

City of **Milton**

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



2008

Milton, Georgia





City of **Milton**

City of **Milton**, Georgia

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

Prepared By:
Finance Manager
Stacey Inglis

Submitted By:
City Manager
Christopher Lagerbloom



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INTRODUCTORY SECTION

CITY OF MILTON, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2008

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CITY OF MILTON, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED SEPTEMBER 30, 2008

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March 18, 2009

To the Honorable Mayor, City Council
And Citizens of the City of Milton:

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, 2008. This report consists of management's representations concerning the finances of the City of Milton. Management assumes full responsibility for the completeness and reliability of all information presented in this report. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operation of the City. All disclosures necessary to enable the reader to gain a full understanding of the City's financial affairs are included.

To provide reasonable basis for making its representations, management has established a framework of internal controls surrounding the accounting system, and consideration is given to the adequacy of those internal controls. Internal accounting controls are designed to provide reasonable rather than absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

The concept of reasonable assurance recognizes that: (1) the cost of controls should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

In compliance with State laws, the City's financial statements have been audited by Mauldin and Jenkins, LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2008 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 opinion that the City of Milton's financial statements for the fiscal year ended September 30, 2008 are fairly presented in conformity with auditing standards generally accepted in the United States of America and with *Government Auditing Standards* issued by the Comptroller of the United States of America. An unqualified opinion indicates that the audit did not disclose any conditions that would cause the basic financial statements not to be fairly presented in all material respects. The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Milton's MD&A can be found immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

Incorporated on December 1, 2006, the City of Milton is one of Georgia's newest cities. It derives its name from the former Milton County that existed in the area from 1857 to 1932. Located in Fulton County just north of the City of Alpharetta, Milton occupies a land area of 39.08 square miles and serves a population of 15,344 (based upon current projections from the 2000 census). The City is known for its rural character and pastoral farm lands. The tax base is comprised of roughly 15% commercial and 85% residential properties.

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 residency 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's drive to incorporation was led in part by the desire for enhanced services for its citizens. To achieve this goal, the Governor's Commission for the City decided to take a non-traditional approach and voted unanimously to enter into a public/private partnership that would provide improved efficiency and a large cost benefit, mobilizing a wealth of corporate resources. In conjunction with this public/private partnership, the City provides a full range of services, including police and fire protection; construction and maintenance of highways, streets and other infrastructure; community development; and recreational and cultural activities. Sanitation services are provided through relationships with private carriers. Water and sewer services are delivered to residential and commercial properties by Fulton County, through an intergovernmental agreement.

The annual budget serves as the foundation for the City of Milton's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Mayor and Council. The final budget is required to be adopted by the Mayor and Council no later than September 30, which is the close of the City's fiscal year. The budget is prepared by fund, function and department. The official level of control (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.

FACTORS AFFECTING ECONOMIC CONDITION

The information present in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Milton operates.

Local Economy

The City of Milton is in a unique situation as a recently-established municipality which 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. 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 Wireless, Infor Global Solutions, Alltel, and Fry's Electronics.

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 which has fewer residents and a subsequently smaller tax base. The City's community development department is currently working on a Comprehensive Plan that incorporates citizens' input in the development priorities of the City. The Comprehensive Plan process is due for completion in fiscal year 2009.

Within the carefully-controlled commercial development areas, there are several projects that began in fiscal year 2008. The largest of these, SuperTarget,[®] is expected to bring a significant number of commercial tax dollars to the City. Kohl's and several smaller retail stores slated to open in fiscal year 2009 will also add to the commercial tax base. Another project currently in the permitting phase is a mixed-use development in the Crabapple area that includes retail and office developments.

Other economic factors the City is watching closely are the effects of the drought and sub-prime lending. Both issues could have a significant impact on new development within the City. The federal stimulus package could bring extra capital infrastructure funds from the government in the latter part of fiscal year 2009.

Long-Term Financial Planning

The City's budgetary policy 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 caused by 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. Upon incorporation of the City, no reserve existed. The City was able to establish the 16% reserve requirement within the first two years of operations due in large part to the prudent spending of

department heads and funding received as a result of State Representative Jan Jones' (R – Milton) persistent efforts regarding special service district funds.

Passed in 2005, the Shafer amendment required Fulton County to track the revenues and expenditures of the unincorporated areas of the county comprising of three special service districts (SSD): the Northwest, Northeast and South Fulton. With the incorporation of three new cities within these districts, legislation was written by Rep. Jan Jones and passed as Senate Bill 154 that compelled the County to turn the balance in the funds over to the respective cities. In July 2008, the City of Milton received \$4.1 million out of the Northwest District Fund. This money is slated to fund the required 16% reserves and capital projects for the upcoming 2009 fiscal year.

Prior to the receipt of the SSD funds, the Mayor and Council approved the issuance of a tax anticipation note (TAN) in the amount of \$5,450,000 in January 2008. A TAN is a short-term note that is issued to help finance current operations in anticipation of future property tax receipts. With the additional SSD funds, it is not expected that a TAN will be needed for fiscal year 2009.

The City has the unique challenge of providing a superior level of service without increasing property taxes. As set forth in the 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. To ensure that current and future services are not compromised, a comprehensive framework of financial policies was adopted shortly after the City's incorporation, providing governance to financial matters.

Major Initiatives

During fiscal year 2008, the City of Milton planned and implemented several major initiatives designed to meet citizens' and business owners' needs for services, improve the overall quality of life and adhere to the Mayor and Council's vision and mission for the City.

As mentioned previously, the Community Development department has started a Comprehensive Plan study that is due for completion in fiscal year 2009. This plan will help establish a policy with respect to development priorities within the City and will be coordinated, integrated and consistent with the appropriately associated plans, programs, and needs assessments. Public participation is encouraged throughout the process, thereby allowing the finished product essentially to belong to the citizens.

Since the City's incorporation, the Public Works department has been diligently gathering the necessary data to begin the process of creating a Transportation Master Plan. The Transportation Master Plan analyzes the system as a whole and looks at a broad range of areas that impact traffic and mobility rather than merely looking at level of service and traffic counts. A key component of the Plan will be a comprehensive strategy and prioritization of transportation and transportation-related projects and recommendations that are compatible with stated City goals and land use plans. This strategy will clearly address how individual projects interact to form a better transportation system as a whole. Through the Transportation Master Plan process, all City plans and policies will be evaluated to determine their implications for mobility and transportation infrastructure. Coordination will be conducted through a Council-appointed Transportation Stakeholders Advisory Committee. A detailed financial analysis will be conducted that identifies future needs, costs, and anticipated revenues. Finally, the Transportation Master Plan will look into transportation impact fees and will develop a coordinated pavement management approach. All elements of the analysis will be woven together to reflect the City's vision and goals regarding future transportation systems and land uses.

Other projects that are currently underway in the Public Works department are the replacement of the Landrum Road bridge and redesigns of two major intersections: Birmingham Highway at Providence Road and Arnold Mill Road at New Providence Road. Construction is scheduled to begin within the next two years.

Several historic structures and heritage resources within the City have been identified as prime candidates for preservation. The Community Development department is in the process of establishing a comprehensive planning process for promoting the protection of these structures. Included in this process is the development of an historic preservation ordinance and a Milton Historic Preservation Committee. The committee will allow citizens to make program recommendations and to get involved in setting preservation priorities.

During fiscal year 2009, the City plans to launch a Design Committee that will establish design guidelines for the Highway 9 business corridor. This effort will enhance the Highway 9 Overlay District and will set the desired visual and aesthetic character for the area.

