,587,601 during the fiscal period; primarily due to an increase in tax revenues over the prior year.
- As of the close of the current fiscal period, the City's governmental funds reported combined ending fund balances of \$45,373,999. This represents an increase of \$26,625,247 primarily due to higher than anticipated revenues, lower than expected expenditures and residual funds allocated to the Capital Fund for pending capital projects.
- The City contributed \$15,540,483 for capital fund projects and increased long term debt by \$1,500,000 primarily for additional police equipment improvements to be repaid in future years.

Overview of the Financial Statements

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

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The government-wide financial statements can be found on pages 11 and 12 of this report.

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

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

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

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and capital projects funds, both of which are considered to be major funds. Data for the other eight governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all its governmental funds, with the exception of capital projects fund for which project-length budgets are adopted.

The basic governmental fund financial statements can be found on pages 12 through 16 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 17 through 33 of this report.

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 schedule for the general fund as presented on a generally accepted accounting principal basis in this section. These schedules are intended to demonstrate the City's compliance with the legally adopted and amended budgets. Required supplementary information can be found on pages 34 and 35 of this report.

The individual fund statements and schedules, referred to earlier, are presented immediately following the required supplementary information. Individual fund statements and schedules can be found on pages 38 through 44 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 \$128,970,393. This represents a \$36,587,601, or 39.6% increase over last year.

The largest portion of the City's net assets, \$83,403,809, reflects its investment in capital assets (e.g., buildings, machinery and equipment roadways, sidewalks, culverts, equipment and signals); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining portion of the City's net assets represents unrestricted net assets \$45,566,584 that is available to meet the ongoing obligations of the government. This represents a positive shift of \$30,173,539, which provided working capital and achievement of the City's adopted 16% designated fund balance reserve.

The City has current assets of \$52,563,890. These assets include \$45,624,876 of cash and cash equivalents. This is an increase of \$27,373,541, or 108.7% over the prior year.

The City's capital assets are \$91,266,860 which represents a net increase of \$8,317,568, or 10.0% over the prior year. This is a significant decrease in the pace of additions over the first two years of the City's existence as infrastructure was assessed and a valuation adopted.

Long term liabilities have decreased by \$1,006,249, or -10.0% as the City continues to payoff capital leases related to the initial acquisitions of automobiles and other public safety equipment for fire and police operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Sandy Spring's Net Assets

	Governmental Activities	
	2008	2007
Assets		
Current assets	\$ 52,563,890	\$ 25,190,349
Capital assets, net of accumulated depreciation	91,266,860	82,949,292
Total assets	<u>143,830,750</u>	<u>108,139,641</u>
Liabilities		
Current liabilities	5,831,426	5,721,669
Long-term liabilities	9,028,931	10,035,180
Total liabilities	<u>14,860,357</u>	<u>15,756,849</u>
Net assets		
Invested in capital assets, net of related debt	83,403,809	76,989,747
Unrestricted	45,566,584	15,393,045
Total net assets	<u>\$ 128,970,393</u>	<u>\$ 92,382,792</u>

Governmental activities. The donation of capital assets accounted for substantially all the growth in net assets for 2006. Fiscal 2007 and 2008 represent a full year of operating activity. The following table compares operating activity for the last two fiscal years.

Capital grants and contributions decreased (\$15,482,629) as the final transfers of infrastructure, parks and buildings from Fulton County were completed. Property taxes have increased \$2,264,203 as increased property valuations are reflected in the City's property tax rolls. Business taxes increased \$7,377,871, or 75.3% and represents prior year settlements of estimated business gross receipts and collections from businesses found during the revenue enhancement project. Public works expenditures have increased \$3,826,031, or 30.6% as the capital improvement program was allocated significant more resources to improve our infrastructure; particularly in the area of parks, roads and bridges, sidewalks and storm water drainage facilities to address a significant backlog of existing infrastructure deficiencies.

