2009 comprehensive annual financial report

For the Fiscal Year ended September 30, 2009

City of Milton

Georgia



Community

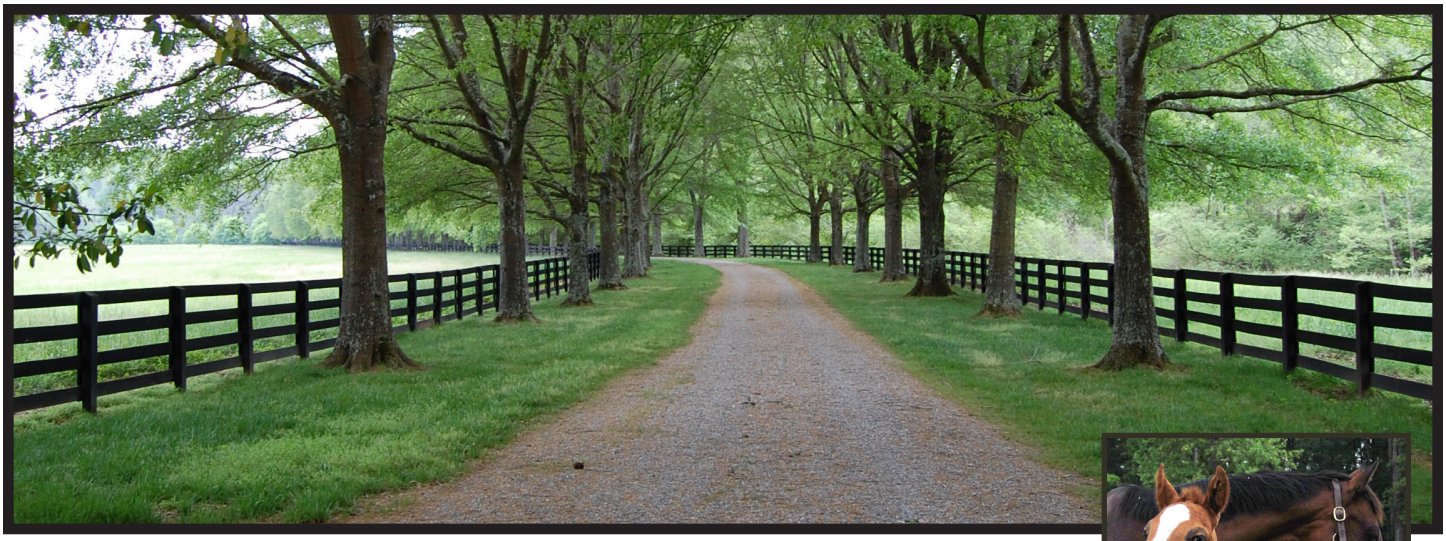


Duty



Heritage

THIS PAGE INTENTIONALLY LEFT BLANK









City of Milton Georgia

2009 comprehensive annual financial report

For the Fiscal Year ended September 30, 2009

Prepared by:
Stacey Inglis
Finance Director

Submitted by:
Chris Lagerbloom
City Manager

THIS PAGE INTENTIONALLY LEFT BLANK

INTRODUCTORY SECTION

CITY OF MILTON, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2009

TABLE OF CONTENTS

Page Number

INTRODUCTORY SECTION
- Table of Contents ..... i-ii
- Letter of Transmittal ..... iii-v
- GFOA Certificate of Achievement vi
- Listing of Elected and Principal Officials vii
- Organizational Chart viii
- City Meetings and Special Events..... ix

FINANCIAL SECTION
- Independent Auditor's Report 1-2
- Management's Discussion and Analysis 3-10
- Basic Financial Statements:
  - Government-wide Financial Statements
    - Statement of Net Assets 11
    - Statement of Activities 12
  - Fund Financial Statements
    - Balance Sheet – Governmental Funds 13
    - Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds 14
    - Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities ...15
    - Statement of Fiduciary Assets and Liabilities – Agency Fund 16
  - Notes to Financial Statements 17-33
- Required Supplementary Information:
  - General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual 34-35
  - Schedule of Funding Progress – Retirement Plan 35
- Combining and Individual Fund Statements and Schedules:
  - Balance Sheet – Nonmajor Governmental Funds 37
  - Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds 38
  - Special Events Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual 39
  - Confiscated Assets Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual 40
  - Emergency 911 Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual 40
  - Operating Grant Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual 41
  - Hotel/Motel Tax Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual 41
  - Statement of Changes in Assets and Liabilities – Agency Fund 42

CITY OF MILTON, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2009

TABLE OF CONTENTS

Page Number

STATISTICAL SECTION
- Financial Trends:
  - Net Assets by Component 44
  - Changes in Net Assets 45
  - Governmental Activities Tax Revenues by Source 46
  - Fund Balances of Governmental Funds 47
  - Changes in Fund Balances of Governmental Funds 48
- Revenue Capacity:
  - General Governmental Tax Revenues by Source 49
  - Assessed Value and Estimated Actual Value - All Taxable Property 50-51
  - Property Tax Rates – Direct and Overlapping Governments 51
  - Principal Property Taxpayers 52
  - Property Tax Levies and Collections 52
- Debt Capacity:
  - Ratios of Outstanding Debt by Type 53
  - Direct and Overlapping Governmental Activities Debt 54
- Demographic and Economic Information:
  - Demographic and Economic Statistics 55
  - Principal Employers 55
- Operating Information:
  - Full-Time Equivalent City Government Employees by Function 56
  - Operating Indicators by Function 57-58
  - Capital Asset Statistics by Function 59

COMPLIANCE SECTION
- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards 60-61
- Schedule of Findings and Responses 62-63

To the Honorable Mayor, Members of City Council, Citizens, Businesses and Stakeholders of the City of Milton:

March 2, 2010

We are pleased to present to you the Comprehensive Annual Financial Report of the City of Milton, Georgia (the "City") for the fiscal year ended September 30, 2009. This report consists of management's representations concerning the finances of the City. Management assumes full responsibility for the completeness and reliability of all information presented in this report, based upon a comprehensive framework of internal controls established for this purpose. Since 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.

In compliance with state laws, the City's financial statements have been audited by Mauldin & Jenkins, Certified Public Accountants, LLC. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2009 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 auditors have concluded, based upon their audit, that there is reasonable basis for rendering an unqualified ("clean") opinion on the City's financial statements for the fiscal year ended September 30, 2009. The independent auditor's report is presented as the first component 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.

OUR HISTORY

In the early 1800s, the area that is now known as the City of Milton was inhabited mostly by the Cherokee. Through the 1832 land lottery, settlers in search of good farmland and gold made this their home.

In 1857, Milton County was formed from parts of Cobb, Cherokee and Forsyth Counties to create a more accessible county seat. It was named for John Milton, Georgia's first Secretary of State and a Revolutionary War hero. This was an agriculture-based community with cotton as the main crop. Devastation hit with the boll weevil infestation in the 1910s and 1920s and then with the Great Depression in the 1930s. Small counties, such as Milton, were encouraged to consolidate with larger counties in the "Bigger and Better Counties" movement. It was at this time in 1932 that Milton voters decided to merge with Fulton County.

The area remained unincorporated for 74 years until the citizens decided they wanted services provided and decisions made on a more local level. On December 1, 2006, the City of Milton was born. It occupies a land area of 39.13 square miles and serves an estimated population of 31,689. The city is known for its rural character and pastoral farm lands.

GOVERNMENT PROFILE

Policy-making and legislative authority are vested in a governing Council consisting of the Mayor and six Council members, all elected on a non-partisan basis. Each serves a four-year staggered term, where one-half of the Council seats are up for election every two years. The Mayor is elected at large, without regard to specific residence within the city. The Council members are elected by district and serve at large.

The City of Milton operates under a Council-Manager form of government, whereby the City Manager is appointed by Mayor and Council. The City Manager has the authority and responsibility: to carry out the policies set forth by the Council; to provide for the effective and efficient delivery of municipal services; and to direct and supervise the administration of all departments.

The City provides a full range of services, including police and fire protection and the construction and maintenance of streets and other infrastructure. Sanitation services are provided through relationships with private operators.

BUDGET BASIS AND STRUCTURE

The annual budget serves as the foundation for the City's financial plan and assists in control of the financial stability and health of the government. The Mayor and Council are legally required to adopt a balanced budget (i.e. revenues = expenditures) no later than the close of the fiscal year. The City's fiscal year runs from October 1 through September 30.

The budget is prepared by fund, function and department. The official level of control (i.e., the level on which expenditures may not legally exceed appropriations) for each legally adopted annual operating budget is at the department level. Administrative transfers of appropriations within a department may be authorized by the City Manager.

Transfers between departments or funds must be approved by the Mayor and Council.

ECONOMIC CONDITION

Communities across Georgia and throughout the nation are experiencing declines in new home construction, increases in the number of filings for foreclosures and increases in commercial vacancy rates. In these uncertain economic times, Milton has not been immune to the economic realities but continues to maintain a strong financial position.

- **Population** – The Community Development Department estimates the population of the city at 31,689 residents as of September 30, 2009. Initial population estimates of 15,088 in 2007 were deemed inaccurate through a research project performed by Georgia Power Economic Development during FY 2009. With the updated information, the City will be able to better plan for services in the future.
- **Development** – The City is in a unique situation as a municipality that is largely rural and suburban in nature, but which lies within the metropolitan area of Atlanta and in close proximity to major future-growth corridors. Approximately 54% of the land area within the city has a residential land use, while 34% has an agricultural or forestry land use. Only 2% is dedicated to commercial use, while the remaining 10% is park land, cemeteries, schools and wetlands.
- **Property values** – Total taxable assessed property values decreased by 0.11% for the 2009 property tax year. The economic downturn caused an actual decrease of 2.4%; however, because of the partial completion of a new shopping development on State Highway 9, the impact of the economic situation on the overall tax digest was lessened significantly.

The City wishes to maintain its position as a distinct exurban and suburban destination within the context of adjacent communities and the Atlanta region. In order to do so, Milton's residents must face the fiscal realities of living in a city that has fewer residents and a subsequently smaller tax base.

Currently, the City has no core intensely-developed area except in the southeastern region along State Route 9, Windward Parkway and Deerfield Parkway. Four of the five largest employers in Milton are located in this section: Verizon, Infor Global Solutions, Fry's Electronics and Wal-Mart.

STRATEGIC FINANCIAL PLANNING

Although many economic factors are largely outside of local government control, the Mayor, Council, City Manager and departments have displayed impressive financial stewardship over the years through established philosophy of budgetary evaluation. This philosophy entails reviewing the needs of the city relative to a standard that services and associated costs should not be appropriated unless they are justified as strategic goals of the organization that serve to accomplish our guiding principles.

Upon incorporation, the City also adopted a budgetary policy that requires the establishment of a fund balance reserve for working capital. The purpose of working capital is to cover the cost of expenditures caused by unforeseen emergencies, to cover shortfalls due to revenue declines, and to eliminate any short-term borrowing for cash flow purposes. This reserve shall accumulate and then be maintained at an amount equal to two months of expenditures, which is approximately 16% of budgeted expenditures.