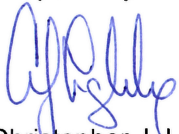
The City of Milton enhances its family-oriented focus by establishing and sponsoring a number of special events that are free and open to the general public. This year, the City held its second annual Milton Roundup event, celebrating the second "birthday" of the City. This was followed by the Crabapple Arts & Antique Festival, Christmas in Crabapple, and the creation of two new events – a Memorial Day Commemoration and the Fourth of July Citizen's Parade. The City hopes that these events are enjoyed by its citizens and are adopted as cherished Milton traditions.

With the endless support of Representative Jan Jones, the City was able to participate in the "green belt study" in northern Fulton County. This study was underway before the City incorporated, but Representative Jones was able to change the direction of the study to include Milton. The focus was simple – develop a bicycle and pedestrian plan for Milton. The City of Milton Bicycle and Pedestrian Citizens Advisory Committee was formed in January 2007 to help formulate the plan for what would be called the "Milton Trail." The plan proposed a network of multi-use trails to connect Milton's neighborhoods with its parks, schools, and other public spaces. The study considered the needs of the entire population of Milton, but also adopted a special focus on the needs of schoolchildren. To lower expenses and connect as much of the City as possible, the majority of the network consists of multi-use trails paralleling existing roads. The City Council adopted an ordinance in August 2008 requiring developers to implement the Milton Trail sections fronting their property in lieu of sidewalk installation requirements.

ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. Enormous thanks go to our independent auditors, Mauldin & Jenkins, for their professional guidance and assistance in making this a quality report. Most importantly, we express our appreciation to the Mayor and City Council for their dedication, leadership, and support in planning and conducting the affairs of the City in a responsible and progressive manner, which ensures that Milton is a great place to call home.

Respectfully submitted,



Christopher J. Lagerbloom
City Manager
City of Milton

Mayor and City Council

Elected Officials at September 30, 2008



From left to right: 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**



City of **Milton**, Georgia

Listing of Principal Officials at September 30, 2008

Interim City Manager
Christopher Lagerbloom

Operations Director
Tami Hanlin

Finance Manager
Stacey Inglis

City/ Court Clerk
Jeanette Marchiafava

Interim Public Safety Director
Deborah Harrell

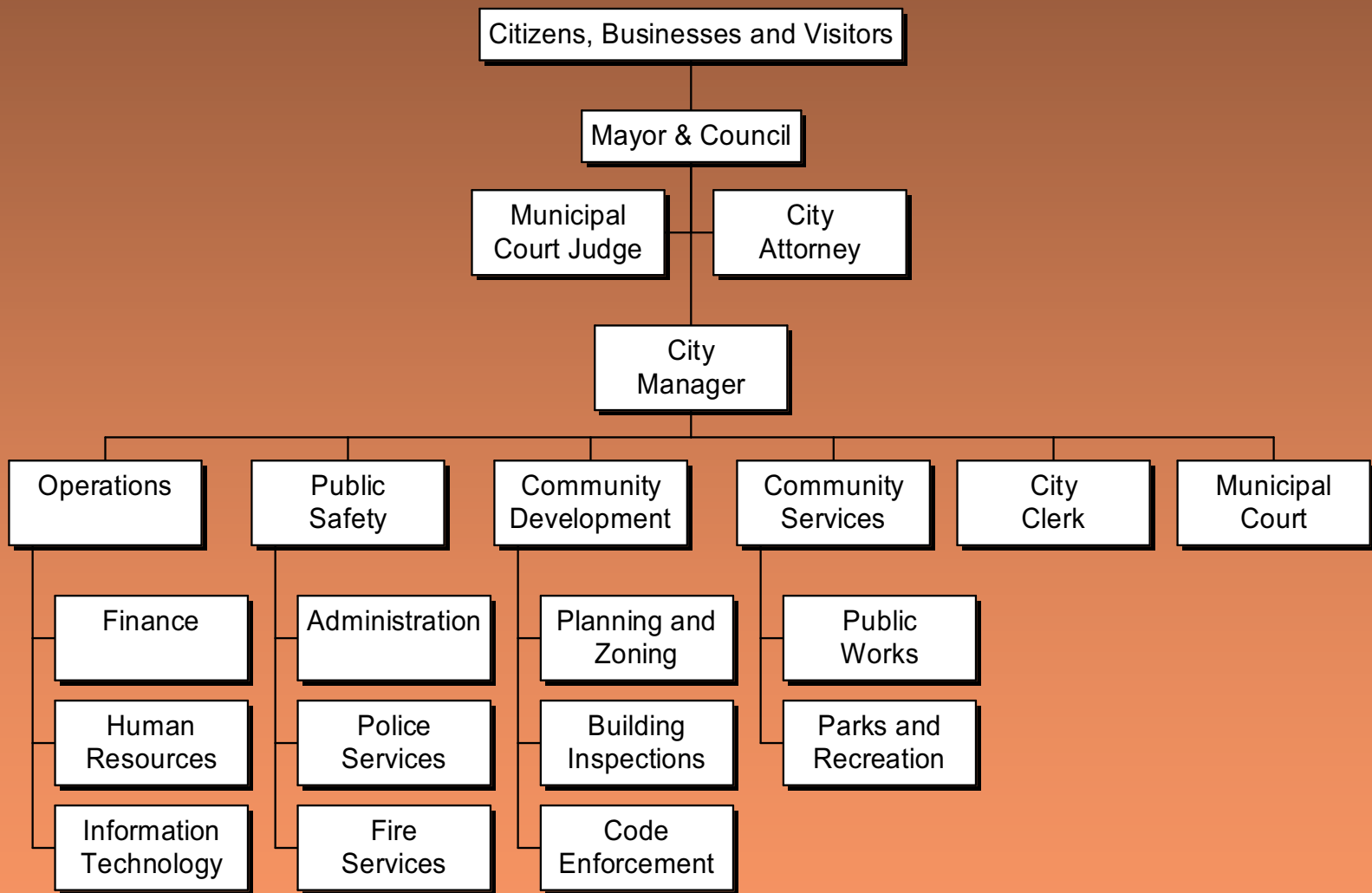
City Attorney
Ken E. Jarrard, Esq.

City Auditors
Mauldin & Jenkins



City of Milton, Georgia

Organizational Chart at September 30, 2008



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FINANCIAL SECTION

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, 2008, 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, 2008, 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 March 17, 2009, 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 on pages 3 through 9 and schedule of funding progress and budgetary comparison information on pages 32 through 34 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of 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
March 17, 2009

CITY OF MILTON, GEORGIA

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the City of Milton, Georgia's (the City) comprehensive annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the fiscal year ended September 30, 2008.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$47,491,519 (reported as *net assets*). This is an increase of approximately \$11.5 million over the previous fiscal period. Of this amount, \$10,527,209 (reported as *unrestricted net assets*) may be used to meet the City's ongoing obligations.
- As of September 30, 2008, the City's governmental funds reported combined ending fund balances of \$9,680,805, an increase of \$7,293,851. This was primarily due to the receipt of special service district funds from Fulton County.

OVERVIEW OF THE 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 of Milton'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 nonfinancial factors, such as diversification of the taxpayer base or the condition of the City infrastructure, in addition to the financial information provided in this report.

The *Statement of Activities* reports 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. 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 10 and 11 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All 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 four non-major governmental funds. The City's major governmental funds are: General Fund and Capital Projects Fund. The City's non-major governmental funds are: Special Events Fund, Operating Grant Fund, Hotel/Motel Tax Fund and Capital Grant Fund.

The basic governmental fund financial statements are presented on pages 12 to 14 of this report.