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Sandy Spring's Changes in Net Assets

	Governmental Activities	
	2008	2007
Revenues		
Program revenues:		
Charges for services	\$ 9,182,206	\$ 7,650,281
Operating grants and contributions	85,068	125,798
Capital grants and contributions	6,170,789	21,653,418
General revenues:		
Property taxes	29,827,325	27,563,122
Sales taxes	24,992,061	24,795,033
Hotel/motel taxes	4,375,173	4,319,717
Franchise taxes	8,227,077	7,603,326
Business taxes	17,174,622	9,796,751
Unrestricted investment earnings	1,395,038	734,079
Contributions not restricted to specific programs	-	2,044
Gain on sale of capital assets	19,498	-
Miscellaneous revenues	669,505	116,339
Total revenues	102,118,362	104,359,908
Expenses		
General government	13,818,852	14,455,096
Judicial	955,759	782,597
Public safety	23,006,598	23,090,567
Public works	16,341,371	12,515,340
Culture and recreation	4,708,976	4,105,728
Housing and development	6,322,427	7,236,048
Interest on long-term debt	376,778	536,480
Total expenses	65,530,761	62,721,856
Change in net assets	36,587,601	41,638,052
Net assets, beginning of year	92,382,792	50,744,740
Net assets, end of year	\$ 128,970,393	\$ 92,382,792

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$45,373,999. Of this balance, \$462,989 is reserved for capital projects, \$352,014 is reserved for prepaids, \$14,601,840 is designated fund reserve for general fund operations and \$29,957,156 is considered unreserved and can be used to meet the near term operating needs of the City. Total fund balance increased \$26,625,247 from the prior year. This increase is primarily a result of higher tax revenues.

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 \$33,810,490 representing a balance of unreserved, undesignated fund balance was \$18,393,647, and \$14,601,840 in designated fund reserve for general fund operations and \$815,003 reserved for capital projects and prepaid assets. As a measure of the liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 34.8% of total general fund expenditures, while total fund balance represents 63.9% of total general fund expenditures. As noted previously, a large portion of the increase in fund balance of the General Fund is due to an increase in property taxes and business taxes.

Capital Projects Fund. The capital projects fund was set up during 2007 to account for capital projects managed by the City. During the current year, a total of \$15,540,483 was transferred into the capital projects fund from the general and solid waste hauling fees fund. The City also entered into capital leases in the amount of \$1,500,000 which is reported in this fund. After capital outlay expenditures of \$11,555,482, the capital projects fund had a remaining fund balance of \$11,389,465 at year end.

General Fund Budgetary Highlights

The City's budget utilized a conservative approach based on information available. Emphasis was given to ensuring financial stability and long-term stability while providing revenue enhancement; financial priorities and discipline.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

For fiscal 2008, the City's general fund had a favorable budget variance of \$20,474,309. There was a \$12,136,285 favorable budget variance for revenues as well as an \$8,338,024 favorable budget variance for expenditures. Almost all categories of revenue realized significant favorable variances. The City's actual activity was more favorable than budgeted for most line items due to a conservative budget which was based on prior year activity. As the City is still in the growth phase, the actual activity reflects more growth than the City anticipated.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental activities as of June 30, 2008, amounts to \$91,266,860 (net of accumulated depreciation). These assets primarily reflect infrastructure assets such as roadways, sidewalks, culverts and signals; and the capital investment for police vehicles and other capital related equipment.

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

	Governmental Activities	
	2008	2007
Land	\$ 19,793,094	\$ 13,448,323
Construction in progress	2,619,456	135,262
Buildings	4,386,927	4,539,935
Improvements	2,906,014	2,739,170
Machinery and equipment	7,254,810	7,146,468
Infrastructure	54,306,559	54,940,134
Total	<u>\$ 91,266,860</u>	<u>\$ 82,949,292</u>

Additional information on the City's capital assets can be found in note 6 on page 27 of this report.

Long-term debt. At the end of fiscal year 2008, the City had total debt outstanding of \$8,326,040 primarily for police and fire start-up 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 pages 28 and 29 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 2009 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- 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 last year 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 anticipated weakening of the economy that most economists and financial professionals were beginning to predict in the coming year.
- The City restricts the use of one-time revenues to capital projects.

Requests for Information

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