The largest single source of revenue for the City is property taxes. It makes up over 51% of the annual collections of all revenue sources. Because taxes are billed at the end of the fiscal year, properly projecting tax collections that offset expenditures occurring throughout the fiscal year can prove to be difficult in economic times such as these. If collections fall short of projections, the difference comes out of the fund balance reserves since it is too late to adjust spending.

The City relies on Fulton County to provide the tax digest in a timely manner in order for tax bills to be sent by September 1. Due to complications in reconciling the property assessments, the County sent the digest in October. This greatly affected the City's ability to reach the projected $7.6 million budgeted for property taxes causing a fund balance deficit of $1.6 million in the General Fund, as reflected in the following financial statements. Fortunately, the City was able to transfer cash from internal funds so there was never a shortage in cash on-hand or a need to borrow funds externally.

The depleted fund balance was replenished in December 2009 when a majority of the property tax bills were paid. These collections will be reported in the fiscal year 2010 financial statements.

The sustainability of the City relies on a diversification of revenue sources. As mentioned, property taxes are the largest single source of revenue; however, significant discussion is centered on how to further diversify the City's revenue base and lessen reliance on property taxes. Existing revenue sources are evaluated on an annual basis to ensure the underlying rate is reasonable and justifiable. The City is also exploring the feasibility of contracting with third-parties to audit excise taxes to make certain we are receiving all of the revenue due.

MAJOR INITIATIVES

During fiscal year 2009, Milton planned and implemented several major initiatives designed to meet citizens' and business owners' needs for services, improve the quality of life and ad-

here to the Mayor and Council's vision and mission for the City. As a kickoff to establishing a government performance management system, the City of Milton conducted a scientifically validated survey of its citizens in conjunction with ICMA and the National Citizen Survey. This survey focused on eight broad categories of city services and other characteristics, including: community quality; community design; public safety; environmental sustainability; recreation and wellness; community inclusiveness; civic engagement; and public trust. When compared to the nearly 300 comparison jurisdictions, we found Milton citizens view their community very favorably. We were also able to use the survey results to chart a course for self-improvement in some areas and look forward to the opportunity to improve our performance as a government.

The City received federal funding in 2008 to develop the Milton Transportation Master Plan. In December 2008, the City engaged Kimley-Horn and Associates, Inc., to develop the city-wide plan. The goal was to analyze the system as a whole and look at a broad range of areas that impact traffic and mobility rather than merely looking at level of service and traffic counts. It will allow the city to plan more effectively for transportation improvements and to apply for transportation grants that can be used to fund the improvements. In December 2009, the completed plan was approved by the Mayor and Council.

The Community Development Department made progress on several key initiatives. The Highway 9 Design Guideline Committee met frequently with staff to produce guidelines that will provide developers with a more thorough explanation of Milton's State Route 9 Overlay District Standards. These guidelines, nearing completion, will be presented to the Mayor and Council for review.

The Historic Preservation Committee, formed in 2009, is working to provide a Historic Preservation Ordinance that will serve to preserve historic structures within the City. The ordinance is nearing completion and will be presented to the Mayor and Council for approval in fiscal year 2010.

The Community Development Department is also currently working on a Comprehensive Plan that incorporates citizen input in the development priorities of the City. There are three stages required by the state to complete this plan: Community Participation Plan, Community Assessment and Community Agenda. The first two stages have been completed and a Partial Plan Update was adopted. The final stage and adoption is anticipated to occur by the end of calendar year 2010.

At its inception, the city decided to take a non-traditional approach to operating a city by partnering with a private firm, CH2M Hill, Inc., to perform the operations and maintenance services. During fiscal year 2009, the City and CH2M Hill met frequently to discuss contract modifications and pricing that addressed the current downward financial trends. Throughout these discussions, it became apparent the City should explore the option of bringing all of the services in-house. A great deal of research was performed to determine the feasibility of making such a move and the results showed it would be more cost-effective. The decision was made to terminate the contract effective December 31, 2009. CH2M Hill provided a valuable service and was a tremendous help in getting the City started.

AWARDS AND ACKNOWLEDGEMENTS

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 Milton for its Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended September 30, 2008. This program recognizes those governments that go beyond the minimum requirements of generally accepted accounting principles to prepare CAFR's that represent the spirit of transparency and full disclosure. This was the first year the City has received this prestigious award. This award is valid for a period of one year only. We believe that our current CAFR continues to conform to program requirements and we are submitting it to GFOA to determine its eligibility for another award. The City is committed to this effort and will strive to maintain and surpass these standards on future reports.

The preparation of this report would not have been possible without the efficient and dedicated services of all City departments. Their willingness to work together has enabled Milton to go beyond the ordinary, to be unique and to strive to exceed expectations in financial reporting by producing a quality report that is readable, informative, and beneficial to our citizens. We also extend our appreciation and gratitude to our independent auditors, Mauldin & Jenkins, LLC, for the professional guidance and assistance in producing a technically sound document. Most importantly, we express our appreciation to the Mayor and City Council for their dedication, leadership, vision, and support in planning and conducting the affairs of the City in a responsible and progressive manner, which ensures that Milton is a well-rounded, vibrant community to call home.

Respectfully submitted,

Christopher J. Lagerbloom
City Manager

Stacey R. Inglis
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Milton
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2008

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.



President

Executive Director

Elected Officials at September 30, 2009



From left: District 1 **Karen Thurman**, District 3 **William C. Lusk**, District 2 **Julie Zahner Bailey**, Mayor **Joe Lockwood**, District 4 **Burt Hewitt**, Mayor Pro Tem/District 5 **Tina D'Aversa**, District 6 **Alan Tart**

Principal Officials at September 30, 2009

Chris Lagerbloom
City Manager

Tom Wilson
Operations Director

Jeanette Marchiafava
City/Court Clerk

Stacey Inglis
Finance Director

Ken E. Jarrard, Esq.
City Attorney

Carter Lucas
Public Works Director

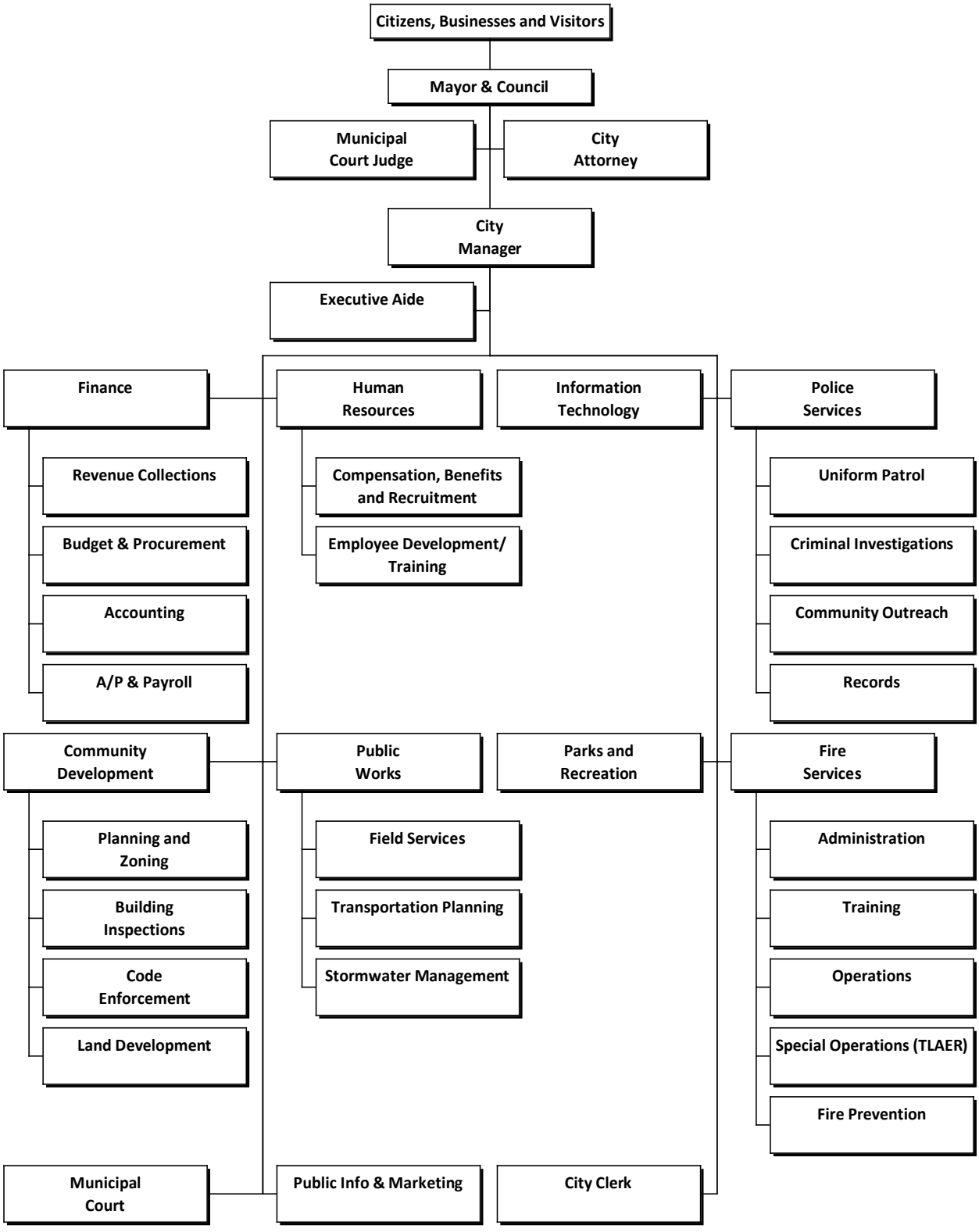
Deborah Harrell
Police Chief

Robert Edgar
Fire Chief

John Umphlett
Information Technology Director

Mauldin & Jenkins LLC
City Auditors

Organizational Chart at September 30, 2009



City Meetings

City Council

Regularly Scheduled Meetings
First and Third Mondays
Work sessions
Second Monday
6 p.m. in Council Chambers

Design Review Board

Regularly Scheduled Meeting
First Tuesday
6 p.m. in Council Chambers

Planning Commission

Regularly Scheduled Meeting
Fourth Tuesday
7 p.m. in Council Chambers

Board of Zoning Appeals

Regularly Scheduled Meeting
Third Tuesday
7 p.m. in Council Chambers

2010 Special Events

April 17 – Earth Day Festival

10 a.m. to 3 p.m., Birmingham Park
Milton's first Earth Day Festival is scheduled for Saturday, April 17 at Birmingham Park.
The event, sponsored by The Milton Grows Green Committee (MGG), will feature information about existing and future environmental projects and programs in Milton.

May 31 – Memorial Day

10 a.m., City Hall
The Memorial Day commemoration will be held at Milton's City Hall and will feature a flyover by Team RV, invocation, presentation of colors, call to colors, songs like the National Anthem and God Bless America, Keynote Speaker Brigadier General Maria Britt, commanding general of the Georgia National Guard, a roll call of deceased veterans, and a benediction.