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

The basic fiduciary fund financial statement can be found on page 15 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 16 to 31 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 32 through 34 of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's overall financial position and operations for this fiscal period is summarized as follows based on the information included in the government-wide financial statements (see pages 10 and 11):

**City of Milton, Georgia
Net Assets (Financial Position)
Fiscal Years 2007 and 2008**

	Governmental Activities	
	2007	2008
Assets		
Current and other assets	\$ 10,478,259	\$ 17,710,819
Capital assets	36,093,608	39,539,943
Total assets	46,571,867	57,250,762
Liabilities		
Current liabilities	7,261,439	6,917,396
Long-term liabilities	3,351,278	2,841,847
Total liabilities	10,612,717	9,759,243
Net assets		
Invested in capital assets, net of related debt	32,923,814	36,964,310
Unrestricted	3,035,336	10,527,209
Total net assets	\$ 35,959,150	\$ 47,491,519

As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. As of September 30, 2008, the City's assets exceeded liabilities by \$47,491,519.

The largest portion of the City's net assets (78%) reflects its investment in capital assets (e.g., land, roadways, sidewalks, culverts, equipment and signals), less any related debt outstanding that was needed to acquire those assets. Investment capital increased by \$4.04 million between the end of fiscal period 2007 and fiscal year 2008, from \$32.92 million to \$36.96 million.

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 \$10.53 million surplus at the end of this fiscal year, an increase of \$7.49 million. 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.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following condensed financial information was derived from the government-wide *Statement of Activities* (page 11) and reflects how the City's net assets changed during the fiscal period.

City of Milton, Georgia
Changes in Net Assets
Fiscal Years 2007 and 2008

	Governmental Activities	
	2007	2008
Revenues		
Program revenues:		
Charges for services	\$ 903,704	\$ 1,525,357
Operating grants and contributions	27,752	14,621
Capital grants and contributions	114,337	4,523,803
General revenues:		
Property taxes	9,200,065	10,132,567
Sales taxes	3,700,463	4,318,839
Other taxes	1,770,328	2,396,221
Intergovernmental revenue	-	4,176,896
Interest	112,303	129,092
Miscellaneous revenues	30,677	73,688
Total revenues	15,859,629	27,291,084
Expenses		
General government	3,683,192	4,171,595
Judicial	332,251	546,447
Public safety	6,312,297	6,457,721
Public works	2,714,572	2,552,092
Culture and recreation	20,518	270,663
Housing and development	941,621	1,501,911
Interest on long-term debt	220,331	258,286
Total expenses	14,224,782	15,758,715
Increase in net assets before special item	1,634,847	11,532,369
Special item - donation of capital assets at incorporation	34,324,303	-
Increase in net assets	35,959,150	11,532,369
Net assets - beginning	-	35,959,150
Net assets - ending	\$ 35,959,150	\$ 47,491,519

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements.

Governmental funds reported ending fund balances of \$9,747,966. Of this total, \$5,904,736 is unreserved and undesignated indicating availability for continuing City service requirements. The City has adopted a fund balance reserve policy to retain in the General Fund reserve an equivalent of 16% of the current year budgeted operating and debt expenditures. Therefore, of the \$6,967,755 in the General Fund unreserved fund balance, \$3,659,750 is designated in accordance with the fund balance reserve policy. This is equivalent to 23.5% of the General Fund operating budget for the fiscal year 2008.

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 was \$7,127,688 as of September 30, 2008. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 46.9% of total General Fund expenditures, while total fund balance represents 48% of that same amount.

The General Fund's fund balance increased \$5.28 million during the current fiscal year. This was primarily due to the receipt of the \$4.18 million of special service district funds from Fulton County.

Capital Projects Fund. This fund is used to record major capital acquisitions and construction. It is reported separately from the General Fund to enhance the understanding of the government's capital activities. It also helps to avoid the distortions in financial resources trend information that can arise when capital and operating activities are mixed. During the year, a total of \$1,255,117 was transferred in from the General Fund. After expenditures of \$248,870, the remaining fund balance was \$1,919,174.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City of Milton's budget utilized a conservative approach based on lack of available historical information. Emphasis was given to ensuring financial stability while providing revenue enhancement, financial priorities and discipline.

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

In this second year of operations, the City also revised the budget a second time at the end of the fiscal year to adjust departmental budgets and interfund transfers based upon activity-to-date. The intent of the adjustment was to cover unforeseen and/or anticipated expenditures as the City approached the end of the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

- Increased the General Fund operating expenditures by \$77,691. Included in this adjustment is:
 - an increase of \$40,000 to hire a consultant for the recruitment and hiring of a City Manager;
 - an decrease of \$388,781 due to vacant positions;
 - an increase of \$33,063 to cover the unexpected cost of subsidizing EMS services;
 - an increase of \$26,000 for credit card maintenance fees not initially included in the budget;
 - an increase of \$120,000 in legal fees due to the extraordinary amount of time spent on the sewer policy and various litigation matters;
 - an increase of \$40,000 in overtime due to additional courtroom and council meeting security;
 - an increase of \$156,185 for new, more efficient public safety software that will allow the City to transition to Alpharetta's 911 operations in the upcoming fiscal year;
 - and an increase of \$40,700 to cover rising utility costs;

The General Fund expenditures for fiscal year 2008 were \$14,857,117, 95.2% of the final amended budget. Total actual expenditures in the General Fund were lower than the final amended budget by \$741,051. This was due primarily to savings in personnel costs for vacant positions and the prudent spending of the department heads.

The revenue appropriations for the General Fund were increased through the two budget amendments by \$4,866,275 due to the special service district funds received from Fulton County, higher than anticipated franchise fees and interest earned and projected property taxes. Total actual revenues fell short of the final amended budget by \$536,584 as a consequence of the downturn of the economy and its effects on property tax and sales tax collections.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2008, the City's investment in capital assets for its governmental activities total \$39,539,943 (net of accumulated depreciation). These assets primarily reflect the donation of infrastructure assets at incorporation for roadways, sidewalks, culverts and signals. Other investments in assets include the purchase of police and fire vehicles, and the discounted purchase of two parks, two community houses and two fire stations from Fulton County.

City of Milton, Georgia
Capital Assets (net of accumulated depreciation)
Fiscal Years 2007 and 2008

	Governmental Activities	
	2007	2008
Land	\$ 3,869,061	\$ 3,869,061
Construction in progress	-	1,044,000
Buildings	297,998	278,401
Vehicles & Equipment	2,789,180	2,547,392
Infrastructure	29,137,369	31,801,089
Total	\$ 36,093,608	\$ 39,539,943

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Long-term debt

At the end of fiscal year 2008, the City had a total long-term debt outstanding of \$2,575,633 for police and fire vehicles and other start-up equipment. A payment of \$594,161 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 26 and 27 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 2009 budget:

- The current projected population of the City of Milton is 15,344. It is expected to rise 23% within the next five years. The per capita income is \$44,417, more than twice the national average.
- The average home value in Milton is \$386,000. Given the major downturn of the real estate market, the City is not expecting any increase in property values for fiscal year 2009. As was the case with fiscal year 2008, the property tax collections will likely be significantly lower than initially anticipated, especially from builders and developers.
- There is an expected decrease in local option sales taxes, as well as intangible taxes, real estate transfer taxes and development revenues due to the current economic situation. Department heads have been notified of potential budget cuts in an attempt to offset the decline in revenues.
- 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 \$8.7 million in operating revenue.
- Sustainability of existing services – the City has deployed a philosophy of budgetary evaluation which reviews the needs of the City to the standard which realizes that services and associated costs should not be appropriated if they are not justified as long-term goals of the organization. This philosophy 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.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the Department of Finance at (678) 242-2500 or 13000 Deerfield Pkwy, Suite 107G, Milton, GA 30004. You may also visit the website at www.cityofmiltonga.us.