Sept. 11 – "B At the Movies" presented by the City of Milton and B98.5 FM

Dusk, Birmingham United Methodist Church
"B at the Movies" features a free, family-friendly movie still to be determined shown under the night sky at Birmingham United Methodist Church. There will be activies for children and the whole family. Please bring your own blanket or chair. No alcohol allowed.

Oct. 2 – Crossroads at Crabapple Antique & Art Festival

9 a.m. to 5 p.m., historic downtown Crabapple
A tradition since 1969, this one day only, rain or shine, outdoor festival features 50 local juried artists and 50 American Country Antique Dealers from six states. Included in the festival are roaming musicians, food for sale benefiting the Boy and Girl Scouts, children activities and trolley rides.

Oct. 23 – 4th Annual Milton Roundup

Noon to 6 p.m., Birmingham United Methodist Church
All residents of Milton, along with their family and friends, are invited to join in the day-long event where they can eat good local food, play games, listen to music, hop on one of our exciting rides or just spend the day outside enjoying Georgia's beautiful fall weather.

Dec. 4 – Christmas in Crabapple and Annual Tree Lighting

4 to 7 p.m., historic downtown Crabapple; 8 p.m., Corner of Webb Road and Ga. 9
Celebrate the season of giving with a traditional outdoor celebration. Santa will be on hand for children to share their secret wishes and to get their picture taken. Everyone can enjoy hot chocolate, cider and S'mores while listening to carols sung by the Milton High School choir.
Later, Santa will make another appearance, this time on the other side of Milton, to light the city's tree. There will be music, refreshments, a countdown to the lighting, and more.

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL SECTION



MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members
of the City Council of the
City of Milton, Georgia

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **City of Milton, Georgia**, as of and for the year ended September 30, 2009, which collectively comprise the City of Milton, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Milton, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Milton, Georgia as of September 30, 2009, 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 February 22, 2010, on our consideration of the City of Milton, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, General Fund – Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, and Schedule of Funding Progress – Retirement Plan as listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 22, 2010

Management's Discussion and Analysis

As management of the City of Milton (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2009. 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 beginning of this report. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by $49,044,889 (total net assets). Of this amount $12,520,252 (unrestricted net assets) may be used to meet the ongoing obligations of the government.
- The City's total net assets increased by $1,553,370.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of $4,347,456, a decrease of $5,400,510 from the prior year. This significant decrease is due to the late receipt of the tax digest from Fulton County resulting in a two-month delay in sending the tax bills.
- The City's total long-term debt at September 30, 2009, consists of a master lease that was used to purchase public safety vehicles and equipment in fiscal year 2007 in the amount of $3,169,794. As of the close of the fiscal year the balance of capital leases outstanding is $1,969,007.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Milton's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the basic financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances. Financial reporting at this level uses a perspective similar to that found in the private sector, with its basis in accrual accounting and elimination or reclassification of activities between funds. These statements provide both long-term and short-term information about the City's overall financial status.

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. Evaluation of the overall health of the City would extend to other non-financial factors, such as diversification of the taxpayer base or the condition of the City's infrastructure, in addition to the financial information provided in this report.

The *statement of activities* report how the City's net assets changed during the current 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 periods (e.g., uncollected taxes and earned but unused vacation leave). An important purpose of the design of this statement is to show the financial reliance of the City's distinct activities, or functions, on revenues provided by the City's taxpayers.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities). The City of Milton's governmental activities include general government, judicial, public safety, public works, culture and recreation, and housing and development. The City currently does not have any business-type activities.

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 a government'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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains two major and six non-major governmental funds. The City's major governmental funds are: General Fund and Capital Projects Fund. The non-major governmental funds are: Special Events Fund, Confiscated Assets Fund, Emergency 911 Fund, Operating Grant Fund, Hotel/Motel Tax Fund and Capital Grant Fund.

The basic governmental fund financial statements can be found on pages 13 through 15 of this report.

Fiduciary fund. *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 statements 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.

The basic fiduciary fund financial statement can be found on page 16 of this report.

Notes to the basic 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 to 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 budgetary comparison schedules and the schedule of funding progress for the City's pension plan. The budgetary comparison 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 through 35 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Following is a summary of the City's net assets as found on page 44 of this report.

CITY OF MILTON'S NET ASSETS

	Governmental Activities	
	2008	2009
Assets		
Current and other assets	$ 17,710,819	$ 14,649,351
Capital assets	39,539,943	38,493,644
Total assets	57,250,762	53,142,995
Liabilities		
Current liabilities	6,917,396	1,720,320
Long-term liabilities	2,841,847	2,377,786
Total liabilities	9,759,243	4,098,106
Net assets		
Invested in capital assets, net of related debt	36,964,310	36,524,637
Unrestricted	10,527,209	12,520,252
Total net assets	$ 47,491,519	$ 49,044,889

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City of Milton, assets exceeded liabilities by $49,044,889 at the close of the fiscal year. The largest portion of the City's net assets (74.5%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, and machinery and equipment), 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. The statement reveals a $12,520,252 (25.5%) surplus at the end of this fiscal year, an increase of $1,993,043 over the previous fiscal year. The evidence of a surplus does not mean that the City has resources available beyond its long-term commitments. Rather, it is the result of having currently available resources that are greater than long-term commitments. The primary reason for this positive change in net assets is the City's ability to maintain sufficient revenues while maintaining adequate budgetary controls on expenses.

At the end of the fiscal year, the City is able to report positive balances in both categories of net assets for the government as a whole. The same situation held true for the prior fiscal year.

The following condensed financial information was derived from the government-wide statement of activities (page 12) and reflects how the City's net assets changed during the fiscal period.

CITY OF MILTON'S CHANGES IN NET ASSETS

	Governmental Activities	
	2008	2009
Revenues		
Program revenues:		
Charges for services	$ 1,525,357	$ 2,099,704
Operating grants and contributions	14,621	119,099
Capital grants and contributions	4,523,803	424,745
General revenues:		
Property taxes	10,132,567	10,328,547
Sales taxes	4,318,839	3,708,300
Other taxes	2,396,221	3,382,810
Intergovernmental revenue	4,176,896	-
Interest	129,092	53,168
Miscellaneous revenues	73,688	301,379
Total revenues	27,291,084	20,417,752
Expenses		
General government	4,171,595	4,588,792
Judicial	546,447	538,008
Public safety	6,457,721	7,261,031
Public works	2,552,092	4,468,962
Culture and recreation	270,663	167,788
Housing and development	1,501,911	1,720,486
Interest on long-term debt	258,286	119,315
Total expenses	15,758,715	18,864,382
Increase in net assets	11,532,369	1,553,370
Net assets - beginning (original)	33,806,693	47,491,519
Prior period adjustment	2,152,457	-
Net assets - beginning (restated)	35,959,150	47,491,519
Net assets - ending	$ 47,491,519	$ 49,044,889

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Milton 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 a government's net resources available for spending at the end of the fiscal year.

As of the end of fiscal year 2009, the city reported a governmental funds combined ending fund balance of $4,347,456, a decrease of $5,400,510 from the prior year. The largest component of this amount $3,978,770 constitutes unreserved fund balance with $5,704,913 attributable to the capital projects funds. It is important to note the General Fund carried a negative unreserved fund balance of $(1,955,792). This was due to the late billing of property taxes as a result of Fulton County's inability to reconcile the digest in a timely manner.

The remaining portion of the combined ending fund balance represents reserved fund balance and comprises $368,686, indicating that it is not available for new spending. This amount has already been committed to: 1) prepaid expenses ($328,336); 2) special events ($7,700); and Bell Memorial Park ($32,650).

General Fund. The *General Fund* is the primary operating fund and the largest source of day-to-day service delivery. It accounts for many of the City's core services, such as law enforcement, fire protection, planning, roads and streets, and administration. The fund balance showed a deficit of $(1,600,656) as of September 30, 2009.

The following provides an explanation of the changes in revenues by source from 2008 to 2009:

Revenues Classified by Source - General Fund

	FY 2009		FY 2008		Increase (Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
Revenues by Source:						
Taxes	$ 9,899,995	87.1%	$ 16,457,845	74.6%	$ (6,557,850)	-39.8%
Licenses and permits	238,976	2.1%	398,164	1.8%	(159,188)	-40.0%
Intergovernmental	-	0.0%	4,176,896	18.9%	(4,176,896)	-100.0%
Charges for service	389,360	3.4%	359,802	1.6%	29,558	8.2%
Fines and forfeitures	505,921	4.4%	477,247	2.2%	28,674	6.0%
Other	337,517	3.0%	192,322	0.9%	145,195	75.5%
Total	$ 11,371,769	100.0%	$ 22,062,276	100.0%	$ (10,690,507)	-48.5%

Taxes. As mentioned previously, the City bills property taxes at the end of the fiscal year. Since Fulton County had problems with reconciling the digest, they were exceptionally late in delivering it to the City, resulting in tax bills being sent two months later than in previous years. As a result, property tax revenues were $6,908,871 lower in 2009 than in 2008. Another contributing factor to the decrease in taxes was the effect the economic slump had on the local option sales taxes, causing a $644,674 decline in this revenue source. Occupational tax increased by $848,994 due to the first-time receipt of the insurance premium tax in 2009. Lastly, franchise fees increased this fiscal year by $146,701.

Licenses and permits. Building permits dramatically decreased in fiscal year 2009 as the building and development market declined, causing a $159,188 variance from 2008.

Intergovernmental. In fiscal year 2008, the City received the special service district funds from Fulton County. This one-time revenue was the balance of the monies the County set aside as a requirement by State law for tracking the cost of providing services in certain unincorporated areas. With the incorporation of the City of Milton, the County sent the funds to the City to ensure they would be used for the intended purpose of providing services to the citizens.

Charges for service. The increase of $29,558 is attributable to a rise in plan review fees, background check fees and fire inspections.

Fines and forfeitures. Municipal court fees increased by $28,674.

Other. Other revenues increased by $145,195. In fiscal year 2007, the City booked a payable for the final payment of an intergovernmental agreement for police and fire services totaling $259,261. This payable was taken off the books in fiscal year 2009 since it hasn't been settled in two years and management's belief that this amount is not a liability.

The following provides highlights explaining the significant changes from prior period expenditures by function:

The General Government, Public Works, and Housing and Development functions all experienced increases due to a reallocation of the CH2M Hill contract costs. The overall contract increased by $257,820. However, during fiscal year 2009, the costs were reallocated in a way to properly represent the portion of the contract attributable to each department.

Debt service decreased by $114,744, or 13.4%. In the prior year, the City had to seek short-term funding in the form of a tax anticipation note to shore up cash flows during the year. Since the City received the one-time revenue source of the special service district funds from Fulton County in 2008, there was no need to secure external funding during fiscal year 2009.

Expenditures by Function - General Fund

	FY 2009		FY 2008		Increase (Decrease)	
	Amount	% of Total	Amount	% of Total	Amount	% of Change
Expenditures by Function:						
General government	$ 4,542,545	29.0%	$ 4,129,002	27.8%	$ 413,543	10.0%
Judicial	538,008	3.4%	546,447	3.7%	(8,439)	-1.5%
Public safety	5,790,863	36.9%	5,960,508	40.1%	(169,645)	-2.8%
Public works	2,219,838	14.2%	1,780,051	12.0%	439,787	24.7%
Culture and recreation	159,713	1.0%	160,442	1.1%	(729)	-0.5%
Housing and development	1,690,957	10.8%	1,422,939	9.6%	268,018	18.8%
Debt service	742,984	4.7%	857,728	5.8%	(114,744)	-13.4%
Total	$ 15,684,908	100.0%	$ 14,857,117	100.0%	$ 827,791	5.6%

Capital Projects Fund. Annually, the City Council approves a capital program as part of the budget process. Funding for these projects comes primarily from available fund balance of the General Fund. The Capital Projects Fund accounts for these activities. During the year $4,118,139 was transferred to this fund from the General Fund. After expenditures of $1,379,861, the remaining fund balance was $4,900,109.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City employs an annual mid-year and end-of-year budget adjustment process in order to re-align appropriations made during the annual budget process with significant and 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.

The following highlights the differences between the original and the final budget amount:

Decreased property taxes by $1,132,886 based on preliminary digest information and lower-than-anticipated collections.

Decreased local option sales tax revenue by $1,509,022 to cover lower-than-anticipated collections.

Increased franchise fees by $300,000 to account for higher-than-anticipated revenues.

Decreased licenses and permits by $80,229 due to the decline in the economic environment.

Increased charges for service by $87,030 to account for higher-than-anticipated revenues.

Decreased interest earned by $24,820 due to the decline in interest rates.

Expenditures and transfers out decreased by $1,460,540. Reasons for the decrease were:

	Budget			Variance
	Original	Final	Actual	with Final
Revenues and transfers in:				
Taxes	$ 17,546,475	$ 16,104,159	$ 9,899,995	$ (6,204,164)
Licenses and permits	313,070	232,841	238,976	6,135
Charges for services	271,557	358,587	389,360	30,773
Fines and forfeitures	457,636	432,500	505,921	73,421
Contributions	-	6,010	6,189	179
Interest earned	54,000	29,180	29,949	769
Miscellaneous	38,802	47,723	301,379	253,656
Other financing sources	15,000	25,000	6,439	(18,561)
Total	$ 18,696,540	$ 17,236,000	$ 11,378,208	$ (5,857,792)
Expenditures and transfers out:				
Expenditures	17,691,600	16,789,808	15,684,908	(1,104,900)
Transfers out	5,181,836	4,623,088	4,421,644	(201,444)
Total	22,873,436	21,412,896	20,106,552	(1,306,344)
Change in fund balance	$ (4,176,896)	$ (4,176,896)	$ (8,728,344)	$ (4,551,448)

- There were several vacant positions that were either not filled as the fiscal year began or were put on hold.
- A number of projects were performed by current staff instead of outsourcing to a third party.
- Improvements to City Hall were cut.
- The reserves budget was cut due to the fact that it reached the required 16% of reserves during the fiscal year.

During the year, general fund revenues fell short of budgetary projections, and expenditures were less than budgetary estimates. Actual revenues and other financing sources were $5,857,792 lower than estimates, whereas expenditures were $1,306,344 lower than final budgetary appropriations. Listed below are the major variances between actuals and appropriations:

- As mentioned previously, property tax revenues were greatly affected by the timing in which Fulton County sent the tax digest. The City was two months late in billing the taxes; therefore, only one month of collections was booked in fiscal year 2009. The total variance in property taxes was $(6,331,434).

- The expenditures were lower than anticipated primarily due to vacant positions and the prudent spending of department heads.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. As of September 30, 2009, the City's investment in capital assets for its governmental activities total $38,493,644 (net of accumulated depreciation). This investment in capital assets includes land, buildings, vehicles and equipment, construction in progress and infrastructure. The decrease in capital assets from the prior period is due to depreciation.

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

City of Milton, Georgia
Capital Assets (net of accumulated depreciation)
Fiscal Years 2008 and 2009

	2008	2009
Land	$ 3,869,061	$ 3,869,061
Buildings	278,401	258,804
Vehicles & Equipment	2,547,392	2,217,108
Construction in progress	1,044,000	1,097,000
Infrastructure	31,801,089	31,051,671
Total	**$ 39,539,943**	**$ 38,493,644**

Long-term debt. At the end of fiscal year 2009, the City's total outstanding debt was $1,969,007 for police and fire vehicles and other start-up equipment. A payment of $606,626 was made during the fiscal year to reduce the capital lease outstanding.

Further information on the City's long-term debt can be found in note 8 on pages 27 and 28 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The following factors are expected to have a significant effect on the City's financial position or results of operations and were taken into account in developing the fiscal year 2010 budget:

- Sustainability of existing services – the City deployed a philosophy of budgetary evaluation reviewing the needs of the City to a standard realizing 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 City is legally mandated to levy a millage rate no higher than 4.731 mills. In order to sustain the current level of service, the City decided to project property tax revenues in the new fiscal year using the maximum millage rate allowed. This will provide approximately $7.9 million in operating revenue.

- The City is monitoring the current economic situation and its effect on revenue trends. The fiscal year 2010 budget projects the collections for certain revenue sources, such as intangible tax, building permits and development fees, will be lower than fiscal year 2008.

All of these factors were taken into consideration when preparing the 2010 budget. The City maintained a conservative approach during the preparation of the 2010 budget focusing on operational cost control and maintaining a strong fund balance.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Milton's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Department
City of Milton
13000 Deerfield Pkwy, Ste 107G
Milton, GA 30004
or by calling 678-242-2500.

BASIC FINANCIAL STATEMENTS



CITY OF MILTON, GEORGIA

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

	Primary Government
	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 2,774,208
Accounts receivable	999,690
Taxes receivable	10,357,164
Due from other governments	189,953
Prepaids	328,336
Capital assets:	
Nondepreciable	4,966,061
Depreciable, net of accumulated depreciation	33,527,583
Total assets	53,142,995
LIABILITIES	
Accounts payable	1,156,441
Accrued liabilities	335,127
Deposits payable	144,903
Unearned revenue	83,849
Compensated absences, due within one year	408,779
Note payable, due within one year	630,831
Note payable, due in more than one year	1,338,176
Total liabilities	4,098,106
NET ASSETS	
Invested in capital assets, net of related debt	36,524,637
Unrestricted	12,520,252
Total net assets	$ 49,044,889

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

CITY OF MILTON, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Governmental Activities
Primary government:					
Governmental activities:					
General government	$ 4,588,792	$ 254,806	$ 175	$ -	$ (4,333,811)
Judicial	538,008	669,896	-	-	131,888
Public safety	7,261,031	813,042	108,010	-	(6,339,979)
Public works	4,468,962	187,468	-	424,745	(3,856,749)
Culture and recreation	167,788	-	10,914	-	(156,874)
Housing and development	1,720,486	174,492	-	-	(1,545,994)
Interest on long-term debt	119,315	-	-	-	(119,315)
Total governmental activities	18,864,382	2,099,704	119,099	424,745	(16,220,834)
Total primary government	$ 18,864,382	$ 2,099,704	$ 119,099	$ 424,745	(16,220,834)
General revenues:					
Property taxes					10,328,547
Sales taxes					3,708,300
Hotel/Motel taxes					46,439
Franchise taxes					1,870,788
Business taxes					1,465,583
Unrestricted investment earnings					53,168
Miscellaneous revenues					301,379
Total general revenues					17,774,204
Change in net assets					1,553,370
Net assets, beginning of year					47,491,519
Net assets, end of year					$ 49,044,889

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

CITY OF MILTON, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

ASSETS	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 270,190	$ 1,513,928	$ 990,090	$ 2,774,208
Accounts receivable	874,242	51,805	73,643	999,690
Taxes receivable	10,353,371	-	3,793	10,357,164
Intergovernmental receivable	-	-	189,953	189,953
Due from other funds	25,890	3,418,475	1,013	3,445,378
Prepaids	322,486	-	5,850	328,336
Total assets	$ 11,846,179	$ 4,984,208	$ 1,264,342	$ 18,094,729
LIABILITIES				
Accounts payable	$ 1,003,025	$ 46,682	$ 106,734	$ 1,156,441
Accrued liabilities	279,810	-	-	279,810
Due to other funds	3,418,475	1,013	25,890	3,445,378
Deposits payable	144,903	-	-	144,903
Deferred revenue	8,600,622	36,404	83,715	8,720,741
Total liabilities	13,446,835	84,099	216,339	13,747,273
FUND BALANCES				
Fund balances:				
Reserved for prepaids	322,486	-	5,850	328,336
Reserved for special events	-	-	7,700	7,700
Reserved for Bell Memorial Park	32,650	-	-	32,650
Unreserved, designated for:				
Sidewalks	-	70,558	-	70,558
Tree recompense	-	12,800	-	12,800
Unreserved, reported in:				
General fund	(1,955,792)	-	-	(1,955,792)
Special revenue funds	-	-	229,649	229,649
Capital projects funds	-	4,816,751	804,804	5,621,555
Total fund balances (deficits)	(1,600,656)	4,900,109	1,048,003	4,347,456
Total liabilities and fund balances	$ 11,846,179	$ 4,984,208	$ 1,264,342	
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.				38,493,644
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(2,433,103)
Some revenues are not available in the current period and, therefore, are deferred in the funds.				8,636,892
Net assets of governmental activities				$ 49,044,889

The accompanying notes are an integral part of these statements.

CITY OF MILTON, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	$ 2,963,725	$ -	$ -	$ 2,963,725
Sales taxes	3,674,165	-	-	3,674,165
Hotel/Motel taxes	-	-	46,439	46,439
Franchise taxes	1,796,522	74,266	-	1,870,788
Business taxes	1,465,583	-	-	1,465,583
Licenses and permits	238,976	-	-	238,976
Charges for services	389,360	151,064	734,216	1,274,640
Fines and forfeitures	505,921	-	43,763	549,684
Intergovernmental	-	-	392,396	392,396
Contributions	6,189	-	8,545	14,734
Interest earned	29,949	17,327	5,892	53,168
Miscellaneous	301,379	-	-	301,379
Total revenues	11,371,769	242,657	1,231,251	12,845,677
Expenditures:				
Current:				
General government	4,542,545	10,569	34,138	4,587,252
Judicial	538,008	-	-	538,008
Public safety	5,790,863	304,118	682,715	6,777,696
Public works	2,219,838	1,035,141	464,565	3,719,544
Culture and recreation	159,713	504	-	160,217
Housing and development	1,690,957	29,529	-	1,720,486
Debt service:				
Principal	606,626	-	-	606,626
Interest	136,358	-	-	136,358
Total expenditures	15,684,908	1,379,861	1,181,418	18,246,187
Excess (deficiency) of revenues over expenditures	(4,313,139)	(1,137,204)	49,833	(5,400,510)
Other financing sources (uses):				
Transfers in	6,439	4,118,139	343,505	4,468,083
Transfers out	(4,421,644)	-	(46,439)	(4,468,083)
Total other financing sources (uses)	(4,415,205)	4,118,139	297,066	-
Net change in fund balances	(8,728,344)	2,980,935	346,899	(5,400,510)
Fund balances, beginning of year	7,127,688	1,919,174	701,104	9,747,966
Fund balances (deficits), end of year	$ (1,600,656)	$ 4,900,109	$ 1,048,003	$ 4,347,456

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

CITY OF MILTON, 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 SEPTEMBER 30, 2009

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	(5,400,510)
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 depreciation expense exceeded capital outlays in the current period.		(1,079,726)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		33,427
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		7,519,075
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.		606,626
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.		(125,522)
Change in net assets - governmental activities	$	1,553,370

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

CITY OF MILTON, GEORGIA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
SEPTEMBER 30, 2009

	Municipal Court Fund
ASSETS	
Cash	$ 144,643
Total assets	$ 144,643
LIABILITIES	
Due to others	$ 144,643
Total liabilities	$ 144,643

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City, which was incorporated in 2006, operates under a charter adopted December 1, 2006, 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.