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BASIC FINANCIAL STATEMENTS

CITY OF MILTON, GEORGIA

**STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008**

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 8,013,211
Accounts receivable	103,752
Taxes receivable	9,136,585
Due from other governments	297,338
Prepays	159,933
Capital assets:	
Nondepreciable	4,913,061
Depreciable, net of accumulated depreciation	<u>34,626,882</u>
 Total assets	 <u>57,250,762</u>
LIABILITIES	
Accounts payable	841,015
Accrued liabilities	397,582
Deposits payable	107,716
Unearned revenue	121,083
Tax anticipation note	5,450,000
Compensated absences due within one year	266,214
Note payable due within one year	606,626
Note payable due in more than one year	<u>1,969,007</u>
 Total liabilities	 <u>9,759,243</u>
NET ASSETS	
Invested in capital assets, net of related debt	36,964,310
Unrestricted	<u>10,527,209</u>
 Total net assets	 <u>\$ 47,491,519</u>

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

CITY OF MILTON, GEORGIA

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primary government:					
Governmental activities:					
General government	\$ 4,171,595	\$ 216,151	\$ 10,871	\$ -	\$ (3,944,573)
Judicial	546,447	647,693	-	-	101,246
Public safety	6,457,721	48,220	-	34,513	(6,374,988)
Public works	2,552,092	290,144	-	4,457,390	2,195,442
Culture and recreation	270,663	-	-	31,900	(238,763)
Housing and development	1,501,911	323,149	3,750	-	(1,175,012)
Interest on long-term debt	258,286	-	-	-	(258,286)
Total governmental activities	<u>15,758,715</u>	<u>1,525,357</u>	<u>14,621</u>	<u>4,523,803</u>	<u>(9,694,934)</u>
Total primary government	<u>\$ 15,758,715</u>	<u>\$ 1,525,357</u>	<u>\$ 14,621</u>	<u>\$ 4,523,803</u>	<u>(9,694,934)</u>
General revenues:					
Property taxes					10,132,567
Sales taxes					4,318,839
Hotel/Motel taxes					60,600
Franchise taxes					1,719,032
Business taxes					616,589
Unrestricted intergovernmental revenue					4,176,896
Unrestricted investment earnings					129,092
Miscellaneous revenues					73,688
Total general revenues					<u>21,227,303</u>
Change in net assets					11,532,369
Net assets, beginning of year (as restated)					<u>35,959,150</u>
Net assets, end of year					<u>\$ 47,491,519</u>

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

CITY OF MILTON, GEORGIA

**BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008**

ASSETS	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 5,405,816	\$ 1,863,645	\$ 743,750	\$ 8,013,211
Accounts receivable	18,235	84,917	600	103,752
Taxes receivable	9,131,369	-	5,216	9,136,585
Intergovernmental receivable	256,575	-	40,763	297,338
Due from other funds	25,809	-	-	25,809
Prepays	159,933	-	-	159,933
Total assets	\$ 14,997,737	\$ 1,948,562	\$ 790,329	\$ 17,736,628
LIABILITIES				
Accounts payable	\$ 765,711	\$ 29,388	\$ 45,916	\$ 841,015
Accrued liabilities	325,222	-	-	325,222
Due to other funds	-	-	25,809	25,809
Deposits payable	107,716	-	-	107,716
Short-term notes payable	5,450,000	-	-	5,450,000
Deferred revenue	1,221,400	-	17,500	1,238,900
Total liabilities	7,870,049	29,388	89,225	7,988,662
FUND BALANCES				
Fund balances:				
Reserved for prepaids	159,933	-	-	159,933
Unreserved, designated for:				
Fund balance policy	3,659,750	-	-	3,659,750
Sidewalks	-	23,547	-	23,547
Unreserved, reported in:				
General fund	3,308,005	-	-	3,308,005
Special revenue funds	-	-	6,026	6,026
Capital projects funds	-	1,895,627	695,078	2,590,705
Total fund balances	7,127,688	1,919,174	701,104	9,747,966
Total liabilities and fund balances	\$ 14,997,737	\$ 1,948,562	\$ 790,329	
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.				39,539,943
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.				(2,914,207)
Some revenues are not available in the current period and, therefore, are not reported in the funds.				1,117,817
Net assets of governmental activities				<u>\$ 47,491,519</u>

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, 2008**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 9,872,596	\$ -	\$ -	\$ 9,872,596
Sales taxes	4,318,839	-	-	4,318,839
Hotel/Motel taxes	-	-	60,600	60,600
Franchise taxes	1,649,821	69,211	-	1,719,032
Business taxes	616,589	-	-	616,589
Licenses and permits	398,164	-	-	398,164
Charges for services	359,802	290,144	-	649,946
Fines and forfeitures	477,247	-	-	477,247
Intergovernmental	4,176,896	-	11,250	4,188,146
Contributions	10,871	-	41,413	52,284
Interest earned	107,763	18,457	2,872	129,092
Miscellaneous	73,688	-	-	73,688
Total revenues	<u>22,062,276</u>	<u>377,812</u>	<u>116,135</u>	<u>22,556,223</u>
Expenditures:				
Current:				
General government	4,129,002	-	37,628	4,166,630
Judicial	546,447	-	-	546,447
Public safety	5,960,508	133,877	29,757	6,124,142
Public works	1,780,051	22,371	-	1,802,422
Culture and recreation	160,442	32,650	70,000	263,092
Housing and development	1,422,939	59,972	19,000	1,501,911
Debt service:				
Principal	594,161	-	-	594,161
Interest	263,567	-	-	263,567
Total expenditures	<u>14,857,117</u>	<u>248,870</u>	<u>156,385</u>	<u>15,262,372</u>
Excess (deficiency) of revenues over expenditures	<u>7,205,159</u>	<u>128,942</u>	<u>(40,250)</u>	<u>7,293,851</u>
Other financing sources (uses):				
Transfers in	34,100	1,255,117	734,793	2,024,010
Transfers out	<u>(1,963,410)</u>	<u>-</u>	<u>(60,600)</u>	<u>(2,024,010)</u>
Total other financing sources (uses)	<u>(1,929,310)</u>	<u>1,255,117</u>	<u>674,193</u>	<u>-</u>
Net change in fund balances	<u>5,275,849</u>	<u>1,384,059</u>	<u>633,943</u>	<u>7,293,851</u>
Fund balances, beginning of year	<u>1,851,839</u>	<u>535,115</u>	<u>67,161</u>	<u>2,454,115</u>
Fund balances, end of year	<u>\$ 7,127,688</u>	<u>\$ 1,919,174</u>	<u>\$ 701,104</u>	<u>\$ 9,747,966</u>

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, 2008

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

Net change in fund balances - total governmental funds	\$ 7,293,851
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.	(1,011,055)
The effect of the donation of capital assets is to increase net assets.	4,457,390
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	277,471
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.	594,161
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.	<u>(79,449)</u>
Change in net assets - governmental activities	<u>\$ 11,532,369</u>

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, 2008**

	ASSETS	Municipal Court Fund
Cash		<u>\$ 109,836</u>
Total assets		<u><u>\$ 109,836</u></u>
	LIABILITIES	
Due to others		<u>\$ 109,836</u>
Total liabilities		<u><u>\$ 109,836</u></u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF MILTON, GEORGIA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008

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.

NOTES TO FINANCIAL STATEMENTS

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.

NOTES TO FINANCIAL STATEMENTS

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, 2008, 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, 2008, 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.

NOTES TO FINANCIAL STATEMENTS

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, 2008, 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.

NOTES TO FINANCIAL STATEMENTS

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.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

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

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$2,914,207 difference are as follows:

Notes payable	\$ (2,575,633)
Compensated absences (i.e., vacation)	(266,214)
Accrued interest	<u>(72,360)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ (2,914,207)</u></u>

NOTES TO FINANCIAL STATEMENTS

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances – total governmental funds and change in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$1,011,055 difference are as follows:

Capital outlay	\$ 97,237
Depreciation expense	<u>(1,108,292)</u>
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets - governmental activities</i>	<u>\$ (1,011,055)</u>

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 \$594,161 difference are as follows:

Payments of note payable	\$ 594,161
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets - governmental activities</i>	<u>\$ 594,161</u>

NOTES TO FINANCIAL STATEMENTS

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

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

Another element of the reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$79,449 difference are as follows:

Compensated absences (i.e., vacation)	\$	(84,730)
Accrued interest		5,281
		5,281
Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net assets - governmental activities</i>	\$	(79,449)
		(79,449)

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.

The following departments had excesses of actual expenditures over appropriations for the fiscal period ended September 30, 2008:

General Fund - City manager	\$	3,866
Operating Grant Fund - Public safety	\$	4,757

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

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS

Total deposits as of September 30, 2008 are summarized as follows:

Statement of Net Assets:		
Cash and cash equivalents	\$	8,013,211
Statement of Fiduciary Net Assets:		
Cash - Agency fund		109,836
	\$	<u>8,123,047</u>
Cash deposited with financial institutions	\$	<u>8,123,047</u>

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, 2008, 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 are billed by September 1 based on the assessed value of property as listed on January 1 and are due on October 31 of each year. Property taxes are recorded as receivables and deferred revenues when assessed. Revenues are recognized when available.

Receivables at September 30, 2008, 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	\$ 18,235	\$ 84,917	\$ 600
Taxes	9,252,094	-	5,216
Intergovernmental	256,575	-	40,763
Total receivables	9,526,904	84,917	46,579
Less allowance for uncollectible	120,725	-	-
Net total receivable	\$ 9,406,179	\$ 84,917	\$ 46,579

NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the City for the year ended September 30, 2008 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 3,869,061	\$ -	\$ -	\$ 3,869,061
Construction in progress	-	1,044,000	-	1,044,000
Total	<u>3,869,061</u>	<u>1,044,000</u>	<u>-</u>	<u>4,913,061</u>
Capital assets, being depreciated:				
Buildings	308,077	-	-	308,077
Vehicles	2,899,478	97,237	-	2,996,715
Infrastructure	30,224,514	3,413,390	-	33,637,904
Total	<u>33,432,069</u>	<u>3,510,627</u>	<u>-</u>	<u>36,942,696</u>
Less accumulated depreciation for:				
Buildings	(10,079)	(19,597)	-	(29,676)
Vehicles	(110,298)	(339,025)	-	(449,323)
Infrastructure	(1,087,145)	(749,670)	-	(1,836,815)
Total	<u>(1,207,522)</u>	<u>(1,108,292)</u>	<u>-</u>	<u>(2,315,814)</u>
Total capital assets being depreciated, net	<u>32,224,547</u>	<u>2,402,335</u>	<u>-</u>	<u>34,626,882</u>
Governmental activities capital assets, net	<u>\$ 36,093,608</u>	<u>\$ 3,446,335</u>	<u>\$ -</u>	<u>\$ 39,539,943</u>

The beginning cost and accumulated depreciation balances for Infrastructure have been adjusted by \$2,199,981 and \$47,524, respectively, to properly reflect the assets of the City. See Note 16 for further explanation.

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

Governmental activities:	
Public safety	\$ 351,051
Public works	749,670
Culture and recreation	7,571
Total depreciation expense - governmental activities	<u>\$ 1,108,292</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. SHORT-TERM BORROWINGS

The City has 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%, matures on December 31, 2008. As of September 30, 2008, \$5,450,000 of principal was outstanding.

Total short-term borrowings interest incurred and expensed for the period ended September 30, 2008, was \$106,414.

The following is a summary of the tax anticipation note payable for the period ended September 30, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax anticipation note	\$ 5,155,000	\$ 5,450,000	\$ (5,155,000)	\$ 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
2009	\$ 606,626	\$ 102,768	\$ 709,394
2010	630,831	78,563	709,394
2011	656,001	53,393	709,394
2012	682,175	27,219	709,394
	\$ 2,575,633	\$ 261,943	\$ 2,837,576

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities

The following is a summary of long-term debt activity of the City for the period ended September 30, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Notes payable	\$ 3,169,794	\$ -	\$ (594,161)	\$ 2,575,633	\$ 606,626
Compensated absences	181,484	535,830	(451,100)	266,214	266,214
Governmental activities Long-term liabilities	<u>\$ 3,351,278</u>	<u>\$ 535,830</u>	<u>\$ (1,045,261)</u>	<u>\$ 2,841,847</u>	<u>\$ 872,840</u>

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

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2008 is as follows:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	<u>\$ 25,809</u>

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

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 1,255,117
Non-major governmental funds	General Fund	708,293
General Fund	Non-major governmental funds	34,100
Non-major governmental funds	Non-major governmental funds	26,500
		<u>\$ 2,024,010</u>

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

NOTES TO FINANCIAL STATEMENTS

NOTE 10. COMMITMENTS AND CONTINGENT LIABILITIES

The 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 \$6.8 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Plan Description (Continued)

At May 1, 2008, the date of the most recent actuarial valuation, there were 55 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 2008, the actuarially determined contribution rate was 3.27% of covered payroll.

For 2008, the City's recommended contribution and annual pension cost was \$115,606. Actual contributions totaled \$115,606. The recommended contribution was determined as part of the May 1, 2008 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 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:

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability (AAL)</u>	<u>(b-a) Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Covered Payroll</u>	<u>[(b-a)/c] UAAL as a Percentage of Covered Payroll</u>
5/1/2008	\$ 177,182	\$ 222,269	\$ 45,087	79.7 %	\$ 2,773,883	1.6 %

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, 2008.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 %	-

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, 2008, there were 75 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, 2008, the contributions to the Plan were \$261,504 by the employees and \$162,129 by the City.

NOTE 13. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities around the Metropolitan Atlanta Georgia area, is a member of the Atlanta Regional Commission (ARC) and is required to pay annual dues thereto, which Fulton County has paid on behalf of the City of 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 14. 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, 2008, the City had \$60,600 in hotel/motel tax revenues which were transferred to the General Fund and Special Events Fund to be used for City operations.

NOTES TO FINANCIAL STATEMENTS

NOTE 15. RISK MANAGEMENT

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

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

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

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

NOTE 16. PRIOR PERIOD ADJUSTMENT

The City of Milton has determined that a restatement of beginning net assets of governmental activities is required to properly reflect infrastructure assets that were erroneously omitted from the financial statements as of September 30, 2007. The restatement increases the capital assets and net assets balances by \$2,152,457.