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. 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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-wide and Fund Financial Statements (Continued)

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.

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

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 **capital projects fund** is used to account for the capital expenditures made by the City on long-term projects.

Additionally, the City reports the following fund type:

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

D. Encumbrances

The City employed encumbrance accounting during the year. Encumbrances, if existing at the end of the fiscal year, are recorded and appropriations lapse at year end. Open encumbrances would then be a reservation of fund balance since the commitments would be honored in subsequent years. Encumbrances do not constitute expenditures or liabilities. There were no encumbrances outstanding at September 30, 2009, and none were recorded.

E. Budgets

Formal budgetary accounting is employed as a management control device for the general fund, special revenue funds, and capital projects funds of the City. The governmental funds' budgets are adopted on a basis consistent with accounting principals generally accepted in the United States of America. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and amended as required for all governmental funds, with the exception of capital projects funds for which project length budgets are adopted. During the fiscal year ended September 30, 2009, 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Cash and Investments

Georgia statutes authorize the City to invest in the following: (1) obligations of Georgia or any other state; (2) obligations of the United States; (3) obligations fully insured or guaranteed by the United States government or one of its agencies; (4) obligations of any corporation of the United States government; (5) prime bankers' acceptances; (6) the State of Georgia local government investment pool; (7) repurchase agreements; and (8) obligations of any other political subdivisions of the State of Georgia. Any investment or deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations.

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.

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 September 30, 2009, are recorded as prepaid items in both government-wide and fund financial statements.

J. Capital Assets

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



NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

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	20-40 years
Vehicles	5-12 years
Infrastructure	15-60 years

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

K. Compensated Absences

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

L. Long-Term Obligations

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

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

M. Fund Equity

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

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 $2,433,103 difference are as follows:

Notes payable	$	(1,969,007)
Compensated absences (i.e., vacation)		(408,779)
Accrued interest		(55,317)
Net adjustment to reduce *fund balance - total governmental funds* to arrive at *net assets - governmental activities*	$	(2,433,103)

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 $1,079,726 difference are as follows:

Capital outlay	$ 29,850
Depreciation expense	(1,109,576)
Net adjustment to decrease *net change in fund balances - total governmental funds* to arrive at *change in net assets - governmental activities*	$ (1,079,726)

Another element of the reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets." The details of this $33,427 difference are as follows:

In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the assets sold.	$ (19,573)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	53,000
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *change in net assets - governmental activities*	$ 33,427

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

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

Another element of the reconciliation states that "the issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction however, has any effect on net assets." The details of this $606,626 difference are as follows:

Payments of note payable	$ 606,626
Net adjustment to increase *net change in fund balances - total governmental funds* to arrive at *change in net assets - governmental activities*	$ 606,626

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 $125,522 difference are as follows:

Compensated absences (i.e., vacation)	$ (142,565)
Accrued interest	17,043
Net adjustment to decrease *net change in fund balances - total governmental funds* to arrive at *change in net assets - governmental activities*	$ (125,522)

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 Finance Manager 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.



NOTE 3. LEGAL COMPLIANCE - BUDGETS (CONTINUED)

The following departments had excesses of actual expenditures over appropriations for the fiscal period ended September 30, 2009:

General Fund - Finance department	$	21,218

These over expenditures were funded by other departments which experienced lower expenditures than expected.

NOTE 4. DEPOSITS

Total deposits as of September 30, 2009 are summarized as follows:

Statement of Net Assets:		
Cash and cash equivalents	$	2,774,208
Statement of Fiduciary Net Assets:		
Cash - Agency fund		144,643
	$	2,918,851
Cash deposited with financial institutions	$	2,918,851

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 September 30, 2009, all of the City's bank balances were adequately insured and collateralized as defined by GASB and State statutes.

NOTE 5. RECEIVABLES

Property taxes are levied on property values assessed as of January 1. The City contracts with Fulton County to bill and collect the City's property taxes. The taxes were billed on October 15 based on the assessed value of property as listed on January 1 and were due 60 days following the billing date. Property taxes are recorded as receivables and deferred revenues when assessed. Revenues are recognized when available.

NOTE 5. RECEIVABLES (CONTINUED)

Receivables at September 30, 2009, for the City's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General	Capital Projects	Nonmajor Governmental
Receivables:			
Accounts	$ 874,242	$ 51,805	$ 73,643
Taxes	10,577,684	-	3,793
Intergovernmental	-	-	189,953
Total receivables	11,451,926	51,805	267,389
Less allowance for uncollectible	224,313	-	-
Net total receivable	$ 11,227,613	$ 51,805	$ 267,389

NOTE 6. CAPITAL ASSETS

Capital asset activity for the City for the year ended September 30, 2009 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Nondepreciable capital assets				
Land	$ 3,869,061	$ -	$ -	$ 3,869,061
Construction in progress	1,044,000	53,000	-	1,097,000
Total	4,913,061	53,000	-	4,966,061
Capital assets, being depreciated:				
Buildings	308,077	-	-	308,077
Infrastructure	33,637,904	-	-	33,637,904
Vehicles	2,996,715	29,850	(27,290)	2,999,275
Total	36,942,696	29,850	(27,290)	36,945,256
Less accumulated depreciation for:				
Buildings	(29,676)	(19,597)	-	(49,273)
Infrastructure	(1,836,815)	(749,418)	-	(2,586,233)
Vehicles	(449,323)	(340,561)	7,717	(782,167)
Total	(2,315,814)	(1,109,576)	7,717	(3,417,673)
Total capital assets being depreciated, net	34,626,882	(1,079,726)	(19,573)	33,527,583
Governmental activities capital assets, net	$ 39,539,943	$ (1,026,726)	$ (19,573)	$ 38,493,644

NOTE 6. CAPITAL ASSETS (CONTINUED)

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

Governmental activities:	
Public safety	$ 352,587
Public works	749,418
Culture and recreation	7,571
Total depreciation expense - governmental activities	$ 1,109,576

NOTE 7. SHORT-TERM BORROWINGS

The City had a tax anticipation note for operating purposes of $5,450,000 at a local financial institution. The borrowing, with an interest rate of 2.58%, matured on December 31, 2008.

Total short-term borrowings interest incurred and expensed for the period ended September 30, 2009 was $33,591.

The following is a summary of the tax anticipation note payable for the period ended September 30, 2009:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax anticipation note	$ 5,450,000	$ -	$ (5,450,000)	$ -

NOTE 8. LONG-TERM DEBT

Notes Payable

In February 2007, the City entered into an agreement through a financial institution to borrow $3,169,794 for the purchase of vehicles and equipment for the police department. Annual payments of $709,394, including interest at a rate of 3.99% began in January 2008 and will continue through January 2012. The debt service requirements to maturity are as follows:

Fiscal year ending September 30,	Principal	Interest	Total
2010	$ 630,831	$ 78,563	$ 709,394
2011	656,001	53,393	709,394
2012	682,175	27,219	709,394
	$ 1,969,007	$ 159,175	$ 2,128,182

NOTE 8. LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities

The following is a summary of long-term debt activity of the City for the period ended September 30, 2009:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Notes payable	$ 2,575,633	$ -	$ (606,626)	$ 1,969,007	$ 630,831
Compensated absences	266,214	782,555	(639,990)	408,779	408,779
Governmental activities Long-term liabilities	$ 2,841,847	$ 782,555	$ (1,246,616)	$ 2,377,786	$ 1,039,610

For governmental activities, compensated absences are generally liquidated by the general fund. The City has reported 100% of the compensated absence liability as due in one year, as the City continues to grow and expects employees to use earned vacation within one year.

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2009 is as follows:

Receivable Entity	Payable Entity	Amount
Capital Projects Fund	General Fund	$ 3,418,475
General Fund	Non-major governmental funds	25,890
Non-major governmental funds	Capital Projects Fund	1,013
		$ 3,445,378

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.

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

Interfund transfers:

Transfers In	Transfers Out	Amount
Capital Projects Fund	General Fund	$ 4,118,139
Non-major governmental funds	General Fund	303,505
Non-major governmental funds	Non-major governmental funds	40,000
General Fund	Non-major governmental funds	6,439
		$ 4,468,083

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

NOTE 10. COMMITMENTS AND CONTINGENT LIABILITIES

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

The City has entered a public/private contractual partnership for outsourced services and operations. Through this contract with a private company, an array of operational services are provided via outsourcing. This contract is an operating contract for which the City is continually monitoring its outsourcing needs as compared to providing services in-house. Currently, this contract is approximately $1.8 million, subject to annual negotiation and appropriation.

NOTE 11. DEFINED BENEFIT PENSION PLAN

Plan Description

The City, as authorized by the City Council, has established a defined benefit pension plan (The City of Milton Retirement Plan) covering all full-time employees. The City's pension plan is affiliated with the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

As provided by state law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by City Council, the plan provides pension benefits and death and disability benefits for plan members and beneficiaries. All employees, excluding elected officials, who work thirty-five hours or more per week, are eligible to participate after six months. Benefits vest after seven years of service. A City employee who retires at age 65 with seven years of service is entitled to benefits of 2.75% of final five years average earnings in excess of covered compensation. An employee may elect early retirement at age 55 provided they have 10 years of service for reduced benefits.

At May 1, 2009, the date of the most recent actuarial valuation, there were 67 active participants.

Funding Policy

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The Board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the plan is to contribute an amount equal to or greater than the recommended contribution described below. For 2009, the actuarially determined contribution rate was 3.54% of covered payroll.

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

For 2009, the City's recommended contribution and annual pension cost was $96,578. Actual contributions totaled $96,578. The recommended contribution was determined as part of the May 1, 2009 actuarial valuation using the projected unit credit actuarial cost method. Actuarial assumptions include an 8.0% rate of return on investments and projected salary increases of 5.5% (5.0% due to inflation and .5% due to merit or seniority increases). The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 2008, and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provision, and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods are closed for this plan year. The actuarial value of the plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over the Plan's life to date. Employees are required to contribute 3.00% of their compensation to the Plan.

The following is a schedule of funding progress:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
5/1/2009	$ 321,559	$ 417,370	$ 95,811	77.0 %	$ 3,221,692	3.0 %

See required supplementary information for a history of funding progress.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of May 1, 2009.

Fiscal Year Ended September 30,	Annual Pension Cost (APC)	Actual Pension Contribution	Percentage of APC Contributed	Net Pension Asset
2007	$ 61,950	$ 61,950	100.0 %	$ -
2008	115,606	115,606	100.0 %	-
2009	96,578	96,578	100.0 %	-

NOTE 12. DEFINED CONTRIBUTION PENSION PLAN

The City of Milton's Profit Sharing Plan is a single employer defined contribution plan established and administered by the City for all full time employees. At September 30, 2009, there were 68 plan members. The City matches 100% for each dollar of employee contributions up to 3.75% of the employee's salary. Employees are required to contribute 3.75% of their compensation to the Plan. Employees are eligible after one month of employment and are fully vested after three months. For the fiscal year ending September 30, 2009, the contributions to the Plan were $292,095 by the employees and $183,913 by the City.

NOTE 13. FUND DEFICITS

For the year ended September 30, 2009, the City's General Fund had a deficit fund balance of $1,600,656. The deficit was primarily caused by the timing of property tax billings and will be alleviated as the 2009 taxes are collected and considered available under modified accrual.

NOTE 14. 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 Milton. Membership in ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34, which provides for the organization structure of ARC. ARC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Separate financial statements may be obtained from ARC, 40 Courtland Street NE, Atlanta, Georgia 30303.

NOTE 15. HOTEL/MOTEL LODGING TAX

The City has levied a 3% lodging tax. The Official Code of Georgia Annotated 48-13-50 requires that all lodging taxes levied of 5% to be expended or obligated contractually for the promotion of tourism, conventions, or trade shows at a rate equal to or greater than that of the prior year. During the year ended September 30, 2009, the City had $46,439 in hotel/motel tax revenues which were transferred to the General Fund and Special Events Fund to be used for City operations.

NOTE 16. RISK MANAGEMENT

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

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

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

Settled claims have not exceeded the coverages in the first three periods of operation.

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

THIS PAGE INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MILTON, GEORGIA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Property taxes	$ 10,428,045	$ 9,295,159	$ 2,963,725	$ (6,331,434)
Sales taxes	4,261,230	3,654,000	3,674,165	20,165
Franchise taxes	1,400,000	1,700,000	1,796,522	96,522
Business taxes	1,457,200	1,455,000	1,465,583	10,583
Licenses and permits	313,070	232,841	238,976	6,135
Charges for services	271,557	358,587	389,360	30,773
Fines and forfeitures	457,636	432,500	505,921	73,421
Contributions	-	6,010	6,189	179
Interest earned	54,000	29,180	29,949	769
Miscellaneous	38,802	47,723	301,379	253,656
Total revenues	18,681,540	17,211,000	11,371,769	(5,839,231)
Expenditures:				
Current:				
General government:				
Mayor and council	401,299	330,383	293,762	36,621
City manager	338,764	248,880	201,749	47,131
General administration	3,391,714	1,833,147	1,826,163	6,984
Finance department	-	1,158,727	1,179,945	(21,218)
Legal services	-	198,000	189,134	8,866
City clerk	698,319	697,369	680,617	16,752
Risk management	-	190,089	171,175	18,914
Total general government	4,830,096	4,656,595	4,542,545	114,050
Judicial:				
Municipal court	537,180	543,027	538,008	5,019
Total municipal court	537,180	543,027	538,008	5,019
Public safety:				
Police department	1,836,308	1,781,064	1,621,886	159,178
Fire department	3,599,424	3,694,306	3,327,940	366,366
Police and fire department	1,050,376	898,820	708,787	190,033
EMS operations	132,250	132,250	132,250	-
Total public safety	6,618,358	6,506,440	5,790,863	715,577
Public works	2,942,600	2,396,932	2,219,838	177,094
Culture and recreation	203,619	200,619	159,713	40,906
Housing and development	1,816,752	1,743,200	1,690,957	52,243
Debt service:				
Principal	606,627	606,627	606,626	1
Interest	136,368	136,368	136,358	10
Total debt service	742,995	742,995	742,984	11
Total expenditures	17,691,600	16,789,808	15,684,908	1,104,900
Excess (deficiency) of revenues over expenditures	989,940	421,192	(4,313,139)	(4,734,331)

Continued

CITY OF MILTON, GEORGIA

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budget			Variance With
	Original	Final	Actual	Final Budget
Other financing sources (uses):				
Transfers in	15,000	25,000	6,439	(18,561)
Transfers out	(5,181,836)	(4,623,088)	(4,421,644)	201,444
Total other financing sources (uses)	(5,166,836)	(4,598,088)	(4,415,205)	182,883
Net change in fund balances	(4,176,896)	(4,176,896)	(8,728,344)	(4,551,448)
Fund balances, beginning of year	7,127,688	7,127,688	7,127,688	-
Fund balances (deficits), end of yea	$ 2,950,792	$ 2,950,792	$ (1,600,656)	$ (4,551,448)

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
5/1/09	$ 321,559	$ 417,370	$ 95,811	77.0%	$ 3,221,692	3.0%
5/1/08	177,182	222,269	45,087	79.7%	2,773,883	1.6%
5/1/07	-	204,487	204,487	0.0%	3,217,000	6.4%

NOTE: See assumptions used for the Schedule of Funding Progress in Note 11 to the financial statements.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

Special Events Fund – To account for the private donations to the City and expenditures related to special events.

Confiscated Assets Fund – To account for the use of confiscated assets by the City's Police Department.

Emergency 911 Fund – To account for the monthly 911 charges to help fund the cost of providing emergency 911 services.

Operating Grant Fund – To account for the funds received from external sources as they relate to grants awarded to the City. Matching funds, which are the City's responsibility, are also recorded within this fund. This fund only tracks and accounts for those items relating to the operations of the City.

Hotel/Motel Tax Fund – To account for the occupancy tax collected by the City from area hotels and motels, and distributed based upon state statute. The government is currently collecting this tax at a rate of 3%.

Capital Grant Fund – To account for capital projects as they relate to proceeds from grants awarded to the City. Matching funds, which are the City's responsibility, are also recorded within this fund.

CITY OF MILTON, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2009

	Special Revenue Funds					Capital Projects Fund	
ASSETS	Special Events Fund	Confiscated Assets Fund	Emergency 911 Fund	Operating Grant Fund	Hotel/Motel Tax Fund	Capital Grant Fund	Total Nonmajor Governmental Funds
Cash	$ 15,013	$ 43,810	$ 103,809	$ -	$ -	$ 827,458	$ 990,090
Accounts receivable	-	-	73,643	-	-	-	73,643
Intergovernmental receivables	-	-	-	25,261	-	164,692	189,953
Taxes receivable	-	-	-	-	3,793	-	3,793
Due from other funds	-	-	-	-	-	1,013	1,013
Prepaids	5,850	-	-	-	-	-	5,850
Total assets	$ 20,863	$ 43,810	$ 177,452	$ 25,261	$ 3,793	$ 993,163	$ 1,264,342
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Accounts payable	$ 610	$ -	$ 1,480	$ -	$ -	$ 104,644	$ 106,734
Due to other funds	-	-	-	22,097	3,793	-	25,890
Deferred revenue	-	-	-	-	-	83,715	83,715
Total liabilities	610	-	1,480	22,097	3,793	188,359	216,339
FUND BALANCES							
Reserved for prepaids	5,850	-	-	-	-	-	5,850
Reserved for special events	7,700	-	-	-	-	-	7,700
Unreserved	6,703	43,810	175,972	3,164	-	804,804	1,034,453
Total fund balances	20,253	43,810	175,972	3,164	-	804,804	1,048,003
Total liabilities and fund balances	$ 20,863	$ 43,810	$ 177,452	$ 25,261	$ 3,793	$ 993,163	$ 1,264,342

CITY OF MILTON, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Special Revenue Funds					Capital Projects Fund	
	Special Events Fund	Confiscated Assets Fund	Emergency 911 Fund	Operating Grant Fund	Hotel/Motel Tax Fund	Capital Grant Fund	Total Nonmajor Governmental Funds
REVENUES							
Taxes	$ -	$ -	$ -	$ -	$ 46,439	$ -	$ 46,439
Intergovernmental	-	-	-	104,365	-	288,031	392,396
Charges for services	-	-	734,216	-	-	-	734,216
Fines and forfeitures	-	43,763	-	-	-	-	43,763
Contributions	8,545	-	-	-	-	-	8,545
Interest	120	47	60	67	-	5,598	5,892
Total revenues	8,665	43,810	734,276	104,432	46,439	293,629	1,231,251
EXPENDITURES							
Current:							
General government	31,768	-	-	2,370	-	-	34,138
Public safety	-	-	558,304	114,411	-	10,000	682,715
Public works	-	-	-	-	-	464,565	464,565
Total expenditures	31,768	-	558,304	116,781	-	474,565	1,181,418
Excess (deficiency) of revenues over expenditures	(23,103)	43,810	175,972	(12,349)	46,439	(180,936)	49,833
OTHER FINANCING SOURCES (USES)							
Transfers in	40,000	-	-	12,843	-	290,662	343,505
Transfers out	-	-	-	-	(46,439)	-	(46,439)
Total other financing sources (uses)	40,000	-	-	12,843	(46,439)	290,662	297,066
Net change in fund balances	16,897	43,810	175,972	494	-	109,726	346,899
FUND BALANCES, beginning of year	3,356	-	-	2,670	-	695,078	701,104
FUND BALANCES, end of year	$ 20,253	$ 43,810	$ 175,972	$ 3,164	$ -	$ 804,804	$ 1,048,003

CITY OF MILTON, GEORGIA

SPECIAL EVENTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Contributions	$ -	$ 6,400	$ 8,545	$ 2,145
Interest	-	-	120	120
Total revenues	-	6,400	8,665	2,265
Expenditures:				
General government	40,000	46,400	31,768	14,632
Total expenditures	40,000	46,400	31,768	14,632
Deficiency of revenues over expenditures	(40,000)	(40,000)	(23,103)	16,897
OTHER FINANCING SOURCES				
Transfers in	40,000	40,000	40,000	-
Total other financing sources	40,000	40,000	40,000	-
Net change in fund balances	-	-	16,897	16,897
Fund balances, beginning of year	3,356	3,356	3,356	-
Fund balances, end of year	$ 3,356	$ 3,356	$ 20,253	$ 16,897

CITY OF MILTON, GEORGIA

CONFISCATED ASSETS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Fines and forfeitures	$ -	$ 43,763	$ 43,763	$ -
Interest	-	-	47	47
Total revenues	-	43,763	43,810	47
Expenditures:				
Public safety	73,845	43,763	-	43,763
Total expenditures	73,845	43,763	-	43,763
Excess (deficiency) of revenues over expenditures	(73,845)	-	43,810	43,810
OTHER FINANCING SOURCES				
Transfers in	73,845	-	-	-
Total other financing sources	73,845	-	-	-
Net change in fund balances	-	-	43,810	43,810
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	$ -	$ -	$ 43,810	$ 43,810