The effect of these restatements is as follows:

Net assets September 30, 2007, as previously reported	\$ 33,806,693
Adjustment for correction of capital assets - infrastructure	2,152,457
Net assets September 30, 2007, as restated	<u>\$ 35,959,150</u>

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, 2008**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 9,395,742	\$ 10,571,707	\$ 9,872,596	\$ (699,111)
Sales taxes	4,373,154	4,421,423	4,318,839	(102,584)
Franchise taxes	1,100,000	1,395,924	1,649,821	253,897
Business taxes	680,000	687,865	616,589	(71,276)
Licenses and permits	455,910	391,389	398,164	6,775
Charges for services	599,332	284,893	359,802	74,909
Fines and forfeitures	1,070,247	464,000	477,247	13,247
Intergovernmental	-	4,176,896	4,176,896	-
Contributions	5,000	12,371	10,871	(1,500)
Interest earned	40,000	130,000	107,763	(22,237)
Miscellaneous	13,200	62,392	73,688	11,296
Total revenues	<u>17,732,585</u>	<u>22,598,860</u>	<u>22,062,276</u>	<u>(536,584)</u>
Expenditures:				
Current:				
General government:				
Mayor and council	396,330	667,920	637,896	30,024
City manager	365,784	398,176	402,042	(3,866)
General administration	2,092,182	1,528,698	1,506,831	21,867
Finance department	751,832	864,896	863,277	1,619
City clerk	485,602	586,991	560,511	26,480
Risk management	236,030	236,030	158,445	77,585
Total general government	<u>4,327,760</u>	<u>4,282,711</u>	<u>4,129,002</u>	<u>153,709</u>
Judicial:				
Municipal court	434,805	606,570	546,447	60,123
Total municipal court	<u>434,805</u>	<u>606,570</u>	<u>546,447</u>	<u>60,123</u>
Public safety:				
Police department	1,458,613	1,511,662	1,446,646	65,016
Fire department	3,407,852	3,222,665	2,961,359	261,306
Police and fire department	1,584,423	1,612,077	1,519,441	92,636
EMS operations	-	33,063	33,062	1
Total public safety	<u>6,450,888</u>	<u>6,379,467</u>	<u>5,960,508</u>	<u>418,959</u>
Public works	<u>1,753,254</u>	<u>1,877,215</u>	<u>1,780,051</u>	<u>97,164</u>
Culture and recreation	<u>418,063</u>	<u>166,649</u>	<u>160,442</u>	<u>6,207</u>
Housing and development	<u>1,273,886</u>	<u>1,427,829</u>	<u>1,422,939</u>	<u>4,890</u>
Debt service:				
Principal	711,822	594,161	594,161	-
Interest	150,000	263,567	263,567	-
Total debt service	<u>861,822</u>	<u>857,728</u>	<u>857,728</u>	<u>-</u>
Total expenditures	<u>15,520,478</u>	<u>15,598,169</u>	<u>14,857,117</u>	<u>741,052</u>
Excess of revenues over expenditures	<u>2,212,107</u>	<u>7,000,691</u>	<u>7,205,159</u>	<u>204,468</u>

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, 2008**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Other financing sources (uses):				
Transfers in	\$ 52,000	\$ 33,500	\$ 34,100	\$ 600
Transfers out	(2,264,107)	(7,034,191)	(1,963,410)	5,070,781
Total other financing sources (uses)	<u>(2,212,107)</u>	<u>(7,000,691)</u>	<u>(1,929,310)</u>	<u>5,071,381</u>
 Net change in fund balances	 -	 -	 5,275,849	 5,275,849
 Fund balances, beginning of year	 <u>1,851,839</u>	 <u>1,851,839</u>	 <u>1,851,839</u>	 <u>-</u>
 Fund balances, end of year	 <u>\$ 1,851,839</u>	 <u>\$ 1,851,839</u>	 <u>\$ 7,127,688</u>	 <u>\$ 5,275,849</u>

CITY OF MILTON, GEORGIA

**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
5/1/08	\$ 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.

NONMAJOR GOVERNMENTAL FUNDS

Special Events Fund – To account for the private donations to the City and a portion of the hotel/motel tax revenues. Expenditures related to special events are also recorded within this fund.

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, 2008

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Special Events Fund	Operating Grant Fund	Hotel/Motel Tax Fund	Capital Grant Fund	
ASSETS					
Cash	\$ 11,749	\$ -	\$ 6,288	\$ 725,713	\$ 743,750
Accounts receivable	600	-	-	-	600
Intergovernmental receivables	-	23,263	-	17,500	40,763
Taxes receivable	-	-	5,216	-	5,216
Total assets	<u>\$ 12,349</u>	<u>\$ 23,263</u>	<u>\$ 11,504</u>	<u>\$ 743,213</u>	<u>\$ 790,329</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 8,993	\$ -	\$ 6,288	\$ 30,635	\$ 45,916
Deferred revenue	-	-	-	17,500	17,500
Due to other funds	-	20,593	5,216	-	25,809
Total liabilities	<u>8,993</u>	<u>20,593</u>	<u>11,504</u>	<u>48,135</u>	<u>89,225</u>
FUND BALANCES					
Unreserved	<u>3,356</u>	<u>2,670</u>	<u>-</u>	<u>695,078</u>	<u>701,104</u>
Total liabilities and fund balances	<u>\$ 12,349</u>	<u>\$ 23,263</u>	<u>\$ 11,504</u>	<u>\$ 743,213</u>	<u>\$ 790,329</u>

CITY OF MILTON, GEORGIA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Special Events Fund	Operating Grant Fund	Hotel/Motel Tax Fund	Capital Grant Fund	
REVENUES					
Taxes	\$ -	\$ -	\$ 60,600	\$ -	\$ 60,600
Intergovernmental	-	-	-	11,250	11,250
Contributions	14,400	27,013	-	-	41,413
Interest	84	144	-	2,644	2,872
Total revenues	14,484	27,157	60,600	13,894	116,135
EXPENDITURES					
Current:					
General government	37,628	-	-	-	37,628
Public safety	-	29,757	-	-	29,757
Culture and recreation	-	-	-	70,000	70,000
Housing and development	-	19,000	-	-	19,000
Total expenditures	37,628	48,757	-	70,000	156,385
Deficiency of revenues over expenditures	(23,144)	(21,600)	60,600	(56,106)	(40,250)
OTHER FINANCING SOURCES (USES)					
Transfers in	26,500	8,993	-	699,300	734,793
Transfers out	-	-	(60,600)	-	(60,600)
Total other financing sources (uses)	26,500	8,993	(60,600)	699,300	674,193
Net change in fund balances	3,356	(12,607)	-	643,194	633,943
FUND BALANCES, beginning of year	-	15,277	-	51,884	67,161
FUND BALANCES, end of year	\$ 3,356	\$ 2,670	\$ -	\$ 695,078	\$ 701,104

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, 2008**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Contributions	\$ 13,000	\$ 13,000	\$ 14,400	\$ 1,400
Interest	-	-	84	84
Total revenues	<u>13,000</u>	<u>13,000</u>	<u>14,484</u>	<u>1,484</u>
Expenditures:				
General government	<u>39,500</u>	<u>39,500</u>	<u>37,628</u>	<u>1,872</u>
Total expenditures	<u>39,500</u>	<u>39,500</u>	<u>37,628</u>	<u>1,872</u>
Excess (deficiency) of revenues over expenditures	(26,500)	(26,500)	(23,144)	3,356
OTHER FINANCING SOURCES				
Transfers in	<u>26,500</u>	<u>26,500</u>	<u>26,500</u>	-
Total other financing sources	<u>26,500</u>	<u>26,500</u>	<u>26,500</u>	-
Net change in fund balances	-	-	3,356	3,356
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,356</u>	<u>\$ 3,356</u>