EMERGENCY 911 FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Charges for services	$ 570,000	$ 570,000	$ 734,216	$ 164,216
Interest	-	-	60	60
Total revenues	570,000	570,000	734,276	164,276
Expenditures:				
Public safety	570,000	570,000	558,304	11,696
Total expenditures	570,000	570,000	558,304	11,696
Net change in fund balances	-	-	175,972	175,972
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	$ -	$ -	$ 175,972	$ 175,972

CITY OF MILTON, GEORGIA

OPERATING GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Intergovernmental	$ 147,047	$ 105,788	$ 104,365	$ (1,423)
Interest	-	-	67	67
Total revenues	147,047	105,788	104,432	(1,356)
Expenditures:				
General government	-	-	2,370	(2,370)
Public safety	168,057	141,237	114,411	26,826
Total expenditures	168,057	141,237	116,781	24,456
Deficiency of revenues over expenditures	(21,010)	(35,449)	(12,349)	23,100
OTHER FINANCING SOURCES				
Transfers in	21,010	35,449	12,843	(22,606)
Total other financing sources	21,010	35,449	12,843	(22,606)
Net change in fund balances	-	-	494	494
Fund balances, beginning of year	2,670	2,670	2,670	-
Fund balances, end of year	$ 2,670	$ 2,670	$ 3,164	$ 494

HOTEL/MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Taxes	$ 55,000	$ 48,000	$ 46,439	$ (1,561)
Total revenues	55,000	48,000	46,439	(1,561)
Other financing uses:				
Transfers out	(55,000)	(48,000)	(46,439)	1,561
Total other financing uses	(55,000)	(48,000)	(46,439)	1,561
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	$ -	$ -	$ -	$ -

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 MILTON, GEORGIA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Balance October 1, 2008	Additions	Deductions	Balance September 30, 2009
MUNICIPAL COURT FUND				
Assets:				
Cash	$ 109,836	$ 994,697	$ 959,890	$ 144,643
Liabilities:				
Due to others	$ 109,836	$ 994,697	$ 959,890	$ 144,643

THIS PAGE INTENTIONALLY LEFT BLANK

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Milton's 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 government's overall financial health.

	Page
Financial Trends	44-48
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	49-52
These schedules contain information to help the reader assess the government's most significant local revenue source, property tax.	
Debt Capacity	53-54
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	
Demographic and Economic Information	55
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	
Operating Information	56-59
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government 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 2007 which was the City's first year of incorporation; schedules presented include information beginning in that year.

CITY OF MILTON, GEORGIA

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

	2009	2008	2007
Primary government:			
Invested in capital assets, net of related debt	$ 36,524,637	$ 36,964,310	$ 32,923,814
Unrestricted	12,520,252	10,527,209	3,035,336
Total primary government net assets	$ 49,044,889	$ 47,491,519	$ 35,959,150

Note: The City's operations increased during 2008, its first full year of operation.
The 2007 period was only 10 months.

CITY OF MILTON, GEORGIA

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

	2009		2008		2007
Expenses					
General government	$ 4,588,792		$ 4,171,595		$ 3,683,192
Judicial	538,008		546,447		332,251
Public safety	7,261,031		6,457,721		6,312,297
Public works	4,468,962	(4)	2,552,092		2,714,572
Culture and recreation	167,788		270,663		20,518
Housing and development	1,720,486		1,501,911		941,621
Interest on long-term debt	119,315		258,286		220,331
Total expenses	$ 18,864,382		$ 15,758,715		$ 14,224,782
Program revenues					
Charges for services:					
General government	$ 254,806		$ 216,151		$ 176,761
Judicial	669,896		647,693		235,860
Public safety	813,042	(5)	48,220		4,717
Public works	187,468	(6)	290,144		230,608
Housing and development	174,492	(7)	323,149		255,758
Operating grants and contributions	119,099	(8)	14,621		27,752
Capital grants and contributions	424,745		4,523,803	(1)	114,337
Total program revenues	$ 2,643,548		$ 6,063,781		$ 1,045,793
Net (expense) revenue	$ (16,220,834)		$ (9,694,934)		$ (13,178,989)
General Revenues and Other Changes in Net Assets					
Taxes					
Property taxes	$ 10,328,547		$ 10,132,567		$ 9,200,065
Sales taxes	3,708,300		4,318,839		3,700,463
Other taxes	3,382,810		2,396,221		1,770,328
Unrestricted intergovernmental revenue	-		4,176,896	(2)	-
Unrestricted investment earnings	53,168		129,092		112,303
Miscellaneous revenues	301,379	(3)	73,688		30,677
Special item - donation of infrastructure at incorporation	-		-		32,171,846
Total	$ 17,774,204		$ 21,227,303		$ 46,985,682
Change in Net Assets	$ 1,553,370		$ 11,532,369		$ 33,806,693

Note: Fiscal year 2008 was the City's first full year of operations. The 2007 period was only 10 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) Increase is a result of donated infrastructure from developers.

(2) Increase is a result of intergovernmental revenues from the County due to the passage of Senate Bill 154 requiring the County to track revenues and expenditures, since 2005, in the unincorporated areas of Fulton County, including what is now incorporated City of Milton.

(3) Increase is a result of the City's write-off of deferred lease abatements, due to the termination of lease agreement.

(4) Increase is due to infrastructure maintenance projects started during fiscal year 2009.

(5) Increase is due to fiscal year 2009 being the first year of E911 collections

(6) Decrease is due to an overall decrease in landfill fees in fiscal year 2009

(7) Decrease is due to a downturn in construction development in fiscal year 2009

(8) Increase is due to the City receiving the SAFER grant in the fourth quarter of fiscal year 2008, with a majority of the grant revenues being recognized in fiscal year 2009

CITY OF MILTON, GEORGIA

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

Fiscal Year	Property Taxes	Sales Taxes	Hotel/Motel Taxes	Franchise Taxes	Business Taxes	Total
2007	$ 9,200,065	$ 3,700,463	$ 45,764	$ 1,147,016	$ 577,548	$ 14,670,856
2008	10,132,567	4,318,839	60,600	1,719,032	616,589	16,847,627
2009	10,328,547	3,708,300 (2)	46,439 (2)	1,870,788	1,465,583 (1)	17,419,657

Note: Fiscal year 2008 is the City's first full year of operations. The 2007 period was only 10 months.

(1) Fiscal year 2009 was the first year in which the City collected the insurance premium tax, which is included in Business Taxes.
(2) Decrease is due to downturn in economy.

CITY OF MILTON, GEORGIA

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

	2009	2008	2007
General Fund			
Reserved	$ 355,136	$ 159,933	$ 129,196
Unreserved	(1,955,792) (2)	6,967,755 (1)	1,722,643
Total general fund	$ (1,600,656)	$ 7,127,688	$ 1,851,839
All Other Governmental Funds			
Reserved	$ 13,550	$ -	$ -
Unreserved, reported in:			
Special revenue funds	229,649	6,026	15,277
Capital projects funds	5,704,913 (3)	2,614,252 (3)	586,999
Total all other governmental funds	$ 5,948,112	$ 2,620,278	$ 602,276

(1) The City's operations have grown during 2008, its first full year of operation. The 2007 period was only 10 months.

(2) The deficit in the General Fund fund balance for 2009 is the result of the late billing of property taxes.

(3) The increase in the fund balance for the Capital Projects Fund is attributable to transfers in from the General Fund to fund future capital projects.

CITY OF MILTON, GEORGIA

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

	2009	2008	2007
Revenues			
Taxes	$ 10,020,700 (2)	$ 16,587,656	$ 13,841,760
Licenses and permits	238,976	398,164	325,104
Intergovernmental	392,396	4,188,146 (1)	-
Charges for services	1,274,640	649,946	396,393
Fines and forfeitures	549,684	477,247	182,207
Contributions	14,734	52,284	130,839
Interest earned	53,168	129,092	112,303
Miscellaneous	301,379	73,688	30,677
Total revenues	12,845,677	22,556,223	15,019,283
Expenditures			
Current:			
General government	4,587,252	4,166,630	3,668,160
Judicial	538,008	546,447	332,251
Public safety	6,777,696	6,124,142	8,940,582
Public works	3,719,544 (3)	1,802,422	1,674,951
Culture and recreation	160,217	263,092	34,707
Housing and development	1,720,486	1,501,911	941,621
Debt service:			
Principal	606,626	594,161	-
Interest	136,358	263,567	142,690
Total expenditures	18,246,187	15,262,372	15,734,962
Excess (deficiency) of revenues over (under) expenditures	(5,400,510)	7,293,851	(715,679)
Other Financing Sources (Uses)			
Issuance of long term debt	-	-	3,169,794
Transfers in	4,468,083	2,024,010	435,764
Transfers out	(4,468,083)	(2,024,010)	(435,764)
Total other financing sources (uses)	-	-	3,169,794
Net change in fund balances	$ (5,400,510)	$ 7,293,851	$ 2,454,115
Debt service as a percentage of noncapital expenditures	4.1%	5.7%	1.1%

Note: Fiscal year 2008 was the City's first full year of operations. The 2007 period was only 10 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) Increase is a result of intergovernmental revenues from the County due to the passage of Senate Bill 154 requiring the County to track revenues and expenditures, since 2005, in the unincorporated areas of Fulton County, including what is now incorporated City of Milton.

(2) The decrease in property taxes is caused by the County's late billings of the property taxes, thus causing much of the collections not to be available for fund level recognition.

(3) Increase is due to infrastructure maintenance projects started in 2009.

CITY OF MILTON, GEORGIA

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

Fiscal Year	Property Taxes	Sales Taxes	Hotel/Motel Taxes	Franchise Taxes	Business Taxes	Total
2007	$ 8,370,969	$ 3,700,463	$ 45,764	$ 1,147,016	$ 577,548	$ 13,841,760
2008	9,872,596	4,318,839	60,600	1,719,032	616,589	16,587,656
2009	2,963,725 (1)	3,674,165	46,439	1,870,788	1,465,583 (2)	10,020,700

Note: Fiscal year 2008 was the City's first full year of operations. The 2007 period was only 10 months.

(1) Property taxes were billed two months later than usual in FY2009, resulting in only one month of collections being recognized as revenue

(2) Fiscal year 2009 was the first year in which the City collected the insurance premium tax, which is included in Business Taxes

CITY OF MILTON, GEORGIA

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

Calendar Year	Real Property				Personal Property	
	Residential Property	Conservation Use Property	Commercial Property	Privately Owned Public Utilities	Motor Vehicles	Furniture, Fixtures & Equip
2007	$ 1,675,272,460	$ 8,615,150	$ 206,569,990	$ -	$ 73,602,260	$ 32,997,920
2008	1,736,045,560	10,186,370	256,484,210	120,560,241	98,030,130	33,507,520
2009	1,741,900,680	12,825,640	303,561,320	10,714,726	(1) 115,598,780	38,324,470

Source: Fulton County Tax Commissioner

Note: The total assessed value amounts are based on the original tax digest prior to additions, deletions, and corrections to accounts.