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, 2008**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Contributions	\$ 115,455	\$ 26,250	\$ 27,013	\$ 763
Interest	-	-	144	144
Total revenues	<u>115,455</u>	<u>26,250</u>	<u>27,157</u>	<u>907</u>
Expenditures:				
Public safety	142,800	25,000	29,757	(4,757)
Housing and development	-	19,000	19,000	-
Total expenditures	<u>142,800</u>	<u>44,000</u>	<u>48,757</u>	<u>(4,757)</u>
Excess (deficiency) of revenues over expenditures	(27,345)	(17,750)	(21,600)	(3,850)
OTHER FINANCING SOURCES				
Transfers in	27,345	2,500	8,993	6,493
Total other financing sources	<u>27,345</u>	<u>2,500</u>	<u>8,993</u>	<u>6,493</u>
Net change in fund balances	-	(15,250)	(12,607)	2,643
Fund balances, beginning of year	<u>15,277</u>	<u>15,277</u>	<u>15,277</u>	<u>-</u>
Fund balances, end of year	<u>\$ 15,277</u>	<u>\$ 27</u>	<u>\$ 2,670</u>	<u>\$ 2,643</u>

CITY OF MILTON, GEORGIA

**HOTEL/MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL (GAAP BASIS)
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 52,000	\$ 60,000	\$ 60,600	\$ 600
Total revenues	<u>52,000</u>	<u>60,000</u>	<u>60,600</u>	<u>600</u>
Other financing uses:				
Transfers out	(52,000)	(60,000)	(60,600)	(600)
Total other financing uses	<u>(52,000)</u>	<u>(60,000)</u>	<u>(60,600)</u>	<u>(600)</u>
Net change in fund balances	-	-	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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, 2008**

	<u>Balance October 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2008</u>
MUNICIPAL COURT FUND				
Assets:				
Cash	<u>\$ 81,690</u>	<u>\$ 959,575</u>	<u>\$ 931,429</u>	<u>\$ 109,836</u>
Liabilities:				
Due to others	<u>\$ 81,690</u>	<u>\$ 959,575</u>	<u>\$ 931,429</u>	<u>\$ 109,836</u>

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STATISTICAL SECTION

CITY OF MILTON, GEORGIA

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

	<u>2008</u>	<u>2007</u>
Primary government:		
Invested in capital assets, net of related debt	\$ 36,964,310	\$ 32,923,814
Unrestricted	<u>10,527,209</u>	<u>3,035,336</u>
Total primary government net assets	<u>\$ 47,491,519</u>	<u>\$ 35,959,150</u>

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

CITY OF MILTON, GEORGIA

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

	2008	2007
Expenses		
General government	\$ 4,171,595	\$ 3,683,192
Judicial	546,447	332,251
Public safety	6,457,721	6,312,297
Public works	2,552,092	2,714,572
Culture and recreation	270,663	20,518
Housing and development	1,501,911	941,621
Interest on long-term debt	258,286	220,331
Total expenses	\$ 15,758,715	\$ 14,224,782
Program revenues		
Charges for services:		
General government	\$ 216,151	\$ 176,761
Judicial	647,693	235,860
Public safety	48,220	4,717
Public works	290,144	230,608
Housing and development	323,149	255,758
Operating grants and contributions	14,621	27,752
Capital grants and contributions	4,523,803 (1)	114,337
Total program revenues	\$ 6,063,781	\$ 1,045,793
Net (expense) revenue	\$ (9,694,934)	\$ (13,178,989)
General Revenues and Other Changes in Net Assets		
Taxes		
Property taxes	\$ 10,132,567	\$ 9,200,065
Sales taxes	4,318,839	3,700,463
Other taxes	2,396,221	1,770,328
Unrestricted intergovernmental revenue	4,176,896 (2)	-
Unrestricted investment earnings	129,092	112,303
Miscellaneous revenues	73,688	30,677
Special item - donation of infrastructure at incorporation	-	32,171,846
Total	\$ 21,227,303	\$ 46,985,682
Change in Net Assets	\$ 11,532,369	\$ 33,806,693

Note: 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 will result in increases to both revenues and expenses.

(1) Increase is a result of donated infrastructure from developers that was much lower in 2007.

(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.

CITY OF MILTON, GEORGIA

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

Fiscal Year	Property Taxes	Sales Taxes	Hotel/Motel Taxes	Franchise Taxes	Business Taxes	Total
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

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

CITY OF MILTON, GEORGIA

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

	<u>2008</u>	<u>2007</u>
General Fund		
Reserved	\$ 159,933	\$ 129,196
Unreserved	6,967,755	1,722,643
Total general fund	<u>\$ 7,127,688</u>	<u>\$ 1,851,839</u>
All Other Governmental Funds		
Unreserved, reported in:		
Special revenue funds	\$ 6,026	\$ 15,277
Capital projects funds	2,614,252	586,999
Total all other governmental funds	<u>\$ 2,620,278</u>	<u>\$ 602,276</u>

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

CITY OF MILTON, GEORGIA

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

	2008	2007
Revenues		
Taxes	\$ 16,587,656	\$ 13,841,760
Licenses and permits	398,164	325,104
Intergovernmental	4,188,146 (1)	-
Charges for services	649,946	396,393
Fines and forfeitures	477,247	182,207
Contributions	52,284	130,839
Interest earned	129,092	112,303
Miscellaneous	73,688	30,677
Total revenues	22,556,223	15,019,283
Expenditures		
Current:		
General government	4,166,630	3,668,160
Judicial	546,447	332,251
Public safety	6,124,142	8,940,582
Public works	1,802,422	1,674,951
Culture and recreation	263,092	34,707
Housing and development	1,501,911	941,621
Debt service:		
Principal	594,161	-
Interest	263,567	142,690
Total expenditures	15,262,372	15,734,962
Excess (deficiency) of revenues over (under) expenditures	7,293,851	(715,679)
Other Financing Sources (Uses)		
Issuance of long term debt	-	3,169,794
Transfers in	2,024,010	435,764
Transfers out	(2,024,010)	(435,764)
Total other financing sources (uses)	-	3,169,794
Net change in fund balances	\$ 7,293,851	\$ 2,454,115

Debt service as a percentage of noncapital expenditures 6.0% 1.1%

Note: 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 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.

CITY OF MILTON, GEORGIA

**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TWO 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

Note: Fiscal year 2087 is the City's first full year of operations. The 2007 period was only 10 months.

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CITY OF MILTON, GEORGIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TWO 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

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.

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%

CITY OF MILTON, GEORGIA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TWO 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

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, 2008

Taxpayer	2008			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Thirteen Five Sixty Morris	\$ 21,372,570	1	1.02 %	\$ 21,372,570	1	1.14 %
Orion Milton Associates LLC	19,298,840	2	0.92			
Atlanta Preserve LLC	18,409,040	3	0.88	16,222,390	3	0.86
EQR Stoneleigh B L L C	13,788,480	4	0.66	11,866,480	5	0.63
GTE Mobilnet (Verizon)	13,600,000	5	0.65	14,926,680	4	0.79
Scott H Lee TR	13,080,760	6	0.63			
Summit Properties Partnership	9,652,530	7	0.46	11,124,560	6	0.59
First Town LP (Fry's Electronics)	9,430,840	8	0.45			
RT Deerfield I LLC	8,314,640	9	0.40			
Sentine I Realty Partners IV	8,187,960	10	0.39	8,187,960	7	0.44
Alta Park LLC (2)				16,404,010	2	0.87
Deerfield Two Owner Corp				6,111,200	8	0.32
Falling Water Inc				5,848,240	9	0.31
Atlanta Preserve II LLC				5,744,000	10	0.31
Totals	\$ 135,135,660		6.47 %	\$ 117,808,090		6.26 %

Source: Fulton County Tax Commissioner

CITY OF MILTON, GEORGIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TWO FISCAL YEARS

Fiscal Period Ended September 30,	Taxes Levied for the Fiscal Year	Collected within the		Collections in Subsequent Years	Total Collections to Date	
		Fiscal Year of the Levy Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 8,376,547	\$ 7,589,313	90.6 %	\$ 671,174	\$ 8,260,487	98.6 %
2008	8,691,755	7,864,377	90.5	-	7,864,377	90.5

Source: City of Milton Finance Department, Tax Collectors Report

CITY OF MILTON, GEORGIA

RATIOS OF OUTSTANDING DEBT BY TYPE LAST TWO FISCAL YEARS

<u>Fiscal Period Ended September 30,</u>	<u>Governmental Activities Notes Payable</u>	<u>Percentage of Personal Income (1)</u>	<u>Per Capita (1)</u>
2007	\$ 3,169,794	0.47 %	\$ 210.09
2008	2,575,633	0.38	167.86

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 JUNE 30, 2008

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Fulton County	\$ 9,428,153	3.84 %	\$ 362,041
Fulton County School District	215,895,000	3.84	8,290,368
Total overlapping debt	\$ 225,323,153		\$ 8,652,409

Source: Assessed value date used to estimate applicable percentages and debt outstanding obtained from Fulton County's December 31, 2007 Comprehensive Annual Financial Report.