(1) Decrease is due to an error which occurred at the State level which caused utilities to be valued significantly higher in fiscal year 2008 due to a coding error. The problem was corrected in fiscal year 2009.

CITY OF MILTON, GEORGIA

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

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
$ 115,890,870	$ 1,881,166,910	4.731	$ 4,702,917,275	40%
165,634,720	2,089,179,311	4.731	5,222,948,278	40%
136,024,400	2,086,901,216	4.731	5,217,253,040	40%

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

Calendar Year	City of Milton	Fulton County	School District			State	Total Direct & Overlapping Rates
			Operating Millage	Debt Service Millage	Total School District Millage		
2007	4.731	10.281	16.403	1.099	17.502	0.250	32.764
2008	4.731	10.281	16.903	1.188	18.091	0.250	33.353
2009	4.731	10.281	17.502	0.000	17.502	0.250	32.764

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.

CITY OF MILTON, GEORGIA

PRINCIPAL PROPERTY TAXPAYERS
SEPTEMBER 30, 2009
CURRENT AND TWO YEARS AGO

	2009			2007		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Orion Mlton Associates LLC	$ 26,024,840	1	1.25 %	$		%
Thirteen Five Sixty Morris	20,126,500	2	0.96	21,372,570	1	1.14
Atlanta Preserve LLC	18,409,040	3	0.88	16,222,390	3	0.86
GTE Mobilnet (Verizon)	18,200,000	4	0.87	14,926,680	4	0.79
EQR Stoneleigh B L L C	12,600,000	5	0.60	11,866,480	5	0.63
Scott H Lee TR	10,103,280	6	0.48			
CSP Community Owner LLC	10,059,270	7	0.48			
Sentine I Realty Partners IV	9,804,240	8	0.47	8,187,960	7	0.44
First Town LP (Fry's Electronics)	9,430,840	9	0.45			
Deerfield Two Owner Corp	8,573,960	10	0.41	6,111,200	8	0.32
RT Deerfield I LLC						
Alta Park LLC				16,404,010	2	0.87
Summit Properties Partnership				11,124,560	6	0.59
Falling Water Inc				5,848,240	9	0.31
Atlanta Preserve II LLC				5,744,000	10	0.31
Totals	$ 143,331,970		5.62 %	$ 117,808,090		6.26 %

Source: Fulton County Tax Commissioner

PROPERTY TAX LEVIES AND COLLECTIONS
LAST THREE FISCAL YEARS

Fiscal Period Ended September 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	$ 8,369,433	$ 7,589,313	90.7 %	$ 738,502	$ 8,327,815	99.5 %
2008	8,968,977	7,865,966	87.7	852,303	8,718,269	97.2
2009	9,094,228	1,119,192 (1)	12.3	-	1,119,192 (1)	12.3

Source: City of Milton Finance Department, Tax Collectors Report

(1) Property taxes were billed two months later than usual in FY2009, resulting in only one month of collections being recognized as revenue

CITY OF MILTON, GEORGIA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST THREE FISCAL YEARS

Fiscal Period Ended September 30,	Governmental Activities Notes Payable	Percentage of Personal Income (1)	Per Capita (1)
2007	$ 3,169,794	0.16 %	$ 110.56
2008	2,575,633	0.13	85.34
2009	1,969,007	0.09	62.14

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

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

CITY OF MILTON, GEORGIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2009

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Fulton County	$ 1,760,000	3.84 %	$ 63,612
Fulton County School District	178,755,000	3.84	6,460,814
Total overlapping debt	$ 180,515,000		$ 6,524,426

Source: Assessed value data used to estimate applicable percentages was provided by Fulton County Board of Assessors and debt outstanding provided by Fulton County.

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 MILTON, GEORGIA

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST THREE FISCAL YEARS

Fiscal Period	Population	Personal Income (amounts expressed in thousands)	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2007	28,671	$ 1,923,575	$ 67,091	37.9	7,326	3.6 %
2008	30,180	2,045,268	67,769	38.2	7,833	5.0
2009	31,689	2,169,007	68,447	38.5	8,035	8.1

(1) Source for all data, except school enrollment: Georgia Power Economic Development research performed for Milton for Comprehensive Plan
(2) Source for school enrollment: Fulton County Board of Education\Public School Review
(3) Source for unemployment rate: U. S. Bureau of Labor Statistics: Alpharetta, GA data.

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

PRINCIPAL EMPLOYERS
CURRENT YEAR AND TWO YEARS AGO

	2009			2007		
Employer	Employees (1)	Rank	Percentage of Total City Employment (2)	Employees (1)	Rank	Percentage of Total City Employment (2)
Verizon	1,635	1	23.4 %	1,606	1	21.7 %
Fulton County Board of Education	825	2	11.8	822	2	11.1
Infor Global Solutions	520	3	7.4	520	3	7.0
Fry's Electronics	300	4	4.3	350	5	4.7
Wal-Mart	300	5	4.3	345	6	4.7
Exide Techologies	296	6	4.2	285	7	3.8
Alltel	280	7	4.0	400	4	5.4
Publix	182	8	2.6	176	8	2.4
Target	150	9	2.1			
Home Depot	138	10	2.0	130	9	1.8
City of Milton/CH2M Hill OMI				108	10	1.5
Totals	4,626		66.2 %	4,742		64.0 %

(1) Source: Employers
(2) Source: City of Milton Business License Applications

CITY OF MILTON, GEORGIA

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

Function	2009	2008	2007
General Government			
Elected Officials	7	7	7
Executive Staff	-	-	1
City Manager	3	1	2
City Clerk	4	4	4
Operations	13	12	12
Judicial	4	4	2
Public Safety			
Administration	2	3	3
Police	28	27	19
Fire	54	54	40
Civilians	2	2	1
Public Works			
Admin & Engineering	3	3	2
Highways & Streets	2	2	2
Culture and Recreation	1	1	1
Housing and Development	8	9	12
Total	131	129	108

Source: City of Milton Human Resources Department

Note: Fiscal year 2008 is the City's first full year of operations. The 2007 period was only 10 months.

CITY OF MILTON, GEORGIA

OPERATING INDICATORS BY FUNCTION
LAST THREE FISCAL YEARS

Function	2009	2008	2007
General Government			
Business licenses issued	898	835	754
Number of property tax accounts:			
Real property	12,186	11,777	11,527
Personal property	575	564	461
Public utility	6	6	6
Ordinances adopted	21	32	64
Resolutions adopted	60	65	65
Council meeting minutes	48	49	44
Judicial			
Cases processed	5,660	5,580	3,219
Cases closed	5,413	5,390	2,348
Non-jury trials	96	175	54
Warrants issued	25	100	33
Public Safety			
Police (1)			
Calls for service	8,861	10,335	4,005
Alarms	1,910	2,061	850
Accidents	524	477	235
Traffic stops	5,645	4,916	2,350
Warnings issued	2,428	1,957	958
Tickets issued	5,034	4,761	2,359
DUIs	104	70	33
Traffic arrests	167	197	100
Drug arrests	58	-	-
Fire (2)			
Working structural fires	76	31	10
False alarm/good intent	636	300	222
Vehicle fires	19	7	6
Vegitation fires	46	23	5
EMS	838	560	393
Other rescue	122	24	-
Hazardous conditions/mat.	1	26	-
Service calls	318	94	98
Other calls and incidents	37	116	-
Community events	233	171	36
Building inspections	344	41	-
Hydrant maintenance	4,288	1,325	-

Continued

CITY OF MILTON, GEORGIA

OPERATING INDICATORS BY FUNCTION
LAST THREE FISCAL YEARS

Function	2009	2008	2007
Public Works			
Work requests	2,129	509	113
Culture and Recreation			
Annual City sponsored events	6	5	1
Milton Roundup attendance	1,500	3,500	3,500
Participants in youth baseball	1,159	1,255	1,148
Housing and Development			
Planning & Zoning			
Zoning certification letters	5	7	11
Zoning modifications processed	3	9	7
Special use permits processed	2	7	10
Variances processed	23	39	22
Land disturbance permits	9	13	10
Final plats / minor plats signed	16	20	33
Development inspections	2,880	2,894	2,965
Building Inspections			
Building permits issued	979	1,835	1,545
Certificates of occupancy issued	272	327	343
Sign permits issued	55	171	151
Code Enforcement			
Code enforcement inspection	850	2,001	1,641
Notice of violations issued	240	580	465
Citations issued	16	69	42

Source: Various City departments.

Notes:
(1) The data for the Police department is on a calendar year basis and was not tracked prior to August 2007.
(2) The 2007 data represents a hybrid data set that combines Fulton County and the City of Milton.

Fiscal year 2008 is the City's first full year of operations. The 2007 period was only 10 months. The City is gradually taking over the services provided to its citizens by Fulton County, which results in changes to the operating indicators.

CITY OF MILTON, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST THREE FISCAL YEARS

Function/Program	2009	2008	2007
Public Safety Administration			
Vehicles	2	3	3
Police			
Vehicles	25	23	21
Fire			
Vehicles	5	6	5
Stations	3	3	3
Public Works			
Streets (miles)	158	158	151
Traffic signals	11	11	11
Flashing beacons	9	9	9
Culture and Recreation			
Park acreage	227	227	227
Recreational facilities	4	4	4
Parks and playgrounds	1	1	1
Athletic fields	4	4	4

Source: Various City departments.

THIS PAGE INTENTIONALLY LEFT BLANK

COMPLIANCE SECTION



MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Members
Of City Council
City of Milton, Georgia

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **City of Milton, Georgia** (the "City") as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses, as item 2009-1, to be a material weakness.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses, as item 2009-1, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated February 22, 2010.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Atlanta, Georgia
February 22, 2010

CITY OF MILTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unqualified	
Internal control over financial reporting: Material weaknesses identified?	X yes	no
Significant deficiencies identified not considered to be material weaknesses?	yes	X no
Noncompliance material to financial statements noted?	yes	X no

Federal Awards

There was not an audit of major federal award programs for the year ended September 30, 2009 due to the total amount expended being less than $500,000.

CITY OF MILTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2009-1 Revenue and Related Receivables Recognition

Criteria: Internal controls should be in place to ensure that the amounts reported as revenue and related receivables are appropriate and properly valued.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the City's revenue and related receivables.

Context/Cause: During our testing, certain audit adjustments were required to correct current year amounts. The nature of these adjustments is as follows:

- The Capital Grant Fund required an adjustment of approximately $165,000 to properly report revenue, deferred revenue, and accounts receivable related to grant activity.
- An adjustment of approximately $74,500 was required to properly recognize revenues related to deferred lease incentives in the General Fund.
- An adjustment of approximately $36,000 was required to properly recognize receivables and deferred revenues for landfill use fees in the Capital Projects Fund.

Effects: Audit adjustments totaling approximately $275,500 were needed to correctly record revenues, related receivables, and deferred revenues.

Recommendation: We recommend the City carefully review all revenues, receivables, and deferred revenues to ensure they are reported in the proper reporting period, properly valued, and in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that revenues, related receivables, and deferred revenues are properly recorded.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not Applicable