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

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

CITY OF MILTON, GEORGIA

DEMOGRAPHIC AND ECONOMIC STATISTICS LAST TWO FISCAL YEARS

Fiscal Period	Population (1)	Personal Income (amounts expressed in thousands) (2)	Per Capita Personal Income (2)	Median Age (2)	School Enrollment (3)	Unemployment Rate (4)
2007	15,088	\$ 670,149	\$ 44,416	34.3	7,326	2.9 %
2008	15,344	681,541	44,417	34.3	7,833	4.0

(1) Source for 2007: U.S. Census Bureau annual estimates of population for incorporated places in Georgia;
 Source for 2008: Applied the percentage increase for Georgia's population from 2007 to 2008 to Milton's
 2007 estimated population.

(2) Source: 2008 - 2028 City of Milton Comprehensive Plan Data Appendix

(3) Source: Fulton County Board of Education

(4) Source: U.S. Bureau of Labor Statistics Alpharetta, GA Data

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

CITY OF MILTON, GEORGIA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND ONE YEAR AGO

<u>Employer</u>	<u>2008</u>			<u>2007</u>		
	<u>Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City Employment (2)</u>	<u>Employees (1)</u>	<u>Rank</u>	<u>Percentage of Total City Employment (2)</u>
Verizon	1,726	1	22.4 %	1,606	1	21.7 %
Fulton County Board of Education	825	2	10.7	822	2	11.1
Infor Global Solutions	520	3	6.7	520	3	7.0
Fry's Electronics	300	4	3.9	350	5	4.7
Exide Technologies	296	5	3.8	285	7	3.8
Alltel	280	6	3.6	400	4	5.4
Target	280	7	3.6			0.0
Wal-Mart	275	8	3.6	345	6	4.7
Publix	182	9	2.4	176	8	2.4
Home Depot	155	10	2.0	130	9	1.8
City of Milton/CH2M Hill OMI				108	10	1.5
Totals	<u>4,839</u>		<u>62.7 %</u>	<u>4,742</u>		<u>64.1 %</u>

(1) Source: Employers

(2) Source: City of Milton Business License Applications

CITY OF MILTON, GEORGIA

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

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

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. The City is gradually taking over the services provided to its citizens by Fulton County, which results in changes to the number of employees. The City hired additional employees during 2008 as well as transferred existing employees between departments.

CITY OF MILTON, GEORGIA

OPERATING INDICATORS BY FUNCTION LAST TWO FISCAL YEARS

Function	2008	2007
General Government		
Business licenses issued	835	754
Number of property tax accounts:		
Real property	11,777	11,527
Personal property	564	461
Public utility	6	6
Ordinances adopted	32	64
Resolutions adopted	65	65
Council meeting minutes	49	44
Judicial		
Cases processed	5,580	3,219
Cases closed	5,390	2,348
Non-jury trials	175	54
Warrants issued	100	33
Public Safety		
Police (1)		
Calls for service	10,335	4,005
Alarms	2,061	850
Accidents	477	235
Traffic stops	4,916	2,350
Warnings issued	1,957	958
Tickets issued	4,761	2,359
DUIs	70	33
Traffic arrests	197	100
Fire (2)		
Working structural fires	31	10
False alarm/good intent	300	222
Vehicle fires	7	6
Vegetation fires	23	5
EMS	560	393
Other rescue	24	-
Hazardous conditions/mat.	26	-
Service calls	94	98
Other calls and incidents	116	-
Community events	171	36
Building inspections	41	-
Hydrant maintenance	1,325	-

Continued

CITY OF MILTON, GEORGIA

OPERATING INDICATORS BY FUNCTION LAST TWO FISCAL YEARS

Function	2008	2007
Public Works		
Work requests (3)	509	113
Culture and Recreation		
Annual City sponsored events	5	1
Milton Roundup attendance	3,500	3,500
Housing and Development		
Planning & Zoning		
Zoning certification letters	7	11
Rezoning cases processed	2	22
Zoning modifications processed	9	7
Special use permits processed	7	10
Variances processed	39	22
Land disturbance permits	13	10
Final plats / minor plats signed	20	33
Development inspections	2,894	2,965
Building Inspections		
Building permits issued	1,835	1,545
Certificates of occupancy issued	328	343
Sign permits issued	171	151
Code Enforcement		
Code enforcement inspection	2,001	1,641
Notice of violations issued	580	465
Citations issued	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 TWO FISCAL YEARS

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

Source: Various City departments.

Note: The City has entered into a sublease agreement with Fulton County for one of the fire stations.

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

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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 17, 2009. 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 the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2008-1 and 2008-2, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above, as items 2008-1 and 2008-2, to be material weaknesses.


Compliance and Other Matters

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

We noted certain matters that we reported to management of the City in a separate letter dated March 17, 2009.

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

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.



Atlanta, Georgia
March 17, 2009

CITY OF MILTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED SEPTEMBER 30, 2008

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

yes no

Significant deficiencies identified not considered
to be material weaknesses?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

There was not an audit of major federal award programs as of September 30, 2008 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, 2008

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2008-1 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 a misstatement in the reporting of the City's revenue and related receivables.

Context/Cause: During our testing, an audit adjustment was required to correct current year amounts. The nature of this adjustment is as follows:

- The City did not accrue a receivable and revenue for grant reimbursement of expenditures incurred during the year, requiring an additional receivable of \$17,500 to be recorded.

Effects: An audit adjustment of \$17,500 was needed to correctly record receivables and related revenues.

Recommendation: We recommend the City carefully review all accounting for grants and grant reimbursements to ensure that revenue and receivables maintain a proper cutoff at year-end 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 and related receivables are properly recorded.

CITY OF MILTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED SEPTEMBER 30, 2008

SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

2008-2 Capital Assets

Criteria: Internal controls should be in place to ensure that the amounts reported as capital assets and related depreciation expense and accumulated depreciation are appropriate.

Condition: Internal controls were not sufficient to detect material misstatements in the reporting of the City's capital assets.

Context/Cause: During our audit, adjustments were required to properly adjust the financial statements for errors in the reporting of capital assets in prior periods. The prior period adjustments to infrastructure capital assets were caused by omissions of infrastructure assets in the City's subsidiary ledgers as of September 30, 2007. These adjustments are as follows:

- Adjustments of approximately \$2,152,000 were required to properly report infrastructure capital assets and related accumulated depreciation in the prior year.

Effects: Adjustments totaling approximately \$2,152,000 were needed to correctly report capital assets and their related accumulated depreciation. These adjustments increased capital assets and opening equity (net assets) in the City's government-wide financial statements.

Recommendation: We recommend the City carefully review all capital asset transactions and report all capital assets 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 capital assets are properly recorded.

SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not Applicable

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